UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

MEMORANDUM

June 22, 1984

TO: Asia/PD, Mr. Robert G. Pratt (Acting)

FROM: PRE/H, Paul Vitale, Assistant Director

SUBJECT: Thailand Housing Guaranty Program Memorandum
Housing Policy and Program Assistance, 493-HG-003(b)

The attached revised Program Memorandum for Thailand, "Housing Policy and Program Assistance", 493-HG-003(b) has been approved by USAID/Bangkok and discussed by the Project Review Committee.

This revised Program Memorandum document reflects the recommendations of the Project Review Committee and has been modified accordingly. If there are no further concerns, please have the copies printed in the routine manner. I would like to thank you and your staff for your continued assistance during the review of the Asia HG projects this year.

Attachment

THAILAND

223-HG-003(b)

BUREAU/OFFICE: Asia

04

5. PROJECT TITLE (maximum 40 characters): Housing Policy and Assistance Program

PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 12 DD 31 YY 88

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 79 B. Quarter C. Final FY 80

8. COSTS ($000 OR EQUIVALENT $1 = 000)

A. FUNDING SOURCE	FIRST FY 79 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	( )	( )	( )	( )	( )	(400
(Loan) HG Loan	( )	( )	(15,000)	( )	( )	(50,000
Other 1.						
2.						
Host Country			10,000			51,000
Other Donor(s)			15,000			134,000
TOTALS			40,000			235,400

9. SCHEDULE OF AID FUNDING ($000)

APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan HG	F. LIFE OF PROJECT 1. Grant	2. Loan
SD	720	850	860	250	15,000		25,000	400	50,000
TOTALS				250	15,000		25,000	400	50,000

SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) | 11. SECONDARY PURPOSE

SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

PROJECT PURPOSE (maximum 480 characters)

To assist the National Housing Authority to strengthen its institutional capacity to provide affordable housing, to promote more private sector low cost housing, and to help the Government to implement its approved housing policy.

SCHEDULED EVALUATIONS

Interim MM 10 YY 84 MM 10 YY 86 Final MM 10 YY 88

13. SOURCE/ORIGIN OF GOODS AND SERVICES: ☐ 000 ☐ 941 ☐ Local ☐ Other (Specify)

AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment)

17. APPROVED BY

Signature: Robert Halligan

Title: Robert Halligan, Director, USAID/Thailand

Date Signed MM DD YY

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W AMENDMENTS, DATE OF DISTR. MM DD YY

AID 1330-4 (8-79)

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ASSISTANT
ADMINISTRATOR

GUARANTY AUTHORIZATION

PROJECT NO. 493-HG-003(b)

PROVIDED FROM: Housing Guaranty Authority

FOR : Kingdom of Thailand

Pursuant to the authority vested in the Assistant Administrator, Bureau for Asia, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance to eligible U.S. investors (Investors) acceptable to A.I.D. of guaranties pursuant to Section 222 of the FAA of not to exceed Twenty-Five Million United States Dollars ($25,000,000) in face amount. The guaranties shall assure against losses (of not to exceed one hundred percent (100%) of loan investment and interest) with respect to loans, including any refinancings thereof, made to finance housing projects in the Kingdom of Thailand (Borrower). This guaranty will assist in financing the low income housing program of the National Housing Authority of Thailand (NHA). This is part of an intended multi-year housing guaranty program involving $50 million of which $15 million has already been authorized. The remaining amounts are subject to subsequent authorization by A.I.D. and the mutual agreement of the parties. The sub-projects receiving the guaranteed loans will emphasize slum upgrading and core housing solutions, affordable by below median income families.

These guaranties shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans may extend for a period of up to thirty years (30) from the date of disbursement and may include such terms and conditions as shall be acceptable to A.I.D. The guaranties of the loans shall extend for a period beginning with the first disbursements of the loans and shall continue until such time as the investor has been paid in full pursuant to the terms of the loans.

2. Interest Rate: The rate or rates of interest payable to the Investor pursuant to the loans shall not exceed that prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.

3. Government of Thailand Guaranty: The Kingdom of Thailand shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.

5. Other Terms and Conditions: The guaranties shall be subject to such other terms and conditions as A.I.D. may deem necessary.

Charles W. Greenleaf, Jr.
Charles W. Greenleaf, Jr.
Bureau for Asia

6/26/84
Date

Clearances:

PRE/H:PVitale
HKaufman HK
RHUDO/Asia:PMGary (draft)
GC/H:MGKitay
GC/ASIA:STisa
ASIA/PD:RBloom
RPratt
FM/LMD:HShropshire (draft)

GC/H:MGKitay:gjg 5/29/84 Ext: 23544 #1354P

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I. SUMMARY OF THE PROJECT MEMORANDUM

A. The Argument

The initial project paper for the Low Income Housing Policy and Program Assistance Project (HG 003) was completed in 1979. At that time a $50 million HG program was approved in principle and $15 million for the first phase of the project was authorized along with $250,000 in grant funds (IIRUP) for technical assistance. All of the grant funds and $10 million of the HG funds have been disbursed. Proposed here is an amendment to the 1979 PP which will, if approved, provide a $25 million HG authorization for Phase II of HG 003.

HG 003 is part of a $369 million, multi-donor effort to support the National Housing Authority (NHA) in the development and implementation of its 1979-84 and 1984-86 Development Programs. The Asian Development Bank (ADB) has authorized $20 million, out of a proposed $55 million in loans, and IBRD has authorized $27 million, out of a proposed $79 million in loans, to support NHA's programs. Both institutions are in the process of authorizing subsequent tranches.

The HG program of $50 million approved in 1979 fits into NHAs 1979-86 core houses/sites and services and slum upgrading programs as follows:

	Million
Total program costs	$368.6
HG eligible costs	200.4
Total HG Loans approved by AID	50.0
Authorized to date	15.0
Requested authorization	25.0
Balance	10.0

NHA has general public sector responsibility in Thailand for financing and developing low-cost housing. It was created in 1973 by the consolidation of several agencies of the Royal Thai Government (RTG). Its current Development Program includes sites-and-services and core housing projects for households with a range of incomes, and slum upgrading. Other NHA activities, not supported by HG funds, include housing development at the request of other RTG agencies and, prospectively, the development of middle-income housing and commercial projects, the profits from which would be used to support other NHA activities. Development for other agencies is done on demand; middle-income and commercial activities will account for about 12% of NHA expenditures.

Virtually all building materials used in low-cost housing construction are produced in Thailand. Therefore, program costs are not influenced signficantly by international price factors except for the costs of imported oil used in production and distribution of building materials.

NHA provides land for small markets and builds commercial centers in its larger projects on a for-profit basis. The larger new towns include industrial estates to provide employment opportunities and a development profit to cross-subsidize low-income housing.

Upon the completion of construction of each housing project, NHA determines the sales prices of the houses (or plots) based on the actual total costs. Cross subsidies from the commercial, industrial and more expensive houses to the low-cost houses are factored in. Although project delays have caused house prices to be higher than originally projected, household incomes have also increased. Thus, the housing units have continued to be affordable by the original target groups.

It is NHA policy to provide a range of house types at various prices in order to create economically integrated communities. Increasingly, serviced plots are being provided without core houses (priced from $2,000 to $10,000 depending on size and location). Small expandable semi-finished houses (e.g. 20-35 square meters on 80 square meter plots) cost $2,500 - $3,000 including land and services. Larger houses, still affordable by households below the median income, average 35-40 square meters on sites of 120-160 square meters and cost $5,000 to $7,500.

B. Sources of Capital

Projects in the 1979-84 program all are being partially funded by HG resources. IBRD is co-funding with AID the five regional projects, slum upgrading and the Lad Krabang new town. ADB is co-funding with AID the Bang Plee new town. (See Table 1, p. 7)

The RTG allocations to the NHA are for 100% of the costs of slum upgrading projects and 10% of project costs for major infrastructure (typically, the off-site costs). Grants were 16% of total resources for the 1979-84 program and are expected to be 13% of the 1984-86 program.

Foreign loans were 72% of 1979-84 sources but will constitute only 42% of the new program. Conversely, other revenues (mostly NHA generated income and domestic loans) have increased from 13% to 45%.

The approved $50 million in HG loans will account for 25% of the 1979-84 program resources and 9% of the 1984-86 program resources. Forty million dollars of the approved $50 million remains to be borrowed by NHA: $5 million previously authorized; $25 million proposed here for

III. COST ESTIMATES AND FINANCIAL PLAN

A. Costs

In its principal programs, NHA exercises all of the functions of a developer. Like all residential developers, when NHA staff estimates project costs, they must take into account the expenses of acquiring and preparing the site, including fill and on and off-site improvements, the cost of constructing the improvements, including labor and materials, carrying charges for construction loans, overhead (administration and supervision) and contingencies. Although all construction inputs are time sensitive, overhead and construction loan interest charges increase in direct proportion to elapsed development time. Other costs vary according to location and other peculiarities of the project site. A few general observations, however, may serve to establish a cost context.

Land costs average 100,000 baht per rai ($4,350 per acre) in regional cities and double this amount at the urban fringe of Bangkok. Typically these sites require one or two meters of fill to bring them above flood level, at a cost of 80-100,000 baht per rai ($3,480 - $4,350), depending on availability of fill material. Aside from slum upgrading, where land costs are generally unimportant, NHA projects are located almost exclusively on the urban fringe of Bangkok or in regional cities. Although this reduces per unit unimproved site costs, infrastructure expenses and the cost of constructing schools and other facilities may be greater, particularly where there is no adjacent development. Such units may also be located a good distance from employment opportunities, creating consequent burdens on transportation facilities and on NHA's client. Realistic site selection criteria have not been a sufficient priority to NHA.

Overhead for administration and supervision averages 10% of construction costs. Interest during construction is a substantial cost considering that NHA pays 15% and more for short-term financing. This cost is effectively increased by the fact that all units in a project remain vacant until the entire project is ready for occupancy. Thus, the phasing of construction which allows most developers to reduce their construction borrowing by using early project income to finance late project construction costs, or to pay off early borrowing, is not used by NHA. The effect of this practice on construction period interest is magnified by other inefficiencies in NHA's construction management process which extend the construction period. For example, a delay of six months in the occupancy of a $5,000 unit (or serviced site) might cost NHA as much as $450 in additional interest and perhaps an equal amount in attributable overhead.

Most technical assistance to NHA is grant-funded and is not included in the costs of individual housing projects. Exceptions are such things as special engineering (e.g. designing the dikes for the Bang Plee new town) and marketing of industrial estates.

building material loans to finance the expansion [illegible]
be encouraged to participate in training programs and community organization activities sponsored by NHA or arranged by NHA with established institutions providing such services. Thus, project beneficiaries will become actively involved in the improvement and maintenance of their housing and communities.

Residents of slums to be upgraded are encouraged by NHA to organize themselves and actively participate in the planning, implementation and continuing management of their community. Also, they are encouraged to improve their houses. Skill and business training programs are offered to them as well. Like their counterparts in sites and services projects, slum occupants will have opportunities to upgrade their overall quality of life, not just their housing.

E. RHUDO Responsibilties

Under the policy framework of USAID/Thailand, the Office of Housing and Urban Programs, through its Asia regional office (RHUDO) located in Bangkok, will continue to have primary responsibility for facilitating the HG loan process (monitoring and evaluating implementation, as well as providing technical assistance and training). RHUDO also will continue to coordinate with the IBRD and ADB missions to Bangkok and RTG officials.

RHUDO will continue to monitor the quarterly progress reports of NHA, meet with other donors on a regular basis, update important studies of income and affordability such as "Housing affordability in Thailand Cities" and the Deemar Household Income Surveys. AID will use the regular monitoring procedures of the RHUDO/Asia and the Office of Housing strategy, program, budget, and management by objective reviews.

The RTG Cabinet has approved NHA's development program. Cabinet approval also is required for each project. NHA submits project proposals concurrently to the Ministry of Interior and Ministry of Finance and, subsequently, the National Social and Economic Development Board (NESDB) before final approval by the Cabinet.

Of course, NHA will continue to remain at the center of the public shelter sector. As in the first tranche, NHA will be the borrower of record for the second tranche. NHA will plan the housing projects; acquire the land; contract contruction to private contractors; supervise construction; arrange for other state enterprises, ministries and local governments to provide offsite infrastructure and community facilities; market the project elements; select beneficiaries; provide on-going estate management services; make hire-purchase loans; make building material loans; collect monthly hire-purchase payments; assist project occupants in starting a community organization; and arrange for social and economic services to residents. In sum, NHA is responsible for development, financing, marketing, and project management. NHA also has a staff responsible for evaluations of its programs and projects 2/.

D. Beneficiaries of the Proposed Project

Esimates of the number of households and persons directly benefitting from NHA's 1979-82 and 1984-86 development programs are shown in Table 4.

TABLE 4

Sites and Services/Core Houses	Households	Persons (HH x 5.5)
Bangkok	34,535	189,942
Regional Cities	7,686	42,273
Sub Total	42,221	232,215
Slum Upgrading		
Bangkok	46,314	254,727
Total	88,535	486,942

Of these nearly 90,000 households and 500,000 persons expected to benefit from NHA's program, more than 85% will be lower-income, including at least 75% of those occupying core houses and nearly 100% of those in upgraded slum areas. That is, lower-income beneficiaries will comprise approximately 70,000 households and nearly 400,000 persons.

TABLE 3

Shelter Outputs of 1984-86 Program

Sites and Services/Core Houses	Sites	Units
Bangkok	12	25,500
Regional Cities*	15	4,500
Sub Total	27	30,000
Slum Upgrading	48	18,000

Although these shelter outputs are central to the program from AID's perspective, it is of considerable additional importance that actors other than NHA and program approaches other than those traditionally relied upon by NHA be used in the new program. For example, the Government Housing Bank (GHB) will provide mortgage financing for at least one of the Bangkok area sites and services/core houses projects on a demonstration basis. Eventually, it is planned that GHB will assume responsibilities for long-term financing of all NHA sites and services projects. Thus, although GHB's early role is small, it will become increasingly important.

Beneficiaries will begin to be actively involved with NHA in the low-cost housing delivery process as a consequence of the mutual help housing cooperative project. Representatives of the private sector and NHA will increase their interaction in the joint venture projects.

NHA also will on-lend funds to the Credit Union League of Thailand (CULT) to expand CULT's small but successful home improvement loan revolving fund. Since NHA also has an agreement with CULT to experiment with credit union management of a sites and services project, this loan will strengthen the relationship between these two organizations.

Finally, there is a subcommittee of NESDB on housing policy (also called the Housing Council), which is concerned with promulgating the recently adopted National Housing Policy. Although it is not involved directly in the NHA project approval process, it does have an oversight function and its influence with the Cabinet is substantial since the Prime Minister chairs NESDB.

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*In addition to the 15 regional cities sites included in the 1984-86 program, three additional sites have been identified for development of more than 1,000 units.

These inputs will yield, over the two program periods, upgraded neighborhoods in which 46,000 households will reside, new shelter for 42,000 households, of which 29,000 (72%) will be low-income, and adoption by each important public institution in the shelter sector of an action plan for implementing the National Housing Policy. Tables 2 and 3 display the shelter outputs for the 1979-84 and 1984-86 Programs respectively.

TABLE 2
Shelter Outputs of 1979-84 Program

Projects	Number of Housing Units 1/	Number of HU Affordable by Poor 2/	Percent of HU Affordable by Poor
Sites and Services			
Bangkok New Towns			
Bang Plee (Phase I)	5,205	4,762	91%
Lard Krabang (Phase I)	3,830	2,960	77
Sub Total	9,035	7,722	85
Regional Cities			
Chiangmai	949	669	70
Songkhla	581	553	95
Khon Kaen	578	474	82
Nakhon Sawan	557	415	75
Chantaburi	521	420	81
Sub Total	3,186	2,531	79
Total Sites and Services	12,221	10,253	84
Bangkok Slum Upgrading	28,314	28,314	100%

1/ As of April 1984, Chiang Mai and Songkhla projects have been completed (a total of 1,530 units); Lad Krabang is to be completed in May (3,830 units) and Bang Plee is scheduled for completion late in 1984 (5,205 units); the other three projects are to be completed in 1985.

2/ Households below the median income in 1983. The median was 6,500 baht in Bangkok and 5,000 baht in regional cities.

Table 1

SOURCES OF CAPITAL FOR NHA SLUM UPGRADING AND SITES AND SERVICES PROGRAMS
($ Millions)

Source	1979-84 Program	1984-86 Program	Total	%
AID/HG 1/	25	25	50	14
IBRD	27	52	79	21
ADB	20	35	55	15
RTG	16	35	51	14
OTHER	13	121	134	36
TOTAL	101	268	369	100%

IBRD is planning a $50 million loan to Thailand as the third continuation of their shelter project. Nearly all of this loan will flow to NHA to co-finance with AID approximately one-half of the projects in the RTG/NHA 1984-86 program.

ADB is preparing a $35-40 million loan to co-finance with AID the regional cities projects, which are not co-funded by IBRD, and three of the 12 Bangkok area sites and services projects. ADB's funding is tied to foreign exchange costs.

In addition to these capital inputs, technical assistance will be provided by the World Bank, the Government of Switzerland (through ADB) and AID. AID will provide staff and consultant services for the refinement of the RTG National Housing Policy. Staff will primarily be concerned with helping RTG to more clearly articulate institutional actions required to implement the policy, while consultants will be used to provide technical studies and assessments. AID staff will particularly press the dialogue on the appropriate roles of RTG and private sector institutions - especially in the areas of financing and coordination. AID will also provide consultants to assist the RTG in the design and planning of its special public/private and public/coop demonstration projects. Finally, AID will assist the GHB in the development of a program which will allow GHB to wholesale funds to other financial institutions and, therefore, to extend the availability of mortgage funds for low-cost housing finance.

The Swiss Government is making a $500,000 grant to NHA to be administered by ADB for technical assistance regarding project management (mostly construction management) and land management (emphasis on land acquisition). These are two of the key problem areas at NHA affecting the pace of housing delivery. RHUDO has had input into the terms of reference for the consultants and will work with them and ADB.

(1) to increase the availability of safe and sanitary shelter affordable by low-income families in Bangkok and in regional cities and build the capacity of regional cities to absorb regional migration; and

(2) to improve and rationalize the implementation of the approved National Housing Policy, especially the objective of mobilization of resources for financing shelter needs.

The funds proposed for authorization here will be used to complete the slum upgrading and sites and services projects of the 1979-84 program and to support similar projects in the 1984-86 program. In addition HG funds will be used for one or two demonstration projects which will employ private sector developers to perform some of the functions now performed by NHA. Assistance to a mutual help cooperative housing project is also an HG-eligible element of the new Program.

The initial authorization for the $50 million HG program contemplated by the 1979 PP (HG 003) was for $15 million. Of that, $10 million has been borrowed. The remaining $5 million and a portion of the HG funds requested in this Project Memorandum will be used to complete the 1979-84 Program. The balance of the second tranche will be expended on projects included in the 1984-86 Program. Successful disbursement of the initial $15 million authorization and this $25 million request will leave $10 million of the $50 million unauthorized. That amount will be recommended for authorization at a later date if NHA sufficiently improves its implementation performance.

Table 1 shows the capital inputs for NHA's 1979-84 and 1984-86 slum upgrading and sites and services programs. Fifty percent of the 1979-86 capital requirements come from donor financing. During the first phase of the NHA program, 72% came from donor sources, while 42% of the second phase 1984-86 NHA program will be financed from foreign loans. NHA's other scheduled sources of capital include earnings and domestic loans.

Approximately 50% of the NHA budget which does not come from the World Bank, ADB or AID, comes from the Government budget as noted in Table 1; project funds $2-2.5 million dollars per month in the form of rent payments, hire-purchase installments and estate management receipts, the sale of commercial properties and loans from commercial banks. The proceeds from the sale of commercial properties have been small to date but recently increased commercial development activities will produce significant earnings in the near future.

Another new source of funds is also imminent. Until recently, RTG regulations have restricted the amount of their assets that insurance companies could invest outside of certain stipulated "safe" havens to 20 percent. A recent change in those regulations will permit that limit to be exceeded if such additional funds are invested in housing. NHA hopes to obtain such capital at terms and in amounts which remain to be specified.

A National Housing Council has been established, as a subcommittee of the National Economic and Social Development Board (NESDB), to foster the implementation of the National Housing Policy and Housing Finance Study recommendations.

The RTG Cabinet has approved NHA's 1984-86 Development Plan.

