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EVALUATION OF 383-HG-001
FIRST PHASE OF HOUSING GUARANTEE PROGRAM
SRI LANKA

Prepared for:

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[illegible] THE SUMMARY

A. INTRODUCTION

HG001 was the first phase of a proposed $100 million housing guaranty program designed to improve shelter and environmental conditions affecting the urban and rural poor in Sri Lanka. This evaluation was conducted from July 9 to July 16, 1984.

B. U.S. ASSISTANCE

In January 1981 Project Number 383-HG-001 was approved and $25 million was authorized as the first phase of an anticipated $100 million. 4-year housing guarantee program.. Following the authorization in 1981, IPUP Grant # 912-0007 was signed between US/AID and the GSL for $800,000. After settling the differences which developed between the Government of Sri Lanka (GSL) and US/AID, a $21 million Loan and Guarantee Agreement was signed between Salomon Brothers and the GSL in July 1982. This evaluation covers the period January 1981 to December 31, 1983.

The Ministry of Local Government, Housing and Construction (MLGHC) is responsible for housing policy and programs in Sri Lanka. The MLGHC formed the National Housing Development Authority (NHDA) as the operational agency to carry out the GSL programs known as the 100,000 Houses Program. HG001 supported aided Self-Help houses in the rural areas and Slum and Shanty Upgrading Projects in the urban areas.

C. PROGRAM BACKGROUND

In August 1980, based on discussions between the Government of Sir Lanka (GSL) and US/AID, AID agreed to undertake a Shelter Sector Assessment. The assessment was carried out in September and October 1980 and formed the basis for the Project Indentification Document, program design and the Project Paper 383-HG001 dated December 1980. The Housing Guarantee (HG) Program outlined in the Project Paper was based on the Public Investment Plan 1981-1985 produced by the National Planning Division of the Ministry of Finance and Planning of the GSL. The approved HG Program called for $100 million at a rate of $25 million per year to be spent over 4 years. The Project Paper was approved in January 1981.

The 1981-85 Public Investment Plan underwent drastic shifts due primarily to the effects of the worldwide recession. Internal economic problems also necessitated shifts in priorities and budget reductions. Therefore, as originally conceived, HG001 proved to be a more ambitious program than the GSL was able to deliver. In addition, bewteen January 1981 and June 1982, there were disagreements between the GSL and US/AID regarding:

- time of borrowing
- cost recovery
- type and level of training
- project delivery.

A US/AID Mission Housing Advisor arrived in Colombo in June 1981 to facilitate the technical assistance for problems which had been identified in the development of the Project Paper and those which arose after the authorization was signed. Between December 1981 and April 1982, IPUP Grant 912-0007 was used to fund four studies: Housing Management, Housing Finance, Training Needs

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Recommendations from the studies were not readily embraced. Many of the recommendations were in conflict with long-standing habits and attitudes toward government subsidy and the traditional role of government in Sri Lanka. Also, some of the studies and recommendations were not widely distributed and communicated. Others which were reviewed favorably were not incorporated into the operations of the ongoing housing programs. US AID sent a Personal Services Contractor (PSC) to Sri Lanka in August 1982 to help analyze the recommendations of the technical studies and attempt to intergrate some of the recommendations the NHDA and S&SD housing programs.

In October 1982 the First Interim Evaluation of HG001 was completed. The evaluation identified problems in rising costs for houses, shortage of qualified staff and poor cost recovery. This evaluation will comment on the issues identified then, but will focus on the period following October 1982.

D. PURPOSE OF EVALUATION

The purpose of this evaluation includes the following:

1. To note progress toward meeting the goals to improve shelter and environmental conditions affecting the urban and rural poor.

2. To compare actual outputs of the program with the anticipated results listed in the Project Paper.

3. To investigate progress made to solve problems identified in the Interim Evaluation Report (October 1982).

4. To examine technical and administrative aspects of HG001 which may have an affect on HG002, now underway.

E. FINDINGS

1. The housing policy of GSL made a dramatic shift in the rural housing program. First, the NHDA moved Rural Program from the construction by contractors to an Aided Self-Help program and then to a demonstration project of the highly decentralizd upgrading program which is known as "The Million Houses Programme" (MHP).

2. Two financial institutions devoted to housing were established, the State Mortgage Investment Bank (SMIB) and the Sri Lanka Housing Development Finance Corporation (HDFC)

3. Technical capability increased in the following areas:

   - site and unit design.
   - site supervision and technicial assistance.
   - collection and analysis of planning data in the Slum and Shanty Division of the Urban Development Authority.

4. Housing unit costs were reduced by

   - going to Aided Self-Help production.
   - using commercially available building material rather than relying

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on the GSL [illegible] Material Corporation.

c. use of local [illegible] and traditional materials for construction.

5. Issues concerning land tenure hampered the Slum and Shanty Upgrading output. The land issues are complicated by the fact there there are seven types of land tenure. Some are relatively new such as rights vested in the Urban Development Authority which has responsibility for land use decisions in all cities in Sri Lanka. Land issues are likely to continue to restrict the outputs of the MHP in HG002.

6. Cost recovery in the 100,000 Houses Program continues to be poor. However, some progress is being made by new collections' incentives including commissions to NHDA collectors and cooperation of employers to collect payments as a payroll deduction.

7. There is a commitment to cost recovery in MHP which makes possible a re-scheduling of loans made in the HG001 Program.

8. Overall management of the 100,000 Houses Program funded by HG001 is currently a low priority because of emphasis on the MHP.

However, a new position, Deputy General Manger (DGM) for Estate's Management has been developed in an effort to oversee the housing already built and allocated. The new DGM has developed several proposals aimed at reallocation of housing in the case of default and regularizing ownerships which have been transferred. A transfer of ownership policy is also being developed.

9. Technical assistance was overly ambitious in the beginning of the program. GSL and US/AID efforts are needed to integrate future studies and technical assistance into operations of programs.

10. Attracting and keeping qualified staff in the housing programs is still a problem. Administrators at the University of Moratura, where planners and engineers are trained, explain the problem by the fact that entry level pay with the government is one-fifth (1/5) that of the private sector. In 1983 the NHDA attempted to reduce this gap by granting a 40% increase in salary to all levels of employees. The competition, however, continues to attract professionals to the private sector in Sri Lanka and to the public and private sectors in the Middle East.

