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ASPECTS OF SUPPORT-BASED
RURAL HOUSING IN THE
GALLE, MATARA, JAFFNA AND PUTTALAM
DISTRICTS OF SRI LANKA

A Study Facilitated
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A Study Facilitated
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The United States Agency For International
Development (USAID)

by
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DEDICATION

This publication is dedicated to the people of
Galle, Matara, Jaffna and Puttalam Districts
who are the real authors of the study.

PHOTOGRAPHS

All the Photographs appearing in this Study
were taken by Chrispil Benedict Fernando
of Anamaduwa - the President of IRED's Partner
VINivida - NGO Coalition for Eradicating Poverty through
Knowledge and Communication.

ABBREVIATIONS AND ACRONYMS

ACCD	Assistant Commissioner of Co-operative Development
ACLG	Assistant Commissioner of Local Government
AD	Assistant Director
AGA	Assistant Government Agent
CAPS	Co-operative Agricultural Production and Sales Society
CDC	Community Development Council
CI	Co-operative Inspector
CLG	Commissioner of Local Government
CMC	Colombo Municipal Council
DCTCSL	District Co-operative Thrift and Credit Societies Union
DDC	District Development Council
DDF	Dry Zone Development Foundation
DHC	District Housing Committee
DHP	District Housing Plan
DM	District Manager
DU	District Union
EE	Executive Engineer
FTCCSU	Federation of Thrift and Credit Co-operative Society Unions
GA	Government Agent
GCE	General Certificate of Education
GM	Gramodaya Mandala
GS	Grama Sevaka
HO	Housing Officer
HOLP	Housing Options and Loans Package
HHP	Hundred Thousand Houses Programme
IRDP	Integrated Rural Development Project
JEDB	Janata Estates Development Board
LTTE	Liberation Tigers Of Tamil Eelam
MC	Municipal Council
MEP	Mahajana Eksath Peramuna
MHP	Million Houses Programme
MHSP	Mahaweli Housing Sub-Programme
MLGHC	Ministry of Local Government Housing and Construction
MP	Member of Parliament
MPCS	Multi-Purpose Co-operative Society
MSSHSP	Major Settlement Schemes Housing Sub-Programme
NGO	Non-governmental Organisation
NHDA	National Housing Development Authority
NYSC	National Youth Services Council
PHSP	Plantation Housing Sub-Programme
PM	Pradeshiya Mandala
PSHSP	Private Sector Housing Sub-Programme
RDO	Rural Development Officer
RDS	Rural Development Society
RHSP	Rural Housing Sub-Programme
RM	Regional Manager
SHP	Superintendent of Health Services
SLFP	Sri Lanka Freedom Party
SSO	Special Service Officer
TC	Tamil Congress
TCCS	Thrift and Credit Co-operative Society
TCCSEP	Thrift and Credit Co-operative Societies Expansion Programme

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ABBREVIATIONS AND ACRONYMS

TULF	Tamil United Liberation Front
UC	Urban Council
UHSP	Urban Housing Sub-Programme
ULA	Urban Local Authority
UNP	United National Party
USAID	United States Agency for International Development
VO	Voluntary Organisation

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All names of places and persons used in this document are pseudonyms.

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CHAPTER I
BACKGROUND

THE MILLION HOUSES PROGRAMME EVOLVES

The Million Houses Programme (MHP) evolved in 1984 from its Task Force beginnings of 1982. Until then, conventional provider-based housing was the cornerstone of State Housing Policy. The theoretical framework of such policy was a conventional supply-oriented housing which was project-based and consisted almost entirely of programmes of new houses built by the State. Conventional policy assured that the State had to intervene dominantly by creating a separate public sector housing process. As a result, there were two main processes - the People's Mainstream and the State Sub-stream.

Within the parameters of provider-based housing, progress was slow. The Hundred Thousand Houses Programme (HTHP) initiated in 1978 sought to construct a hundred thousand new housing units by the end of 1983. Through the HTHP (1978-1982) implemented with unmatched political will and commitment as one of the three lead projects in the National Economic Plan, Housing became a household word in the country. The HTHP which had wide geographical spread accounted in some years for as much as 14% of general public investment gave hitherto unseen access to housing.

The HTHP - An Outline

- Assumption "the State had to intervene dominantly, thereby creating a separate public sector housing process. For the public sector this became the 'mainstream process'".
- Theoretical forms "Conventional supply - oriented housing : instant, project - based; almost entirely a programme of new houses".
- The sub-programmes with method of construction:

	<i>Units</i>
<i>Urban Housing (direct construction)</i>	15,027
<i>Electorate Housing (direct construction)</i>	5,880
<i>Rural Housing (aided self-help)</i>	40,998
<i>Housebuilders' loans</i>	31,705
<i>Slum and Shanty (families)</i>	<u>8,000</u>
<i>Total units</i>	<u>101,610</u>

scale of construction of the MHP, the limited financial resources available for the programme and the learning experience of the HTHP, resulted in a radical shift of State housing policy. Provider-based housing was replaced by Support-based housing in the MHP. Support policy meant that the State would no longer construct and provide houses : It would instead re-vitalise the mainstream (ie. private sector individual family) traditions of building and design, overcoming the issue of the constraining official building standards. It will aim at mobilising the huge reservoir of voluntary family labour and the human creativity of individual user families. It will hope to achieve all this by decentralising decision-making and implementation to the point of local action. This strategy is based on the experience that the people are capable of taking all decisions about their development if they are given the necessary support. The role of the State is to give support.

Methodologically, Support Programmes aim at helping existing processes of the poor, through which they attempt to transform their housing environment. Such programmes aim at recognising the efforts of the poor to improve their living conditions by operating the local networks which they control and by taking access to opportunities within their reach, and at supporting such efforts by giving access to resources which they otherwise cannot easily reach. The dogma on which support-policy is based is that in the process of development, the people have their own processes which should be the starting point for any development process of the State. According to support-policy, the State participates in the development processes of the people in place of the people being invited to participate in the processes of the State. The production of houses will be by individual families through their individual efforts and the State will participate in this mainstream of housing production by giving support to it. Hence the fundamental slogan of the MHP - "Minimal Intervention, Maximal Support by the State: Maximal Involvement of the User families".

All decisions on housing are taken by individual families in complete freedom. In the Rural Housing Sub-Programme (RHSP), the

only stipulation is that there should be a permanent roof. In the Urban Housing Sub-Programme (UHSP), certain Standards are imposed: But very importantly, the Standards are developed by the Community itself at Site-specific Workshops on Community Building Guidelines. The new approach has liberated housebuilders from many constricting building procedures. They can use locally available building technology and vernacular building techniques. The relationship between the State and the house-builder is a non-dominating one. The State provides guidance, but it is not mandatory for the house-builder to accept these guidelines.

The methodology of the new approach is one in which the mainstream of housing production - a tradition that builds houses at very low cost in contrast to its State sector counterpart - takes over the task of housing production. Public agencies get involved in the process in order to provide the initial push, provide the rock bottom infrastructure upon which the people could build according to their own priorities, and provide access to resources which may otherwise prove a stumbling block to continued building activity.

The ideology of 'Minimum Intervention, Maximum Support' places the human being at the centre of the housing programme. Human creativity and human inventiveness become the primary resource in all work connected with housing. This means trusting the people: Trusting the poor.

The present ideology contrasts sharply with the ideology on which earlier housing programmes were based when there was a clear gap between the planners, designers and the builders on the one side and the users on the other. The poor were pre-empted from deciding on their own shelter. Provider-based housing did not permit the people to decide how to build. The full and free choice within the limits of affordability while putting the human being at the centre of the housing process is a basic tenet of the MHP. The actual building operations are controlled by none other than the actual users themselves.

New Strategy Outcomes:

- *Minimal Intervention Maximal Support by the State; Maximal involvement by Users. Users - force, a creative resource.*
- *State's role is to strengthen existing mainstream by enabling, by creating opportunities; just like in agriculture where farmers do the growing and the State creates conditions for it, and supports it.*
- *Hierarchy of needs - hierarchy of solutions = hierarchy of housing choices = housing loans.*
- *Housing as a form of basic needs satisfaction: as a means to a wider development.*
- *cost effectiveness and maximal use of scarce resources: trade off - minimum standards vs much larger numbers.*
- *Incrementalism and upgrading are core principles.*
- *Decentralised management and decision - making marrying local government with housing.*
- *Basic services, especially water, assume key importance.*
- *Delivery of serviced land as opposed to delivery of houses.*
- *Bureaucracy changes roles: become housing extension workers, Resource intermediaries: Information and communication vitally important.*
- *The Million Houses Programme is really a process capable of mobilising, stimulating, generating, catalysing, complementing, initiating*

In Summary

- *Previous Process Inverted*
- *Mainstream Rediscovered and Reconstituted.*
- *A new process in Motion.*

(Susil Sirivardana : The Million Houses Programme - Aspects and Issues : July 1983)

The MHP is made up of 6 Sub-Programmes.

1. The Rural Housing Sub-Programme (RHSP). This is a programme reaching the rural poor all over the country. The National Housing Development Authority (NHDA) is the lead Agency. 50,000 to 60,000 families are reached every year.
2. The Urban Housing Sub-Programme (UHSP). This sub-programme is specially for the urban poor. All Municipal Councils (13 in all) and Urban Councils (38 in all) are reached. NHDA is the lead agency. Annual coverage ranges between 13,000 to 16,000.
3. The Plantation Housing Sub-Programme. (PHSP). This sub-programme is specially for the plantations. All workers and staff can benefit from it: Is expected to transform the total stock of line rooms and quarters. The lead agencies are the Janatha Estate Development Board (JEDB) and the State Plantations Corporation (SPC).
4. The Mahaweli Housing Sub-Programme (MHSP). The Mahaweli is a sector by itself. The Mahaweli Authority of Sri Lanka manages this programme.
5. The Private Sector Housing Sub-Programme (PSHSP). This sub programme has two strands - the Informal and the Formal. The Informal Private Sector refers to individual family home-builders, while the formal Private Sector refers to the growing number of property developers. A wide network of small and large institutions such as Rural Banks, Thrift and Credit Co-operative Societies, the State Mortgage and Investment Bank, the Housing Development and Finance Corporation and Commercial Banks assist these groups with resources.
6. The Major Settlement Schemes Housing Sub-Programme (MSSHSP). This Sub-programme reaches the Non-Mahaweli Sector of other major settlement schemes. The Kirindi Oya Project is the largest of these schemes. The Land Commissioner is the lead agency.

Of the above sub-programmes the two main Low Income Programmes are the RHSP and the USHP. Of the two, the RHSP represents the older experience, covering a period from January 1984. The UHSP commenced a year later in January 1985. These two sub-programmes are, in fact

'resource sub-programme' which offer completed, ready to occupy housing.

Forms of State Support

- Shelter needs vary. So possible solutions have to be several. Therefore Housing Options or Choices.
- Housing needs = Housing options = small Housing Loans
- The Main Option Packages are :-
 1. Upgrading Package.
 2. New Basic House Package.
 3. Utilities Package.
 4. Sites and Services or Navagamgoda Package.
- Other Forms of Support are:-
 1. Regularisation of Tenure.
 2. Housing Advisory Services.
 3. Community Education and Organisation.
 4. Technical and Social Information.

*(A Guide to the Urban Housing Sub-Programme
for Low income Groups : NHDA : March 1985).*

FOCUS ON RURAL HOUSING

Housing, even in the predominantly agricultural countries of Asia and Africa, is still conventionally associated with an urban context. However in the HTHP (1978-1982) in Sri Lanka, of the 100,000 houses, the share of the Rural Housing Programme was 50% or around 50,000 houses. Such a large and prioritised rural housing programme is a distinguishing feature of the housing department programmes of Sri Lanka after 1977. The Rural Programme of the HTHP (1978-1982) comprised four separately identified projects:

- The aided Self-help Housing schemes,
- The Udagam or Model Villages,
- The Thirty Houses per Electorate Schemes, and
- The Fisheries Housing Schemes.

Under the MHP (1984-1993, later reduced to 1984-1989), the

relative importance of rural housing to urban housing has increased still further. From January 1984 to the end of May 1987, of all families reached through the the RHSP and the UHSP of the MHP, 88% have been rural while only 12% are urban.

Total Number of Families Reached

<u>Year</u>	<u>RHSP</u>	<u>UHSP</u>
1984	43213	-
1985	42077	7584
1986	60339	10419
1987 (upto May)	16020	4439
1984-87 (Sevana Fund & Yovun Nivahan.)	6711	-
Total	<u>168358</u>	<u>22442</u>

Total Number of Houses Completed

<u>Year</u>	<u>RHSP</u>	<u>UHSP</u>
1984	36552 (84.58%)	- -
1985	35237 (83.74%)	2314 (30.51%)
1986	34489 (57.16%)	3484 (33.44%)
1987 (upto May)	1401 (8.74%)	749 (16.87%)
1984-87 (Sevana Fund and Yovun Nivahan.)	3040 (45.29%)	- -
Total	<u>110719</u>	<u>6547</u>

Money Given as Housing Loans (in Rs Mn)

<u>Year</u>	<u>RHSP</u>	<u>UHSP</u>
1984	189,832	-
1985	217,585	38,460
1986	255,853	72,380
1987 (upto May)	80,481	39,953
1984-87 (Sevana fund and Yovun Nivahana.)	-	-
Total	<u>743,751</u>	<u>150,793</u>

(source : NHDA)

USHP - Provision of land, Infrastructure and Amenities :-

<u>Year</u>	<u>Families reached</u>	<u>Money spent in Rs. Mr.</u>
1984	-	-
1985	22,372	65,861
1986	16,598	30,904
1987 (Upto May)	-	-
<u>Total</u>	<u>38,970</u>	<u>96,765</u>

The goal of the MHP is to reach a million or more poor families within 6 years, at lesser cost to the nation and greater satisfaction to the actual builders. The programme is founded on the mainstream of Sri Lankan house-building which the State supports, strengthens and complements through the MHP. The programme caters to a variety of different needs and priorities : new housing and upgrading, water supply and sanitation, infrastructure and utilities, land and loans, skill training and technical information, decentralised decision-making and village/district development. The State supports the satisfaction of these needs and priorities by providing plots and loans, easing constraints, informing builders, and training both participants and staff. The state intervenes only when individuals and communities cannot solve their problems on their own. The State assumes the role of facilitator and supporter, while individual families remain doers and decision-makers.

The Guiding Principles of RHSP

- *Reaching the most with the least or maximum spread with minimum outlay.*
- *Minimum and basic standards for many than high standards for few.*
- *Cost effectiveness of solutions.*
- *Affordability individually and nationally.*
- *Help the needy to help themselves.*
- *Housing as a form of basic needs satisfaction : a means and not an end.*
- *Making the most of self-help, mutual-help and self-reliance.*

- *Adopt and reinterpret traditional technology.*
- *Gramodaya Mandala (GM) area becoming planning and implementing frame.*
- *Decentralised decision-making : planning and implementing from the bottom up : GM plans - Pradeshiya Mandala (PM) plans - District Housing plan (DHP).*
- *Making GMs and PMs effective rural development institutions.*
- *Improving the quality of life of rural and plantation poor.*

*(Implementation Guidelines - Rural
Sub-Programme 1984)*

The target group to which the RHSP is addressed comprises all poor rural families with a monthly family income upto Rs.1250/-. The UHSP has as its target group, all poor urban families with a monthly family income of upto Rs.1500/-.

THE SMALL HOUSING LOAN

The housing loans given under the RHSP are the very meagre loans that are given to low income rural families (defined as those earning less than Rs.1250/- per month). The loan ceilings are kept at the lowest possible levels. This loan scheme which incorporates loans ranging from Rs.3000/- Rs.8000/- in the rural sector was evolved in 1983 at a time when the State was spending amounts ranging from Rs.17,000/- to Rs.25,000/- for low-cost type-plan houses built through the Aided Self-Help method under the HTHP which was considered genuinely cost-effective when compared to the cost of Direct Construction Housing. The Small Housing Loan Scheme was guided by the consideration that the mainstream of rural housing built basic houses at very low costs through the use of family-labour and the command over natural raw materials.

But the poor on whom the mainstream housing process depends

for its vitality, are more prone to sudden and frequent financial crises than others. Though the mainstream builds houses cheaply, efficiently and abundantly, it is found that building operations - new and upgrading - are often impeded by the existential conditions of the poor. Often people try to build, but their ability to succeed or complete their efforts is limited by frequent shortages of cash. Between the desire of the poor for improved shelter and its attainment lies the frequent oppression of cash shortages. The housing loan seeks to bridge the cash gap by putting into the hands of the low-income house builders a minimum of cash to overcome constraints. With the money available from the loan, it is expected that the poor would fearlessly embark on their building activities. The loan is also intended to provide leverage and manoeuvrability over essential market-based supplies such as bricks, cement, timber and the skilled labour of masons and carpenters. The housing loan is intended to embolden the poor to initiate and sustain building activities which would otherwise be full of risk.

The smallness of the loan has made it clear that it is being offered only as a support for those at the bottom end of the scale who are helping themselves.

The Small Housing Loan

It is not that Rs.7500/- is building a basic house with a latrine. It is also not correct that family labour alone is building that house. Neither of these two main strands alone by themselves are performing the task of successful delivery. Only both in combination can achieve it.

I do not think it is useful to isolate a key factor out of these two strands. I think it is quite clear that self-help or family labour is playing a dominant role in the overall effort. A great deal of labour is being invested in the programme. But the same input of labour to realise its end objective of a house built to a habitable level, requires the support of a small quantum

of cash. Without that minimal credit, the objective cannot be realised. Apart from these two main strands, there are other contributory elements and impulses. These are quantities like enterprise, ingenuity and experimentation which also play a supportive role.

There is also the mediation of the Baasunnehe or the designer who is the mason himself. Where the Baasunnehe is skilled in interpreting and handling traditional techniques, the product is rich and possesses merit in terms of design and economy. Where the mason or carpenter is less skilled, costs go up and the product is commonplace.

(Susil Sirivardana : the Small Housing Loan - Ingenuity and Method - An inquiry into a Sri Lankan Implementation Experience. 16th December 1984)

HOUSING OPTIONS AND LOANS PACKAGE (HOLP)

Housing is an intensely personal human activity. People take decisions about their own shelter from a number of options available to them. Choices are, by definition, personal and differentiated. The MHP has provided a vehicle which enables low-income house-builders to exercise full and free choice about housing improvement within the limits of affordability.

"For the exercise of such choices in conditions of autonomy and on a large national scale, there had to be a vehicle which would confer flexibility, simplicity and implementability. In other words we needed a vehicle to embody and operationalise the Options Imperative. First the Rural HOLP and later the Urban HOLP were the two vehicles we fashioned."

(Susil Sirivardana : Reflections on the Implementation of the Million Houses Programme, 9th November 1985)

HOLP is the name given to the variety of choices being offered as solutions to low-income shelter needs and problems. The options are the answers to the needs. Four categories of Needs are matched by four categories of Housing Options. Finally, Options get reflected in the form of Housing Loans. In a sense, the HOLP is the essence of the RHSP. The selection of a particular option (and therefore of a particular form of a loan) is determined on the one side by the particular Need of an individual family and on the other side by the activity of that family to Afford it and Repay it. Affordability and Repayability are vital concerns before anyone selects an Option.

Under the RHSP, any family with a monthly income upto Rs.1250/- a month is entitled to a housing loan. Within this ceiling the minimum income required for a family to be able to repay the monthly instalment of any particular form of loan has been calculated by NHDA to be as follows :

<u>Form of loan</u>	<u>Minimum monthly loan repayment</u>	<u>Monthly income required to be able to afford loan repayment</u>
Rs. 2000 loan	RS. 13.82	Rs. 138
Rs. 3000 loan	Rs. 20.73	Rs. 207
Rs. 3500 loan	Rs. 24.18	Rs. 242
Rs. 4000 loan	Rs. 27.64	Rs. 276
Rs. 5000 loan	Rs. 34.55	Rs. 345
Rs. 7000 loan	Rs. 59.08	Rs. 395
Rs. 7500 loan	Rs. 67.52	Rs. 430

(Source : Implementation Guidelines -
Rural Sub-Programme : 1984)

Monthly loan instalment can be paid over a five, ten or fifteen year period - the choice being with the beneficiary. It is expected that his decision - both on size of loan and repayment period - will be guided by the principle of 'Affordability' which will in turn be determined by the level of his monthly family income.

HOUSING OPTIONS & LOANS PACKAGE

(Rural and Plantation Areas)

Needs	Options Packages: Main & Sub-Categories	Loan Ceilings	Target Group	Int- erest Period	Repayment Period (Maximum)
-Upgrading repairing	1.0. Upgrading Package 1.1. Upgrading house + latrine	5000	L	6	15 years
improving or extending	1.2. Upgrading line + latrine	5000	L	6	15 years
existing houses or line	1.3. Upgrading house + latrine	12000	M	10	15 years
	2.0. New House Package				
-where land is available	2.1. Incremental or core house	5000	L	6	15 years
and only a new starter house is needed	2.2. Incremental or core house + individual services	7500	L	6	15 years
	3.0. Utilities Package				
-various serv- ices ancillary to rural living	3.1. Improvement to well	3000	L	6	15 years
	3.2. Pump for domestic water	3000	L	6	15 years
	3.3. Latrine	3000	L	6	15 years
	3.4. Electricity for house	3000	L	6	15 years
	3.5. Access	3000	L	6	15 years
	3.6. Survey Fees	3000	L	6	15 years
	3.7. Construction of well	7000	L	6	15 years
	3.8. Construction of tube well	7000	L	6	15 years
	3.9. Bio gas unit	5000	L	6	15 years
	4.0. Navagamgoda or Sites and Services Package				
-where there is a need for both a plot and a house with services	4.1. Planned sites	-	L	6	15 years
	4.2. Site + communal services	3500	L	6	15 years
	4.3. Site + individual services	4000	L	6	15 years
	4.4. Site + core house + communal services	8500	L	6	15 years
	4.5. Site + core house + individual services	16000	M	10	15 years

M = middle class

L = low income

(Source : NHDA)

LOAN REPAYMENTS - READY RECKONER

Rate of interest	03%			06%			10%		
	Monthly Instalments			Monthly Instalments			Monthly Instalments		
Amount of Loan Rs.	05 yrs. Rs.	10 yrs. Rs.	15 yrs. Rs.	05 yrs. Rs.	10 yrs. Rs.	15 yrs. Rs.	05 yrs. Rs.	10 yrs. Rs.	15 yrs. Rs.
500/=	8.99	4.83	3.45	9.67	5.55	4.22	10.63	6.61	5.38
2,000/=	35.94	19.32	13.82						
3,000/=	53.91	28.98	20.73						
4,000/=	71.88	38.64	27.64						
5,000/=	89.85	48.30	34.55	96.70	55.50	42.20			
6,000/=				116.04	66.60	50.64			
7,000/=				135.38	77.70	59.08			
8,000/=				154.72	88.80	67.52			
9,000/=				174.06	99.90	75.96			
10,000/=				193.40	110.00	84.00	212.50	132.20	107.50
11,000/=							233.75	145.42	118.25
12,000/=							255.00	158.64	129.00
13,000/=							276.25	171.86	139.75
14,000/=							297.50	185.08	150.50
15,000/=							318.75	198.30	161.25
16,000/=							340.00	211.52	172.00

(source : Implementation Guidelines - Rural sub-Programme : 1984)

AFFORDABILITY TABLE

Amount of Loan Rs.	Rate of interest 3%			Rate of interest 6%			Rate of interest 10%		
	Monthly income required to repayin			Monthly income required to repayin			Monthly income required to repayin		
	05 yrs. Rs.	10 yrs. Rs.	15 yrs. Rs.	05 yrs. Rs.	10 yrs. Rs.	15 yrs. Rs.	05 yrs. Rs.	10 yrs. Rs.	15 yrs. Rs.
500/=	90.00	49.00	35.00						
2,000/=	360.00	193.00	138.00						
3,000/=	540.00	290.00	207.00						
4,000/=	720.00	386.00	276.00						
5,000/=	900.00	483.00	345.00	645.00	370.00	285.00			
6,000/=				775.00	445.00	340.00			
7,000/=				905.00	520.00	395.00			
8,000/=				1035.00	595.00	450.00			
9,000/=				1160.00	670.00	510.00			
10,000/=				1290.00	735.00	565.00	1420.00	885.00	720.00
11,000/=							1560.00	970.00	790.00
12,000/=							1700.00	1060.00	860.00
13,000/=							1845.00	1145.00	935.00
14,000/=							1985.00	1235.00	1005.00
15,000/=							2125.00	1325.00	1075.00
16,000/=							2270.00	1410.00	1150.00

(Source : Implementation Guidelines - Rural Sub-Programme : 1984)

Together with the decision to bring the human being to the centre of the housing stage and to offer him a full and fair choice of housing loans within the limits of affordability through the HOLP, the very perception of 'Performance' and its measurement were radically altered. The basic reckoning now is 'not in terms of 'units constructed/upgraded' but in terms of 'families benefits'.

"This is, we now realise, a breakthrough in itself. Conventional housing programmes are counted in 'units constructed' and 'units upgraded'. The HTHP was such a case. But no sooner we cocepturelised the HOLP (rural) in 1983/84, that form of counting was rendered irrelevant and a new form had to replace it. 'Families benefited' was that form. Whatever the choice or opnion used, irrespective of loan size and purpose, there was a family benefitting from it. This, we have now realised over two and half years of national implementation, is a human, democratic and realistic form of counting".

(Susil Sirivardana : Within a New Paradigm - a lesson in development Theory and Practice: Draft Paper : 1986)

When the choices of the families that benefited from the Rural HOLP are summerised into main options, the aggregated percentages are as follows:

<u>Main Option</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Upgrading House + Larine	50%	60%	61%
New House + Latrine	46%	36%	36%
Water	1%	1%	1%
Others *	3%	3%	2%

(Source : NHDA)

* Includes Electicity for House, Pumps for Domestic Water, Improvement to Well, construction of New Well, Bio Gas Unit, Latrine, Access, Survey fees etc.

"The small Housing loan has gone far in resolving the issue of 'Appropriate standards' in low income building. Support to people who have already taken their own initiatives implies official recognition of traditional technologies and materials. The particularity of the small Housing Loan biases it towards minimalising standards and design. It is this thrust that has made the call to reach the most with the least a fact in practice".

(Susil Sirivardana : Reflections on the Implementation of the Million Houses Programme:9.Nov.1985)

SCALE

The specific challenge faced by the practitioners and professionals planning and implementing the MHP was that it had to be a housing programme of a million houses on 4% of Public Investment over a span of first, ten years, later reduced to six. It was the scale of the challenge that brought in the specific responses which served as the cornerstones of the MHP, - the HOLP, the revitalising of the mainstream, the decentralisation of decision-making almost to the point of action, and the trading off the concept of minimum standards for largeness of numbers.

Through this strategy, the RHSP and UHSP were able to reach 43,213 families in 1984, 49,661 families in 1985 and 70,758 families in 1986 with only 4% of annual public investment. The break through in terms of direct costs to the state is most important. Under the Rural Housing Sub-Programme of the HTHP (1978-1983), the State spent nearly Rs.32,000/- on each housing unit, whereas the RHSP of the MHP reaches about six to eight families on the average with the same sum of money. By the middle of 1987, the RHSP had reached over 18,000 of Sri Lanka's 25,000 villages while the UHSP had covered all 51 Urban Local authority areas. The scale as well as the Geographical Spread of the MHP are significant achievements.

The MHP has thus succeeded in reaching a very large number of beneficiaries within a very short period of time with a very limited sum of money.

DECENTRALISATION AND THE ROLE OF GRAMODAYA MANDALA

The MHP marries housing development and local government. The MHP achieves scale through its strategy of decentralisation. Such a huge operation can be successfully implemented only by devolving decision-making almost to the point of action. Decentralisation, therefore, is not merely a desirable object in keeping with the bottom-up approach to housing : It is also a clear necessity in view of the enormous scope and size of the programme.

The current local government structure based on the Gramodaya Mandalas (GM) and the Pradeshiya Mandalas (PM) was nationally instituted in 1980. But the rhetoric of "people's participation in planning" which the GM and PM system yielded in theory was not matched by a concrete role for GMs and PMs in rural development. Only an 'advisory role' was defined for them in practice; and in a majority of cases their advisory inputs were neutralised because their advice was not headed by the higher echelons of decision-making. Some studies conducted by the Marga Institute (Sunimal Fernando: The functioning of some Gramodaya and Pradeshiya Mandala in the Matara district - An Innovative Approach to Participatory Local Level Development : Potentials and Constraints : March 1987) have documented the disillusionment that had set into the GMs and PMs around 1982 and 1983. It was about this time that the MHP came in to give the GMs an unmistakable role in rural housing, and through it in rural development.

From the inception of the RHSP in 1984, GMs were entrusted with the tasks of selection, supervision of construction and loan recoveries. There was a stark devolution of responsibilities in the RHSP to the GMs

"The smallest unit of community organisation for the RHSP is the Gramodaya Mandala. There are about 4500 in the country as a whole, so that each contains an average of some 500 households, possibly spread over several villages. The Gramodaya Mandala Committee is formed of the heads of all the voluntary organisations (such as the Rural Development Society, Co-operative Society, Sports club) who each year elect one of their members as Chairman. The number of members can vary from less than ten to more than thirty. They were set up in 1982 and until the Million Houses Programme their duties were somewhat limited. (although they do now have the opportunity to earn income by acting as contractors for small public works such as road repairs and maintenance of culverts). To a large extent, therefore, the RHSP has provided a focus for their efforts"

(Report of the DPU Evaluation Mission :
December 1984)

In 1984, all GM areas in the country were allocated an equal amount of funds for housing development under the MHP. From the following year, viz 1985, a performance index based on 'Completion of Construction' and 'loan Recovery' was introduced as an indicator for further rounds of funds. The performance index was to function as an incentive for GMs to try and achieve high levels of completion of housing units and a high level of loan repayment.

GRAMODAYA MANDALAS (GMs)

- Is the key local level institution participating in the RHSP
- Functions cover their main areas, fair selection of beneficiaries, supervision of proper use of loans for housing purpose, ensuring good loan recovery.
- To identify suitable trainees (and when necessary, trainers) for the Basic House Building skill training.
(SKT)

- Performance of every GM will be carefully monitored vis-a-vis the above three functions.
- Will have to develop an accurate village level data base to help it to identify needs/priorities objectively.
- thereafter it can develop a realistic Village Development plan.
- GMs should pay special attention to building up their own funds.
- GMs should pay special attention to keeping their books and accounts in order.
- GMs must transmit national and district level policies and programmes to all potential home-builders.
- To develop economic projects to increase the supply and manufacture of building materials using local resources.

(Implementation guidelines - Rural Sub-Programme : 1984)

Since the RHSP depended so much on Gramodayas, and since the GMs were so uneven in quality, a programme was needed to support institution building - a G.M. Upgrading Programme. This is centrally tied to the 'training needs' of G.Ms. Though there were attempts in this direction, a strong and impactful GM Upgrading Programme has yet to be developed.

The Commissioner of Local Government (CLG) conducts through the Assistant Commissioners of Local Government (ACLGs), training programmes for G.M. Chairman. These 2-4 day programmes cover the following subjects.

- Role of District Development Councils (DDCs) and of the Executive Committees in DDCs.
- Legal and institutional framework of GMs and PMs vis-a-vis the DDC act and its regulations.
- Method of conducting meetings in GMs and PMs.
- Activities of the sub-offices of the DDC

- Elementary knowledge of planning village development projects and their implementations.
- Moral and Spiritual advancement in the village.
- Optimum utilisation of village level resources with a view to improve production and find avenues of employment to the needy.
- Change Agent Programme.

The Ministry of Local Government Housing and Construction also conducts annual Gramodaya Mandala Competitions in which GMs are allocated marks for their performance in rendering useful services to the community. These competitions have the following objectives :

- To create public awareness of the GM's role
- To raise awareness of GM members regarding their duties and responsibilities
- To support popular participation in rural development
- To realise a bottom-up planning process
- To provide low cost local solutions to problems
- To develop improved village level leadership
- To achieve a positive interface between villagers and village level officialdom.

The chairman of the GMs in each Assistant Government Agent (AGA) division form a PM and elect one from among themselves as Chairman. The PM meets once a month at the AGA's office. It provides a channel of communication between the district and the GM. Although they have had a role to play in the dissemination of information about the RHSP, their task, in practice, has been a very limited one. The PM is also expected to have a Housing Sub-Committee, but in practice this is not operative.

Pradeshya Mandala (PM)

- *Is the divisional level mechanism for implementation, coordination and monitoring*
- *Will act as a key communication nexus between the district and the GM level*

- Its coordination and monitoring will have to be productive and effective
- The PM will participate in Housing through a Housing Sub-Committee consisting of
 - PM Chairman or another member appointed by the PM to be its Chairman
 - Two other PM members
 - The AGA
 - DM and ACLG or their representatives will serve as resource persons
 - The Housing Sub-Committee will elect its own secretary.

(Implementation guidelines - Rural Sub-Programme : 1984)

INTERGRATION OF RHSP AND UHSP WITH THE TCCS MOVEMENT

"The TCCSs and the MHP have come together through an authentic process - they met each other in the same soil of bottom-up rural development in the Kandy District in 1985. The linkage was made on the basis of a mutual recognition of a highly compatible set of mutually internal dynamics. One is certainly not an inposition on the other."

(Susil Sirivardana : Issues and Clarifications from the Resource Seminar on the Development role of thrift and Credit Cooperative Societies: April 1986)

In 1985, a policy decision was taken to integrate the RHSP and the UHSP of the MHP with the Thrift and Credit Society (TCCS) Movement. Consequent to this a high level working group of the Ministries of Local Government Housing and Construction (MLGHC) and Food and Cooperatives was set up to develop and implement this decision. Agreement was reached and a basic programme drafted in September 1985. This came to be known as the Thrift and Credit Cooperative

Societies Expansion Programme (TCCSEP). It was expected that an expanded and strengthened TCCS movement could, together with the GMs, manage the housing loans and loan recoveries under the RHSP and the UHSP of the MHP. The management of housing loans and loan recoveries by TCCSs was first developed in the Kandy district in 1985 and it was out of the Kandy experience that the decision regarding the TCCSEP evolved. BY 1987, in the districts of Kandy, Kalutara and Galle, the RHSP had been totally intergrated with the TCCSEP, while the integration was progressing at a varying pace in the other districts.

TCCSs are voluntary associations of poor people operating on a local basis. Membership of a TCUS usually ranges from 40-60 while there were some societies which could boast of a membership of 150 or more. They are formed for the purpose of meeting the savings/credit/investment needs of the members. TCCSs, as institutions, represent the collective strength of groups of poor people who normally do not have mortgageable assets or who do not have access to commercial banks; - ideally, the type of family that constitutes the target group of the RHSP.

According to the basic programme document of the TCCSEP drafted in September 1985, the objectives of the programme are:

- To develop a strong, community-based Thrift Movement throughout the country.
- To develop a network of strong thrift/credit/financial institutions at community level.
- To develop a community level institution with financial management capability for low-income communities.
- To develop mutually reinforcing linkages between the TCCSs and GMs over the long run.
- To develop the TCCSEP into a key force in the reverse process of retaining rural surpluses in the villages.