NHA and the RTG have systematically reduced subsidies from more than 50% of the costs of its mid-1970's projects to full cost recovery except for major off-site infrastructure in its projected 1984-86 sites and services program.

Slum upgrading has increased from 4,000 family beneficiaries per year to 6,000. More costs are being recovered through user fees, land rents and taxes, as was proposed in the 1979 PP.

The Government Housing Bank (GHB) has agreed with NHA to provide mortgage financing for NHA houses on a selected projects demonstration basis.

The NHA has improved its site analysis and design capacity by installing a micro-computer-based system derived from the Bertaud Model, a computerized system designed to assist program planners to analyze alternative site designs, to reduce costs, and to improve program efficiency.

The NHA has been reorganized to improve its performance. A permanent land acquisition staff has been created, and a Housing Center has been established for training and research.

In spite of these substantial achievements, particularly in the development of national housing policy and program design, NHA's progress in the implementation of the projects outlined in its development program has been less than satisfactory. To some extent, this has resulted from programmatic shifts, but problems in NHA's land acquisition, contract tendering and other implementation and administrative processes have also been important. Some of these problems have been corrected, e.g., international tendering procedures required by IBRD and ADB are now in place, but not without a considerable amount of time and effort on the part of NHA and its donors. Major improvements are still required. (See Annex J)

C. Description of the Proposed Project

HG 003 is part of a $369 million multi-donor effort to support the NHA in the development and implementation of its 1979-84 and 1984-85 Development Programs. The Asian Development Bank (ADB) has authorized $20 million, out of a proposed $55 million in loans and IBRD has authorized $27 million, out of a proposed $79 million in loans, to support NHA's programs. Both institutions are in the process of authorizing subsequent tranches.

The goal of this program, put most broadly, is to improve the shelter and Environmental conditions which affect the urban poor. More particularly, the purposes of this project are:

14X

estimated that one-half of slum households lack piped water. Others have to purchase water at prices greatly in excess of the normal rate. Health conditions are considered poor.

Most slums are in low-lying districts which are affected by seasonal flooding. Parts of some are continuously flooded. Adjacent canals, which are highly contaminated, are used for bathing, laundry and waste disposal. The King Petch survey of a major slum area indicated 44% of the families had a sick member during the month prior to the survey. While the data are far from conclusive, the general sanitary conditions in these high density communities do suggest an environment in need of upgrading for public health reasons.

Evictions of slum dwellers from both public and private land is occuring at an increasing rate. Moreover, there are fewer and fewer alternative locations available as existing slum areas become more congested. This problem is seasonally aggravated by migration from agricultural areas during that part of the year when farm labor is not in demand. Seasonal migration to Bangkok is estimated at 10% of its population, roughly 500,000 people. A large share of the migrants find housing in slums, usually with friends or relatives.

B. Progress to Date

In 1979, when the original Project Paper was approved, the NHA approach to meeting Thailand's shelter needs was largely confined to constructing and deeply subsidizing (in excess of 50% in some programs) fully-serviced, completed dwelling units. The expense of these programs limited their benefits to relatively small numbers of households. By the time the AID-NHA Implementation Agreement had been signed in 1980. NHA, at the urging of AID and other donors, agreed to shift its emphasis towards low-cost core units and serviced sites and to focus geographically on regional cities. In Bangkok, slum upgrading became the primary program. AID assistance has been provided on a program basis. NHA's 1979-84 program, to which AID, the World Bank and ADB contributed along with domestic sources, has used HG resources for slum upgrading and sites-and-services programs. The 1979-84 sites and services program comprised seven projects with a total of 12,221 units. The 77 slum upgrading projects are benefiting 28,314 families.

AID also provided $250,000 in technical assistance funds including support for a resident advisor. AID participation in the 1979-84 program was fundamental to the following particular achievements:

- The RTG has adopted a National Housing Policy which is in accord with AID policy recommendations.

- A National Housing Finance Study was completed in 1982 and many of its recommendations are being implemented or are under active consideration.

This Program Memorandum amends and supplements the Project Paper dated March 6, 1979. To the extent this Program Memorandum is inconsistent with the Project Paper, the Program Memorandum shall be deemed to be controlling.

B. Recommendation

It is recommended that $25 million be authorized as the second tranche of the $50 million Thailand Housing Guaranty Program approved in 1979. NHA will continue to use the loan proceeds to finance its low-income shelter programs.

I. PROJECT RATIONALE AND DESCRIPTION

A. Need for the Project

The most serious shelter needs in Thailand are to upgrade existing slums in Bangkok and to provide new low-cost housing, particularly in developing cities. These needs are the consequence of rapid immigration to Bangkok and, more recently, attempts by the RTG to disperse population growth away from Bangkok and towards secondary cities.

The population of Thailand in 1984 is approximately 50 million and is increasing at approximately 1.8% per annum. The urban population growth rate has now declined to about 4% from about 6%. Bangkok has a population of approximately five million and is forty times larger than the next largest city, Chiengmai. More than half of Thailand's urban population lives in Bangkok. Urbanization is increasing in Thailand although the population of all municipal areas is now only 20% of the total population.

The primary social and economic changes which account for this increased urbanization include: (1) rapid economic development in urban rather than rural areas; (2) a shift away from self-employment in agriculture into salaried employment outside of agriculture; and (3) expanding demand for education. These changes have stimulated both urban growth and the need for increased urban services and housing.

Approximately 30,000 new households require shelter each year in Bangkok. At least 150,000 more housing units will be required during the next five years. The public sector has developed fewer than 50,000 units during the most recent 5 years. The majority of these units are in Bangkok. About one-half have been built for low-income (below the urban median) households. Currently some 14,000 units are being developed in Bangkok and secondary cities by the National Housing Authority (NHA); approximately 8,000 are low income units. Another 30,000 sites and services/core houses are planned as part of NHA's 1984-86 development program.

There were 420 slum communities in Bangkok housing 600,000 people according to a survey conducted in 1982 by the Bangkok Metropolitan Authority and NHA. There were also 200 slums located on canals (klongs), railroad areas and along highways. One recent study estimates that the slum population is now approximately 1.2 million. While data vary greatly from source to source, there is no doubt that these communities provide a large amount of affordable housing for the low-income urban population.

Slum communities in Bangkok as elsewhere in the world are characterized by (1) high density, (2) poorly built or deterioriated dwellings, (3) lack of drainage and/or sewerage systems, (4) inadequate light and poor ventilation, (5) poor environmental conditions, i.e., garbage, swamp areas and disease. In Bangkok it is estimated that 80% of the slum areas do not have lights on their roads or walkways. It is

Since the approval of the 1979 Project Paper, considerable progress has been made in the development of shelter policy and the design of programs. When the original PP was written in 1979, NHA's program included plans for the production of highly subsidized rental apartments. By the time the AID-NHA Implementation Agreement was signed in 1980, NHA's planned program through 1982 had been altered considerably, to a large extent in conformity with the objectives of AID and other donors to emphasize production of low-cost core units and serviced sites in regional cities. This contrasts with the highly subsidized rental housing located primarily in Bangkok which had been NHA's previous focus.

In addition, NHA has been instrumental in the establishment by the RTG of a National Housing Council (1982), adoption of a National Housing Policy (1983), and completion of a Housing Finance Study (1982).

Although these policy and program design efforts have provided the basis for a useful shelter strategy, NHA has had difficulty in implementing the program components of its strategy at an acceptable level of efficiency. This is in spite of the fact that NHA has a number of highly competent managers who have benefitted from a variety of technical assistance provided by AID and other donors. One reason for this continuing problem is that NHA has been unable to reduce its staff to a size commensurate with its responsibilities or to effectively manage them, as a consequence of employee union intransigence. A second reason is that donor-provided consultants have tended to make NHA consultant-dependant rather than enhancing their self-reliance. Because NHA has virtually exclusive responsibility for all aspects of public sector housing programs in Thailand, these failings have widespread effects.

As a consequence, the AID strategy underlying the authorization proposed here is to encourage greater self-reliance on the part of NHA and to reduce the breadth of their responsibilities by encouraging the transfer of certain functions to other public sector institutions and to private developers. By transferring, for example, financing functions to the Government Housing Bank and by demonstrating the production roles that could be played by private sector actors under turnkey or other contracts with NHA, it is believed that NHA can become more manageable. AID will also continue to refine its support for the shelter policy development process. These activities do not require substantial grant funding (approximately $150,000 over a three year period), but do entail working with a number of different institutions and orgnizations. Therefore it is proposed that these activities be incrementally funded out of PRE/H central funds as agreements are reached with the various actors.

Other donor assistance, notably a $500,000 Swiss program, will be used to assist NHA in tightening its control over implementation. To support these efforts, and to maintain the positive relationship which has developed between AID and NHA, an additional HG authorization is proposed here.

B. Relation to AID Policy Objectives

This Program supports five major AID policy objectives:

> institutional development, promotion of private sector initiatives, progressive shelter policy dialogue, transfer of technology and participation of women in development programs. Each objective is discussed in detail in the program memorandum summarized below.

In the area of institutional development, AID has placed a major emphasis on improving and stengthening the NHA. Technical assistance is being provided by both AID and other donors to increase the efficiency of NHA in project implementation. AID has also promoted a policy dialogue regarding the clarification of institutional roles within the shelter sector to implement the progressive housing policy. The institutions involved in the policy dialogue include not only NHA but also the Government Housing Bank, the Provincial Water Authority and other private sector institutions.

The project identifies several new initiatives to increase private sector involvement in the provision of low-cost housing and to foster joint public-private sector housing ventures. During the implementation, NHA will examine alternative cost and design criteria to test the feasibility of various models in meeting low-cost affordability standards. If successful, this new private sector approach should encourage replication of these low-cost housing initiatives.

With regard to transfer of technology, AID has introduced new design and construction criteria for low cost core houses and sites and services projects. Within NHA, AID supported technical assistance has resulted in a major new computerized system for the design, costing and monitoring of the construction built under the project.

Participation of Women

AID has assisted NHA in its efforts to foster the participation of women in NHA's program as project beneficiaries and in NHA management as leaders and policy makers within the organization. Women comprise over 40% of the beneficiaries under the program and have title on lease purchase agreements for NHA housing. Moreover, there are no formal barriers to women obtaining housing under NHA programs. NHA can be characterized as a model institution in its encouragement of competent women in senior management. The deputy governor of NHA, the director of finance and major department heads in finance, the deputy director of policy and planning and many other mid-level and senior staff are women.

authorization and $10 million for a future authorization. It is proposed that $10 million of the $25 million second tranche be used to complete the 1979-84 program and $15 million be applied to the 1984-86 program. (See Table 1.)

HG loan proceeds are being used to finance only the low-income components of these programs. Eligible costs include:

1. All slum upgrading costs.

2. Core houses affordable by low-income households.

3. Shares of infrastructure, community facility and overhead costs proportionate to the shares that low-income housing units are of total housing units.

4. Building material loans to improve or expand housing occupied by low-income households.

Because NHA projects are large and they are implemented over several years, disbursements are made on the basis of actual costs for land and construction before all the houses are completed and occupied. To ensure that projects are completed and occupied satisfactorily, AID will not approve requested disbursements for the costs of completed projects until and unless RHUDO inspections confirm satisfactory compliance with all the applicable terms and conditions of the Implementation Agreement. Land acquisition costs, including costs for project-related advance land acquisition, will be eligible costs so long as the AID-approved project delivery plans contain an appropriate description of the activity.

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IV. IMPLEMENTATON PLAN

It is anticipated that the second tranche will be disbursed in three drawdowns. The first disbursement of $10 million will include $5 million from the initial authorization. The Implementation Agreement will be negotiated in July/August 1984 with a Loan Agreement anticipated by September/October 1984. The first disbursement is scheduled for November/December 1984 and the second for one year later.

Third Quarter FY 1984

1. AID sponsored National Housing Council policy implementation seminar held.

2. Coopers Lybrand TA for financial planning underway.

3. AID, ADB, IBRD coordinate inputs

4. Approval of $25 million Program Memorandum.

Fourth Quarter FY 1984

1. PRE/H and RHUDO/Asia sponsor evaluation team to work with NHA and resident advisor on HG interim evaluation and evaluation of the recently concluded grant-funded technical assistance program.

2. Housing Policy T.A. (ongoing)

3. ADB sponsored Swiss T.A. contract negotiated and resident advisors in place.

4. Preliminary plans prepared for cooperative housing project and NHA-private developer joint venture project.

5. Project monitoring system in place including improved quarterly reports, site progress reporting forms and preliminary results of Tung Song Hong Evaluation Program.

6. Implementation Agreement drafted and negotiated.

First Quarter FY 1985

1. Conditions Precedent for first disbursement met.

2. Project Loan Agreement drafted and negotiated.

3. GHB - NHA signed agreements on implementation plan for GHB mortgage financing of first demonstration project.

4. NHA advisors on land management and project management retained and work underway.

5. NHA proposals to the National Housing Council to substantially speed up project implementation, reduce NHA overhead and eliminate all RTG giants.

Second Quarter FY 1985

1. Urban Sector Assessment and Housing Needs Study completed.

2. Technical Advisors in place and working on cooperative housing project development plan and private sector developer program.

3. Housing Policy research T.A.

Fourth Quarter FY 1985

1. Second evaluation

2. Second disbursement of loan.

First Quarter FY 1986

1. Program evaluation and recommendation for any potential new program development.

Third Quarter FY 1986

1. Third disbursement of loan.

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V. MONITORING AND EVALUATION

As a part of the ongoing RHUDO/Asia monitoring and long and short-term technical assistance, AID has worked in collaborative style with NHA staff to develop and strengthen their internal evaluation, reporting and monitoring systems and thereby to ensure that management reports are useful to NHA, other donors and AID. These systems provide much of the information needed to inform AID's monitoring and evaluation of HG-supported NHA programs, both with respect to short-term products of the Program and long-term longitudinal surveys and policy studies.

Following authorization of the first tranche of HG 003, AID financed a major study to review the PP evaluation plan, analyze the existing data sources and make recommendations to AID on its implementation. This study, completed in 1980, provides a detailed analysis of NHA's monitoring and evaluation systems and establishes a reasonable guideline for the collection of standardized evaluation data including program impact indicators. Major parts of these guidelines have been incorporated into NHA monitoring and evaluation programs.

In terms of program evaluation, NHA has instituted a series of prototype analyses of their shelter program including: 1) a report on the first five Slum Upgrading projects which reviews implementation, problems in planning and construction, and the social benefits of improved tenure, physical infrastructure and NHA's socio-economic programs; 2) a completion report for the Bangkok Sites and Services and Slum Upgrading Projects, which indicates progress in meeting the original objectives and lessons learned which can be applied in the new program; 3) evaluation of the Tung Song Hong project over two years, including an analysis of the social impact on beneficiaries and step-by-step review of implementation, planning, construction and marketing and serving as the prototype for evaluation of HG projects; 4) Housing Marketing Surveys for each sub-project, which include baseline data on income levels, unit type, existing community facilities and socio-economic needs. These surveys are required for each AID-financed project and can be used over time to demonstrate program impact by comparison with subsequent surveys.

On the policy side, evaluation will be by straight-forward review of policy documents and the extent to which they are reflected in program design and by periodic assessments of progress in institutional restructuring. Monitoring of policy progress will be facilitated by AID's role in developing seminars and workshops with the National Housing Council.

Donor agencies have worked with NHA to develop several reporting systems including:

1) A Quarterly Progress and Monitoring Report which includes social, economic, physical and financial issues. The focus of the report is on specific actions NHA undertakes to meet project objectives and scheduled timetables. It includes: 1) key indicators of project

progress, 2) project management issues, 3) report on attitudes of residents and 4) a summary report on actions to meet previous recommendations. The information is collected through: a) analyses of NHA secondary data sources such as application forms, progress reports on site occupation; and other financial and design related data forms; b) interviews with NHA staff on progress at each site; c) sample household surveys and d) observational surveys of environmental conditions, e.g., road maintenance, garbage collection, drainage; e) interviews with community leaders

2) Longitudinal Descriptive Studies describe social, economic and physical changes. The Tung Song Hong prototype includes: a) a brief socio-economic survey which focuses on the project population characteristics. This is important in verifying income levels of beneficiaries by housing type, preferences among housing types by income levels, problems, if any, encountered in completing core units, occupancy rates, and effects of marketing strategies; b) intensive interviews; c) observation case studies; and d) repeated longitudinal surveys to record trends in resident population and evolutionary improvements in housing and environment over time.

A formal evaluation of both the HG program and the IIPUP grant project will be completed prior to the first disbursement of the second phase HG funding.

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Proposed NHA Plan for Monitoring and Evaluation Program for Sites & Services and Slum Improvement

Project/Type of Monitoring and Evaluation	1984				1985				1986			
	1	2	3	4	1	2	3	4	1	2	3	4
(A) Sites & Services Project												
1. Quarterly Monitoring and Rapid Feedback Studies												
- Tong Song Hong, Chiangmai, Songkhla	xxxxxxxxxxxxxxxxxxxxxxxxxxxx											
2. Qualitative Evaluation												
- Tong Song Hong, Chiangmai	xxxxxxx											
- Songkhla			xxxxx									
3. Longitudinal Studies												
- Tong Song Hong, Chiangmai	xx		xx				xxx					
- Songkhla		xxx		xxxx				xxx				
4. Longitudinal Impact Studies												
- Tong Song Hong, Chiangmai, Songkla											xxx	
Special Studies												
- Material Loan						xxx						
- Housing Marketing Study				xxx						xx		
- Qualitative Analysis of Housing (Options)												
(B) Slum Improvement Project												
1. Qualitative Studies		xxxx		xx								
2. Longitudinal Studies												
- Upgrading Project			xxx				xxx					
- Reblocking Project	xxx											
- Relocation Project				xxx				xxx				

VI. TECHNICAL ANALYSIS

A. Slum Upgrading

In 1978 NHA identified 412 slum areas in Bangkok and selected the 108 slums in greatest need of upgrading. These were studied with regard to land tenure, water and electricity supply, accessibility, drainage, density, incomes, debt and savings levels, education levels, health conditions, and future land use potential. They were further classified according to their suitability for upgrading: a) slums to be upgraded as permanent communities where permanent land tenure or long-term leases can be obtained; b) slums to be upgraded as temporary communities where long-term tenure can not be secured (in these areas upgrading focuses on socio-economic programs and extension of public utilities); and c) slums to be cleared, mainly those in areas scheduled for high priority public uses such as highways and ports. These last are being removed and alternative housing allocated to residents on a priority basis in NHA's rental units and core housing projects.

NHA has increased its upgrading program and will use eminent domain powers to acquire slum land to cope with growing needs. The RTG, NHA and the Bangkok Metropolitan Administration (BMA) have increased their commitments to slum upgrading as the primary means of providing basic shelter and urban amenities for the very poor. Measures of this are NHA's 50% increase in its program from 4,000 to 6,000 family beneficiaries annually and BMA's new program to provide socio-economic services to slum occupants.

Physical improvements to the upgraded slums include: road access and provision of dry walkways; repair and improvement of drainage systems; construction of garbage collection points, some street lighting, and provision of fire protection systems including mobile pumps. In some areas water supply systems are being repaired and improved. Improvements are designed to meet the specific needs of each area. Implementation of physical improvements are coordinated with the Bangkok Metropolitan Authority and with the public utility authorities which operate and maintain the services provided.

Management of Government-owned land in slums to be upgraded, (which are currently rented to residents on a short term basis -- usually one year), are being transferred to NHA which issues 20 year leases to residents. Where possible NHA is negotiating with private absentee landowners for similar 20 year leases. NHA then sublets those parcels to residents. In other cases, NHA negotiates direct leases between landowners and residents. Rents on lots in these slums vary but are typically 100-150 baht ($4.35 - 6.50) per month for an 80 m^2 lot. This is readily affordable by even the lowest income groups.

The NHA has been helping set up socio-economic programs in upgrading projects. Generally, it acts as promoter and sponsor of community activities funded through agencies such as the National Institute of Skill Development, the Department of Industrial Promotion, the Family Planning Association of Thailand, the Bangkok Metropolitan Authority Health Services and the Ministry of Public Health. In one of its first projects, for example, NHA social workers helped set up sewing classes and facilities. Some upgrading projects also include facilities such as health and day care centers. Increasingly, NHA is focusing on physical improvements and leaving the social and economic programs to the various institutions which specialize in these services. In Bangkok the BMA has taken on the overall responsibility for integrating and coordinating these programs.

