

Framework for Urban Housing Policy and Programme: “People’s Housing Movement”



Launching the
“PEOPLE’S HOUSING MOVEMENT”
People driven, State supported, Market financed
Housing Movement

UN HABITAT
FOR A BETTER URBAN FUTURE

Sri Lanka
March 2016

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Preamble

The Government of Sri Lanka has been closely associated with the United Nations Human Settlements Programme (UN-HABITAT) from the time of its establishment in 1976. This close association transpired from the Government's commitment to the improvement of the lives of the poor which corresponded with the global mandate of the UN-HABITAT to ensure shelter for all in sustainable human settlements. In fact Sri Lanka was the first country to adopt on a national scale, the United Nations policy of Governments enabling people to house themselves which was a fundamental tenet of the Vancouver declaration for the establishment of UN-HABITAT.

Sri Lanka's adoption and implementation of these policies has without a doubt resulted in better housing conditions of its poor compared with countries of similar economic status. However this is still 'work in progress' and a critical analysis of the policies is called for in order to make course corrections in the light of the Transitional Agenda of the new Government. A special consideration in this regard is the strategic positioning of the Urban Housing Policy within the framework of the policies of the Megapolis Plan for the Western Region.

The draft Framework for Urban Housing Policy and Programme, March 2016 is prepared by UN-HABITAT at the request of the Government and in consultation with all the stakeholders, i.e Government agencies, community organizations, affected people, Municipalities, Civil Society Organizations and private sector developers. Though the policy is formulated with the analysis of Colombo and the Western Megapolis, its principles are applicable to other urban areas.

In line with the policy recommendations, a programme is proposed with the title "People's Housing Movement"; a title that encapsulates the spirit and the vision of the programme. The proposed programme is a "**People driven, State supported, Market financed**" approach utilizing social capital and land as leveraging assets to mobilize private capital. The proposed policy is transformational; it places people at the center of decision making and action, the State to its obligatory role of safe guarding rights and creating a path to development of its people, the market to respond to a new opportunity for investment.

Lalith Lankatilleke

Consultant, UN-HABITAT

1. Background

1.1 Housing and Settlement patterns in the City of Colombo and suburbs

Nearly 45% of the population of Colombo live in what is ironically called “underserved” settlements or better known as gardens. The total number of families living in the so called 1053 underserved settlements is estimated to be 77,643 with a population of around 301,689. Of these, 944 settlements have been upgraded to some degree under previous programmes. One significant point to note here is 42.9% of the 1053 settlements have freehold title. Nearly 54 % of these settlements are considered very small with less than 20 households per settlement. Only 8% of the settlements consist of more 100 households. 6 settlements have been identified as extremely poor and 103 very poorly serviced while the rest were considered upgraded and fully upgraded. Compilation of this data has been done by the Colombo Municipal Council jointly with Sevanatha in 2012 using a methodology of scoring with social, economic and physical indicators and therefore can be assumed to portray an accurate profile of the settlements. It can be safely assumed that 60% of these settlements can be regularized with legal tenure facilitating access to private finance for improvements.

1.2 Analysis of the current programmes

Currently Urban Development Authority is carrying out the Urban Resettlement Programme (URP) to rehouse families from underserved settlements into high rise flats. Approximately 5000 units have been completed and another 5000 under construction and contracts have been awarded for the construction of another 7000 units. Though resettled families are enjoying better quality housing and services, the programme has run into problems on different fronts. Due to the absence of any participation of the resettled people in the process, majority of the families are unhappy and perceive the exercise as a forced resettlement to “liberate” land from the people for other purposes. People have lost their capital assets; the house they had built through their lives struggles. Many have lost their sources of income through the loss businesses making them economically weaker. Some have lost their social support networks. Some are struggling to adopt to the new living style in high rise apartments. On the other hand, though the families receive the apartments at highly subsidized price with concessionary repayments, people are not willing to pay even the nominal amount, because they perceive that they were forcibly resettled. The URP policy of “an apartment for a house” has rendered renters homeless forcing them to occupy the old settlement while others have rented their apartment and gone back to occupy the old settlement. The demonstrations and road blocks that occurred when the demolition squads arrived, causing embarrassment to the authorities can largely be attributed to the lack of consultation and trust building with the resettled people. While the UDA is incurring a colossal amount of money for the programme and providing highly subsidized housing, the programme is not addressing the core issues of the lives of the people. Decision makers have to also consider that the failure of the approach of rehousing is alienating a group of people who have a strong political clout.