11. The Centre for Planning, Housing and Building (CHPB) was established to be the research and training focus in Sri Lanka. CHPB was to do studies, stimulate investigations in other institutions and transfer information and technologies from abroad. Though CHPB hs done a commendable job in the construction sector, the housing and planinng areas were given little attention. In recognition of this problem, a new Deputy Director of CHPB was identified in May of this year in an effort for the Center to improve the training and research which are much needed in the MHP.

12. Inadequate data mangement and poor project evaluation techniques make precise and accurate analysis of HG001 difficult. This is a critical shortcoming in light of the fact that the scale of the MHP is ten times that of the HG001 program.

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F. RECOMMENDATIONS

1. Improve Monitoring and Evaluation

Improve the capacity of the MLGHC to monitor and evaluate programs in the operating agencies. One possibility is to update the Housing Management Study completed in 1981 using Ministry staff plus staff from NHDA, S&SD, UDA and the agency for Local Government with possible AID assistance. In all probability, the position of the Programming and Evaluation Division would have to be strengthened considerably to provide effective evaluation of the GSL invesment in the housing sector.

2. Establish Housing Finance Advisory Committee

A GSL Housing Finance Committee advisory to MLGHC should be formed to help develop policies to encourage development of housing for low-income families. Members would come from the two housing finance institutions, from commercial banks and possibly from the Ministry of Finance and University. The committees would be charged with a set of tasks formulated by the MLGHC to help leverage the government investment in the sector.

3. Produce a Review of Land Issues Affecting the MHP

Produce a review which has the following elements:

a. Identify existing land tenure laws.

b. Identify established practices in tenure transfer.

c. Assess effect of a, b above on housing in general, MHP operations in particular.

d. Identify problems which can be dealt with administratively.

e. Identify problems which require legislative action.

f. Outline next steps.

4. Develop Policies for Default, Re-Allocation and Transfer for 100,000 Houses Rural Program

Policies should be developed so that NHDA district staff have guidelines for action. There are all sorts of arrangements made by the beneficiaries to rent or sell their interests. It is possible to keep the present ad hoc system if that seems to be meeting the objectives of the program. However, it is not clear that "no policy" will make the best use of the sunk costs of the housing investment. Possible policies might reaffirm that the new recipient be low-income and assure that the loan be rescheduled at the time of transfer.

If no action is taken on defaulters, such as rescheduling loans, there is little incentive for anyone to pay.

5. Establish Review of Technical Assistance

The Mission Housing Advisor should establish a scheduled set of meetings, perhaps monthly, with an agenda focused on technical assistance, past, current and

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potential. Since resources for technical assistance is limited, the need for establishing priorities is critical. When technical assistance is granted, adequate preparation should assure that recommendations are developed with counterparts collaborating on the studies or participating closely.

6. Refocus the Centre for Housing, Planning and Building (CHPB)

The research and training capability in housing and planning should be centralized at the CHPB. The consensus of GSL managers was that the CHPB was not interested in housing and planning because the large World Bank grant to service the construction industry had strained the Centre's capacity. The outcome has been a rash of training, some exceedingly good and innovative. However, no institutional memory or increased proficiency is being gained in Sri Lanka, since much of the training is expatriate based with no counterparts in-country.

Efforts should be made to refocus the CHPB by consciously setting up mechanisms to have the institution able to take advantage of technical assistance. For instance, CHPB staff or managers can be participants in studies with an eye to developing contacts with visiting specialists, as well as continually upgrading skills and recognition of various specialties.

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U.S. LANDA CONTEXT

A. BACKGROUND

The Housing Guarantee and Development Assistance for the Government of Sri Lanka (GSL) began with discussions in June 1980. The GSL, upon election in 1977, liberalized controls on the economy and identified three lead programs in the Public Investment Plan (PIP).

1. The Accelerated Mahawell Program - a combined hydro-irrigation-resettlement program.

2. The Greater Colombo Economic Commission - an entity charged with the responsiblity to develop investment promotion or free trade zones.

3. The Housing and Urban Development Program.

The three programs had various objectives, but all were intended to stimulate employment in the construction industry. In addition, the Housing and Urban Development Program was also intended to meet critical shortages in housing for low and middle income families.

In 1978, based on a sector paper covering Housing, Water Supply, Local Government and Construction, the GSL announced the 100,000 Houses Program. The Government made a commitment to produce 100,000 housing units based on the assumption that the private sector would produce four times as many housing units. However, there was no comprehensive housing and urban development policy to achieve the goals in the program. What did exist was:

1. An ad hoc set of regulations and laws, many of which existed prior to 1977.

2. A reorganization of functions and creation of new authorities, some of which duplicated or competed with responsibilities of other agencies.

3. No stated policies on subsidies, slum and shanty upgrading or increasing the private sector participation in production of housing.

Some of these issues and others were identified in the Project Paper and became the basis of requests for technical studies.

B. AGENCIES INVOLVED

1. Ministry of Local Government, Housing and Construction (MLGHC).

The reorganization of government functions resulted in the formation of the MLGHC which is composed of twenty agencies or authorities. The Ministry assigned the development of new housing units to the National Housing Development Authority (NHDA) which has retained that responsibility until the

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present time. The Urban Development Authority (UDA), which is responsible for land use planning in all cities in Sri Lanka, is also part of the MLGHC. Slum and Shanty Upgrading in urban areas operates under the UDA (see below). The MLGHC also has under its jurisdiction water and drainage and other responsibilities pertaining to human settlements. The Ministry has great potential for setting and carrying out a comprehensive human settlements policy.

2. National Housing Development Authority (NHDA).

The NHDA has a central administrative office in Colombo plus twenty-four district offices throughout the country. Each district office has a District Manager, an Assistant Manager for Development, an Assistant Manager for Administration, Assistant Manager for Finance, a staff composed of technical officers, accountants, secretarial and clerical staff, and watchers. In 1983, there were 2594 employees. The NHDA manages the rural HG001 funded rural housing program including site development, site supervision and technical assistance to beneficiaries. The NHDA also coordinates the urban direct construction program which was the largest GSL housing program being more than 60% of budget allocations 1981-1983. HG001 funds are not used in the direct construction program.

3. Slum and Shanty Division (S&SD).

The Slum and Shanty Division is part of the Urban Development Authority (UDA) in the Ministry. When HG001 was formulated, there were several slum and shanty uprading pilot projects getting underway in Colombo, some of which were funded by voluntary agencies. From 1981 through 1983 the S&SD gained experience in the complex problems involved in planning urban upgrading and implementing. Although there have been discussions about the pros and cons of merging the Slum and Shanty Division with the NHDA, the S&SD was retained as part of the UDA through 1983. Staff in 1983 was approximately seventy centralized in Colombo.