The NHA has established lines of credit through the Krung Thai Bank, a commercial bank wholly owned by the Ministry of Finance, whereby loans can be obtained by small businessses in NHA upgrading projects of up to 10,000 baht at 12% interest repayable over 4 years. NHA program workers help businesses in the projects apply for these loans.

Some of those first pilot projects included direct charges to beneficiaries for infrastructure improvements. The results of these tests provided feedback on the feasibility of this mechanism for improving cost recovery. Many households refused to pay; some claimed they could not afford to pay. Collections costs were very high. Political leaders opposed the concept of charging the poor for these improvements. Thus, the RTG and NHA decided to fund upgrading projects from the RTG. IBRD has concurred in this decision. Attention has shifted to recovering costs by user fees and taxes which appear more palatable.

Implementation of the first projects indicated a need to improve the coordination between NHA and the Bangkok Metropolitan Administration as well as other agencies. These coordination arrangements continue to be more fluid and less formal than is desirable and this is an area on which USAID will to focus its attention.

The NHA does not include costs for land acquisition in its estimates for upgrading. NHA negotiates lease arrangements with private absentee landlords in slums to be permanently upgraded. Another option being tested is to purchase the land and then to sell or lease it to residents. Such attempts have not been very successful to date because current owners are unwilling to sell their lands at reasonable prices. A greater willingness by NHA to use its powers of eminent domain should reduce this impediment.

8. Sites and Services with Core Houses

The NHA has developed a system of expandable core housing which starts with simple one room structures and sanitary cores of about $20m^2$ on lots of 70-80 m^2. Various options provide for a mix of unit and lot sizes. All are designed so as to be expandable by the purchasers and building material loans are included in the projects. Most of the units are row house or quadruplex types of lightweight block and reinforced concrete construction on piles with asbestos cement roofing. Some of the larger units are two-storied.

AID has been reviewing with the NHA and other donors the technical aspects of projects. These reviews have addressed the construction standards for expandable core housing to assure units are capable of being expanded safely. In addition, at the time of purchase, home buyers are provided information and advice on the expansion capabilities and possibilities of core units.

In typical projects about 60% of the land is used for lots; 15% for circulation; 10% each for community facilities and open space; and 5% for small-scale commercial and business facilities. Residential streets with 6-8 meter rights-of-way and 3-4 meters of paving provide basic access with footpaths around 1-5 meters wide and rights of way of 3-4 meters providing access to individual units. Water, electric and sewerage connections are provided to each plot. NHA projects include on-site sewage treatment ranging from aerated lagoons to activated sludge systems or oxidation ditches. Site planning for NHA projects is frequently complicated by the need for filling or diking for flood control and surface drainage. The cost of such improvements can substantially affect the breakeven price for NHA.

Primary school and community facilities, including multi-purpose public buildings, health centers, workshops for small-scale industries, retail shops, and markets, are provided to varying extents in NHA projects, depending on the size of the community.

NHA is developing two large new satellite communities in the Bangkok area. One is a 10,800 unit development at Lad Krabang to the east of Bangkok near an industrial estate financed by the World Bank; another is more than 30,000 units just outside Bangkok at Bangplee in a growing industrial area. These and others already started at Rangsit and Nawa Nakhon to the north are attempts to establish integrated new towns as satellites to the Bangkok Metropolitan area. Planners expect them to absorb significant shares of the population growth. Land for these multi-phase projects has been assembled and acquired. Commitments of industrial investment have already been obtained for both Lad Krabang and Bangplee. Phase one of each project will be completed in 1984 (3,830 units in Lad Krabang and 5,205 units in Bangplee). NHA has also acquired smaller sites in Bangkok close to existing industrial areas and is seeking additional locations.

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C. Environmental Considerations

The environment of most urban areas in Thailand, and particularly Bangkok, is fragile. Contamination of surface waters by sewage effluent, especially when floods occur, is at present the principal environmental health problem in Bangkok. NHA project standards exceed all existing government regulations for sewage discharge. Water supply and depletion of underground water resources also are major concerns, both in Bangkok and the regional cities. NHA takes into account these factors in program planning. Sanitary conditions in upgraded communities and NHA's new communities are a considerable improvement over prevailing conditions. Community operated garbage collection systems and piped potable water contribute to improved public health through reduction of exposure to diseases. The Bangkok Metropolitan Authority is also undertaking a program of flood protection in parts of Bangkok and dredging of canals that have been blocked by solid waste accumulation.

Discussions between the NHA and responsible planning and regulatory agencies have been contributing to Government policy in several broad areas of environmental concern. These include protection of prime agricultural land, alternative techniques for building on flood plains and urban growth and land carrying capacity analysis.

The Government has adopted environmental policies, enacted supportive legislation, and established a National Environment Board. AID project reviews include environmental considerations.

The initial Environmental Examination (I.E.E.) for the proposed program reviewed NHA's standards and practices and recommended a negative environmental determination. The consultant's detailed findings are included in a separate report.

VII. ADMINISTRATIVE ANALYSIS

A. NHA Organization

The NHA was founded in 1973 as a state enterprise attached to the Ministry of Interior. The Governor is responsible to a Cabinet-appointed Board of Directors.

NHA has been reorganized several times, most recently in 1983. There now are eight major departments:

Governor's Office
Policy and Planning
Construction Management
Construction Support Services
Finance Department
Estate Management
Slum Upgrading
Housing Center

The major changes from the previous organization are:

1. The Research and Construction Department has been divided into two departments. The effect of this is that five Project Administration Divisions, which design projects and supervise construction, now depend on another department for tendering and special engineering services.

2. Slum upgrading has been elevated from a division within Research and Construction to a Department. This indicates the increasingly important role of this activity in NHA.

3. The Center for Housing and Human Settlements Studies (the Housing Center) was created by combining the research staff from the Reseach and Construction Department with the training staff.

The primary purpose of the reorganization was to increase the overall housing delivery capability of NHA, with particular emphasis on project management. The Housing Center also has become important in both staff training and research. The effects of this reorganization on NHA efficiency have been limited. The separation of the construction fuctions into two departments has been controversial, because more coordination between departments now is required. Interdepartmental coordination has been a fundamental problem at NHA all along. The Swiss-financed TA on project management will address this issue.

Through the reorganization, each deputy governor has been given responsibility for specific functions. This is helping with communication on policy issues between the Governor's Office and the departments.

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absorb and act on recommendations is limited. Project implementation is in waves rather than any kind of regular flow. The NHA's 2400 person staff is larger than can be justified but state enterprise unions make it virtually impossible to reduce, reassign or discipline staff. Production, innovativeness and morale are often low, even though senior and professional staff are well-educated, intelligent and hardworking.

B. Housing Delivery

During 1984, NHA will provide sites and services for nearly 10,000 units in four projects. These projects are part of the 1979-82 program and are the first projects completed under the initial plan.

A key reason that most NHA projects have been consistently behind schedule is that sites are not acquired in advance. The acquisition process commonly takes a year. Another six months or so is taken up in site design and preparation. Prolonged flooding can delay site preparation by additional months.

The bidding and contracting process also is slow and complications often cause delays. Construction sometimes is hindered by design changes, material shortages, labor disputes and contract difficulties. Additional delays frequently occur near the end of project implementation because the electricity and water authorities have been unable to schedule their work properly due to the problems mentioned above.

Technical assistance on construction management has been provided by AID, IBRD and ADB. The NHA officials and senior staff are skilled in planning and programming. In large measure these delays are avoidable and USAID will provide assistance with this critical problem. Since the Swiss Government is allocating $500,000 for TA on land acquisition and construction management, AID will focus its on highly leveraged topics such as private developer provision of low-cost housing.

With assistance from UNDP and IBRD, NHA has used the services of Coopers Lybrand to undertake a major revamping of the NHA financial planning and accounting system. This work is in progress and will improve efficiency by introducing computerized cost accounting and providing more realistic time schedules for both implementation and cash flow projections.

C. Coordination and Cooperation

Coordination and cooperation with RTG institutions is another key issue for NHA. The Deputy Permanent Secretary of the Ministry of Interior of which NHA is a part, is the Chairman of the Authority's Board of Directors. However, there is not a housing staff in Interior. On housing finance, NHA works with the Fiscal Policy Office of the Ministry

of Finance, but this is not a strong relationship. The most effective linkage to the RTG is with the National Economic and Social Development Board (NESDB). This relationship has been further strengthened by the creation of the NESDB subcommittee on housing policy, i.e., the National Housing Council. The relationship between NHA and the Government Housing Bank (GHB) has improved recently; GHB is gradually providing financing for NHA.

NHA will need to work effectively with a private developer in the planned joint venture project and with cooperative members and a Technical Service Organization (TSO) on the mutual help cooperative housing project. The TSO will provide assistance to cooperators in forming and managing their cooperative.

D. Technical Assistance

Further AID technical assistance will be limited to highly specific subjects which (1) facilitate the implementaton of the new National Housing Policy; (2) implement the major recommendations made in the previous AID studies and the Housing Finance Study; (3) support the HG program emphasis on regional cities; and, enlist the involvement of the private sector in providing housing and housing finance for the poor. This will be done by: (1) monitoring and evaluating RTG housing policies and NHA programs; (2) promoting action on previous recommendations; (3) assisting GHB, upon its request, to mobilize resources for housing and expand loan programs for low-cost housing; (4) facilitating NHA-private sector joint ventures and other private sector actions to provide affordable housing.

In addition to continuing technical assistance, it is essential that AID also maintain a substantial staff development program, including training in Thailand, the region and the U.S., in order to broaden and strengthen the network of Thais who are familiar with and supportive of AID policies.

In this regard, continued assistance to NHA is warranted because it is now and will continue to be the major provider of low-cost housing in Thailand and an important source of national housing policy.

VIII. SOCIAL ANALYSIS

For its sites and services programs, NHA divides households into five "target groups" (A through E) based on household income levels. Table 6 shows that 70% of the 1984-86 sites and services units are targeted to households below the median income. NHA assumes that such households can afford to pay 20-25% of gross income for the amortization of housing loans. This monthly payment amount is then amortized over 15-20 years at a 16% interest rate to determine the maximum affordable loan amount for each client household. These estimates are shown for 1984-1986 for Bangkok and regional cities on Table 7.

A recent study of housing affordability in Thailand indicated that four out of five slum families expressed interest in the expandable core house when asked their opinion. The median downpayment low-income households were willing to pay was approximately one-half of one year's income, 15-34% of purchase price. Moreover, with typical monthly rental payments of 500-700 baht for one room in a slum area, housing payments for the sites and services projects seem both affordable and desirable. While actual costs per month are higher (800-1200 baht for the smallest units), the larger space, sanitary, planned environment, more secure land tenure and community facilities make the new homes an attractive alternative to slum living. However, even this cost difference is too much for the poorest slum occupants (squatters pay little or nothing at all). Also most slums are better located than new low-cost housing projects. Therefore, for many families, slum upgrading is more appropriate.

NHA's program has been approved by the RTG Cabinet with 1984 median incomes of 9,000 Baht ($390) Bangkok and 4,500 Baht ($195) for regional cities. AID believes these estimates are somewhat high and further analyses will be made before the next disbursement and median income estimates agreed to with NHA for purposes of calculating HG eligible costs.

HG funds proposed for authorization here would assist NHA and other participating agencies to upgrade the environment in slum areas through major physical improvements such as drainage and walkways, social and community improvements. Sites in Bangkok and designated regions will be improved by the construction of core houses and the servicing of sites. The regional cities projects are designed to strengthen the Government's overall efforts to decentralize urban growth and to improve opportunities for shelter and other community development efforts in regional areas. The proposed housing is affordable to the target population and offers a replicable model for the Goverment in its efforts to implement the National Housing Policy.

The project affects individual poor households and communities by promoting more secure forms of tenure, thereby encouraging families to use their own resources to further improve the housing stock over successive generations. The availability of NHA housing finance for low-income families permits them to enter the formal financing system and to share with more affluent Thai families the advantages of improved shelter. Homeownership is a major goal of Thai households although other forms of land tenure with varying degrees of security are common. In the King Petch project, for example, 55% of the houses were occupied by owners. Houses were often used for commercial as well as residential purpose. Nine percent were dwellings with rental rooms. The houses are generally wood with corrugated roofs. Another study by NHA suggested that average dwelling unit size was 2.2 rooms.

Implementation of the project's policy objectives also will directly encourage the improvement of institutional management by establishing cost recovery systems for public utilities, reducing physical design standards, increasing the affordability of the basic shelter unit and encouraging community upgrading instead of slum eviction.

Table 6: NHA 1984-86 Sites and Services Program
Target Groups and Housing Shares

Cities	Target Group	No. Household Income 1984	Percentile	NHA Housing Shares %
Bangkok	A	3,500-5,000	10-20	20
	B	5,001-6,500	21-35	20
	C	6,501-9,000	36-50	30
	D	9,001-12,000	51-70	20
	E	12,000 +	71 +	10
Regional Cities	A	3,000-3,500	20-30	20
	B	3,501-4,500	31-40	20
	C	4,501-4,500	41-50	30
	D	5,501-8,000	51-70	20
	E	8,001	71 +	10

Table 7: Housing Affordability Estimates for NHA 1984-86 Sites and Services Program

Cities	Target Groups	Monthly Household Income 1984	Percentile	Income Range Midpoint	Percent of Income for Housing	Affordable Monthly Payment	Loan Years at 16%	Loan Amounts* 1984	1985 (Baht)	1986
Bangkok	A	3,800-5,000	10-20	4,400	20	850	20	68,000	78,200	89,930
	B	5,001-6,500	21-35	5,750	20	1,150	20	92,000	105,800	121,670
	C	6,501-9,000	36-50	7,750	22	1,710	20	137,000	157,550	181,190
	D	9,001-12,000	51-70	10,000	25	2,650	15	215,000	247,250	284,340
	E	12,000+	71+		25	3,000	15	300,000	345,000	396,750
Regional Cities	A	3,000-3,500	20-30	3,250	20	650	20	50,000	59,500	66,130
	B	3,501-4,500	31-40	4,000	20	8,000	20	65,000	74,750	85,970
	C	4,501-5,500	41-50	5,000	22	1,100	20	91,000	104,650	120,350
	D	5,501-8,000	51-70	6,750	25	1,690	15	137,000	157,550	181,190
	E	8,000+	71+		25	2,000	15	230,000	264,500	304,180

*Not including downpayments, Annual Increases assume 15% increase in household incomes.

IX. Economic Analysis

A. Debt Service Analysis

Nominal external borrowing by Thailand has increased rapidly since 1975, but as indicated by the World Bank Economic Memorandum of 1983, real resource transfers have been less than indicated by the nominal figures and the real rate of increase in the value of foreign liabilities has slowed due to the impact of high international inflation. Moreover, the rapid increase in foreign liabilities in the late 1970's supported rapid investment activity, not consumption. The peak rates of nominal growth of medium and long-term debt were almost 50% in 1979 and 1980. As a result of this external borrowing, the ratio of debt to GDP more than doubled from less than 10% in 1974 to approximately 20% in 1981. Starting in 1979 and increasing through 1981, trade losses began to add to the need for real resource transfers. The Thai economy adjusted by reducing consumption and stabilizing investment. According to IBRD reports, Thailand's international debt position in comparison to other oil importing developing countries is still quite favorable. There appears to be no reason for concern about current levels of foreign indebtedness in Thailand.

According to the latest World Bank indicators, the level of total external debt in Thailand is not unusually high. Thailand has a low outstanding debt relative to GDP, an intermediate debt service ratio, a low interest service ratio, favorable roll-over ratio and an average proportion of concessional loans (See ANNEX M). The weighted spread over LIBOR charged by commercial banks is among the lowest for developing countries. These factors, combined with Thailand's continued very good growth performance justify Thailand's high credit rating among international lending institutions.

The 1960s and early 70's were marked by extremely low levels of external borrowing on the part of the private and public sectors, including the central government and state enterprises. From the mid-1970's until the present, public sector borrowing has increased markedly, partly in an attempt by the RTG to stimulate high levels of overall growth through the post-oil crisis period. Private sector borrowing also increased for similar reasons. The widening resource gap of the public enterprises, especially in the energy, transportation and communications sectors has resulted in large foreign borrowings. Public sector borrowings rose by 19% in 1983 and are expected to increase by an additional 30% in 1984.

The IBRD report indicates that it is possible to justify a rapid expansion of public investment and foreign borrowing since this serves as a "counter-cyclical response" to the reduced private demand in 1980 and 1981. In addition, it has been suggested by the RTG that the public sector had, in fact, under-invested in the past and needed to

"catch up" especially in the area of public investment to support private sector growth. However, some 50% of the investments have had low domestic income and employment multipliers and, as investments, public sector yields turned out to be generally less profitable than expected. Out of concern for the growing dependence on foreign capital, the Government is now moving to increase public savings, to reign in state enterprise borrowings, and to develop RTG management capabilities in the areas of public investment and foreign borrowing.

With an economic recovery underway by mid-1983 both in Thailand and in the rest of the world, growth in Thailand, as indicated by both the IMF and IBRD, is expected to continue for the rest of the Fifth Plan (1981-86) and into the Sixth Plan period (1986-1990). Real GDP growth however, is projected to be lower than growth rates of the 1960's and 1970's. Indicators of anticipted growth include: 1) export demand for Thai industry is projected to grow at 14% p.a. in volume terms and for services at 13% p.a. International prices for exports and imports (except energy) are expected to grow at 6% p.a., with energy prices growing at 8% p.a. for 1984-90. Investment is expected to rebound from unusually low levels in 1982 to a 6% p.a. growth from 1984 onwards. (See World Bank and IMF data sources in the annex section on Economic Data Sources).

Thailand's GDP is projected to grow at 5.7% between 1982 and 1986 and at a rate of 6.2% thereafter. Export growth is projected to reach 7.8% p.a. after 1984, following a poor performance in 1983. The current account deficit is projected to fall to 2.6% in 1986 and below 1% by 1990.

The most recent IMF report Recent Economic Development in Thailand, February, 1984, show total external debt at $13.7 billion for 1983 increasing to approximately $20 billion by 1987. Debt service is projected to be about 24-25% of GDP during 1984-86; servicing of medium and long-term debt is projected to be in the range of 21-23%. The RTG is acting to limit budget increases and limit both public and private sector debt. Twenty percent of the RTG 1985 budget is scheduled for debt servicing, which is much higher than previously, and financial officials say corrective actions will be taken. Nevertheless, international bankers believe that Thailand's Government and economy are stable and highly creditworthy.

The Fifth Plan is designed to address structural adjustment needs and development objectives. These include: restoration of the economic and financial position of the country, increased and balanced regional growth, more equitable distribution of services, improvement in national security through coordination of development and security management, and institutional reform. The Housing Guaranty loan supports the regional development, equity and institutional development goals of the government by providing loan financing for shelter and basic infrastructure in regional cities.

In addition, the HG program encourages improved self-sufficiency (by reducing unnecessary subsidies), greater cost recovery and improved targeting of the public sector program to focus on low-income households. The program fosters private sector involvement in financing low-income housing through private sector development of one component of the HG loan.

Moreover, the projected HG loan disbursements for 1983 to 1986 account for only 0.07% of the outstanding external debt expected for these years.

According to the Mission's CDSS, Thailand ranks at the high end of the scale on most development criteria as compared with other developing countries. It has one of the fastest growing economies; debt service ratios are low and reserves relatively high; investment rates are high; public consumption is relatively small as a proportion of GDP. For all these reasons, coupled with the analysis above, the Mission and Office of Housing conclude that a HG loan is a reasonable, secure and advantageous program investment for both AID and the RTG.

B. Economic Benefits

1. Macroeconomic Level

The need for a rational housing policy which delineates the appropriate institutional roles for housing finance, shelter development and construction is a major economic concern of the RTG as indicated in the approved National Housing Policy. This project supports the RTG shelter policy objectives. Also, this project promotes a major AID economic objective in relation to the overall shelter sector in that it encourages NHA to become self-sufficient by eliminating remaining subsidies, such as highly subsidized rental housing and unrealistic design standards which reduce affordability and effective demand by low-income groups. Phase I of this project has, for example, initiated a process in NHA for factoring in all project costs, i.e, land, infrastructure, and community facilities. Then, NHA works with the related ministries and local institutions to assure that these costs are incorporated into plans for the provision of schools, health centers, etc. For slum upgrading projects, the Central Government accounts for the infrastructure costs through a grant to NHA. Then the RTG works within the tax system to recover the costs through property taxes and user fees.