1.3 Middle income

Every family's life long desire is to own a home which contributes to family stability and pride irrespective of the income status. This aspiration is more predominant within middle income and lower middle income groups who also consider it as means of moving up the social ladder. However the Colombo's city housing market does not cater to the middle and lower middle income groups resulting in these groups moving out of the city to where the land is affordable to build a house. This trend has pushed them out of the city to the suburbs and rural areas leaving the city very much polarized. Also living in the suburbs and commuting to the city has been preferred by many since transport costs are low. However this pattern is fast changing with younger families opting to live close to work and schools considering the added problem of commuting time.

1.4 Rental Housing

In Sri Lanka in general, home ownership is considered the most stable means of housing. Rental housing has not been a popular option. On the other hand, service sector workers who wish to rent a place in the city and remit their incomes to the families in the villages find it extremely difficult to find a place to live in the city. The shortage of rental housing has a greater impact on female workers who have jobs in the city. It also discourages female workers taking up jobs in the city. Interestingly it can be noticed that in upgraded settlements families are building extra rooms for rental for individuals. By and large the market has not responded to the demand for rental housing on large scale and has remained individual families renting parts of their houses. This is largely due to the cost of land and low returns on investment. With the Megapolis Plan of making Colombo a financial hub the demand for rental housing would likely to increase.

1.5 Problem Summary

The problems that the Policy and Programme need to address can be summarized as follows:

- Realizing the full potential of the people living in "underserved" settlements
- Capitalizing the land assets that people own to improve their living conditions, social mobility and economic status
- Optimizing the use of valuable land for capital formation and economic growth
- Increasing the stock of housing for all income groups
- Improving the living environments for all in a sustainable manner
- Creating opportunities for the private sector to invest in the housing sector

2. Goal and Objectives of the Policy Framework.

2.1 Goal:

“Better quality of life for the people with increased social mobility and improved economic opportunities in healthy living environments”

2.1 Alignment with the Transitional Agenda

The guiding principles for the formulation of the policy is based on the four pillars of the Megapolis Plan:

- Economic Growth; Creating capital formation through the construction of housing with the social capital of people, optimizing the use of urban land and financial capital from the private sector.
- Equity; Ensuring a fair chance for all irrespective of incomes and social status by increasing social mobility and identity.
- Environmental sustainability; Improving living environments and devolving management responsibility to the communities.
- Individual happiness; Creating opportunities for individual families and communities to take decisions on their own behalf with choices.

3. Resources for the Programme

3.1 Social Capital

Social Capital, hitherto unrecognized and un-mobilized, needs to be considered as the primary resource. People’s unrelenting drive and energy to improve their lives and their ability to organize and do things collectively should be recognized and supported to drive the programme. Properly constituted social capital should be the driving force of the programme. This requires social mobilization, empowerment and institutionalization of the organization in the settlements. Community Development Councils are active to varying degrees of functionality in these settlements and they are registered with the CMC, however they need to be revitalized. Evidence shows that if there is a tangible programme that they can benefit from, they would rally round and organize themselves.

3.2 Land

State land is available for the programme in different forms owned by UDA, NHDA, CMC, Railways and other state institutions. Some strategically located high value land is currently home to families with some form of title that cannot be capitalized due to the size of the parcels and issues of legality. UDA and NHDA need to facilitate a process of resolving the land issues and making them marketable.

3.3 Finance

Although Sri Lanka's financial institutions are fairly liquid, they have been restricting their lending to the housing sector to secured properties and fixed income earners through mortgage instruments. More flexible mechanisms need to be formulated considering credit to families on state owned properties. Recent surveys have shown that families living in so called underserved settlements or categorized as urban poor are no longer poor and they can afford to pay a reasonable sum to own a house. The surveys indicate that only about 10% fall into the category of very poor that would require state assistance to acquire a house.