C. EXTERNAL FACTORS

In the period 1981 to 1983 five major events occured which had direct effects on existing and planned housing programs. They were: (1) the cutting back of public investment across the board; (2) increases in constructions costs; (3) the national election in late 1982; (4) the ethnic disturbances in July 1983; and (5) the announcement of the Million Houses Programme (MHP).

1. From 1981 to 1983, there was a general cut back in levels of government expenditure in all areas due to worldwide and local economic factors.

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there was a withdrawal of government subsidies from rice and other foods. Successive Public Investment Plans decreased housing's share of the government budget, from 10% in 1979 to 4.6% in 1983. A further 10% across-the-board cut in all budgets was announced in 1983. Since the government was heavily committed to the housing program, this meant that targets still had to be achieved, but with less money.

2. The continual rise in construction costs also seriously impacted the program. The price of a standard 'package' of materials to build a typical ASH house went quickly from 17,000 in 1979 to between Rs 25,000 - 30,000 in 1982, and in some cases higher costs per unit are recorded.

3. The national election in November 1982 resolved uncertainty regarding continuation of goverment policies and provided a platform from which to launch new initiatives, particularly in housing. The government announced the "One Million Houses Programme" and an intention to move more heavily into urban upgrading and sites and services schemes. The election allowed the government to consolidate its power, provide continuity over the next six years, and the way was opened for major policy changes.

4. In July 1983 ethnic distrubances considerably altered this picutre, throwing the country into confusion, destroying property, including an estimated 2500 homes and rendering thousands homeless. Although work on existing housing programs continued, the distrubances delayed progress in all areas. At the same time, the government was obliged to spend considerable sums on refugee camps, rehabilitation and reconstruction.

5. The announcement of the Million Houses Programme in December 1982 quickly assumed priority in the MLGHC and the implementing agencies. The fine-tuning of the ASH program was neglected as managers began to plan the outlines of the new program. Not only was there a new set of targets, but an entirely different way of approaching housing. This demanded changes in procedures, mechanisms and outlook. Although in some ways the effect of the announcement of MHP was unfortunate for the existing ASH program, the Million Houses Programme is a housing policy very much in keeping with US/AID objectives stated in the Project Paper. The The first demonstration projects for MHP were begun in March 1983 in keeping with the "Guidelines for the Demonstration Projects Under the Million Houses Programme" (Annex 1).

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A. GOAL AND PURPOSE OF THE PROGRAM

The stated goal and purpose of the Housing Guarantee Program is as follows:

> The program goal is to improve shelter and environmental conditions affecting the urban and rural poor.
>
> The program purpose is to assist the Government of Sri Lanka to develop shelter policies and structure programs and solutions which increase the effectiveness of limited government resources and provide maximum benefit to lower-income families.
>
> from Project Paper 383-HG-001, US/AID Washington, D.C. December 1980, page 4.

In general there has been progress made toward the purpose of the program bewteen 1981 and 1983. In this period, the Government of Sri Lanka made a dramatic shift from a focus on direct construction of urban and rural housing to programs emphasizing aided self-help and then to a program of loans and technical assistance as part of MHP, a highly decentralized housing loan delivery system.

Measures of achievement include an increase of the number of low-income housesholds living in permanent and/or improved shelter in the period. Other indications of achievement are the continuing upgrading of the level of skills in field personnel, a growing concern of management to bring increased discipline in budgetary matters and a political commitment to solve problems of cost recovery.

Additional progress which holds promise for the long term was the development of two financial institutions devoted to housing. The two institutions are the State Mortgage Investment Bank (SMIB) and the Sri Lanka Housing Development Finance Corporation (HDFC). Both institutions give Sri Lanka a greater capacity to finance and service loans. Expertise developed in these institutions can contribute enormously to the GSL housing operations and to the development of more comprehensive housing policy.

B. PROGRAM INPUTS

The program inputs include: (1) Housing Guarantee Loan, (2) Local Investment, (3) Technical Assistance, (4) Training, and (5) Resident Advisors.

1. Housing Guarantee Loan

The major U.S. input was the $21 million Housing Guarantee Loan HG001. Originally designed as a $100 million program, the loan was authorized at

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[illegible] per year for four years, 1980-84. In fact, the first GSL loan signed in June 1982 was $2[illegible] million to fund HG001. The delay and reduction in the size of the loan was caused by external and internal factors. The most important external factor affecting the program was the affect of the worldwide recession on the economy of Sri Lanka. Internal problems were caused by elimination of food subsidies, drought and unemployment. Local economic problems were also putting pressure on government finances. The two internal factors closesly connected to the HG program were increased inflation and the lack of cost recovery in govenrment programs, including housing programs. These problems became more acute after 1980 and led to disagreements between the GSL and US/AID on:

- o time of borrowing.
- o cost recovery.
- o type and level of training.
- o project delivery.

2. Local Investment

The GSL through MLGHC invested in the program by contributing the following:

a. directed and carried out the overall program.

b. coordinated other funding sources into sites developed in HG001.

c. contributed land for the rural housing program.

The labor and energies of the beneficiaries were other important GSL contributions.

3. Technical Assistance

AID funded tehcnical assistance through the Mission and IPUP Grant 912-0007 associated with the Housing Guarantee Program. Included were the following studies made with the assistance of staff from MLGHC, NHDA, S&SD and the AID Housing Advisor:

- o Housing Management.
- o Housing Finance.
- o Training Needs Assessment.
- o Housing Subsidy Study.

4. Training

Training was conceived as an important element in the program from the earliest discussions. The Center for Planning, Housing and Building (CHPB) had been established with help from the Government of the Netherlands and was envisioned as playing a pivotal role in three lead development projects. The AID assessment identified training needs at various levels of staff and three training

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techniques to address the needs of country training, regional training and short term training. From 1981 through 1983, training funds assisted the policy-level staff and five mid-level managers to participate in training programs with the U.S. The agencies which were represented included:

National Housing Development Authority	2
Center for Housing, Planning and Building	1
National Housing Department	1
Ministry of Finance	1
State Mortgage Investment Bank	1

5. Resident Advisors

From June 1981 onward an AID Mission Housing Advisor has been posted in Colombo to facilitate the Program. Identify needs for technical assistance, coordinate and participate in studies. In addition, AID funded a Personal Service Contractor (PSC) who arrived in Sri Lanka in August of 1982 to help integrate the recommendations of the studies into the housing program. The PSC also worked with the MLGHC on policy formulation for training, cost recovery and program objectives.

