



NATIONAL HOUSING POLICY

Revision of January 2017

Ministry of Housing and Construction

The Mandate

The present National Housing Policy was approved by the Cabinet of Ministers of the Government of Sri Lanka on 18th September 2014. This had been prepared after a lengthy consultative process since 2012. The Minister of Housing and Construction in a Note to Cabinet dated 7th July 2016 has recommended that this present National Housing Policy needs to be revised to reflect the new vision of the Government and to focus more attention on emerging issues such as urbanization, impact of natural disasters and implementation of the concept of sustainable human settlements development. Also recommended in this Note to Cabinet was the reconstitution of the proposed Inter-Ministerial Committee to be consistent with the present assignment of subjects and functions of the different Ministries

The Cabinet at its meeting on 12th July 2016 has approved the recommendation to revise the National Housing Policy through an Editorial Board consisting of Human Settlements Experts and reconstitute the inter-Ministerial Committee to be consistent with the present of subjects and functions of Ministries and submit the revised Housing Policy to the Cabinet of Ministers for information. An Editorial Board appointed on 31st October 2016 in accordance with the above Cabinet Decision has prepared this revision of National Housing Policy.

Preamble

Just two decades into the 21st century, Sri Lanka stands at a veritable crossroads in her history of human settlements development. Urbanization and the urgent need for sustainable development loom large in the horizon. The broad brush-strokes of statistics alone cannot represent the conditions now demanding attention as urban growth expands and intensifies. By the same token, statistics alone cannot adequately describe the needs of today's rural population. While the spotlight may be drawn by a dynamic urban sector, the fact that the less viable habitat of the village and the farm is also facing a deepening crisis as resources dwindle and land becomes scarce, necessarily requires equal attention.

The two critical conceptual responses to these emerging trends in the human settlements are the concept of sustainable human settlements development and the notion of the 'enabling' role of the Government. This requires the Government to recognize that it can be the harbinger in creating and renewing a whole series of actions which stimulate the provision of housing and the development of human settlements with an effective partnership of the State, the Market and the People.

Since the adoption of "Universal Declaration of Human Rights" and its subsequent reaffirmation at the 1996 UN Habitat Conference, housing has been recognized as a basic human right. The "Sustainable Development Goals" and the "New Urban Agenda" adopted recently by the international community at the Habitat III, emphasize the need to ensure inclusive, safe, resilient and sustainable human settlements and the promotion of housing policies based on the principles of equity, welfare and shared prosperity. Sri Lanka as a signatory to these declarations is committed to uphold them.

The provision of adequate housing at scale still remains a key challenge in Sri Lanka. In addressing this challenge, national housing policies need to be based on participatory planning and on the principles of social inclusion, economic effectiveness, environmental protection and cultural adequacy. They also need to promote a wide range of housing options in order to improve the supply of affordable housing. The conditions and the emerging trends the county's human settlements demand creative innovation and action. The task before the Nation is, as much about doing something to cure the malaise of inadequate housing, inadequate infrastructures and environmental neglect, as is about the willingness of the society to meet the needs and aspirations of the people. The time is ripe to shift the focus and make a determined effort to enhance our knowledge and understanding of the dramatic transformation that the human settlements will be embroiled in none too distant a future. All concerned and involved be they policy makers at all levels, the private sector, community based organizations and other participants have to focus and coordinate efforts to create innovative policies and programs to make our human settlements – from the smallest village to the largest town, safe and livable.

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Chapter 1: The National Housing Policy

1.1 Why a National Housing Policy?

The goal of a housing policy is a well-functioning housing sector that takes care of the housing needs of all its citizens. That is a housing sector that best serves the interests of all its constituents and which helps to achieve broad social, economic and sustainable development goals.

A well-functioning housing sector is:

- Responsive to the needs and resources of all segments of the population, especially the poor and the disadvantaged, enabling them to be adequately housed at affordable levels,
- Productive and efficient, using resources to obtain the best possible outcome,
- Environmentally sound, accommodating growth without causing damaging consequences to the environment and to the natural resources base.
- Responsive to the impact of climate change and natural disasters

The Government, through laws, regulations, administrative practices, investments, taxes, subsidies and a variety of other policies has to pave the way towards satisfying the goals of a well-functioning housing sector. The Government's policies should enable the leverage of scarce public resources to unlock the energies of people, communities and their organizations as well as of the private sector towards this goal. If these tasks are not addressed effectively, the poor may be deprived of entry into the formal housing market, and may be forced to squat illegally on marginal land to construct shelters that fail to meet basic safety and sanitary standards. Housing demand may continue to be unfulfilled because there are no effective institutions for protecting property rights and no system for providing stable, long-term sources of housing finance. Housing supply may be unresponsive to need as a result of under investment in infrastructure. Poorly planned expansion of the housing stock may impinge on environmentally sensitive areas, use land wastefully and create severe urban pollution and waste disposal problems. Such resulting failures create an unalienable obligation, on the Government to ensure that the housing sector functions well. The elimination or the mitigation of such adverse effects represent a key-feature of the government's enabling role in the housing sector.

Past housing policies have all been well-motivated but as practices they have sometimes fallen short of their objectives. When the housing sector fails to function well it is often the poor that bear the brunt of such failure. The losers of such policy failures are exactly those groups whom the policies were intended to benefit. Moreover, a dysfunctional housing sector tends to produce its own pathology of policy responses such as rent controls, slum clearance, eviction, public provision of heavily subsidized housing, building of incompatible housing and a host of other policies to deal with symptoms of the original policy failure. The losers of such policy failures are exactly those groups whom the policies were intended to benefit. The housing sector is a major loser when housing policies fail, and the economy is a major loser when the housing sector fails.

An enabling strategy as enshrined in the present policy addresses the past shortcomings in the housing sector directly and deals with the causes rather than the symptoms of housing sector failures. By making the housing sector function well, an enabling strategy serves the interests of all the participants in the sector who are the producers, consumers and financiers. An enabling strategy allows each actor to perform its role in the most efficient manner possible, leaving the Government

to leverage the balance resources, so that a collective effort ensues to effectively meet the housing need.

The Housing Policy has to be in harmony with the principles of good governance, requiring commitment and ownership at all levels of Government through a broad consultative process involving those in need of housing and addressing special needs and groups. Resettlement of displaced families due to conflict and natural disasters, women headed households, the disabled, other marginalized groups and the elderly are some of these special groups.

1.2 Why a revision of the existing Policy?

The existing Policy was promulgated in 2014 after lengthy public and stake-holder consultations. Since then there have been several innovative changes in the national policies and strategies for development. A new Government with a new vision of modernization was established in 2015, which has given priority for meeting the challenges of fast emerging urbanization and has created a new legal and institutional framework to meet those challenges. The Government, in addressing this challenge has committed itself to make future urban growth more equitable and inclusive. The revised policy therefore recognizes emerging global and national trends and challenges in human settlements development and focuses on strengthening the present policy document to address those new issues in the context of the vision of the Government and the aspirations of the people.

The Global Community, in its Quito declaration of a new Urban Agenda in November 2016, has committed to a paradigm shift in the way that human settlements, especially urban settlements are planned, developed and managed, recognizing it as an essential instrument in the achievement of all sustainable development goals. The vision of the New Urban Agenda includes ‘promoting, protecting and ensuring the full and the progressive realization of the right to adequate shelter’ as well as ensuring ‘resilience to natural and man-made hazards, as well as protecting and valuing the eco-system, the natural habitat and bio-diversity’.

Housing is inseparable from both urbanization and socio-economic development imperatives. The expansion of adequate and affordable housing is central to achieving inclusive, safe, resilient and sustainable urban settlements in a world where urbanization has exacerbated housing shortages. , This revision therefore calls for housing to be elevated as one of the highest priorities of the Government and reaffirms the right to adequate housing for all - Shelter for All- as a component of the right to an adequate standard of living without discrimination of any kind and endorses the integration of housing policy and strategies across all sectors, and at all levels of Government.

This policy revision emphasizes that housing interventions should promote equity with provisions that address discrimination, forced eviction and the needs of the homeless and people in vulnerable situations, enabling the participation and engagement of communities and stake-holders. Further, it is committed to promote increased security of tenure and to develop gender responsive solutions within a continuum of land and housing rights.