4. Policy Fundamentals

Critically analyzing the lessons learnt in Sri Lanka and other countries in the field of housing over the past three decades, leads to the conclusion that the policy should be a:

"People driven, State supported, Market financed" approach.

Such an approach is necessary in the present context for:

- People to be happy and satisfied from being involved in their own process of development
- People to capitalize their dormant assets
- State to restore rights of the people
- State to create sustainable living environments and urban development
- Markets to respond to viable investment opportunities
- An affordable solution to the state and the people

5. Programme Title

For the implementation of the programme some prerequisites from the State are necessary;

Firstly, Trust Building. The launching of this programme at a time when the communities have lost trust in the organs of the state requires a concerted effort by the Government and the political authorities of trust building. The message has to be consistent and unwavering. The message that this is a programme led by the people and the Government agencies will back them in the issues that they cannot resolve, has to be clear and unambiguous.

Secondly, Transparency. Transparency in the negotiations and agreements cannot be compromised. Stakes, benefits and profits for all parties concerned have to be clear and open from the start.

Thirdly. Respecting the primacy of communities leading and driving the programme.

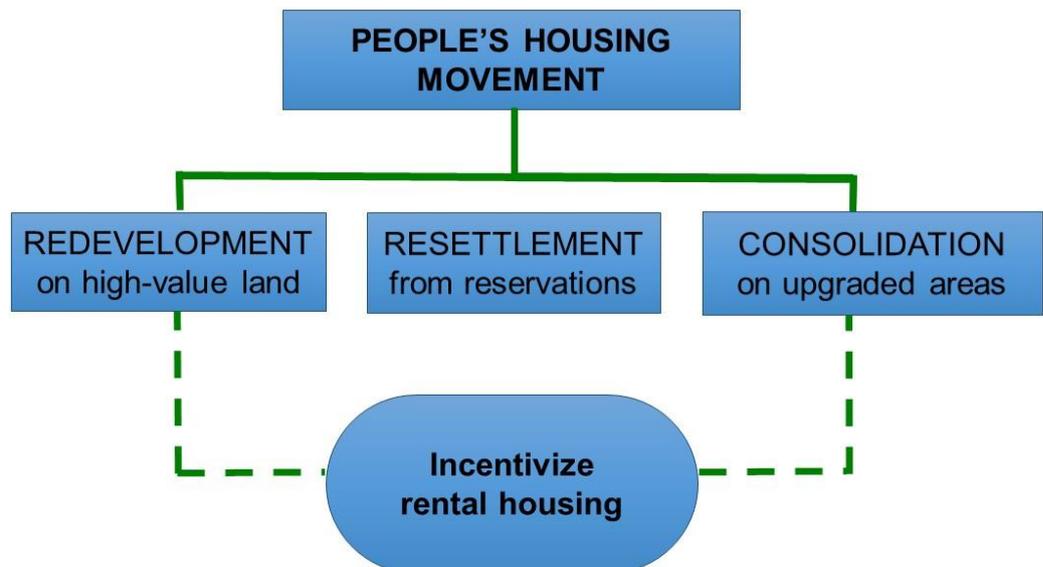
Considering these essential features of the programme it is proposed that the programme is titled

People’s Housing Movement; a title to rally people to take it forward. This title in Sinhala “Janatha Nivasa Balavegaya” was considered and proposed by a group of active community leaders on 3rd February 2016. It is a title that they considered would inspire people to take the lead and act on their own behalf.