Other policy level economic benefits include the new initiatives in the project to foster joint public-private sector housing development initiatives. By using private developers, NHA will demonstrate the feasibility of private sector management of low-income housing development. During the implementation of this project component, NHA will examine alternative cost and design criteria to test the feasibility of various models in meeting low-income needs and affordability standards. If successful, this new private sector approach should encourage replication of these initiatives in other projects.

Another major economic benefit of the HG program is the untied foreign exchange which is made available to the RTG under this project. Since the HG housing project costs in Thailand are almost all (85%-90%) paid in local currency, HG dollars can be used for economically productive investments in other industrial or agricutural sectors.

The HG program also supports the Mission CDSS and RTG decentralization and rural industrialization strategies. The provision of basic urban infrastructure and shelter in areas of economic growth reinforce other sector investments and stimulate multiplier effects throughout the economy of the region. For example, employment generation, in project construction is a corollary economic benefit of the shelter program. Infrastructure, including water and electricity, is an integral part of the economic growth of a regional city. Security of land tenure encourages social stability in the area and enhances physical and environmental development through household expenditures in improving and expanding the shelter unit. These are all important outputs of the project.

2. Project Level Economic Benefits

The NHA program has evolved from a shelter program of high standards and irrational subsidies to one in which the predominant housing is affordable to low-income households. Subsidies are still a component of the slum upgrading program, since the RTG provides a grant for infrastructure. However, the cost recovery for the sites and services program is good and beneficiaries do pay for the units. Cross subsidies have been introduced under NHA's commercial and middle-income housing programs. That is, NHA plans to cross-subsidize within new town projects and use profits from commercial ventures to reduce overhead costs.

The cost benefit analysis of the project must also factor in benefits which cannot be quantified but which are valuable outputs of this project. These include social equity, regional growth considerations, improved health, economic productivity, and improved efficiency of urban development.

Both the AID CDSS and Thailand's Fifth Plan address the need for more equitable distribution of services including increased and balanced regional growth. This project supports these economic development objectives by providing infrastructure and low-cost housing to families in regional secondary cities. Improved shelter, access to water and other urban infrastructure and the opportunity for home ownership assists in promoting a balanced and stable regional growth pattern. The HG program infrastructure is made available to those currently without these services and therefore supports the RTG aim of distributing these benefits of economic development to families outside of Bangkok.

Access to clean water and sanitation services are two of the major health benefits of the program. While project-specific quantitative analysis is not available to support this benefit, there are data countrywide which show that gastro-intestinal diseases are a major cause or complicating factor in infant, child and adult mortality. Reduction in morbidity and mortality is a major project benefit as well as increased worker productivity. NHA's development program provides a major donor-assisted sanitation improvement program and thus provides a critically needed health as well as shelter and environmental benefit. While upgrading the quality of the home environment especially benefits the lives of the mothers and children living in the home, it is also the work place of many heads of households.

The NHA program includes shop houses, row houses and cross-subsidized commercial ventures. While the HG program supports only the basic residential units, many of the families use even these small units to house shops and home industries from small textile operations to silk production to mechanical repair shops. The NHA program also supports housing to complement large industrial parks, thereby stimulating regional economic growth and development.

NHA's new town projects are coordinated with new industrial estates to minimize the transportation and other costs associated with inefficient urban growth patterns. Slum upgrading eliminates the need for costly slum clearance programs and the social instability and disruption such procedures produce. The program also provides for socio-economic programs and vocational opportunities to improve worker productivity and family stability.

X. GENERAL REQUIREMENTS AND CONDITIONS PRECEDENT

All requirements and Conditions Precedent in Section 5.02 and 5.03 of the original Implementation Agreement dated Aug. 5, 1980 will remain in effect. Additional proposed CPs for the second tranche of $25 Million are as follows:

1. Detailed status report on all projects in the 1979-84 and 1984-86 programs.

2. Complete plan and feasibility study for the NHA-private developer joint venture project.

3. Complete legal analysis and implementation plan to test eminent domain power in acquisition of sites and services land.

4. Update analysis and projections of household incomes and housing affordability by target groups.

5. Verification that no less than 70% of the sites and services units in the 1984-86 program will be affordable by lower-income households.

For the second disbursement, Coop housing and private developer housing projects should be in early implementation, at least (See implementation plan). Similarly, the pre-sales program and the testing of eminent domain powers and GHB financing of NHA's house sales should be established and action underway.

NHA will need to provide an updated housing affordability study with current estimates of household income and housing costs, as well as updated verification that 70% or more of the core houses remain affordable by the urban poor.

The program will include the following elements: (1) improvements in land management; (2) analysis and upgrading of project management; (3) implementation of the National Housing Policy and Housing Finance Study; and (4) development of NHA and recommendations for internal management improvements.

NHA and AID will consult periodically on progress and provide AID with documentation to permit and understanding of these activities.

ANNEXES

A. Log Frame matrix

B. Statutory Checklist

C. NHA Request for Assistance

D. NHA Letter on Conditions Precedent to First Disbursement of Prior Authorization

E. NHA 1984-86 Development Program

F. Financial Analysis of HG Assistance to NHA 1979-86 Program

G. Thailand National Housing Policy

H. Policy and Program Review of NHA, 1981, Rivkin Associates (Introduction, Summary and Perspective only)

I. Institutional Review of NHA, 1982, AID Office of Housing

J. Thailand Shelter Issues Regarding Technical Assistance, 1983, RHUDO

K. Government Housing Bank 1983 Loans

L. Economic Data Sources

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 84 to FY 88
Total U.S. Funding $25 million
Date Prepared: April 4, 1984

Project Title & Number: Thailand Housing Guaranty 493-0284 (HG003) (Second Tranche)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: 1. To improve the shelter and environmental conditions affecting the urban poor.	Measures of Goal Achievement: Increase in the number and percentage of low-income households living in upgraded, improved or new housing. Potable water, drainage, access roads reach to over 50% of the low-income population of Bangkok upon completion of project	Project monitoring and evaluation. Records of Bangkok Metropolitan Authority (BMA).	Assumptions for achieving goal targets: 1. The rate of population growth in Bangkok does not increase. 2. The problems of flooding in Bangkok do not seriously impede project progress. 3. National economic growth and development continues. 4. Shelter needs of the urban poor are perceived as an important and necessary public investment.
Project Purpose: 1. To increase the availability of safe sanitary shelter affordable by low-income families in Bangkok and regional cities and build up the capacity of regional cities to absorb regional urban migration. 2. To improve and rationalize the implementation of the approved National Housing Policy especially the mobilization and use of resources for financing shelter needs.	Conditions that will indicate purpose has been achieved: End of project status. Completion of upgrading projects for 46,000 families. Completion of nationwide shelter construction for 42,000 families, of which 70% is for the HG target group totaling 29,000 families. Each shelter sector institution has an action plan for implementing its roles as outlined in the National Housing Policy and effective coordination is established through the National Housing Council.	Records of NHA and BMA. Project Monitoring and Evaluation. Review of National Housing Council accomplishments. Evaluation of AID funded policy related t.a. Ongoing project monitoring.	Assumptions for achieving purposes: - Continued acceptance of upgrading and minimum shelter concepts by RTG and beneficiaries. - Continued cooperation between NHA and other government agencies and the regional cities. - NHA continues to give priority to low income housing and t.a. inputs improve NHA delivery system for housing production.
Outputs: - Expanded low cost shelter solutions - slum upgrading: drainage systems, potable water lines, walkways, access roads, improved land tenure arrangements - core houses, sites and services - Community facilities and socio-economic programs. - Mixed income residential and commercial developments (low-income HG funded). - Implementation and Action Plans for the approved National Housing Policy.	Magnitude of Outputs: - Shelter Solutions 46,000 slum upgrading units 42,000 core houses 42,000 sites and services - Community facilities Each project has the basic community facilities and socio-economic programs outlined in the housing market survey. • Mixed income residential and commercial projects - Shelter Policy . National Housing Council implementation plan and follow up for National Housing Policy completed. . Seminars held . Institutional roles and coordination defined in approved plans. . GHB plays a larger role in low-income housing finance.	AID and NHA project monitoring and records. AID evaluations.	Assumptions for achieving outputs: - Timely and efficient land acquisition of suitable sites for NHA programs. - No major increases in inflation or project costs are incurred beyond the levels included in project cost estimates. - Sufficient effective demand for low-income units.
Project Inputs: 1. HG loan and AID funded t.a. 2. World Bank and Asian Development Bank loans and t.a. 3. Other commercial loans. 4. RTG budget support. 5. UNDP t.a.	Implementation Target (Type and Quantity) $25 million loan $150,000 PRE/H grant and HG fee supported t.a. $79 million IBRD loan $55 million ADB loan $51 RTG support $1 million (approx.) other donor t.a. (grant)	- AID and NHA project monitoring. - Other donor meetings and reports, e.g., IBRD project appraisal reports.	Assumptions for providing inputs - Approval of other donor loans to NHA. - Effective use of technical advisors by NHA policy and technical staff. - Continued RTG financial support for NHA 1984-86 program.

ANNEX A

ANNEX B

THE HOUSING GUARANTY PROGRAM

STATUTORY CHECKLIST

PROJECT NO. 493-HG-003(b)

THAILAND

	ANSWER YES OR NO PUT PP PAGE REFERENCES AND/OR EXPLANATIONS WHERE APPROPRIATE
A. General Criteria Under HG Statutory Authority.	
Section 221(a) Will the proposed project further one or more ofthe following policy goals?	
(1) is intended to increase the availability of domestic financing by demonstrating to local entrepreneurs and institutions that providing low-cost housing is financially viable;	Yes
(2) is intended to assist in marshalling resources for low-cost housing;	Yes
(3) supports a pilot project for low-cost shelter, or is intended to have a maximum demonstration impact on local institutions and national; and/or;	Yes
(4) is intended to have a long run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital and other management and technological resources required for low-cost shelter programs and policies?	Yes
Section 222(a) Will the issuance of this guaranty cause the total face amount of guaranties issued and outstanding at this time to be in excess of $1,555,000,000?	No

	ANSWER YES OR NO PUT PP PAGE REFERENCES AND/OR EXPLANATIONS WHERE APPROPRIATE
Will the guaranty be issued prior to September 30, 1982?	No
Section 222(b) Will the proposed guaranty result in activities which emphasize:	
(1) projects providing improved home sites to poor families on which to build shelter and related services; or	Yes
(2) projects comprised of expandable core shelter units on serviced sites; or	Yes
(3) slum upgrading projects designed to conserve and improve existing shelter; or	Yes
(4) shelter projects for low-income people designed for demonstration or institution building; or	Yes
(5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor?	Yes
Section 222(c) If the project requires the use or conservation of energy, was consideration given to the use of solar energy technologies, where economically or technically feasible?	N/A
Section 223(a) Will the A.I.D. guaranty fee be in an amount authorized by A.I.D. in accordance with its delegated powers?	Yes
Section 223(f) Is the maximum rate of interest allowable to the eligible U.S. Investor as prescribed by the Administrator not more than one percent (1%) above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development?	N/A

	ANSWER YES OR NO PUT PP PAGE REFERENCES AND/OR EXPLANATIONS WHERE APPROPRIATE
Section 223(h)	
Will the Guaranty Agreement provide that no payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible?	Yes
Section 223(j)	
(1) Will the proposed Housing Guaranty be coordinated with and complementary to other development assistance in the host country?	Yes
(2) Will the proposed Housing Guaranty demonstrate the feasibility of particular kinds of housing and other institutional arrangements?	Yes
(3) Is the project designed and planned by A.I.D. so that at least 90 percent of the face value of the proposed guaranty will be for housing suitable for families below the median income or below the median urban income for housing in urban areas, in the host country?	Yes
(4) Will the issuance of this guaranty cause the face value of guaranties issued with respect to the host country to exceed $25 million in any fiscal year?	No
(5) Will the issuance of this guaranty cause the average face value of all housing guaranties issued in this fiscal year to exceed $15 million?	No
Section 238(c)	
Will the guaranty agreement provide that it will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued?	Yes

ANSWER YES OR NO PUT PP PAGE REFERENCES AND/OR EXPLANATIONS WHERE APPROPRIATE

B. Criteria Under General Foreign Assistance Act Authority.

Section 620/620A

1.	Does the host country meet the general criteria for country eligibility under the Foreign Assistance Act as set forth in the country elibility checklist prepared at the beginning of each year?	Yes
2.	Is there any reason to believe that circumstances have changed in the host country so that it would now be ineligible under the country statutory checklist?	No

การเคหะแห่งชาติ
NATIONAL HOUSING AUTHORITY
Klongchan, Bangkok · 10240, Thailand. Tel. 3775461-9
Cable: NAHOUSITY BANGKOK 10240. Telex 20366 NHA TH

NHA. 1984/040

May 30, 1984

Mr. Philip Michael Gary
Assistant Director/Asia
RHUDO, USAID/Thailand
37 Soi Somprasong 3
Petchburi Road
Bangkok, Thailand

Subject: AID Housing Guaranty Loan-Request for Additional Loan Support

Dear Mr. Gary:

As we have discussed, NHA wishes to officially inform AID that it has programmed the borrowing of additional Housing Guaranty loans up to the $50 million agreed to in 1980 for both the existing slum improvement and sites and services projects being completed now as well as the new program, which was approved by Cabinet in January.

Our current Implementation Agreement is for $15 million. NHA borrowed $10 million in November, 1983. We would not prefer to borrow the remaining $5 million alone, because (1) the fifty percent of eligible costs for this year is estimated at $18 million and (2) the required process and expenses are excessive for a loan of only $5 million, both with the Thai government and the U.S. investors. We would expect to borrow approximately $25 million.

50X

Beyond this year, NHA would wish to continue to borrow HG resources as eligible costs are created and financing conditions are appropriate. We have sent you information previously on the planned use of HG loans for NHA 1979-84 and 1984-86 programs.

Sincerely,

Jaru Srichalumpa
Duputy Governor
National Housing Authority

ANNEX D
August 26, 1983

TABLE D-1: ESTIMATES OF HG ELIGIBLE COSTS FOR NHA PROJECTS

Unit: Million Baht

Description	Total Units	Actual Cost through Oct. 31, '83	Low Cost Units	Eligible Cost	Percentage of HG Loan	50% of Eligible Cost Baht	50% of Eligible Cost Dollar (000,000's)
Bangkok							
Site and Services							
1. Bangplee-Bang Bor	5,205	306.101	4,762	183.378	50%	91,689	3.986
2. Lad Krabang	3,830	204.522	2,960	155.011	50%	77,506	3.370
Sub-Total	9,035	510.623	7,722	338.389		169,195	7.356
Slum Up-Grading	28,314	88.231	28.314	88.231	50%	44,116	1.918
Regional Cities							
Site and Services							
1. Chieng Mai	949	53.235	669	36.475	50%	18.240	0.793
2. Nakhon Sawan	557	0.155	415	0.047	50%	0.024	0.001
3. Khon Kaen	578	2.651	474	1.728	50%	0.864	0.038
4. Chantaburi	521	0.085	420	0.037	50%	0.019	0.001
5. Songkhla	581	38.626	553	31.346	50%	15.673	0.681
Sub-total	3,186	94.752	2,531	69.633		34.820	1.514
Total	40,535	693.606	38,567	496.253		248.131	10.788

Notes: Low Income Levels
Bangkok - Baht 6,500
Regional Cities - Baht 5,000

*Revised - See next page

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TABLE D-2: ESTIMATES OF NHA PROJECTS COSTS ELIGIBLE FOR REIMBURSEMENT

(Unit : Million baht)

	Projects	30% - 50% of Eligible Cost	50% - 50% of Eligible Cost
1.	Lad Krabang	46.503	77.506
2.	Bang Plee	55.013	91.689
3.	Chiang Mai	18.240	18.240
4.	Songkhla	15.673	15.119
5.	Khon Kaen	0.865	0.865
6.	Nakorn Sawan	0.024	0.024
7.	Chantaburi	0.019	0.019
	Sub-Total	136.337 ($6,236,000)	203.462 ($8,846,000)
8.	Slum Up-Grading	44.116	44.116
	Total	180.453 ($7,846,000)	247.578 ($10,764,000)

TABLE D-3: ESTIMATE CASH REQUIREMENT FRM HG LOAN

(Unit: Million Baht)

Description	1984	1985	Total Baht	Total Dollar (000,000's)
Bangkok				
1. Bangplee-Bangbor	168.438	91.054	259.492	11.282
2. Lad Kabang	50.149	-	50.149	2.180
Sub-Total	218.587	91.054	309.641	13.462
Regional Cities				
1. Chieng Mai	8.518	-	8.518	0.370
2. Songkhla	2.292	-	2.292	0.099
3. Khon Kaen	16.740	13.908	30.648	1.333
4. Nakorn Sawan	19.835	3.315	23.150	1.007
5. Chantaburi	14.577	20.222	34.799	1.513
Sub-Total	61.962	37.445	99.407	4.322
Total	280.549	128.499	409.048	17.784
+Slum Upgrading	$12.2	$5.6		

ANNEX E

NHA Housing Development Plan (1984 - 1986

1. Background and Policy Guidelines.

Based on experience of NHA's implementation of welfare housing programmes it is clear that government subsidy will always be for the lifting up of the low income earners' housing attainment standard. There are frequent constraints of subsidy quantity causes the programme to be reduced; moreover the problems of controlling the subsidy to be beneficial to low income earners' housing (especially hire purchase projects where it is frequently found that rights are sold) has also to be solved. Along with some other additional experiences, NHA has to improve the guidelines for the housing development policy emphasizing the dweller's self dependence concerning land and housing and public services within the project area, while the government will share a role in developing what its duty is required to do, i.e., public facilities development such as schools, health centers, etc., and off site infrastructure, such as connecting roads, electricity systems, etc. The self-financed project will enable NHA to stand on its own without depending on direct government subsidy in the future which will be in compliance with the objectives of the Fifth Economic and Social Development Plan and the present government policy.

Therefore, general guidelines for implementation of housing development during 1984 - 1986 are determined to be as follows:

1.1 NHA will develop housing in the territory of the Bangkok Metropolis where the expansion rate and housing requirements are high, complying with landuse and location of employment opportunities as determined in the Metropolitan Plan, mainly for low income earners (Metropolitan Housing Project), and along with implementation of new housing projects NHA will also improve slum communities.

1.2 NHA will extend housing development to provincial towns (Provincial Housing Project) to comply with plans of principal and subordinate town development including other towns having a high housing requirement.

1.3 NHA will cooperate with local government agencies to implement congested community improvement in provincial township areas, having the concept that NHA will provide technical support and the local agencies will practice the improvement.

1.4 NHA will develop the rental units project specifically when NHA is required by government policy to specially implement in terms of state welfare.

1.5 NHA will allow domestic financial institutions, such as the Government Housing Bank, to share a role in aspects of capital mobilization and extending long term credit to NHA house purchasers and in this connection, NHA has an agreement with the Government Housing Bank as shown in the Bank's policy guidelines submitted to the Ministry of Finance.

1.6 NHA will promote clean industry and servicing industrial sources in community housing areas including support to create a source of employment in congested communities.

1.7 NHA will implement the necessary steps to transfer to local government agencies which have direct duties to maintain community facilities.

1.8 NHA will implement a land banking programme to store an adequate quantity of land for developing projects for this program and also for project expansion in the future.

1.9 NHA will offer technical financial and other supports to both government agencies and private enterprise in order to increase housing development expansion.

1.10 NHA will study, within the time span of this program, problems concerning dwelling places in rural areas in order to seek ways how NHA can help solve those problems.

2. Income Level and Construction Proportion in Housing Project.

Determination of income level will be based on percentile distribution defining that a household having income lower than the average percentile (50th percentile) are low income earners and for those whose income is higher than that level will be classified as medium income earners and high income earners respectively.

The target group at each income level and construction proportion are shown in the following table.

Income Level and Construction Proportion in the Year 1984.

Location	Target Group (Symbol)	Income Level[1] Baht/Month	Percentile[2]	Construction[3] Proportion %
Bangkok Metropolis	Low (A)	3,800-5,000	10-20	20
	Low (B)	5,001-6,500	21-35	20
	Low (C)	6,501-9,000	36-50	30
	Medium (D)	9,001-12,000	51-70	20
	High (E)	12,000 and up	71 and up	10
Regional Cities	Low (A)	3,000-3,500	20-30	20
	Low (B)	3,501-4,500	31-40	20
	Low (C)	4,501-5,500	41-50	30
	Medium (D)	5,501-8,000	51-70	20
	High (E)	8,000 and up	71 and up	10

Remarks: (1) Changes every fiscal year according to household income distribution fact.

(2) Target group level, determined by percentile, will be steady throughout the program time span.