The policy being currently followed is to develop new TCCSs where they do not presently exist : The reactivate dormant TCCSs:

To form new District Unions (DUs) where necessary : To achieve effective TCCS coverage in all Sri Lankan villages and urban low-income communities : To achieve effective DU coverage throughout the 25 districts : To achieve a community of interests between GMs and TCCSs : To hand over to TCCSs all housing loan disbursements and recoveries : And to ensure that TCCSs are formed only on the basis of cooperative principles.

There has been a steady expansion of TCCSs in the country since the movement started over 75 years ago.

<u>Year</u>	<u>NO of TCCCSs</u>
1913	37
1923	169
1933	944
1943	1786
1953	2535
1963	3784
1973	3282
1978	1298
1980	1315
1981	1446
1984	2116
1985	2825
1986	4962
1987 (31st March)	5294

(Source : Dept. of Co-operative Development)

The strategy of the TCCSEP is to set up at least one new TCCS in each of the Grama Sevaka (GS) administrative divisions in the country.

"The objective of primary Co-operative Thrift and Credit Societies is the provision of credit facilities for rural agricultural and cottage industrial activities and the inculcation of the habit of thrift in the rural members. The rural TCCSs in the island have unified

and organised themselves into the District Cooperative Thrift and Credit Society Unions (DCTCSU) to function as a secondary organisation. As same, the DTCUs have unified as a national organisation and established the Federation of Thrift and Credit Cooperative Society Unions (FTCCSU). On the federation hrs fallen the grave responsibility and task of co-ordinating the work plan and uplifting TCCSs".

(FTCCSU : Thrift and Credit Cooperative Movement in Sri Lanka :1985)

TCCSs collect funds from their membership through a system of shares for members and various forms of deposit with interest rates similar to these prevailing in the monetary market. Societies which do not possess sufficient funds are provided with additional funds by the district Unions (DU / DCTCSU). The TCCSs give out different types of loan to members - The types of loan, repayment periods, loan conditions, rates of interest etc vary from one society to another. DUs receive deposits from TCCSs and also provide credit facilities to them through an inter-lending loan system.

THE MAIN ACTORS AT DISTRICT LEVEL

When housing loans are disbursed and recovered with the collaboration of the G.M.

1. District Housing Committee (DHC) : the working body of the District Development Council (DDC) for the RHSP. Prepares the District Housing Policy. Consists of District Minister /GA (who is chairman), DM and ACLG (Joint Secretaries/Convenors), AGAs, RM/Water Board, EE/highways, SHS/Health, AD/Agricultures, AD/NYSC, and any other district head whose presence is considered necessary by the DHC. Members Members of Parliament may also attend. The DHC implements and monitors the District Housing Plan (DHP) for the DDC.
2. ACLG - Primary focus is institution Building - GMs and PMs.

3. DM/NHDA - who together with the ACLG and the AGAs from the core team in the district.
4. HO/NHDA - The Housing Officer (HO) is an NHDA technical officer attached fulltime to the AGA's office. He is a GCE (O Level) science qualified officer who has received a special training in making estimates and drafting technical reports. He is a part-timer in the literal sense of the word.
5. AGAs - They are the vital divisional level channel for a two-way information flow between the village and the district. They co-ordinate and monitor progress at divisional level. They make maximum use, for this purpose, of the HO and the Special Service Officers (SSOs) attached to the AGA's office.
6. SSOs - One to every two GM areas. The SSO also acts as GM Secretary. They work under the AGA. They are responsible for loan recoveries for which they are awarded an incentive of 5% of monies collected by them. (Around June 1987 all SSOs became Grama Sevakas)
7. PM - The divisional level mechanism for implementation, co-ordination and monitoring. Expected to participate in housing through a Housing Sub-Committee consisting of PM/Chairman, Two PM/members, AGA, DM and ACLG.
8. GM Selects beneficiaries. Expected to supervise proper use of loans for housing and ensure good loan recovery.

When housing loans are disbursed and recovered through TCCSs :

1. DHC - Same functions as above.
2. ACLG - Additional functions include the establishment, revival and development of TCCSs. Also strengthens linkages between TCCSs and GMs through training and other measures.
3. Co-operative Inspector (CI) - Field level Co-operative officer who, acting under the guidance of the ACLG, implements the TCCSEP at field level.
4. DM/NHDA - Same functions as above. In addition, assists and co-operates with ACLG and DU in implementing the TCCSEP.
5. HO/NHDA - Same functions as above.
6. AGAs - Same functions as above. In addition, motivates the the TCCSEP at divisional level.

7. SSOs - No longer responsible for loan recoveries. Continues to pay a role as Secretary/GM. Much smaller role, than above, in the housing programme.
8. GM - Has to approve the priority list of persons recommended for housing by the TCCS. It is expected that mutually reinforcing linkages between TCCSs and GMs will grow over the long run.
9. DUs - District Unions of TCCSs. The main actor, together with the ACLG, in spearheading the TCCSEP at district level, and in upgrading the managerial capacities and administration functions of TCCSs. Contractual arrangements regarding housing loans for a district are between the DM/NHDA and the DU. Monitors the implementation of the TCCSEP at district level. The FTCCSU, at national level, assists and supports the DUs in implementing the TCCSEP.

LOAN DISBURSEMENT

Anyone under 50 years of age and having a monthly family income of less than Rs.1250/- qualifies for a loan under the low-income options of the RHSP. (The family income ceiling is Rs.1500/- under the UHSP). Proof of ownership is necessary in the case of a house that needs upgrading. In the case of co-ownership of property, the co-owners should give their written consent by way of an affidavit. Income qualifications should be established either through a salary certificate from the employer or through an income certification by the GS or the SSO.

Loans have to be guaranteed on personal security either by one person who has a monthly salary of not less than RS.750/- or a monthly income of not less than Rs.1000/- or else by two persons who are in permanent employment and drawing a monthly salary of not less than Rs.500/- each. In the alternative, a person who owns immovable property worth more than Rs.10,000/- can be accepted as a guarantor. The incomes/property of guarantors has to be certified by either the GS or the SSO. The guarantor too should be under 50 years of age.

When loans are given through TCCSs, since the loan agreement is between the DM and the DU and not between the DM and each individual beneficiary, individual TCCSs are able to have their own rules pertaining to guarantors. Usually, in practice, any two members of the TCCS with a good record are acceptable. Income certification too is not so stringently enforced by most TCCSs.

The rate of interest charged on loans upto Rs.5000 is 6% per annum while the interest on loans between Rs.5000 and 7500 is also 6% per annum. In the case of loans given and recovered with the collaboration of a GM, 5% of all recoveries is given to the SSO who is responsible for loan recoveries. In the case of loans given through TCCSs, 1/3 of the interest is retained by TCCSs, 1/3 by the DU and 1/3 of the interest accrues to the district office of NHDA.

At the beginning of the year, NHDA allocates funds to each district on the basis of the Capital Grant available and the previous year's performance. The DHC basing itself on performance judged in terms of physical progress of house construction/upgrading and loan recovery performance, allocates the funds among the component GM areas of the district. Throughout the year, funds get re-allocated among GM areas (and also between districts) on the basis of differences in physical progress of work completion. The better the performance, the greater the access to housing funds.

When the identification of housing units for loan finance is made by the GM, a priority list is prepared by the GM and submitted to the DM/NHDA ideally through the PM. The DM sends the list to the HO, who, together with the GM Chairman and the SSO and sometimes also with the GS, inspects the housing units concerned. He can either approve the application, disqualify it or recommend a smaller loan to the one applied for. On the basis of the HO's report, the DM finalises the selections. Thereupon the DM gets those selected to perfect application forms. All borrowers are required to perfect affidavits, loan agreements and guarantee bonds before the first instalment is released. If persons higher on the priority list take

longer to complete their documentation than those below them, those lower on the list may receive their first instalment earlier than those higher on the priority list of the GM. The DM opens a separate file for each borrower and releases each instalment by cheque. Before any subsequent instalment is given, the HO is expected to inspect the housing unit and recommend its release. The final instalment is released when all work is completed.

When loans are given through the TCCSs, a simpler procedure is followed. All TCCSs hold monthly meetings of members. Applications are called at one of these meetings. Members who have paid their share capital of Rs.100 and have accumulated savings to the value of at least 10% of the loan applied for, may seek loan finance for housing units, provided their monthly family income is less than Rs.1250 and they are under 50 years of age. The applications are discussed by the TCCS at a general meeting and a priority list prepared. The list has to be approved by the GM which can object to any or all of the selections provided they can give valid reasons for doing so. A GM can delay approvals only upto a maximum period of one month. Once the list is approved by the GM it is sent to the DM/NHDA who in turn sends it to the HO attached to the AGA's office for his inspection report and recommendations. The HO usually inspects the housing units in the company of the TCCS Chairman or Secretary. If there is a positive linkage between the TCCS and the GM, the GM chairman may also join them. On the basis of the HO's recommendations, the DM approves the loan to be given to individual TCCS members. The DM prepares a consolidated list of loans that NHDA is prepared to give named members of TCCSs belonging to the DU and prepares an agreement that will be signed by the DM/NHDA and the DU. The DM does not enter into separate agreements with each beneficiary nor into separate agreements with individual TCCSs. On the contrary, he enters into one agreement with the DU which accepts liability for all the loans. The DU can refuse to accept liability on account of any particular TCCS, as would be the case when a particular TCCS has failed to fulfil its obligations to the DU. A single cheque for the first instalment of all the loans approved is then sent by the

DM to the DU. The DU in turn enters onto separate agreements with its TCCSs and transfers the funds to the individual TCCSs by cheque. The TCCSs in turn pay out the first instalment of the loan to the house-builders with whom they have entered into separate agreements. Subsequent instalments are given only after the HO has inspected the progress of each housing unit and recommended to the DU that such instalments may be released. Instalments are released by the DM to the DU which sends the payments down to the house-builders through the TCCSs concerned.

For the release of a loan in stages, a flexible guideline is provided by NHDA. The HO is expected to discuss with each house-builder his/her specific needs and vary the instalment schedule according the specificities of each individual case. The flexible guideline is as follows:

Release of the Loan in Stages

	Rs.3000	Rs.5000	Rs.7000	Rs.7500	Rs.12000
First instalment-on signing Affidavit, Loan Agreement and Guarantee bond	Rs.1000	Rs.3000	Rs.4000	Rs.4000	Rs.4000
Second instalment-When more than 50% of the work is completed	Rs.1000	Rs.1000	Rs.1000	Rs.1500	Rs.4000
Third instalment-When more than 75% of the work is completed	RS. Nil	Rs. Nil	Rs.1000	Rs.1000	Rs.2000
Fourth or final instalment-When all work is completed.	Rs.1000	Rs.1000	Rs.1000	Rs.1000	Rs.2000

The prescribed period for the satisfactory completion of the building operations is stipulated in each loan agreement. It is usually 6 months, although in practice a grace period is allowed upto a maximum of 1 year. There are cases where an even longer grace period has been allowed.

LOAN RECOVERY

Instalments are payable on a monthly basis. Monthly repayments comprise the capital to be repaid, duly apportioned over a 5, 10, or 15 year period along with the interest payable on the capital. Repayment commences one month after the payment of the first instalment.

Loans given with the collaboration of the GM are recovered in monthly instalments by the SSO functioning as an agent of the DM granting the loan. Amounts collected by the SSO are remitted by him direct to the DM. SSOs issue individual receipts in respect of amounts received from individual borrowers and obtain a consolidated receipt from the DM on account of their monthly remittances which have to be made before the 15th of the following month for which they were due. The SSO is given a commission of 5% of the amount collected by him.

In the case of loans given by TCCSs, the monthly instalments are collected by the TCCS. Monthly remittances are made by each TCCS to the DU in terms of the agreement between them. The DU in turn sends a monthly remittance to the DM in terms of the agreement signed between them.

	<u>Loan Recovery Rates</u>	
<u>Year</u>	<u>RHSP</u>	<u>UHSP</u>
1984	-	-
1985	56.49%	28.23%
1986	58.80%	43.11%
1987 (upto April)	57.46%	44.42%

Loan recovery appears to be the least satisfactory aspect of of the MHP on the basis of the statistics of the recoveries received. However the innovative system developed in the Kandy District in 1985 where TCCSs began to handle all the housing loans of the MHP at village level provided an interesting alternative system for the decentralised management of MHP loans - a system which, from 1986,

was adopted in other districts as well. This system has demonstrated a much higher capacity for loan recovery. From January to April 1987, whereas the average all-island loan recovery rate of the RHSP was only 57.46%, the all-island recovery rate of MHP housing loans by TCCSs for the same period reached 86.83%.

ADMINISTRATIVE COST OF THE MHP

The MHP is spearheaded by the NHDA which has a head office in Colombo and branch offices in all the districts. At the beginning of each year, NHDA receives a grant from the treasury to meet its annual expenses which includes the housing loans given by the NHDA under the MHP. The amount disbursed as housing loans is re-imbursed to the treasury by the United States Agency for International Development (USAID).

The tasks of NHDA are not confined to the MHP. Among the tasks handled by NHDA outside the MHP are :

1. Supervision of loan recoveries from the earlier HTHP.
2. Organising Community Development activities in the projects covered by the earlier HTHP.
3. Organising the maintenance of Model Villages (Udagam) which were a part of an earlier housing programme.
4. Managing and Collecting of Rents from blocks of urban flats developed under the HTHP and owned by NHDA.
5. Organising the survey, blocking out and sales of NHDA owned housing sites.
6. Organising the annual Village Re-awakening (Gam Udawa) programme.

An overview of the activities of NHDA - both MHP-related and non-MHP-related - indicates that, very roughly, two-thirds of the total administrative costs of NHDA can be apportioned to MHP - related activities, while one-third could be apportioned to non-MHP-related work.

TOTAL ADMINISTRATIVE COSTS OF NHDA (in Rs.Mn.)

<u>Item</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Staff Administration expenses	37.895	50.758	53.775
Maintenance of buildings, equipment, vehicles, printing, advertisements etc	45.730	53.401	56.285
Total	83.625	104.159	110.060

(Source : NHDA)

ADMINISTRATIVE COSTS : MHP-RELATED & NON-MHP-RELATED (in Rs. Mn.)

<u>Category</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
MHP-Related administrative costs	55.75	69.43	73.40
Non-MHP-Related administrative Costs	27.88	34.73	27.66
TOTAL	83.63	104.16	110.06

VALUE OF LOANS GIVEN UNDER MHP (In Rs.Mn.)

<u>Sub-Programme</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
RHSP	190.187	209.979	269.317
UHSP	-	39.358	62.689
TOTAL	190.187	249.337	332.006

ADMINISTRATIVE COSTS OF MHP AS A PERCENTAGE OF THE VALUE OF LOANS GIVEN UNDER MHP

1984	29.31%
1985	27.84%
1986	22.10%

To this must be added a costing of services performed by non-NHDA officers in Loan-disbursement and loan recovery at district, divisional and village levels. The services of the AGA, SSO, GM Chairman, TCCS Chairman/Secretary and DU Chairman/Manager are not accounted for in the NHDA budget as these officers are not on the NHDA cadre. On the basis of information collected from the Puttalam, Galle and Matara districts, the services of these officers in loan disbursement and loan recovery were costed either by pro-rating their salaries in terms of man-days expended in MHP-related activities or - in the case of voluntary workers such as the GM Chairman/TCCS Chairman - by monetising their services in terms of the opportunity cost of management.

The information from Puttalam, Galle and Matara districts in respect of 1986 shows that the 'average' RHSP loan is RS.4800/-. The administrative costs of each category of Non-NHDA officer per average Rs.4800/- loan are seen -very roughly- to be as follows :

Administrative Costs of GM Chairman when Loans
are given in collaboration with the GM
(per 8 loans)

<u>Item</u>	<u>Mandays</u>	<u>Cost (in Rs.)</u>
Preparatory work - calling for and processing of applications	1	50
Visit to houses	2	100
Discussion with AGA, HO & SSO	1	50
Visit to NHDA office - twice	1	50
Transport for visit & NHDA office	-	20
Other discussions	1	50
12 meetings with AGA and GM	6	<u>300</u>
Total cost per 8 loans		<u>620</u>

Cost per Rs.4800/- loan - Rs.77/-

Administrative Costs of SSO when Loans
are given in collaboration with the GM.

(per 16 loans)

<u>Item</u>	<u>Mandays</u>	<u>Cost (in Rs.)</u>
Preparatory work - application processing stage	1	50
Discussions with AGA & GM Chairman	$\frac{1}{2}$	25
Visit to Houses	1	50
Transport for visit to houses	-	10
12 meetings with AGA & GM	6	<u>300</u>
Total cost per 16 loans		<u>435</u>

Cost per Rs.4800/- loan - Rs.27/-

Administrative Costs of AGA when Loans are given
in collaboration with the GM

(per 136 loans)

<u>Item</u>	<u>Mandays</u>	<u>Cost (in Rs.)</u>
12 DHC Meetings	6	600
Transport for DHC meetings	-	1200
12 Divisional meetings	6	600
Discussions with GM Chairman, HO & SSO	12	<u>1200</u>
Total cost per 136 loans		<u>3600</u>

Cost per Rs.4800/- loan -Rs.26/-

Administrative Costs of DU when Loans
are given by TCCSs

(per 232 loans)

<u>Item</u>	<u>Mandays</u>	<u>Cost (in Rs.)</u>
Chairman - $\frac{1}{2}$ Manday per week	26	1950
Clerk - 3 Man hours per day	80	2400
Cashier - 1 Man day per month	12	<u>360</u>
Total cost per 232 loans		<u>4700</u>

Cost per Rs.4800/- loan - Rs.20/30

Administrative Costs of TCCS Chairman/Secretary when Loans
are given by the TCCS
(per 8 loans)

<u>Item</u>	<u>Mandays</u>	<u>Cost (in Rs.)</u>
Preparatory work - Loan application stage	1	50
Meetings	$\frac{1}{2}$	25
Visit to DU twice	1	50
Transport for visit to DU	-	20
Other discussions and meetings - 3 man hours per month	$4\frac{1}{2}$	225
Total cost per 8 loans		<u>370</u>

Cost per Rs.4800/- Loan - Rs.46/-

Administrative Cost of AGA when Loans
are given by TCCSs
(per 136 loans)

<u>Item</u>	<u>Mandays</u>	<u>Cost (in Rs.)</u>
12 DHC meetings	6	600
Transport for DHC meetings	-	1200
Divisional meetings	6	<u>600</u>
Total cost per 136 loans		<u>2400</u>

Cost per Rs.4800/- loan - Rs.18/-

Administrative costs of Co-operative Officers
when Loans are given by TCCSs
(per 8 loans)

<u>item</u>	<u>Mandays</u>	<u>Cost (in Rs.)</u>
Visit to TCCS	3	225
Total cost per 8 loans		<u>225</u>

cost per Rs.4800/- loan - Rs.28/-

Administrative Costs of GM Chairman when

Loans are given by the TCCS

(per 8 loans)

<u>Item</u>	<u>Mandays</u>	<u>Cost (in Rs.)</u>
Assistance to TCCS	1	50
Transport		<u>20</u>
Total cost per 8 loans		<u>70</u>

Cost per Rs.4800/- loan - Rs.9/-

For every loan of Rs.4800/- given in collaboration with a GM, the following additional administrative costs are incurred :

On A/C G.M Chairman	Rs. 77
On A/C SSO	Rs. 27
On A/C AGA	<u>Rs. 26</u>
Total	<u>Rs. 130</u>

Additional Administrative Cost as a percentage of Loan given - 2.71%

For every loan of Rs.4800/- given by a TCCS, the following additional administration costs are incurred :

On A/C DU	Rs. 20.30
On A/C TCCS Chairman/Secretary	Rs. 46.00
On A/C AGA	Rs. 18.00
On A/C Co-operative Officers	Rs. 28.00
On A/C GM Chairman	<u>Rs. 9.00</u>
Total	<u>Rs. 121.30</u>

Additional Administrative cost as a percentage of Loan given - 2.53%

Under the UHSP too, when housing loans are disbursed, the Community Development Council (CDC) of the local low-income urban settlement expends a certain amount of time and effort for activities connected with loan disbursement and loan recovery. On the basis of information collected at Navagampura and Aramaya Place in the City of Colombo, such costs were monetised as follows :

<u>Item</u>	<u>Man days</u>	<u>Cost (in Rs.)</u>
CDC Chairman - on A/C 490 loans	136	4080
CDC Secretary/Members on A/C 490 loans	450	<u>13500</u>
Total cost per 490 loans		<u>17580</u>

Cost per UHSP loan of Rs.15,000/- - Rs.35/88

Additional Administration Cost as a percentage of loan given - 0.24%.

The MPH related administrative costs of NHDA cannot be disaggregated into UHSP Costs and RHSP Costs respectively on the basis of information available. Nor can they be disaggregated into 'Costs when loans are given in collaboration with GMs' and 'Costs when loans are given by TCCSs'. In the absence of such disaggregation at NHDA level, the additional administration costs incurred on account of Non-NHDA Officers' participation in the RHSP loan disbursement/loan recovery process (2.71% when GMs are involved and 2.53% when TCCSs are involved) are averaged at 2.62%. The additional administrative cost on UHSP loans on account of CDC involvement in the process is taken as 0.24%.

The total administrative costs of the MHP (on account of NHDA and Non-NHDA participation) as a percentage of the value of loans given is very roughly - as follows :

1984	31.93%
1985	30.46%
1986	24.72%

The above administrative costs, though on the high side, are declining. The 1986 figure shows a sharp decline over the 1985 figure. The greater involvement of TCCSs in the loan disbursement/loan recovery process in 1986 may have contributed significantly to the improvement shown for 1986. The cost of setting up and launching the MHP, publicising it, stimulating people to participate in it, motivating people to join the house-building drive in the country, are all subsumed under the administration costs of the MHP. Now that the launching period is over, we see a decline in the administrative costs of the MHP - as in 1986.

While administrative costs are high, the interest paid by borrowers remains low; -3% for loans upto Rs.5000/-; 6% for loans between Rs.5001/- and Rs.10,000/-; and 10% for loans between Rs.10,001/and 15,000/-. Moreover, in the case of loans given through TCCSs, one-third the interest accrues to the TCCS, one-third to the DU and only one-third accrues to NHDA. When loans are given with the involvement of the GM, even though the interest on a small (Rs.5000/- and below) loan is only 3%, the SSO gets an incentive payment of 5% from NHDA. (These incentive payments to SSOs are included in the NHDA annual budget and therefore do not need to be accounted for separately).

When assessing the administrative costs of NHDA, it has also to be considered that one is dealing here with a situation of administering a large number of very small loans. A large number of small loans means a large number of administrative problems resulting in administrative strain and a higher unit cost of administration. Decentralising of peripheral operations to local level organisations such as the TCCSs could take a good part of this administration off the NHDA and lower the cost of administration.

While the total NHDA and Non-NHDA administrative costs of the MHP for 1986 as a percentage of loans given was - very roughly - 24.72%, on the basis of information from Galle, Matara, Puttalam and Jaffna, the district costs are seen to account for only about 6 - 10 % of total administrative costs except in Jaffna. It is also seen that in the district of Galle, where all housing loans were given only through TCCSs in 1986, the district administrative costs were much lower than in the other districts of Matara, Puttalam and Jaffna where most loans were given with the collaboration of the GM in 1986.

District Administrative Costs

<u>Item</u>	<u>Galle</u>	<u>Matara</u>	<u>Puttalam</u>	<u>Jaffna</u>
Amount of loans (in Rs.Mn)	14.15	7.9	6.375	5.225
MHP costs/NHDA ($\frac{2}{3}$ of Total Costs) (-in Rs. '000)	607.665	589.224	513.808	788.160
No. of Staff-DM'S office	56	53	43	69
MHP Costs/NHDA as a Percentage of Value of loans given	4.29%	7.46%	8.06%	15.08%
MHP Costs/No. of DM'S as a Percentage of Value of loans given	2.53%	2.62%	2.62%	2.62%
Total MHP costs as a Percentage of Value of loans given	6.82%	10.08%	10.68%	17.70%

The interest collected on loans is treated as District Earnings. The instalment repayment is treated as a Capital Repayment and accounted for separately by the district office and reported to NHDA, Colombo. When NHDA makes a district allocation of loan funds, this district-level fund of repaid loan instalments is taken into account.

CHAPTER 2
THE CASE STUDY - SCOPE AND METHODOLOGY

Against this background, the present study seeks to focus on the RHSP of the MHP. It presents itself as a parallel study to the one earlier conducted by IRED on the UHSP. While the earlier study (Fernando, Sunimal, Gamage W and Pieris K.D. : Nawagampura and Aramaya Place - Two Urban Case Studies of Support-Based Housing and Basic Services. December 1986) focused on the housing development experience of two low-income urban communities, the present study directs itself by and large to the parallel experiences of 9 low-income rural communities living in 9 villages of the Galle, Matara, Puttalam and Jaffna districts.

Learning plays a big role in the housing development process. The MHP strategy has been to think big, then dare do something big and study the constraints, paradoxes, contradictions and the positive and negative side of that experience. Learning takes the form of seeing, studying, debating and questioning the different facets of a developmental experience. The present case study - like the earlier study of the urban housing experience assumes its relevance within this context.

SCOPE OF THE STUDY

This study tries to unfold some of the more important processes that converge on rural housing development and the response of the State in the form of State support for rural housing. The study is not an evaluation of the final product viz: rural housing production. 'Process' as a concept reflects a whole chain or flow of activity, its essence being 'Movement' and 'Development'. Conceptually, 'Rural Housing Production' flows out of the 'Rural Housing Process'. The study tries to take the reader behind the RHSP and reveal its inner workings which determine the final product.

As it is assumed that the present study will be read in conjunction with what is seen as its Sister-Volume on the urban housing

process (Fernando. S. et al : December 1986), relevant comparative data from the earlier study will not be repeated here. However, comparative data about relevant urban processes not appearing in the earlier study will be presented in this study in order to highlight rural housing development processes of a parallel type. All comparative urban data will be drawn from Navagampura and Aramaya Place - the two locations of the earlier study.

The present study seeks to critically unfold the implications of the new Support-based Housing Paradigm in action in the rural sector. It seeks to unfold some of the important processes and dynamics internal to rural communities and to provide insights as to why, in such a context, some things do not work in the way they are expected to, and, may be, what is more important, try to unfold some of the relevant processes and networks of the rural poor that need to be clearly understood by housing practitioners.

This study will critically examine the rural housing process and the Support-based role of the State at field level and will attempt to show how rural processes and networks mediate the field level operations of the RHSP. The study will document how the dynamic interplay of rural processes and networks on the one side and the objectives and initiatives of the RHSP on the other, have had a bearing on :

1. Access to State-support for housing in a socially, politically and economically differentiated rural society. (comparative data from the earlier urban study)
2. Meeting the housing and credit needs of the target income group. (comparative data from the earlier urban study)
3. Impact on informal savings, forced savings, and/or capital mobilisation and indebtedness. (comparative data from the earlier urban study)
4. Scheduling of loan instalments. (comparative data from the earlier urban study)
5. Loan recovery. (comparative data from the earlier urban study)

6. Housing improvements. (comparative data from the earlier urban study)
7. Functioning of GMs vis-a-vis housing.
8. Forming and developing TCCSs. (comparative data from the urban context)
9. Functioning of TCCSs vis-a-vis housing.
10. Economic potential of TCCSs vis-a-vis rural credit. (comparative data from the urban context)
11. Functioning of district, divisional and village level government officers vis-a-vis housing.
12. Physical progress of housing construction. (comparative data from the earlier study)
13. Affordability and Responsibility. (comparative data from the earlier urban study)
14. Land Tenancy. (comparative data from the earlier urban study)
15. Illegal transfers, sub-letting and misallocations. (comparative data from the urban locations studied earlier)
16. Local authorities. (comparative data from the urban locations studied earlier)

METHODOLOGY OF THE STUDY

Since the Housing Support Programme aims at assisting existing processes and networks of the rural poor, and since these are based on complex socio-cultural and socio-economic factors seen at village level, in order to understand such processes and networks, quantitative surveys are unrealistic. Such complex processes and networks can best be unfolded through qualitative analysis. Information was therefore obtained largely through participant observation and in-depth interviewing of families building houses with NHDA loans and of officers belonging to the departments, institutions and organisations participating in the housing development process.

Together with USAID and NHDA, four districts were selected from which information was to be obtained. These were the districts of Galle, Matara, Puttalam and Jaffna. Within each district it was

decided to carry out two indepth studies; - one, of a GM area where loans are given with the collaboration of the GM, and one of a GM area where loans are given through the TCCS system. Information was to be obtained indepth from 15 house-builders in each such GM area making a total of 30 indepth interviews of beneficiary families per district. It was also decided to obtain information relating to the year 1986 except in the case of Puttalam when the first housing loans were given through TCCSs only in 1987 and in the case of Galle, where, on account of the fact that there had been a total shift-over to the granting of loans only through TCCSs from the begining of 1986, there was no option but to focus on loans granted with the collaboration of the GM in the previous year, viz : 1985. Also in the case of Jaffna owing to the stalling of building activities, our sample had to drawn from a combination of the 1985, 1986 and 1987 loans.

<u>District</u>	GM Area/Areas (Psendonym)	GM system or <u>TCCS system</u>	<u>Year</u>	<u>Sample size</u>
Galle	Sarumellagaha	TCCS	1986	15
Galle	Sarumellagaha	GM	1985	15
Matara	Pahalagama	TCCS	1986	15
Matara	Wattegoda and Muthuwella	GM	1986	16
Puttalam	Minirankuliya	TCCS	1987	15
Puttalam	Mahapotha	TCCS	1986	15
Jaffna	Kudiputhirippu	TCCS	1986-87	15
Jaffna	Kovalam	GM	1985-86	15

The hard core of quantitative information was collected by a field research team drawn from IRED and IRED's partner organisations Vinivida -NGO Coalition for Eradicating Poverty through Knowledge and Communication, and the Dry Zone Development Foundation (DDF). Willie Gamage (Consultant : IRED) supervised the field research. Regular discussions were held by the field research team with Sunimal Fernando (Director : IRED) who directed the study. In each district, information was collected by a research officer and a research assistant who remained in the study locations for a continuous period of 20 days in May 1987.

Information was collected by interviewing, in each district, the following categories of persons. In Jaffna, some of the scheduled interviews could not be held on account of the unsettled conditions prevailing in that district :

Categories of persons interviewed in each district :

1. 15 householders who received loans through the GM process and their family members (N.B. In Jaffna where there are no GMs, it was through a process involving a Divisional Level Housing Sub-Committee.)
2. 15 house-builders who received loans through the TCCS process and their family members.
3. 15 Non-beneficiaries from the target group selected at random from the same area where fifteen others received loans through the GM process.
4. 15 non-beneficiaries from the target group selected at random from the same area where fifteen others received loans through the TCCS process.
5. DM/NHDA
6. AGA
7. ACCD
8. Chairman/Secretary DU
9. HO/NHDA - attached to AGA office.
10. SSO
11. GS
12. Chairman/GM
13. Chairman/Secretary TCCS
14. Random selection of GM members
15. Random selection of TCCS committee members
16. Co-operative Inspector
17. Random selection of DU staff members
18. Random selection of NHDA staff members in DM's office

Before going to the field, the field researchers were provided with guidelines for interviews. They were also given a simple questionnaire for collecting a minimum of basic quantifiable data from the sample. The interview guidelines were not hard and fast. The field researchers felt free to modify, adapt, elaborate and even

change the interview guidelines as field research progressed. It is not possible to pre-plan a detailed guideline before sensing the exact nature of the processes and networks that are not immediately apparent but need to be unfolded, articulated, conceptualised and shared with the community. As each facet of the low-income housing process begins to unfold itself, the team would meet with either the Research Director (Sunimal Fernando) or the Consultant (Willie Gamage) to develop an appropriate research tool for probing its inner workings in cooperation with the community. Important decisions about methodology had to be taken in the field itself for which the field researchers had to enjoy the freedom to innovate appropriate research tools for probing various processes and networks.

The methodology for researching social processes and networks cannot be packaged in advance. An orderly research programme drawn up in advance or a chart or a time-plan often propagate an illusion of controllability and hegemony. The more creative attitude to have when conducting a case study of processes and networks is one of open-endedness and untidiness. The idea of 'controlling' or 'ordering' such as research study is a contradiction in terms. The difference in attitude makes all the difference to the way we perceive social reality.

In retrospect, it can be seen that the MHP support methodology which guides the low-income housing process continued to influence the research methodology of the study as well. To start with, the relationship between the Research Director and the Field Researchers was not one of 'dominance' but one of 'support'. In a support-relationship, there is a great deal of trust mutually reposed in one another. Freedom and autonomy of the field research is a very important tenet of the alternative methodology. The field researcher must feel free to act on instinct and judgement based on his understanding of the rural poor he is working with. This is the only way in which one can ensure non-domination by the research director and the crushing of the creativity of the field researcher, which in turn leads - inevitably - to a poor quality of research.

The 'support approach' to primary research requires a great deal of detachment on the part of the research director and a passionate pursuit by him of 'support action' - action to support the researchers on the field intellectually by motivating them and stimulating them to probe the unseen complex processes and networks of rural society.

The supportive-relationship in research also requires that the Research Director and Field Researchers relate to each other through a process of mutual learning and dialogue. The relationship is structured in such a way that they continuously learn from each other and also learn to partner each other in the research process. To the extent that Support-based Housing Methodology has rejected the traditional role of the bureaucrat as the man who 'does' things, 'knows' things and takes decisions for the community and his exploitative, dominating relationship to the people, IRED also rejected the Traditional Social Science Research Methodology in which the Research Director 'extracts' information from 'his field assistants' and analyses it to satisfy his own intellectual needs. In our methodology, both authorship and responsibility for the study fall jointly on the director, the consultant and the field researchers.

The supportive relationship of the research director and the field research team is replicated in the relationship between the field researchers and the community. The research methodology adopted by IRED was one in which the study team directly interacts with the community through dialogue and discussion, whereby the community and the researchers continuously learn from each other. The participation of two action - oriented NGOs - Vinivida and Dry Zone Development Foundation (DDF) greatly facilitated the re-structuring of the traditional social science research approach. The re-structuring of the relationship between researchers and community also meant the rejection of the traditional Socio-Economic Survey Methodology which 'extracts' information from the community for intellectuals to consume in a one-way system of communication, and de-humanises a study by reducing 'persons' to 'numbers'. In a sense, therefore, the research methodology followed by IRED has been greatly influenced

by the low-income housing methodology of NHDA.

Briefly, therefore, the study took the form of an interaction between the research director and the field researchers at one level, and between the field researchers and the communities at another level through participatory techniques of dialogue and discussion. Information was gathered largely through informal discussion and participant observation and to a much lesser extent through direct questioning. The information was discussed, analysed, reflected upon and debated periodically by the research team drawn from IRED and its two NGO partners - Vinivida and DDF, while the final analysis and writing up of the case study was accomplished by the research director, assisted by the consultant and the other 4 researchers from Vinivida and DDF.

SELECTION OF STUDY LOCATIONS

Since the objective of the case study is to analyse the rural housing process and the role of the State support system in it as a possible input into future programmes, the element of purposiveness guided the selection of study locations. The objective of the study being to capture as many useful experiences as possible, analyse them and draw lessons from them for future programming and policy-making, it was not necessary that the sample should be a representative one.