C. PROGRAM OUTPUTS

The rural program consisted of Aided-Self-Help housing including two program categories:

- o Model Villages
- o Electoral Housing (housing allocated by the 168 electoral districts)

All of the rural program includes land, accessroads, water supply and some form of sanitation, usually privies with latrines. The site development is done by NHDA and contractors, the houses are built primarily by beneficiaries with technical assistance.

The Fishermen's Housing is a joint program of the Ministry of Fisheries and the NHDA. These houses are fewer in number and are built by contractors.

The urban program funded by GH001 consisted of slum and shanty upgrading carried out by the S&SD.

1. Aided Self-Help (ASH)

Experience in using the ASH method for government housing pre-dates the present government. However, ASH was emphasized after the present government began the 100,000 Houses Program and contractor built construction for new housing units became prohibitively expensive. ASH provides funds to finance building material and technical assistance is provided through the NHDA.

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ASH was designed to serve two classes of beneficiaries in rural areas: lower-income families earning up to Rs 550 per month and middle-income families earning Rs 500 to Rs 1,250 per month. Initially, land, wells and pit latrines were estimated at Rs 5,000 and the materials cost per unit estimated at Rs 18,000. Repayment was to be Rs 50 per month for 30 years (Rs 18,000). Therefore, the cost of capital and costs for land the infrastructure were to be fully subsidized. From 1978 when these estimates were made to 1981 costs for building materials almost doubled in price bringing the cost of materials to about Rs 28,000 to Rs 30,000 per unit.

In 1981 there was a concerted effort to lower unit construction costs by the use of locally available materials. For areas where this was possible, reduction in cost has been as high as 50%.

o Model Villages

The Model Village Program also began as a direct construction program. The MV Program includes infrastrutcure and community facilities provided by the Government. Costs for land, infrastructure and community facilities are not distributed to the cost per unit, but are subsidized by the GSL. Since 1981, MV's have been constructed using Aided Self-Help techniques, except for those occasions in which there is a need to complete a site more quickly than the allottees are able. Maintenance is the responsiblity of the allottees in the Model Village.

o Electoral Houses (EH)

The Electoral Housing program grew out of campaign commitments by the present government to provide for an increasing number of houses in each of the 168 electoral districts. The Program called for five houses per electoral district in 1978, ten in 1979, 20 in 1980 and 30 in 1981.

For 1978, 1979 and 1980, the program was direct construction consisting of completed houses of 625 square feet, costing up to Rs 100,000 per unit. Construction was by the Buildings Department of the MLGHC and by private contractors. In 1980, the NHDA took over administration of the program and in 1981 began construction by ASH. Rents are currently from Rs 10 to Rs 50 depending on the date of completion. By the end of 1983 the house size had been reduced to 378 square feet at a cost of Rs 25,000. The production of Electoral Houses slowed considerably in 1983 due to the development of MHP which is also a decentralized program.

o Fishermen's Housing (FH)

The FH Program began with the release of funds from NHDA to the Ministry of Fisheries (MOF) which then was responsible for the building of the

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houses. Selection of recipients were done jointly by the MOF and NHDA with NHDA administering the loans. In 1982 NHDA took over the total responsibility of the Program, however, all units have been built by contractors. A specific house plan was used and a price of Rs 24,000 was charged. In many cases, land was owned by the families.

o Slum and Shanty Upgrading (S&SD)

The urban housing program funded by HG001 consisted of slum and shanty upgrading by the Slum and Shanty Division. The Program was developed by the urban Development Authority (UDA) of the MLGHC shortly after the election of the current government. Until the introduction in late 1982 of the "Million Houses Program" the Slum and Shanty Upgrading Division of the UDA was seen as experimental. However, because of a growing concern with housing needs of the urban poor, the experience of S&SD had considerable value.

In the S&SD, a housing unit is counted when directly connected to an upgrading activity.

In the S&SD, there are four components:

1. Basic services, i.e., toilets, water supply and bathing facilities provided communally, access roads and drainage.

2. Community development.

3. Security of tenure.

4. Loans for improvement of dwelling (present in very small number of projects).

Priority was given to those slums and shanty areas which were on government land not marked for redevelopment. As an example, Vauxhall Street, an early S&SD project, 22 units, consisted of two rows of houses on a pedestrian way which was upgraded including drainage ditches. Water standpipes, a bathing block and a toilet block were added. The facilities are maintained by the 30 families who live in the 22 units.

In 1983, the S&SD took over the responsibility of implementing the upgrading projects from the Common Amenities Board. Up to that time, the S&SD planned the projects and did the community development work and the Common Amenities Board negotiated the contracts for the improvements. Although the change made additional demands on the staff, the unit costs were lowered slightly and the projects could be better managed. Targets set for S&SD by MLGHC were not achieved. Given the number of staff and level of financing available, GSL targets of 5,000 units in 1981 and 7,500 units in 1982 proved excessive.

Until 1982, the S&SD worked almost exclusively in Colombo. Currently, there

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are 25 projects in other areas in Sri Lanka and 41 projects in Colombo. 1503 units have been completed and 6990 units were in progress as of December 31, 1983.

D. COMPARISON BETWEEN ANTICIPATED AND ACTUAL RESULTS

1. Anticipated Output/Units

The anticipated outputs were housing units 13,210 units/annum in the rural program and 3600 units/annum in the urban program. The following table shows a comparison of the physical outputs called for in the Logframe Statement and those actually achieved.

Table 1
Comparison Anticipated/Actual Outputs

Logframe		Actual
Type	Units/annum	Completed between 1981-1982
Aided Self-Help	13,210	20,000*
Slum and Shanty Upgrading	3,600	1,503
Community Facilities	as needed	None

*This number was difficult to corroborate. Reports from the district offices do not differentiate between new starts, units in progress and units completed.

a. Slum and Shanty Upgrading

The shortfall in Slum and Shanty Upgrading was caused by several factors: inadequate financing, inadequate staff, technical difficulties in having two separate agencies involved and legal problems which concern property rights and tenure.