(3) Construction proportion in each project may be changed from what is determined from the housing market study.

3. NHA Implementation Program (1984 - 1986)

NHA implementation program during 1984 - 1986 are determined by the resources that NHA can procure, i.e., quantity of suitable land, capital, existing personel and administration capacity, etc.

During the 3 years period for public housing scheme, NHA has planned to develop a total of 25,500 units of sites and services schemes in the territory of Bangkok and 4,500 units in the provincial areas (300 units for a province totally 15 province). In addition, a total of 18,000 slum families will be in the improvement scheme.

In the rural areas, the NHA at this stage has not have the capacity to implement the rural housing scheme yet, therefore during this 3 years plan will be the preparation stage for NHA. NHA has set up the operation plan as follows:-

1. NHA will study the rural housing in terms of quantity, quality, problems related to housing, capacity and affordability of people in rural areas through out the whole country.

2, NHA will develop some demonstration project both in existing settlement and planned settlement, in order to find the appropriate solution for the rural housing development.

3. Lastly, NHA will set up the rural housing policy, implementation program for the next 3 years plan.

The target units will be developed during 1980 can be summarized as follows:-

1.	Sites and Services Project in Bangkok Metropolis.	25,500 units
2.	Sites and Services Project in Regional Cities.	4,500 units
3.	Slum Improvement in Bangkok	18,000 units
4.	Housing for Government Employee	16,500 units
5.	Rural Housing (Demonstration)	50 million baht
6.	Special Projects (investment)	1,000-2,000 million baht.

Investment Cost Required

To achieve the development target, NHA required 6,161.3 million baht of which 758.1 million baht will come from the gov't subsidies while the less 5,403.2 million baht will come from NHA budgetary sources.

Estimated investment cost can be summarized as follows:-

Projects	Invest.Cost	NHA sources	Gov't subsidies
Housing Communities in BMA	4312.3	3881.1	431.2
in Regional Cities	524.5	472.1	52.4
Slum Upgrading	274.5	-	274.5
Special Projects	1000.0	1000.0	-
Rural Housing	50.0	50.0	
Total	6161.3	5403.2	758.1

Subsidization principles

1. For housing community in BMA and in regional cities, the government fully subsidize the investment of off site infrastructure and on-site facilities which is not exceed an amount of 10% of the total budget.

2. For slum upgrading scheme, the gov't will fully subsidize all investment cost of physical upgrading through the NHA.

3. NHA will utilize all investment cost of special projects from it own sources.

4. Investment cost for rural housing projects will come from grant.

Sources of funds

Investment fund responsibled by NHA will come from various sources as follows.

- External Loan (IBRD, ADB, USAID)	2,800 m.B.
- External Grant	50 "
- Internal Loan	1,492.4 "
- Down Payment	1,060.8 "

ANNEX F

FINANCIAL ANALYSIS

The financial plan for NHA's 1979-84 and 1984-86 development programs, including the use of HG resources, is summarized in Section II, above, of this Project Memorandum. This analysis provides more detailed analysis of the financial plan.

A. 1979-84 Program

The total cost of this program is $101 million, comprised of $75 million for the two new town projects, $15 million for the five regional cities projects and $11 million for slum upgrading.

Table F-1 shows the costs by project and the planned major sources of funds. The footnotes explain why total sources exceed total cost by $5 million. Primarily, it is because NHA in 1979 did not plan to use HG resources for slum upgrading, but in 1980 it had decided to do so. The effect is to reduce the need for other sources of funds for the overall program.

Table F-2 shows HG eligible cost estimates for the 1979-84 projects. Remaining project costs of $70.7 million include an estimated maximum of $40.9 million of eligible costs. 50% of this amount, which is the maximum proportion of costs chargeable to HG loans, would be $20.45 million. However, as the notes to the tables explain, some types of housing in the Bang Plee new town project may turn out to be unaffordable by the lower-income households, thus reducing the estimate of eligible charges to roughly $16.5 million.

B. 1984-86 Program

The capital investment cost of this program is $268 million. The second page of Table F-3 shows this projected cost by year. This table also indicates the estimates of cash receivables by year, including $35 million in HG resources. NHA is showing this amount because when this new program was prepared, only $15 million of the $50 million was allocated to the 1979-84 program. The determination of HG funding of this program beyond 1987 should be based on the planned 1986 evaluation of NHA's overall policies, programs and performance.

Total eligible cost is estimated to be $126 million for sites and services projects. This estimate assumed 70% of the houses will be affordable by lower-income households and 60% of total costs will be attributable to providing shelter and shares of related facilities to these households. In addition, there are $12 million of eligible costs for slum upgrading projects.

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TABLE F-1

Planned Sources of Funds for the NHA 1979-84 Development Program
As of Implementation Agreement Date (Aug. 5, 1980)

Projects	Project Cost	Government[2] Grant	IBRD 2[2]	ADB[2]	AID/HG[2]	Other[3]
			($000)			
Bang Plee phase 1	51,415	8,869	-	20,000	3,535	011
Lad Krabang	23,536	291	13,375	-	2,592	278
Chiengmai	4,030	30	2,310	-	1,174	516
Songkhla	2,522	74	1,595	-	837	16
Nakorn Sawan	2,765	13	1,600	-	792	360
Khon Kaen	2,757	7	1,600	-	792	358
Chantaburi	2,752	7	1,595	-	792	358
Technical Assistance	330	-	80	-	250	-
Slum Up-Grading[4]	11,052	6,469	5,270	-	4,475	-
Total	101,159	15,760	27,425	20,000	15,250	27,897

Notes to Table F-1:

1. Project Cost and Government Grant amounts are converted from Baht to dollars at Baht 23=U.S. $1.00.

2. IBRD, ADB and Government Grant sources of funds by projects are according to NHA's Accelerated Development Plan, 1979-82, as approved by Cabinet October 3, 1978. HG allocation is according to the Implementation Agreement, August 5, 1980.

3. "Other" sources of funds are the balances needed after the four specific sources. The devaluation of 15% in 1981 increased the baht value of foreign loans by 15%, thereby reducing the funds required from other sources.

4. Sources for Slum Upgrading exceed estimated cost by $5,162,000 because (a) in the original planned sources of funds, no HG resources were used for this purpose and (b) the 15% greater value of the dollar loans.

Table F-2

NHA 1979-84 PROGRAM COSTS BEFORE AND AFTER FIRST HG LOAN DISBURSEMENT 3/

Description	Total Housing Units	Low Cost Housing Units 1/	Low Cost % of Total	Total Project Cost 2/	Actual Cost	HG Eligible Cost 4/	50% of Eligible Cost	Remaining Project Cost	HG Eligible Cost 5/ (Approx.)	50% of Eligible Cost
				Cost Through Oct. 31, 1983 ($000)						
gkok										
e and Services	5,205	4,762	91%	51,415	13,309	7,972	3,986	38,106	22,560	11,280
Bangplee	3,830	2,960	77%	23,536	8,892	6,740	3,370	14,644	4,360 6/	2,180
Sub-Total	9,035	7,722	85%	74,951	22,201	14,712	7,356	52,780	26,924	13,462
m Up-Grading	28,314	28,314	100%	11,052	3,836	3,836	1,918	7,216	7,216	3,608
ional Cities										
e and Services										
Chiang Mai	949	669	70%	4,030	2,315	1,486	793	1,715	740	370
Nakhon Sawan	557	415	75%	2,765	7	2	1	2,758	2,014	1,007
Khon Kaen	578	474	82%	2,757	115	75	38	2,642	1,849 7/	925
Chantaburi	521	420	81%	2,752	4	2	1	2,748	1,924 7/	962
Songkhla	581	553	95%	2,522	1,679	1,315	657	843	198 7/	99
Sub-Total	3,186	2,531	79%	14,826	4,120	3,023	1,490	10,706	6,725	3,363
TOTAL	40,535	38,567	95%	100,829	30,157	21,576	10,764	70,672	40,865	20,433

Notes to Table F-2:

1. Low Cost Housing Units are those affordable by households below the median income (i.e., Bhat 6,500 in Bangkok and Bhat 5,000 in regional cities in 1983).

2. House prices were estimated in late 1983. Based on income estimates, HG eligible house price maximums were set at Baht 150,000 for Bangkok and Baht 100,000 for regional cities. NHA sets house prices when all costs are actual, i.e., when construction is completed.

3. NHA borrowed $10 million on November 30, 1983 based on 50% of eligible costs through October 31, 1983.

4. HG eligible costs through October 31, 1983 are calculated by the actual detailed costs of each project which directly benefit low-income households, include proportionate shares of the costs of land, infrastructure, community facilities, and overhead and the construction costs of the core houses affordable by the lower-income households.

5. Estimates of future eligible costs were calculated using the same criteria, but the estimates are rough approximations only. Revised estimates will be made before each disbursement.

6. Eligible costs for the Bang Plee new town may be revised downward substantially when the Phase One core houses are completed and revised estimates of affordability are made. If the 768 duplex units of type D housing become not affordable by lower-income households, low cost units drop from 91% to 77% of the total. In this event, remaining eligible costs would decrease approximately 15%, or from $22.6 million to $19.2 million. Should even the 832 type C units not be affordable, only 61% of total units would be eligible and eligible costs would decrease one-third to $15.1 million. In this event, HG funding of 50% of eligible costs would drop from $11.3 million to $7.5 million for Bang Plee.

7. There may be similar downward adjustments in the last three regional cities projects, but the dollar amounts are small.

The plan is to allow NHA to borrow HG funds as eligible costs are incurred. Thus, HG resources are likely to finance the completion of the earliest projects (mostly regional cities projects) and land acquisition for all projects. Although all 12 Bangkok area sites and services projects qualify for HG funding, priority will be given to the cooperative housing and private sector joint venture projects.

Table F-4 shows the annual costs of each project. The $913,000 land costs in 1984 is included in 1985 estimates. Although these estimates were prepared by the NHA Finance Department in March 1984, it is likely that actual costs will be deferred because of delays in land acquisition, project design and tendering for initial projects.

The total costs shown on Table F-4 are 40% more than the costs shown on Table 4 because the cost estimates in the RTG approved program were prepared in 1981 (with cost contingencies), while the projections in Table F-4 were prepared by NHA in March 1984 at the request of the RHUDO. The substantial difference is caused by the fact that these projects have all been delayed two years (i.e., beginning in 1984 instead of 1982). In addition, three regional cities projects have been added, thus the total cost difference is 45%.

It is likely that the cost estimates in the Master Program Delivery Plan which NHA will submit to AID will be closer to the Table F-4 estimates than the original estimates shown on Table 4. Some implications of this are:

1. Financing from HG resources, ADB and IBRD will decrease as a share of NHA total program cost from 50% to 35% unless these loan amounts are increased (both IBRD and ADB are contemplating 15% increases from their original loan estimates, i.e., $52 to 60 million and $35 to $40 million, respectively).

2. The addition of three regional cities projects (Phitsanulok, Hadd Yai and Phuket) increases the regional cities share of housing units in the 1979-86 sites and services program from 18.2% to 20.0%. The share is important because NHA had agreed with AID that no less than 15% of the NHA 1979-82 Investment Program and 20% of the proposed $50 million HG resources are planned for the secondary cities. While 26.1% of housing units in the 1979-82 program are outside Bangkok, only 16.7% of estimated costs are. This cost difference is because of the high non-housing costs of the Bangkok area new town projects, not a shift in emphasis by NHA. As for the stipulation that no less than 20% of HG resources be devoted to secondary cities projects, this is readily controlled by AID's acceptance of various eligible costs, since the $50 million in HG resources is only 25% of the estimated $200 million in eligible costs.

3. These additional costs may or may not be affordable by the target groups. While incomes had been increasing an average of 15% a year from 1979 to 1982, between 1982 and 1983 the average increase apparently was small. Thus, affordability considerations will need to be assessed very carefully as the 1984-86 projects are designed and implemented and HG eligible costs are estimated.

These important implications have been discussed with NHA. There is an understanding that NHA will endeavor to implement these new projects as rapidly as possible to compensate for some of the two year delay. Some land acquisition and design work was undertaken in these two years, but overall the program is two years behind at the outset.

TABLE F-3
NHA 1984-86 Development Program
Cash Flow 1984-88

	Total	1984	1985	1986	1987	1988
			(millions of dollars)			
Estimates of Cash Receivable						
Downpayments	35.1	--	1.7	10.3	13.3	9.8
Amount Receivable from Financial Institutions(cash sales proceeds)	28.0	--	5.5	8.4	14.0	--
Hire-Purchase Payments	45.5	--	0.5	2.9	14.6	27.7
Investment Supporting Funds, 10%	21.0	0.5	4.8	7.6	6.7	1.4
Grant for congested community Improvement, 100%	11.9	3.4	4.0	4.5	--	--
Grant for Rural Project, 100%	2.2	0.9	0.9	0.4	--	--
IBRD Loan Phase III	52.2	1.5	15.7	24.8	10.2	--
ADB Loan Phase II	34.8	1.1	10.6	17.8	5.9	--
AID HG Loan Phase II	34.8	1.1	10.6	17.8	5.9	--
Other Loans (sources unidentified)	64.9	9.3	13.5	15.7	26.5	--
Total	330.3	17.8	67.8	109.0	97.0	38.8
Estimates of Cash Payable						
Investment Capital	267.9	17.6	65.8	103.2	66.8	14.2
Loan Interest Payment	35.3	--	1.6	5.8	15.1	12.8
Principal Repayment	20.7	--	--	--	9.3	11.4
Total	323.9	17.6	67.5	109.0	91.2	38.4
Cash Receivable Being Greater (smaller) Than Cash Payable	6.4	0.03	0.3	(0.01)	5.7	0.4
Outstanding Balance		0.03	0.4	0.3	6.1	6.4

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Projected costs by Year of NHA Sites and Services
and Slum Upgrading Projects, 1985-88

PROJECT					
Sites and Services					
Bangkok Area					
1. Smutprakarn	11,740	7,220	4,520	-	-
2. Nonthaburi	15,652	9,626	6,026	-	-
3. Bangkhen 1	26,000	2,600	12,389	11,011	-
4. Bangkhen 2	13,000	1,300	6,195	5,505	-
5. Rajaburana	20,000	2,000	7,220	9,240	1,540
6. Pasi-charoen	20,000	2,000	7,220	9,240	1,540
7. Lard Krabung 2	25,000	2,500	6,140	11,550	4,810
8. Rangsit 2	25,000	2,500	6,140	11,550	4,810
9. Phra Pradang	29,957	2,996	-	16,581	10,380
10. Taling Chan	23,044	2,304	-	12,755	7,985
11. Bang Kroui	23,042	-	2,304	10,093	10,645
12. Bang Na 2	28,801	-	2,880	12,616	13,305
Sub Total	261,236	35,046	61,030	110,141	55,023
Regional Cities					
1. Nakhon Pathom	1,680	1,500	180	-	-
2. Pataya	2,576	2,023	553	-	-
3. Nakhon Ratchasima	1,932	1,517	415	-	-
4. Lampang	1,680	1,410	270	-	-
5. Ratchaburi	1,932	1,414	518	-	-
6. Phitsanulok	2,229	1,745	484	-	-
7. Ayuthaya	2,229	1,745	484	-	-
8. Nakhon Sri Thammarat	2,100	959	1,141	-	
9. Samutsakhon	4,022	322	1,913	1,787	-
10. Haad Yai	4,022	322	1,913	1,787	-
11. Lamphun	2,413	193	1,029	1,191	-
12. Yala	2,413	193	1,267	953	-
13. Maha Sarakham	2,413	193	2,029	1,191	-
14. Lop Buri	2,011	161	857	993	-
15. Surat Thani	2,413	193	790	1,430	-
16. Phuket	1,609	129	686	794	
17. Udon Thani	2,413	193	1,267	953	-
18. Ubon Ratchathani	2,413	193	1,029	1,191	-
Sub Total	42,550	14,454	15,824	12,272	-
Total Sites and Services	303,789	49,500	76,853	122,413	55,023
Slum Upgrading (18,000 families)	11,936	2,984	2,984	2,984	2,984
TOTAL	315,725	52,484	79,837	125,397	58,007

Source: NHA Finance Department, March 1984.

NOTE: These costs estimates are greater than the RTG approved program for 1984-86 because costs have been updated and three additional regional cities projects are included, which have been approved individually.

C. Slum Upgrading Program

The 1979-84 program for slum upgrading in Bangkok cost a total of $11.1 million and is resulting in improvements for 28,314 families. The 1984-86 program is estimated to cost $11.9 million for 18,000 families. Thus, the combined programs cost $23.0 million and benefit 46,314 families.

Per family, these two programs cost $392 and $661, respectively. The increase of $269, or 69%, reflects mostly increases in construction material and labor costs over the eight years of these programs. Standards have not changed substantially.

The first HG loan disbursement of $10 million included $1.9 million for the slum upgrading projects, or 19% of the total. It is planned that approximately 20% of future HG disbursements also will benefit families in upgraded slums. Thus, about $5 million of the proposed $25 million authorization will be for upgrading projects.

NHA has been successful in getting the Bangkok Metropolitan Administration (BMA) and other institutions to assume direct responsibility for the provision of social and economic programs in conjunction with the physical upgrading of slums. Thus, NHA in the 1984-86 program will concentrate on physical improvements. The types of improvements will include:

- drainage/flood protection
- water supply
- sanitation
- electricity
- walkways
- trash collection receptacles
- fire protection systems
- community facilities

In addition, NHA arranges for secure tenure (ownership or long-term lease), community organization and, in some cases, home improvement programs.

The RTG grants NHA 100% of the cost of the slum upgrading. Costs are not recovered by NHA directly, but are partially recovered by user fees and tax increases.

D. HG Loan Summary Analysis

In broad prespective, the HG program of $50 million approved in 1979 fits into NHA's 1979-86 sites and services and slum upgrading programs as follows:

	(millions)
Total program costs	$368.6
HG eligible costs	200.4
50% of eligible costs (i.e., potential HG loan total)	100.2
Total HG Loans programmed by NHA	62.6
Total HG Loans approved by AID	50.0
Authorized to date	15.0
Requested authorization	25.0
Balance	10.0

Table E-5 shows these estimates by year and program.

It is not proposed that more than $50 million in HG resources be approved and authorized for NHA, although estimated eligible costs would support up to $100 million under existing cost eligibility criteria. In fact, authorization of the remaining $10 million will only be requested if NHA's performance in the next two years so warrants.

The key reasons for not increasing the HG resource for NHA are:

1. NHA has demonstrated that it can borrow required capital from other international donors and commercial sources.

2. RTG and NHA housing policies and their implementation are now largely satifactory. Thus, beyond getting the private sector directly involved in providing low-cost housing, there is little to leverage by additional HG resources.

3. Efforts are being made to program future HG resources to other RTG institutions, e.g., the Government Housing Bank and Provincial Waterworks Authority, in order to maximize policy leverage and beneficiary impacts.

TABLE F-5

SUMMARY OF NHA PROGRAM COSTS,
HG ELIGIBLE COSTS AND NHA ESTIMTES
OF HG LOAN REQUIREMENTS, 1979-88

	Fiscal Years 1/						
	1979-1983 2/	1984	1985	1986	1987	1988	Total
					Dollars)		
NHA Program Cost							
1979-84 Program	30.2	50.6	20.0	-	-	-	100.8
1984-86 Program	-	17.6	65.8	103.2	66.8	14.2	267.8
Sub-Total	30.2	68.2	85.8	103.2	66.8	14.2	368.6
HG Eligible Cost							
1979-84 Program	21.6	28.0	12.8	-	-	-	62.4
1984-86 Program	-	9.0	34.0	54.0	34.0	7.0	138.0
Sub-Total	21.6	37.0	46.8	54.0	34.0	7.0	200.4
50% of Eligible Cost							
1979-84 Program	10.8	14.0	6.4	-	-	-	31.2
1984-86 Program	-	4.5	17.0	27.0	17.0	3.5	69.0
Sub-Total	10.8	18.5	23.4	27.0	17.0	3.5	100.2
NHA Estimates of HG Loan Requirements							
1979-84 Program	10.0	12.2	5.6	-	-	-	27.8
1984-86 Program	-	1.1	10.6	17.8	5.9	-	34.8
Sub-Total	10.0	13.3	16.2	17.8	5.9	-	62.6
TOTAL AID APPROVED (1979 PP)							50.00

1/ RTG Fiscal Year is same as U.S., Oct-Sept.
2/ 1983 costs are through October 31 for purposes of first loan disbursement

ANNEX G

Unofficial Translation of Thailand
National Housing Policy

(Submitted by NESDB to Cabinet
in March 1983. Approved October 1983)

National Policy on Housing

1. Background

The National Economic and Social Development Board and other agencies (National Housing Policy Sub-Committee) drafted a national housing policy as part of the Fifth National Economic and Social Development Plan (1982-1986). This policy paper had been drafted by Subcommittee on Housing Policy under the NESDB and will be submitted to the Cabinet for approval as the national policy.