Another important area of focus is the promotion of policies that stimulate the delivery of a diverse range of housing options diversified in size, standard, location and price to meet the needs of the population and which are affordable and accessible for different groups of the society. Such options will consider such shifts from a predominantly private ownership to other rental and tenure options including cooperative housing, supporting incremental housing and upgrading of stable old settlements. Another objective of the revision is to establish policies to address and modernize the regulations within the housing sector, including building codes, standards, development permits, land-use by-laws others to ensure quality and habitability.

The ultimate goal of the Policy is to create the path to achieving ‘Shelter for All’ by 2025 - “SAMATA SEVANA”. The revised National Housing Policy aims to be concise, action-oriented, forward looking, and spatially integrative, recognizing the vision of the Government and the emerging trends as well as being sensitive to a wide range of realities and contexts, cultures and human settlements landscapes.

1.3 Placing the policy in the context of commitment to People and Nation Building

A new Government with a mandate to usher in democracy, good governance, justice, rule of law, stability and modernization was established in Sri Lanka on the 8th of January 2015. The new Government kindled the hopes and aspirations of the people for a higher quality of life free from any form of discrimination - a life where all inhabitants are able to enjoy equal rights and opportunities. The promotion, protection and the ensuring the full and progressive realization of ‘Shelter for All’ is an integral component of the vision and the Nation Building effort of the new Government.

The envisaged restructuring of economic processes under the new vision of modernization will influence the character of the nation’s human settlements systems altering the flow of capital and labour, prioritizing services over manufacturing as the pre-eminent form of employment. Concurrently, good governance and democratization will transform the role of Government in housing and human settlements development, necessitating new strategies which will involve more directly the capacities of the private sector and communities.

At a broader planning level, the Policy covers a sustainable approach incorporating the geographic development strategies of national, regional and urban planning being undertaken by the different levels of Government with special emphasis on the Mega-polis plan.

With regards to the commitment of the Government to Sustainable Development Goals, His Excellency the President, Maithripala Sirisena stated: *“We will work towards the provision of basic needs of the people, progressive alleviation of poverty, elimination of all forms of discrimination and inequalities, and establish a society based on social justice and human security. Parallel to this, while emphasizing on the protection of natural resources, we will also formulate a state policy on resource consumption based on the sustainable capacity of the environment. We will strive to ensure that the relevant policy framework would be implemented within an institutional structure based on the principles of good governance espoused by my Government”.*

1.4 Goals, Vision and Values

The objective of the National Housing Policy presented here is fundamentally to chart the course towards achieving the goal of **‘Shelter for All by the Year 2025’** through a nation-wide People’s Housing Movement with the active participation and action of all the stakeholders. Recognizing that adequate shelter is a fundamental right of its citizens the Government’s aim through this Policy is to stimulate a nation-wide mobilization of those in need of housing and those who can support the process for the housing movement. Further a robust housing sector is essential and complementary for the modern economy. To set the course for this movement, the Policy analyses the historical development of housing and the lessons learned. It considers the current status of housing by sub-sectors in Chapter 2 and the Policy responses and actions required to generate the movement to

achieve the goal of housing the nation by 2025 in Chapter 3 and Monitoring the performance of the sector in Chapter 4.

In order to navigate the course to generate a dynamic housing movement, some key policy principles and values have been brought to the fore. These actions are designed to be ethical, just and transparent, epitomizing good governance and democratic decision making processes.

First and foremost it is people centered. That is people in need of housing will be placed at the center of the decision making process, in action and in responsibility. The policy eliminates all forms of physical, spatial segregation, discrimination and exclusion based on class, income and ethnicity. The Policy is directed at embracing the diversity of Sri Lankan society, community spirit, mutual support, to achieve the right to a dignified life with a decent house for all. The Policy recognizes gender differentiated needs and will take appropriate measures to bring women into the forefront of the decision making process. The Policy promotes these shared values and vision for the generation of a People's Housing Movement for all.

The Policy recognizes the shift towards a predominantly urban Sri Lanka. The transformation that has occurred in recent decades has placed new challenges in understanding of the nexus between urbanization and housing. Hitherto urban housing programs have resulted in socially fragmented urban settlements. Therefore the goal of the policy is to move towards more integrated and inclusive urban housing development.

As an island nation with limited natural resources the concept of sustainability of the housing development is a key consideration. Therefore the goal of the policy is to attain sustainable housing development in terms of people's satisfaction and the optimization of the use of resources.

1.5 Guiding Principles

The guiding principles will be:

- *Equity:* Ensuring that resources are distributed equitably irrespective of incomes and social status
- *Participation:* Creating a process for those in need to be at the center of decision making
- *Support:* The State and its Agencies will actively support the people and the market
- *Economic Growth:* Creating capital formation through housing built upon social capital of people, and financial capital from the State and the private sector.
- *Planning:* Optimizing the use of land through sensitive planning, densification and efficient use of infrastructure
- *Environmental sustainability:* Improving living environments ensuring sustainable use of resources
- *Social safeguards:* Ensuring the right to adequate housing of all groups
- *Safety and resilience:* Ensuring safe and resilient human settlements responsive to impacts of natural disasters and climate change.

- *Individual happiness*; Creating opportunities for individual families and communities to take decisions on their own behalf for the satisfaction and contentment.

1.6 Objectives

The overall Objective is to create a Housing Movement in the country by placing it at the center of national development and mobilizing the resources of all the stakeholders to contribute and participate in the process to achieve:

- Qualitative and quantitative improvement of national housing stock by facilitating the people, the state and the private sectors to participate in meeting the housing need.
- The right to a house to live for all the citizens.
- Strengthening the opportunities for prosperity of the people
- Strengthening the institutions responsible for housing development and instituting coordinating mechanisms for the integrated actions.

1.7 Ensuring Housing Mobility

The Policy recognizes that housing needs and affordability of a family does not remain static over a lifetime. Families usually start small then grow. They may become smaller or bigger; they may prefer to live as individual families on their own or live as a larger extended family. Affordability and locational needs vary considerably over their life-time. It has to be recognized that people's needs change as they have to move in response to changing socio-economic circumstances and the pull of urbanization. This often means deterioration in informal social support systems based on community and kinship. When such support systems are ineffective, there is a greater need for the Government to provide safety nets that allow individuals and families to be adequately housed.

Therefore to accommodate the two variables of need and affordability, a dynamic housing market needs to create the desired housing mobility and widen the choices of housing solutions on offer.

1.8 The Enabling Approach & Partnerships

1.8.1 The Enabling Framework

The 'Enabling Framework' expounded in this Policy, assigns the Government a central role in setting the framework for housing and human settlements development, but a lesser role in providing the investment. This framework encourages and supports the multiplicity of large and small initiatives, investments and expenditures by individuals, households, communities, businesses and voluntary organizations. By supporting the processes that are building houses and developing human settlements and the social economy, what appear as insurmountable problems become more manageable.

The 'Enabling Framework' developed is in response to housing problems and the failure of conventional responses. The origin of the idea that Government actions in regard to housing should concentrate on 'enabling' and supporting the efforts of the people and their community organizations to develop their own housing goes back to the Million Houses Program of the early 1980s.

The concept of enablement is based on the understanding that most human investments, activities and choices, all of which influence the achievement of development goals and the extent of environmental impacts, take place outside the 'Government' realm. In the traditional agrarian society most homes, neighborhoods and villages were created outside the Government. However, one of the key issues is – what kind of 'enablement' is needed that best compliments the efforts of individuals, families, communities and voluntary organizations and ensure more coherence amongst them all so that they all contribute towards the development of human settlements country-wide. How can funds and technical advice be made available in ways that match the diverse needs and priorities of different communities – with accountability and transparency will be the challenge? However some important precedents were developed and implemented under aforesaid Million Houses Program, which funded and supported a diversity of community – level initiatives in housing improvement and settlement development.