6. Programme Outline

Considering the types of settlements and the needs of the people three components are proposed:

1. **REDEVELOPMENT:** Settlements in locations where the potential for capitalization of land assets is very high for on site redevelopment
2. **RESETTLEMENT:** Settlements in hazardous sites and those in locations required for infrastructure development
3. **CONSOLIDATION:** Settlements that have been upgraded to higher standard requiring legal formalization



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6.1 REDEVELOPMENT:

Redevelopment component would essentially convert potentially valuable land assets owned by the people and the state into better housing for those living on the land and other middle and upper income families including commercial and office spaces. Planning and design, both physical and financial, has to be carried out sensitively involving the community to optimize the use of land to make it profitable to the families and the developer. In optimizing the use of the land, rental properties have to be included to enhance financial viability. Each family’s share of the investment would be the value of the parcel of land that they occupy plus the structure on it. The ownership of the development could be a company owned by the

community, or a company jointly owned by the community and a developer and an intermediary body. The options depend on the strength of the community organization. The form of facilitation from the state organization is crucial in this process. In addition, it is essential for the mandated state organizations; UDA and NHDA to formulate the guidelines and regulatory framework with social safe guards and redress mechanisms. The successful implementation of the programme would lead to social integration and mixed development.

6.2 RESETTLEMENT

The resettlement programme would apply to communities living on land subject to flooding and other natural disasters and those communities living on land that are required for infrastructure development like highway and railways. In these cases the NIRP has to be applied and resettlement locations have to be in close proximity to their settlements. The entitlements under the NIRP would be the share of the families in the investment. A similar formula for the development as proposed under Rebuilding can be instituted for Resettlement projects.

6.3 CONSOLIDATION

About 60% of the settlements that have been upgraded with secure tenure contain and services and present the characteristics of middle income settlements. What they suffer from is the labelling as an “underserved” settlement and the legality be formal and recognized to be part of the city fabric. Once they are properly formalized they would have access to credit for the improvement of their houses with additional space for renting. Shortcoming in these settlements are poor solid waste management and internal traffic movement. These shortcoming can be addressed by the Community Development Councils. In this case the community should be given the option of joining the Consolidation or Redevelopment Programme considering all the trade-offs.

7. Operational Principles

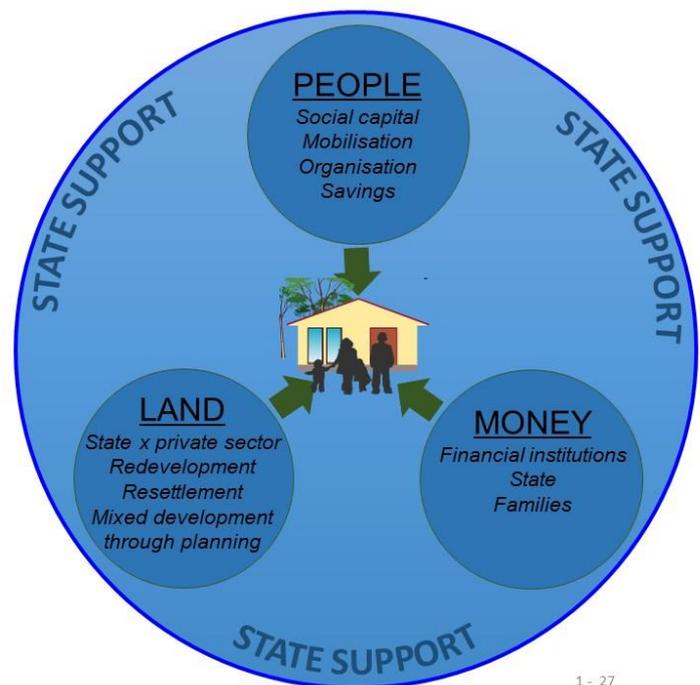
- Place people at the center of decision making and action
- Recognize the rights of people to the locations that they are presently living in.
- Relocation to be considered only where people are living on hazardous sites and land required for development purposes.
- Where relocation is required, the provisions of the National Involuntary Resettlement Policy should apply.