The selection of Galle, Matara, Puttalam and Jaffna was largely influenced by the fact that IRED had very cordial personal and/or institutional links in these 4 districts either directly or through its NGO partners. Galle further qualified for selection because it is one of 3 districts which has completely shifted over to the TCCS system of loan disbursement and recovery. Puttalam qualified as a largely Sinhala speaking dry-zone district - Galle and Matara being within the wet zone. Jaffna qualified as a Tamil speaking district expressing a substantially different housing process on account of cultural and political factors specific to the north.

The TCCS movement shows the greatest outreach in Galle. The district has 367 TCCSs registered with the DU and operate in 303 out of the 319 GM areas. Of these 229 TCCSs were formed in the course of 1986. Matara has 196 TCCSs registered with the DU and another 115 registered with the ACCD but not yet with the DU. Prior to January 1986, Matara had only 42 TCCSs. There was no big drive to form TCCSs in Matara till mid 1986. The drive gathered momentum in Matara only in 1987. Puttalam has only 87 TCCSs registered with the DU and another 75 registered with the ACCD but not yet with the DU. By June, 1986, there were only 29 TCCSs in Puttalam. The TCCS drive is only now gathering momentum in that district. In Jaffna there are 305 TCCSs registered with the DU. By the end of 1985 there were 108 TCCSs. 76 new TCCSs were formed in 1986 and another 121 in the first quarter of 1987. Of the four districts, therefore, one (Galle) has a relatively old TCCS initiative, two (Matara and Jaffna) display an initiative from 1986 while one (Puttalam) displays a very new TCCS thrust dating to a few months back.

Within each district, individual communities too were purposively selected for study. From Galle we selected a very old established TCCS with a history of over 50 years; From Matara and Puttalam we selected TCCSs which were functional from around 1983-84; while from Jaffna we selected an area Kudiputhirippu with a multiplicity of TCCSs, some of which are relatively older but most of which are extremely new - 1986-87. In order to study how the housing process operates when GMs are closely involved, we selected from Matara a very successful/dynamic GM - Wattegoda - and a weak GM - Muthuwella; From Galle we once again selected Sarumellagaha and looked at the housing process in 1985, prior to its shift to the TCCS related system, so that we may compare the relative effectiveness of the two institutional procedures in the same area, though in two different years; from Puttalam we selected Mahapotha mainly because a member of the research team had excellent rapport with the community; and from Jaffna we selected Kovalam as an area relatively close (3 miles) to the town of Jaffna so that we may be able to also assess the impact of the Tamil militant movement on the housing process in the Jaffna district.

THE STUDY LOCATIONS - A BRIEF PROFILE

Sarumellagaha (Galle district)

Economy & Employment : Little paddy land and low yields. Highlands not fertile. Agriculture secondary to other occupations. Brick-making, extracting sand from the river, wage labour on nearby tea estates are the main sources of employment for men and women. 8% of the workforce do private sector jobs in Galle while 15% of the male workforce are employed in bakeries outside the village.

Income Stratification : Upper (over Rs.2000/- per month) -15% Middle (Rs.700/- - Rs.2000/- per month) - 60%; Low (below Rs.700/- per month) - 25%.

Caste and Ethnic Stratification : Govigama Caste -95%; Dhoby Caste 3%, Karawa Caste - 2%. Ethnic/Religious -Sinhala Buddhists - 100%.

TCCSEP : 1 TCCS for GM area of 2 villages formed in 1939.

Pahalagama (Matara District)

(Within this GM area are 4 villages of which Pahalagama and Hirigama have separate TCCSs which give NHDA housing loans).

Pahalagama Village :

Economy and Employment : No successful paddy cultivation. Self employment dominant - Coir making, lace-making, textile-weaving, brick-making. Also a few small traders, teachers and government servants.

Income Stratification : Upper (over Rs.2000/- per month) - 20%; Middle (Rs.700/- -Rs.2000/- per month) - 60%; Low (below Rs.700/- per month) - 20%

Caste and Ethnic Stratification : Salagama Caste - 95%; Govigama Caste - 3%; Others - 2%; Ethnic /Religious - Sinhala Buddhists -100%.

TCCSEP : 1 TCCS in the village formed in 1984.

Hirigama Village :

Economy and Employment : No agriculture. Coir making. No fishermen. Agricultural labourers. Few Government servants and few traders.

Income Stratification : Upper (over Rs.2000/- per month) - 10%; Middle (Rs.700/- -Rs.2000/- per month) - 70%; Low (below Rs.700/- per month) - 20%.

Caste and Ethnic Stratification : Govigama Caste - 60%; Karawa Caste- 25%; Salagama Caste - 15%. Ethnic/Religious - Sinhala Buddhists 100%.
TCCSEP : TCCS formed in 1983.

Wattegoda (Matara District)

Economy and Employment : No agriculture. Coir making. Agricultural labourers.

Income Stratification : Upper (over Rs.2000/- per month) - 10%; Middle (Rs.700/- - Rs.2000/- per month) - 70%; Low (below Rs.700/- per month) - 20%.

Caste and Ethnic Stratification : Salagama Caste - 55%; Durava Caste- 40%; Others - 5%. Ethnic/Religious - Sinhala Buddhists - 100%.

TCCSEP : A new TCCS was formed in 1987 but no housing loans are yet given through it.

Muthuwella (Matara District)

Economy and Employment : Paddy cultivation. Land owners, agricultural labourers, teachers, government servants.

Income stratification : Upper (over Rs.2000/- per month) - 25%. Middle (Rs.700/- -Rs.2000/- per month) - 60%; Low (below Rs.700/- per month)- 15%.

Caste and Ethnic Stratification : Govigama Caste -90%; Navandanna Caste - 8%; Dhoby Caste - 2%. Ethnic/ Religious - Sinhala Buddhists- 100%.

TCCSEP : A new TCCS was formed in 1987 but no housing loans are yet given through it.

Minirankuliya (Puttalam District)

Economy and Employment : Agriculture dominates. 800 families in agriculture - highland crops and coconut; 300 families - agricultural labourers; 100 families - brick-making and animal husbandry; 150 families - Government servants and traders.

Income Stratification : Upper (over Rs.2000/- per month) -10%; Middle (Rs.700/- -Rs.2000/- per month) - 80%. Low (below Rs.700/- per month)- 10%.

Caste and Ethnic Stratification (Among Sinhala People) : Govigama Caste - 50%; Karawa Caste - 30%; Salagama Caste - 10%; Durava Caste - 10%. Inter-caste marriage is very common in this settlement which is about 25 years old. Ethnic/Religious - Sinhala Buddhists - 70%; Sinhala Catholics - 25%; Hindus and Muslims - 5%.

TCCSEP : A TCCS was formed in 1984. It started giving NHDA housing loans in 1987. 1 TCCS for this very large GM area of 1300 households and of 6 villages.

Mahapotha (Puttalam District)

Economy and Employment : Agriculture dominates; Coconut is the main crop. Other crops - Cashew, Peanut, Cow Pea, Other highland grains. Most families own 2-5 acres of land. Also traders and Middlemen/Collectors of agricultural produce.

Income Stratification : Upper (over Rs.2000/- per month) - 10%; Middle (Rs.700/- -Rs.2000/- per month) - 80%; Low (below Rs.700/- per month)- 10%.

Caste and Ethnic Stratification : Govigama Caste - 50%; Karawa Caste - 25%; Salagama Caste - 25%. There is much inter-caste marriage in this settlement with is 30 years old. Ethnic/Religious - Sinhala Buddhists - 65%; Sinhala Catholics - 35%.

TCCSEP : 3 new TCCSs have been formed in this GM area of 1350 households in 1987, but no housing loans are yet given through them.

Kudiputhirippu (Jaffna District)

Economy and Employment : Agriculture. Highland crops - Onions, chillies, tobacco, vegetables and bananas. No paddy. Agricultural labourers. Few fishermen. In most families of the upper and middle income ranges, at least one male works outside Jaffna district and sends cash remittances to the village.

Income Stratification : High (over Rs.2000/- per month) - 10%; Middle (Rs.700/- - Rs.2000/- per month) - 70%; Low (below Rs.700/- per month) - 20%.

Caste and Ethnic Stratification : Vellala Caste - 40%; Non-Vellala Castes (Pallar, Nalavar, Ambattam, Parayar) - 60%. Ethnic/Religious - Tamil Catholics - 80%; Tamil Hindus - 20%.

TCCSEP : There are 7 TCCSs in the GM area which is located within the AGA division where a pilot project for granting housing loans through TCCSs was started in 1986. Of the 7 TCCSs, the oldest one goes back to 1980 : another goes back to 1983 : Another to 1985 : While new 4 TCCSs have been formed in the last 8 months. NHDA housing loans are given through all 7 TCCSs.

Kovalam (Jaffna District)

Economy and Employment : Agriculture. Highland crops - Onions, chillies, vegetables and a little tobacco. Agricultural labourers. Most families of the upper and middle income groups have at least one male member working outside the Jaffna district and remitting money home.

Income Stratification : High (over Rs.2000/- per month) - 10%; Middle (Rs.700/- - Rs.2000/- per month) - 70%; Low (below Rs.700/- per month) - 20%.

Caste and Ethnic Stratification ,vellala Caste - 40%; Non-Vellala Castes (Pallar, Nalavar, Ambattam. Parayar) - 60%. Ethnic/Religious- Tamil Hindu - 100%.

TCCSEP : there is no TCCS formed as yet in this GM area.



THE SOCIETY NEEDS THEIR COURAGE

Millions of the rural poor live in houses such as these. Living amidst such poverty it takes courage and trust in oneself to dream of new avenues.

If only we could help him to "build a new house and start a new life".



CHAPTER 3
THE RURAL HOUSING PROCESS

PERCEPTION OF A HOUSE

The earlier case study of the UHSP (Fernando.S. et al : December 1986) has shown that the low-income urban family perceives a house constructed with State Support, primarily as an instrument of entry into the mainstream of urban society. After living for a long time under insecure conditions of tenure, often under a potential threat of eviction, socially unaccepted by the urban mainstream and looked-down upon by the urban middle classes on the basis of their image of them (not supported by empirical evidence) as people prone to violence, who are also untrustworthy and unreliable and engaged in illegal activities such as gambling, prostitution and dealing in dope and hooch, garden communities of the urban poor perceive the new/upgraded house primarily as a token of being recognised of being accepted and of being accorded a 'right' to live in the town without fear of eviction. Their priority was not a house but access to services such as water and sanitary toilets and security of tenure.

The rural low-income person's perception of a house, on the other hand, is qualitatively different. From the time he marries and establishes his own family, he plans for his own permanent house. Security of tenure is not a major problem for him. He is also, to start with, a fully accepted member of his village community. What he desires is a permanent house of his own. He starts building when he can afford to do so but it may be years before he can complete it. The importance of a permanent house to the rural family is expressed in all the ritual and ceremony associated with every major event in the house-building process of a rural family. Astrologers are consulted, the horoscopes of the chief householder and spouse are examined and the laying of the foundation is indeed a ritual event for them. The proportions of the house and the placement of doors and windows too are astrologically guided. And so is it at every

major juncture of the house-building process. In the Tamil Speaking north, the placement of the kitchen and the placement of the house vis-a-vis the drinking water well assume special astrological significance.

The activity of house-building in the rural context has a strong element of 'Purity' and 'sacredness' associated with it. It is closely intertwined with the emotions, aspirations and achievements of a rural family. When finally the house is 'achieved', it is seen as a victory that followed a long but consistent struggle. And in the new/upgraded house starts a new chapter in the life of the family. There dawns a new light which dispels the feelings of dejection and disappointment which till then may have crushed the creativity, innovativeness and enthusiasm of the family. A new/upgraded house is, at the same time, a major watershed in the life-history of a rural family.

PERCEPTION OF THE HOUSING LOAN

The quality of moral responsibility towards the housing loan, too, differs substantially between the urban and rural situations. This, in turn, has a direct bearing on 'willingness to Pay' which is a subjective phenomenon.

As seen from the earlier study (Fernando.S. et al : December 1986) the low-income urban garden family does not perceive the housing loan as something that was solicited and received in response to a request but as something that was largely given without being solicited. When living in unauthorised urban settlements, low-income urban families did not aspire for permanent houses: Such houses were virtually forced on them as a condition for getting what they aspired for, - viz: security of tenure and entry into the mainstream urban society. The decision that they should live in permanent houses is perceived by them as a decision of the State rather than as their decision. It is not that they do not value or appreciate their new/upgraded houses, their improved surroundings and the provision of

toilets, showers and water-taps. While appreciating their new housing environment, they feel at the same time that it was not a response to their request. So they are willing to repay their housing loans but do not feel morally obliged to pay back as speedily as the NHDA desires. There is a greater tendency, therefore, for the low-income urban dweller to perceive the problem of urban low-income housing as being a problem for the State rather than a problem for the families themselves.

The rural perception is again qualitatively different. Rural housing is not perceived by rural people as a problem for the State. It is perceived, essentially, as a problem faced by rural families which the State is helping the families to solve. Rural house-building is an activity which is almost sacred in rural society. Obligations on the part of a family are therefore strong towards any person or institution that came forward to help in such an activity. This generates a strong emotional desire to repay the housing loan. The emotion is similar to that towards a person who came forward to loan money for a village funeral : The response is one of wanting to return such a loan at the earliest.

THE QUESTION OF TENANCY

Questions of tenancy rights for the new housing plots received from NHDA loom large in the minds of the people of Navagampura and Aramaya Place - the foci of the previous study. To a people (viz: the low-income urban garden dwellers) whose basic problem was one of gaining a 'right' to 'belong' to the city, the nature of the 'right' that they have won in their new/upgraded housing environment is fundamental. This right gets expression in the terms of agreement between the NHDA and the settler families.

At Navagampura, the settlers had expected to obtain freehold rights at the end of a 15 year period, by which time they would have ideally repaid their loans. Meanwhile the NHDA had drawn up lease agreements to be handed over to the families at the ceremonial open-

ing of Navagampura by the Prime Minister on August 24th 1986. The agreement spelt out a 40 year lease between NHDA and the settlers. Over 400 such agreements were prepared, signed by several officials and hurriedly distributed among the settler families for signature. The settlers were horrified to find that they were only going to get a 40 year lease even if they repay the housing loan in full. There was much unrest in the community. Meanwhile the Prime Minister was appraised of the problem. He asked NHDA to include a clause in the agreement by which a family that occupies a house for a period of 30 years is given ownership of it. The agreements were modified, re-distributed and signed by all but 70 families prior to the opening ceremony. As for Aramaya Place, no lease agreements have been prepared. The NHDA decision, thus far, is to have the same tenancy agreement for Aramaya place as well. Also, according to the terms of such agreement, the housing plot cannot be sold or transferred except at death when it can be transferred to the wife or any one child.

In rural society, the issue of tenancy rights does not take on the same importance. In the Sinhala villages, almost all the people have some rights of ownership - sole, joint undivided or a government lease - to even a small plot of buildable highland in the village. Though the guidelines are fairly strict about the need for a borrower to clearly establish his rights to the land on which he builds his house, it was found that in practice there was a great degree of flexibility and 'trust' in this matter. In the GM system of loan disbursement, the borrower documents his ownership rights to the HO, who, through the mediation of the SSO and the GM Chairman is very flexible when interpreting the documents. In the TCCS system, it was seen that in practice the TCCS is much more interested in the personal reliability of the applicant than in the technicalities of his ownership rights to the land. It was only in Jaffna that certain castes such as the tree-climbers/toddy tappers (Pallar and Nalavar castes) who live on lands owned by traditional high castes cannot seek housing loans as they have no rights whatever to the land on which they reside. Furthermore, it was seen that in Jaffna

there was very little joint and undivided ownership of land compared to the Sinhala villages, since the stronger tradition is for a father to write his lands over to his different children during his own lifetime.

The practice regarding the establishment of tenancy rights in the RHSP is as follows:

- a. If the property is an intestate one, any heir can get a loan to build on it if he produces a letter of no-objection from the other heirs.
- b. If a person is resident on a bounded property within which there are other houses as well, he can get a loan to build on it if he produces a letter of no-objection from the other resident families.
- c. If a person has an undivided right to a piece of land, he can get a loan to build on it if he produces a letter of no-objection from the other co-owners.
- d. If a person resides on a piece of State land onto which he has encroached, he can get a loan to build on it if he produces a letter from the AGA to say that steps are being taken to issue a lease agreement for the land.
- e. If a person has clear ownership rights to a piece of land, he can get a loan to build on it if he produces a certified photocopy of his title to it.

Sumanasekera (42) of Wattegoda (Matara), an ex-harbour worker with a wife and 3 children, on losing his job in the 1980 strike, went to reside on an abandoned land which had earlier been granted to someone else by the State on a lease agreement. He paid Rs.25000/- to the lease-holder in return for possession of the land. Though Sumanasekera had no legal rights to this land, he made a written statement to say he owned it. This statement was certified by the GM Chairman and the SSO. He got a housing loan of Rs.5000/- through the GM system.

Jayasingha of Wattegoda (Matara) is an unskilled labourer aged 34. He is married with one child. He had built a small house and needed a loan for a permanent roof. His father's house and his brother's house are in the same garden which is clearly bounded. To obtain the loan, Jayasinghe produced letters of no-objection from the father and the brother.

H.A.Sumanaseeli is a married woman of 30 from Pahala-gama (Matara). She collects and sells coir ropes. By producing a letter of no-objection from her parents to her building a house on the parental land, she obtained a housing loan of Rs.3000/- from the TCCS.

While in some areas, a simple certification from the GM Chairman or SSO will suffice, in certain other areas, procedures are applied in a somewhat more strict way.

Chitrananda of Mahapotha (Puttalam) aged 26, married with one child, unofficially bought the right of possession of a land which was held on a 99 year lease from the State. Though he had taken steps to have the lease rights transferred to him, he had yet not received a new lease agreement in his name from the State. The HO would not accept a certification by the GM Chairman or the SSO about Chitrananda's rights to the land when he was selected to receive a housing loan. He therefore had to follow a long procedure of getting a certificate from the district land officer to say that the transfer of the leasehold has been approved and of getting this certification counter-signed by the AGA.

In contrast, in some other areas the guidelines are applied in such a flexible way that housing loans might be given to build on a land, the ownership rights to which may be the subject of an on-going court case.

Piyasena aged 30, of Wattegoda (Matara) is an ex-security-guard, now unemployed. The owner of the adjoining land has resorted to court action against Piyasena, claiming ownership rights to the land on which Piyasena lives. While the court action was proceeding, Piyasena was selected for a housing loan of Rs.3000/- for upgrading the roof of his house. The HO approved the deed produced by Piyasena on which he claimed he had a undivided one-third share of the land. He was given the loan despite the objection raised by the owner of the adjoining property who claimed that he was the rightful owner and drew attention to the court case which was pending.

HOUSING AS A PRIORITY

Research conducted by IRED indicates that in terms of the investment of family resources in the Sinhala speaking rural sector, an almost equal emphasis is placed on Housing, Education and Consumer Durables. No cases were encountered of families neglecting their children's education in order to improve their housing or vice-versa. It is also a common occurrence that while saving (in cash and/or building materials) to build a house, a family also spends on furniture and other consumer durables. It was also seen that as the level of education in a rural Sinhala family increases, a felt need arises for improving both the house itself and the quantity of consumer durables within it. It was also seen that in Sinhala speaking villages with a paddy-based agricultural economy, a somewhat greater emphasis is placed on educating of children in contrast to Sinhala-speaking villages with a largely non-agricultural economy. As paddy-based agriculture is incapable of absorbing extra labour units without depressing the productivity of labour, families tend to give an added priority to education so that through the education process, children could seek non-agricultural jobs in the State and private sectors. This tendency applies most cogently to the better-off agricultural families which can afford the funds to educate their children. In contrast, in fishing villages and villages which display

numerous opportunities for self-employment, there is less emphasis on education even in better-off families. Added labour units often mean added family income in such village economies.

While in Sinhala-speaking villages, housing, education and consumer durables receive an almost equal emphasis in terms of priorities, the situation in the Tamil-speaking villages of the Jaffna district is qualitatively different.

The economy of the Jaffna district is based primarily on the development and export (out of the district) of human resources and to a somewhat lesser extent on agriculture. Agricultural activities largely comprise the cultivation of highland crops (chillies, onions, vegetables, tobacco etc) on the red-latasol type soils with the aid of ground-water irrigation. As latasols have an excellent physical structure but are chemically poor, fertilizer is applied on a large scale. Most middle-income families and almost all upper-income families of the Jaffna district have at least one male family member working outside the district and sending cash remittances home. The upper-income families and the better-off families within the middle-income category invest much of their resources in educating their children who then seek public or private sector employment outside the district. The less educated males from these income categories go out as traders to other districts or invest in agriculture in the less populated northern districts of Vavuniya, Mannar and Mullaitivu or else in the eastern province. The less affluent families send their males out as agricultural labourers to other northern districts from where they send cash remittances to their homes.

Back at home in the Jaffna district, families - however affluent they may be - live a very frugal life, saving as much as they could from the cash remittances coming in from outside and from earnings through employment opportunities within the district itself. The houses of families with different levels of income generally resemble each other both in size and appearance. There is also only a minimal emphasis placed on consumer durables. Jaffna houses - even

those of the rich - are frugally furnished. Little is also spent on clothing.

Investment is primarily on human resource development within the family; - in other words, on education of the children and on 'acquiring' educated sons-in-law through the dowry system. The educated sons and sons-in-law, in turn, will work outside the Jaffna district and send cash remittances to their homes, the surplus from which will again be used for educating the children and providing dowries to the marriagable females of the household. The normal life cycle of an educated Tamil speaking man from the Jaffna district consists of the following stages :

1. Acquiring education
2. Remitting cash for the sister' doweries and for the education of the younger brothers.
3. Obtaining employment outside the district.
4. Getting married with a dowry.
5. Remitting money home.
6. Building a house.
7. Educating his own sons.
8. Accumulating dowries for his own daughters.
9. Retirement and return to the village.

A permanent house becomes a significant object of concern when the eldest daughter of a family is nearing marriagable age. Her dowry should ideally include a house; and to attract an educated son-in-law, it should be a permanent one. On marriage, the house in which the family lives is given to the eldest daughter, while life-interest is maintained by the parents, who, together with their unmarried children continue to live there with the married daughter and her husband. If they have the necessary resources, parents will try to provide permanent houses to each of their daughters at marriage. Parents continue to live with the eldest daughter to whom they give their house at marriage, but if tension develops between them and the new couple, the parents move out with their unmarried children into another house which they may construct in the same garden. In

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THE START OF A LONG JOURNEY

The long process of building a house begins with collecting the necessary raw materials such as brick, timber and metal. For many it is a slow process undertaken amidst many contingencies, with the time period between the laying of the foundation stone and the final stages of completion averaging around 10 - 20 years.

For them every step is a major advance towards the ultimate goal.



the Jaffna context, therefore, housing is not perceived as a general priority within the structure of economic decisions made by a family, but more as a specific object of investment linked to the dynamics of the dowry system.

THE HOUSE - BUILDING PROCESS

Tamil families collect their surpluses in cash and jewellery. As most middle and upper income families have members sending monthly cash remittance from outside the district, and also because the Jaffna district agriculture, being based on ground-water irrigation, is not subjected to the uncertainties and vicissitudes of the rains, and is therefore more predictable than is the rain-based agriculture of most Sinhala-speaking districts, the average Jaffna family is able to better project its savings and expenses : It can save in cash, with fair degree of confidence that it will not in all probability have to dig into its cash reserves to meet its basic living expenses in the future.

Money that is saved in cash is either deposited in a bank or more commonly kept at home and loaned out at 60% annual interest in the informal money market. It is only when a family has collected about 50% or more of the essential costs of building a house that it will decide to build: and that too, especially if they have a daughter approaching marriagable age. House-building in the Jaffna district is a 'one-shot operation' - not a process that continues in stages, over many years, as in Sinhala-speaking districts. Once the decision to build is taken, the balance capital - over and above what is already available in cash savings - is mobilised through borrowing, and work commences.

K. Velupillai aged 48 of Kovalam (Jaffna district) works as a clerk in the Vavuniya Kachcheri. He comes home to Jaffna every fortnight. Every month, when he collects his salary, he pays his chummary expenses and sends the remaining part of his salary to his wife in Kovalam. She loans out money at 60% annual interest

and at the same time invests in gold sovereigns with the idea of making jewellery for her daughter when she comes of age. In the alternative, when the need arises to build a house for the daughter, she says she may sell some of the sovereigns to meet the expenses of house-building. The girl is now 14 years old. The parents hope to put up a house for her with their savings in another 6 years time - when she will be 20 years old. Then they hope to collect more money for another 4 years, and together with what is left of their earlier savings after house-building, they hope to have enough cash for her dowry and for the marriage ceremony. They hope to be able to have the daughter married when she is 25 years old, 11 years from now. Their plan is not to build just now. So they are not interested to apply for an NHDA housing loan.

S. Mahenderan aged 45 of Kudiputhiruppu (Jaffna District) is a clerk in the Auditor-General's Department in Colombo. His wife and 4 children live in Jaffna. 1 son is in the militant movement, 2 sons are students while the daughter, aged 12, also goes to school. He lives in Colombo in a chummary with some other Tamil officers. After paying his chummary bills, he sends a part of what remains of his salary to Jaffna where his wife loans out money in the informal money market at 60% annual interest. The rest of his salary is kept with him as he too loans out money at 60% annual interest in the village. He visits the village every fortnight. He also borrows money from the Credit Council of his department and also from the Bank of Ceylon at a low interest rate and loans out such money in his village in Jaffna at a 60% rate of interest. He has a very small house in the village. He has no intention of building a permanent house just now - although he has the money to do so - because, for one thing, his daughter is still

only 12 years old, and for another he feels he may need the cash he has with him for the higher education of his sons.

The decision to build a house in the Jaffna context, is almost invariably related to the marriage of a daughter. There are not many exceptions to this norm. Sometimes, when on account of some exceptional circumstances, it has not been possible for parents to endow their daughter with a house, it becomes necessary for the newly married couple to build a house for themselves.

Josaphine Simon Pillai of Kudiputhirippu (Jaffna District) aged 28 is a GCE (O level) qualified lady who is married to an agricultural labourer working in the Vavuniya District. She is employed in the local Catholic Church. It was the church authorities who arranged her marriage in 1985. The parents on both sides were displeased about the marriage and the new couple have no connections with their parents. Naturally, Josaphine received no dowry. On marriage, they put up a hut of thatched Palmyrah leaves with the idea of putting up their own house as early as possible. Josaphine obtained a NHDA housing loan of Rs.7500/- from the TCCS. Her husband had Rs.4000/- in savings. She also borrowed another Rs.5000/- at 36% annual interest. With all these funds, she put up a one-room house with verandah and kitchen and also obtained electricity for it.

Clodagh Abraham is a nurse aged 30, unmarried, and living with her mother and two brothers aged 14 and 16 at Kudiputhirippu (Jaffna). Her father is no more. Her monthly income is Rs.1500/-. Her mother has accumulated some savings which she gives out on interest. Clodagh obtained a NHDA housing loan of Rs.7500/-. To this she added her mother's savings amounting to Rs.10,000/- and a further sum of Rs.5000/- which she borrowed on 60% annual

interest, and with all these funds put together she put up her house. Her mother and two brothers also contributed their labour to the building operation.

It is usual for a family to move into a newly built house after the floors are cemented, the inside walls plastered and the roof installed. Plastering of the outside walls takes place after going into residence. Doors and windows are installed - for security reasons - at least in the rooms where the family keeps its belongings. Other doors and windows can be installed after going into occupation. Housing loans are sometimes used for completing the work after going into occupation.

Jaffna district houses are usually two-roomed with kitchen and verandah. The more affluent house-builders may have an extra room, a portico and a garage. They will also have their own well and latrine. The walls are usually made of cement blocks, the roof is of asbestos or tiles on palmyrah rafters while the floor is invariably cemented. Timber for the doors and windows is obtained from the Vavuniya, Mullaitivu or Mannar districts.

Houses in the Jaffna district are not built in stages but in one sustained effort. It is considered auspicious to go into residence in either the first or the third year but not in the second year of construction. This acts as a further incentive to make the house habitable within the first year itself and go into occupation. It is also considered very unlucky for a family to drag on its house construction for more than 3 years. prevailing social customs thus converge to support the 'one sustained effort'. This process stands in total contrast to the house-building process in Sinhala-speaking districts where house construction takes place in gradual stages over a relatively long period of time.

In Jaffna, unlike in the Sinhala districts, investment in housing on the part of a family is not spread over a long period but is sustained within a very short continuous period of house-building

activity. For these very same reasons, investment is mainly focused on 'new houses' rather than on 'house-upgrading' -

Period of house-building activity of sample
beneficiary families prior to obtaining
NHDA loan : Jaffna District
(% frequency distribution)

<u>Time period</u>	<u>Beneficiaries</u>	<u>Beneficiaries</u>
	<u>TCCS system</u>	<u>GM system</u>
None	87.5	95.5
Below 1 year	12.5	-
1 - 3 years	-	4.5
4 - 5 years	-	-
6 - 10 years	-	-
Over	-	-
	<u>100</u>	<u>100</u>

Type of building activity for which
NHDA loan was used : Jaffna district sample
(% frequency distribution)

<u>Activity</u>	<u>Beneficiaries</u>	<u>Beneficiaries</u>
	<u>TCCS system</u>	<u>GM system</u>
To built new house	87.5	54
For upgrading old house	12.5	36
For well	-	-
To extend old house	-	-
Cementing/plastering	-	-
For a latrine	-	-
For electricity connection	-	-
	<u>100</u>	<u>100</u>

Amount of money spent on the housing unit
prior to obtaining NHDA loan :
Jaffna district sample
(% frequency distribution)

<u>Amount</u>	<u>Beneficiaries</u>	
	<u>TCCS system</u>	<u>GM system</u>
None	87.5	95.5
Less than Rs.1000	-	-
Rs. 1001 - 3000	-	-
Rs. 3001 - 5000	-	4.5
Rs. 5001 - 10,000	12.5	-
Rs.10,001 - 20,000	-	-
Rs.20,001 - 30,000	-	-
Rs.30,001 - 50,000	-	-
Over Rs,50,000	-	-
	<u>100</u>	<u>100</u>

As stated earlier, the house-building process in Sinhala-speaking districts is qualitatively different to what has been described for the Jaffna district. Houses are built in stages, and the NHDA housing loan is availed of somewhere along this usually lengthy process. In other words, by the time the average beneficiary seeks an NHDA loan, he has already been involved many years in building his house and he has already spent a fair sum of money on it.

Period of house-building activity of sample beneficiary
families prior to obtaining NHDA loan :
Galle, Matara and Puttalam Districts
(% frequency ditribution)

<u>Time period</u>	<u>Beneficiaries</u>	
	<u>TCCS system</u>	<u>GM system</u>
None	-	-
Below 1 year	28	22
1 - 3 years	40	38
4 - 5 years	6	20
6 - 10 years	8	14
Over 10 years	18	6
	<u>100</u>	<u>100</u>

Type of building activity for which NHDA loans was used :

Galle, Matara and Puttalam district sample

(% frequency distribution)

<u>Activity</u>	<u>Beneficiaries</u>	
	<u>TCCS system</u>	<u>GM system</u>
To build new house	48	38
For upgrading old house	26	44
For wells	6	9
To extend old house	2	-
Cementing/plastering	18	7
For a latrine	-	2
For electricity connection	-	-
	<u>100</u>	<u>100</u>

Amount of money spent on the housing unit

prior to obtaining NHDA loan :

Galle, Matara and Puttalam district sample

(% frequency distribution)

<u>Amount</u>	<u>Beneficiaries</u>	
	<u>TCCS system</u>	<u>GM system</u>
None	8	7
less than Rs.1000	4	5
Rs. 1001 - 3000	10	12
Rs. 3001 - 5000	8	12
Rs. 5001 - 10,000	24	15
Rs.10,001 - 20,000	26	17
Rs.20,001 - 30,000	1	7
Rs.30,001 - 50,000	4	9
Over Rs.50,000	<u>2</u>	<u>16</u>
	<u>100</u>	<u>100</u>

In Sinhala-speaking districts, all beneficiaries had started their housing activities before they applied for an NHDA housing loan. Over 20% had been struggling for over 6 years before applying for a loan. This situation contrasts not only with Jaffna but also with what prevailed at Navagampura and Aramaya Place in the city

of Colombo (see : Fernando.S. et al : December 1986) where housing activities commenced with the granting of housing loans.

To start with, the pattern of household savings in Sinhala speaking middle and low-income families differs radically from the pattern prevailing among the middle and low income families of the Jaffna district. Sinhala villagers are not confident about regular income flows which alone would enable them to save in cash with the confidence that it is unlikely that they would have to draw on their cash reserves to meet daily living expenses in the future. Agriculture, in Sinhala-speaking villages is largely rain-fed - either directly or via rain-water stored in irrigation tanks. If there is not enough rain or too much rain - e.g. floods - the crops will fail. Self employment in both agricultural and non-farm activities is associated with an unpredictable and irregular income flow in the Sinhala-speaking districts. Regular, projectable family incomes - generally associated with secure salaried employment and a Jaffna-type intensive farming based on ground-water irrigation - are not a common feature of middle and low-income families in the Sinhala-speaking districts. Cash savings often have to be drawn upon and consumed in day to day expenses during bad periods.

During period of surplus, therefore, resources are saved for housing not in the form of cash but in the form of building materials. When a family has some surplus cash, it would purchase bricks or tiles : or it may purchase timber, and, when its cash flow permits have the door frames and window frames prepared. Whenever there is extra cash, a family may put up the foundation or some of the walls or prepare the roofing timber. In this way, the house comes up in stages over the years. In any Sinhala-speaking village, one could see houses that are stalled - obviously for want of cash - at one or more of following preparatory or construction stages :

1. Bricks and sand brought for foundation, but foundation not yet laid.
2. Foundation laid and no more building materials remain.

3. Foundation laid and bricks bought for raising at least part of the walls.
4. Walls raised upto the roof level. Door and window frames installed. Walls get washed for the rain. Therefore Builders do not like to leave a house incomplete at this stage.
5. Roofing timber installed. But as a permanent roof cannot be afforded, a cadjan roof is erected. The roof, however, is shaped for placing tiles, while it should be shaped more sharply for cadjans which decompose faster on a roof that is not sufficiently shaped. Cadjans need to be replaced once an year whereas they last for 2-2½ years on a roof that is shaped specially for a cadjan covering. Owing to the recurring costs (about Rs.500/- an year on the average) of having to frequently replace cadjans, builders like to tile their roofs as early as they can afford to do so.
6. Roof is tiled and the inside walls are plastered and the floor is cemented. These tasks are usually completed in one sequence.
7. Doors and windows are fixed in the essential rooms upon which the family comes into occupation.
8. Doors and windows are fixed in all the rooms and the outside walls are plastered. These two tasks are usually accomplished in one sequence.
9. Doors and windows are painted and the walls both inside and outside are colour-washed.
- 10 Finishing touches are given to the house.

House construction can be stalled at any of the above stages because of an inadequate cash-flow for housing in the context of a multiplicity of conflicting priorities in the expense pattern of a middle or low income rural Sinhala family. A soft housing loan offered at any of these stages could induce a family to give a higher priority to its house-building activity, mobilise some more capital and get along with the job of completing the house. In this way, when offered to those who can mobilise other resources as well, the small NHDA housing loan serves to catalyse the efforts of a family to expedite the process of house construction.

