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LEBANON HOUSING GUARANTY 268-HG-001

IMPLEMENTATION SURVEY

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I. INTRODUCTION

A. General

When I undertook to do this survey, I did so with mixed feelings. My main concern was the timing. I was asked to submit a final report six weeks after the contract was signed which would allow me only about five weeks to do the interviewing. I decided to engage two part-time young engineers to help me do the outlying districts. Even with additional staff and an unexpected reduction in the number of cases, time was short and a special effort had to be made to meet the dead-line. Locating the buildings and the people was often tiring, sometimes agonizing and in a few instances frustrating. In-
pite of the difficulties, I was able to submit my report on March 26.

My second concern was that some people would not receive me well because of my marked Palestinian dialect. My fears, however, proved unfounded.

B. Selection Procedure

The Agency for International Development (AID) wanted to have the survey completed and the final report submitted by March 26. To facilitate the process, AID and the Ministry of Housing and Cooperatives (MHC) staff completed Section II of the questionnaire. They reviewed the files, which had

been selected at random for the survey, but bearing some ratio to the total number of loans in each region.

After selecting 120 loan numbers for the survey from the HG-001 Schedule I list, the name of each borrower was obtained and compared against the list of borrower's names who had received funding under the 1977 Housing Grant. It was found that 19 of the 120 loans (15%) selected from HG-001 Schedule I appeared on the list of those who received loans from the 1977 grant. This reduced the number of dwelling units for the survey to 101.

When I signed the contract on February 12, 1981, I received 71 questionnaires with Section II completed, and on February 20th I received 8 more. AID staff informed me that MHC was trying to locate the outstanding 22 cases and would give me the additional questionnaires at a later date. On February 27th I was informed that the files could not be found. I agreed to the reduced number of cases and the contract was amended.

NB: Of the 71 questionnaires received on February 12th one (183/4) turned out to be inaccurate, and was amended on February 27th (to become 183/6).

In the course of the survey, five interviews could

not take place mainly because of security reasons. Specifically, (1) case 503/3 was located in a military zone and we were not permitted to inspect the house. (2) Case 50/1 was in the SODICO area where there was a lot of sniping at the time of the survey. One I got to within 150 meters from the house before having to retreat; (3) and (4) Cases 94/3 and 389/3 were both in Mtein. We made two attempts to reach them but were turned back once by a Syrian National Social Party (PPS) rally and another time by a rally honouring the anniversary of the assassination of Kamal Jumblat, the Druze leader. There was no time left to do them if the March 26 deadline was to be kept and they had to be dropped. (5) Case 30/4 was inaccurately labeled; it should have been 36/4. When the mistake was noticed, MCH did not have sufficient time to find the file. So the final count for the survey became 74.

C. Survey Process

AID gave me copies of the three-part questionnaire with Section II already completed by MHC and AID. The data were gathered from individual dossiers of those who had applied for loans. The amount and items to be repaired were described. The address, although at times very scant, was given.

I completed Section I by taking the loan data from the HG-001 Schedule I to compare them with similar information recorded in the individual dossiers.

The on-site survey information was written in Section III. I and my staff travelled to various locations from February 12 to March 17. We assessed the use of the loan money basing on our personal observations and on interviews with the property owners (or, in their absence, with their families, neighbours or tenants).

D. Original and Final Distribution of Units by Regional Office

Listed below is a table of distribution of interviews according to regions.

| | <u>Regional Code/Name</u> | <u>Original</u> | <u>Contract</u> | <u>Amendment</u> | <u>Final</u> |
|-----|---------------------------|-----------------|-----------------|------------------|--------------|
| 1 | Beirut | 9 | 9 | 6 | 5 |
| 2 | Burj Hammoud | 4 | 3 | 1 | 1 |
| 4,6 | Chyah/Aley | 23 | 17 | 14 | 13 |
| 5,7 | Baabda/Chouf | 17 | 15 | 13 | 13 |
| 3 | Metn/Jbeil | 18 | 16 | 16 | 13 |
| 11 | South | 3 | 1 | 1 | 1 |
| 10 | Tripoli/Akkar | 21 | 18 | 15 | 15 |
| 9 | Zghorta/Koura | 20 | 18 | 9 | 9 |
| 12 | Beckaa | <u>5</u> | <u>4</u> | <u>4</u> | <u>4</u> |
| | | 120 | 101 | 79 | 74 |

E. MHC Regional Offices

We worked with the Regional Offices in Ashrafieh,

Bir Hassan, Batroun and Tripoli.

Mr. Naji Nasr, and Mr. Antoine Chamoun and their staff were especially helpful in assisting AID in gathering the data for Section II.