8. Resources Framework

The proposed programme is based on utilizing three resources hitherto not mobilized to their full potential. Firstly Social Capital; the drive and ingenuity of people to improve their lives and those of their children. Secondly capitalizing the dormant land resources that are constrained by legal and administrative barriers and unable to come into the market. Thirdly Sri Lankan capital markets that have not ventured into this particular market due to legal constraints and political uncertainty. When transparent and accountable systems are established attracting foreign investment especially from development banks could be possible. The State’s role in

this formula is to remove legal barriers and create an enabling legal framework, facilitate social capital formation by recognizing and legitimizing people’s organizations acting for their own development, pre-financing initial investments, and designing financial instruments to mobilize private capital. This is a clear departure from past housing interventions of the State of providing housing and credit; it’s a shift from political patronage to empowering people to be charge of their own development. However the role of the State is crucial for the success of the programme. It has to be proactive, dynamic, willing to learn and be flexible. It is major shift in paradigm which has to clearly understood and practiced by political authorities and the administration. Conceptually the State Support can be depicted as follows:

RESOURCE & SUPPORT FRAMEWORK FOR THE PEOPLE’S HOUSING MOVEMENT



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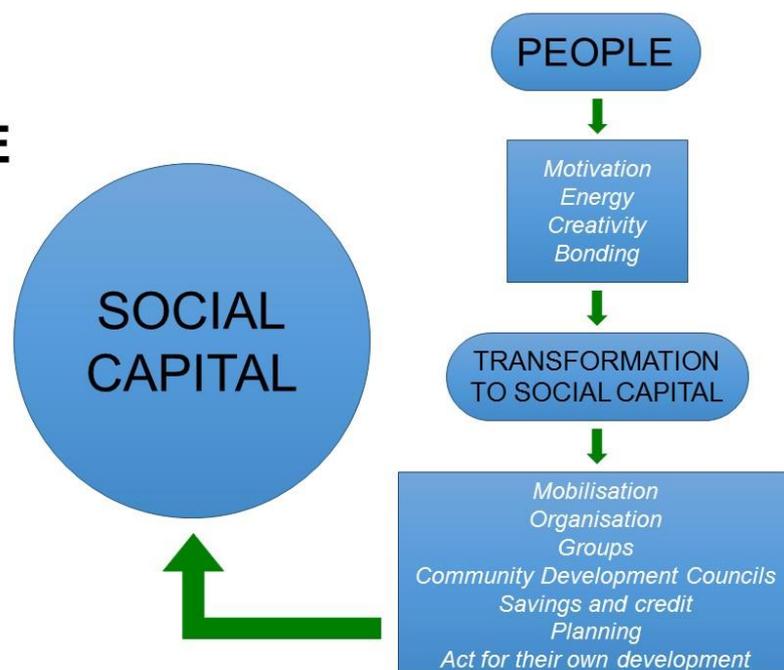
9. City Wide Planning and Programming

A city wide planning and programming exercise has to be carried out to determine which settlements would be suitable for Redevelopment, Resettlement and Consolidation and to identify resettlement sites. For example for the city of Colombo the exercise will have to be carried out district by district jointly by the planners of the UDA, NHDA, CMC and the CDC Federation. A city wide planning and programming approach is necessary *firstly* for all the communities to know that they are part of the People’s Housing Movement, *secondly* since 54% of the settlements are less than 20 households which means some movement of families within the district may be necessary and to give a choice to the families where they would like live, *thirdly* to identify lands available for resettlement.

10. Building Social Capital

Sri Lanka has been fortuitous in preserving a long tradition of utilizing social capital for societal co-existence and development. It is a socio-cultural norm to rely on social capital to address crisis, resolve problems, share resources and carry out development collectively. Social capital very often goes unrecognized and undervalued in development programmes, targeted at the poor. Sri Lanka has pioneered some innovative development programmes based on social capital that have received world acclaim. Sarvodaya Movement, Million Houses Programme, Women's Coperative (Kantha Bank), and more recently UN-HABITAT's North-East housing reconstruction programme are some of the successful movements based on social capital. The City of Colombo has a 38 year history of mobilizing communities under Community Development Councils to carry out development work. These CDCs are registered bodies with the Colombo Municipal Council and are closely associated with local development work. 944 of the 1050 settlements have been upgraded to some degree under different programmes of the past through the CDCs. Dehiwala-Mount Lavinia, Kotte and Moratuwa local government also had active CDC carrying out housing and infrastructure development works. However the majority of these have remained dormant due to the absence of a programme for them to be a part of. Some of the pioneering leaders are still around and some CDCs are still very active. One of the most successful outcomes of the urban community movement is the Women's Development Cooperative Society of Sri Lanka (Women's Coop), better known as Kantha Bank. Today it has a membership of over 100,000 with large capital from savings and credit operations involved in enterprises, housing health care and other need of people. Praja Sahayeka Sevaya was an organization established by community leaders in 1988 was dynamic organization that helped communities to organize themselves and be part of the people's development process. In assessing these structures, it is evident that the foundations for a revival of a people's movement already exist within the communities. In fact they are crying out to join a programme that would uplift their lives. Therefore reviving the community movement is not a difficult exercise which is an essential prerequisite for the programme.