THE TARGET GROUP IN THEORY AND PRACTICE

In theory, according to the RHSP guidelines, the target group consists of rural families enjoying a monthly family income of less than Rs.1250/-. According to the affordability table of the RHSP (see chapter 1), a family with a monthly income of Rs.207/- should be able to afford the monthly installments of a Rs.3000/- loan repayable over 15 years; a family with a monthly income of Rs.285/- should be able to afford the monthly installment of a Rs.5000/- loan; and a family with a monthly income of Rs.395/- should be able to repay the monthly installments of a Rs.7000/- loan over a 15 year period. Hence, in theory, the target group consists of families with a monthly income of between Rs.200/- and Rs.1250/-

In practice, however, the target group gets defined through the operation of a different dynamic. A house under construction gets stalled for one of two reasons:-

Either, the house-builder simply cannot mobilise the capital necessary for proceeding with the job.

or, the house-builder can mobilise the necessary capital but has decided not to do so at this moment because he has instead decided to place priority on some other activity requiring his funds.

In practice, the latter category of house-builders can be induced to mobilise capital, change priorities and re-activate their house-building activities by the offer of a small but soft housing loan. When a loan - though small - is available on such easy terms of repayment and at a rate of interest well below the prevailing market rate, a family which can mobilise capital to complete their house feels induced to change its spending priorities, avail itself of the opportunity of a small but soft loan, and go ahead with the task of completing their house. What is important is that the small housing loan is not enough to meet all the costs of house-building. The loan serves the function of re-activating a family which has access to other sources of capital.

13a

THE DAWN OF A NEW TOMORROW



Building a new house, building a new future

With all their hopes and aspirations centered around the new house.

The former category - viz : those whose house-building operations have stalled because they do not have access to the capital that will be required to complete their houses cannot to be re-activated by the small housing loan because the loan is insufficient to meet all the expenses that lie ahead in house-building and the families had stopped their building operations because they do not have access to other sources of capital. Therefore, this category of families, though in theory falling within the target group, gets excluded from it through the working out of this practical dynamic.

Within the theoretical target group (Rs.200/- - Rs.2250/-), it is the less affluent families of rural society that do not have access to other sources of capital and thus get excluded in practice from getting access to the small housing loan as well. Affordability, in short, should be defined not simplistically in terms of affordability to repay the monthly NHDA installment as has been done in the NHDA 'Affordability Table' (see chapter 1) but more realistically in terms of affordability to repay both the NHDA loan and the other funds that would have to be borrowed in order to complete the house-building operations.

The net result of the practical dynamic is that, at field level, the lower limit of the target group gets raised from the theoretical Rs.200/- to a more practical Rs.700/- or more, while the upper limit gets pushed well beyond the theoretical Rs.1250/- watershed. This practical reality is, at field level, made to conform with the theory by presenting family incomes which are seen to be well over the Rs.1250/- cut off point as being much less than what they really are. Except in the case of salaried persons, rural family incomes which come from a diversity of sources at irregular frequencies, cannot be easily assessed in practice. This allows for the fiction of presenting higher incomes as being lower than what they really are.

Monthly family income of beneficiaries in the
Galle, Matara and Puttalam Districts sample

(% frequency distribution)

<u>Monthly income</u> <u>Rs.</u>	<u>Beneficiaries</u> <u>TCCS system</u>	<u>Beneficiaries</u> <u>GM system</u>
Below 700	6	5
701 - 1250	28	29
1251 - 1500	22	32
1501 - 2000	32	29
Over 2000	<u>12</u>	<u>5</u>
	<u>100</u>	<u>100</u>

Monthly family incomes of beneficiaries in the
Jaffna district sample

(% frequency distribution)

<u>Monthly income</u> <u>Rs.</u>	<u>Beneficiaries</u> <u>TCCS system</u>	<u>Beneficiaries</u> <u>GM system</u>
Below 700	-	5
701 - 1250	20	10
1251 - 1500	20	28
1501 - 2000	47.5	58
Over 2000	<u>12.5</u>	<u>9</u>
	<u>100</u>	<u>100</u>

Patrick Fernando (aged 40) of Mahapotha (Puttalam district) is married with 4 children. His monthly income is around Rs.1200. Though he is a mason, he gets little work. Whenever he had extra money and time to spare he had cut bricks for his house. He had collected bricks over 4 years during which time he had also collected sand. He got a NHDA housing loan of Rs.3500/-. He borrowed another Rs.6000/-, and with the unskilled labour of his wife and daughter, he applied his own skills as a mason and built a very small house.

Siripala aged 60 of Sarumellagaha (Galle District) is a labourer in a brick kiln whose family income is about Rs.1500/- a month. His wife and son also work in brick kilns while his other 3 sons are yet of school-going age. His house-building activity started 10 years ago when his father in-law gave him Rs.90/- to buy a jak tree with which he made his door frames and window frames. He saved Rs.5/- a day in a till from his daily earnings. When he had collected Rs.300/- he brought 500 tiles. He next wanted to collect bricks. So he asked the kiln owner for whom he worked to pay him partly in cash and partly in bricks for his labour. After collecting the required quantity of bricks, he bought another tree which had been cut down in the village and prepared the roofing timber with it. With the free labour of his son's friends, he laid the foundation for the house. The house remained at the foundation stage for 1 year. At this stage he obtained a NHDA housing loan of Rs.5500/- through the TCCS. When this was added to his son's savings, he was able to raise the walls, complete the roofing timber, buy tiles and bring the house to a habitable stage. He then went into occupation with his family.

Sony (aged 38) of Muthuvella (Matara district) is married with 2 children. He works as an agricultural labourer and earns about Rs.800/- a month. From the time he decided to get married, he planned to build a house. Soon after his marriage, he told his wife's parents that he had collected some money for a house, whereupon the wife's parents agreed to make the door and window frames as well as the doors and windows for the house. He next cut bricks on his own land and fired them in his garden. Together with his father who knows how to saw timber, he cut down a tree from his own garden and prepared the roofing timber. He had sufficient money to raise the walls and place the doors and windows, but he hadn't

enough money to tile his roof. At this stage he obtained an NHDA housing loan of Rs.3500/- from the TCCS and with the free skilled labour of his father's brother - a carpenter - and the free unskilled labour of his sons and father, he completed the roof.

T. Sabaratnam (aged 55) of Kudiputhrippu (Jaffna district) is a dhoby. He is married and has 4 children - 3 boys and a girl of 25. His wife and all 4 children help the father in his laundry work. The family lived in a mud-based hut with cemented floor and a palmfrond thatch roof. He had been saving money to build a house, as his daughter had reached marriagable age. He had Rs. 10,000/- in savings. He applied for a NHDA housing loan of Rs.7500/-. The SSO told him that if he was prepared to wait another 1-2 years, he could get Rs.7500/- but that in the current year he could not be given more than Rs.5000/-. He agreed to take a loan of Rs.5000/- in the current year. In any case he had to borrow some more money in the informal money market to complete the house - so all he did was to borrow Rs.2500/- more than he would otherwise have borrowed. In all he borrowed another Rs. 15,000/- at 36% annual interest and completed his new house. He is now looking for a husband for his daughter to whom he will transfer the new house, keeping life-interest for himself.

Chandrawathie (aged 35) was 6th on the priority list of the Sarumellagaha GM (Galle) for a NHDA housing loan. She had collected building materials over 5 years. The list was submitted by the GM to the DM's office for implementation. Meanwhile another woman, Karunawathie (aged 50) who, having access to more resources than Chandrawathie, was building her house at a faster pace, made a late application for a loan. She had raised the walls and installed the roofing timber. She applied to the

TCCS for a NHDA loan to tile her roof and plaster the walls. Since Karunawathie was building her house at a faster pace than Chandrawathie because of her greater access to capital, the TCCS president requested the DM to replace Chandrawathie with Karunawathie as number 6 on the priority list for that year.

Ceciliyana (aged 58) of Pahalagama (Matara District) is a widow with 3 GCE (A Level) qualified daughters. They earn by making coconut coir and sewing clothes. She had been building her house in stages over the past 12 years. The walls were of brick, the floor was cemented but the roof remained a cadjan roof. Since this was a household of women, it was inconvenient and expensive to have to replace the cadjans regularly. Ceciliyana applied to the TCCS for an NHDA loan of Rs.5000/- to tile her house. She received a loan of Rs.2500/- and together with another Rs.5000/- which she mobilised from her husband's brother who is a trader in Colombo, she completed the tiling of the roof.

Whenever a GM or a TCCS wants to reject a relatively affluent applicant for reasons that have nothing to do with his being above the target group, the GM or TCCS concerned would use the convenience of the target-group ceiling for rejecting the application. The real reasons, however, would lie elsewhere.

Appuhamy (aged 40) of Mahapotha (Puttalam District) is married with 3 children. He is a CTB driver whose monthly family income is around Rs.2000/-. His application for an NHDA housing loan was rejected by the GM on the grounds that he is above the income ceiling of the target group. Appuhamy has no effective ties of access to the GM office bearers. Meanwhile S.Subasingha (aged 32) also of Mahapotha and also working as a CTB driver and having a monthly family income of around Rs. 2000/- got a NHDA housing loan of Rs.5000/- on the

recomendation of the Mahapotha GM. Subasingha was a close friend and political supporter of the GM Chairman.

The priority list of 10 submitted by the TCCS of Ihala-Dambawa (Galle District) which was outside our sample, consisted of persons, each with a monthly family income of over Rs.3000/-. The GM Chairman whose approval is needed for any list submitted by a TCCS, refused to recomend the list on grounds of income. The TCCS Chairman and GM Chairman were personally antagonistic to each other. The TCCS Chairman resigned. The new TCCS Chairman who was a close friend of the same GM Chairman submitted another list consisting once again of persons whose monthly family incomes are again above Rs.3000/- This list, however, was approved by the GM Chairman who is his close friend.

Wimalawathie is a nurse working in the Galle hospital. Her husband runs a small butique in the village of Sarumellagaha (Galle district). Their family income is around Rs.3500/- a month. Wimalawathie's application for an NHDA loan was rejected by the TCCS on the grounds that she was above the target group. Meanwhile Ariyadasa, working in the Co-operative Union and enjoying a family income of around Rs.3000/- was given a NHDA loan of Rs. 5000/- to build a new house. Ariyadasa is a close friend of the TCCS Chairman.

While the RHSP target group has an upper income level of Rs. 1250/- per month, the USHP target group consists of families earning less than Rs.1500/- per month. The study of Navagampura and Aramaya place in the city of Colombo (Fernando.S. et al : December 1986) has shown that when the urban poor are relocated, every family is given an NHDA housing loan of Rs.15,000/- irrespective of family income level. Affordability is not considered when giving housing

loans to relocated families of the urban poor, resulting in a fairly large number of genuine problems arising from a family's inability to repay a housing loan. According to the NHDA's Affordability Table (see chapter 1), a family should have a minimum monthly income of Rs.1075/- to be able to afford to repay the monthly loan installments over a 15 year period. This means that even in theory, the NHDA target group for a Rs.15,000/- UHSP housing loan consists of families with a monthly income of Rs.1075/- -Rs.1500/- per month. Even in theory, therefore, only 55% of Navagampura families and 60% of Aramaya Place families would fall within the target category, though Rs.1500/- housing loans were given to all families irrespective of whether they fell within the target group or not.

THE PACE OF HOUSING DEVELOPMENT IN THE RURAL SECTOR

When assessing the role of the small housing loan in shortening the pace of house construction in the rural sector, it is relevant to see how many houses are being completed without an NHDA loan by families which would -in terms of a practical dynamic - have fallen within the target group, for every house completed with an NHDA housing loan. The following data is drawn from the sample locations as well as from a few GM areas outside the sample.

Sarumellagaha	(Galle District)	: 1985	1 : 0.67
Sarumellagaha	(Galle District)	: 1986	1 : 0.46
Milikada	(Galle District)	: 1986	1 : 1.29
Horagama	(Galle District)	: 1986	1 : 1
Pahalagama	(Matara District)	: 1986	1 : 1.18
Wattegoda	(Matara District)	: 1986	1 : 1
Muthuvella	(Matara District)	: 1986	1 : 1
Sirigama	(Matara District)	: 1986	1 : 0.67
Maligama	(Matara District)	: 1986	1 : 1.29
Mahapotha	(Puttalam District)	: 1986	1 : 1
Angulugoda	(Puttalam District)	: 1986	1 : 2.5
Kiulgama	(Puttalam District)	: 1986	1 : 1.67
Keenakalliya	(Puttalam district)	: 1986	1 : 4

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WAITING FOR GODOT

The house of your dreams may not be the one that is within your reach. Most times the foundation is all that is left to show of such impossible dreams.

Potential house builders should therefore be advised on how to build according to their level of income to make their dream a reality.



Katukelle	(Puttalam District)	: 1986	1 : 1.12
Kudiputhirippu	(Jaffna District)	: 1985-87	1 : 0.24
Kovalam	(Jaffna District)	: 1985-86	1 : 0.15

It is seen from the above figures that the proportion of houses completed without NHDA loans to houses completed with NHDA loans is very low for the Jaffna district sample and relatively high for the Sinhala speaking districts taken together. In Jaffna, on account of the disruption of normal life in the last few years, the pace of house-building became very slow. Because of the constraints on normal transport, the shortages of fuel and the disruption of the normal patterns of trade, building materials have gone up in price. Cement, timber and tiles are available - but at a relatively higher price and in much shorter supply. A degree of uncertainty prevails in the district and the fear of possible damage to buildings in the unsettled conditions of the north. All this militates against house-building operations. However it is the availability of the soft NHDA loan at interest rates very much lower than those prevailing in either the unofficial or even the official money market that has persuaded at least some families which have access to other resources as well to build now rather than watch and wait for normal conditions to return to the north. In Jaffna, therefore, if not for the NHDA house-loans, house-building would be nearly at a total halt. In the Sinhala-speaking district samples, on the other hand, the figures suggest that the pace of rural house-building would be vibrant even without NHDA intervention.

MOBILISATION OF CAPITAL FOR HOUSE-BUILDING

It has been seen that the NHDA housing loan by itself is very insufficient to accomplish the task for which it is taken. Capital has to be mobilised from other sources as well.

The earlier UHSP study (Fernando.S. et al December 1986) has shown that in Navagampura and Aramaya Place, over a third of the houses were constructed more or less with the UHSP loan of Rs.15,000/-.

The others who comprised the upper half of the middle income group and the higher income group of the urban poor needed access to funds outside the housing loan. It was estimated that just under a third of the funds mobilised for housing investment outside the housing loan were obtained by the pawning of jewellery and the sale of consumer durables such as furniture. West Asia remittances were also seen to be a significant source of funds for investment in housing.

Total cost incurred in House Construction

(% frequency distribution)

	<u>Navagam-pura</u>	<u>Aramaya Place</u>
Under Rs. 20,000	37.2	63.6
Rs. 20,000 - 35,000	38.4	31.8
Rs. 35,000 - 75,000	15.1	4.6
Rs. 75,000 - 150,000	2.7	-
REPEA Houses and No information	<u>6.6</u>	<u>-</u>
	<u>100</u>	<u>100</u>

Funds for Housing Investment over and

above the Housing Loan

(% frequency distribution)

<u>Source</u>	<u>Navagam-pura</u>	<u>Aramaya Place</u>
Personal savings	16.5	15.8
Help from kinsmen	16.6	22.9
West Asia employment	10.3	-
Borrowing on interest	15.8	19.2
Pawning of jewellery and sale of furniture	30.4	32.9
Miscellaneous sources	<u>10.4</u>	<u>9.2</u>
	<u>100</u>	<u>100</u>

It was also shown in the earlier study that the renting of houses and parts of houses was a family common occurrence at Navagam-pura and Aramaya Place. Urban garden families are used to living in small spaces. Poorer families, on the one side, do not have much furniture to fill their house, and on the other side need an extra

income. Renting out a part of the house is an obvious solution.

Further field research at Navagampura and Aramaya Place revealed that most families had gone into occupation at a stage when the house was barely habitable. There was much more to be completed in the house. The most common way to obtain the necessary capital for completing the construction work is to rent out half the house at a rental of amount Rs.150/- per month at the better located Navagampura and Rs.60/- per month at Aramaya Place, take a two year advance of the rental and use it to complete the house construction. Between August 1986 and June 1987, the proportion of families that had rented half their respective houses had significantly increased. This is a very common method of mobilising capital for the completion of house construction at both urban locations studied.

Renting-out Houses and Parts of
houses - Urban Locations.
(% frequency distribution)

	<u>Navagampura</u>		<u>Aramaya Place</u>	
	<u>Aug.'86</u>	<u>: June.'87</u>	<u>Aug.'86</u>	<u>: June.'87</u>
<i>Not rented</i>	84	57	95.5	82
<i>Half the house rented out</i>	14	41	4.5	16
<i>Whole house rented out</i>	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

In contrast to the urban situation, there was no renting of houses or parts of houses in any of the rural sector samples. Raising of capital for house-building through pawning of jewellery and sale of furniture, though very significant in the urban sample, was totally absent in all the rural samples.

In all the rural samples, a substantial amount of capital had to be mobilised after the NHDA loan was received for completing the task of house-building.

Quantum of capital mobilised by beneficiaries
after receipt of NHDA loan : Jaffna district sample
(% frequency distribution)

<u>Amount of Capital</u> (in Rs.)	<u>Beneficiaries</u> <u>TCCS system</u>	<u>Beneficiaries</u> <u>GM system</u>
None	12.5	9
Below 1000	-	-
1001 - 3000	25	-
3001 - 5000	-	9
5001 - 10,000	12.5	18
10,001 - 20,000	25	50
20,000 - 30,000	25	5
30,000 - 50,000	-	9
Over 50,000	-	-
	<u>100</u>	<u>100</u>

Quantum of capital mobilised by beneficiaries
after receipt of NHDA loan : Galle, Matara and
Puttalam district sample
(% frequency distribution)

<u>Amount of Capital</u> (in Rs.)	<u>Beneficiaries</u> <u>TCCS system</u>	<u>Beneficiaries</u> <u>GM system</u>
None	4	-
Below 1000	4	2
1001 - 3000	-	10
3001 - 5000	14	15
5001 - 10,000	34	37
10,000 - 20,000	16	24
20,000 - 30,000	18	7
30,000 - 50,000	8	5
Over 50,000	2	-
	<u>100</u>	<u>100</u>

In the Sinhala-speaking district samples, a significant amount of the required capital was seen to have been mobilised by activating kinship and neighbourhood networks which provided cost-free contri-

butions of building materials and labour (both skilled and unskilled) to the building process of the individual beneficiaries. Building a house in Sinhala-speaking rural districts, as seen earlier, is perceived as being a very 'pure' and almost 'sacred' activity. Help given for such an activity is always remembered. The help received is remembered as long as the house lasts, unlike help given in working a paddy field which could be forgotten once the season is over. At the different critical stages of house construction such as when laying the foundation, placing the door and window frames and installing the roof, the relations, neighbours and well-wishers of a family contribute in labour, building materials and money.

In the Tamil-speaking district sample, or the other hand, it is seen that apart from the contribution of labour from the nuclear family of the beneficiary, there is hardly any contribution in cash or kind or the part of kinsmen, neighbours and well-wishers to the capital required for house-building. In Jaffna, house-building is an activity that a nuclear family must look after by itself. There is a much greater dependence on money lenders (36% - 60% interest per annum) and on one's own savings in the Tamil speaking sample for mobilising capital when compared to the Sinhala-speaking sample which reaches out much more to kinsmen, friends and well-wishers to mobilise capital for house-construction.

Monetised value of contributions made by own family
(including house-builder), kinsmen and well-wishers
to the 91 beneficiaries of the Galle, Matara and
Puttalam district samples

<u>Type of contribution</u>	<u>Monetised value in Rs.</u>
Bricks/Metal	84,000
Sand	46,750
Timber	130,500
Skilled labour	141,750
Unskilled labour	26,500
Other	750
Total	<u>430,250</u>

(Average value of free contribution received per beneficiary-Rs.4726.

Monetised value of contributions made by own family
(including house-builder), kinsmen and well-wishes
to the 30 beneficiaries of the Jaffna district sample

<u>Type of contribution</u>	<u>Monetised value in Rs.</u>
Bricks/metal	8,000
sand	3,750
Timber	2,250
Skilled labour	750
Unskilled labour	8,250
Other	-
Total	<u>15,570</u>

(average value of free contribution received per beneficiary-Rs.519)

Sources of cash mobilised after receiving NHDA housing loan :
Galle, Matara, and Puttalam district sample
(% frequency distribution)

<u>Source</u>	<u>Beneficiaries</u>	<u>Beneficiaries</u>
	<u>TCCS system</u>	<u>GM system</u>
From own savings	29	27
From daily income	29	35
Interest free loans from kinsmen	9	11
Interest free loans from friends	5	5
From banks (on interest)	15	8
From money-lenders (on interest)	4	8
Other	<u>9</u>	<u>8</u>
	<u>100</u>	<u>100</u>

Sources of cash mobilised after receiving NHDA
housing loan : Jaffna district sample
(% frequency distribution)

<u>Source</u>	<u>Beneficiaries</u>	
	<u>TCCS system</u>	<u>GM system</u>
From own savings	22	42.5
From daily income	-	-
Interest free loans from kinsmen	22	2.5
Interest free loans from friends	-	2.5
From banks (on interest)	-	-
From money lenders (on interest)	46	45
Others	-	7.5
	<u>100</u>	<u>100</u>

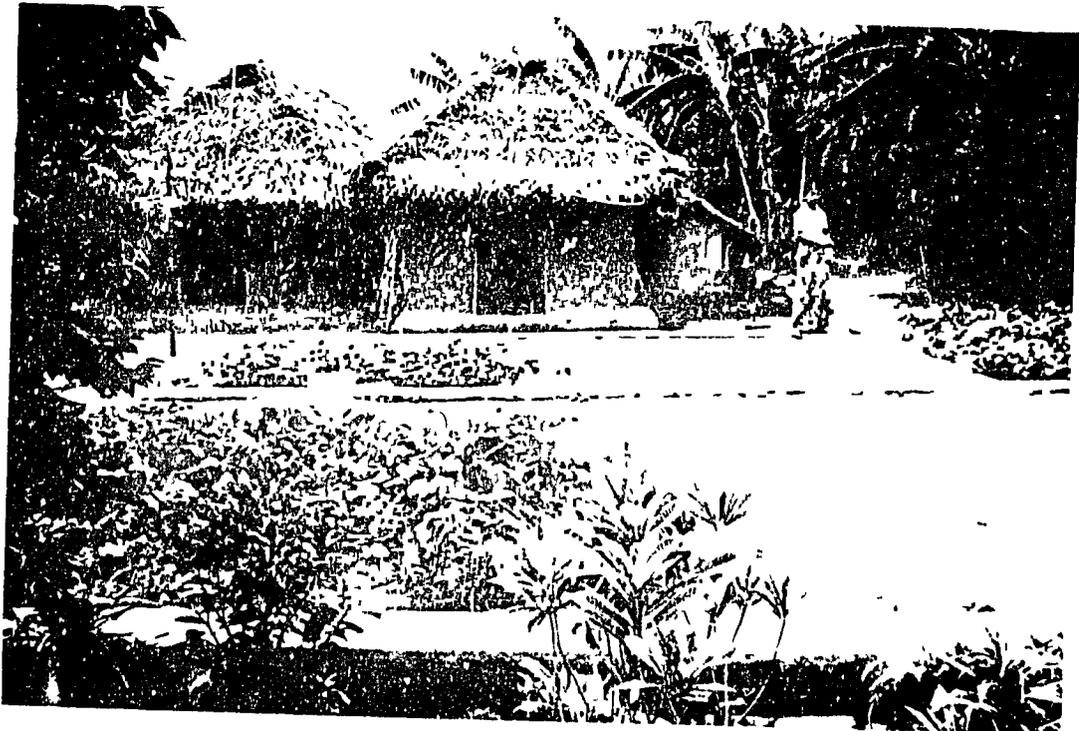
Ceciliyana (aged 58), a widow of Pahalagama (Matara district) who lives with her 3 daughters and earns by making coir and sewing clothes got a NHDA loan of Rs. 2500/- from the TCCS to tile her roof. Her brother-in-law, a trader in Colombo, contributed Rs.3000/-. The owner of a local timber depot give her the necessary roofing timber on loan, while her daughter borrowed another Rs.2500/- from the TCCS. This is how Ceciliyana mobilised resources to instal a permenant roof to her house.

When Siripala (aged 60), a brick-kiln labour of Sarumellagaha (Galle district) built his house with a loan of Rs.3500/- from the TCCS, his sons' friends laid the foundation free, while a mason who was also a close friend of his sons contributed his skilled labour free during many stages of house construction.

Jayawardane (aged 58) is a almost full-time voluntry worker of Muthuvella (Matara district). He has 3 sons working as government employees in Colombo. Jayawardane obtained a NHDA housing loan of Rs.3500/- from the TCCS for installing a permenent roof and plastering the walls

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WATCHING THE PLANTS GROW



This enterprising young woman has planted "cash crops" in the foundation of the new house in the hope that this will bring additional income to complete yet another stage of construction.

of his house. On hearing that their father had stated to complete his house, each of his 3 sons borrowed money on easy-repayment terms from their respective workplaces and sent in all Rs.15,000 to their father. Jayawardane now has a smart house with plastered walls and tiled roof.

ACCESS TO HOUSING FOR RURAL LOW INCOME FAMILIES

It is clear that the small housing loan functions as a catalyst for mobilising resources for rural housing in the case of families that have access to such resources. It is also apparent that rural families which can mobilise such resources for building, upgrading or completing a house are not low-income rural families but families of the middle and high income range. We have seen how the practical dynamic works in such a way as to exclude low income rural families from the State-supported process of rural housing development. The earlier study of Navagampura and Aramaya Place in the city of Colombo (Fernando. S. et al : December 1986) showed that though relocated families of the urban poor are given housing NHDA loans irrespective of income level, the field situation is one in which the lower income groups among the urban poor find it near impossible to repay their loan installments with their income.

Jayawathie (aged 23) of Pahalagama (Matara district) earns by making lace. Her father is no more. She lives with her mother. Her monthly income is annual Rs.1000/-. With her savings, she has built a 600 square foot house of brick walls bonded in clay. Door and window frames are installed but she has not been able to afford the doors and windows. Only the inside walls of one room are plastered. The house has a cadjan roof. The process has already taken 3 years. Jayawathie is keen to instal a permanent roof, but she cannot get a NHDA housing loan because she does not have access to other sources of capital, which, together with a small NHDA loan could give her the necessary funds for a permanent roof.

Piyadasa, aged 45, of Wattegoda (Mataradistrict) is married with 2 children. Over a 5 year period he has built, in stages, an unplastered house with door and window frames but without doors and windows and having a cadjan roof. He works as a casual labourer and earns about Rs.1000/- per month. When he applied for an NHDA housing loan, he was told by the HO that because he had neither collected roofing timber nor was able to demonstrate his ability to mobilise the rest of the funds required for completing his house, he cannot be recommended for a housing loan.

Low income rural families which have reached out and received NHDA housing loans find difficulty both in completing the work for which they obtained the loan as well as in repaying the loan instalments.

Selamma, aged 51 of Kudiputhirippu (Jaffna district) is married to a barber and has 2 sons. Their family income is around Rs.600/- per month. They had Rs.5000/- in savings when they received a NHDA housing loan of Rs.7500/- on the recommendation of the GM. Apart from their savings and the NHDA loan, they borrowed more money in the informal money market at 36% annual interest. After exploring all possible sources of mobilising capital, they were able to put up the walls, instal door and window frames and also a permanent roof. Neither the inside nor the outside of the house is plastered. Selamma is finding it impossible to repay the NHDA loan as well as the other loans at the same time. By selling her earrings, she paid 4 NHDA loan instalments of Rs.63/50 each at the start. Now she has nothing more room to sell. The family has also cut down on food while Selamma's husband has cut down on his liquor. The family, for the first time, refrained from buying new clothes for Deepavali. In order to increase their family income with the

intension of meeting their loan obligations, the barber and his two sons have started going further afield to canvass new work for themselves as barbers.

T. Sabaratnam, a dhoby (washerman) aged 55 of Kudipthirippu (Jaffna district) who built his house with the aid of a NHDA loan of Rs.5000/- and by borrowing another Rs.15000/- from a local money-lender at 36% annual interest is finding it very hard to meet his loan obligations as his monthly family income is only about Rs.650/-. Sabaratnam and his sons are now canvassing more work for their laundry in order to increase the family income and thereby meet their loan obligations. The family has also cut down on food in order to reduce family expenditure. Though poor, the family regularly repays its NHDA loan.

Josaphine Simon Pillai of Kovalam (Jaffna District), married to an agricultural labourer and enjoying a monthly family income of around Rs.600/- built a house with a Rs.7500/- NHDA loan, to which was added another loan of Rs.5000/- from a local money lender and her husband's savings of Rs.5000/-. As Josaphine is finding it very hard to meet her loan obligations from the current family income, she and her husband have cut down their expenditure on food, clothing and social activities. Though very poor, Josaphine regularly repays her NHDA loan.

Rupasingha of Sarumellagaha (Galle district) is a bachelor aged 45, living with his mother and two sisters. He owns a small brick kiln and earns around Rs.800/- per month. His family responsibilities are heavy because he also supports his divorced sister and her 2 children. They lived in a small mud house with cadjan roof. Rupasingha started collecting building materials for a new house 15 years ago after laying the foundation for a small two-room house with a verandah. His mother fell

ill and all available resources had to be spent to cure her. There had been no progress in Rupasingha's house-building efforts for 5 years after laying the foundation. Interpreting his misfortune in terms of certain astrologically inauspicious facets of the foundation, Rupasingha broke it up and replaced it with a foundation for a one-room house with verandah and kitchen. He cut and fired his own bricks in his brick-kiln, got some bags of cement on loan from a friendly trader, got some old roofing timber and some old window frames as a gift from the monk in the village temple, obtained a NHDA loan of Rs.3500/- from the TCCS and proceeded to build his house. The carpentry and tiling of the roof was done by the local Sarvodaya society through the deployment of some Sarvodaya Carpentry trainees. Having mobilised such a diversity of resources through his ingenuity in managing his network of contacts, Rupasingha built his house upto a habitable stage and went into occupation. But repaying the NHDA from his small monthly income has become very difficult for Rupasingha. He has responded to his difficulties by drastically cutting down on family expenditure - even on basic essentials such as food. The family has given up eating fish completely and recently they are also doing without lunch. They eat bread for breakfast, have a plain cup of tea for lunch and take rice with a vegetable curry and coconut sambol for dinner. They have stopped buying new clothes even for Sinhala New Year. They have also stopped going on pilgrimages and visiting relatives. By adopting these budgetary measures, Rupasingha is able to regularly repay his NHDA loan instalments.

Samarapala aged 36 of Mahapotha (Puttalam district), an agricultural labourer with a monthly family income of Rs.650/-, is married with 3 children. Knowing that he would not be able to mobilise the capital needed for

a new house to replace his mud-based hut, he applied for and received a NHDA loan of Rs. 3000/- for a drinking water well. He dug a well, but half-way through its construction the rains came and the well collapsed. With the help of his neighbours he cleaned the well with the idea of re-constructing it but he has not been able to mobilise the necessary capital for doing so. The NHDA loan has been spent, he is not even able to repay the loan instalment.

The practical dynamic of the RHSP at field level by and large excludes the lower-income families of rural society from participating in the process of housing development with State support. At the same time the practical dynamic ensures that the benefits of State support in rural housing development accrue, by and large, to the middle-income families of rural society. Most of the beneficiary families are affluent enough to be able to sustain a higher rate of interest on their housing loans. It is therefore useful to consider a modified RHSP in which higher interest is charged on RHSP loans and the increased income of NHDA on account of such higher rates of interest on loans is used for giving direct subsidies to low-income rural families for house construction. The 'Sevana Fund' which makes direct grants to the very poor in the rural sector for house construction is correctly focussed but enjoys only a limited impact on account of its limited resources. Since November 1985 the 'Sevana Fund' has provided Rs. 100,000 per electorate for housing for the very poor. In our sample, 2 Sevana-homes have been built at Kudiputhirippu (Jaffna district), 1 at Kovalam (Jaffna district), 1 at Sarumellagaha (Galle district), 1 at Muthuwella (Matara district) and none in any of the other study locations.

A modification of the UHSP on similar lines to that recommended for the RIISP could provide direct housing subsidies to relocated low-income urban families since they cannot afford to repay the housing loans which are virtually 'forced' on them by the urban housing development thrust of the NHDA.

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A STATUS SYMBOL ?

For most villagers the toilet serves as medium of projecting to the outside world an image of the prosperity of the household.



LOANS FOR WELLS AND LATRINES

An interesting insight from the Mahapotha sample in the Puttalam district throws light on a process wherein low-income families which cannot raise the extra capital needed for building or upgrading a house with an NHDA loan can seek a Rs.3000/- NHDA loan for a well or latrine which they can construct by using only the NHDA loan. At Mahapotha NHDA loans were given for 3 wells and 1 latrine in 1986 on the recommendation of the GM. In 1986, at Mahapotha 4 of the 14 NHDA loans were for wells and latrine - an unusually high proportion. In 1984 and 1985 too, Rs.3000/- loan had been given each year out of 8 loans at Mahapotha for latrine construction. In all 3 cases, latrine construction loans had been sought by young but poor office bearers of village level organisations who have good contacts with urban-based governmental officers who visit their houses in connection with their official work. When interviewed, all 3 beneficiaries explained that while it is no embarrassment for them to entertain urban-based officials in their simple wattle-and-daub houses, it is embarrassing not to be able to offer the facility of a sanitary latrine to these urban-based officers who visit their homes.

Apart from actual personal need, a private protected well is also a sign of status with which one can impress an outsider visiting the home, especially a governmental officer. Persons with outside connections but too poor to build a permanent house seem to be the ones who seek NHDA loans for well construction.

S.A, Prematillake, aged 23 with a monthly family income of Rs.900/-, is a bachelor living with his parents at Mahapotha (Puttalam District). He is President of the Young Farmers Club, and as such, governmental officers from the agricultural sector visit him quite frequently. These officers often need to use a latrine when out on field work. To consolidate his linkages with such officials, it is advantageous to be able to offer them proper facilities when on the field. According to Prematillake it was what induced him to seek a latrine-construction loan from NHDA.

S. Piyadasa, aged 40, of Mahapotha (Puttalam district) has a monthly family income of Rs.800/-. As President of the Rural Development society (RDS), many governmental officers visit him on official work. He was proud of these connection which gave him added status in the village. He was proud to entertain them in his wattle-and-daub house but felt embarrassed not to be able to offer them the use of a sanitary toilet. He applied for and received a NHDA latrine construction loan of Rs.3000/-.

Somawathie Silva, aged 49, of Mahapotha (Puttalam District) is married with 5 children. Her husband is a former government employee. Her family income is around Rs.800/- per month. She cannot afford to mobilise the capital for house-building, and so she continues to live in her wattle-and-daub house. Somawathie is the President of the Women's Rural Development Society (RDS) and governmental officials visit her in the course of their official duties. She had a well which was not built up or protected. After obtaining a NHDA loan of Rs.3000/- for well-construction, her 3 sons deepened the existing well which she built up and protected with the NHDA loan.

INFRASTRUCTURE SERVICES AND LOCAL AUTHORITIES

The RHSP does not result in an increase of the recurrent infrastructure costs or services of local authorities. But, in contrast, the development of urban sites for the urban poor does lead to an increase in the recurrent infrastructure costs and services of the local authority.