Mr. Taher Al Kurk of RO Tripoli and his staff were very kind and most helpful with the field survey in their region.

II. GATHERING OF DATA

A. Process

My two assistants and I were able to branch out and cover all the districts. We actually started on the same day that I signed the contract. The interviewing was started on February 12, and ended on March 17, 1981.

B. Techniques

We sought and obtained the help of the Regional Offices of the MHC in locating places. Often we were aided by the people in the neighbourhood, particularly in the villages.

We interviewed the owner of the house or whoever else was available in a conversational fashion. This way gave us insight into the character of the recipient and the background of the loan.

We explained that we wanted photographs of the house. No one objected. Some even produced photos of the damage for comparison.

C. Problems

There were many problems. They were the result of incorrect spellings of names, wrong or incomplete addresses, new owners, or married women who had taken the loan under their maiden names.

D. General Observations

The data gathered from the dossiers and recorded on the individual questionnaires were not always accurate. In particular, incomplete house addresses caused me and my staff many delays. For future surveys, I recommend that the contractor work directly with MHC Regional Offices to get the necessary information.

Whether done by AID or a contractor, more care must be taken to record full and accurate information.

III. FINDINGS & OBSERVATIONS

A. Findings

Listed below are my findings based on the aggregated data gathered from the individual questionnaires. The material is presented in two parts. The first part combines Sections I and II of the questionnaire since the information was taken from office files.

1. Sections I and II- Loan Data

a. Number of Units

The survey consisted of inspecting dwelling units which were refurbished by loans given under HG-001. A total of 79 loans were selected for on site inspection of which only 74 were actually inspected. They included single family houses and multistorey renting units. A total of 192 housing units were involved in the 74 loans. The average size of the unit was 122 square meters.

b. Loan Value

The total loan value applied for in HG-001 Schedule I was 2,264,500 LL. The dossiers indicated that the total loan value was actually 2,293,079 LL. The four loans which differ are as follows:

| | <u>Schedule I</u> | <u>Dossiers</u> |
|-------|-------------------|-----------------|
| 103/5 | 30,000 | 39,079 |

| | <u>Schedule I</u> | <u>Dossiers (cont'd)</u> |
|-------|-------------------|--------------------------|
| 18/9 | 30,000 | 32,500 |
| 88/9 | 30,000 | 42,000 |
| 311/9 | 30,000 | 35,000 |

Another discrepancy exists in the amount shown as disbursed, between schedule I and the dossiers. Schedule I states that 2,264,500 LL had been disbursed by 31/5/80 while the files recorded that 2,127,600 LL had been disbursed by that date. Seven loans differed as follows:

| | <u>Schedule I</u> | <u>Dossiers</u> |
|--------|-------------------|-----------------|
| 286/4 | 116,000 | 11,600 |
| 13/5 | 11,500 | 0 |
| 103/5 | 30,000 | 3,000 |
| 18/9 | 30,000 | 32,500 |
| 88/9 | 30,000 | 42,000 |
| 311/9 | 30,000 | 35,000 |
| 738/10 | 26,000 | 13,000 |

c. Loan for Repair or Reconstruction

96% of the loans were made for repair. Only three percent was used for reconstruction of the houses. One dossier (1%) did not indicate if the loan was for repairs or reconstruction, but my observations lead me to believe that the loan was used for repairs.

d. Income Per Year

The dossiers of 65% of those selected for inspection indicated that the income per year was between 2,000 LL and 12,000 LL. 9% showed that the income was above 12,000 LL. 15% claimed no income (all but two in this category were housewives who had the property listed in their names). 11% of the dossiers had no record of the amount of income.

e. MHC Inspector's Description of Work Required

More than 96% of the loans had new plaster, doors, windows and painting done. 90% required electrical and telephone repairs. Between 58% and 66% sought to replace glass, concrete and walls.

Most of the funds (35%) were allotted to door and window frames. The second most expensive item (12%) was paint.

f. Loan Repayment Information

Not all dossiers contained loan repayment data. Only 20 files (27%) showed that the first repayment had been made. The data also indicated that 86% (64) missed two or more payments.

It should be noted that on January 8, 1980, the Government of Lebanon passed Decree No. 3754 which modifies the repayment of loans

made under Decree Law 20 in two ways:

(1) For loans under which construction was completed before December 31, 1980, the repayment period is extended 2 years without interest charges.

(2) For loans under which construction was not completed before December 31, 1980, the amount of time allowed for construction completion is extended up to 2 years from the date of the Loan Contract Agreement (rather than 6 or 18 months respectively for repair and reconstruction) and the loan repayment schedule is extended a similar period without interest charges.