1.8.2 Partnerships

An 'enabling, framework essentially includes the strengthening of institutions for collective decision-making and the resolution of conflicts. This framework encourages and supports innovation and partnership at household, community, neighborhood and settlement levels. Such initiatives have to be supported for their cumulative impact to be significant for a particular settlement, village, city or region. Partnerships between different actors – citizen groups, NGOs, community organizations, business & commercial enterprises, professional organizations, local government bodies – are needed to achieve sustainable development across all sectors and geographic scales and to promote beneficial inter-project linkages. Such partnerships are strongly supported in an 'enabling' strategy for housing and human settlements development.

1.8.3 Role of the People

The Policy enables the people in need of housing to be placed at the Center of the process of the People's Housing Movement. It converts people in need of housing from being dependent on the State to solve their housing problem to becoming active participants of the process to achieve their housing objective with the support of the State. The early entry into the process will open an ethos of thinking amongst all about their present state and future housing. The path to achieving their aspiration of shelter will lead to a fountainhead of creativity and ingenuity. Families will be then answering themselves questions like: How to finance? Where to build or acquire? What form of a house? How to build? These questions will be answered by the people themselves. The choice of the path to shelter will then be determined by the people themselves rather than fitting into a solutions offered by outsiders.

Facilities will be created for people from the beginning to start savings on a personal basis or joining a savings cooperative for this purpose. The state and the market will expand the choices and housing options that are available for the people to benefit from the process.

1.8.4 Role of the State

As it has been proven in the past in Sri Lanka, people's participation in the process is the key to success of any housing program. People in need of housing will contribute their own resources and efforts combined with the social capital of the community to achieve a satisfactory house and a conducive living environment.

The role of the State is to actively support the people and the market to work together to contribute to the achievement of the major share of the housing output. State's direct and active support in the case of resettlement housing, estate housing and other vulnerable groups would include required

minimal financial grants. The other crucial role of the State is to facilitate the market to play a dynamic role in financing the housing sector. These include financial instruments, identification and planning of investment areas and creating an environment of confidence for investing in meeting the needs and affordability of all groups.

Housing supply may be unresponsive to the demand as a result of underinvestment in trunk infrastructure. Such failures usually occur at the expense of the poor. Expansion of the housing stock may be at the expense of the environment, impinging on environmentally sensitive areas, using land wastefully or creating waste disposal and pollution problems. Dealing with such market failures creates a legitimate role on the part of the Government to ensure that the housing sector functions well. Eliminating or mitigating market failures is a key feature of the Governments enabling role in the housing sector. At the same time, the Government has an obligation to avoid intervening in ways that disrupt markets.

1.8.5 Role of the Market

The housing market can respond very positively in meeting housing needs in an enabling environment. Housing demand may languish for example because there is no system for providing stable long-term sources of housing finance.

The People's Housing Movement would bring in a large group of newly qualified borrowers into the market, which will open up a huge opportunity and a challenge. The market consisting of the financial sector, developers, and the construction sector will need to be innovative and proactive in response. Innovation will be required in credit mechanisms with a range of options as solutions, technologies and materials. The bottom up demand that would be generated through the people, community organizations, and cooperatives that would be originating plans of their own would call for responses from the market in a more collaborative approach of finding solutions together. The relationship would change from the market defining solutions and calling the people to fit in, to finding solutions in an environment of partnership and trust.

The Policy will enable the State to support the resolution of land issues and promotion of savings for housing. The State will play a key facilitative role in confidence and partnership building. The incentive for the private sector to enter into the housing market on a big scale would be its traditional profit motivation. This will be supplemented by the State promoting broader shareholding and shared responsibilities through the formation of the partnerships and consortiums with the objective of creating shared prosperity.

1.9 Components of the People's Housing Movement

1.9.1 Rural Housing

Support people to plan their own settlements and build their shelter, infrastructure and services, by strengthening the Peoples' Village Reawakening movement

Through Community Action Planning the communities will identify the needs of the village, identify available resources and plan for action. Through the planning process they would identify, using agreed criteria, the most vulnerable families in the village, those who are ready to build new houses and those who need housing improvements. This process would lead to a holistic approach to rural development, making it a dynamic People's Village Reawakening Movement.

The National Housing Development Authority (NHDA) which is presently responsible for mobilizing the rural communities by activating Community Based Organizations to build social capital and plan

for the development of villages. The Silpa Saviya skills training program will be introduced to young family members to acquire building skills and be part of the process. The NHDA's rural housing program will be enhanced to be a nation-wide **People's Village Reawakening Movement**. In addition to qualitatively improving the NHDA's Village Reawakening Movement. In rural sector, the number of families that need to be assisted annually to improve their houses will be about 45,800 and the number of new housing required will be about 22,500.

1.9.2 Urban Housing

Increase access to affordable housing options to all through the optimization of urban land use, integrated mixed development and densification

For the first time in Sri Lanka's human settlements history, urbanization is becoming the most transformative of trends, intensifying social, economic, political, cultural and environmental challenges and opportunities. Housing is both inseparable from urbanization and is a socio-economic development imperative. Developing housing programs and the spatial relationship with the rest of the urban fabric and the surrounding functional areas impacts not only social inclusion, but also the economic well-being of the urban inhabitants. Therefore the objective is to qualitatively improve the lives of the people capitalizing the land assets they possess and expand the range of housing options available to all groups based on affordability. The key aspects of policy is that it will mainly be market based, through the optimization of the use of valuable urban land through integrated mixed development and densification creating a range of housing options for all. Urban underserved settlements can be categorized into three segments. They are those in strategic locations with high land value, those on reservations required for new infrastructure like railways and those on the periphery with adequate housing requiring only improvement of infrastructure. The actions required for the three categories can be called "**Redevelopment**", "**Relocation**" and "**Consolidation**".

The Policy will enable utilizing three resources hitherto not mobilized to their full potential. Firstly it is social capital; the drive and ingenuity of people and their community organizations to be mobilized to play their potential role. Secondly, the dormant land assets that are constrained by legal and administrative barriers preventing them from coming into the market will be released for housing. Thirdly, the potential existing in the Sri Lankan capital markets that have not ventured into this particular market due to legal constraints will be mobilized. By this means the Policy will aim at reaching an achievable annual target around 12,000 new housing units and about 25,000 improved houses.

1.9.3 Estate Housing

Promote spatial integration and progressively improve housing and living conditions of about 165,000 plantation families presently living in 'Line Rooms'

The objective is to progressively improve housing and living conditions of about 165,000 Estate families presently living in 'Line Rooms'. Building houses alone will not resolve the problems being experienced by this target group. This policy will recognize that contentment and wellbeing of this group who make a significant contribution to the country's economy is fundamental. The first action required in this regard is to mainstream the Estate families as part of the State's governance structure rather than being under Estate companies.

The policy to be pursued in this regard is to integrate them into peripheral villages by providing land with secure tenure or creating settlements within the estate in cases where there are no villages around. Integration of Estate families into the mainstream village sector, the objectives of social

cohesion, improvement of their quality of life, increasing their output and creating an opportunity for them to be engaged in agriculture to augment their incomes can be achieved.

To implement this policy, an extremely sensitive social and physical planning approach has to be adopted to ensure integration of communities without conflict, preservation of valuable Estate land and protecting the delicate environment of the estates. Any ad hoc haphazard interventions can lead to serious socio-political issues.

1.9.4 Resettlement Housing

Continue housing assistance schemes to better address the housing needs in the conflict affected areas of the North and the East and in disaster affected families

In the conflict affected areas of the North and the East there are still around 60,000 families in need of permanent housing. Presently there are about 16,000 families awaiting housing grants to rebuild their houses whose land issues have to be resolved.

The current policy based on the people's process of rebuilding with financial grant assistance to build a 550 square feet house, directly by the family should continue. An increase in the grant amount has to be considered owing to the inflation of costs of building materials and labour. The Policy recognizes that implementing agencies such as NHDA, UN-Habitat, Habitat for Humanity and IFRC have to continue to provide intensive technical assistance and monitoring to ensure that standards are met and people do not unnecessarily fall into debt by trying to build large houses. With the current level of Government budgetary allocation all the housing needs of the conflict affected population can be met by 2020. To expedite the process, however, donor assistance would be sought for housing and infrastructure.