In the new urban settlements of the poor such as Navagampura and Aramaya Place, the adequate provision of basic services by the Colombo Municipal Council (CMC) is a critical factor in maintaining a minimum quality of life for the poor. The earlier study (Fernando.S et al : December 1986) has shown how these two communities have been

provided with taps, showers and toilets, and how the CMC arranges for garbage disposal, cleaning of drains and the cleaning or emptying of sanitary pits when needed. A re-visit to the communities in June 1987 revealed that the CMC has now established a separate maintenance sub-depot at Navagampura, making it even easier than before for the residents to get access to the municipal sanitary services. In the 'less visible' Aramaya Place settlement, by contrast, our re-visit revealed that there is in practice much less access to municipal sanitary services. Though garbage collection is expected to be made each Tuesday and Friday, because of the serious state of disrepair of the approach road to the Aramaya Place settlement, the garbage lorry cannot travel along it : In its place, a CMC tractor comes to collect the garbage once in 2-3 weeks.

All development work at Navagampura and Aramaya Place has been effected with the consent of the CMC. The perception of the CMC is that all such development work raises the land value and site value not only of the particular land that was developed but also of the whole neighbourhood. When a urban site is developed (in this case by NHDA as a matter of national housing policy and as a part of government's non-recoverable outlay on social welfare) the costs incurred by CMC in providing infrastructure services do rise. CMC's recovery of these new recurrent costs can take an indirect form. As a result of the improvement of the entire neighbourhood, rental values in the whole neighbourhood go up; municipal rates can be reassessed and raised; and the whole neighbourhood can be made to yield a higher volume of income to CMC. Again, site development leads to an increase of shops, boutiques and eating houses in the neighbourhood which in turn provide new income opportunities to CMC through the possibility of licencing fees and increased rates. Entertainment taxes may also rise in the neighbourhood. In proportion to the possibility of increased CMC revenue as a result of site development, the increase in recurrent infrastructure costs is small. It is left to the efficiency of CMC to harvest the potential of a higher income which urban development brings in its wake.

While the Urban Programming Unit (UPU) of the Ministry of Local Government, Housing and Construction implements a package programme with World Bank funding aimed at upgrading the capacity of local authorities like CMC to improve the collection of revenue and delivery of urban services, NHDA's urban development programme which increases the load on the CMC infrastructure must also proceed. NHDA's urban development programme cannot be held back until the World Bank funded UPU programme completes its task of upgrading the infrastructure of the CMC to handle its revenue collection and delivery of urban services. Projects such as Navagampura and Aramaya Place no doubt increase the already heavy load placed on the CMC infrastructure with respect to the delivery of urban services: But urban development also provides new opportunities for CMC to increase its revenue and thereby generate funds to support more and better services for the city; - whether CMC harvests the potential of these new opportunities or not is another matter.

The most important constraint relates to management and the institutional incapacity of Urban Local Authorities (ULAs) who are the implementers of the programmes in their areas. ULAs in Sri Lanka are at a low ebb - they are financially unsound and their service delivery is inefficient. Hence the Sri-Lanka-World Bank Project on strengthening ULA Performance. The NHDA intends immediately formalising the currently existing informal links between it and the Commissioner of Local Government, the UPU (in charge of the World Bank Project) and the UDA. The benefits will primarily be in coordination and tying the allocation of financial resources to clear performance criteria. If all four inter-connected agencies can enunciate a common approach for their relative inputs and concerns, the overall impact on ULAs would be quite substantial.

*(NHDA : Some Issues of the Urban
Housing Sub-Programme : March 1987)*

CHAPTER 4
HOUSING LOANS THROUGH GRAMODAYA MANDALA

VILLAGE LEVEL ORGANISATIONS IN THE GALLE, MATARA, AND
PUTTALAM DISTRICT SAMPLE

A substantial number of village level organisations were seen to function in the Sinhala-speaking districts. The organisations fall into three categories:

1. Organisations which depend for their efficiency on their ability to draw resources into the village from outside by interceding with the external political system which controls the disbursement of such resources to the local level.
2. Organisations which focus on village level activities of a specific kind and depend by and large on the mobilisation of resources available at village level.
3. Organisations which function as the village-level outreach of National or International NGOs which direct their own resources for village level development.

The majority of organisations within an average village fall into the first category. In Sri Lanka, rural capitalism is not a vigorous force for generating capital and investment at village level. The Sri lankan village has therefore to depend on external sources of capital to generate and sustain a process of growth and development. These external sources are controlled, largely, by the State. A system of political patronage directs these resources to different villages. Within this context there exists a class of village political 'brokers' who mediate between the village and the external political structure (ie. the member of parliament or MP) and obtain various types of resources for village-level development in return for political support. Village level organisations which articulate development needs of the village and try to get an inflow of resources to the village for resolving village needs, necessarily have as their key office-bearers, persons whose skills lie in their ability to

mediate successfully with the political structure. - ie. with the M.P. From another angle, the key office-bearers of these organisations are seen, more or less, as the political agents of the M.P. at village level.

The most prominent organisation in this category is the Rural Development Society (RDS) which is the recognised village level organisation through which the district administration works. Every AGA's office has a Rural Development Officer (RDO) whose task it is to develop the rural development societies within the division. RDS's discuss the common needs of the village which its office bearers try to resolve by representing matters to the M.P. and trying to obtain through him the necessary resources for the desired development activity.

The Community Centre (Praja Mandala) is another village organisation that falls into the same category. It derives its patronage from the Local Government Department; from the ACLG through the Sports Officer. Its activities are not confined to sports. Under a dynamic leadership, Praja Mandalas are known to organise many kinds of development activity at village level. Leadership tends to be political. Unless its key office bearers have effective linkages with the ruling political party, it will be difficult for a Praja Mandala to draw resources to the village.

Youth Clubs (Yavuvana Samaja) which have been established in recent years at village level draw their patronage from the National Youth Service Council (NYSC) under the Ministry of Youth Affairs. Youth Clubs are in practice open to unmarried, non-employed youth between the age of 16 and 29. Their work is facilitated by the Youth Services Officer attached to each AGA's office. Youth clubs undertake sports and cultural activities, vocational training, skills development activities and also a certain amount of village infrastructure development work. To draw in resources from the State system, the leadership that is thrown up by the Youth Clubs tends to be largely political - i.e. persons who have linkages with the ruling political party.

Young Farmer's Clubs (Tharuna Govi Samaja) were a village level institution dating to the 1965-70 period. They were originally associated with the aggressive food production drive of the government of that time. Persons below 35 years of age can join a Young Farmer's Club, where it exists. Their patronage comes from the Department of Agriculture through agricultural extension officers. Its activities are limited to agricultural development. They are facilitated by the agricultural extension officer. These organisations are not very active today. Their leadership tends to be political - i.e. persons closely linked with the ruling party, - but since they do not in practice attract much resources from the State, the political nature of the leadership is not so marked as in the case of those village level organisations which are capable of drawing resources from the State.

The School Development Society is yet another village level organisation that depends on State Controlled Resources for its effective functioning. All persons interested in developing the village school are entitled to membership. The School Development Society works for the development of the school in all its aspects; - getting better facilities for the school, improving the calibre of the teaching staff, the development of extra-curricular activities such as sports, music, the arts, getting more buildings etc. are the concern of this society. Resources have to come from the State through the efforts of the MP. It is therefore important that the leadership should be capable of relating effectively to the MP of the ruling party. The President of the School Development Society is ex-officio the School Principal. Even if the principal is a supporter of an opposition party, he has to toe the political line of the ruling party in both school as well as village affairs if he - as Ex-officio President of the School Development society - is to be able to draw resources from the State through the MP for the development of the school. If, on the other hand, he openly supports an opposition party, the flow of resources for developing his school will be drastically slowed down; the people in the village will turn against him as a principal who is not able to uplift their

school; and he will either have to suppress his political loyalties, neutralise himself and reestablish a cordial working - relationship with the representatives of the ruling party or agree to be moved out as a principal who has failed to uplift the school. The practical dynamic, therefore, works towards the political neutralisation of school principals who are not supporters of the ruling party, and the institutionalisation of de-facto political leadership in the School Development Society. The secretary of the society, too, is usually an educated and energetic person who can relate effectively to other educated persons such as teachers and other personnel of the education office.

There are also found in villages, occupation-specific organisations which have been set up by different development-oriented ministries. Fishery sector Social Development Societies (set up by the Ministry of Fisheries), Craftsmens Associations (organised by the Ministry of Rural Industrial Development). Dairy Societies (sponsored again by the Ministry of Rural Industrial Development) and Ayurveda Development Societies (organised by the Ministry of Indigenous Medicine) fall into this group. As these societies depend for their survival on receiving and distributing inputs from the State, political leadership of these societies is necessary if State-controlled resources are to be reached through the M.P.

The other village level organisation which usually expresses a political leadership - ie. a leadership strongly linked to the ruling political party - is the village level Consumer Co-operative Branch Society (Samupakara Pradeshiya). The Sri Lanka Co-operative movement is, in essence, a politically controlled movement rather than a genuine movement of co-operators. For instance, there is statutory provision for the boards of multi-purpose co-operative societies and even for the committees of branch societies to be dissolved by the Commissioner of Co-operative Development who has often done so on the advice of the local M.P. Co-operative boards which are politically not with the ruling party perceive themselves as qualifying for dissolution. Co-operative boards and village level co-operative branch committees tend therefore to be politically led by

supporters of the ruling party. Moreover, unlike under the former government where co-operatives were powerful because they controlled the distribution of subsidised food and of consumer items which were in short supply, under the present government which has on the one side done away with subsidised food except for the very poor (the food stamp system for the very poor) and on the other side aggressively instituted an open economy, the power and influence of the village consumer co-operative has got drastically reduced. However, even as an institution lacking in power and influence, the village consumer co-operative branch society tends to retain a political leadership.

The second category of village organisations are those which do not depend on resources controlled by the State but carry out their activities with resources that can be mobilised at village level.

Most prominent in this second category is the Funeral Aid Society (Maranadara Samitiya). This is an activity - specific organisation. members of the society mutually help one another at funerals. The Funeral Aid Society institutionalises such assistance which is offered in the form of cash, materials, facilities needed at a funeral etc. Resources are generated through the contributions made by members. Leadership is not political.

Religious Societies - i.e. societies related to temples, churches and mosques, also fall into this category. These organisations are confined to religious activities in the village. There are women's religious organisation, religious youth organisations, organisations for religious instruction, and organisations intimately connected with specific places of religious worship. Leadership of religious societies is not political.

The third category of village organisations consists of the village level outreach organisations of national NGOs like Sarvodaya and of international NGOs like Redd Barna. These village-level organi-

sations draw their resources both from within the village as well as from the larger NGO acting as donor vis-a-vis the village. The NGO itself might be funded by some other donor agency. The NGO movement has been expanding its activities in Sri Lankan Villages in recent years. The development activities of these organisations at village level range from pre-schools and cultural competitions, through family planning and primary health care to vocational training, skills-transfer and self-employment. Not having to reach out to the political system for resources, the leadership of these organisations - where they occur - at village level is not politically influenced.

In terms of representativeness, effectiveness, efficiency, frequency of meetings, participation, accountability of leaders to members and internal democracy, the performance of village level organisations is uneven. Management skills and practices leave much to be desired. Management, by and large, is very weak at this level. Moreover, though in any village there may be a substantial number of societies, not all societies are active : Some are dormant : some do not even hold annual elections : Some hold monthly meetings but cannot be called 'active' in terms of work done : Some do not even hold monthly meetings : Some are active and dynamic in terms of their particular mandate.

Village-level organisations in the Galle, Matara and
Puttalam district sample GM Areas

(N.D = No data)

G.M. Area : Sarumellagaha (Galle District)

<u>Name</u>	<u>No. of Members</u>	<u>Male/Female</u>		<u>Monthly Meetings</u>	<u>Annual Elections</u>	<u>Whether Active</u>
		<u>Ratio</u>				
		<u>M</u>	<u>F</u>			
RDS No.1	126	74%	26%	No	No	No
RDS No.2	187	69%	31%	No	Yes	Yes
TCCS	398	26%	74%	Yes	Yes	Yes
Sarwodaya Society	130	46%	54%	Yes	Yes	Yes
Consumers Association	65	61%	39%	No	No	No

G.M. Area : Sarumellagaha (Galle District) - (Cont'd)

<u>Name</u>	<u>No of Members</u>	<u>Male/Female Ratio</u>		<u> Holding of Monthly Meetings</u>	<u> Holding of Annual Elections</u>	<u> Whether Active</u>
		<u>M</u>	<u>F</u>			
		<i>Temple Society No.1</i>	180			
<i>Temple Society No.2</i>	77	46%	54%	No	No	No
<i>Buddhist Youth Association</i>	81	51%	48%	No	No	No
<i>Sarwodaya Gramodaya Centre</i>	114	42%	58%	No	No	No
<i>School Development Society</i>	420	85%	15%	No	No	No
<i>Co-operative Branch Society No.1</i>	240	93%	7%	No	No	No
<i>Co-operative Branch Society No. 2</i>	137	82%	18%	No	No	No

G.M. Area : Mahapotha (Puttalam District)

<u>Name</u>	<u>No of Members</u>	<u>Male/Female Ratio</u>		<u> Holding of Monthly Meetings</u>	<u> Holding of Annual Elections</u>	<u> Whether Active</u>
		<u>M</u>	<u>F</u>			
		<i>Women's RDS No.1</i>	170			
<i>RDS No.1</i>	80	50%	50%	Yes	Yes	Yes
<i>Women's RDS No.2</i>	60	0%	100%	Yes	Yes	Yes
<i>Inland Fishery Society</i>	30	100%	0%	No	No	No
<i>Buddhist Society</i>	60	80%	20%	Yes	Yes	Yes
<i>RDS No.2</i>	120	60%	40%	Yes	Yes	Yes
<i>RDS No.3</i>	110	65%	35%	Yes	Yes	Yes
<i>School Development Society</i>	450	N.D		No	No	No
<i>Temple Society</i>	160	60%	40%	Yes	Yes	Yes

G.M. Area : Mahapotha (Puttalam District) - (Cont'd)

<u>Name</u>	<u>No. of Members</u>	<u>Male/Female Ratio</u>		<u>Holding of Monthly Meetings</u>	<u>Holding of Annual Elections</u>	<u>Whether Active</u>
		<u>M</u>	<u>F</u>			
<i>Women's Buddhist Society No.1</i>	80	0%	100%	Yes	Yes	Yes
<i>Buddhist Youth Society</i>	60	100%	0%	No	No	No
<i>RDS No.4</i>	N.D	N.D		No	No	No
<i>Women's Buddhist Society No.2</i>	N.D	0%	100%	No	No	No
<i>Funeral Aid Society No.1</i>	N.D	N.D		Yes	Yes	Yes
<i>RDS No.5</i>	N.D	N.D		Yes	Yes	Yes
<i>Health Society</i>	N.D	N.D		No	No	No
<i>Community Centre</i>	N.D	N.D		No	No	No
<i>Funeral Aid Society No.2</i>	N.D	N.D		Yes	Yes	Yes

G.M. Area : Wattegoda (Matara District)

<u>Name</u>	<u>No. of Members</u>	<u>Male/Female Ratio</u>		<u>Holding of Monthly Meetings</u>	<u>Holding of Annual Elections</u>	<u>Whether Active</u>
		<u>M</u>	<u>F</u>			
<i>RDS No.1</i>	N.D	N.D		Yes	Yes	Yes
<i>RDS No.2</i>	N.D	N.D		Yes	Yes	Yes
<i>Community Centre</i>	N.D	N.D		Yes	Yes	Yes
<i>Temple Society No.1</i>	N.D	N.D		Yes	Yes	Yes
<i>Temple Dharma School No.1</i>	N.D	N.D		Yes	Yes	Yes
<i>Sarvodaya Society</i>	N.D	N.D		Yes	Yes	Yes
<i>Sports Club</i>	N.D	N.D		Yes	Yes	Yes
<i>Women's Buddhists Society</i>	N.D	N.D		No	No	No
<i>Temple Dharma School No.2</i>	N.D	N.D		No	No	No

G.M. Area : Wattegoda (Matara District) (Cont'd)

<u>Name</u>	<u>No. of Members</u>	<u>Male/Female Ratio</u>		<u>Holding of Monthly Meetings</u>	<u>Holding of Annual Elections</u>	<u>Whether Active</u>
		<u>M</u>	<u>F</u>			
		Ayurveda Development Society	N.D			
Co-operative Branch Society	N.D	N.D	No	No	No	
Consumer's Association	N.D	N.D	Yes	Yes	Yes	
Health Society	N.D	N.D	Yes	Yes	Yes	
TCCS	N.D	N.D	Yes	Yes	Yes	

G.M. Area : Muthuvella (Matara District)

<u>Name</u>	<u>No. of Members</u>	<u>Male/Female Ratio</u>		<u>Holding of Monthly Meetings</u>	<u>Holding of Annual Elections</u>	<u>Whether Active</u>
		<u>M</u>	<u>F</u>			
		School Development Society No.1	N.D			
School Development Society No.2	N.D	N.D	Yes	Yes	Yes	
RDS	N.D	N.D	No	No	No	
Ayurveda Development Society	N.D	N.D	No	No	No	
Women's RDS No.1	N.D	N.D	No	No	No	
Women's RDS No.2	N.D	N.D	No	No	No	
Temple Society	N.D	N.D	No	No	No	
TCCS	N.D	N.D	Yes	Yes	Yes	
Progressive Society	N.D	N.D	No	No	No	

The performance of individual societies within a GM area as well as the performance of village level organisations as a whole in the different G.M areas in relation to one another are seen to be very uneven in the sample. Sarumellagaha (Galle district) has

a mix of active and inactive societies while Muthuvella (Matara district) has a collection of very inactive organisations. Wattegoda (Matara district) on the other hand seems to have a large number of dynamic village-level organisations, while Mahapotha (Puttalam district) has an uneven mix of active and inactive organisations.

VILLAGE-LEVEL ORGANISATIONS IN THE JAFFNA DISTRICT SAMPLE

In the Jaffna district, a number of historical and socio-political factors converged to stifle the growth of village level organisations.

Since 1956, except for a short period between 1965 and 1968, no major Tamil political party from the north has participated in the government of the country, nor had any governing party been more than marginally representative of the Jaffna district. During the period 1970-1977, as a result of a couple of MPs from the All Ceylon Tamil Congress (TC) crossing over to the governing Sri Lanka Freedom Party (SLFP), the Jaffna district was again marginally represented in the government of that time. Therefore, by and large, the Jaffna district having only marginally participated in the different governments after 1956, the political patronage system did not get institutionalised in the Jaffna district in the same way as it did in the Sinhala-speaking districts of the country. There was, therefore, no proliferation of village-level organisations to receive and distribute State patronage; nor did a new class of village-level leaders emerge, whose *raison d'être* was their political brokerage function between the village and a political system which channeled resources to it.

At the same time, the Jaffna social system is highly family-oriented and only minimally community-focused. The perceived unit of development in the Jaffna social system is the nuclear family rather than the village or the local community. Resources for investment and development derive largely from the individual participation of family members in an economy external to Jaffna and flow into the district in the form of cash remittances. There is very little

community organisation for development.

Futhermore, as long as this social system remained, most of the dynamic, capable men lived and worked outside the Jaffna district, leaving the district itself relatively deprived of the type of human resource that would be necessary to provide a dynamic leadership to village level organisations. In their place, retired government officers who had eventually returned home for good after retirement, held office in the few organisations that existed at village level.

The socio-economic system of the Jaffna district could function without challenge or disruption only as long as

- The Jaffna youth are able to enter with ease the higher education system for human resource development : and
- A substantial part of the Jaffna district workforce - especially the more educated part of it - could enter the employment market outside the district with ease and without impediment.

As the above two possibilities became less and less viable, there grew up in the Jaffna district a militant youth movement which began to press for greater and greater autonomy, and ultimately for a separate State for the Tamil-speaking north and east. As the numbers of Tamil-speaking GCE(A Level) qualified youth unable to participate in the higher education system grew in numbers, and as employment possibilities outside the district but within the country began to become less facile, some who could afford the initial costs went out to West Asia and others with the necessary contacts and funds to meet the cost of travel moved over to Europe as refugees in search of employment, while others found recruitment in the militant movement that has gathered strength in the Jaffna district.

Reacting to the impasse in which they found themselves, sections of militant Tamil youth perceived the reasons for their present circumstances to be :

- The failure to develop income and employment opportunities in the north itself, based on the exploitation of local resources.

- Political and economic processes resulting in a restriction on the entry of Tamil youth both into the higher education system as well as into the employment market in Sinhala-speaking districts.
- The continuance of an economy in the Jaffna district which largely bases itself on cash-flows deriving from the deployment in Sinhala-speaking districts of human resources developed in the Jaffna district.
- The relegation of the leadership of the Tamil-speaking people over the past fifty years and more to a Colombo-oriented Tamil middle-class stratum, which, while failing to commit its time and energy to developing the Tamil-speaking districts, legitimized its inactivity in terms of communal politics: It developed a rhetoric which blamed what it termed as 'the communal politics of the Sinhala politicians and the ethnic discrimination of the Sinhala public servants' for the relative neglect of the Tamil-speaking districts.
- The growth of political processes in the country resulting in relative disadvantages for the ethnic Tamil community of the north and east.

At present, the strongest of the militant groups in the Jaffna district as well as in the other districts of the north and east is the Liberation Tigers of Tamil Eelam (LTTE). The LTTE aspires for a politico-economic environment that is radically different from the traditional socio-economic system of the Jaffna district. They advocate an economy for the Jaffna district based on the development of locally-available agricultural and industrial resources : They decry the traditional system which depended heavily on the Sinhala-speaking districts for the deployment of human resources developed in the north : They condemn the traditional social institutions such as the caste system and the dowry system which sustained the traditional economic structure of the north, pointing out for instance how the caste system constrains access to the fishery resources off the northern and eastern coast for large numbers of people living in the northern and eastern districts : They advocate the emergence of a new Tamil leadership which commits itself aggressively to a self-sustaining economic deve-

lopment of the Tamil-speaking districts of the north and east : and finally they are seen to favour the inflow of resources for economic development from both governmental and non-governmental sources. The flow of credit and infrastructural support from NHDA for rural housing development in the Jaffna district is therefore not perceived by the LTTE as being antithetical to their politico-economic objectives.

As pointed out earlier, society in the Jaffna district is more family-oriented and less community-oriented in comparison to society in the Sinhala-speaking districts of the country. Due to the convergence of many mutually supportive socio-economic and socio-political factors and processes, when groups of Tamil youth reacted to the politico-economic non-viability of the traditional Jaffna socio-economic system by adopting a militant course, they did so in a social environment which had no tradition of effective people's organisations at local level.

Relative to the others, the most effective and well-managed village level organisation in the Jaffna district is the Co-operative Society. While Co-operative Societies of the Jaffna district are very efficiently managed by committees composed of retired government officers who had returned to their homes in the north on retirement, the level of popular participation in the co-operative movement has always been low. Co-operatives serve to distribute both consumer essentials and agricultural inputs to the people. On returning home after retirement, former governmental officials who have gathered years of experience in the co-operative sector, the agricultural sector and in other sectors of administration and development enter the committees of co-operative societies and provide a strong managerial input to the Jaffna co-operative movement. Political interference with and control of the co-operatives has not been - unlike in the Sinhala-speaking districts - a constraint to the efficient functioning of co-operatives in the north, mainly because the bulk of northern MPs by and large did not have access to governmental power for over 40 years. However, the Jaffna district co-operative - though 'co-operative' by name - is more appropriately seen as a well-managed distribution agency rather than as a peoples-organisation with a high

level of popular participation.

There is also a relatively weak RDS movement in the Jaffna district. The main office-bearers of RD Societies are, once again, retired governmental officials who have taken up office at the request of the AGA who perceives the RDS as a kind of 'officially-recognised' institution through which the district administration can - when needed - relate to people at village level. Many villages also have Community-Centres, Sports Societies and School Development Societies, which, unlike in Sinhala districts, are largely inactive. Temple and Church Societies too exist but their activities are confined to the religious affairs of their respective temples and churches. Co-operative Thrift societies (TCCS) too exist in some villages - an institution which is now becoming more active in the Nallur AGA division on account of the granting of NHDA housing loans through them as a pilot project in this division. Women's RD societies and Women's TCCSs also occur - though in small numbers - in Roman Catholic Villages. Unlike the Sinhala-speaking districts, Jaffna district has hardly any Funeral Aid Societies.

The leadership of all these organisations consists of retired governmental officials, - the old (retired and back in the village) rather than the dynamic young, (who, traditionally would be working outside the district, and some of whom would now be within the district but in the militant movement).

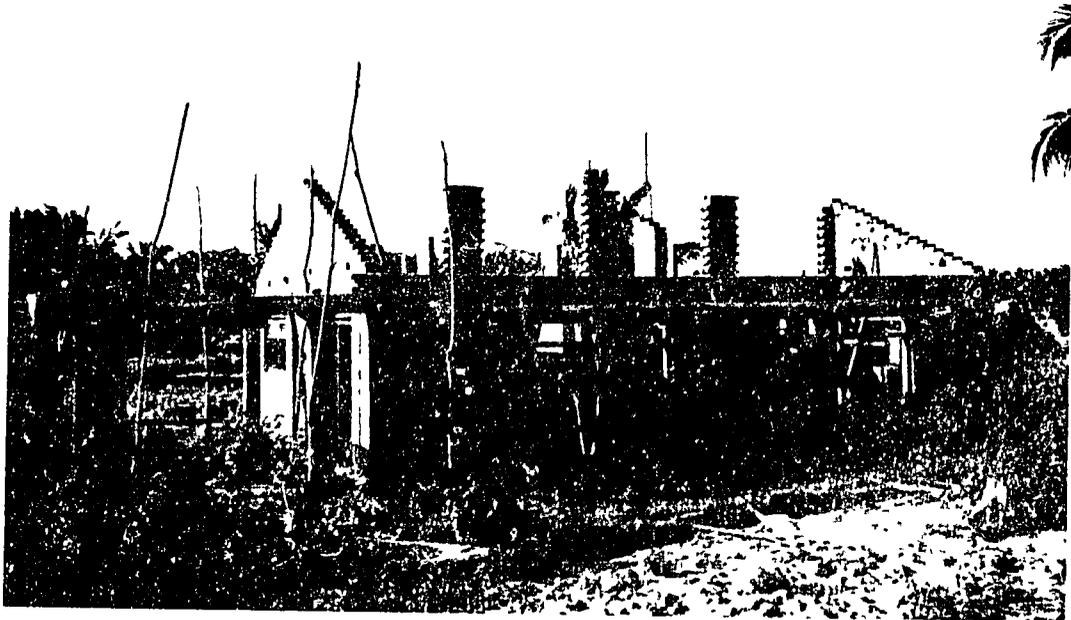
Arumugam is the Chairman of the RDS at Kudiputhirippu. He is a retired clerk of the Jaffna Kachcheri. He is married. His 3 sons are employed outside the district. Arumugam himself cultivates lands in Mullaitivu. He is a strong supporter of the TULF, and a personal friend of some TULF leaders. He admits he is not really interested in developing the village, and legitimises his stand by saying that "until we achieve political independence, we will not be able to develop our village or our district". He spends most of his time developing his own lands at Mullaitivu. Arumugam was virtually imposed on



AT CROSSROADS

Most houses reach a plateau at this stage of construction when all the funds are exhausted.

A small loan should help them to overcome the final hurdle.



the RDS by the AGA who advised the members at an annual general meeting to elect Arumugam as their Chairman. His image in the village is rather low; many villagers perceive him as a kachcheri clerk who was known for taking bribes, but influential with both the AGA and the TULF leadership.

Kudiputhirippu has a RDS, a Co-operative Branch Society, a School Development Society, a Church Parish Society and 7 TCCSs of which 2 are women's TCCSs. Kovalam has a RDS, a Community Centre, a Sports Society, a Temple Society, a School Development Society and a Co-operative Branch Society. On account of the abnormal conditions prevailing in the Jaffna district almost all these organisations, barring some of the TCCSs and most of the Co-operative Branch Societies, are totally inactive. Meetings, which in normal times are held after dusk, can now hardly be held : For one thing, most people do not care to leave their houses after about 5.00 P.M, and for another it is feared that village level meetings may be viewed with suspicion by the security services. Although village level organisations in the Jaffna district were not as active as their Sinhala district counterparts even in the best of times for reasons discussed earlier, after 1983 when militant activity escalated, many of them have by and large become totally dormant. Many organisations in Kudiputhiriuppu and Kovalam have not even held an annual general meeting since 1983, and they have not seen a change of office-bearers for about 4 years. Many though not all the Co-operative Branch Societies which distribute consumer essentials and agricultural inputs, the Temple and Church Societies which organise religious activities around their places of worship and the TCCSs wherever they exist, continue, however to meet and function, although with a minimal degree of membership participation, and often without annual elections.

GRAMODAYA MANDALA

With the implementation of the Amendment Act No.45 of 1981 to the Development Council Act No.35 of 1980, the chairmen of all non-political voluntary organisations within a Grama Sevaka division (the lowest administrative unit of a district) recognised by the AGA,

come together to form a Gramodaya Mandala (GM). Every Special Services Officer (SSO) serves two GMs as secretary. The GM members (ie. the chairmen of the officially recognised VOs in a GS division) elect the GM Chairman who holds office for an year. All government officials working at GM level constitute the appointed members of a GM.

As seen earlier, at local level in Sri Lanka, there is a multitude of Voluntary Organisations which aim at improving the quality of life of the villagers. These organisations cover the social development parameters of social security, economic/infrastructure development, education, religious activities, cultural affairs etc. Most of these organisations - e.g. the RDS, the Co-operative Society, the Youth Club - are in practice strongly sponsored and influenced by the government. A few such as the Funeral Aid Society, the TCCS, Temple/Church/Mosque Societies etc. are neither State sponsored nor State-controlled. The GM system is based on the assumption that through this great variety of voluntary organisations, it will be possible to obtain a representation of the real needs at village level. It is also assumed that the Chairmen of such VOs are the best informed persons in respect of the objectives, interests and perceived needs of their members. Thus the nomination by law of the chairmen of these VOs as members of the GMs was intended to create a forum that could give a varied and comprehensive view of the needs at village level.

It has already been shown that the quality of membership participation in village level VOs is uneven both within any particular GM as well as across different GMs. Therefore the degree to which the proposals made by GM members reflect the needs and wishes of the people varies both within and between GMs.

Furthermore, although GMs can decide on proposals for village-level development, they do not receive an allocation of funds for implementing such proposals. The GM does not have control over any resources devolved from the State. GM's, however, are permitted to generate funds by taking contracts for the construction and repair of village roads, wells, culverts etc. from government departments and/or the district administration.

Lacking any meaningful control over resources, most GMs, therefore by force of circumstances, identified for themselves a role of lobbying the MP and other political agencies to implement various GM proposals either with funds from the decentralised budget or from the DDC over which MPs have political control or through an Integrated Rural Development Project (IRDP) which the MP may be able to influence. To resolve this role satisfactorily, the GM Chairman had to be a person with good political linkages to the MP; in other words, he had to make himself politically useful to the ruling party. Through this process, for all practical purposes, most GMs developed into political institutions.

A few GMs, viz : the more dynamic ones with creative leadership, are seen to have embarked on innovative activities, taking access to resources available with banks and NGOs. Most GMs have, to a greater or lesser degree, mobilised locally available labour resources for infrastructure development and maintenance in the form of Shramadana (labour donation) campaigns. As a general observation, the performance of different GMs has been uneven.

Development activities undertaken by the Sarumellagaha GM. (Galle)

1985

6 shramadana

1986

5 Shramadana (4 roads, 1 well)

1 Sevana House : resources : from Sevana Fund and from local contributions.

1 Low Cost House : from local contributions.

Development activities undertaken by the Mahapothe GM. (Puttalam)

1986

2 Contracts to construct wells.

1 Contract to repair a building.

Development activities undertaken by the Muthuvella GM. (Matara)

1985 and 1986

1 Buddhist Preaching Ceremony organised at a home for elders.

1 Shramadana to clean the School Playground.
Training of the pre-school teacher.

Development activities undertaken by the Wattedoda GM. (Matara)
1985 and 1986

1 Shramadana to repair a road.

Arranged self-employment bank loans to the value of Rs.6750/- for 27 Coir Worker Women.

Arranged self-employment bank loans to the value of Rs.1000/- each for 4 brick kiln owners.

Arranged self-employment bank loans to the value of Rs.1000/- each for 4 seamstresses.

Arranged self-employment bank loans to the value of Rs.1000/- each for 6 youth.

Took initiative to form a TCCS.

2 Shramadana to clean 2 temples.

1 Shramadana to clean a school well.

Organised a donation of 60 yards of cloth to poor school children.

Arranged a loan of Rs.35,000/- from the National Savings Bank for 70 paddy cultivators.

Arranged a loan of Rs.20,000/- from the National Savings Bank for 20 small traders.

Project to popularise the use of herbal broths.

Organised a Weekly Saturday Fair with Sarwodaya.

Project to develop home gardens.

1 Shramadana to repair 5 houses of poor families.

1 Sevana House : resources from Sevana Fund and from local contributions.

1 Shramadana to repair 1/2 mile of roadway.

Thus over time GMs evolved unevenly to,

- function as political organisations trying to motivate the MP to provide State controlled resources for local level development.
- mobilise locally available resources - especially labour resources - for infrastructure development and maintenance.
- Access resources available with banks and NGOs.

Depending on whether the GM's strategy and activities were of relevance to individual VOs or not, attendance at GM meetings declined in different GMs to a greater or lesser degree. It was seen that by and large, especially in the case of GMs which were not active in terms of undertaking practical, development projects at village level, attendance was relatively high at the annual general meeting at which the office bearers of the GM were elected and remained relatively low at all other meetings.

Attendance at GM meetings : 1986

Sarumellagaha GM (Galle)

AGM : 100% *

Other meetings : 100% *

(* Total membership of GM is only 3)

Wattegoda GM (Matara)

AGM : 50%

Other meetings : 33%

Muthuvella GM (Matara)

AGM : 72%

Other meetings : 43%

Mahapotha GM (Puttalam)

AGM : 100%

Other meetings : 60%

From 1981-1986, GM membership was given to the chairmen of all VOs recognised by the AGA as active organisations. The AGA went on the advice of the SSO who was expected to evaluate the performance of each VO in a particular year and brief the AGA as to whether it should be accepted or not for GM membership in the following year. For this purpose, the AGA and/or the SSO were entitled to inspect the books of any VO. In 1986, it was decided that in addition to the Performance Criterion, only those VOs which had registered themselves with the government department that gave them patronage or with the Social Services Department under the Voluntary Organisations Registration Act of 1979 would qualify for membership of a GM. Many VO's - especially the ones that do not depend on political patronage for their successful functioning such as the Funeral Aid Societies,

Religious Societies etc - did not go through the trouble of registration merely to keep their GM membership, and thereby lost their GM membership in 1987. This is a poor reflection on the perceived value that GM membership has for many village level VOs. In contrast, very few VOs lost their GM membership in 1987 on the Performance Criterion.