For many reasons urban housing is more complex than rural housing. Slum and Shanty Upgrading was new to Sri Lanka. A whole set of planning, administrative and operational functions had to be designed and field tested. Not only was there a need to plan, design and provide the physical infrastructure, but S&SD had to devote time and energy to work with the community prior to and during the upgrading.

The experience gained by S&SD staff will be increasingly valuable as there is a shift toward urban housing. However, the larger the program grows, the more attention will have to go into

- increasing qualified staff including lawyers, planners, engineers and social workers and technicians;

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o addressing the lack of cost recovery, not an easy matter since, for instance, no one pays for water in all of Colombo, whether they are rich or poor;

o finding new techniques for working with urban communities such as cooperatives and mutual aid societies;

o seeking appopriate legislation to simplify and clarify transfer of land rights;

o continually upgrade staff by intergraing experience learned in the field into a systematic training program.

It should be noted that these needs are recognized by S&SD. They deserve assistance from AID as part of the ongoing program.

b. Rural ASH Program

The ASH program proved to be more difficult than the S&SD program to analyze and evaluate not only because of the scale of the program, but also because data collection and data management made analysis of output, technical and administrative elements difficult.

For instance, in order to get the information for this evaluation, a request for information was made to staff from NHDA (See Annex 2). Most of the requested information on the 100,000 Houses Program was unavailable at the NHDA central office. There were few methods for managers at the central office to identify constraints or lack of progress in a systematic way. Without this information, additional staff or specialized technicians or equipment could not be assigned in a timely way to solve problems in the field.

At the district level financial information was standardized, but other project information was not. Some maps showing site locations and organizational charges were available in some of the District Offices, but there was little cost and schedule information in a form which would allow analysis.

It would have to be concluded that management data was inadequate. This was and is a shortcoming which is recognized by the NHDA. There have been attempts to improve evaluation and monitoring, including recommendations made by the AID PSC Riall Nolan. This is an area which should be given priority for technical assistance in the next phases of the program.

Perhaps the most critical gap in management information exists at the level of the Ministry. There is a Director of Programming and Evaluation at the MLGHC, however, no program information other then quarterly expenditures are sent to him. No correspondence is made between expenses of the program and achievement targets set by the Ministry. Therefore no monitoring of progress is made in a systematic way. The Director has a small staff of eight persons to

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monitor and evaluate 20 agencies.

Since the MLGHC is the policy and top administrative level in the housing program, efforts should be made to have the oversight role of evaluation and monitoring be designed and located there.

2. Meaures of Goal Achievement in the First Phase, HG001

Each of the following quotes is taken from the Logframe.

a. "Increase in the number and percentage of low-income households living in permanent and/or improved shelter units."

Only slightly increased due to the large housing deficit. The current MHP was formulated based on the recognition that techniques used until then had not significantly stimulated the improvement of housing conditions for low-income families.

b. "Decrease in the number and percentage of direct construction units being built by GSL and incorporation of improved cost-effective schemes in the next five year plan (1982-1986)."

No decrease in percentage of budget to direct construction up to present PIP (1985-1989). Decrease in number of units produced due to escalation in costs. According to NHDA staff, the urban direct construction program will end as soon as the current contractual obligations are met. More cost effective housing production exists in the MHP which is also part of the 1985-89 PIP.

3. Progress toward Purpose of Project in the First Phase of HG001

a. "A reduction in the level of subsidies in ASH, Model Villages and Slum and Shanty Upgrading Programs."

Some progress was made when the entire cost of the materials package was made the basis of payment schedule. In the inititial agreement there was also a stipulation that a minimum interest rate of 2% also be charged to beneficiaries. This stipulation was removed from the first phase after months of deliberations. In the HG002, now underway, 3% to 6% interest is charged. As far as the Slum and Shanty Upgrading Program, the entire urban program was subsidized.

There is a commitment to cost recovery in MHP. Therefore, there may be a potential for rescheduling loans in the ASH program.

b. "The preparation and adoption of a rational housing policy."

As yet, no comprehensive housing policy exists. The lack of an integrated policy has the following consequences.

o The lack of comprehensive policy makes it difficult to

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make the most productive investment in housing.

o As a national investment, housing has long and short range goals and objectives. To protect and enhance the investment, the objectives must be stated and monitored against some standard of performance to learn whether the actions taken by government are leading to the objectives which are sought.

o For lack of clearly articulated objectives and performance criteria, the evaluation and management of housing programs remains inadequate.

o Staffing requirements, operations and capital budgets are not linked with performance and program outputs.

The efforts which went into formulating the MHP could lead the way to a more comprehensive housing policy, however, the policy formulation should be the Ministry level with the input from operating agencies such as the NHDA.

4. Progress on Problems Identified in the Interim Evaluation

a. Rising Costs for Houses

The ASH program increases in costs of materials have continued from the beginning of the program. At times, the rate increases faster than the inflation rate.

COST OF CONSTRUCTION (1979 OCTOBER = 100)

Year	Inflation Rate % Overall	All Items Construction Materials	Basic Construction Materials*	Timber	Labor Masonry	Labor Carpentry
1979	15	100.0	100.0	100.0	100.0	100.0
1980	18	127.4	149.7	103.0	135.7	115.5
1981	20	155.5	156.3	143.5	198.3	162.7
1982	10	179.9	175.8	147.2	278.2	191.3
1983	16	n/a	n/a	n/a	n/a	n/a

*Includes cement, brick, crushed stone and other masonry materials.

Source: Central Bank of Ceylon, March 1984.

Costs can often be reduced by use of indigenous materials and traditional building techniques. In Sri Lanka, as in many other countries, traditional building techniques and materials were thought to be old-fashioned, not forward looking and modern. In an effort to gain acceptance and promote use of low cost techniques, the NHDA organized the 1983 national Low Cost House Design Competition. The media gave a lot of coverage to the competition, the builders and construction

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techniques, especially those of the prize winners. Objectives and competition rules can be found in Annex 3.

b. Shortage of Qualified Staff

The problem of attracting and keeping qualified staff in the housing programs continues to be a problem. This is especially true for professional staff and experienced field personnel.