The Policy also addresses the housing needs of families who have lost their shelter due to natural disasters. These families are in need of permanent housing in safer locations. In addition there are around 5200 families identified as presently living in disaster prone sites. They also need to be resettled as a matter of urgency. Ministries of Housing and Disaster Management will jointly formulate the interventions necessary by the State for this target group. Donor assistance will also be sought for the purpose.

When families have to be relocated to make way for development projects, the guidelines in the National Involuntary Resettlement Policy (NIRP) would be the basis to determine the relocation plan. The objective should always be to provide a better quality of life for those resettled. Therefore relocation plans should offer a range of options as resettlement solutions.

1.10 Public-Private Partnerships

Mobilize private capital to supplement public investments in housing and promote the active participation of the private sector in housing development programs

The Government will establish Public-Private Partnerships to develop mixed high density housing in strategic locations, like the new hub cities in the Mega-Polis plan, proposed transport corridors, industrial cities and others. State agencies in such partnerships will endeavor to provide suitable land at agreed terms and assistance for obtaining permits approvals, concessions and guarantees under existing laws to the private sector to facilitate such development projects. Conditions will be included to take into account the demand of different groups based on affordability and for including rental housing, and accommodation for the elderly.

1.11 Rental Housing

Increase the supply of rental housing by including rental housing in redevelopment projects and new housing projects

It has to be recognized that there is a section of the population that prefers rental accommodation because of their need for mobility in the context of their employment, incomes social and family requirements.

The Policy promotes Rental Housing as a strategic approach in good locations particularly from younger workers starting life. Accommodation in twin bed sitters and single bed one room type community hostels for female workers will also be part of the strategy in urban and industrial areas. There is also a demand from Sri Lanka's aging population for affordable rental housing. The objective is to increase the supply of such rental housing by including rental housing in redevelopment projects and new housing projects.

The Policy will provide for Community organizations, NGOs and private sector the necessary incentives to incorporate rental accommodation in their development projects. The Policy will facilitate the State to intervene through institutional arrangements by the Ministry of Social Services and charitable organizations to provide affordable rental housing for the elderly and women headed households around the country.

1.12 Housing Finance

Expand access to affordable housing finance provide access to credit and subsidies to well-targeted beneficiaries

1.12.1 Expanding Housing Credit

A vibrant housing finance system is vital for the nation-wide People's Housing Movement. Development of mortgage lending has to be designed to go hand in hand with overall financial sector development. Mortgage instrument designs should permit the interests of both borrowers and lenders to be realized through appropriate terms, especially indexing provisions. Collateral security need to be fostered by well-designed and enforced systems of foreclosure. Innovative institutional arrangements for promoting greater access to finance by the poor such as mutual guarantees and flexible payment schedules will therefore be encouraged. The housing finance scene, as it is, is also beset with an attitudinal issue, with myths such as:

- Poor people do not know what is good for them. They always think that they can afford more than is realistic.
- Poor people are bad risks, foreclosure is an expensive business, besides it costs too much to process small loans

Such myths are being conveniently used as excuses or rationing scarce resources for bigger loans or for something more profitable than investing in housing. In the context of the present ineffectiveness of the housing finance system in the country, the new policy will address the need to strengthen and regulate housing finance institutions in a manner which renders them neutral to lending to all income groups. Care will specially be taken to improve the access of low-income groups housing credit and to remove biases against lending for rental housing and for housing improvements. The new Policy will therefore pay special attention to designing and implementing

mortgage instruments that can assist low-income families. Small-scale mutual credit institutions and alternative lending instruments attuned to incremental house building will be encouraged while mutual institutions that can mobilize savings and lend to appropriate borrowers will be encouraged. Such institutions which adapt existing informal systems and cultural norms have a history of being effective in Sri Lanka.

NHDA as the premier housing development institution in the country, will expand its small loans program covering the entire country targeted at those who do not have formal income sources. NHDA will re-assess its current loan portfolio and supplement its annual budgetary allocation by improving collection of repayments for on-lending.

1.12.2 Targeting Subsidies

The Government, over the past decades has taken a variety of approaches to increase the access to housing for the poor. However it has become evident that it is beyond the abilities of any Government to be responsible for housing everyone. The Government therefore will focus upon the subsidies in the housing sector with a view of eliminating ineffective subsidies and directing them to deserving low-income and disadvantaged beneficiaries. Practical means of identifying eligible beneficiaries and minimizing leakage to the ineligible will be devised. However, it is recognized that identified targeted subsidies have to be retained and continued as a part of a social safety net to protect the vulnerable. Such vulnerable groups include:

- a). Conflict affected returning families to be resettled whose housing had been destroyed. To ensure equity with the families who have already been assisted, future grant should be a maximum of Rs. 750,000 to rebuild a house.
- b). Rural poor who are currently receiving Samurdhi grants. An objective assessment of their status will have to be carried out to establish their entitlement for a housing grant. The assessments done under the Sevana Sarana movement is an example. Village communities should be involved in assisting these families to build their housing.
- c). Estate workers. This is a group whose housing and services conditions are quite poor and are unable to be brought into the housing market due to the absence of security of tenure.
- d). Elderly living alone. They need to be assisted through community supported programs and institutional housing programs on subsidized rentals.

1.12.3 Saving for Housing

The Policy will first and foremost promote a culture of savings for housing in all sections of the society with the objective of enabling people to access capital to build a house of their choice. Thrift and credit societies will be re-energized to mobilize members to join and save towards housing. Thrift and Credit Cooperatives, Women's Savings Cooperative, Housing Cooperatives and all the other micro finance institutions and savings organization will be brought to the forefront to increase savings linked to housing credit. The commercial banking sector will be encouraged to offer housing loans packages linked to saving to cover at least 40% of the need. The present mortgage systems will be reassessed and streamlined through digitization and to have "one stop" access. Commercial banks bulk lending to Community Organizations and micro finance institutions will be expanded through suitable guarantee mechanisms.

1.13 Land and Land Use Planning

Optimize of the use of land for affordable housing through densification and mixed development for all income groups

Land being a finite resource for an island nation like Sri Lanka, the appropriate utilization of land is critical to the sustainability of the nation in the future. The National Physical Development Plan has emphasized the fact of socially responsible, economically productive, environmentally sustainable use of land. Haphazard use of land would eventually create irreversible damage to the sustainability of the island in the long term. Therefore carefully considered decisions have to be arrived at in the use of land.

The Policy will enable optimization of the use of land for housing through densification of the Metro Regions identified in the National Physical Plan and the hub cities identified in the Mega-Polis Plan including the Colombo City and nodal points along transport corridors. The strategy will be to encourage mixed development for all groups based on affordability, with civic amenities and commercial establishments. The current sprawl of human settlements into agricultural lands regulated through Local legislation. The Policy will support the initiative to bring large tracts of land owned by different Government agencies under a single administration of a “Land Bank” for better planning and optimum utilization realizing the full potential such lands.

Multiple forms of tenure arrangements other than freehold title, with linkage to housing finance will be promoted to achieve the flexibility and mobility in the housing market. Condominium titles, cooperative ownership, community ownership, leasehold, and rental and rent purchase arrangements will be pursued for widening the choices.

1.14 Condominium Housing

Adjusting to condominium life styles in a rapidly urbanizing context

To-day, Sri Lanka is at a thresh-hold of accelerated urban growth. Urbanization, in its wake, results in not only higher densities in human settlements, and concentrated living but in new cultures, new attitudes and a whole new way of life as well. Condominium living is one such phenomenon of urban life which is now becoming an increasing trend in Sri Lanka’s cities and towns. However, condominiums and condominium living are rather new concepts in this country and occupiers need to adapt to the new living environments. The word “Condominium” simply denotes shared property. Technically, a condominium is a collection of individual home units and common areas along with the land upon they sit and is governed by a set of conditions, covenants, restrictions and often by additional rules that govern how the individual unit owners are to share its space.

The development and management of condominium properties will play an important role in the human settlements development efforts of the Government. While rules, regulations and procedures in the present legislations will be strengthened for this purpose, extension of awareness on condominium living will be an important strategy under the revised housing policy.