GM Membership : 1986 and 1987

<u>Name of GM</u>	<u>No: of members 1986</u>	<u>No: disquali- fied on the Registration Criterion</u>	<u>No: disquali- fied on the Performance Criterion</u>	<u>No: of members 1987</u>
Sarumellagaha (Galle)	12	7	2	3
Wattegoda (Matara)	15	7	1	7
Muthuwella (Matara)	9	4	1	4
Mahapotha (Puttalam)	27	7	4	16

In Sinhala-speaking districts, from 1984 the GMs undertook the responsibility for :

- Calling for applications for NHDA housing loans :
- Making selections and preparing a priority list of beneficiaries :
- Monitoring the progress of house-construction/upgrading, and:
- Assisting in loan recovery.

THE HOUSING SUB-COMMITTEES OF THE JAFFNA DISTRICT

With the implementation of the sixth amendment to the Sri Lankan Constitution which followed the ethnic riots of July 1983, GMs ceased to exist in those districts of the north and east where the ethnic Tamil minority lived.

To undertake those RHSP responsibilities which in the Sinhala-speaking districts were devolved on the GMs, Housing Sub-Committees were established for each GM area where GMs as such did not function. These sub-committees were established under the supervision of the GA, AGA and the DM/NHDA.

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THE GRAND FINALE THE LAST STAGES

With most of the work complete, this house only requires a permanent roof. At this juncture, even a small loan will be of great assistance.



Each Housing Sub-Committee comprised :

- Presidents of RDSs
- Presidents of Community Centres, and
- Presidents of TCCSs
- Presidents of School Development Societies
- Presidents of Sports Societies.

The SSO was appointed Secretary for every two housing sub-committees.

The politically most powerful member of a housing sub-committee was, in effect, the SSO. Many of these young governmental officers whose names had been recommended by the TULF MPs before they had ceased to be members of parliament following the sixth amendment to the Constitution, were found to be supporters of the Tamil militants. With their de-facto LTTE connections, SSOs exerted a strong political influence over the respective housing sub-committees which they served. While a housing sub-committee comprised local VO Chairmen who generally were elderly retired government officers, the political influence of the LTTE was brought to bear on the sub-committee through the politically-motivated SSO who served as secretary.

At Kudiputhirippu, the housing sub-committee comprised one RD President (a retired teacher), the President of one Community Centre (a retired teacher), the President of the School Development Society (the principal) and 3 TCCS Presidents (a retired teacher and 2 retired clerks) with the politically-motivated LTTE - oriented SSO functioning as Secretary. At Kovalam, it comprised one RD President (a retired teacher), the President of one Community Centre (a retired clerk), and the President of the Agricultural Committee (a retired Agricultural Inspector) with the politically-motivated LTTE - oriented SSO as Secretary. The live-wire of these two housing sub-committees was observed to be their respective SSOs who are supporters of the LTTE.

HOUSING LOANS : SUPPLY AND DEMAND

Under the RHSP, housing loans are sought only by those who have already made some investment in house-building and have the capacity to mobilise more capital outside the NHDA housing loan to build/upgrade

a house within 6 months - 1 year. In other words, it is only the relatively affluent who seek housing loans; -not, by any means, the poorer sections of a village community. The relatively rich in a village have good linkages with the lower rungs of the government administration; linkages through which information is communicated. Information about the availability of NHDA housing loans reaches them effectively through these informal channels of communication. In addition, most GMs publicised the availability of housing loans through notices which were posted on trees and walls in prominent places within a GM area. The Jaffna District Housing Sub-Committees, however, did not put up notices but informed those who may be interested through activating informal channels of communication originating in the SSO.

<u>GM Area and Year</u>	<u>Mode of Publicising loan availability</u>
<i>Sarumellagaha (Galle) : 1984</i>	<i>Public notices</i>
<i>Sarumellagaha (Galle) : 1985</i>	<i>Public notices</i>
<i>Wattegoda (Matara) : 1984</i>	<i>Public notices</i>
<i>Wattegoda (Matara) : 1985</i>	<i>Public notices</i>
<i>Wattegoda (Matara) : 1986</i>	<i>Public notices</i>
<i>Muthuvella (Matara) : 1984</i>	<i>Public notices</i>
<i>Muthuvella (Matara) : 1985</i>	<i>Public notices</i>
<i>Muthuvella (Matara) : 1986</i>	<i>Public notices</i>
<i>Mahapothe (Puttalam) : 1984</i>	<i>Public notices</i>
<i>Mahapothe (Puttalam) : 1985</i>	<i>Informal channels</i>
<i>Mahapothe (Puttalam) : 1986</i>	<i>Informal channels</i>
<i>Kudiputhirippu (Jaffna) : 1984</i>	<i>Informal channels</i>
<i>Kudiputhirippu (Jaffna) : 1985</i>	<i>Informal channels</i>
<i>Kovalam (Jaffna) : 1984</i>	<i>Informal channels</i>
<i>Kovalam (Jaffna) : 1985</i>	<i>Informal channels</i>
<i>Kovalam (Jaffna) : 1986</i>	<i>Informal channels</i>

Within the target group that is defined in terms of the practical dynamic analysed in an earlier chapter, NHDA housing loans are sought only by those who are in the process of building, are able to mobilise more capital, and have currently decided to give high priority to the upgrading/completion of their houses within the multifaceted complex of their investment priorities. At any given

point of time, therefore, even within the parameters of the practically-defined target group, the number of persons who will seek NHDA housing loans is limited.

<u>GM Area and Year/Years</u>	<u>No. of Appli- cants for housing loans</u>	<u>No. of Bene- ficiaries</u>	<u>Percentage of demand supplied</u>
<i>Sarumellagaha (Galle) : 1985</i>	70	12	17%
<i>Wattegoda (Matara) : 1986</i>	142	7	5%
<i>Muthuwella (Matara) : 1986</i>	43	8	19%
<i>Mahapotha (Puttalam) : 1986</i>	22	14	64%
<i>Kovalam (Jaffna) : 1984-86</i>	82	36	44%

It was shown in an earlier chapter that the 'Tenancy Criterion' laid down in the RHSP guidelines was interpreted so flexibly at operational level that it did not present a significant constraint to the access to housing loans. In the same way, the 'Age-Criterion' is also not a constraint at operational level. When the person wishing to apply is over 50 years of age, he presents the application either in his wife's name, if she is under 50, or else in the name of one of his children. The nominal or de-jure beneficiary and the real or de-facto beneficiary can therefore sometimes be different members of the same family.

Age of De-Facto Beneficiaries in GM areas
(% frequency distribution)

<u>Age group</u>	<u>Galle, Matara, Puttalam district samples</u>	<u>Jaffna district sample</u>
<i>Below 35 years</i>	27	14
<i>36 - 50 years</i>	54	86
<i>51 - 70 years</i>	15	-
<i>Over 70 years</i>	<u>4</u>	<u>-</u>
	<u>100</u>	<u>100</u>

The education levels and the employment profile of the beneficiaries also show a diversity that reflects the reality of Sri Lankan rural society in the Sinhala and Tamil speaking districts respectively.

Significant differences are seen between the employment profile and the educational profile of Sinhala-speaking and Tamil-speaking beneficiaries.

Educational Level of Beneficiaries

(% frequency distribution)

<u>Educational level</u>	<u>Galle, Matara & Puttalam district samples</u>	<u>Jaffna district sample</u>
Illiterate	7	-
Grade 1 - 5	20	9
Grade 6 - 8	37	64
Grade 9 - 10	27	4
Grade 11 and above	<u>9</u>	<u>23</u>
	<u>100</u>	<u>100</u>

Employment Profile of Beneficiaries

(% frequency distribution)

<u>Employment</u>	<u>Galle, Matara and Puttalam district samples</u>	<u>Jaffna district sample</u>
Agriculture : Self-employed	32	17
Non Farm : Self-employed	29	25
Agricultural labourer	10	24
Non-Farm labourer	7	13
Salaried : Govt./Corp:	13	21
Salaried : Private Sector	8	-
Other	<u>1</u>	<u>-</u>
	<u>100</u>	<u>100</u>

No. of Persons Employed per Household

Galle, Matara, Puttalam District Samples	: 1.9 persons
Jaffna District Sample	: 1.1 persons

In the granting of NHDA housing loans, it was observed that while the applicant seeks a higher quantum of loan, the HO/NHDA usually recommends a smaller amount which is what the applicant eventually receives. Beneficiaries as well as the GM Chairmen and SSOs inter-

viewed, perceive that this is motivated by a desire to increase the spread of the benefits of the RHSP to a larger number of families with the limited resources available to NHDA. House-builders who ask for a higher amount but receive a smaller loan, accept what they get: but it means they have to mobilise more resources from outside at a higher rate of interest than they would otherwise have had to do. Hardships can increase especially for the less affluent beneficiaries when NHDA gives a smaller loan than applied for, because of what is perceived to be NHDA's 'near-obsession' with the question of 'Scale'.

Anohamy, aged 55, of Wattegoda (Matara district) is a widow with 5 children. Her monthly family income is around Rs.1200/-. As she is over 50 years, she got her son Chalo Singhno aged 25 to apply for a NHDA loan of Rs.7500/- to build a small house. The HO recommended a loan of Rs.4500/-. She decided to accept this smaller loan and to borrow another Rs.3000/- in the informal money market at a 10% rate of interest per month. She is now finding it hard to pay the interest on this second loan. She would not have had to encounter her present hardships had she received an NHDA loan of Rs.7500/- instead of Rs.4500/-.

S. Sabaratnam, aged 55 is a dhoby (washerman) of Kudiputhirippu (Jaffna district). He is married and has 3 sons and a daughter. Since he was over 50 years of age, he got his son Velupillai aged 27 to apply for an NHDA loan of Rs.7500/- to build a house. The HO recommended a loan of Rs.5000/-. Sabaratnam accepted the smaller loan but borrowed Rs.2500/- more than he had earlier planned to borrow in the informal money market at a 5% rate of interest per month.

Size of NHDA Housing Loan in GM areas

(% frequency distribution)

<u>Quantum of loan</u> <u>Rs.</u>	<u>Galle, Matara, Puttalam</u> <u>district sample</u>	<u>Jaffna district</u> <u>sample</u>
Below 3000	29	-
3001 - 4000	20	5
4001 - 5000	47	45
5001 - 6000	-	50
6001 - 7000	-	-
Over 7000	<u>2</u>	<u>-</u>
	<u>100</u>	<u>100</u>

Size of House Built/Upgraded with NHDA loan in GM areas

(% frequency distribution)

<u>Size (sq.ft.)</u>	<u>Galle, Matara, Puttalam</u> <u>district sample</u>	<u>Jaffna district</u> <u>sample</u>
Below 250	-	-
250 - 500	24	77
501 - 750	39	18
Over 750	<u>37</u>	<u>5</u>
	<u>100</u>	<u>100</u>

THE ROLE OF GOVERNMENT OFFICERS

After the priority list of beneficiaries is prepared by the GM, (or the housing sub-committee in the Jaffna district) the HO/NHDA inspects all the sites/houses of the applicants and sends his reports to the DM/NHDA. He cannot change the order of priority, but he could disqualify any applicants and/or recommend smaller loans to some. The HO who is an NHDA officer attached to the AGA's office is, at field level, the key officer on the rural housing scene. Apart from having the authority to recommend the quantum of loan, the HO's authority is necessary before the release of any loan instalment to a beneficiary. The HO is usually a young GCE (O Level) science qualified officer who has also undergone training in making Estimates and preparing Technical Reports. He is a junior officer of NHDA, but works from the AGA's office. The HO is the link between the NHDA mechanism that delivers support for rural housing and the beneficiaries/village

house-builders who receive it.

The HO relates to the beneficiaries at operational level, not directly but through or with the co-operation of the SSO and the GM Chairman. These three persons usually know each other well. The SSO and HO are both junior-level officers attached to the same office, viz : the AGA's office. The GM Chairman is a village level leader who often visits the AGA's office on official work. Not only are the HO, SSO and GM Chairman often friends but they are also social equals, having the same kind of social background, viz : the rural middle-class. Close ties of mutual trust are seen to link the HO, SSO and GM Chairman to one another at operational level. They can and do influence one another.

The relationship between the SSO and the GM Chairman on the one side and the beneficiaries or village-level house-builders on the other, is also seen to be one of equality and friendship. Since the beneficiaries come from the relatively affluent strata of village society, they share a common socio-economic background and lifestyle with the SSO and GM Chairman who also invariably come from the same background.

This shared socio-economic and class background link the HO, SSO, GM Chairman and the beneficiaries to each other. They are often in a position to address each-other by their personal names. The relationship is one of equality. None addresses the other with the honorific/respectful 'Sir'. The operational level relationships would almost certainly not have been the same had the beneficiaries been from the poorer segments of the village. Such close relationships would also perhaps not have evolved had the HO related to the beneficiaries direct, instead of the relationship being mediated by the SSO and the GM Chairman : For, in such a situation, the HO, though sharing the same social-class background, could have easily slipped into the role of an outside bureaucrat who would expect the beneficiaries to relate to him as a bureaucrat and not as a social equal and address him with the honorific/respectful 'Sir'.

The HO - SSO - GM Chairman - Rural House Builder relationship evolved in such a way as to introduce a great deal of flexibility into the RHSP at field level. In many cases, before releasing an installment, the HO, instead of insisting on visiting the site and monitoring progress which will cause some delay on account of his heavy work-schedule, would go by the recommendation of the SSO or the GM Chairman. The flexibility that evolved within the system on account of this process served to :

- Eliminate delays in releasing loan installments.
- Facilitate the releasing of two instalments together in response to the specific situation of families.
- Facilitate the releasing of final payments in certain instances before work is actually completed in response to specific situations where it is necessary to 'subvert' normal procedures in order to assist a family to build a house without falling into unnecessary financial difficulties.

Gunadasa, aged 38 of Sarumellagaha (Galle district) obtained a NHDA loan of Rs.3500/- to build a house. The correct procedure is to release this loan in 3 instalments, - Rs.1000/- to raise the walls; Rs.1000/- to install the roof structure; and Rs.1500/- to tile the roof. As the work that had to be accomplished with the first instalment was completed very fast, the HO released the next two instalments together.

Manel, aged 42, of Mahapotha (Puttalam district) is married with 3 children. Her husband is a cultivator. Her house-building process started in 1981. In 1984 she received a NHDA loan of Rs.7500/-. With the help of the first instalment of Rs.3000/-, she put up the walls and installed the door and window frames. With the help of the second instalment of Rs.2000/- she raised the walls upto roof level but could not complete the roof structure with it. As her work had progressed well, the HO, decided to release the final instalment of Rs.2500/- at this stage instead of waiting till the roof is finished so that she

may complete the house without borrowing much money in the informal money market. Manel completed the roof structure but has not been able to tile her roof for the last two and a half years.

Dharmasena aged 42 of Sarumellagaha (Galle district) is a self-employed ploughman with 2 bulls and a plough-share which he hires out. He obtained a NHDA loan. With the help of the first two loan instalments he raised the house to roof level and installed the roof structure as well. Though the final instalment of Rs.1000/- should have been released only after the roof was tiled, the HO decided to release it earlier so that Dharmasena may tile his roof without borrowing money through the informal system at 10% interest per month. The HO said that he took this decision because Dharmasena's performance in house-construction had been very good and he was confident that if he were to release the final instalment in advance "on trust", Dharmasena will be able to complete his house without facing serious hardship.

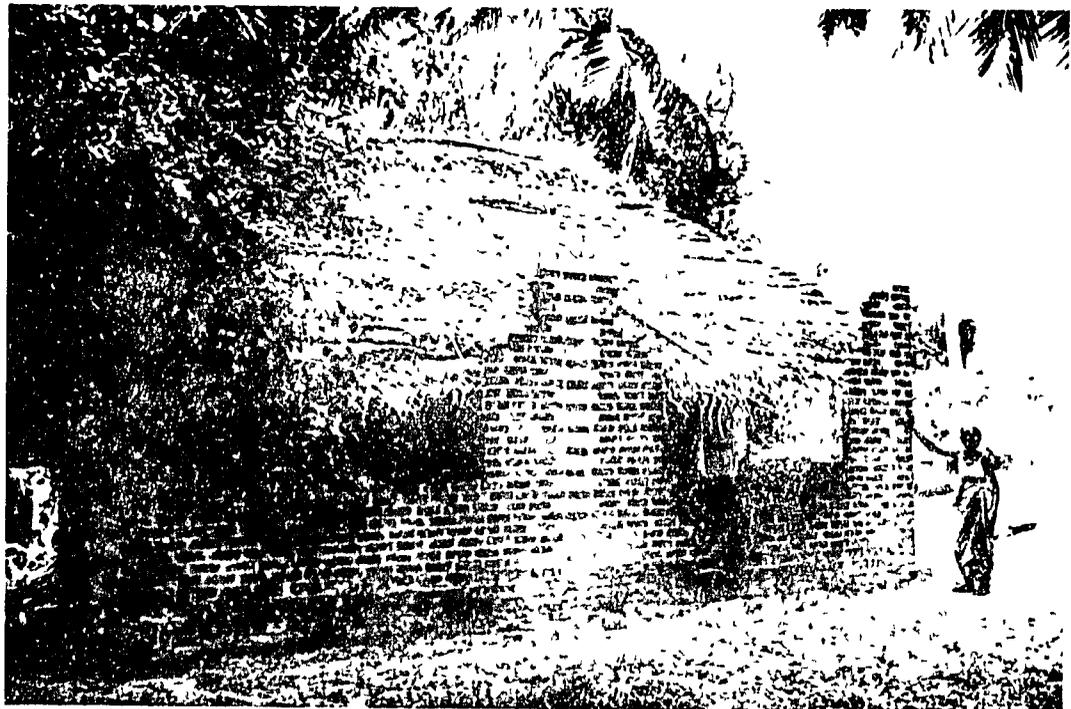
The RHSP has given a set of guidelines relating to the stages at which loan instalments could be released to beneficiaries. From 1985, NHDA gave autonomy to the districts to work out their own instalment patterns. However it is expected that the HO should discuss with each beneficiary his own individual circumstances and work out different instalment ratios for each family. For instance depending on the circumstances of each case, it may be appropriate to release a small first instalment and a large second instalment in one case, and a large first instalment with a relatively small second and third instalment in another case. In practice, it is found that HOs are not able to spend so much time with each beneficiary family as to be able to understand their unique situations and work out different instalment ratios for different families. The HO already has a heavy schedule of work. He spends one day in the week at the DM's office, one day in the AGA's office, leaving him three days in the week for his field visits. This is a tight schedule. For instance, the AGA

division in which Mahapotha is located has 16 GM areas. Assuming that on an average ten houses are built with NHDA loans in each GM area, the HO attached to the AGA's office will have 160 houses to visit. He is required to visit each house on four occasions, giving him in all 640 visits per year which he has to fit into his schedule of three field days per week. He obviously cannot look into the case of any single beneficiary at any great depth.

While there are no delays in inspecting houses and releasing instalments, it was observed that beneficiaries experience a fair degree of inconvenience when making formal applications and receiving payments when loans are given through the GM system. Once the list of beneficiaries is finalised, the beneficiaries are summoned by the DM/NHDA either to his office in the district capital or to the AGA's office. The formalities at this point in the process can create a fair degree of stress. The beneficiaries have to perfect the necessary documents in support of their applications. These include income-certificates, documents to prove ownership of the land on which the house is to be developed etc -. Two guarantors acceptable in terms of the RHSP guidelines have also to be presented personally. The documentation may be incomplete, in which case the beneficiary may have to come again. Then again, to receive the payment of the first instalment, the beneficiary has to go personally to the DM's office which is located in the district capital. If the office is busy on that day, he may waste a day and have to go again. There are cases of beneficiaries who have had to go 3-4 times to the DM's office in the district capital to receive their cheques. At the same time it is also observed that in spite of this level of inconvenience, the time lag between 'loan application' and 'receipt of first instalment' is generally within the range of only 3-6 months, with a higher level of efficiency being observed in the Jaffna district sample.

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SHE TOO NEEDS HELP



This old lady lives alone; all her children have left home leaving a partially completed house. Her wish is to breathe her last in the completed house.

However, she is too old to obtain a loan. A special scheme should be devised to include such needy persons.

Time lag between Loan Application and

Receipt of first instalment

(% frequency distribution)

<u>Time lag (months)</u>	<u>Galle, Matara, and Puttalam district samples : GM areas.</u>	<u>Jaffna district sample : GM area.</u>
Below 3	29	9
3 - 6	51	91
7 - 9	10	-
10 - 12	<u>10</u>	<u>-</u>
	<u>100</u>	<u>100</u>

SELECTION OF BENEFICIARIES BY GRAMODAYA MANDALA

Priority lists of beneficiaries are prepared by Gramodaya Mandala in those areas where NHDA housing loans still continue to be given through the GM system. It was observed that the GM Chairman and SSO play a very active role in the selection of beneficiaries. In all cases of GMs studied, applications made to GMs were scrutinised by the Chairman and the SSO; priority lists were prepared by them and the endorsement of the list at a general meeting of the GM was 'stage-managed'. At Mahapotha, in 1986, the Chairman and SSO, having prepared the list in advance, arranged for different GM members loyal to them to propose 1-2 names from the list at a time, till all the names on the pre-arranged list were proposed and seconded. At Wattedoda and Muthuvella, the Chairman arranged for one member of the GM to propose the entire list. The Sarumellagaha list was also proposed in the same way.

It was also seen that although a GM is expected to have a housing sub-committee to study the applications and prepare a list of beneficiaries for approval, there were no functional housing sub-committees in any of the GMs studied. At Mahapotha, although on paper there existed a housing sub-committee consisting of the GM Chairman, the SSO and 3 other GM members, none of the members were even aware of its so-called existence. It had never met.

Although from the outside it looks as though the list of beneficiaries is prepared in a blatantly non-democratic way by a Chairman and SSO abrogating all powers to themselves, it was observed that in real fact they get a feed back in directly or indirectly from other active GM members and prepare a list that is likely to get near-consensus approval at the meeting. An analysis of the lists reveal that in preparing them, the GM Chairman and SSO have been guided by three criteria :

- The need to satisfy those GM members on whom the Chairman will depend for political support at the time of re-election.
- The need to satisfy those political organisers of the ruling party within the GM area who articulate political support for both the ruling party and the GM Chairman within the GM area.
- The need to consolidate the political base of both the ruling party and the GM Chairman within the GM area by reaching the poorer segments of the population who constitute this base.

When consolidating his support among GM members in opposition to a political rival for the GM Chairmanship, it is sometimes expedient for the incumbent Chairman to win over some GM members who are supporters of the opposition SLFP by giving housing loans either to them or their nominees. For instance, the UNP-oriented Chairman of the Mahapotha GM gave 3 housing loans out of 14 in 1986 to 3 SLFP-oriented GM members who had voted for him as GM Chairman that year. In Wattegododa and Muthuvella too, a fair number of SLFPers got access to housing loans in 1986 through the working out of a GM level dynamic of a similar type. Such a dynamic makes it possible, therefore, for SLFP supporters to get access to housing loans from a UNP controlled GM.

Upasena, aged 35, was Chairman of the Wattegododa GM (Matara district) in 1986. He is a dynamic village level UNP leader. He works in a government office close to the village. The SSO whose home is in the next village is also a strong UNP supporter. They are both closely linked to the MP.

Dharmadasa, aged 34 was Chairman of the Mahapotha GM (Puttalam district) in 1986. He works and lives in a nearby town and spends 2 day a week in the village. He is a local level UNP leader having strong links with the MP. He took the initiative to give housing loans to 3 SLFPers who were members of the GM in return for their support to him when he contested as GM Chairman.

Abeydeera, aged 70, was Chairman of the Sarumellagaha GM (Galle district) in 1986. He is a retired Inspector of Public Works who emerged on the social scene in 1966 as a local Sarvodaya Worker. He became very popular in the locality as a result of the successful shramadana campaigns he organised for Sarvodaya between 1966 and 1977. By 1977 he had also emerged as the local UNP leader. In 1983 he became GM Chairman which post he has held since then. In 1984 and 1985, Abeydeera gave out a number of housing loans to persons who had helped him and the UNP in 1977. Within the GM, he did not experience any rivalry for the Chairmanship from any other UNP local level leader : It was therefore not necessary for him to try and win over SLFP support to consolidate his position. His lists of beneficiaries consisted exclusively of UNPers.

Access to housing loans in GM areas for
UNP and SLFP supporters : Galle, Matara
and Puttalam district samples

Sarumellagaha (Galle district)	: 1984 & 1985	: 100% UNP
Wattegoda (Matara district)	: 1986	: 60% UNP 40% SLFP
Muthuwella (Matara district)	: 1986	: 71% UNP 29% SLFP
Mahapotha (Puttalam district)	: 1986	: 78% UNP 22% SLFP

A GM's portfolio of housing loans comprises a majority of loans given to people with political access and/or their nominees and a minority of loans given to the base of the political system, viz : the poorer segment of the village. The equity factor in the GM's portfolio of loans also expresses itself in multi-caste villages where

the criterion of an equitable distribution of loans among different caste groups is clearly seen to have influenced the selection. It is observed that, though as a politically-oriented institution, the GM takes the equity factor into serious consideration, where access to housing loans for the poor is concerned, it holds the equity factor within bounds because it has to be balanced against the difficulty of loan recovery from the poor. However, what is important to observe is that whereas equity considerations do not find expression in a TCCS loan portfolio, they do in fact influence a GM portfolio of housing loans.

Access to housing loans through the GM system for families
with a monthly income of less than Rs.700/-

<u>GM area and Year</u>	<u>% of beneficiaries with a monthly family income of less than Rs.700/-</u>
Sarumvellagaha (Galle) : 1984	13%
Sarumvellagaha (Galle) : 1985	10%
Muthuvella (Matara) : 1984-86	13%
Wattegoda (Matara) : 1984-86	12%
Mahapothe (Puttalam) : 1984-86	7%

(This compares with 0% in the case of all TCCSs studied).

Access to housing loans through the GM system in
multi-caste GM areas : 1984-86

<u>GM area</u>	<u>Caste breakdown of Population</u>	<u>Caste breakdown of Loan Portfolio</u>
Wattegoda	Salagama - 50%	Salagama - 50%
	Durava - 35%	Durava - 32%
	Govigama - 15%	Govigama - 18%
Muthuvella	Govigama - 80%	Govigama - 87%
	Navandanna- 15%	Navandanna- 9%
	Rajaka - 1%	Rajaka - 4%

SELECTION OF BENEFICIARIES BY
THE HOUSING SUB-COMMITTEE : JAFFNA DISTRICT

In the Jaffna district, the priority list of beneficiaries in the GM area is prepared by the Housing Sub-Committee which has been described earlier. It was observed that the dominant influence in the preparation of the list is that of the politically-motivated SSO. In the Kovalam GM area, the SSO and the HO had a close working relationship to prepare the priority list. They had agreed on the parameters for selecting beneficiaries which were that :

- The beneficiaries should be spread throughout the GM area.
- Ability to repay should be a major consideration.
- Persons from Non-Vellala castes but with ability to repay should find equitable representation in the list.

When processing the applications the SSO and HO first picked up all the applications from Non-Vellala caste persons and evaluated their ability to repay. 6 applicants with ability to repay were first selected, and after that 14 Vellala caste applicants with ability to repay and living in different parts of the GM area were added to complete the list of 20. The other members of the housing sub-committee left it to the SSO and HO to prepare the list, and formally approved it. Though the three criteria of selection may not have been attractive to some of the other housing sub-committee members such as the RDS President and the President of the Community Centre who may have preferred a different set of selection criteria, they would not venture to oppose the views of the SSO who had indirect LTTE backing and the HO who was also a young man with militant sympathies.

In the Jaffna situation, yet another factor operates to reinforce the social equity parameters in the selection of beneficiaries. Complaints not only on land and financial matters but also on matters of what are perceived by the LTTE to be social injustices are entertained by the LTTE institution called the 'Rural Court'. To inquire into such complaints, a LTTE members and 2 elders from the village from where the complaint originates sit as a 'Rural Court'. For instance, if a complaint is made about an alleged injustice in the

preparation of a list of beneficiaries to receive NHDA loans, a rural court will summon the housing sub-committee concerned to the inquiry: If it is established that the list was unfair, the LTTE rural court could order the list to be withdrawn and a new one prepared. To avoid such a possibility, a housing sub-committee will be very careful when preparing a list of beneficiaries to ensure that favouritism and social discrimination do not influence selection.

However it is very significant to observe that because further housing loans from NHDA are determined by a performance criterion (ie. performance in construction and performance in loan repayment), the housing sub-committee has taken great pains to ensure that the affordability criterion is strictly observed. A district into which there is but a very small flow of resources for economic development on account of the unsettled conditions in the area wants to ensure itself that at least the resource inflow for housing development does not get impeded because of poor performance. Ironically it ensures a high level of performance by channeling the resources to those who can repay; namely the relatively affluent sectors of the village. By having to compromise the social-equity criterion with the affordability criterion, relatively less of the benefits of the RHSP accrue to the Non-Vellala castes because they are generally poor compared to the Vellalas; And no benefits accrue to the low income group.

Access to housing loans for families with a
monthly income of less than Rs.700/- :

Kovalam (Jaffna district)

1984 - 86 : 0%

Access to housing loans in a multi-caste GM area :

Kovalam (Jaffna district) : 1986

Caste breakdown of
of population

Vellala : 40%
Non-Vellala : 60%

Caste breakdown of
loan portfolio

Vellala : 70%
Non-Vellala : 30%

THE ROLE OF THE MP IN THE RHSP AT GM LEVEL

NHDA allocates MHP funds to each district on the basis of the number of GM areas in it. The DHC, of which the DM/NHDA is secretary, allocates the district MHP funds among its GM areas through the application of performance criteria : Performance in completion of construction and performance in loan recovery. The MP may intervene in the process at this stage and set aside some of the funds allocated for particular GM areas for 'Special Projects' in those same areas: Projects such as those which seek to upgrade all the houses in a defined area such as a new settlement. Projects known as 'Udakala Gamm-ana' or 'Re-awakened Village'. Such special projects are costly in terms of resources because they involve housing loans of Rs.7500/- per family : But they have a high visibility since they display a whole cluster of new houses and are politically expressive since special projects have opening ceremonies which could also be associated with the arrival of the Prime Minister in the electorate.

After the MPs have set aside any resources for Special Projects, the rest of the resources are channeled to the GM areas in the district. It was seen that MPs do not intervene in any way in the selection of beneficiaries for housing loans by either GMs or TCCSs. He allows the lists to emerge through the unfolding of socio-political processes at village level. He allows for a process through which different clusters of UNP supporters grouped round different UNP village-level leaders compete with one another for village power and access to resources coming in from the State system. He carefully nurtures the loyalty of all the competing groups by refraining from extending his support to any one group against another. By channeling resources to village level and permitting competition within the UNP at village level for control over these resources, the MP supports a process through which competition for power at village level gets contained and institutionalised within the UNP itself instead of getting worked out within the parameters of the traditional UNP-SLFP paradigm at village level. This changing political process is facilitated still further by the continuing organisational weakness and confusion of the SLFP as a political party at village level.

This emerging political process which qualitatively differs from an earlier dominant process in which struggle for power at village level was contained within a UNP-SLFP paradigm, requires that the MP should not intervene in the distribution of State-controlled resources at village level; - ie. the MP should not intervene in village level political processes.

MONITORING OF HOUSE CONSTRUCTION AT GM LEVEL

The amount of money to be allocated to a GM area for housing development in any particular year is directly related to the performance of that GM in the RHSP in the previous year. 'Completion of construction of Housing Units' is one of two criteria on which a GM's performance is judged; the other being loan recovery.

When a housing loan is received, work which is supported by the first instalment is expected to be completed in 3 months; and work with all 3 instalments is expected to be completed in 6 months. In practice, however, a grace period is given and is often further extended.

It is to the advantage of a GM Chairman and SSO to monitor the progress of house construction and see that the housing units for which loans have been taken are completed in the shortest possible time.

When houses are being constructed/upgraded, the GM Chairman and SSO often visit the sites and encourage the beneficiaries to complete that stage of work quickly, promising to speak to the HO and help them obtain the next instalment without delay. They also provide useful information to house-builders, discuss with them their building problems and offer advice on technically viable, low-cost alternatives. The house-builders co-operate with the GM Chairman and SSO when they show interest because they are influential persons at village level and can help the beneficiaries in many ways if they please them by co-operating to complete construction soon. They try to please these influential people and thereby establish a linkage with them.

The GM Chairman, not the other GM members, and the SSO thus play an important role in monitoring progress and expediting the process of completion of construction.

In the Jaffna district, it is the politically-motivated SSO who monitors the progress of house construction and encourages the beneficiaries to complete their construction. In Jaffna culture, as described in an earlier chapter, there is a belief that a house should be completed and occupied either in the first year of construction or else in the third year but not in the second year. This factor also encourages house-builders in the Jaffna district to complete construction in the first year.

Level of Completion of Construction within 1 year :

(Housing loans given through the GM system)

(% frequency distribution)

<u>Progress</u>	<u>Galle, Matara and Puttalam district samples</u>	<u>Jaffna district sample</u>
Completed	73	85
Not completed but all instalments released	7	-
First instalment released but no work done	5	-
In process of construction	<u>15</u>	<u>15</u>
	<u>100</u>	<u>100</u>

The SSO of Mahapothe (Puttalam district), aged 40, is married with 2 children. He goes to the building sites of NHDA loan beneficiaries 3 times a month to encourage them to expedite their work, saying he would get the HO to release the next instalment without delay if they complete the present stage of construction. He advised one house-builder whose work was slowing down because of a lack of funds, saying, "Stop building in cement and instead use a clay plaster and save money; otherwise you

won't have money for the next stage of construction". To another beneficiary who was constructing a well rather slowly he offered advice, saying, "The rains are approaching and your well may collapse unless you complete it in the dry weather". He advised two other families by saying, - "Somehow complete your houses before the rains. Save on money by changing over from cement to a clay mixture, otherwise you'll run out of money for tiles". In another instance the SSO advised a beneficiary to buy grade 3 tiles at Rs.1200/- per thousand and repair them before using instead of spending Rs.3600/- on a thousand grade 1 tiles.

The GM Chairman of Mahapotha (Puttalam district), aged 34, is married with 2 children. In 1986 he use to go to 5 house construction sites at least 2-3 times a month. He inspects the houses and discusses the reasons for delays. If he finds the delay is due to the difficulty of finding a mason/carpenter, he helps find one for them. If the delay is due to a difficulty of finding transport to bring building materials to the site, he advises them about carts that can be hired on easy terms. He informs house-builders when cement is brought to the village co-operative store. He regularly communicates information and suggestions to the beneficiaries to help expedite completion of construction. By often visiting the construction sites, he enables the beneficiary families to develop linkages with him which itself serves as an incentive to house-builders to complete their work early so that they may please him and develop still closer ties with him.

K.G.Piyadasa, aged 46, a labourer of Sarumellagaha (Galle district) is married with 2 children. He obtained a loan of Rs.7500/- to build a house. His wife went to West Asia for employment and sent him regular remittances for the house-building activity which he was spending

on wasteful living expenses. Seeing that the progress on Piyadasa's house was slow, the GM Chairman persuaded him to open a savings account with the National Savings Bank to which his wife was instructed to remit money from West Asia. All NHDA loan instalments were also channeled to the same account. The pass-book of this savings account was kept with the GM Chairman who went with Piyadasa to the bank from time to time and withdraw money for the different stages of house construction. The house was completed within an year because the GM Chairman took upon himself the task of managing the resources that Piyadasa was able to mobilise for house construction.