In discussions with administrators from the University of Moratuwa, it was learned the GSL pay scale is one fifth that of the private sector for entry level engineers and planners. Jobs at even higher salaries are often available in the Middle East. Established professionals are in demand in Africa, as well. Well-educated and experienced Tamils are particularly attracted to opportunities outside Sri Lanka since the disturbances in mid-1983. In an effort to reduce the salary gap, the NHDA gratned a salary increase of 40% to all employees. However, the competition for qualified people continues to mean that management staff is often overburdened by shortages in personnel.

c. Poor Cost Recovery

Cost recovery is still poor, but there were improvements in the collections systems from 1981 through 1983. The 100,000 Houses began in 1978, however, the first systematic collections by NHDA Districts was in November 1981. By reviewing accounts in five district offices, it was found that many residents in Model Villages completed before this date have never made payments. However, this is difficult to discover from information sent from the districts because monthly reports to NHDA headquarters aggregate all collections data for the District. The data is further aggregated for the annual budget report. For instance, the 1983 "Annual Report and Final Accounts" (Annex 3) reported that Rs 1,430,408 were collected from 30,529 houses, or approximately Rs 47 per house per year. The aggregated data does not allow managers to analyze the constraints in the collections system.

In recognition of the cost recovery problems, the following steps were reported by NHDA in the 1983 Annual Report.

1. An information exercise explained cost recovery issues to settlers through their own housing societies.

2. Began to systematically inform defaulters in writing.

3. Stepped up collections of defaulters by getting employers to deduct payments from their salaries.

4. In agricultural areas, made a special collection effort during the harvest seasons.

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Since the NHF is a ten times larger program, there will have to be a more highly organized collections system designed to service the loans. Once a workable system is devised and in operation, the loans made under the 100,000 Houses Program should be rescheduled and serviced by using the same system.

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IV FINDINGS AND RECOMMENDATIONS

A. POSITIVE SHIFT IN POLICY

This is the first phase of the Housing Guarantee Program. The housing policy of GSL did make a dramatic shift in the rural housing program. First the NHDA Rural Program moved from the construction by contractors to an Aided Self-Help program.. While carrying on the ASH, policies again shifted to a demonstration project of the highly decentralized upgrading program which is known as "The Million Houses Programme" (MHP). In the MHP, resources are spread thinner to help people help themselves. Through MHP the role of the NHDA has been designed to slowly shift from doing direct intervention in housing production to provision of loans and technical assistance to individuals and community groups.

o The MHP is a positive move in housing policy. Local government and community groups are involved and there is an interest charge of 3% to 6% levied on the loans. Success of the next phase will depend on improvements in the collections system and in the ability of the Ministry and operating agencies to establish workable evaluation and monitoring techniques.

B. GROWING INSTITUTIONAL BASE TO SUPPORT THE HOUSING SECTOR

Two financial institutions devoted to housing were established, the State Mortgage Investment Bank (SMIB) and the Sri Lanka Housing Development Finance Corporation (HDFC).

o The establishment of the two new financial institutions achieved one of the objectives stated in the SSA. That is, that complimentary housing finance institutions be established. The presence of the institutions allows the GSL to develop housing policies to help stimulate production of housing.

C. TECHNICAL CAPACITY

Technical capability increased in the following areas:

1. Site and unit designs were improved.

o Some improvements were caused by the need to have more afforable house design. Additional analysis went into site selection and site design to reduce the difficulties in erosion found in some schemes.

2. Site supervision and technical assistance.

o As the program matured and field experience increased, there was an improvement in the capacity of NHDA and S&SD staff.

3. Improved collection and analysis of planning data in the Slum and

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Shanty Division of the Urban Development Authority.

o Selection and prioritization of slum and shanty areas to be upgraded necessitated that alternative urban sites be analyzed, selection criteria developed and strategies for implementation laid out. These tasks were esential in S&SD from the beginning. Unlike the case of the NHDA where site selection was done by the local MP's, the S&SD had to develop expertise in data collection and analysis. This experience makes S&SD a valuable resource to the Ministry.

D. UNIT COST REDUCTION

Housing unit costs were reduced by:

1. Going to Aided Self-Help production in most cases.
2. Using commercially available building material rather than relying on the GSL Building Materials Corporation.
3. Using locally available and traditional materials for construction.

E. LAND ISSUES

Issues concerning land tenure hampered the Slum and Shany Upgrading output. The land issues are complicated by the fact that there are seven types of land tenure. Some are relatively new such as rights vested in the Urban Development Authority which has responsiblity for land use decisions in all cities in Sri Lanka. Since S&SD took on the responsiblity of getting some sort of legal land tenure for slum and shanty dewellers, the problem has been a severe constraint. However, the problem has also existed in the 100,000 Houses Rural Program. As documented in a paper by the District Manager of Jaffna, 20% of the ASH program were delayed due to land problems (Annex 5). 30% of the MV and one out of four Fisheries projects were likewise delayed because of land issues.

o This is an area for technical assistance. Some basic information gathering should be done, such as assessment of existing legislation and its effect on housing, identification of problems which lend themselves to an administrative "easy fix" and those which require additional research, and possibly legislative action.

F. COST RECOVERY

Cost recovery in the 100,000 Houses Program continues to be poor. However, some progress is being made by new collections' incentives including commission to NHDA collectors, cooperation of employers to collect repayments as a payroll deduction and techniques to time collections to coincide with harvest time in

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certain agricultural areas.

The 100,000 Houses Program was underway when the HG Program began and many of the difficulties stem from earliest beginnings when cost recovery was not a government policy. During the period of the HG Program, the GSL was also undertaking unprecedented steps to end subsidies in other areas, including rice and other foods. Under these circumstances, the government negotiated with AID to step away from the original agreement of a minimum 2% interest on the real costs of the ASH package. The costs of the materials did become the basis for repayment, but no interest was charged.

o One of the most intractable problems in cost recovery has been an inadequate collections system and a lack of substantive policy on default and reallocation. Since the new MHP is basically a loan program, there will have to be substantial improvement in the Ministry's ability to forge an adequate collections system if the MHP is to be successful. Assuming that improvements will be made, the MHP collections system should become the basis for a rescheduling of loans and the establishment of a more disciplined collections system for the 100,000 Houses Program.

o Another problem is that aggregated collections information does not give management an opportunity to identify nonpaying schemes, sites and/or defaulters. In an effort to understand a district's collections, it was necessary to review four different ledger entries.

The one questions which could not be answered by method of accounting was "How much was due?" With cooperation of the NHDA staff in various districts, it was possible to identify the following patterns in collections.