1.15 Impact of Climate Change

Adaptation to impacts of climate change through appropriate measures

Impact of Climate Change on housing cannot be ignored because of the frequency, the intensity and the severity of some of the natural disasters in the recent past. Studies have indicated that natural hazards will be increasingly felt in the future. Landslides have been occurring in places that were hitherto been considered as safe. Flooding has been occurring in places that had not been affected before and intensity of cyclones has been severe damaging increasing numbers of houses and settlements as never before. NBRO has mapped out areas of the country vulnerable to landslides. There are around 5200 families living in these areas that need to be relocated. NBRO has prepared Hazard Resilient Housing Construction manuals as guide to building in areas subject hazards. It is strongly advised that people building in hazard prone areas follow the construction guidelines as specified in these Manuals.

1.16 Building Technology and Materials

Encourage the development of alternative constructions technologies and materials that are environmentally sound and popularized amongst communities

Sourcing adequate materials for the ambitious Housing Movement would be a major challenge. Raw material required for manufacturing traditional building materials are depleting and consequently the prices are rising. Restriction on river sand mining for environmental considerations is another factor adding to the cost of construction. Respecting the conservation of forest cover left in the island, timber for construction will require supplementary sources such as imported timber.

Considering above the Policy will encourage research organizations to invest more to develop alternative technologies and materials that are environmentally sound and popularize such innovations with the communities.

1.17 Institutional Reform

Implement institutional reform to support, regulate and manage the housing sector

The current institutional responsibility for housing sector is very fragmented and does not auger well for a coherent policy application for the improvement of the housing sector as a whole. The result have been poor targeting, misallocation of scares resources and poor management of the sector. Therefore it is necessary that all housing Policy and oversight of implementation should be brought under the ministry mandated for Housing.

The Ministry of Housing and Construction will be responsible to implement the recommendations of the Policy and ensure the adherence to the Policy by all public sector and private sector partners. It will also play a coordination role to ensure effective participation of all stakeholders. It will coordinate the allocation of resources to meet the goals and objectives of the Policy ensuring observance of National Development Policy and National Physical Planning directives as well as environmental guidelines. In addition it will establish a system to monitor the whole sector and assess the performance of the sector and report to Parliament as necessary.

It will also be the responsibility of the Ministry of Housing and Construction as the Focal Point Ministry to promote capacity building as a multi-faceted approach that addresses the ability of multiple stakeholders at all levels to formulate, implement, manage, and enforce policies towards sustainable human settlements.

1.18 Monitoring and Evaluation

Establish a transparent monitoring and evaluation system for the housing sector

In the spirit of transparency and good governance, the Government through the Ministry responsible for housing will establish an interactive public access e-Platform for Housing in Sri Lanka. It will be a national platform for sharing information, to receive ideas and proposals and as a tool for monitoring the performance of the sector.

The Policy will provide for all information on housing programs and projects to be entered into the platform with monthly updates. All financial institutions providing housing credit will be required to enter their information into the system. Eventually it is envisaged to become a public tool for the development of an inclusive and dynamic national housing movement.

Chapter 2: Housing in Sri Lanka

2.1 Evolution of Housing in Sri Lanka: From supply to enablement

Since independence Sri Lanka has taken several legal and institutional measures to address the housing issue. This is in response to the appalling housing conditions of the majority of the people at the time of independence. The establishment of a separate ministry for the subject of housing in 1953 consequent to the recommendations of the first sub-committee on housing appointed in 1952 and the establishment of the National Housing Department through the National Housing Act No. 37 of 1954 are specific landmarks of the housing sector in Sri Lanka.

Rent control was established in 1954 to control the rents of mainly urban housing. Of the many legislations introduced, the *Ceiling on Housing Property Law of 1973*, resulted in a major shift in the ownership of housing in Sri Lanka.

In 1977 a new Government realizing that housing is one of the priority concerns of a socially upward mobile society, an accelerated program to build hundred thousand houses as a means to bridge the gap was launched. The program's main strategy was for Government to build housing and provide them to people in need. The Hundred Thousand Houses Program (HTHP) was implemented with a considerable allocation of state resources. At the end of the Program (1984) it was realized that even the middle income groups could hardly afford the housing produced without a considerable subsidy and that the program did not have a significant impact on the housing problem of the poor. At the same time it was realized that people were building housing on their own at lower costs and in greater numbers and to their satisfaction. It was then realized that instead of building houses the Government's role should be to support the people to build their own housing. On this fundamental premise the Million Houses Program (MHP) was launched in 1984, where the Government played the role of the supporter or enabler, resolving issues that people could not resolve by themselves (eg land issues) and providing small loans to families to build their own housing.

During the course of implementation of the Million Houses Program (MHP) the professionals and staff of the NHDA went through a tremendous degree of "unlearning and relearning"; unlearning what they had being taught at universities and schools and relearning from the people. During this period people's organizations like the Community Development Councils in the urban areas and Rural Development societies in the rural areas became strong by building social capital and contributing to their housing settlements development. This process led to some of the most innovative approaches to supporting people to take decisions on their own behalf. The UN-Habitat which worked closely with the MHP, started promoting what was termed "enabling" approach to housing in other countries, learning from the methodologies developed in the course of implementation in Sri Lanka.

Last two decades witnessed, the housing sector receiving less funding from the State with the focus shifting to large scale infrastructure development. During this period, people have been investing their own resources for construction of new houses and for the improvement of housing in the rural areas, whilst in the urban areas private sector was seen to be investing considerably catering to high end housing. This resulted in mushrooming of apartment constructions in the urban areas. The urban poor have been living with uncertainty, firstly not having the means of accessing private sector built housing and secondly due to an absence of a State supported program. In the city of Colombo, the Government carried out the Urban Regeneration Housing Program to re-house people living in 'underserved' settlements. It has been realized that this program was financially unsustainable and socially unacceptable. An alternative approach to the current programs is a priority for the Government considering the drain on scarce State resources and the unhappiness of the people.

2.2 Achieving the Global Commitments

The United Nations General Assembly convened the first Habitat conference (Habitat 1) in Vancouver in 1976, as Governments began to recognize the need to address the growing problems associated with urbanizations and housing. The Vancouver commitments were re-affirmed twenty years later, at Habitat II conference held in Istanbul in 1996 which adopted a Habitat Agenda as a global plan of action for “adequate shelter for all” and “Sustainable Human Settlements in the urbanizing world” and committed to implement a plan of action based on these goals.

With respect to the goal of “adequate shelter for all” Heads of States and Governments committed themselves to enabling people to obtain a shelter that is healthy, safe, secure, accessible and affordable and that includes basic services, facilities and amenities and ensuring that everyone enjoys freedom from discrimination in housing and security of tenure. In the Millennium declaration, Heads of States and Governments committed themselves to improving the lives of at least 100 million slum dwellers by 2020.

The Government of Sri Lanka as a proponent of the United Nations Sustainable Development Goals (SDG), is committed to achieving the Goal No. 11 “Making cities inclusive, safe resilient and sustainable”. Further “The New Urban Agenda” of Habitat III calls for Government to respond to the key development opportunity by promoting a new model of urban development that places “Housing at the Centre”. ‘Housing at the Centre’ aims to shift the focus from simply building houses to a holistic framework for housing development, orchestrated with urban planning practice and placing people and human rights at the forefront of sustainable development. The process will enable the integration all facets of sustainable development to promote equity, welfare and shared prosperity.¹

The year 1987 was declared as the “International Year of Shelter for the Homeless (IYHS) by the UN General Assembly, on a proposal made by the then Prime Minister and Minister of Housing of Sri Lanka Hon. Ranasinghe Premadasa, with the objective of drawing attention to the plight of the homeless people, especially the poor and the disadvantaged around the world. This declaration to a significant degree raised global awareness to the continuing appalling living conditions of the world’s urban and rural poor, and consequently made conditions of homelessness, a focus of world public concern. In a subsequent initiative also mooted by Sri Lanka, the Global Strategy for Shelter to the Year 2000, adopted by the UN General Assembly in 1988, emphasized an enabling approach to shelter provision and improvement with a view to mobilizing, utilizing and coordinating the resources of the families, community organizations, private sector and governments at different levels working together to improve the living conditions of the people everywhere. The 2017 marks the 30 year anniversary of the International Year of Shelter.