The HG-001 loans were made in conjunction with the Decree Law 20 program. All loans reviewed by this survey, therefore, were given a two-year extension period if the borrower chose to take advantage of Decree No. 3754.

2. Section III - On Site Inspection

a. Construction Type

70% of the units were reinforced concrete with block infill. 15% were stone load bearing walls with concrete roofs. 12% were a combination of the above. 3% were reinforced^d concrete and/or stone load bearing

walls, with roof tiles.

b. Number of Stories

50 loans (60%) were for one floor buildings. 11 loans (15%) were for two floors. 5 loans (7%) were for three floors. 7 loans (9%) were for four or more floors. One loan (1%) was partly two floors and partly 6 floors.

c. Type of Living Units

56% of the loans were for multi-family buildings. 39% were for detached houses and the rest (5%) were for attached units.

d. Modern Facilities

95% of the units had electricity. 93% had sanitary toilet facilities. 92% used the municipal water system while 14% had their own wells. 4% had no apparent sources of water.

e. Work Performed by Contractor or Owner

84% of the owners said that they used contractors to do all of the work. 7% said that they worked with a contractor to make the repairs. There were no repairs in the remaining 9%.

f. Work Completed

88% of the units visited were completed.

12% were not. Of those which were not finished only two more were about 40% complete. The remaining seven appeared not to have been repaired at all. Four of the owners claimed that the house had been repaired, but damaged again for a second time.

B. General Observations

My conclusions cover the whole range of the loan, from inception to termination:

1. The average income for the 74 cases studied just exceeds LL 10,000.- per year.
2. MHC's method of estimating costs appear inconsistent. Many seem to have been prepared in a haphazard manner showing no relationship between one or the other of the various repairs to be made. In one instance one would think that the house was mainly made of glass, while in others, glass is not even allowed for. One particular estimate was rather silly, showing LL 315.12 for painting. Another showed LL 788.45 for plaster.
3. The ratio of total loans to total annual income is 4:1, which would make the rate of repayment 27.4% of the income over a period of 15 years. While it is true that one's income may rise, it

looks to me like the repaying of the loan will take away quite a large slice of income.

4. I would like to add few words about the human angle of this survey. People in all walks of life have been interviewed, from the very rich to the very poor, from those who lost their properties to those who still enjoy them. One family (444/3) lost a son; another (200/6) has a maimed daughter, both due to the "incidents". In one instance (3/4) the owner of a flat, a woman, has an amputee husband and a son in a mental assylum. In another (494/9) the husband and one son were blind. Their house was completely destroyed and the loan was used to build one room for the family and one for the poultry. Several recipients have died, leaving the onus of repayment to their heirs who may or may not (as in case 273/6) be able to repay. One family in Hazritta (111/12) lives in ^{to}bject poverty.

All this leads me to ask the question: Can anything be done for these poor people (12 out of 74 cases surveyed)? Could a study of their cases be made to convert their loans to grants? I strongly recommend this line of action and would be a very happy man if I know that something will be done about it. This survey then

would have produced a better result than just charts and tables.

IV. CONCLUSIONS

1. People have made good use of their loans

On the whole it was the more humble, country houses in need of repair that the repairs were carried out. Many said they have paid much more money for repairs than they received from the loan. 88% of the units visited were completed. Most (68%) were small, single floor, reinforced concrete dwelling units.

Flats in multistorey buildings occupied by their owners were sufficiently repaired but those that were meant to be just for renting were sometimes not quite fully attended to. Four property owners claimed that repairs had been made but the building had been damaged a second time and that now the flats were occupied by squatters and military.

Nine people, however, (including the four mentioned above) appeared not to have used all of the loan for repairs. See attachment D.

2. The Criterion of giving loans to people with an income of 12,000 LL or less per year was not always met

9% of the dossiers reviewed indicated that the income was above 12,000 LL.

15% claimed no income. All but two in this category were housewives who had the property registered in their maiden names.

11% of the dossiers had no record of the amount of income.

Based on my personal observation I believe that many people had a higher standard of living than their declared income would lead one to believe.

3. Loan repayments are not being made according to the original schedule

The section of the questionnaire dealing with loan repayment information (No. 29) was incomplete. The dossiers often did not contain the most recent bank report. A quarter of the files, however, showed that the first payment had been made. The remaining files made no mention that the loans due were being repaid.

The files did have a schedule of the total number of payments due by date for each loan. Based on that data, 86% of the borrowers have missed two or more payments. Decree No. 3754 which permits a two-year extension was issued on January 8, 1981 and may account for the high percentage on non-repayment.

In talking with the recipients, some said that they did not intend to pay back the loan.