LOAN RECOVERY AT GM LEVEL

The two performance criteria, viz : completion of construction and loan recovery, are monitored at the monthly DHC meeting. Progress on both house-construction and loan recovery is quantified and presented for each AGA division separately. This induces a kind of healthy, informal competition among AGAs to show higher levels of performance in the RHSP. Each AGA, in turn, holds a Divisional Housing Committee meeting once a month, attended by the AGA, HO, GM Chairmen and SSOs, at which progress is evaluated separately for each GM division. These meetings serve as an inducement for SSOs to expedite construction and recover loans and be able to show a higher level of progress in their respective GM areas. Thus the DHC motivates AGAs to improve levels of loan recovery; and the AGAs motivate SSOs to elevate levels of loan recovery in their GM areas. The SSOs also have a material incentive for loan recovery; 5% of all instalments recovered accrue to the SSO.

In the Jaffna District it was observed that SSOs take a great deal of trouble to recover NHDA housing loans. A common tactic used by Jaffna district SSOs is to tell potential beneficiaries in a GM area that their chances of getting housing loans are being delayed because the loans that have been given to others in their GM area are not being repaid in time : thereby inducing potential benefi-

ciaries to use social pressure on those who are delaying to repay their housing loans. SSOs in the Jaffna district are also known to try and persuade loan defaulters to pay their loan instalments by pointing out to them that they are depriving others in their own village of benefiting from NHDA loans. A common tactic used by SSOs in the Sinhala-speaking districts is to get other officers such as the Grama Sevaka (GS), the AGA etc to whom defaulters may go for some service to show displeasure and withhold co-operation because they have not paid back their housing loans in time.

In the Mellegam GM area of the Jaffna district (outside our sample) at one stage the loan recovery rate was 24%. At the request of the local RDS President, the DM/ NHDA summoned a meeting of all those who had taken NHDA loans and all those who were expecting to apply for loans. The DM explained to the people that unless those who had taken loans start repaying their instalments properly, those who are expecting loans will have to suffer. He requested those who were expecting loans to persuade the loan defaulters to repay regularly. Within 3 months, the loan recovery rate rose from 24% to 55%.

Loan Recovery Rates : RHSP Locations

<u>GM Area and Year</u>	<u>Loan Recovery Rate</u>
Sarumellagaha (Galle) : 1985	42%
Wattegoda and	
Muthuvella (Matara) : 1985	56%
Mahapotha (Puttalam) : 1986	57%
Kudiputhirippu (Jaffna) : 1986	52%

(Island Average : RHSP : GM System : 57%)

None of the GM areas studied have reached the NHDA/USAID loan recovery target of 65%. In contrast, the figures for the UHSP locations of the earlier study (Fernando, Sunimal et al : December 1986) are even lower.

Loan Recovery Rates : UHSP Locations

<u>UHSP location and Year</u>	<u>Loan Recovery Rate</u>
Navagampura (July'86-April'87) :	49%
Aramaya Place (July'86-April'87) :	39%
(Island Average : UHSP : 44%)	

In 1986, the loans made and completed in the GM areas studied were 100% of the NHDA district office projections. However the low rate of recovery of these loans can be understood in relation to the criteria that guided GM Chairmen and SSOs when preparing lists of beneficiaries; criteria which are intrinsic to the political nature of the GM as a local level institution.

Equity considerations, as shown earlier, make GMs direct at least a small percentage of housing loans to relatively poor families. These families find it difficult to repay their loans and fall quite easily into the category of defaulters.

Gunaseena, aged 40, of Wattegoda is married with 4 children. He is a labourer earning around Rs.600/- a month. In 1985 he was given an NHDA loan of Rs.4000/- to put up the walls and roof of his house. He has so far been able to pay only 5 out of the 23 instalments due from him upto this date.

Andiris aged 52 of Muthuvella is a dhoby (washer-man) earning around Rs.500/- per month. He is married with 5 children. In 1985 he got a NHDA loan of Rs.5000/- to build a house. He is very poor. He has been able to pay only 7 out of the 22 instalments due from him upto this date.

Those who have received loans from the GM for political reasons are reluctant to repay for a different reason. They perceive the loan as a benefit due to them for political services rendered either to the ruling party or to the GM Chairman. They are not averse to repaying the loan, but they feel they are entitled to take their own time

over it because the government and/or the GM Chairman owes them something for their political services. Their perception of themselves in relation to the ruling party and/or the GM Chairman dampens their willingness to repay. Sarumellagaha GM (Galle district), which, relative to the other GMs studied, had the highest proportion of housing loans given purely on political considerations, also has the relatively lowest loan recovery rate.

It was also observed in all the Sinhala-speaking GM areas studied that whereas the GM Chairman takes great pains to encourage beneficiaries to complete their house construction in time, he takes no positive steps to persuade them to repay their loans. No GM Chairman was reported to have ever gone to the houses of loan defaulters to persuade them to repay. Instead, he leaves that to the SSO. A GM Chairman unlike his TCCS counterpart relates to his constituency politically and not professionally : He selects his beneficiaries, too, politically and not professionally: The housing loan given by a GM is thus perceived more as a political transfer of patronage than as an economic transfer of repayable loan capital.

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THE BURDEN IS TOO HEAVY



The owner of this all-most complete house is the son of the old man in the picture; who it seems also requires some aid with all his worldly wealth spent on the construction of this house.

He is another person with whom a small loan will go a long way.

CHAPTER 5
HOUSING LOANS THROUGH TCCSs

THE TCCS MOVEMENT IN HISTORICAL PERSPECTIVE

The defeat of the UNP in 1956 by the MEP led by the late S.W.R.D. Bandaranaike provided a rude shock to national, district and local elites who were suddenly awakened to the fact that their acceptability among the people was being eroded by new social forces that were emerging at village level. The need to channel resources in a substantial way for rural development was realised.

The structural features that characterised rural society at that time, were :

- The existence of a traditional land-owning elite which structurally controlled village society through networks of patron-client relations.
- The emergence of a new rural middle-class consisting of school teachers, Ayurvedic physicians and small traders, who were however not structurally powerful within the village economy.
- The existence of a mass of poor peasants having highly fragmented land-holdings if any, and structurally linked to land-owning patrons through ties of dependence/clientele.

Though with the protection of the secret ballot in 1956, substantial numbers of 'poor peasants' supported the MEP which was represented at village level largely by the newly emerging rural middle-class against the UNP represented by the traditional land-owning village elites. In purely village-level affairs 'poor peasants' did not have the capacity -economically or socially- to break their ties of clientele with their traditional patrons and support the newly-emerging rural middle class which aspired to village leadership. In the context of the rural economy of 1956, village level leadership remained with the traditional elites : And village level organisations continued to be controlled by them.

In such a structural situation, if control over resources for rural development was devolved to the village itself, they would be managed and enjoyed by the traditional elite : The 'mass of poor peasants' would be only able to get limited access to the process of development. The political imperative therefore was to evolve a structure through which resources for development reached the poorest sections of rural society. On the premise that village social institutions were controlled by traditional village elites, the participation of village institutions in the development process would only constrain the flow of resources to the poorer segments of rural society and defeat the very purpose of rural development. The only viable rural development strategy in such circumstances, therefore, was one which depended on bureaucratically controlled (i.e. non-participatory) institutions to provide resources for and manage the processes of rural development.

State intervention in rural development from 1956 to 1977 passed through the following successive stages :

- The first stage where resources for rural development were controlled by State-sponsored bureaucratic institutions which formulated and implemented development activities at village level.
- The second stage where these State-sponsored bureaucratic institutions came more and more under the control of the ruling political party through its members of Parliament : Where resources for rural development were controlled and channelled by MPs through State institutions.
- The third stage where the control of resources for rural development by MPs was tempered by the greater participation of beneficiaries in the implementation of development projects at village level : While resources were channelled (hence beneficiaries were selected) directly or indirectly by MPs, there was greater participation of beneficiaries in project implementation and sometimes - to some small degree - in project planning.

1977 is a convenient watershed for purposes of analysis because it was in this year that the UNP came into power with a landslide victory at a general election. A very generalised 'snapshot view' of the rural situation in 1977 would reveal that :

- The traditional land-owning rural elites had largely lost their power and dominance over village social structures.
- Power and influence within the village had to get dispersed among members of a rural middle class that had emerged during the nineteen sixties and seventies. In place of a small traditional village elite there had emerged a relatively broad rural middle class.
- In place of the 'mass of poor peasants' there now stood a relatively small disadvantaged poor segment of village society.
- Competition for power and access to State-controlled resources between different segments of the new rural middle class at village level had become institutionalised within a UNP-SLFP paradigm. The major political parties gave political patronage at village level to different segments of the new rural middle class. Competition for power and access to resources within the relatively broad rural middle class at village level was worked out along political party lines.
- The poorer segments of village society manipulated the competition among the different politically-linked rural middle class segments to get access to a sizeable share of State-controlled resources coming down to village level through the political patronage system.

In the context of a socio-structural situation at village level qualitatively different to what prevailed in 1956, the UNP set itself the task of laying down the parameters of a process of rural development different in quality to what propelled rural development in the period between 1956 and 1977. Though the very early days of the new UNP government saw the continuance of the political patronage system in village level development pivoted on the dominant and all-pervading position of the MP, the early signs of a changing process were soon apparent.

The growth of the economy, the resurgence of private enterprise, the expansion of West-Asian employment and the activities of international NGOs provided new avenues of access to resources and power outside the confines of the political party system. The all important role of the MP in rural development began to decline. A process which rigidly bifurcated village society along political party lines began to give way to one in which village society ceased to be divided along such rigid lines of demarcation. In 1981, the government attempted to provide institutional support to the new process in the form of Gramodaya Mandala : But institutional and socio-political factors converged to render the GM system much less effective than it was intended to be. Basically, the planning and implementation of village level development through an institutional arrangement that brings together into one forum the different socio-political and socio-economic interests in a village cannot function effectively in the absence of a meaningful devolution of material resources to GM level.

It is in this historical context that the role of TCCSs in Sri Lanka should be evaluated. TCCSs, which originated as long ago as 1911, constitute a village-level savings and credit movement of small groups of rural people. Wherever they existed TCCSs sought to mobilise rural savings which are then loaned to members in the form of small loans.

In the history of the Co-operative Movement of Sri Lanka, the period 1911-1942 was dominated by the expansion of Co-operative Credit Societies. These societies provided an alternative to rural farmers who would otherwise have been forced into the clutches of village money lenders. At the same time, poorer farmers with small land holdings could not benefit from the activities of these societies. As loans were given only for food production purposes, people with little or no agricultural land had to go elsewhere for their credit needs. The impact of Co-operative Credit Societies on rural indebtedness during this period was therefore limited.

The period 1942-1945 saw a phenomenal increase in the number of Consumer Co-operative Societies as a response to the need of the

government to open up a network of retail outlets to ensure a fair distribution of scarce consumer commodities at reasonable prices during the second world war. Although the number of Credit Societies also registered an increase during the war period, their importance within the Co-operative Movement was over-shadowed by the newer Consumer Societies.

The importance of consumer services by Co-operative Societies continued even after the war. Co-operative Stores Societies therefore continued to occupy an important place in the Co-operative Movement. However, after winning Independence in 1948, the development of Peasant Agriculture began to receive the increased attention of the government. A new type of Co-operative Society called the Co-operative Agricultural Production and Sales Society (CAPS Society) multiplied in numbers to answer the production and credit needs of the farmers. Thus, a process that diminished the role of Co-operative Credit Societies in agricultural credit was set in motion. By catering to the need of the peasantry for forms of credit other than agricultural credit, Co-operative Credit Societies remained popular among the people, while official attention got increasingly directed to other types of societies.

We see emerging, at this point of time, a period of history in which centralised bureaucratically/politically controlled institutions such as the branches of State-owned banks and the large 'politically-controlled' Co-operatives seek to mop-up rural savings and provide rural credit : A period in which TCCSs were not invited to play any significant role in rural development.

In the Co-operative sector, after 1957, single-purpose co-operative societies such as CAPS Societies and Consumer Societies were merged into MultiPurpose Co-operative Societies (MPCS). Although the MPCS was expected to cater to the multifaceted needs of the community, its predominant activities continued to be confined to Consumer Services and Agricultural Credit. The MPCS became a major supplier of credit for agriculture - particularly for paddy cultivation. As agricultural credit got liberally channeled by successive governments

through the MPCs, farmers found little use of TCCs for productive purposes. Meanwhile, MPCs began to be increasingly dominated by party politics and politicians and used as instruments of patronage.

The socialist government of Sirimawo Bandaranaike which came into power in 1970 sought to make the Co-operative Movement play a key role in its socio-economic development programmes. In 1971 the MPCs were re-organised. Smaller co-operative societies were amalgamated into larger societies. 5813 MPCs were amalgamated into just 372 large Primary MPCs. The secondary Co-operative Unions too were abolished. And, above everything else, the government abrogated to itself the power of nominating ten out of the 15 members of the Management Committee of each MPC. The government also accrued to itself the power to dissolve the Committee of Management of any Co-operative and appoint, in their place, persons of their choice to manage the affairs of such a society.

From the late nineteen fifties upto the early 1980's, while TCCs became less and less important to the mainstream of rural development, the State-sponsored rural development process permitted them - for this very same reason - to remain largely outside the political power - struggle and the ambit of political interference and control.

"The fact that Credit Societies remained essentially People's Organisations, controlled and managed by them to meet their own needs, however limited the satisfaction of such needs may be, was its strength; its weakness was that it did not attract the financial resources which therefore did not attract the major part of the rural clientele".

(CDC Monograph : Thrift and Credit Co-operative Societies Movement - Sri Lanka : CDC, Colombo 6 : July 1986)

The diminishing importance of TCCs to the people is reflected in the declining numbers of TCCs after 1964. From 4413 societies in 1964, the number declined to 1281 in 1979.

The year 1979 emerges as a turning point in the history of the TCCS Movement. Under the dynamic and imaginative leadership of persons such as P.A. Kiriwadeniya (President, Federation of Co-operative Thrift and Credit Societies Union Ltd), positive measures were taken to revitalise the TCCS Movement to play an important role in the development process. In 1979, the formation of district (secondary) societies was initiated and the first District Union (DU) was established at Kegalle. 5 DUs were established in 1979 while more and more DUs were formed in the early 1980's. Furthermore, a national level Apex Organisation known as the Federation of Co-operative Thrift and Credit Societies Union (FCTCSU) was formed in 1980.

From 1979, the TCCS Movement has moved its activities in many new directions and qualified itself to play a key role in the development process. In the period 1979-1985, it focused on :

- Evolving a new set of by-laws for TCCSs.
- Obtaining re-financing facilities from the People's Bank.
- Expanding credit facilities for agricultural activities.
- Functioning as banking institutions and establishing Co-operative Banks.
- Mobilising the interest of various government institutions in TCCSs.
- Including the activities of TCCSs in district level Integrated Rural Development Projects (IRDPs) and making the DUs important instruments of implementation of IRDPs.
- Training in the democratic control of management and in co-operative leadership.
- Educational programmes for members.
- Promoting, developing and establishing new TCCSs and DUs.
- Co-ordinating the activities of the TCCS Movement at national and international levels.
- Assisting and guiding village-level TCCSs to develop to the level of Co-operative Credit Banks.
- Promoting inter-lending programmes between TCCSs within a DU.

"The history of the Co-operative Movement in Sri Lanka upto 1942 is the history of the Co-operative Credit Societies, so much so that it is called the Credit Period. This predominance of Credit Societies within the Co-operative Movement underwent a vast change during the war years when all attention was devoted to Consumer Societies. The importance of Credit Societies diminished further after 1947 when their role in agricultural credit was given to the newly formed Co-operative Agricultural Production and Sales Societies (CAPS). The formation of Multi-purpose Co-operative Societies (MPCS) after 1957 pushed credit societies further away from the people. But with the formation of Secondary Societies and an Apex Organisation since 1979, there is a resurgence of the Credit Co-operative Movement in this country".

*(CDC Monograph : Thrift and Credit Co-operative Societies Movement in Sri Lanka :
CDC, Colombo 6 : July 1986)*

The leaders of the TCCS Movement appreciate the need and scope for the expansion of the TCCS Movement throughout the country. They expect to reach a target of 4500 TCCSs by the end of 1989 with a parallel increase in membership deposits, advances and resources. Together with the increased mobilisation of savings and the establishing of Co-operative Banking Institutions at village level, the re-vitalised TCCS Movement organises income - generating activities and involves itself in the planning and implementation of Integrated Community Development Programmes which include economic activities as well as social welfare projects in the sectors of Health, Education and Housing. However, while deciding to play a more aggressive role in the development process, the TCCS Movement is determined to protect the principled position that helped it survive the trials and vicissitudes of the Co-operative Movement in its 75 year old history : The TCCS Movement will not be an agent of government but will undertake community development programmes of its own through the initiative and participation of its members and with the use of its own resources.

It was against this historical sociological and ideological background that the revitalised TCCS Movement and the Housing Development Process of the MHP began to work out the modalities of collaboration in 1985. From an NHDA angle, collaboration with the revitalised TCCS Movement was intended to serve two objectives : An immediate specific one and a longer term general one. The immediate objective was to collaborate in the development of a new revitalised institutional structure for

- Processing NHDA housing loans;
- Monitoring house construction by beneficiaries, and,
- Recovering NHDA housing loans.

The intention was to increase the efficiency and speed of loan processing and loan recovery and at the same time to lower the administrative costs of the MHP.

The longer term objective was

- To help further develop a new, revitalised institutional structure at village level to handle greater and greater areas of rural credit at low cost and high efficiency;
- To collaborate in evolving an institutional structure based on Unit Banking principles that would retain rural savings within village areas to be used for village level development in place of the commercial branch banks which follow conservative Branch Banking principles which encourage the leakage of rural surpluses to towns; and
- To collaborate with the TCCS Movement in elevating the TCCSs into village level organisations fulfilling an important development mission of mobilising the poor to confront the problems of poverty.

Objectives Issue

- 1.1. *Are TCCSs clear about their objectives, their developmental mission?*
- 1.2. *A related issue posed was whether Housing Loans should determine the TCCS or whether the TCCS should determine the Housing Loans? Clearly, what is desirable is the latter, though in the TCCSEP, it's the Housing Loans which*

are precipitating TCCS formation. The potential contradiction lying here, can be resolved if the TCCSs are clear regarding objectives.

- 1.3. *To be developmental, TCCSs have to confront poverty and mobilise the poor. Clarity on objectives is again the determinant.*

(Susil Sirivardana : Issues and Clarifications from the Resource Seminar on the Development Role of TCCSs : NHDA : April 1986)

In its 75 year history, TCCSs have never been a partner of a State programme. From 1985, however, TCCSs have begun to partner the MHP.

The TCCSs and the MHP have come together through an authentic process - they met each other in the same soil of Bottom-up rural development in Kandy District in 1985. The linkage was made on the basis of a mutual recognition of a highly compatible set of mutual internal dynamics. One is certainly not an imposition on the other. The importance of this strategic experience should not be underestimated.

(Susil Sirivardana : Issues and Clarifications from the Resource Seminar on the Development Role of TCCSs : NHDA : April 1986).

After its successful pilot project in the Kandy district in 1985, NHDA extended its programme of channeling housing loans to other districts through TCCSs. Naturally this provided a tremendous impetus for the formation of a large number of TCCSs primarily for obtaining housing loans. Thus, the autonomous growth of the TCCS Movement was accelerated by the intervention of NHDA, resulting in a phenomenal growth of TCCSs from around 2000 at the beginning of 1985 to around 4500 today. While the short-term objectives of NHDA may have been achieved, it is also possible that the TCCS-NHDA link-up may have strained the TCCS movement as a whole by forcing it to expand too rapidly in too short a period of time.

The present chapter restricts itself to an in-depth study of just 5 TCCSs in the Galle, Matara, Jaffna and Puttalam districts. The insights provided in this chapter do not apply to the TCCS Movement as a whole. The study, therefore, does not claim to provide generalised conclusions but aims at providing some interesting insights of general theoretical relevance, drawn from 5 out of the 4500 TCCSs functioning in the island.

TCCS AND THE QUESTION OF THE APPROPRIATE ECONOMIC BACKGROUND OF ITS MEMBERS

The TCCS is a village level organisation which serves to mobilise rural savings and make credit available to its members when required at rates of interest well below those prevailing in the non-institutional credit market (i.e. with money-lenders). The rates of interest vary in different TCCSs. The Hirigama and Pahalagama TCCSs in the Matara district offer 14% interest on ordinary deposits while the Minirankuliya TCCS offers 15% interest on ordinary savings and 18% interest on fixed deposits. The rates of interest on savings offered by TCCSs are generally higher than those offered by commercial banks. Similarly, the interest charged by a TCCS on loans is lower than the interest on loans charged by commercial banks.

The upper limit of loans as well as the conditions under which loans are given vary among different TCCSs. At Sarumellagaha (Galle district) the upper limit of a loan is Rs.15,000/-; at both Pahalagama and Hirigama (Matara district) it is Rs.5000/-; while at Minirankuliya (Puttalam district) it is Rs.10,000/-. At the Pahalagama TCCS in the Matara district, within the Rs.5000/- limit, the maximum loan a member could obtain is 3 times his savings in the TCCS; at Minirankuliya, within the Rs.10,000/- limit, it is 10 times his savings in the society; while at the Hirigama TCCS in the Matara district the norm varies from 5 times the savings for loans upto Rs.1000/- to twice the savings for loans between Rs.2500/- and Rs.5000/-. In respect of all NHDA housing loans, however, a member is entitled to a loan upto 10 times his total savings in the society. The period of repayment for ordinary loans and self employment loans varies from 1-3 years; for NHDA

housing loans, from 5-15 years and for small emergency loans it is usually 1 month. A member seeking a loan from a TCCS has to produce two guarantors who should be members of the society. Most TCCSs stipulate that a guarantor too should have savings in the society to the value of 10% of the loan requested. Certain TCCSs make additional requirements of guarantors: For instance, the Sarumellagaha TCCS (Galle district) lays down that a guarantor should also have a good attendance record at TCCS meetings, while the Minirankuliya TCCS maintains that a guarantor should have the confidence of the office bearers. The TCCSs studied from the Galle, Matara and Puttalam districts further stipulate that, apart from other conditions, a member should have a share capital of Rs.100/- in the society before he is entitled to loan facilities. The TCCSs studied from the Jaffna district, on the other hand, do not have such a rule.

The rules, procedures and financial norms the of TCCSs studied apply to the various economic and sociological categories in a village in different ways. In the cases studied, the low income families would generally not be able to participate in the TCCS process because they would find it difficult to conform with TCCS procedures and financial norms. To start with a poor family will find it difficult to get two guarantors acceptable to the TCCS, even if it is able to subscribe the minimum share capital and meet the 'minimum savings' qualification. The rich, on the other hand, would not require the TCCS for a different set of reasons. The rural rich have good connections outside the village, not merely with businessmen and other influential persons from whom they could borrow money when they need to do so, but even with formal financial institutions such as banks and other lending agencies.

Though the village rich can earn a higher interest on their savings if deposited with a TCCS and borrow money (within the stipulated limits) paying a lower rate of interest than they would need to pay to a commercial bank, rural social norms will constrain them from doing so : The rural rich will consider it to be beneath their dignity to borrow money from a village level institution in which less affluent social groups also participate. They would borrow

money at a higher rate of interest from outside the village, rather than compromise their status and dignity in the village by taking loans from the village TCCS. Had this social norm not been operative in rural society, it is possible that, especially in villages having a sizable 'rich class', TCCSs could have taken a course through which the rich families begin to progressively dominate and control the TCCS to their financial advantage. Furthermore, in so-called urban low-income communities such as at Navagampura where there exists a sizeable number of high-income families, if an urban TCCS (or an 'Urban Thrift') is established, it can very easily fall under the control of the relatively 'rich' class because the rural social norm that constrains such families from participating in a TCCS does not apply in an urban context. Navagampura, however, does not have an 'Urban Thrift'.

in the rural context, therefore it is to the middle-income families that the TCCS makes its appeal. Middle-income families constitute the largest category of families in any village. Among them, some persons work outside the village on a regular basis either for businessmen or else on plantations. Such families find it possible to obtain loans on easy repayment terms from their employers : The TCCS is therefore now a very relevant institution for them. Thus the TCCS is most relevant to that category of persons who are self-employed in economic activities which :

- Are small in scale and level of investment;
- Are confined to the village or its immediate outskirts; and
- Do not entail continuing economic/business relationships with affluent persons.

As the loans given out by TCCSs are small, they are useful only to such persons whose level of investment is also small. For instance in an up-country vegetable-farming economy where small farmers need to invest heavily on seed material, fertilizer and agro-chemicals, the TCCS system as it functions today cannot intervene to meet their credit needs. In a small-scale marine fishing economy too, where the credit needs of mechanised artisanal fishermen are high (e.g. for repairs to boats and engines, replacement of damaged fishing gear

etc), the TCCS does not appear to be a useful credit institution. In the rural context therefore, the TCCS can usefully service middle-income level self-employed families engaged in economic activities with a relatively low level of investment in or around the village itself. Sarumellagaha (Galle district), Hirigama and Pahalagama (Matara district) and Minirankuliya (Puttalam district) provide a substantial number of families having the appropriate economic background for meaningful participation in a TCCS. It is also seen that it is such families whose economic ties are largely within the village rather than outside the village that have a vested interest in making a success of a village level institution that bases itself on the mobilisation of village level resources; those whose economic horizons are largely outside the village would not commit themselves in the same way to making a success of a TCCS.

When a TCCS evolves and develops on its own, the above defined categories of families would comprise its membership. But when the process is expedited so that TCCSs may be formed at village level to handle NHDA housing loans under the RHSP, families which on account of their socio-structural position cannot contribute to the long term success and stability of a TCCS may join it merely in order to get access to NHDA housing loans. These would include families whose economic horizons largely lie outside the village; families whose economic activities are not based primarily in or around the village but outside. It is such families, which, not having a vested interest in making a success of an institution such as a TCCS, tend to default in loan repayment; not because they cannot afford to pay but because they are not willing to do so.

Arumugam Kandasamy of Kudiputhirippi (Jaffna district), aged 50 is a postman having 2 sons and a daughter. His monthly income is around Rs.2000/-. He lives in a mud based house thatched with Palmyrah leaves. He had collected sufficient money to build a house but applied for a NHDA housing loan to the TCCS. The TCCS President who was also a retired public servant recommended a loan of Rs.7500/- and persuaded the housing sub-committee to approve his

recommendation. Kandasamy took the first instalment of Rs.4000/- but did not even commence building his house. He does not even repay the loan. He explains his failure to build the house or repay the loan by saying that both his sons have been arrested by the security forces and that all the money he had, including the loan instalment, has been spent on trying to get the sons released. Because of the arrest of his sons, the politically-oriented SSO has not taken any steps to get him to build his house and repay the loan. In real fact, Kandasamy is an affluent man who has no vested interest in making a success of a village level credit institution like the TCCS. His economic horizons are largely outside the village.

Weerasinghe Mudalali of Hirigama (Matara district) is a member of the TCCS. His monthly income is around Rs.3500/-. He is a rich land owner with inherited wealth. He is a member of the TCCS committee. Living in a well constructed house of 1500 Sq.feet, he obtained a NHDA loan of Rs.3500/- from the TCCS for constructing a kitchen of 500 Sq.ft. Weerasinghe is the worst loan defaulter of the Hirigama TCCS. He had defaulted 8 loan instalments. Weerasinghe, though a member of the TCCS Committee, does not really have an interest in making a success of such a village level credit institution because his economic horizons are well outside the village.

The economic context of the urban poor is qualitatively different from that of the rural poor. To start with, the economic ties of urban garden families such as those of Navagampura are almost entirely outside the settlement : (see Fernando. Sunimal. et al : December 1986). The urban garden is the place to which people return in the evenings after working in various parts of the city. These economic ties external to the local settlement enable the majority of urban garden families to obtain loans, when required, from various patrons

and employers. The ties that could link rural families to a TCCS do not exist in an urban context.

Furthermore, the type of income-generating investment that is made by entrepreneurial families of the urban poor is generally a high-risk high-capital investment which differs qualitatively from the low-risk low-capital investment made by the middle-income self-employed persons in rural society. Whereas the latter type of investment can be supported financially by a TCCS, the former type of investment cannot fit into a TCCS loan portfolio. In May 1987, the 'Urban Thrift' at Nugagahapura, off Polhengoda road in Colombo, gave out 10 project loans of Rs.1000/- each to members to start a small-scale business such as selling eggs, rice, vegetables, kerosene, firewood etc. These loans are payable in 1½ years at 14% annual interest. It is still too early to monitor the progress of such loans given through an 'Urban Thrift'.

A study of the Urban Thrift at Gotampura off Gotami Road (TCCS established in February 1986) and Nugagahapura (TCCS established in November 1986) in the city of Colombo showed that in an urban context TCCSs perform an important function in providing emergency loans to its members. Whereas in the rural context an emergency loan of Rs.100/- or more can be very easily obtained on trust without any interest from a relative, friend or neighbour to be returned in a day or two, in an urban context such a loan carries an interest rate of 10% per day. Often such a loan of Rs.100/- or more also requires security in the form of a chair, a saree, a piece of clothing or a piece of furniture. In both 'Urban Thrifts' studied, a substantial number of emergency loans of Rs.100/-, repayable in one month, have been given out to members at an annual interest rate of 14%. The repayment rate of emergency loans in 1986 at Gotampura was 94%. NHDA housing loans under the UIISP however have not been given through TCCSs in Colombo.

TCCS AND THE QUESTION OF LEADERSHIP

It has been shown earlier that village level institutions such as the Funeral Aid Society and the TCCS which function by mobilising and managing village level resources, throw up a leadership that differs in quality from the leadership of village level organisations that draw resources to the village by mediating between the village and the external political system represented by the MP. The two kinds of organisation require two kinds of leaders.

The de-facto TCCS leader is either the President, Secretary or sometimes the Treasurer. As the TCCS, like the Funeral Aid Society draws its resources from the village itself and not from the external political system which controls State resources, its leader derives his/her legitimacy from the people and is in turn totally accountable to them, and not to a force external to the village such as the MP.

To be able to manage with responsibility resources that have been contributed by and belong to the people (in contrast to what is perceived as 'resources belonging to the State'), it has been found that people at village level identify certain qualities as constituting those of a desired TCCS leader.

- He must have economic strength in his own right. The leader works voluntarily and must be affluent enough to be able to spend a substantial part of his time on TCCS work without payment.
- He must have sufficient leisure which he could devote to TCCS work.
- He should not be one who aspires to political power by functioning as a village level political agent or broker of the external political system. In other words, he could have definite political commitments to one political party or another, but he should not be a village-level 'political agent' of the MP.

- He should have the respect of the people mingled with a small degree of fear, which he wins on account of his intrinsic personal qualities.
- He should have displayed a commitment to working for the village.
- He should have a reputation for financial integrity when it comes to the handling of other people's resources. He should be trusted by the village in financial matters.
- He should have the correct mix of moral and economic power to 'socially influence' people.

It is seen empirically that wherever the members of a TCCS are unable to find a single person possessing most if not all the desired qualities for leadership, they identify two persons who between them possess all the desired leadership qualities, and elect them to two key posts, each to balance the other. For instance at Hirigama (Matara district), the President who has most of the desired ingredients of leadership except a reputation for financial integrity is balanced by a treasurer who has an unblemished reputation for honesty, is respected, but working as a post-master does not have sufficient leisure to devote to voluntary work. The secretary is a schoolgirl. At Pahalagama (Matara district), the president, an Ayurvedic doctor, is a much respected man with economic power and the ability to socially influence people while the secretary has most of the other leadership ingredients except economic strength and a reputation for honesty. At Sarumellagaha (Galle district) which is a very old TCCS, the president, secretary and treasurer together have the desired leadership qualities. The president is an economically powerful and socially respected landowner with an unblemished reputation for honesty. The secretary is a school principal who is very clever and efficient but without a reputation for financial integrity and not having the correct mix of moral and financial power to be socially effective. The treasurer, son of a former traditional village headman has a reputation for honesty and the power to socially influence people. At Minirankuliya, the TCCS Secretary is an honest young man with a reputation for honesty but without the necessary degree of economic

strength and social prestige for leadership. A void in leadership in this village was successfully filled by a Buddhist monk from an affluent temple in the village. The monk, who is president of the TCCS has all the desired qualities for leadership. It is also seen that in all the cases studied, the TCCS office bearers are identified with one political party or the other, but none of them have sought to carve out for themselves a role of 'MP's Agent' in the village.

Ariyasinghe, president of the Sarumellagaha TCCS, (Galle district) is a retired school principal aged 65. He belongs to an affluent family. His father was a land-owner in the village. The family had a tradition of social service in the village, having regularly donated funds for the development of the school and of the village temple. One of Ariyasinghe's brothers is a monk in a nearby temple while another brother is a retired hospital overseer, living in Galle. Ariyasinghe's daughter is a graduate teacher : His other daughter is a bank clerk: One son is a clerk in a government Corporation. Ariyasinghe's son worked hard for the SLFP at the 1970 general election. The father too is a SLFP supporter. Ariyasinghe has economic strength in his own right and bears a reputation for financial integrity. Being a retired person with private sources of income, he has plenty of time to devote to TCCS activities. Despite his political connections with the SLFP, Ariyasinghe did not use his influence with the party to receive political patronage either for himself or for any member of his family during the SLFP government of 1970-1977.

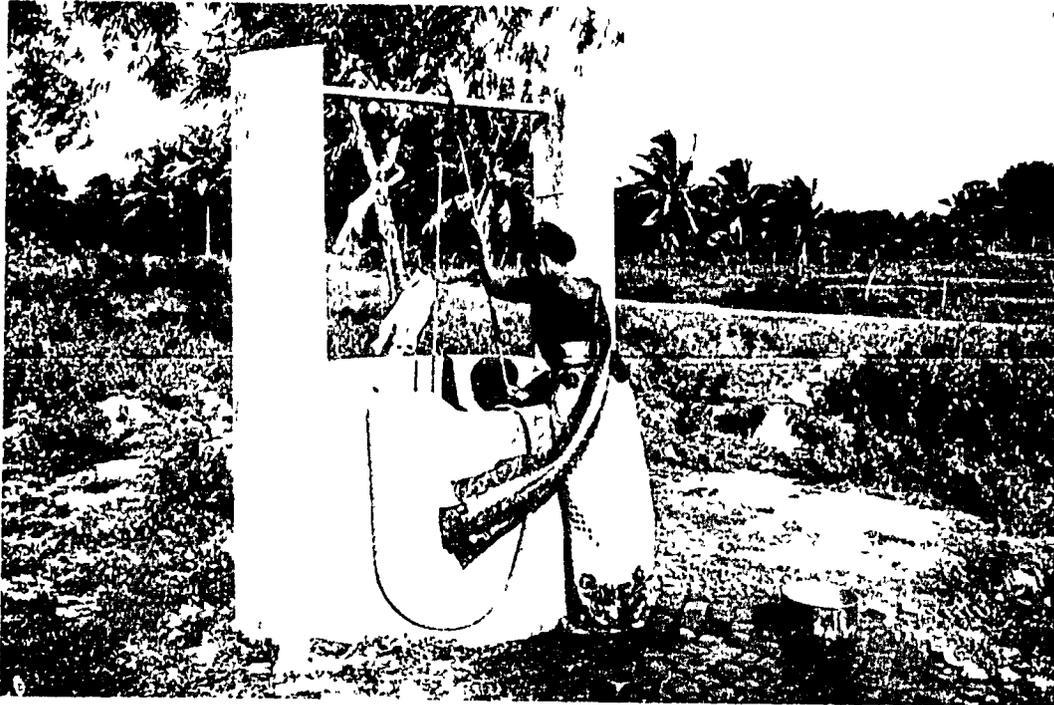
Panditha Buddharakkita Thero aged 45, is President of the Minirankuliya TCCS (Puttalam district) which he initiated in December 1984 on his return to the village from India where he had gone for higher religious training. He is a supporter of the UNP but not an active member of it. He has the confidence and support of the opposi-

tion SLFP as well. Rev: Buddhakkita is also the founder of the Olcott Carpentry Training Centre of Minirankuliya as well as of the local Funeral Aid Society. He is highly respected in the village and has a reputation for financial integrity. He is perceived by the villagers as a person who wants to help the local people and as one who has the competence and the integrity to do so.