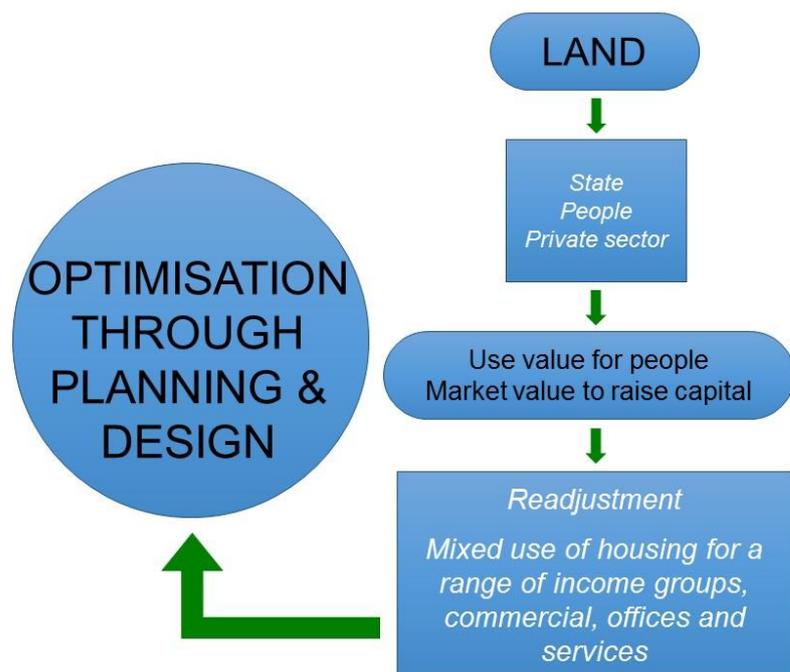
PRIMARY RESOURCE



11. Planning and Optimizing the use of Land

Planning and design for the optimum use of the land has to be carried out for Redevelopment and Resettlement projects with the participation of all the stake holders; the community, intermediary support organizations Architects and Planners, developers and financiers. Firstly basic guidelines have to be established by all the stake holders considering benefits and trade-offs which have to be spelt out clearly at the offset and agreed upon. Architects and Planners have to play sensitive facilitation role safe guarding the interest of all parties and optimizing the benefits. A range of combinations and options will have be developed to find the most suitable option for the families and that would optimize the return for the development. The interest of the families should remain primary. Conceptually the process can be depicted as follows:

SECONDARY RESOURCE

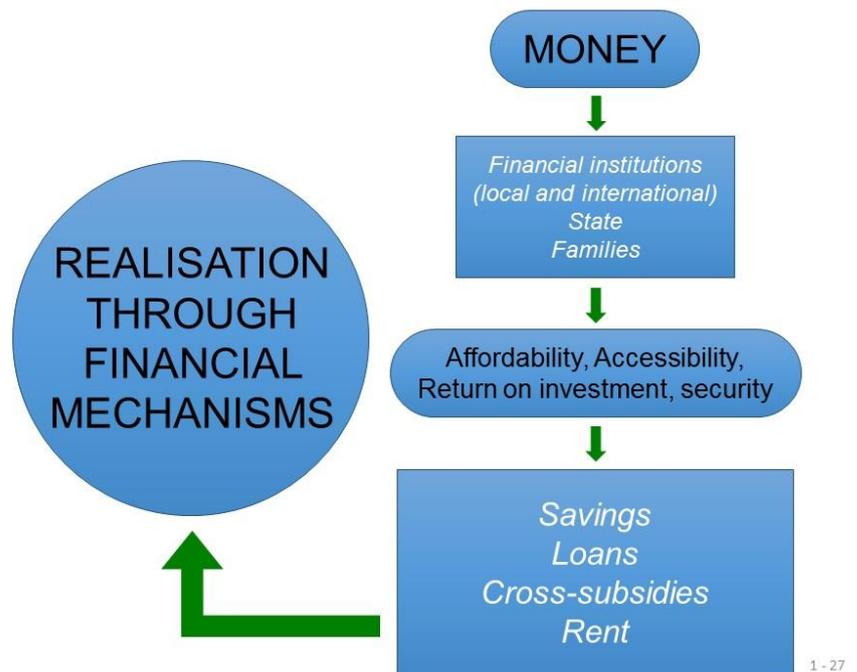


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12. Mobilizing Private Capital

It has to be acknowledged that the proposed programme would be a new venture for the financial institutions to venture into. Therefore confidence building with private developers and the financial institutions is a necessary prerequisite for the programme. The State has to play an assertive role in building the confidence of the private sector to invest in the programme. This confidence can be instituted in the financial instruments that need to be designed. Two key considerations in financial instruments are the return on investment for the developers and the security for the banks to lend. The first can be determined at the planning stage while latter may require new lending instruments than the conventional mortgages. This is possible because the State will be the proxy owner of the properties.

TERTIARY RESOURCE



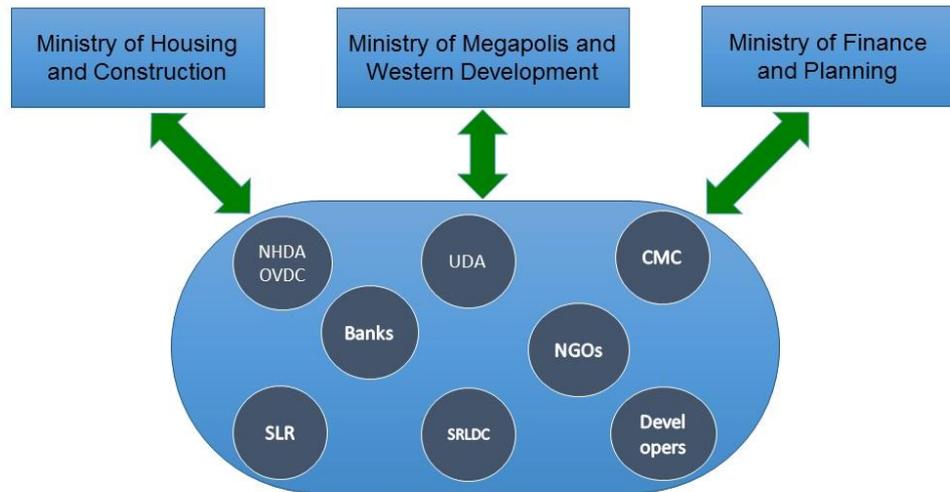
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13. An Alliance for a People's Housing Movement

Considering the mandate of the Ministry of Megapolis and Western Regional Development, it is proposed that the policy is anchored with this Ministry. It will be responsible for the overall application of the policy, uniformly by the State implementation bodies and local governments to facilitate the programme. In addition the Ministry of Megapolis and Western Regional Development will be responsible for coordination and monitoring the People's Housing Movement. The Ministry for Housing with its mandate for housing development will ensure the facilitation of the implementation through NHDA in partnership with the UDA which is responsible for urban development. Colombo Municipal Council and the surrounding local governments will have to play an important role in community mobilization and could also act as project initiator. Experienced NGOs who have been supporting urban communities like Sevanatha could play an important role as project initiators and facilitators.