1. Model Villages completed early in the 100,000 Houses Program have the lowest record of payments. In Anaradhapura, out of 17 Model Villages completed in 1979, residents have never made a payment in four of them. In four others, fewer than 20% of the residents made a payment of some sort from 1981 to the present. Of those built in 1979, the collections record is best for the Model Village of Shanthagama where residents pay Rs 25/month and only three residents have a record of nonpayment since 1979 (Annex 6).

2. In one district beginning in 1983, 200 letters per month were sent to defaulters warning that their allocations agreement could be canceled because of nonpayment. Sometimes the letter stimulated a response, often it didn't. In some instances, payments were made one or two times because of the letters, but did not continue. There has been no follow-up and no action has been taken by the NHDA against the defaulters in the district.

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3. Reviewing collections which were spot checked (Annex 6), some patterns emerge. Rents fell in late 1983 and 1984 even for schemes where payment history had been better than others. This may be due to the fact that the MHP demonstration projects were taking staff away from their previous duties as rent collectors. Also once rent income began to drop, the trend continued downward, which may be due to some residents being unwilling to pay if others are not paying. This would be especially true if no action is taken against nonpayees.

G. HOUSING MANAGEMENT

Overall management of the 100,000 Houses Program funded by HG001 is currently a low priority because of emphasis on the MHP.

However, a new position, Deputy General Manger (DGM) for Estate's Management has been developed in an effort to oversee the housing already built and allocated. The new DGM has developed several draft proposals aimed at reallocation of housing in the case of default and regularizing ownerships which have been transferred. A transfer of ownership policy is also being developed.

There should be a review of the Housig Management Study in order to update the material. Some recommendations made in that study are germane and may offer possible cures to the current management problems. Others may not be pertinent since the study is now 3 years old and some of the problems identified there have been rectified.

H. TECHNICAL ASSISTANCE

Technical assistance was overly ambitious in the beginning of the program. GSL and US/AID efforts are needed to integrate future studies and technical assistance into operations of programs.

A greater understanding has developed in the past years on both sides. However, there should be explicit steps taken to assure that the limited resources available for technical assistance are well targeted. Some sort of ongoing assessment of needs shold be part of the program.

I. STAFFING PROBLEMS

Attracting and keeping qualified staff in the housing programs is still a problem. Administrators at the University of Moratura, where planners and engineers are trained, explain the problem by the fact that entry level pay with the government is one-fifth (1/5) that of the private sector. In 1983 the NHDA attempted to reduce this gap by granting a 40% increase in salary to all levels of

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employees. The competition, however, continues to attract professionals to the private sector in Sri Lanka and to the public and private sectors in the Middle East.

J. CENTRE FOR HOUSING, PLANNING AND BUILDING

The Centre for Housing, Planning and Building (CHPB) was established to be the research and training focus in Sri Lanka. CHPB was to do studies, stimulate investigations in other institutions and transfer information and technologies from abroad. Though CHPB hs done a commendable job in the construction sector, the housing and planinng areas were given little attention. In recognition of this problem, a new Deputy Director of CHPB was identified in May of this year in an effort for the Center to improve the training and research which are much needed in the MHP.

o There should be an effort to refocus CHPB to attend to the whole range of problems involved in the improvement of housing conditions. The steps underway should be followed and additional impetus should be given to make the Centre work. Certainly the NHDA and S&SD are both in need of a research and training entity to support the operations of the programs.

There is a grant proposal currently under review by the Skaggs Foundation to assist in a program of research at the Centre.

K. MANAGEMENT DATA

Inadequate management data and poor project evaluation techniques make precise and accurate analysis of HG001 difficult. This is a critical shortcoming in light of the fact that the scale of the MHP is ten times that of the HG001 program.

The need for improvement in management data has been addressed earlier. MHP has the need for cost projections, assessments of ongoing operations and scheduling of new subprograms. These needs cannot be met with the existing techniques for monitoring and evaluation. Managers of MHP are aware of the needs to improve their management capacity, therefore, technical assistance in this area has high priority.

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EVALUATION METHODOLOGY

1. Reviewed:

- program documents prepared by USAID office of Housing and Urban Programs;
- studies contracted by USAID and conducted in Sri Lanka under GH001;
- project delivery information prepared by the National Housing Development Authority and the Slum and Shanty Division of the Urban Development Authority;
- Memos from Riall Nolan USAID Rsident Technical Advisor to Sri Lanka Housing Program Managers in the NHDA and the S&SD.

2. Discussions:

- Riall Nolan, USAID Personal Service Contractor, Technical Advisor, MLGHC

Riall Nolan was instrumental in getting written information including memos which he developed in his two year tenure as a Technical Advisor to MLGHC. Riall was to have been a member of the evaluation team, however, the timing of the evaluation conflicated with other reports which he had to complete and with the numerous tasks inovolved in extracting himself and his family after a long stay. Although he was unable to contribute directly to the evaluation, his review of the preliminary draft was most helpful, his insights, experience and understanding of local issues were invaluable.

- Jeremy Hagger, USAID Mission Housing Advisor, Sri Lanka

Jeremy Hagger played a crucial role in coordinating contacts in the AID Mission and GSL operating agencies. His presence at the interviews often added dimensions which would have been otherwise missing in the evaluation.

- Discussions were also held with Frank Corell, the newly appointed Director of the USAID Mission in Sri Lanka, who showed interest both in the outcome of the evaluation and the ongoing HG002 Program. The acting Mission Project Officer, John Gunning, also added substance to information on the early history of the HG Program and provided valuable comments on the preliminary draft.

- Members of various GSL agencies and institutions are listed in alphbetical order in Addendum B.

- Residents of GSL housing schemes, especially those in Kalutera (Rural) and Colombo (S&SD).

3. Analysis of:

- Budget documents from 1980-1983 for NHDA and S&SD
- Project Monitoring Methods used in the NHDA and S&SD
- Cost recovery data from 1979-1983
- Personnel and administrative cots 1980-1983
- Progress Reports from NHDA and S&SD to USAID.