T.S. Jayawardane, aged 60, is secretary of the Pahalgama TCCS (Matara district). He is a full time worker in voluntary organisations and has been so throughout his adult life. He has 6 children, all of whom are employed in government service : Jayawardana was able to get jobs for his children through personal contacts he made in the course of his work in voluntary organisations. He has held office in a large number of village and district level voluntary organisations. Though a landowner, Jayawardana does not have economic strength and he is therefore perceived as a man who makes money for himself through the voluntary organisations in which he holds office. Not only does he have plenty of time to devote to voluntary organisations but he also has a great deal of experience in voluntary activities. He is a supporter of the UNP but is not an active party worker.

The President of the Kudiputhirippu New TCCS (Jaffna district) is Kandasamy, a retired clerk aged 60. He is a highly respected person having economic strength in his own right. After retiring from government service and returning to the village in 1981, Kandasamy showed that he was keen to work for the betterment of his village. He enjoys social power in the village on account of a combination of his economic strength, reputation for honesty and commitment to village-level development. He is not active in politics.

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Clean drinking water ranks the same as a new house.



Most rural poor families use such temporary sheds as toilets.

Rita Sebastian is president of the Women's TCCS of Kudiputhirippu (Jaffna district). She is a retired school teacher aged 58. The live-wire of the society, however, is the secretary who is a needle-work teacher aged 45. She is a reputed social worker with a high reputation for integrity. She was inspired to start social service work among the needy women of the village by the Catholic Church. With the encouragement and guidance of the church, she took the initiative to form the Women's TCCS. While she has a reputation for efficiency and commitment, the president commands greater respect and enjoys a greater degree of social power than the secretary.

TCCS AND THE QUESTION OF INTERNAL INTEGRITY

Internal integrity is the hallmark of a successful TCCS and a sine-qua-non for its successful functioning. Internal integrity results from :

- A catalytic leadership which draws its authority in the village from the people and not from a source of power outside the village.
- a membership which knows one another well, meets often, and perceives itself as being responsible and answerable to each other.
- A membership which has a vested interest in making a success of a village level credit institution because their own economic ties and networks are largely in and around the village and do not extend outside.

A combination of the above factors was found to generate an internal integrity vital to successful performance by a TCCS. The above pre-conditions for success were, however, not seen to be present in urban garden communities. As shown in the earlier study (Fernando. Sunimal et al : December 1986), urban garden community leadership is structurally a function of external connections : only those with good external connections structurally qualify for urban garden leadership. Socio-structural processes intrinsic to the very nature of urban

garden communities, constrain the emergence of leaders who derive their power from the people rather than from their outside connections. Members of an urban garden community, too, spend most of the day outside the settlement and return home only in the evenings after work. Their main economic and social interests are located outside the settlement, in and around their respective places of work. It is difficult, in these circumstances, to find in an urban garden, a community of economic and social interests which would structurally commit urban garden families to working to make a success of an 'Urban thrift'. The type of unity that prevails in an urban garden derives from an entirely different source : The need to stand together against the authorities who may try to evict the families from their unauthorised settlements and the need to jointly negotiate with local government authorities for better access to water, sanitation and basic health services. The experience of the 'Urban Thrifts' at Gotampura and Nugagahapura in the city of Colombo when viewed against the experience of the 'Rural Thrifts' shows that socio-structural conditions in urban gardens are constraining rather than facilitating factors.

Even in the rural sector, it was found that the level of performance of TCCSs varies with the degree of internal integrity. For instance, it was found that human resource availability for TCCS leadership is not evenly spread throughout the rural sector. Certain villages are simply lacking in the type of leadership necessary for a successful TCCS. Thus when the State intervenes to have TCCSs formed in those villages which do not possess the appropriate human resource for TCCS leadership as defined above, the performance of such TCCSs leaves much to be desired. The Hirigama TCCS (Matara district) is a case in point. It was also observed that in those villages where more and more families are economically, socially and politically integrated into a socio-economic system external to the village, the potential for a successful TCCS is low. In other words, a useful hypothesis for a future study is that the level of performance of a TCCS varies inversely with the degree of socio-economic incorporation of a village with the wider socio-economic system : The greater the incorporation of village families with the extrnal socio-economic

system, the smaller the potential for a successful TCCS. Once again, when the State intervenes to set up TCCSs in all villages irrespective of the socio-economic environment of each village area, the chances of success will be greater in those villages which are less incorporated with the external system and less in those villages in which more and more families are incorporated in their social and economic activities with the outside. Similarly, as greater numbers of families in villages incorporate themselves into economic activities outside the village, the social viability of the TCCS as a rural credit institution will fall.

Two factors make it necessary that the size of a socially viable TCCS should remain relatively small :

- To be responsible and answerable to one another, the members of a TCCS should be known to one another : They should consist of persons who inter-relate with one another in their normal social and economic life. The members should therefore come from a small geographical area.
- If the catalytic leadership is to perform its functions voluntarily - without payment - it cannot handle too large a portfolio of loans. The leaders have their own economic activities which would take up a reasonable part of their time. The amount of work they can be expected to do for a TCCS without payment is necessarily limited. Thus the total scope of a TCCS has to remain restrained.

There is, thus, an optimum size-range for a TCCS : A size-range within which members can interact effectively and leaders can handle their tasks voluntarily. The optimum-range varies from area to area, depending on the geographical and sociological layout of the human settlement. In areas where human settlements are small and dispersed such as in the small tank villages of the dry zone, a geographical rather than a popular factor will determine optimum size. In densely populated settlements such as the coastal settlements of the western and Southern coast, optimum size will be determined by the population factor and rather than by a geographical factor.

For example, the Sarumellagaha TCCS (Galle district) which was started in 1939 has 398 members. A few years ago, it had taken a decision not to enroll any new members as it was becoming large. Very recently, however, it relaxed its restriction on new membership to enable one person from each family which does not already have a member to join the TCCS. This TCCS takes the GM area to be its operative zone. The Minirankuliya TCCS (Puttalam district) whose operative zone is the Minirankuliya GM area already has 435 members from 385 houses. This is a relatively new TCCS (just 3 years old) which decided to function in a relatively large geographical area; the Minirankuliya area being not densely peopled. The GM area of Minirankuliya is too dispersed to be an area of effective interaction. Now, when a new person applies for membership, he/she is asked by the TCCS to bring a letter of introduction from a recognised voluntary organisation of his/her locality. In order to generate interaction among members, this TCCS makes it compulsory for all members to attend at least 7 out of the 12 monthly meetings held for an year. Similarly, at Sarumellagaha (Galle district), at least one member per household is compelled to attend every monthly meeting of the TCCS.

While the Galle district insists unrealistically that a GM area can have only one TCCS, the Matara, Puttalam and Jaffna districts permit more than one TCCS to be formed within a GM area. For instance the two TCCSs studied in the Matara district operate in two separate villages of the same GM area. The Hirigama (Matara district) TCCS has only 70 houses within its operative zone. Living within a small settlement, the members meet each other frequently and internal integrity is more organic when compared with Minirankuliya. Neither the Hirigama nor the Pahalagama TCCS (Matara district) with a membership of 157 and 162 respectively exercises a compulsory attendance rule while reserving the right to cancel membership if a person continuously fails to attend the monthly meetings.

Though Puttalam and Matara, while allowing more than one TCCS to be formed within a single GM area, insists that the operative zones of different TCCSs cannot overlap, the Jaffna district not only permits more than one TCCS within a single GM area but even allows the

operative zones of different TCCSs to overlap one-another. The Kudiputhirippu GM area already has seven TCCSs with overlapping operative zones. The oldest of these, known as the 'The Kudiputhirippu New TCCS' was formed in 1980 and has a membership of 120. The 'Kudiputhirippu Women's TCCS' with a membership of 68, was formed in 1984. The 'Kudiputhirippu People's TCCS' which has 23 members was formed in 1985. The 'St Anthony's Women's TCCS', formed in 1987 has 24 members, while the other three TCCSs which were also formed in 1986/87 have around 15-25 members in each. There is no compulsion about attending meetings. For one thing, such a rule would not be viable in the unsettled conditions of the north.

As much as population and geographical factors influence the optimum size of a TCCS, a relevant sociological factor affecting size-range cannot be overlooked. There are certain localities where particular caste groups do not efficiently interact with one another. Where these sociological conditions prevail, forcing non interactive caste groups into a single TCCS through the bureaucratic imposition of a membership rule will not generate the internal integrity within a TCCS necessary for its effective functioning. In the Galle district where a bureaucratic rule decides that there can be only one TCCS in a GM area, it was seen how in a particular area (outside our sample), a caste group which was socially non-interactive with the caste group that dominated the existing TCCS made representations to their MP, requesting that they be allowed to form their own TCCS. The MP thereupon requested the AGA concerned to permit that caste group their own TCCS as an exception to the prevailing rule.

The optimum size-range, the degree of internal integrity and the local availability of the appropriate human resource for leadership combine to determine the level of performance of a TCCS. If a TCCS is smaller than its optimum size-range, as it seems to be the case in a majority of the Kudiputhirippu TCCSs (Jaffna district), it will not be able to build up a large enough capital for its effective functioning. On the other hand, if a TCCS becomes larger than its optimum size-range either in terms of its membership or in terms of its loan portfolios, it will begin to move away from

voluntariness towards a paid bureaucracy and away from operational flexibility towards working within a relatively rigid system of impersonal rules and procedures. TCCSs can retain their present character as long as their scope remains small. If they are made to handle larger and larger portfolios of rural loans by the State, they will undoubtedly have to transform themselves into a different kind of rural institution : Into a kind of rurally-located bank that is bureaucratically managed.

TCCS AND THE QUESTION OF SCALE

From 1986, with the decision to grant NHDA housing loans through TCCSs, there has been a leap in the momentum of growth of TCCSs, in Sri Lanka.

When the TCCS movement expands against the background of a governmental decision to use it as the vehicle for channeling NHDA housing loans to the rural sector, there is a strong possibility that TCCSs would develop not as a rural savings and credit institution but as an instrument of housing credit. In the four new TCCSs of Kudiputhirippu (Jaffna district), NHDA housing loans were seen to dominate the total loan portfolios. It was also seen that these four TCCSs were formed merely for getting access to NHDA housing loans. The perception of the local people was that the more TCCSs there are the greater will be the number of housing loans received by the village : And in the course of the first half of 1987, each of the new TCCSs received at least one housing loan from NHDA.

The situation seems to have been different in the TCCSs studied in the Sinhala-speaking districts, where NHDA housing loans did not dominate the total loan portfolio to the same extent. The situation is also similar in the older TCCS of Kudiputhirippu (Jaffna district).

Proportion of NHDA housing loans in the
total loan portfolio of TCCSs

<u>Name of the TCCS and Year</u>	<u>% of NHDA loans in the loan portfolio</u>
<i>Sarumellagaha (Galle) 1986-87</i>	40%
<i>Pahalagama (Matara) 1986-87</i>	56%
<i>Hirigama (Matara) 1986-87</i>	25%
<i>Minirankuliya (Puttalam) 1987</i>	19%
<i>Kudiputhirippu Women's TCCS (Jaffna) 1987</i>	22%

It is now a part of government policy to have TCCSs formed in the rural sector. In the Jaffna district, the initiative is taken by the SSO who motivates people to organise themselves into TCCSs. He then arranges with the Co-operative Inspector of the area to form the TCCS which is then registered with the ACCD. In Jaffna, there is no stipulation that a TCCS should hold a minimum number of meetings before it qualifies for registration with the ACCD or with the District Thrift and Credit Union (DTCU).

In Galle, the initiative is taken by the AGA, who on his division day, encourages his GSs and SSOs to form TCCSs in their respective areas. The GS and SSO contact people who they think could be the nucleus of a TCCS, arranges a meeting in the village and requests the AGA to attend it. The AGA in turn asks the NHDA and the ACCD to send their officers to such meetings for the formation of the new TCCSs.

In Matara, the initiative is taken by the ACCD and the DTCU rather than by the AGA. The DTCU of Matara is stronger and more effective than the DTCU of Galle. It has an Education Committee consisting of some members of its Board of Directors and 12 change Agents - one for each AGA division. The Change Agents consist of office bearers of active TCCS, selected by the DTCU. Their task is to motivate people to form TCCSs. They work on a voluntary basis; only their travel costs are re-imbursed by the DTCU. In Matara, it is the DTCU Change Agents who take the initiative to expedite the extension of the TCCS movement. They get the support of the GS, SSO, AGA and HO/NHDA

However there are instances in the Matara district where the initiative was taken either the AGA through the GS/SSO or by the ACCD through the Co-operative Inspector (CI). There is no formal system of collaboration between the DTCU, ACCD, AGA and HO/NHDA. Any one of them can take the initiative and invite the others to collaborate.

In Puttalam the initiative is taken by the DTCU and the ACCD. The AGA only helps them. The Puttalam DTCU has 15 Change Agents who comprise active office bearers or members of existing TCCSs. Their task is to go into villages and motivate people to form TCCSs. In forming TCCSs, the DTCU Change Agents obtain the active collaboration of the Co-operative Inspectors (CIs) of the respective areas. For every TCCS formed and registered, the ACCD pays an incentive bonus of Rs.150/- to the Change Agent and Rs.180/- to the CI if registration has taken place after 3 TCCS meetings or Rs.200/- and Rs.240/- respectively if registration has been after 4 meetings. Of the 15 Change Agents, 9 have been very active. One has been responsible for the formation of 26 TCCSs; another for 8 TCCSs; three respectively for 7 TCCSs each; one for 3 TCCSs; and one for 1 TCCS.

In Galle, a TCCS qualifies for registration with the ACCD after holding 2 monthly meetings. In Matara a TCCS needs to hold 3 monthly meetings before it can be registered by the ACCD, while in Puttalam it is only after a TCCS holds 3-4 monthly meetings that it would qualify for registration with the ACCD. Registration with the DTCU follows registration with the ACCD. The TCCS has to follow certain procedures and pay a stipulated deposit to the DTCU before it is incorporated into it. After this, a TCCS can receive NHDA housing loans. From the time a new TCCS is initiated, therefore, it takes on the average 4-6 months in the Galle, Matara and Puttalam districts before it can receive NHDA housing loans. In the Jaffna district, however, as these same procedures are not being followed, a new TCCS qualifies for NHDA housing loans in a much shorter period of time.

As the TCCSEP commits itself to expanding the TCCS movement 'in scale' - i.e. to the rapid expansion of the number of TCCSs in

the country, the level of management efficiency of the new TCCSs becomes a question. It was observed that this remains a problem despite the fairly basic training programmes organised for TCCS officers by the DTCUs. CIs act as trainers in most of these programmes. In Jaffna, the DTCU conducts a 3 day course on book-keeping and basic management. In Galle, the DTCU trains TCCS office bearers and committee members in book-keeping and basic management with the close collaboration of the ACCD and his officers. In Matara, the training task is largely handled by the DTCU Change Agents, while in Puttalam the DTCU collaborates with the ACCD's office in conducting 1-3 days courses on book-keeping and management for TCCS office bearers with CIs acting as the trainers.

It was observed that a more imaginative training thrust would help the new TCCSs to emerge as strong rural credit institutions. NGOs could play a bigger role in the training of TCCS persons by developing more innovative training programmes through which TCCS leaders could be stimulated to move into new and innovative types of savings and credit activities. A carefully structured local exchange programme in which different TCCSs visit each other to share each other's experiences and knowledge could be the basis for yet another type of innovative training approach - i.e. an approach which trains TCCS officers through 'direct learning' from each other. In Sri Lanka, little attention is paid to the development of appropriate management techniques, methodologies and management tools for village level organisations. Development Support Agencies would do well to direct more resources for Management Training. At present, there is not even a practical management manual for village level organisations available for use in Sri Lanka.

Today, the hundreds of new TCCSs that are being formed under the TCCSEP operate at uneven levels of managerial efficiency.

- Some are open for financial transactions throughout the week, even into the late evenings.
- Some are open for financial transactions only on week-ends.
- Some conduct financial transactions only at monthly general meetings.

- Some have permanent offices
- Some have no office from which to operate.

TCCS AND THE QUESTION OF PARTICIPATION

Women's participation is relatively high in the TCCSs studied in Sinhala-speaking districts. In the GM area studied in the Jaffna district, there were some TCCSs only for women. It was observed that in village society, women have more free time than men to attend meetings. Also savings on a small scale and in small amounts falls largely within the range of women's activities in rural areas.

<u>% of women in TCCS membership</u>	
<i>Sarumellagaha (Galle district)</i>	74%
<i>Hirigama (Matara district)</i>	62%
<i>Pahalagama (Matara district)</i>	60%
<i>Minirankuliya (Puttalam district)</i>	55%

In these same TCCSs, the over - 40 year age group dominated the membership except in the case of Minirankuliya.

<u>% of over - 40 year old persons in TCCS membership</u>	
<i>Sarumellagaha (Galle district)</i>	60%
<i>Hirigama (Matara district)</i>	72%
<i>Pahalagama (Matara district)</i>	74%
<i>Minirankuliya (Puttalam district)</i>	45%

It was seen that the age composition of TCCS members is related to the employment structure of the village. A large percentage of TCCS members were found to be self-employed persons who had organised-small-scale economic activities around themselves either within the village or immediately outside. It is such self-employed persons operating on a small-scale who need access to small loans which TCCSs can provide. In Sarumellagaha (Galle district) young people work as labourers in nearby tea estates, in bakeries, for carpenters and masons outside the village and as helpers for loading passengers into private buses in the Galle bus stand. In Colombo, many of the older

people are self-employed in or just outside the village and it is their families that find the TCCS to be useful. At Hirigama and Pahalgama (Matara district) too, the younger people go out to work as labourers while many of the older people are self-employed within the village as coir-makers, lace-makers, carpenters and masons. At Minirankuliya (Puttalam district) in contrast to the Galle and Matara district TCCSs studied, the older people work as cultivators and agricultural labourers while it is the youth who are engaged as small entrepreneurs, small traders, carpenters, poultry-farmers etc. Therefore it is not surprising to find a dominance of youth in the TCCS membership at Minirankuliya. Also, as seen at Minirankuliya, Muslims do not participate in a TCCS because their religion does not permit them to collect interest.

HOUSING LOANS : SUPPLY AND DEMAND

Information about the availability of NHIDA housing loans is communicated by the TCCS to its members at a monthly meeting. Any member who has paid up his share capital of Rs.100/- in Sinhala-speaking TCCSs and Rs.25/- in Jaffna district TCCS studied and has a minimum savings deposit of Rs.200/- in the case of only Sinhala-speaking TCCSs can apply.

<u>TCCS and Year/Years</u>	<u>No of appli- cants for housing loans</u>	<u>No of bene- ficiaries</u>	<u>Percentage of demand supplied</u>
<i>Sarumellagaha (Galle): 1986</i>	155	71	46%
<i>Hirigama (Matara): 1986</i>	32	7	22%
<i>Pahalgama (Matara): 1986</i>	56	8	14%
<i>Minirankuliya (Puttalam): 1986</i>	15	14	93%
<i>6 TCCSs of Kudiputhirippu (Jaffna); 1986/87</i>	38	11	29%

It was also seen that as in the case of housing loans given through the GMs, the 'Tenancy Criterion' laid down in the RHSP guidelines was interpreted so flexibly that it did not present any constraint to the access to housing loans. As in the case of housing loans

given through GMs, the 'Age criterion' laid down in the RHSP guidelines did not present a constraint at operational level.

Age of De-Facto Beneficiaries in TCCSs
(% frequency distribution)

<u>Age group</u>	<u>Galle, Matara, & Puttalam district sample TCCSs</u>	<u>Jaffna district sample TCCSs</u>
Below 35 years	34	14
36 - 50 years	40	86
51 - 70 years	26	-
Over 70 years	-	-
	<u>100</u>	<u>100</u>

The educational levels of the beneficiaries are similar to those of beneficiaries under the GM system. However the employment profile of the beneficiaries shows that under the TCCS system there has been a relatively stronger focus on non-farm self-employed persons. Like in the case of beneficiaries under the GM system, significant differences are also seen between the employment profile and educational profile of Sinhala-speaking and Tamil-speaking beneficiaries.

Educational Level of Beneficiaries in TCCSs
(% frequency distribution)

<u>Educational level</u>	<u>Galle, Matara, & Puttalam district sample TCCSs</u>	<u>Jaffna district sample TCCSs</u>
Illiterate	4	-
Grade 1 - 5	24	-
Grade 6 - 8	30	37
Grade 9 - 10	36	30
Grade 11 and above	<u>6</u>	<u>33</u>
	<u>100</u>	<u>100</u>

Employment Profile of Beneficiaries in TCCSs

(% frequency distribution)

<u>Employment</u>	<u>Galle, Matara & Puttalam district sample TCCSs</u>	<u>Jaffna district sample TCCSs</u>
Agriculture : self-employed	12	27
Non farm : self-employed	42	27
Agricultural labourer	9	18
Non farm labourer	10	-
Salaried : Govt/Corp:	11	18
Salaried : Private sector	10	10
Other	<u>6</u>	<u>-</u>
	<u>100</u>	<u>100</u>

it is also seen that the quantum of loans received and the size of house built/upgraded under the TCCS system remains similar to what prevails under the GM system of loan disbursement.

Size of NHDA Housing Loan given through TCCSs

(% frequency distribution)

<u>Quantum of loan</u> <u>Rs.</u>	<u>Galle, Matara & Puttalam district sample TCCSs</u>	<u>Jaffna district sample TCCSs</u>
Below 3000	30	-
3001 - 4000	38	25
4001 - 5000	10	25
5001 - 6000	-	50
6001 - 7000	-	-
Over 7000	<u>22</u>	<u>-</u>
	<u>100</u>	<u>100</u>

Size of House built/upgraded with NHDA loan given through TCCSs

(% frequency distribution)

<u>Size (sq.ft.)</u>	<u>Galle, Matara & Puttalam district sample TCCSs</u>	<u>Jaffna district sample TCCSs</u>
Below 250	-	-
251 - 500	32	62.5
501 - 750	34	37.5
Over 750	<u>34</u>	<u>-</u>
	<u>100</u>	<u>100</u>

ROLE OF GOVERNMENTAL OFFICERS

Under the TCCS system of granting NHDA housing loans, the HO/NHDA exercises, in practice, less power than under the GM system. Within the power structure of the AGA office, the HO is not able to display the same importance and power that he enjoyed under the GM system of NHDA loan disbursement. He does not find TCCS chairmen coming to him to get forms filled and loan instalments expedited as he did when NHDA loans were disbursed through GMs. The HO has less occasion to display his authority.

The close association of the HO, SSO and GM chairman disintegrates when housing loans are given through TCCSs. The TCCS relates to the HO in a impersonal and bureaucratic manner. The relationship is a formal one. Wherever a TCCS prepares a priority list of applicants or whenever loan instalments are due to beneficiaries, the TCCS formally informs the HO who comes to inspect the houses and make his recommendations. The relationship between the TCCS chairman and the HO was observed to be a purely formal one, unlike the relationship between the HO, SSO and GM chairman when NHDA loans are given through the GM system. However it was observed that the formal relationship did not constrain the progress of the rural housing process in any way. The pressure on the HO by the DM/NHDA and AGA to show results was strong enough to motivate him to minimise delays. In fact, the time lag between the loan application and receipt of first instalment was actually less than in the case of NHDA loans granted through the GM system.

Time lag between loan application and receipt
of first instalment by beneficiaries in TCCSs

(% frequency distribution)

<u>Time lag (months)</u>	<u>Galle, Matara & Puttalam district sample TCCSs</u>	<u>Jaffna district sample TCCSs</u>
Below 3	54	-
3 - 6	40	100
7 - 9	4	-
10 - 12	<u>2</u>	<u>-</u>
	<u>100</u>	<u>100</u>

When NHDA housing loans are channeled through the TCCS system rather than through the GM system, the GM loses its power to distribute patronage in the form of NHDA housing loans. Under the TCCS system of NHDA loan disbursement, the priority list of beneficiaries is prepared by the TCCS and sent to the GM for endorsement. The GM can either endorse the list prepared by the TCCS or refuse to do so. If the GM decides to object to the whole or a part of the list, it has to provide adequate reasons for doing so. The TCCS-GM relationship can be smooth or strained. The local situation varies from place to place. The relationship expresses itself in a variety of ways, depending on local circumstances.

- At Sarumellagaha (Galle district) the TCCS and the GM actively work together : Close personal linkages between the TCCS chairman and the GM enable the latter to participate informally in the selection of beneficiaries and the inspection of houses.
- At Kandy, the TCCS chairman and the GM chairman relate to each other as members of the housing sub-committee of the GM, through which they work out the modalities of collaboration.
- At Minirankuliya (Puttalam district) in 1986 the GM chairman and the TCCS chairman were one and the same person. In 1987, the TCCS chairman successfully nominated one of his own supporters for the GM chairmanship while retaining the TCCS chairmanship for himself. The GM chairman of 1987 remains an active member of the TCCS.
- In certain areas, the SSO mediates between the TCCS chairman and the GM chairman. In certain other areas the AGA mediates to ensure that the GM chairman does not jeopardise the list of a TCCS he does not like.
- In certain areas the GM chairman manipulates to set up a TCCS under the leadership of his own nominee. For instance, at Wattegodā (Matara district), the GM chairman himself took the initiative to organise a TCCS in 1987 under the chairmanship of his own wife.
- In a certain TCCS, (outside our sample), the TCCS chairmanship sends his priority list direct to the AGA who sends it to

the GM chairman with a personal request that he approve the list: The GM chairman does so because he does not want to displease the AGA.

Structurally the TCCS does not perceive itself to be subordinate to the GM. Because of its lack of control over resources, at village level the GM continues to be perceived as yet another village level institution rather than as a super-ordinate organisation that stands above its constituent member organisations. To ask a TCCS to have its list of proposed beneficiaries approved by the GM therefore tends to be fraught with resentment. TCCSs would generally not resent being asked to have their decisions approved at a super-ordinate structural level - e.g. by a Pradeshiya Mandala (PM) or by the MP. But the GM-TCCS relationship is perceived by the TCCS to be one of equality.

SELECTION OF BENEFICIARIES BY TCCSs

Priority lists of beneficiaries are discussed and modified/ approved at a general meeting of the TCCS, attended by its members. The TCCS is primarily a kind of business organisation. Its decisions are guided by the norms of efficiency and financial viability rather than by those of equity and concern for the poor. As a business organisation, a TCCS would give out loans only to those it confidently feels will be able to repay. A TCCS will not consider questions of equity when preparing its loan portfolio. Affordability and ability to repay alone will guide the selection of beneficiaries unlike in the case of GMs where the equity factor was also seen to influence decision-making.

Access to housing loans through the TCCS system for families with a monthly income of less than Rs.700/-

<u>TCCS and year</u>	<u>% of beneficiaries with a monthly income of less than Rs.700/-</u>
Sarumellagaha (Galle) :1986	0 %
Hirigama (Matara) :1986	0 %
Pahalagama (Matara) :1986	12.5%
Minirankuliya (Puttalam) :1987	0 %
6 TCCSs at Kudiputhirippu (Jaffna) :1987	0 %

Piyadasa, aged 45, of Hirigama (Matara district) is a trader who owns a lorry. He takes rice and coconuts from Dikwella for trade in Buttala in the Moneragala district. His monthly income is around Rs.3500/-. He is married with 4 children and owns a 1500 sq.ft. house. He received a NHDA loan of Rs.3500/- from the TCCS to build a kitchen for his house. He uses the kitchen built with the aid of the NHDA loan to store rice and coconuts which he takes for sale in his lorry to Buttala.

Siriyawathie, aged 32, of Hirigama (Matara district) is a spinster who lives alone in her large house located on 5 acres of coconut land. She has 4 brothers who are affluent traders in Colombo sending her money every month. She obtained a NHDA loan of Rs.3500/- from the TCCS to plaster a rear portion of her large house.

Weerawardana, aged 55, is the scion of a old feudal family living in his wife's Walawwa (manor house) in Pahalagama (Matara district). He owned much property at Middeniya in the Hambantota district which he sold and invested in fixed deposits from which he gets a regular income of around Rs.2500/- a month. He obtained a loan of Rs.3000/- from the TCCS towards the cost of a 1200 sq.ft. house which he is building in the village as his wife's brothers have staked a claim for the Walawwa.

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Having built his house within the limits of his income, the owner of this house sets a valuable example for others to follow.

Although the RHSP guidelines permit the beneficiary to decide on the repayment period of the housing loan, (an option of 15 years, 10 years and 5 years being available), it was seen that the TCCSs studied did not give their members the freedom to choose the repayment period most suitable to them. While some - especially the older, more experienced - TCCSs contracted the loans with their respective DTCUs on a longer repayment basis while giving them out to their members on a short repayment basis, others - especially the newer TCCSs - contracted the loans with their DTCUs and also gave them out to their members on short repayment terms while enjoying the right to contract for a longer period of repayment.

<u>TCCS</u>	<u>Contractual period for loan repayment</u>		
	<u>Repayment period contracted between TCCS and beneficiaries</u>	<u>Repayment period contracted between DTCU and TCCS</u>	<u>Repayment period contracted between NHDA and DTCU</u>
<i>Sarumellagaha (Galle)</i>	<i>5 years</i>	<i>10 years</i>	<i>10 years</i>
<i>Iirigama (Matara)</i>	<i>5 years</i>	<i>5 years</i>	<i>5 years</i>
<i>Pahalagama (Matara)</i>	<i>7½ years</i>	<i>15 years</i>	<i>15 years</i>
<i>Minirankuliya (Puttalam)</i>	<i>5 years</i>	<i>5 years</i>	<i>5 years</i>

MONITORING OF HOUSE CONSTRUCTION AT TCCS LEVEL

For the same reasons as discussed in an earlier chapter in relation to the granting of housing loans through the GM system, it is to the advantage of a TCCS to see that the housing units for which loans have been taken are completed in the shortest possible time. Next year's allocation of money for housing development depends on this year's performance. 'Completion of construction of Housing Units' is one of the two criteria on which performance is judged; the other being loan recovery.

Unlike the GM chairman and SSO, who under the GM system of loan disbursement take great pains to often visit the building sites, en-

courage beneficiaries to complete their houses and help them overcome building constraints, TCCS office bearers do not intervene in the building process in the same way. At Sarumellagaha (Galle dsitric) and Pahalagama (Matara district) the TCCS president and the secretary and the president and tresurer respectively did go round the building sites but very infrequently. At Hirigama (Matara district), Miniran-kuliya (Puttalam district) and Kudiputhirippu (Jaffna district), TCCS office bearers were not known to have gone round the building sites in their respective areas.

Monitoring of progress in house construction is effected formally at monthly TCCS meetings. It is carried out in a business-like manner at formal meetings by obtaining information on progress of housebuilding operations either directly from the builders or else from other members. As TCCSs unlike GMs select their beneficiaries entirely on grounds of affordability to build and repay, there is no need for its officers to intervene with the builders and help them overcome their building problems and complete their construction.

The level of physical progress in completion of house construction was found to be slightly lower in the TCCSs studied when compared to the GMs.

Level of completion of construction within 1 year :
(Housing loans given through TCCSs)
(% frequency distribution)

<u>Progress</u>	<u>Galle, Matara & Puttalam</u> <u>district sample TCCSs</u>	<u>Jaffna district</u> <u>sample TCCSs</u>
Completed	70	75
Not completed but all instalments released	-	-
First instalment released but no work done	12	-
In process of construction	<u>18</u>	<u>25</u>
	<u>100</u>	<u>100</u>

LOAN RECOVERY AT TCCS LEVEL

TCCSs, unlike GMs, are essentially banking organisations. Great emphasis is placed on good business management. Loan recovery is a primary concern of a TCCS. As business-oriented banking institutions, the TCCSs studied were seen to have taken steps to ensure loan recovery by :

- Scrupulously selecting as beneficiaries only those who are known beyond doubt to enjoy the level of income that will be necessary to be able to repay.
- Holding monthly meetings of members at which progress of loan recovery is discussed and defaulters - if any - 'exposed' to their peers. In respect to these monthly meetings, TCCSs were seen to enforce - either formally or informally - an attendance norm on their members. The process of exposing loan beneficiaries to the social pressure of their peers is built into the TCCS system.

Loan recovery rates : TCCSs

<u>TCCS and year</u>	<u>Loan recovery rate</u>
<i>Sarumellagaha (Galle) :1986</i>	80%
<i>Hirigama (Matara) :1986</i>	78%
<i>Pahalagama (Matara) :1986</i>	73%
<i>Minirankuliya (Puttalam) :1987</i>	100%
<i>Kudiputhirippu (Jaffna) :1986/87</i>	91%

Though the loan recovery rate of TCCSs is often not 100%, TCCSs are seen to honour their contractual obligations to the DTCU by completing the contracted instalment with their own funds while collecting the amounts still due from their members later. In any case, even if a TCCS remits to the DTCU an instalment less than what was actually due according to the loan contract, the DTCU will often complete the instalment with its own funds and honour its contractual obligation to NHDA. Thus while NHDA records show a 100% or near 100% repayment rate in respect of loans given through TCCSs, the real rate of loan

repayment by beneficiaries to TCCSs at any point of time is lower when viewed at TCCS level.

TCCS SYSTEM - COST EFFECTIVENESS AND CONVENIENCE

Although the disbursement of NHDA housing loans through the TCCS system in the cases studied denies equity considerations, and, by placing primary emphasis on loan recovery and good business management, tends in practice to provide access to housing loans only to the more affluent families in the rural sector, it commends itself in many other ways

- It registers a higher level of loan recovery.
- It helps develop a new rural credit institution at village level.
- It reduces the administrative costs of NHDA : whereas under the GM system of loan disbursement NHDA has to service, monitor and maintain separate files for every beneficiary, under the TCCS system NHDA services, monitors and maintains separate files not for each beneficiary but for each DTCU. Whereas under the GM system separate cheques are issued to each beneficiary, under the TCCS system NHDA issues just one cheque to the DTCU. The work load and therefore the administrative costs of NHDA get dramatically reduced.
- Beneficiaries under the TCCS system do not have to fill in complicated loan application forms for NHDA; nor do they need anymore to go to the NHDA office in the district capital - sometimes at great inconvenience - to receive their instalment cheques. Under the TCCS system, applications are received and instalments are paid (in cash) by TCCSs at village level itself.

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