It is proposed that Alliance to Support the People's Housing Movement be established creating the space for all the actors to facilitate the movement in a consistent approach.

AN ALLIANCE TO SUPPORT THE PEOPLE'S HOUSING MOVEMENT



14. Immediate Steps to Launch the People's Housing Movement

The following immediate steps need to be taken to launch the People Housing Movement:

- Granting title to families in Colombo and other in urban areas who are presently holding user rights and leases.
- City wide planning to identify settlements that would fall into Redevelopment, Resettlement and Consolidation categories and prepare a programme for the next 5 years.
- Prepare detail design of the Movement including facilitation guidelines, legal mechanisms and financial instruments.
- Re-orientation and training for facilitation staff of NHDA, UDA, CMC and Local Government, NGOs (Sevanatha) to become support professionals.
- Conduct awareness and orientation sessions for Developers and Financial institutions
- Conduct mass awareness campaign for the people explaining the essence of the Movement for them to embrace it and move forward.
- Mobilization of CDCs and reviving CDC federations.
- Re-instituting Housing and Community Development Committees at local government level.

15. Options for the On-going Urban Resettlement Programme

While the People's Housing Movement gets started the construction of units under Urban Resettlement Programme will continue for the next 2 years. Following options are proposed to gradually amalgamate it with the People's Housing Movement.

- Organize the communities for the management and maintenance of the occupied apartments as currently being done Sevanatha.
- Grant ownership based on a subsidized payment and recover part of the cost. Introduce banks to provide a loan with UDA guarantee for the families to purchase the apartment.
- The rest of the apartments under construction and contracted for construction, be sold at a market price by facilitating banks to provide loans.

16. Political Commitments and Imperatives

In the transitional agenda of the new Government, housing for the urban poor is a priority expressed in the vision statements of the leaders as follows:

“We have to change the lives of the people living in poverty besides luxury”

H.E. the President Maithripala Sirisena 29 January 2016 launching of the Megapolis Plan

“A Modern Economy is nothing without its People”

Hon. Prime Minister Ranil Wickramasighe

The Hon. Prime Minister in his Economic Policy Statement in November 2015 under key areas of concern for the medium term pledged to empower 3 million people to become land and house owners. With this political commitment it is imperative that the Government implements a comprehensive urban housing programme to achieve the political and development goals.

Making people happy with their housing outcomes, at scale and speed at the same time affordable to Government is a political imperative that the Government has to address. The Government's subsidized high rises cannot meet any of the three key essentials. The People's Housing Movement provides that umbrella for a uniform approach covering all the people in need of housing in the urban areas. It will meet the political imperative of **Scale**. From the offset all the people can identify themselves as part of the movement driven by their decisions and choices. Once they identify with the movement, they would start planning for their dream of their life; a house for the family. Being involved in the process brings greater satisfaction than receiving a product. Therefore reaching scale immediately can be achieved by bringing all the people in need of improved housing into the movement from the start. In terms of speed one necessary action is the granting of title to Families who currently hold user rights and leases in the Colombo city. Title is also necessary for these families to start engaging in Redevelopment projects. The Consolidation projects require only legal regularization and formalization bringing them into the urban fabric for them to access financial institution for housing improvements and extensions. Community Action Planning can be adopted for the community to identify their infrastructure and social needs. The capital outlay from the

Government for these projects is minimal and can be done with the existing resources of the NHDA and UDA.

The capital cost for the Government to implement the People's Housing Movement is only the facilitation cost and quickly recoverable pre-financing that projects would need to get started. The major portion of capital will come from the private sector financial institutions. This formula opens the Government to do its obligated role of facilitation, establishing financial mechanisms, creating an enabling legal environment and social safe guards for the most vulnerable people.

17. Conclusion

The Movement places the people at the center of decision making and action for their own development. This process makes people proud and responsible citizens which would lead to addressing many other ills that afflict our society today. The proposed People's Housing Movement is a departure from State patronized programmes to a popular people driven program giving them satisfaction and popularity to the Government for achieving scale, speed and satisfaction. In all aspects; of society, role of the State, and markets, the Movement is transformational.