2. Housing Development Policy

General Policy

2.1 The government shall improve the quality of life under community development programs in terms of physical, economic and social development.

2.2 The government will support public participation through the community organization and will provide public services to the communities, including both social and economic aspects such as income enhancement programs.

Construction Policy

2.3 The government will support housing construction at modest standards, neighborhood improvement and slum upgrading programs in order to decrease the housing problems of the poor people within the urban area as a priority objective.

2.4 The government will provide housing development in conjunction with industrial development to the provincial areas away from the Bangkok Metropolis.

2.5 The government will encourage private developers to provide appropriate housing for people of every income group as required.

2.6 Building material research and appropriate technology experiments for rural housing construction will be promoted.

Financial Policy

2.7 The government will mobilize local savings for housing investment within the country through existing financial institutions and the capital market that will be established.

2.8 The government Housing Bank will be the wholesaler of housing finance to NHA and private developers.

2.9 The government will encourage the Insurance Companies, the Government Provident Fund as well as Financiers to provide housing loan to the poor people through the Government Housing Bank or Credit Fonciers.

2.10 The government will increase the provision of long-term credit for housing for low-income families not only in the capital cities but also in the provinces.

2.11 The government will provide financial links between savings institutions, i.e., money market and capital market, and those that provide housing in order to increase housing loans.

2.12 The government will support and improve housing cooperatives or saving and loan institutions as instruments of housing finance for the low-income families.

Organizations and Coordination.

2.13 The Subcommittee for National Housing Policy under the NESDB, established by the Cabinet, will be the linkage between housing policy formulation and implementation including solving any problems concerning financial or technical problems.

2.14 To support housing development the government will expand infrastructure and facilities networks in accordance with urban land development programs stated in the Fifth National Plan.

2.15 Agencies responsible for infrastructure development public services as well as housing will closely and effectively coordinate under control of the Committee for Public Facilities and Infrastructure Coordination of the Ministry of Interior.

Other policy concerns

2.16 The government will promulgate the use of the Comprehensive Plan Act and Government Gazette on Specific Plan in Bangkok Metropolis as a basis to implement the urban development program, especially land use.

2.17 The government will improve laws and regulations in order to prevent land speculation.

2.18 Within Business and Industrial area, the government will provide adequate affordable housings for workers of every income group.

2.19 The government will encourage the development of housing in accordance with the development of jobs in both public and private schemes in order to solve transportation problems.

2.20 The government will promote housing and land ownership to the people, especially for low-income families.

3. Specific Policy for the National Housing Authority

Construction Policy:

3.1 NHA will develop housing communities on a self-financing basis. Government subsidies will be allocated for construction of infrastructure such as main roads, water supply systems, sewerage systems, electricity systems etc. through the NHA and other government agencies concerned.

3.2 The government will fully subsidize the slum improvement programs for the physical improvement and will partly subsidize economic and social improvements, including land tenure consolidation through NHA.

Financial Policy

3.3 Most NHA activities will be financed from local loans and only part from external loans.

3.4 To develop public housing program, NHA will determine its investments based on affordability, cross subsidization and cost recovery principles.

3.5 The rent and hire-purchase schemes should be flexibile, due to the economic growth.

Coordinations and Organization

3.6 The government will encourage BMA and Local Authorities to participate in execution and maintenance of the infrastructure systems within NHA housng communities, including participation in socio-economic programs in slum improvement schemes.

3.7 With Industrial Estates, the Industrial Estate Authority of Thailand will sell a part of land at original cost to NHA for developing public housing for the workers.

Other Policy Concerns

3.8 NHA will supply adequate land for its housing programs in the future by usage of Land Acquisition Process, Land Banking Mechanism and Eminent Domain power under NHA Establishing Law.

3.9 In housing communities, NHA will provide a part of the project for the promotion of small business and industries programs for the purpose of income enhancement.

3.10 NHA will improve its management capacities to support its own programs as well as its private partnership programs.

4. Specific Policy for the Government Housing Bank

Fund Mobilization Policy

4.1 The Government Housing Bank is the principal government institution for long-term housing finance.

4.2 The government and other financial institutions will mobilize long-term loans within the country or from external sources for the Government Housing Bank.

4.3 The government will encourage Insurance Companies and Government Provident Fund to invest in the Government Housing Bank.

Credit Policy

4.4 The Government Housing Bank will provide long-term credit for housing finance.

4.5 The interest rate will be not much different than the market rate.

4.6 The Government Housing Bank will provide long-term credit to private developers, both directly and through appropriate finance institutions.

4.7 The Government Housing Bank will provide long-term credit to NHA's clients to support housing development.

Other policy concerns

4.8 The GHB will have a study made to improve its management and organization so it can expand its housing finance function.

4.9 The GHB will promote personal savings investment in GHB as a source of housing finance capital.

Housing Policy Report

Summary of Attachment 1

Ways of Implementing the General Policies (Paragraph 3.1)

Attachment 1.1. : Paragraph 3.1.1.: Policies on developing the quality of life.

Paragraph 3.1.2.: Construction policies.

Attachment 1.2. : Paragraph 3.1.3.: Financial policies.

Attachment 1.3. : Paragraph 3.1.4.: Policies on organizations and work coordination.

Attachment 1.4. : Paragraph 3.1.5.: Other policies necessary in developing housing.

Attachment 1.1

3.1.1. Policies on developing the quality of life:

1. Developing housing must be done in conjunction with developing the quality of life of the people in the various communities. Therefore, besides building new housing or improving the existing housing, essential social welfare services or related services that will help incrase the incomes of the people in the communities and improve social living conditions must be provided. Also, they must be given help so that they can join together to form communities for benefit in future related development (activities).

2. The formation of organizations of the people in the communities should receive official approval and support from government units so that these organizations can serve as the official representatives of the communities in order to facilitate making contact and carrying on activities.

3.1.2. Construction policies:

1. The National Housing Authority must serve as the state's representative in cooperating and coordinating things with the private sector in order to carry out things in accord with this policy.

2. The National Research Council, the Ministry of Science, Technology and Energy and the National Housing Authority should conduct research studies or tests on usisng the natural materials that exist in the localities that are suitable for construction. Technological improvements that are suitable and economical should be made in order to disseminate them to the people in the rural areas so that low-income people have nice, affordable places to live.

3. The National Housing Authority must conduct studies and make recommendations on revising those laws and regulations that make it difficult to carry on housing construction activities, both by the private sector and by the National Housing Authority.

Attachment 1.2.

3.1.3. Financial Policies

3.1.1. (1)

1. The Housing Bank should issue bonds in order to mobilize capital from the people and financial institutions.

2. The mobilization of long-term savings from the various financial institutions should be supported, and a way should be found to have the financial institutions provide capital to those financial institutions that are engaged in carrying on housing activities.

3. The commercial banks and other financial institutions must be encouraged to take part in providing long-term credit for housing. The Housing Bank should serve as the central institution in giving adequate long-term credit quickly to the people, particularly the low and middle-income people.

4. Other financial institutions should support the housing finance institutions in mobilizing capital. For example, they can put up collateral and purchase bonds and various monetary instruments offered by the housing finance institutions. These various securities should be registered with the securities market. Or a secondary market should be created in order to support mobilizing capital in the coming period.

5. Concerning those financial institutions that are in a position to extend credit for housing, if the situation is favorable but these institutions extend credit for housing at a rate that is too low, a minimum percentage should be stipulated for alloting capital for housing. Or in the case of the life insurance companies, at present they can invest only 15 percent of their assets in the housing sector. Raising this level should be considered.

6. In additon to carrying on things in accord with paragraphs 1 and 2, the state should consider revising the laws and regulations so that they facilitate taking action.

3.1.3 (2)

1. The Housing Bank should be made responsible for periodically extending housing credit to those who rent and purchase houses from the National Housing Authority based on capabilities and suitability.

2. The services of the Savings Bank should be used as a source to mobilize savings from the people, and savings services should be expanded in order to receive long-term credit in purchasing houses in return.

3. In making long-term foreign loans in order to use the money for projects of the National Housing Authority, the Housing Bank should be the one that borrows the money. However, when necessary, the National Housing Authority can borrow money directly.

4. Concerning the activities of the Housing Bank that are carried on by relying on other financial institutions, it will probably not be possible to carry on things efficiently. Thus, the Housing Bank must develop the activities and improve the structure in mobilizing more capital by itself.

3.1.3. (3)

1. The Ministry of Commerce should consider allowing the life insurance companies to take more long-term loans directly or to invest by purchasing securities or the monetary instruments of the Housing Bank and housing finance institutions. The securities of monetary instruments of the Housing Bank should be considered to be securities that have been entrusted as collateral with the life insurance registrars (and) Ministry of Commerce in all cases.

2. The various provident funds should be required to invest capital in the securities and/or monetary instruments for housing of the housing finance institutions or of the Housing Bank. The minimum percentage should be apporoximately 20 percent of their capital.

3. The Bank of Thailand should consider setting a policy and informing the commercial banks and finance corporations that they will have to cooperate in extending longer term credit for housing. Also, tax measures should be used to encourage having long-term savings for housing.

3.1.3. (4)

1. The housing finance institutions should be encouraged to improve their techniques and methods of giving long-term credit by having suitable minimum loans. Loan repayment periods should be longer than 15 years. And it should be stipulated that the amount repaid each time should be allowed to change depending on income levels, which rise each year.

2. The various financial institutions should be asked to cooperate so they improve the system in appraising the value of assets in taking mortgages so tht things are in accord with reality. Mortgage values should be adjusted so that prices are at least 80 percent of the actual value. Also, loan repayment periods should be extended, especially for people with low incomes, with the financial institutions of the state being the ones to take the initiative (in implementing) this measure.

3. Support should be given to enable the housing finance institutions that provide credit to low-income people to mobilize capital for carrying on these activities in accord with the policies of paragraph 3.1.3. (1), (2) and (3).

4. The various financial institutions should be encouraged to expand their housing credit services into more areas. In particular, the Housing Bank should make plans for expanding services by establishing more branches in the various regions.

3.1.3 (5)

1. The housing finance institutions should be encouraged to develop their methods of mobilizing capital by issuing securities and monetary instruments both on the money market and the capital market. This should be done using public relations techniques. Also, sales should be promoted in order to generate interest among investors.

2. The securities market and the Ministry of Finance should jointly discuss the matter of taking the securities that have been issued in order to provide capital services for housing to the people. For example, the housing savings bonds issued by the Housing Bank or the other housing finance institutions are securities that (should be) registered on the securities market. Also, trading should be promoted to make this popular in order to encourage the issuing of these securities.

3. In carrying on activities, there should be a close link between the money market and these financial institutions so that all the necessary monetary instruments are issued for the housing capital activities. These should be issued on both the money market and the capital market. The financial insitutions concerned should provide support. The Government must consider solving the problems and overcoming the obstacles posed by the stipulations or regulations in supervising the activities concerned.

4. The Bank of Thailand should support having the financial institutions bolster the short-term liquidity of the financial institutions that provide credit for housing by holding the house mortgages of the people as collateral security.

3.1.3. (6)

1. Based on studies on the system of housing cooperatives that have been formed, it can be said that the obstacles facing the housing cooperatives have to do with administration. And the amount of money mobilized is still below the standard. Thus, things must be studied in detail in order to revise the regulations that pose obstacles. This must be done in order to open up a way for those with savings to join in investing capital more widespreadly and to enable these institutions to obtain more capital from outside than is presently the case.

2. The state must quickly introduce the cooperative system to the people in general. This must be done in order to attract the various sources of capital that are now outside the system so that they form a source of capital. And this will make it possible to stipulate the objectives in using the resources correctly in accord with the state's policies.

3. The state should stipulate medium or long-term investment measures in accord with international models. For example, it should promote the system of taking second mortgages and registering preferential rights in taking mortgages. (It should) improve the way assets are appraised so that this is done fairly. It should ensure the savings of the people in the housing finance institutions up to a suitable amount and establish central institutions of the state in bolstering the liquidity of the housing finance institutions. The reason for this is that developing housing is a primary factor in measuring the people's standard of living and in developing the country's economic system.

Attachment 1.3

3.1.4 Policies on organizations and work coordination:

1. This subcommittee on housing policies will periodically collect data on the development of housing from the Housing Technology Center, the National Housing Authority and the various institutions concerned in order to study the data. The subcommittee will just make recommendations on ways to solve the various problems. The decisions will be made by the S.S.C. (expansion unknown) committee and the cabinet.

2. To improve the public utilities system, things must be done systematically and there must be clear plans. The public utility policy, planning and activity coordination committee must coordinate the work and supervise things so that the development of housing proceeds in harmony with development in other sectors.

Attachment 1.4

3.1.5. Other policies necessary in developing housing:

1. The Department of Town and Country Planning, Ministry of Interior, must quickly stipulate specific areas for housing in order to help enable the development of the public utility system of the state to proceed adequately and in accord with the development of housing in the stipulated areas. Besides this, various public areas should be improved so that they can serve as recreational areas and really benefit the public.

2. The Ministry of Interior should improve the land tax system so that it is suitable and fair. Also, steps should be taken to supervise and check closely the system of assessing land taxes in order to help reduce (the incidence of people) possessing land but not putting it to use.

3. The Industrial Settlement of Thailand and the National Housing Authority should join together in arranging housing near the work places in the industrial zones. As for the urban zones, which are in various trading areas, the National Authority must cooperate with the various units concerned in improving the crowed communities in these areas.

4. Concerning alloting areas for housing along with establishing work zones, as for the private sector, the state should consider promoting this by granting tax privileges. For example, it could allow people to deduct expenses for house taxes and for local improvement taxes. Or (it could consider) other measures in which private individuals would benefit directly from the construction of housing for officials.

As for the public sector, the state should provide housing for government officials and state enterprise officials. Those who buy should have long-term mortgages. This will help enable government officials with low incomes to own their own house. As for where to obtain money that will be used to provide this housing, this must be discussed in detail again.

5. The state should promote having people of various income leels own their own houses by allowing oridinary people to deduct the expenses in repaying the long-term land and house loans in amounts that match their "assessed income" so that they pay an income tax similar to the reduction in the life insurance premiums.

Summary of Attachment 2

Ways of Implementing the Policies In Accord with the Specific Policies of the National Housing Authority (Paragraph 3.2.)

Attachment 2.1: Paragraph 3.2.1.: Construction policies.

Attachment 2.2: Paragraph 3.2.2.: Financial policies.

Attachment 2.3: Paragraph 3.2.3.: Policies on organizations and work coordination.

Paragraph 3.2.4.: Other policies concerned in developing housing.

Attachment 2.1

3.2.1. Construction policies:

1. The National Housing Authority must undertake various projects in order to support itself and solve the housing problem for the low and middle-income people. The following are the types of projects that it can undertake:

1.1 It must undertake projects to earn an income to help cover the expenses incurred by the National Housing Authority. Such projects include the housing projects of high-income people in the cities, the community commercial building projects of the National Housing Authority, the government unit and state enterprise employment project and so on.

1.2 As for the housing program of low and middle-income people, it should be an installment purchase type program that uses the principle of mutual support between the people in the program who have various income levels. The support provided by the state for the public utilities system will amount to only 10 percent. Concerning this method, besides enabling the development of housing for low and middle-income people to proceed without the Housing Authority losing money and with it being able to support itself, this will also reduce the financial burden on the government.

2. Concerning improving the crowed communities, the state will provide the National Housing Authority with full help in making physical improvements. As for communities that have problems concerning land, the Housing Authority will negotiate with the owners of the land in order to ask to purchase the land have those who live there pay the debts. Or it will request permission to rent the land on a long-term basis and then take steps to make physical improvements later on.

Attachment 2.2

3.2.2. Financial policies:

1. The National Housing Authority, should issue general bonds or bonds for the specific projects in order to sell them to the commercial banks and the financial institutions, including the life insurance companies and the provident funds. This will help mobilize long-term funds domestically and enable the National Housing Authority to cut back on the use of foreign capital that involves time periods and expenses that are not suited to developing housing. This will also be in harmony with the policies on developing housing.

Besides this, the units concerned must promote having the bonds or instruments of the Housing Authority be securities that are registered with the securities market, which will help provide those who hold these securities with flexibility in making investments and give them tax advantages. This will also give rise to widespread trading.

2. In procuring capital from abroad to supplement the housing investments of the National Housing Authority, the characteristics of this capital must be such that greater benefits are obtained than would be the case if capital were mobilized domestically. In this, the state must be the one who arranges foreign loans and/or puts up collateral security for the Housing Authority in order to obtain loans whose conditions and cost are suitable for investment in the housing sector.

Besides this, once the Housing Bank has developed to the point where it can serve as the primary financial institution for the National Housing Authority in accord with the housing development policies, the bank can work together with the Ministry of Finance in coordinating things and obtaining loans, particularly from international financial institutions such as the World Bank and the Asian Development Bank, in order to enable the people who use the services of the Housing Authority to borrow money in the form of mortgage loans. As for the Housing Authority, the only loans that it should take directly should be construction loans. This is so that financial administration is as efficient and economical as possible.

3. The Five-Year Plan (1982-1986) of the National Housing Authority clearly states that the main task of the Housing Authority will be to construct housing for people with low incomes. The income levels and construction ratios that have been stipulated are shown in the table below. As for investments at each income level, the people's ability to make payments is used to stipulate the principal in construction.

Program	Targeted group (symbol)	Income Level 1/ (baht/month)	Level 2/ (percent)	Construction ratio 3/ (percent)
Bangkok	Low (a)	3,000-4,000	10-20	20
	Low (b)	4,001-5,000	21-35	20
	Low (c)	5,001-7,000	36-50	30
	Middle (d)	7,001-9,000	51-70	20
	High (e)	9,001 on up	71 on up	10
Regional Housing	Low (a)	2,500-3,000	20-30	20
	Low (b)	3,001-3,500	31-40	20
	Low (c)	3,501-4,500	41-50	30
	Middle (d)	4,501-6,500	51-70	20
	High (e)	6,501 on up	71 on up	10

Notes: 1. Changes every fiscal year based on facts of income distribution of families.

2. The order of the income levels of the targeted groups will remain fixed during the plan period.

3. Construction ratios in each program. (The details may be changed from what is stipulated here. But the overall results of all the programs in the plan must be in accord with this ratio).

4. The National Housing Authority must consider stipulating mortgage payment rates in the "installment purchase plan" program so that rates are in accord with reality. Interest rates must be set equal to money market rates, and it must be possible to adjust them depending on market conditions. As for rents in the "renters" program -- with no new construction being undertaken in the renters type program -- the Housing Authority must carefully check housing rights. If renters' rights are transferred from the former renter, the rent must immediately be increased. Then, the matter of increasing the rent of both the former renter and the person to whom the rights have been transferred can be considered every 3 years. The National Housing Authority must make a new rental contract that runs for only 3 years so that rents can be adjusted as appropriate. Making rental contracts every 3 years will not affect renters' housing security unless they seriously violate the regulations of the National Housing Authority.

Attachment 2.3.

3.2.3. Policies on organizations and work coordination:

1. The National Housing Authority should cooperate with local organizations and state enterprises such as Bangkok Metropolitan, the Metropolitan Waterworks Authority, the Provincial Waterworks Authority, the Electricity Generating Authority and so on in implementing programs, including investing money, maintaining things and turning over activities, in order to carry on things systematically and to have joint plan.

2. The National Housing Authority must coordinate things with the Industrial Settlement of Thailand. There must be coordination in the programs of the Housing Authority in which the Industrial Settlement has been allowed to oversee both the small-scale and large-scale industrial activities. Besides this, in all the projects of the Industrial Settlement, areas should be prepared where the Housing Authority can develop the housing of the workers. As for land prices, this is a matter that must be negotiated based on mutual cooperation.

3.2.4. Other policies concerned in developing housing:

1. The National Housing Authority must develop the land procurement system to make it more flexible. This must be done in order to obtain land suitable for use in developing housing. For example, the (Housing Authority) should cooperate with the Industrial Settlement in procuring land for building industrial settlements and housing or in carrying on joint projects in the future.