2.3 Current State of Housing in Sri Lanka

2.3.1 National Status

Sri Lanka’s population as per the 2012 Census was 20.3 million. Sri Lanka has one of the lowest annual population growth rates (0.7%) in the Asian Region and an annual urban population growth of an average 0.3% over the period 2005-2012 according to official statistics of the Department of Census and Statistics. Majority of the population (28.7%) is concentrated in the Western province making its population density 1,621 persons per square kilometer as against the national average of 323 persons. The percentage of urban sector population is reported as 18.3 %, while the rural

¹ UN-Habitat: New Urban Agenda, Housing at the Centre

population is 77.3% and the estate population is 4.4%. Sri Lanka is a country with an increasing ageing population as a result of increase in life expectancy and decrease in birth rates. This demographic transition taking place in Sri Lanka, will result in the old and young representing an equal share of the population. The average life expectancy was 74.3 in 2015.

Sri Lanka has experienced a steady economic growth of around 6% over a decade with GDP per capita reaching \$3924 in 2015. Consequently the number of households below the poverty has been falling (5.3%).

The 2012 census also recorded that there are 5,905,574 housing units of which 5,191,445 are occupied. This means that 714,129 (12%) housing units of the housing stock remains unoccupied representing houses owned by overseas Sri Lankans (estimated 3.8 million) and those held for speculation. Another significant trend in household composition is the fact that the average household size has reduced to 3.8 nationally from about 5.2 in the seventies. This indicates the formation of single and twin member households particularly among the younger generation and the increase of elderly single families.

The 2012 Census data also has grouped the condition of housing by the three categories *Permanent, Semi-permanent and Improved*. Considering the whole country, 17.6 % of the houses were Semi-permanent. The Districts that have over 35% housing in the semi-permanent category are Killinochchi (51.9%), Vauniya (38.0%), Mullaitivu (44.1%) Nuwara-Eliya(59.2%) and Badulla (36.5%). Correspondingly these 5 Districts also have a higher percentage of Improved housing. The situation in the first three Districts can be expected to be the result of the conflict. The other two Districts have a predominance of plantation areas where a large number of people still live in worker *Line Rooms*. This is a reasonably good indication of the geographic areas where State intervention is needed in housing. The improved category consisted of 0.7%, all of which can be considered as needing new housing.²

Another feature of the housing stock is that 85.7 % are single storied while annexes and condominiums represented 1 percent and 0.1 percent respectively of the total housing. Clay bricks have been used for wall construction in 53.2 percent of the housing units while another 33.8 percent have been constructed out of cement blocks. Mud has been used as the material for floor paving in only 7.6 percent of the housing units while cement remains the popular material for paving as used in 72.4 percent of the occupied housing units. Clay tiles have been used in the roofs of 47.5 percent of the housing units, while asbestos has been used in another 35.1 percent.

In terms of access to services, 80.5 % of houses had access to safe drinking water and 87 % had access to electricity. A notable feature is that 1.7 % of the houses did not have toilets. On the other hand only 20 percent of the household waste is collected by the local authorities and the balance households resort to on-site disposal.

On the issue of ownership, 83 percent of the households occupy houses owned by a member of the household while 6.4 % were rented and another 6.3 were living rent free. The share of rental housing is relatively small in the country as a whole. However, the demand for rental housing in urban areas for single and twin occupancy is growing as indicated by the rising rental prices. It is also recorded that 1.1 percent or about 57,105 of the housing units have been built on land that the occupiers do not own. Social utilities and communication facilities available to the households are vital areas in modern day living. The Census indicates that 79 percent of the households use mobile

² Department of Census and Statistics, National Census 2012

phones for communication while 42.4 percent have direct line telephones. The percentage of television and radio availability is 78.7 percent and 69 percent respectively.

A survey carried out by the Ministry of Housing and Construction in 2016 indicates that there are 5,277,905 housing units in the country. Of this stock, 44,413 units had cadjan or reed roofing. These figures correspond to the Census 2012 figures allowing for a 4 year growth.

The conventional definitions of poverty measured from expenditure on food and non - food items are the variables considered in this analysis. Accordingly the percentage of people in Sri Lanka classified as poor or below the poverty line in 2009 was 8.7%. Considering rural, urban and estate sectors, the percentages were 9.4%, 5.3% and 11.14% respectively. These figures fare well in comparison to relevant figures during the previous two decades. Since 2009 the situation has improved further. However it is important to note that the households who have an income above the national poverty line especially in the urban sector live in poor quality housing. Although poverty has been reduced quite significantly, income disparity among sections of the population has increased in Sri Lanka. As far as the estate sector is concerned, the poverty level is comparatively high³.

2.3.2 Status of Rural Housing

While it can be observed that housing in the rural areas have improved tremendously over the last three decades, pockets of poverty still exist. Wattle and daube and cadjan or reed roof housing was the norm in the villages of island in the past, but they are fewer today. As per the 2012 Census there are 4,133,982 housing units in the rural areas of which 706,300 are semi-permanent and 280,910 are improvised. These numbers include the conflict affected areas of Jaffna, Mannar, Vavunia Mullaitivu and Killinochchi Districts. In these conflict affected Districts resettlement housing programs have been implemented over the last few years by UN-Habitat, IFRC, Habitat for Humanity, NHDA and other NGOs with assistance from the Government of India, the EU, AusAid and other donors, meeting the needs of 111,712 families. Therefore the 2012 figure may not represent an accurate indication of the current status of housing in these areas. Further the two plantation districts of Nuwara-Eliya and Badulla contain 103,900 and 75,356 semi-permanent housing units respectively which could largely be attributed to the line rooms in the estates.

Fishing communities living on the coastal belt of the island presents a different set of problems as far as housing is concerned. For their livelihood they wish to be on the coast and they build a temporary structure on the coastal reservation. Majority of these families were affected by the 2004 tsunami and they have been provided with housing away from the coast. They however maintain a temporary house in the coast to take care of their boats and equipment.

Over the last 15 years people in the rural areas have invested their own saving for housing construction and improvements. This has been mostly due to the lack of access to formal credit and the absence of significant State assistance to rural housing. However this has changed since 2015 with the NHDA being actively involved with the "Gam Udawa" - Village Reawakening program and the provision of small loans and cement for housing improvements.

2.3.3 Status of Urban Housing

Irrespective of the possibility that the actual urban population could be higher than what official statistics indicate due to anomalies in the way urban areas are defined, Sri Lanka is reaching middle-

³ Department of Census and Statistics 2012

income status without a rapid increase in urban population. This appears to be an exceptional case compared to trends in other developing countries. Current officially designated urban areas are the 23 Municipal Councils and 41 Urban Councils. However there are 252 areas designated by the Urban Development Authority as development areas. Therefore the actual urban population could be higher than what is officially recognized.

As per the deductions from the 2012 Census it can be estimated that there are 908,078 houses in the urban areas of which 167,000 are semi-permanent and another 66,500 are improvised representing roughly the improvement and replacement needs. Major cities of the island are characterized by pockets of very low-income families living in makeshift housing without access to the formal utility services.

The City of Colombo being the hub of commercial activity, entertainment and tourism, draws attention to the presence of its communities living in 'underserved settlements'. Interventions to improve the conditions of these settlements commenced in 1978 by the Colombo Municipal Council, followed by the Underserved Settlement Improvement Project of the UDA and the Urban Housing Sub-Program of the Million Houses Program in 1985.

According to the survey conducted by CMC and SEVANATHA in 2012, there were 1735 underserved settlements in the city. Of these 682 settlements were considered fully upgraded with secure tenure, services and reasonably good quality of housing. The balance 1053 requiring intervention is concentrated in Colombo Central and Colombo North and some scattered settlements in Colombo East and Colombo South. The 1053 settlements shelter 77,643 families with an estimated population of 301,689. Considering that the Colombo's total population is 665,000 people, this 45% is a high proportion. Out of these families around 78% hold some form of security of tenure; 43% freehold, 22 % user permits while only 22.6 % do not have any title. In terms of housing condition 777 of these settlements had over 80% permanent housing. Over 80% of these families have legal access to water and electricity. Almost all the children attend popular schools in Colombo due to eligibility on the proximity criteria. The family incomes are reasonably high because of employment opportunities in the city with only 7% of them receiving Samurdhi grants. The main issue that the people face is the stigmatization of their settlement as an "underserved settlement" precluding banks and the formal financial institutions in providing credit⁴.