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ADDENDUM B

Persons Contacted in Connection with the Preparation of this Evaluation
(listed in alphabetical order)

Name	Position	Agency
C.P. Alberl	Assistant Manager (Administration) Kurunegala	NHDA
H.M. Dayananda	Planner	S&SD/UDA
Yvo de Boer	United Nations Reviewer for IYSH Project-Colombo	UN
B. H. K. de Silva	Civil Engineer Kalutera District	NHDA
Conrad DeTissera	General Manager and Director	NHDA CHPB
M.P.B. Ekanayake	General Manager	State Mortgage and Investment Bank
Newton Eluitigala	District Manager Kalutera District	NHDA
Marina Fernando	Director (Housing Loan Program)	U.S. Save the Children
Mrs. Jerani Fernando	Program Officer	CHPB
Rienzi Fonsceca	New Deputy Director for Training in Housing and Planning	CHPB
Lene Funch	Danica Architect assigned to Mahaweli	Mahaweli
Tilak Gamage	Town Planner	SSD/UDA
Mr. Hubert Gunesakara	Deputy General Manager Urban Construction	NHDA
A.P.A. Gunesakera	Deputy General Manager 100,000 Houses and Estates Management	NHDA
Prof. S. Gunesan	Professor and Housing Consultant (Sri Lankan who worked in GSL housing program 1972-1977)	University of Hong Kong
Marja Hoek-Smit	UN Consultant to SSD/UDA for IYSH Project	UN
Senake Jayasinghe	Deputy General Manager (Urban)	NHDA
Mr. M. G. D. Jayawardena	Secretary	MLGHC
Mrs. Karrupu	Director International Training	GSL

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Persons Contacted (cont'd)

Name	Position	Agency
Geethi Karumaratne	Program Officer	CHPB
A. H. Kavawita	Assistant Manager (Development) Anaradhapura District	NHDA
Mrs. Anusha Krishnakumar	Accountant	NHDA
R. Mahesan	Assistant Manager (Finance) Kurunegala	NHDA
Mr. M.W. J. G. Mendis	Vice-Chancellor	University of Moratura
H. Vincent Perera	Community Development Officer	SSD/UDA
Gemunu P. Perez	Assistant Manager (Administration) Matale District	NHDA
Mr. Aillu Peruma	Chairman	NHDA
S. Vadugaujah Pillai	Deputy General Manager (Finance)	NHDA
Dr. S. Rajalingham	Director of Economic Affairs Ministry of Finance	NHDA
Sunil Rajapaksha	Planner	S&SD/UDA
Mr. Rajaratnam	Director Evaluation and Monitoring	MLGHC
K. K. Ramasingh	Assistant Manager (Development) Kalutera District	NHDA
K.A.H. Ranaweera	Assistant to Director of Project Planning	MLGHC
M.A.P. Senanayake	Manager Training and Information Unit	NHDA
Chandrasiri Senevirathne	District Manager Anaradhapura District	NHDA
Eswaran Severajah	Director	SSD/UDA
L.B. M. S. Silva	Accountant, Kandy District	NHDA
Susil Sirivardana	Additional General Manager	NHDA
D. Siriwardhana	Assistant Manager (Development) Kurunegala	NHDA
Mr. Disa Werapana	Director Project Planning	MLGHC

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Persons Contacted (cont'd)

Name	Position	Agency
Mr. S. A. Wijayaweera	Manager (Assistant to Susil Siravardana)	NHDA
K.L.C. Wijesinhe	Planner	S&SD/UDA
Mr. William	Assistant to Desa Weerapana	MLGHC
D. K. Wimalasene	Assitant Manager (Development) Matale District	NHDA

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CHRONOLOGY OF EVENTS IN HG001

October/ November	1980	US/AID Shelter Workshop, Washington Susil Sirivardana Desa Weerapana
November	1980	Shelter Sector Analysis Team in Sri Lanka
December	1980	Project Implementation Document
January	1981	SHELTER SECTOR ASSESSMENT, US/AID, Washington, D.C.
June	1981	Mission Housing Advisor arrives Colombo. (Philip-Michael Gary)
August	1981	Phase I Implementation Agreement signed between USG and GSL.
August	1981	Project Grant No. 912-0007 signed between USG and GSL for $865,000.
December	1981	HOUSING MANAGEMENT STUDY (Robert De Voy and Sidnijai Tanphiphat)
January	1982	TRAINING NEEDS ASSESSMSENT (Margaret D. Woodring)
January (26-27)	1982	Sri Lanka Housing Finance Workshop*, Washington, D.C.
March	1982	HOUSING FINANCE STUDY (National Savings and Loan League - Don Gardner Prahip Shah - HDFC (India) Bessy Kong US/AID PRE/W review by Charles Haar)
April	1982	HOUSING SUBSIDY STUDY (Don Gardner)
July	1982	Training - MIT/DPU, Cambridge, Mass., Dunstan Jayawardena, Chairman, NHDA.
July	1982	$21 Million Loan Agreement and Guarantee Agreement signed bewteen GSL and Salomon Bros.
August	1982	US/AID Technical Assistance. Personal Services Contractor arrives Colombo (Riall Nolan)
September to December	1982	Training (2 to UCB) Mr. C. de Tissera (Curriculum Developer for Upper Level Managers) Mrs. C. Weerawardene (Housing Estate Management)
October	1982	INTERIM EVALUATION OF HG001 (PADCO Inc.)
October	1982	MEETING HOUSING NEEDS IN SRI LANKA: A STRATEGY FOR THE FUTURE (PADCO, Inc.)

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CHRONOLOGY OF EVENTS IN HG001 (cont'd)

October	1982	Shelter Conference - Asia, held in Colombo
December	1982	The Million Houses Programme announced.
January	1983	Philip-Michael Gary nominated to succeed Albert Votaw as Assistant Director, RHUDO, Bangkok
January	1983	Training (UCB) Basil Perera (Housing Finance Alternatives)
March	1983	First Million Houses Demonstration Project begun (248 Demos)
April to June	1983	Training (2 to UCB) Mr. P. Ramanathan, District Manager, NHDA, Jaffna, (Land Policy Analysis), Mrs. Jothi Iqbal, SMIB, (Real Estate Project Analysis)
July	1983	Internal disturbances bewteen Sinhalese and Tamils destroy between 25-30,000 homes, 500 deaths and 100,000 homeless.
July	1983	Philip-Michael Gary leaves to assume role as Assistant Director RHUDO, Bangkok
September	1983	US/AID Mission Housing Advisor arrives (Jeremy Hagger)
September	1983	AID/W approves Project Memorandum authorizing HG $10 million - Phase II.
November	1983	Begin negotiations with GSL for HG002.
December	1983	Completion of HG001 $21 million.

* 2 GSL participants,
  Dr. S. Rajalingam (MFP)
  Mr. Desa Weerapana (MLGHC)

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