2. Because it is becoming more and more difficult to find land near the places of work in the urban zones, the Housing Authority must cooperate with the units concerned and improve the crowded communities in the urban zones so that living conditions are suitable for low and middle-income people. As for the community housing project of the Housing Authority, in which is is necessary to expand and seek land in the suburbs, things must be carried out so that these are model communities. This must be done by cooperating with other units and providing work places, commercial centers and essential welfare services. This expansion of the community housing program to the suburbs must be in harmony with th expansion plans of Bangkok Metropolitan.

3. The National Housing Authority must quickly increase efficiency in carrying out things in accord with the recommendations of the Committee to Reform the Bureaucracy and National Administrative Regulations and of the Ministry of Interior, recommendations that have been approved by the Cabinet.

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Policy and Program Review of the National Housing Authority of Thailand

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SUMMARY OF RECOMMENDATIONS

A. The Draft Policy Statement

1. Adoption

The NHA Board and the Cabinet should adopt the broad policy proposals in the draft document. They represent considerable progress in Thai government efforts to provide a publicly accountable, affordable shelter program for families at or below median income levels. They represent considerable progress in utilizing government investment to spread urbanization and its benefits to other parts of the country beyond the Bangkok Metropolitan Area. They address the critical linkages between shelter investments, employment generation, and other national social and economic objectives

2. Production Targets

NHA should adjust its production targets to levels which can reasonably be achieved with expected professional staff, administrative powers, and capital resources during the 1982-86 period. It is unlikely that the scale of targets proposed can be met. NHA has two options for refining these specific production objectives:

a. reduce the proposed targets to levels that NHA determines as realistic;

b. maintain or modify the presently proposed target levels, but at the same time spell out in detail the full array of administrative, legislative, and financial measures necessary to alleviate problems blocking large scale production. Such an implementation plan should be incorporated in a revised policy statement. It is especially important for AID, the World Bank, and other international support institutions to encourage realistic goal assessments by NHA -- even if this means extending the time frame for present loan commitments. Both the desired program quality as well as its quantity can be endangered by overly-optimistic short-term expectations.

3. Land Acquisition

The land acquisition problem should be highlighted in the policy statement and specific recommendations made to improve the acquisition process. The present process is geared to prevent corruption, but is so cumbersome as to defeat basic project development objectives. Sites can not be identified or acquired without public bidding, and all purchases must be approved at Cabinet level. Project design can not commence until a site has been selected from public bids. This results in inordinate delays and inefficient utilization of professional design staff. NHA is making significant internal improvements in the evaluation of candidate sites and in administration of their ultimate purchase. It is, however, among the few government shelter

agencies in the world which lacks powers of condemnation and negotiation with individual landowners. Recommendations below are directed toward the short-term improvement of present procedures. In the long run, however, NHA should be granted condemnation/negotiation powers if it is to meet increasingly ambitious production goals in Bangkok and the regional cities.

4. Special Projects

The policy statement should spell out more clearly the role of special profit-making projects (shopping centers, industrial developments, higher income housing) as a device to cross-subsidize NHA's shelter investments for low-income families and to support economic and social objectives of these investments. First priority in developing special projects should be assigned to those in, or adjacent to, the Bangkok new towns and the regional city housing estates.

5. Cost Recovery for Maintenance and Operations

The policy statement should emphasize more strongly NHA's objective to increase rents in existing subsidized housing to levels which cover operations and maintenance costs. Since the political decision to permit cost recovery on new sites and services/core housing construction has been made, establishment of more equitable rent levels in existing flats is a logical next step.

B. Use of the United States Housing Guarantee Funding to Accelerate Production

NHA should consider early use of the $15,000,000 first tranche HG loan as an incentive to accelerate project production. One use of the HG funds could be to finance "pre-development packages" of site acquisition and site preparation for individual projects, both in the regional cities and in Bangkok. The HG funds would be applied to acquisition costs and to the filling and drainage work required before actual utilities and dwelling unit construction can begin. NHA would prepare "fast-track" implementation plans for the pre-development phases of these projects, to include priority by design and engineering staff for detailed drawings and specifications. This approach can be one way of surmounting obstacles to meeting the production targets stipulated both in the policy statement and in the various loan agreements with international agencies.

Even if HG funds are not used, the concept of "pre-development packaging" is valid as a means of expediting project production. NHA can apply other resources to this approach if they are available.

become a source of mortgage loans to the individual buyers of NHA's sites and services/core units. This role will remove a substantial financing and cash-flow burden from the Authority. It will permit the Bank to shift from being strictly a commercial institution to

F. Investigation of the Shop-House Issue

NHA should sponsor a study of the vast numbers of vacant shop-houses (purportedly 50,000 in Bangkok alone) that have been recently built. The study would examine the costs, financing, tenure and market characteristics of this form of shelter. A strategy can be formulated for recycling the units through incentives to the private market and/or through finding avenues to permit occupancy by middle or lower-income families who lack decent shelter alternatives. The shop-house investigation could help broaden NHA's policy formulation role and would be of considerable service to the goal of better shelter utilization in Thailand.

G. Improvements to the Design and Construction Process

Several recommendations are made on measures which NHA can institute to improve the design and construction process. These include:

a. Greater attention to economic and social factors in preparing project programs prior to design. Market analysis, considerations of on-site job generation, and the phasing of economic development along with shelter provision are all matters which require staff attention in the program formulation stage. In the event that sufficient staff planners and economists are not available, selective use of outside contractors is warranted. Precedents have been established through the retention of outside Thai consultants to assist with design of financial management procedures.

b. Improved scheduling practices to permit greater sharing of staff during project design. More flexibility is needed to allow temporary transfer of underutilized design and engineering staff to project teams with heavy workloads.

c. Selective use of private Thai consultants in contract supervision and intensified staff training in contract management. On-site contract supervision is one of the weakest links in the NHA implementation chain. In addition to improving the training opportunities for present staff, outside third-party consultants should be utilized to supplement staff in monitoring contractor performance or as construction supervisors.

Attachment B

Changes in present organization of NHA

1. Addition of one Deputy Governor and one Assistant Governor.

2. Creation of 12 separate departments headed by Director

   a. Split Research & Construction into three departments.

      1. Special Projects.
      2. Construction Services.
      3. Housing Projects.

   b. Split Estate Management into two departments.

      1. Estate Management
      2. Community Administration

   c. Split Finance into two departments.

      1. Treasurer
      2. Comptroller.

   d. Split Office of the Governor into two departments.

   e. Creation of a Slum Upgrading Department.

3. Split of Construction Coordination Section in Research & Construction into a Tender Division and a Standards Division, each under different departments.

4. Creation of a Centre for Building Studies.

5. Consolidation of 11 Area Offices in Estate Management to 5 Area Office: Office 1-4 will cover Bangkok while office 5 will cover the provinces.

6. Consolidation of Project Administration Offices I & II and III, IV & V under Research & Construction into two separate departments with its own administration section.

7. Creation of a Senior Technical Assistants Officer directly responsible to the Governor.

III. Review

A. Improvement to NHA land acquisition process.

1. Problem

Land acquisition delays continue to be a major problem in implementing NHA shelter programs. However, in the last year, serious efforts have been made to circumvent this stumbling block with some degree of success.

Problems center around:

a. The cumbersome and restrictive process NHA has been mandated to follow in land purchase transactions. (This includes overly-specific technical criteria)

b. The ineffectiveness of NHA Board of Directors in acting cohesively on land purchase decisions.

2. Solution

The implementation of Regulation #38 which came into effect October 1981 addresses both these problems as they affect the Regional Cities Program (Attachment A). The regulation relaxes the purchasing procedure which stipulated public bidding before sites could be specifically identified or acquired by allowing for direct negotiations in cases where bidding had identified near-but-not-true to specifications sites. In such cases, the bidding process can be nullified to allow for adjustments in the specifications which would then lead to direct negotiation with the land owner. It applies specifically to the access requirement. In such a

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3/18/82

National Housing Authority - Thailand

Institutional Review

I. Purpose:

The purpose of this review is to meet recommendations for proposed actions as stated in the Sept. 1, 1981 "Annual Review of Regional Cities Program".

The major items to be reviewed include:

1. Improvement to the NHA land acquisition program.
2. Filling the policy & planning staff vacancies.
3. Reorganization of NHA.
4. Financial planning and management

It is also an effort to update information presented in the May 1981 comprehensive review of NHA policies & programs and to assess actions taken since that time.

II. Background

As has already been documented NHA's inception in 1973 brought together the tasks and responsibilities for housing of a variety of other public institutions. In the 9 years of its existence it has expanded its role of planner, builder and administrator of housing to a formulator of national housing policy advocating not only the traditional subsidized walk-up-flats but also slum upgrading, sites & services and core housing on a cost recovery basis.

case NHA is empowered to provide access and to renegotiate land costs accordingly with the owner directly. As of yet, this procedure has not been tested on individually-owned land.

Direct negotiation has been used in cases involving municipally owned land (Saraburi) and company owned land for workers' housing (Nava Nakorn). The Nava Nakorn project is a unique case in which NHA, under Cabinet-level directive, was instructed to assist project development schemes. It indicates, only, NHA's capabilities in moving forward with sufficient political support and is not likely to be repeated. Saraburi, in which NHA negotiated directly with a municipal cooperative to acquire land, presents greater possibilities as a model for future action. NHA is now actively attempting to identify similar cases which can short cut the open bid procedure i.e. public land held by a government entity or parastatal. Direct negotiation even in its limited application has the potential to greatly reduce land acquisition time which, assuming an initial successful bid, takes approximately 10 months.

Regulation #38 also addresses NHA Board ineffectiveness through its special purchase regulation which empowers the Governor to purchase sites costing up to Baht 2,000,000 without Board approval and up to Baht 10,000,000 if a majority of the 5-person Land Purchase Committee (comprised of NHA senior staff) recommend the purchase. In the case of Baht 2 million purchases, the Governor appoints members to the Land Purchase committee; in the case of Baht 10 million purchases, the Board appoints members. The Governor has indicated his willingness to use this special purchase provision and the test case (Chantaburi) will be coming up for a decision within the next two weeks. Indications are

that this delegated power will be effective in acquiring sites outside the Bangkok Metropolitan area where land costs are lower. More importantly, it strengthens the role of NHA staff by allowing them a greater share in the decision-making process.

The creation of the Land Working Group to identify and analyze suitability of sites is an additional attempt by NHA to facilitate the acquisition process. Composed of professional staff under the present Estate Management Division it has been in operation for almost one year. Although understaffed and lacking strong support, it is gaining identity as a unit and offers greater accountability for its recommendations than the previous ad hoc groups.

NHA appears to be facing up to its land acquisition problems. A report is presently underway in the Policy & Planning Office to identify and analyze the causes of the problem. Further NHA is entertaining solutions to its land needs such as the Land Banking proposal requested by the Governor and prepared by NHA Housing Advisor.

B. Filling the Policy & Planning Staff Vacancies

In talks with the Acting Director, Policy & Planning Office this is less of a problem than appeared a year ago. Three positions in the Housing, Building and Planning Section have been filled and one position in Monitoring & Evaluation will soon be filled. The Acting Director forsees no other pressing staff needs and will attempt to maintain present staff levels.

C. Reorganization of NHA

Plans for a reorganization of NHA structure are presently before the Ministry of Finance which is expected to approve the changes within the next six weeks.

1. Present Organization

NHA is presently organized with a Governor, two Deputy Governors and five individually operated offices or departments with Directors as heads.

a. Office of Policy & Planning
b. Office of the Governor
c. Research & Construction Department
d. Finance Department
e. Estate Management Department

The bulk of NHA's staff is in Research and Construction and Estate Management. Directors of each of the Departments and Offices meet weekly with the Governor to discuss policy-related issues. A Management Coordinating Group (MCG) consisting of five assistant-directors and a representative from Policy & Planning with a rotating director as chairman, also meets regularly to make recommendations on specific issues to the Directors Committee. The MCG was formed to act as a liaison unit between departments at the operational level.

2. Reorganization

The reorganization will create a structure headed by a Governor, three deputy Governors one Assistant Governor and 12 Directors. The larger departments of Estate Management and Research & Construction will be subdivided into two and three separate departments with its own directors. Each Deputy Governor will be responsible for three to four departments while the Assistant Governor will be responsible for Policy & Planning and a newly created Centre for Housing Studies. The Office of the Governor will be divided into two departments and with the addition of a Slum Upgrading Department will come under one Deputy Governor. There will be no assistant-Director level with the exception of those departments handling regional projects in which case there will be one assistant-Director. The sub-sections of presently existing Departments will be divided and transferred virtually intact of personnel. There will be some minor shifting (30-40 people) to staff the Centre for Housing Studies. (See Attachment B)

3. Analysis

There are mixed views on the usefulness of this particular reorganization to NHA's operating efficiency. At most, the support from middle-management personnel is tepid with a skeptical but "wait-and-see" attitude among most senior staff. The fact that the reorganization has been in the offing for the last eight months without actually occurring has created some anxiety among personnel. Some changes have taken place as a transition into the new organization, as in

the case of Slum Upgrading being presently placed under the direct control of the Governor.

Supporters of the reorganization at the senior policy level see it as an attempt to make management directly responsible for line operations. By dividing the Departments of Research & Construction and Estate Management into their various functions, Directors and Deputy Governors will be made more accountable for project delays and cost overuns. Further, the reorganization will allow for expansion into other policy areas which the present structure does not allow i.e. developing private sector participation, exploring rural housing programs. Finally, the reorganization is viewed as a response to political realities both at the personnel and the policy level. Creation of the Slum Upgrading Department within the same unit as the Office of the Governor is seen as such a move.

The reorganization should not have great impact on sub-sections. It does shift directors into other positions and promote assistant directors. The intended purposes of greater efficiency and accountability may very well be served by such shifts in management. While inter-departmental operations may benefit, intra-departmental coordination may suffer. The MCG will effectively be dissolved since there will no longer be any assistant directors. Although such a coordinating group is to continue to exist, no one knows who will be a member or how this will be done. At the same time some operating inefficiencies appear likely to be aggravated. This is true for Slum Improvement which has been taken out of the Research & Construction Unit. It will have to replicate certain technical functions or else accept longer processing times as decisions get approved at two

levels rather than one. The separation of Slum Upgrading from other project offices also has the effect of hindering the useful exchange of information and ideas.

The division of the five project offices into departments composed of three and two projects each may have a similar effect. Such a division does not address the need for flexible staff to work among the different project offices. Any hopes that staff members could be made to work on projects as the need arose across project office lines are now minimized.

The reorganization will depend greatly on the caliber of the new Department Directors and whether they can effectuate the cross coordination of functions that continues to be necessary.

D. Financial Planning and Management

NHA continues to experience problems in the development of financial plans. The proposed reorganization which splits the Finance Department into Treasury and Financial Management is an attempt to address that problem. It was proposed in the Coopers & Lybrand Financial and Estate Management Consultancy Services Report of 1980. Presently, financial planning is being done within the project offices of Research & Construction with inputs from Finance. The exact allocation of responsibility is difficult to identify. Recently, the Budget Divisions of Finance was granted authority from the NHA Board to develop all project financial plans as projects were designated. This should make clearer the areas of responsibility.

The administration of hire purchase mortgages within Estate Management has been noted in both the comprehensive NHA program

Review and the Coopers & Lybrand Report as a drain on limited resources and as a misallocation of tasks to an agency whose primary purpose should be the design and construction of shelter It has been recommended that the Government Housing Bank should be authorized to serve as the financial agent for NHA's low-income housing program but little has been done to explore this further. It is the general view in NHA that, at present, GHB would not have the administrative capabilities to take over this part of the Estate Management functions.

IV. Conclusion

Over the course of NHA's brief nine-year life there have been numerous changes to the organization, personnel and policy. In these nine years NHA has been led by four different governors, undergone three reorganizations (and is now facing a fourth) affected various sub-departmental changes and has experienced an expansion in personnel from 400 to 2400 persons. It has effectively maintained shifts in policy through these organizational changes by maintaining its core of skilled middle-management personnel.

There is no reason to believe that NHA cannot effect successful shelter programs with greater speed and efficiency so as to meet its stated goal of "providing for housing inadequacies of both the metropolitan and provincial areas." Having progressed substantially in nine years it has come to a point where many of its problems are now at the macro-agency level. That is NHA must seek greater impact at the Ministerial and Cabinet level so as to affect national policy. Until now there has been little emphasis at this level on shelter problems. The soon-to-be-created subcommittee on Shelter with a secretariat in NESDB should redress some of this imbalance. Its role will be to explore means of facilitating the housing sector both public and private, via economic as well as financial alternatives. NHA will have input into the creation of the division in NESDB handling the Subcommittee's affairs and thus

should have greater impact at the national level. Greater political support should ease some of the NHA Board's reluctance to act.

Personnel problems are also influenced by factors outside NHA. Although management's ability to motivate staff continues to be essential and a direct NHA responsibility, there are limitations to their effectiveness in the advocacy role played by a strong employee's union and in government regulations over personnel practices. While such problems are endemic to government bureaucracies, NHA's problem was aggravated by the large and sudden increase in staff. The relatively small proportion of skilled professionals was required to manage a larger number of either unskilled or inexperienced staff. The new Centre for Housing Studies should be regarded as a resource for training of NHA, as well as related agencies', personnel. The reorganization, too, attempts to make each Department Director responsible for his unit's work production.

The changes NHA has instituted and will be instituting in the near future should maximize NHA's control of its program. Greater effort should be made in transferring some of its financial responsibilities to the Government Housing Bank as has been recommended. This is the one area that haas seen little action and deserves attention.

ANNEX J

Thailand Shelter Issues Regarding Technical Assitance, 1983, RHUDO

THAILAND SHELTER ISSUES REGARDING TECHNICAL ASSISTANCE

I. NHA Institutional Development

Technical assistance to NHA has been useful in the institutional development of NHA to some extent, but the results have been much less than the expectations. Reasons for these modest "sucesses" are complex and elusive. The following discussion is intended to provide some insights to aid in understanding why attempts to improve NHA have had little impact.

NHA has been reorganized several times including early this year. Several management studies have been made and consultants come and go without much effect. Project implementation is in waves rather than any kind of regular flow. There are far too many staff (i.e. 2,400) but state enterprise unions make it virtually impossible to reduce, reassign or discipline staff. Production, innovativeness and morale are low.

On the other hand, senior and professional staff are well educated, bright and hardworking (when interest is sparked). Large numbers of key staff people work hard regularly, but because of their frustration with poor coordination and slow progress they commonly divert their attention and efforts to secondary activities within and outside NHA.

The NHA Governor has changed every year or two since NHA was created in 1973. Most other senior staff have remained the same for many years, but they have problems working with frequently changing Governors the unions and the bureaucracy.

The system discourages initiative by providing little incentive for high performance, while on the other hand, people risk career side tracking for actual or even perceived mistakes.

Staff turnover is low because large numbers of the staff have a family obligation to pursue public service careers. Also, many are able to combine private business with their NHA work.

NHA staff are keen to learn and improve themselves, but not necessarily to the benefit of NHA as an institution. They enjoy working with consultants and donor missions and they honestly accept the recommendations. Usually they promise to implement many of the proposals. However, the day to day routine consumes nearly all the time and energy of key staff and officials, thus the proposed changes are made slowly, if at all.

RHUDO's approach for the past three years has been to work with NHA on a sustained basis, mostly through the Resident Advisor up to June 1983. This approach has worked in so far as the Resident Advisor attracted and held the interests of key officials or moved things along himself. On the other hand, IBRD and ADB have relied on periodic official missions and short-term consultants. NHA scrambles to get ready for each mission, but then immediately relaxes afterwards. RHUDO's sustained approach results in modest improvements within the Thai "system", whereas the IBRD-ADB mission approach results in the NHA staff feeling that they are simply implementing projects of the World Bank and ADB -- and the projects are so named.

Conclusions: Further technical assistance should be limited to highly specific subjects which (1) facilitate the implementation of the new National Housing Policy; (2) implement the major recommendations made in the previous AID studies and the Housing Finance Study; and (3) support the HG program emphasis on regional cities and in enlisting the involvement of the private sector in providing housing and housing finance for the poor. This will be done by: (1) monitoring and evaluating RTG housing policies and NHA programs; (2) promoting action c previous recommendations; (3) assisting GHB, upon its request, regarding the mobilization of resources for housing and expansion of loan programs for low-cost housing; (4) facilitating NHA-private sector joint ventures and other private sector actions to provide housing affordably by the poor.