2.3.4 Status of Estate Housing

The Census of 2012 indicated that there are 225,099 households in the estate sector of which 160,000 are living in what are called "Line Rooms" and temporary shelter with rudimentary services. Line Rooms were built during the colonial era to accommodate the workers of the estates. Successive Governments have been carrying out housing programs to provide better housing and services and to date it can be estimated that 25,000 families have received livable housing. This leaves another 135,000 families yet in need of decent housing. This backlog represents one of the most acute needs in adequate housing in Sri Lanka. Currently the Government with the assistance international agencies is engaged in providing individual family housing. Estate housing sector is characterized by a particular set of problems compared with rural housing. The first one of these is the Estates' inability to release land for housing and the second is providing some form of tenure rights. The contention that the house in an estate has to be tied up with the employment status in the estate makes it a special problem for those who are retiring from work and the younger generation whose aspirations for employment lies outside the boundaries of the estate. The spirit of

⁴ Profile of Underserved Settlements, City of Colombo 2012: CMC and SEVANATHA

ownership and attachment to the house as longed for by most families is undermined by the fact that they cannot have long term tenure.

2.3.5 Status of Post Conflict resettlement and post disaster housing

Over 25 years of conflict in the country ended in May 2009, displacing around 450,000 people. In addition to the loss of family assets and livelihoods, the displacements also forced people into poverty. Due to the prolonged conflict, while the entire country suffered, the districts of the North and the East were devastated. Housing and infrastructure has suffered seriously from damage and neglect, substantially affecting the living conditions of people. It was estimated that 160,789 houses were destroyed or damaged. Over the last 6 years the Government with assistance of international donors and implementing agencies has assisted 111,712 families to rebuild their housing. All the agencies adopted a common approach of supporting the people's process of housing identified as "owner driven housing" where the housing grants were provided directly to the families to build their housing. Taking up the responsibility to build the house, the displaced families were able to overcome their trauma and regain dignity and confidence. By following the people's process, the Government was able to meet the needs of the people with a grant adequate for a permanent house consisting of two bedrooms, living-dining, kitchen and a toilet. The beneficiaries invested their labour and other resources and have been able to create an asset that far exceeds the grant they received. The resettled communities were also assisted with infrastructure, basic services, schools and livelihood programs to bring back normalcy and path to improve their lives. At present, there is still a backlog of 60,000 recently resettled families to be assisted with housing in the North and the East. The Government has committed itself to assist them over the next 3 years. In addition, the prolonged conflict displaced many communities from the North and the East and they have resettled in different parts of the country. The grievances of these displaced people have received the priority attention of the Government and an assessment to establish the exact number of families who would require to be resettled is currently being conducted⁵.

The second category of resettlement housing stems from people living in disaster prone and hazardous locations. Flooding has become a common disaster and their intensity has been observed to be increasing, affecting large numbers of families living on river banks and low lying lands. The Ministry of Disaster Management is currently undertaking a study to determine the number of families in acute danger due to floods. Landslides are affecting settlements in the hill country which in the past were considered safe settlements. This is due to unpredictable intensity of rain, largely attributed to Climate Change and inappropriate land use practices. The National Building Research Organization (NBRO) has mapped out the hazardous areas and number of families that have to be resettled from these areas is estimated at 5190. These settlements include both rural and the Estate sectors families. With regular occurrences of natural disasters and the inability to forecast and budget for such eventualities, the Government has launched an insurance scheme for such housing. Owners would receive a maximum of million Rupees to rebuild the house considering the floor area, level of the damage and type of housing.

The third category of resettlement housing consists of development induced resettlement. The Government is currently commissioning large scale infrastructure projects like highways, railways, dams, irrigation schemes and power plants. The scale of resettlements resulting from development projects over the next five years cannot be determined at present. In all such instances the National Involuntary Resettlement Policy (NIRP) would apply for the determination of compensation and programs for resettlement.

⁵ UN-Habitat, Sri Lanka

The fourth category of resettlement is those living in environmentally sensitive areas like mangroves, water retention areas and forest reserves and other hazardous locations. The task needs to be addressed as a priority basis.

2.3.6 Institutional Framework

Presently the responsibility for the housing sector can be best described as fragmented with a range of Ministries and agencies implementing scattered housing programs and projects. While the Ministry of Housing and Construction is mandated with the responsibility of policy development and enforcing regulations regarding housing, the Ministry of Megapolis and Western Development, Ministry of Prison Reform, Rehabilitation, Resettlement and Hindu Religious Affairs, the Ministry of Hill Country New Villages, Infrastructure and Community Development, the Ministry of Public Administration and Management, the Ministry of Finance, the Ministry of Fisheries and Aquatic Resource Development, the Ministry of Disaster Management, the Ministry of Provincial Councils, and the agencies under these Ministries are undertaking housing programs and projects in different parts of the island. In addition Provincial Governments, Local Governments and INGOs, NGOs, CBOs and the private sector carry out their own housing projects with their own methods and standards.

With multiple agencies involved in housing a coherent and consistent application of policy cannot be maintained. In this situation, there is an apparent distortion in equity, optimization of scarce state resources, miss-allocation of funding and underutilization of the State's administrative and managerial capacities. Equity issues and policy conflicts have arisen recently in the implementation of large scale housing projects, as a result of agencies applying different policies and standards. The National Housing Development Authority (NHDA) established in 1979 with wide ranging powers including land acquisition, is legally mandated to implement housing programs throughout island. It has acquired considerable fixed and financial assets including, land and properties which became vested under the Ceiling of Housing Property Law (CHP). It has infrastructure with offices in all the districts of the country, a large portfolio of loans and an experienced staff. During the implementation of the Million Houses Program (1984 – 89) NHDA was the sole agency implementing housing programs in every part of the country. Presently it is mostly engaged in the implementation of the Rural Housing Program and projects for middle income housing in association with the private sector. The Urban Development Authority (UDA) established in 1978 is the agency responsible for planning and urban development with powers for land acquisition and sale for development. The UDA is presently implementing the Urban Regeneration Housing Program under which low income families are being resettled from parcels of high value land to high rise apartments with the objective of releasing valuable land in the city of Colombo for development. The Urban Settlements Development Authority established by Act No 36 of 2008 is mandated to formulate and implement plans, programs and projects to uplift living standard of the urban poor, taking into consideration proposals submitted by the persons living in such urban settlements themselves

The Ministry of Hill Country New Villages, Infrastructure and Community Development has undertaken the housing and socio economic development of communities living in the Estate sector. The Sri Lankan Army is also implementing the housing schemes for the affected and disabled soldiers. Larger Local Governments like the Colombo Municipality are planning to implement housing projects on land that they own. The private sector developers including international developers are actively involved in the provision of high end apartments and individual housing. This segment of the market can be assumed to be catering to the top 5% income category.