Continued assistance to NHA is warranted because it is now and will continue to be for at least some years the major provider of low-cost housing. The sum effect of these AID actions probably will improve NHA as an institution only marginally. However, there could be substantial increases in low-cost housing delivery by getting GHB and the private sector into the low-cost housing mainstream.

In addition to continuing some technical assistance, it is essential that AID also maintain a substantial staff development program, including training in Thailand, the region and U.S. in order to broaden and strengthen the network of Thais who are familiar with the HG program and committed to policies and practices which are compatible with those supported by the Office of Housing and Programs.

II. Low-Cost Housing Delivery

The NHA Development Plan for 1982-86 calls for the annual production of 10,000 sites and services plots with core houses and slum upgrading to benefit 6,000 families.

These plans are unattainable because already two years into the five-year period only seven of the 30-plus sites needed have been acquired and construction has not started on any of the new projects.

In fact, NHA has not had Cabinet approval to implement this plan, so funds are not available yet (approval is expected in November - December 1983).

During 1983 NHA will complete nearly 10,000 sites and services units in four projects, but these projects are part of the 1979-84 program. They are the first projects completed from this previous plan.

A key reason that NHA projects have consistently been one, two and even three years behind schedule is that sites are not acquired in advance in most cases. This acquisition process commonly takes a year. Another six months or so is taken up in site design and filling of one to two meters. Prolonged flooding can delay site preparation by additional months.

The bidding and contracting process also is slow and complications often cause delays. Construction itself sometimes is hindered by design changes, material shortages, labor disputes and contract difficulties.

Additional delays frequently occur near the end of project implementation because electricity and water utilities have been unable to schedule their work properly due the various other delays mentioned above.

These types of delays are not unique to NHA, of course. Technical assistance regarding construction management has been provided by AID, IBRD and ADB. The NHA officials and senior staff are skilled in planning and programming. Yet, the same delays occur year after year, project after project. In large measure these delays are avoidable (e.g., by advanced land acquisition) or more or less predictable (e.g., it floods every year). However, months are lost in sum by numerous slippages attributable to poor coordination and relaxed work habits.

IBRD and ADB plan to require resident advisors in construction management for their next programs. These advisors will succeed to the extent that they can establish solid working relationship with their Thai counterparts. They simply will not be able to aggressively take charge -- both the Thai language and Thai style will preclude that -- unless, of course, the advisors are Thais.

NHA reluctantly will accept these advisors as conditions of the loans. The three ADB advisor on the Bang Plee New Town project during 1983 (only a total of one year) were somewhat successful, but much less than everyone had intended.

Conclusions: The most effective means of speeding up the delivery of sites and services projects is by advanced land acquisition and preparing the site (at least land fill) well before construction is scheduled. RHUDO will continue to urge NHA to implement recommendations on Land Banking made by the Resident Advisor, Robert S. DeVoy.

RHUDO will depend on IBRD and ADB technical assistance on project management when HG funds are used to co-fund projects. On other projects, especially those involving the private sector, RHUDO staff will monitor closely and provide short-term consultants only as essential.

While not dismissing the importance of improving NHA project implementation, RHUDO is working with NHA to develop more realistic schedules of financial resource requirements which take account of probable delays. By so doing, future HG loans can be scheduled better.

III. Housing Finance

The Government Housing Bank (GHB) three years ago agreed in principle to provide mortgage financing for purchasers of NHA housing projects. Also, GHB had agreed to provide financial resources to other institutions engaged in housing finance and to increase financing for low-cost housing. These three actions by GHB also are recommendations of the Housing Finance Study and now are included in the adopted National Housing Policy.

Recently, GHB agreed with NHA and IBRD to assume NHA's long-term financing function slowly for new projects on a case by case basis. The first project is yet to be identified.

GHB has begun to implement some of the recommendations of the Housing Finance Study regarding mobilization of resources. Also, GHB this year for the first time has sent senior staff to the Shelter Workhsop and to UC/Berkeley.

GHB officials have been concentrating on improving the management systems and strengthening its financial structure. Also because GHB is extremely ill-housed, it does not intend to expand its operations much until its new headquarters building is completed in two years or so.

Several Thai financial institutions are going bankrupt or are in very serious financial condition. GHB itself was in trouble two years ago. Its management is opting for slow but secure growth and expansion.

Conclusion: RHUDO has a good working relationship with GHB officials. They appreciate AID's willingness to help train the GHB staff. When GHB is ready to take on additional roles regarding the provision of financing for low-cost housing, these officials plan to request technical assistance from AID. When GHB is ready, it is their intention to borrow HG loans.

RHUDO plans to maintain close relationships with GHB, to encourage them to assume their low-income housing finance responsibilities as soon as practicable, to provide technical assistance to this end, and to have GHB be the borrower of record of the HG loan by 1986.

IIPUP FUNDED ACTIVITIES

IIPUP Financial Resources

AID Grant	$250,000	
NHA	58,500	(staff and supporting services
RTG (DTEC)	4,000	(air fare for two to 1982 Shelter Workshop)
Total	$312,500	

Actual Expenditures of IIPUP Grant

Technical Assistance

Resident Advisor, NHA (75% of time for 2 years; 50% of time for 1 year)	$135.000
Translation from Thai to English of NHA Development Plan	339
Thai consultant as part of Rivkin team on NHA Policy and Program Review, 1981	1,028
Household Survey in Bangkok and Five Regional Cities for Housing Affordability Study, 1981, Deemar Co.	16,304
Household Income and Occupation Data for 30 Cities, 1979-83, Deemar Co.	3,694
Three HP86 Micro Computer Systems for NHA Project Design and Financial Management; Systems include three personal computers with 192K byte memory; three twelve inch monitors, six disk-drives, three matrix printers, two graphics plotters, accessory equipment, eight programs, and supplies for one year	29,302
Consultant for three weeks to instruct ten NHA staff in use of special program for housing project analysis and design using micro computers (Bertaud) Model	9,900
Total Cost of Technical Assistance	195.567

Staff Development

Shelter Workshop, 1981 Participant: NHA Assistant Governor and Chief of Land Division	11,706

Asia Region Housing Finance Seminar, 1982 Participants: NHA Deputy Governor, Director of Construction Services Department and Chief of Policy and Planning Division	2,274
Shelter Workshop, 1982 Participants: Assistant Chief of NHA Policy and Planning, Deputy Chief of NHA Project Administrative Office and Economist in Fiscal Policy Office, Ministry of Finance	17.400
UC/Berkeley Program, 1983 Participants: Chief of Housing Research, NHA Housing Centre	13,854
Seminar on National Housing Policy	2,654
Total Cost of Staff Development	47,888
Total Grant Expenditures to 11/23/83	243,455
Balance Not Obligated	6,545*

*Earmarked for an evaluation of the implementation of HG-funded NHA development plan and implementation of the Housing Finance Study recommendations

ANNEX K

GOVERNMENT HOUSING BANK

The Housing Finance Study in Thailand, January 1982, by Alan Knight, includes numerous findings, conclusions and recommendations regarding GHB. Recognizing that GHB and NHA are the only two RTG institutions which finance housing to any significant degree, it concludes that: "GHB has been and will continue to be the most important national institution for the provision of housing finance" (p. 19).

In 1980 and 1981, GHB experienced financial difficulties because it made many loans to developers which turned bad because of an overbuilt housing market. New management and a program to restore its financial stability were imposed. The RTG reaffirmed that it was determined to reinforce GHB by increasing its capital contribution and assigning key roles to GHB in the National Housing Policy.

Since 1981, GHB loan activity has decreased substantially every year, as shown by the following table.

GHB Mortgage Loans by Year, 1980-83

Mortgage Loans	1980	1981	1982	1983	Total
To Individuals	4,356	2,233	1,858	1,469	9,916
Through Developers	6,514	4,107	3,141	1,728	15,490
Employee Housing Schemes	1,151	446	218	NA	1,815
Total	12,021	6,786	5,217	3,197	27,221
% of total	44%	25%	19%	12%	100%

Primary reasons for this sharp decline in activity include:

1. The housing market softened greatly because it was overbuilt by 1980 and the Thailand economy has been in a recession since then.

2. GHB management plan included much stricter loan criteria, especially development financing.

The GHB Managing Director reports that loan activity is up sharply and total volume for 1984 could approach the 1980 volume, i.e., perhaps 10,000 mortgage loans.

GHB has reaffirmed its intentions to:

1. Increase the domestic mobilization of funds by offering a variety of attractive savings schemes and a planned extensive branch bank network.

2. Focus more on loans to lower-income borrowers by special savings/loan plans, as opposed to loans for expensive condominiums. GHB will establish a special program of loans not to exceed 300,000 baht ($13,000), still twice the amount affordable by households below the median income, and increase its advertising in media which reach more low-income households, e.g., popular radio slots).

3. Assume responsibility for NHA long-term financing. There is an agreement to initiate this on a project by project basis and the first project of 2,000 units has been selected.

GHB's recently strengthened policy commitment to emphasizing lower-income borrowers is borne out by its 1983 performance: 27% of individual borrowers had incomes below 7,500 baht per month ($326), as did 32% of borrowers through developers. The median income in Bangkok in 1983 was estimated at 6,500 baht ($283); the 7,500 income was approximately the 60th percentile. Moreover, 10% of individual borrowers and 14% of project home borrowers had incomes below 5,000 baht ($217), or below the 40th percentile.

Twelve percent of the mortgage loans were for less than 100,000 baht ($4,350), affordable by households at the 40th percentile, and 50 percent were below 200,000 baht ($8,700), affordable at the 60th percentile. GHB officials have indicated that these shares would be much larger if more low-cost housing were available.

By interpolation, approximately 20% of the mortgages were for under 120,000 baht ($5,217), which would finance a 150,000 baht ($6,522) house in 1983 with a 20% downpayment. Such a house would be affordable at the median income (6,500 baht per month, or $283). The average mortgage loan is estimated to be 110,000 baht ($4,783). Approximately 640 mortgages were made for this average amount, for a total of 70.4 million baht ($3.1 million) eligible for HG funding. Thus, it is clear that GHB would need to expand its mortgage loans to eligible beneficiaries by a multiple of three or more to reach a satisfactory volume for HG program purposes. Since 1983 was a low activity year and low-cost loans are an increasing share of GHB's lending, this level could be reached by 1985.

Thus, GHB is building a portfolio of low-cost mortgages which could be eligible for HG financing. Officials of GHB have said that GHB may well be interested in a HG program when its financial stability is assured and it has the management talent to substantially expand its mortgage loans to low-income borrowers. They project that this may occur within two years.

In the meantime, GHB has requested AID technical assistance for staff training (yet to be defined) and developing a program of wholesaleing funds fo mortgages to other viable financial institutions (a major recommendation of the Housing Finance Study). Such assistance is proposed by the RHUDO/ASIA for FY 85.

ANNEX L

Economic Data Sources

The findings and conclusions of the Debt Service Analysis included in this Project Memorandum were based on data published by IMF and the World Bank. The following tables summarize the more pertinent data and indicate the sources.

TABLE L-1 BALANCE OF PAYMENTS
(in $ million)

	1979	1980	1981	1982 a/	1983 b/
Trade Balance	-2,304	-2,829	-3,022	-1,674	-2,413
Exports	5,235	6,448	6,902	6,848	7,022
Imports	-7,539	-9,277	-9,924	-8,522	-9,435
Services Balance	158	544	284	381	491
Receipt	1,428	2,125	2,351	2,558	2,895
(Workers' remittances)	(187)	(365)	(475)	(616)	(761)
Payments	-1,270	-1,581	-2,068	-2,177	-2,404
(Interest)	(554)	(728)	(1,026)	(1,082)	(1,150)
Transfers (net)	60	208	169	177	283
Currrent Account Balance	-2,086	-2,077	-2,569	-1,116	-1,639
Memo:					
Current Account Deficit (% of GDP)	7.7	6.2%	6.9%	3.0%	4.0%
Reserve Level c/					
In US$ million	3,100	3,026	2,721	2,674	
In months of imports	4.6	3.9	3.3	3.8	
Foreign Debt as % of GDP d/	14.9	17.4	21.9	22.9	
Public e/	10.4	12.3	15.8	18.7	
Private	4.5	5.1	6.1	4.2	
Debt Service Ratio d/					
(as % of exports GNFS)	14.9	15.4	15.6	17.6	
Public e/	4.9	5.5	7.3	8.4	
Private	10.0	9.9	8.3	9.3	

a/ Preliminary
b/ Projection
c/ Foreign exchange plus gold valued at end of year London prices.
d/ Medium and long term debt
e/ Public and publicly guaranteed

Source: National Accounts, NESDB; short-term projections, BOT; IBRD estimates

TABLE L-2 COMPARATIVE DEBT INDICATORS

	Disbursed and outstanding debt/GNP a/	Debt b/ service ratio	Interest c/ Service ratio	Roll- d/ over ratio	% Con- cessional loans	Average interest rate on new com- mitments	1981 average spread	Euro- money e/ ranking
Thailand	18.2	14.6	5.5	3.4	16.3	15.6	0.59	25
Malaysia	21.5	5.5	2.7	2.6	9.9	14.4	0.39	4
Philipines	23.9	12.6	6.9	4.2	13.2	14.7	0.89	37
Korea	29.0	12.7	6.0	2.4	16.8	14.0	0.64	29
Indonesia	27.3	12.7	5.3	2.0	41.9	12.8	0.51	13
East Asia	21.5	9.7	3.8	2.5	21.9	13.6	-	-
Middle income oil importers	22.2	19.5	8.5	2.3	8.7	n.a.	-	-
All LDCs	21.2	18.5	8.0	2.3	16.4	13.1	-	-

a/ Public and private debts.

b/ Debt service on medium- and long-term loans (including private non-guaranteed debt) divided by exports of goods and services.

c/ Interest payments on medium- and long-term loans divided by exports of goods and services

d/ Disbursements of medium- and long-term loans divided by principal repayment on such loans.

e/ Ranking by country risk rating for sovereign borrowers, including OECD countries, on the Euromarkets. Thailand is number 12 amongst developing countries. The risk rating is assessed by comparing the terms on country loans with general prevailing market conditions.

Source: IBRD estimates.

TABLE L-3 | MACRO-ECONOMIC OUTLOOK, 1982-90
(in percent)

	1979-83 a/	Projection 1982-86	Projection 1986-90
Annual Growth Rates (constant prices)			
GDP at market prices	5.4	5.7	6.2
Private consumption	3.8	5.2	5.8
Public consumption	4.4	5.0	5.0
Investment	1.3	9.1	6.0
Exports GNFS	9.4	6.2	7.8
Import GNFS	-1.8	7.7	6.1
Agricultural production	3.2	4.0	4.0
	1981	1986	1990
Ratios to GDP (current prices)			
Investment	24.7	24.4	24.2
National savings	17.8	21.8	23.6
Current account deficit	7.0	2.6	0.6
Government revenue b/	14.6	17.1	17.5
Memo			
Debt service ratio	15.6	18.4	17.0
Terms of trade (1981 = 100)	100	1	101

a/ BOT Projections for 1983.

b/ Central and local government revenues.

Sources; Thailand: Managing Public Resource for Structural Adjustment (two volumes), August 31, 1983, Document of the World Bank.

(In Millions of U.S. dollars)

	1982	1983	1984	1985	1986	1987
Total outstanding debt (end-of-period)	12,150	13,704	15.168	16,783	18,396	19,887
Medium- and long-term debt of which:	9,267	10,962	12,378	13,681	15,074	16,574
Public Sector	6,904	7,943	8,821	9,694	10,659	11,719
Of which: IMB 2/	846	1,053	979	722	447	247
Private Sector	2,317	2,909	3,447	3,877	4,305	4,745
Short-term debt	2,883	2,742	2,790	3,102	3,322	3,313
Gross disbursements	2,085	2,962	2,969	3,329	3,416	3,358
Of which:						
Public sector 3/	1,420	1,535	1,452	1,690	1,840	1,950
Private sector 3/	707	1.145	1,246	1,262	1,278	1,306
Amortization 3/	842	955	1,283	1,649	1,725	1,756
Public sector	353	402	575	817	875	890
Of which: IMF	38	42	75	257	275	200
Private sector	489	553	708	832	850	866
Interest 4/	1,073	1,037	1,256	1,432	1,598	1,745
Medium- and long-term debt	781	845	1,034	1,188	1,320	1,449
Public sector	561	568	662	758	841	925
Of which: IMF	57	58	72	68	51	35
Private sector	220	277	372	430	479	524
Short-term debt	292	192	222	244	278	296
Memorandum items: Current Account						
Receipts 5/	9,501	9,701	10,924	12,399	14,073	15,973
Balance	-1,006	-1,879	-1,891	-2,015	-2,023	-1,902
Overall balance	130	-252	-209	-120	-23	98
Ratios to GDP (in percent)						
Medium- and long-term debt	24.9	26.6	26.7	26.5	26.1	26.1
Public	(18.4)	(19.3)	(19.1)	(18.7)	(18.4)	(18.5)
Private	(6.5)	(7.3)	(7.6)	(7.8)	(7.7)	(7.6)
Short-term debt	7.7	6.7	6.0	6.0	5.7	5.2
Ratios to current account Receipts (in percent)						
Total debt servie	20.2	20.5	23.2	24.8	23.6	21.9
Medium- and long-term debt service	17.1	18.6	21.2	22.9	21.6	20.1
Of which: Public sector	(9.6)	(10.0)	(11.3)	(12.7)	(12.2)	(11.4)

Sources: Data provided by the Bank of Thailand; and IMF estimates.

1/ Includes borrowing requirement to finance overall deficit and repurchases to the Fund in 1984-86 assuming no change in gross official reserves.

2/ Including Trust Fund and use of Fund credit under stand-by arrangements, compensatory financing and buffer stock financing facilities.

3/ Medium-and long-term (original maturity one-year and over).

4/ The average interest rate on medium- and long-term public sector debt (other than to the IMF) is assumed to be 8.4 percent in 1983 and 8.7 percent in 1984-87; that on private debt is assumed to be 10 percent in 1983 and 11 percent in 1984-87). The interest rate on short-term debt, including new borrowing, is assumed to be 10 percent in 1983-87.

5/ Excluding official transfers.

TABLE L-5 Thailand: Balance of Payments, 1981-84
(In millions of U.S. dollars

	1981	1982	1983 Revised Target	1983 Estimate	1984 Projection
Merchandise trade balance	-3,022	-1,571	-2,413	-2,887	-2,861
Exports, f.o.b.	6,902	6,835	7,022	6,609	7,609
Imports, c.i.f.	-9,924	-8,406	-9,435	-9,496	-10,470
Of which: oil	(-2,984)	(-2,642)	(-2,591)	(-2,435)	(-2,322)
Services and transfers (net)	453	565	774	1,008	970
Of which: Interest payments	(-1,026)	(-1,083)	(-1,150)	(-1,029)	(-1,188)
Current account balance	-2,569	-1,006	-1,639	-1,879	-1,891
Nonmonetary capital (net)	2,487	1,667	1,431	1,356	1,682
Private sector	923	751	522	577	783
State enterprises	1,201	586	491	444	487
Central government	363	330	418	335	412
Errors and omissions	39	-531	77	271	
Allocation of SDRs	23	-	-	-	-
Overall balance	-20	130	-131	-252	-209
Monetary movements	20	-130	131	252	209
Commercial banks	-332	-320	-	...	...
Monetary authorities	352	190	131	...	...
Of which: Use of Fund resources	(524)	(-3)	(...)	(205)	(060)
Memorandum items:					
Growth in volume of exports (percent)	13.8	16.4	5.0	-7.4	7.2
Growth in volume of non-oil imports (percent)	6.4	-14.3	13.1	28.6	10.2

Source: Data supplied by the Thai authorities and World Bank publication; Thailand: Managing Public Resources for Structural Adjustment, August 31, 1984.

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TABLE L-6 Growth in External Indebtednes
(percent per annum)

	1971-80	1971-75	1975-80	1978	1979	1980	1981
Thailand	25.2	14,3	34.6	39.6	47.4	47.3	21.4
Malaysia	28.0	36.3	21.7	26.1	19.3	15.5	30.9
Philippines	19.6	13.4	26.7	22.9	15.3	16.6	20.6
Korea	23.5	24.2	22.9	30.1	21.8	16.8	23.6
Indonesia	20.2	31.6	11.8	11.4	1.4	10.4	6.0
East Asia	21.0	23.5	19.0	19.5	13.9	17.4	17.3
Middle income oil importers	23.0	24.8	21.6	27.2	19.8	15.4	16.7
All LDCs	20.8	22.3	19.6	24.6	13.9	14.3	16.0

Source: World Debt Tables