2.3.7 Legal and Regulatory framework

The chapter VI of the Constitution of Sri Lanka enshrines the following clauses directly or indirectly related housing rights for all:

- (a) *the realization by all citizens of an adequate standard of living for themselves and their families, including adequate food, clothing and housing, the continuous improvement of living conditions and the full enjoyment of leisure and social and cultural opportunities ;*
- (b) *the rapid development of the whole country by means of public and private economic activity and by laws prescribing such planning and controls as may be expedient for directing and coordinating such public and private economic activity towards social objectives and the public wealth ;*
- (c) *the equitable distribution among all citizens of the material resources of the community and the social product, so as best to sub-serve the common good ;*
- (d) *the establishment of a just social order in which the means of production, distribution and exchange are not concentrated and centralized in the State, State agencies or in the hands of a privileged few, but are dispersed among, and owned by, all the People of Sri Lanka ;*
- (e) *raising the moral and cultural standards of the People, and ensuring the full development of human personality ;*

Housing being considered as a fundamental right and a priority sector in the national economy, successive Governments have enacted legislation both to regulate and stimulate investment into housing. These can be listed as follows:

- Rent Restriction Ordinance of 1942 was the first intervention of Government to control rents of housing in the urban areas.
- National Housing Act No.37 of 1954 which established the National Housing Department to promote housing development through a loan fund and to regulate rental housing
- Ceiling on Housing Property Law of 1973, which limited the number of houses units that can be owned by a family.
- Common Amenities Board Act No.10 of 1973
- Apartment Ownership Act of 1973
- National Housing Development Authority Act No 17 of 1979
- Urban Development Authority Act of 1978
- Housing Development Finance Corporation Act of 1997
- Common Amenities Board Act 24 of 2003
- Urban Settlements Development Authority Act 36 of 2008

Housing rights have been generally protected in Sri Lanka and mass evictions have not taken place as in the case of some other developing countries, though isolated cases of land-grabbing have occurred. The National Involuntary Resettlement Policy (NIRP) had safeguarded the rights of people to fair compensation and alternative resettlement irrespective of the status of tenure.

Chapter 3: The Way Ahead: Challenges and Policy Responses

3.1 Towards Socially Integrated Sustainable Human Settlements

Housing policy formulation discourse generally tends to focus on dealing with income based categorization of groups. The outcomes of such a discourse are usually economically segregated housing solutions. The consequences of this approach are the creation of “class” based settlements in the urban and suburban areas. By classification, settlements get stigmatized, resulting in constraining the housing market and housing mobility. For example conveniently located apartments in Colombo cannot realize their full value since they are labeled as “Low-income Flats” on the other hand Colombo has also witnessed the flight of “middle class” to the suburbs leaving the city for the very rich and the poor. In reality, a city cannot function without people of all incomes and classes coexisting. In a City, it is the middle class which provided intellectual leadership. They are the opinion-makers who foster arts, literature and education and housing programs have to be devised to arrest their flight from the city. Current low-income housing projects exacerbate segregation of urban communities on various grounds including income levels, ethnicity, etc. at a scale not seen in Sri Lanka before. Such urban housing initiatives that tend to concentrate and stigmatize the poor—albeit executed with the best of intention—have failed in many countries, and resulted in a plethora of social issues including increases in crime, drug abuse, limitations on upward social mobility, etc. Global experience of the practice of income segregated settlements, demonstrate serious effects of urban decay leading to social violence and dramatic drops in the value of properties. The New Urban Agenda proclaimed at Habitat III, is a concerted effort to address this fundamental problem. It calls for an integrated approach to promote inclusivity and equity.

In Sri Lanka, people are used to living together irrespective of their incomes, ethnicity or social background in communities that support each other. Housing and planning policies therefore need to focus on development of human settlements that promote cohesive communities rather than exclusion. The current policy accordingly will advocate socio-economic integration as a crucial initiative to ensure stable and prosperous communities, with upward mobility.

3.2 Housing at the Center of Urbanization

The process of urbanization one of the most significant global trends of the 21st century and Sri Lanka is no exception. The significant transformation that is taking place has given greater understanding and recognition to the role of urbanization in development. The Global Community, in its Quito declaration of a New Urban Agenda in November 2016, has committed to a paradigm shift in the way that human settlements, especially urban settlements are planned, developed and managed, recognizing it as an essential instrument in the achievement of all sustainable development goals. The New Urban Agenda places Housing at the Centre.’ The objective of the approach is to shift the focus from simply building houses to a holistic framework for housing development, orchestrated with urban planning practice and placing people and human rights at the forefront of urban sustainable development. At the national level, the goal is to integrate housing into National Urban Policies. At the local level, the approach is to reinforce the importance of housing for urban planning and concomitantly to the development of cities and people. Housing at the Centre will be instrumental for the New Urban Agenda to meet the growing needs of urbanization in a way that benefits all people. The momentum could not be better with the first ever worldwide Sustainable Development Goal to “make cities and human settlements inclusive, safe, resilient and sustainable” and targets to ensure access for all to adequate, safe and affordable housing and basic services.

3.3 Sustainable Housing and Human Settlements Development

The revised policy is committed to the implementation of the concept of sustainable housing and human settlements development. There are certain key measures necessary for the successful implementation of this concept, including specific measures relating to urban land and mitigation of natural disasters.

Because of their concentrated nature, human settlements are significant consumers of natural resources and the development and management of human settlements may represent substantial component in unsustainable production and consumption patterns. As urbanization spreads, it may have severe impacts on land and water resources and on the atmosphere, unless vigorous action is taken to prevent such adverse effects. The pressure of population growth and urbanization is already indicating adverse implications for the supply of adequate shelter, environmental infrastructure and services. As urbanization increases, rural settlements on urban fringes are being absorbed into the urban domain and agricultural areas and forest resources are being converted to urban use, often in a wasteful and environmentally damaging manner.

The revised policy therefore, urges the adoption and facilitation of the implementation of several key measures for sustainable human settlements development:

- a) Promotion of security of tenure for all residents, particularly the urban poor, through innovative mechanisms to utilize public and private land, including fiscal incentives to bring under-utilized land in to use, improved land delivery and tenure systems and where appropriate, direct government land ownership,
- b) Promotion of land use planning, taking in to account the density factor in a way which allows adequate social and sustainable infrastructure to be provided,
- c) Strengthening of conservation measures at all levels, both preventive and remedial, aimed at minimizing physical degradation of land and eliminating pollution, in particular from industrial waste,
- d) Compilation of national inventories of land and the formulation of long-term spatial strategies to guide land resources development,
- e) Establishing institutional linkages that ensure that mitigation of natural disasters becomes an integral part of sustainable human settlements development,
- f) Improvement and regulation of access to land for housing the poor in order to limit encroachment of residential settlements on to hazardous sites,
- g) Encouragement of authorities, including Local Authorities, to direct human settlements development on to vacant lands in relatively safe locations through provision of infrastructure,
- h) Identification of hazardous sites and their conversion into alternative productive use, thereby protecting them from illegal occupation for residential purposes,
- i) Development and use of housing designs, building materials and construction methods which can mitigate the effects of natural disasters,
- j) Establishment of mechanisms for reduction, recycling and safe disposal of waste in human settlements
- k) Encouragement for improving the energy efficiency of residential, commercial and public sector buildings as well as in construction activities and promoting the use of alternative energy

3.4 Scale of the Housing Backlog

Considering the above analysis with the limited and overlapping data available, the scale of the housing backlog of the island can be deduced as follows:

Rural Sector (excluding resettlement and Estates):

- Number of Housing Units to be improved = 367,000
- Number of New housing Units = 180,000

Urban Sector:

- Number of units for improvement = 167,000
- Number of new housing Units = 66,500

Estate Sector:

- Number of new units = 135,000

Resettlement Housing (Post Conflict)

- Number of new units = 57,674

Resettlement from disaster prone areas

- Number of units = 5,190

(Figures calculated from Census 2012 with assumptions)

This approximate estimation indicates that the scale of the backlog in housing is about 444,000 units for the whole island while about 500,000 houses need qualitative improvements. If the target is to meet the backlog and the new family formations over a period of 5 years, a combined output of approximately 100,000 houses per annum has to be achieved excluding development induced resettlement which cannot be estimated at this point. Though these numbers present a challenging task, by disaggregating into geographic areas by the sectors and with the mobilization of the resources of the people, the state and the market, it could be seen as an achievable target. The Government has to play a key role in removing the bottlenecks and creating an environment conducive for people and the market to be drivers of the **people's movement of housing**.

3.5 Rural Housing: Challenges, Specific Objectives, Actions and Resources

3.5.1 Challenges

Although rural housing in the Island has improved tremendously in both quantity and quality over the last thirty years, mainly through State support and financing, two key issues however need to be resolved to stimulate investment. Firstly land tenure: Land alienated by the Government to people under different schemes, do not come with a free hold title. Although a few programs like 'Swarnabhoomi' were implemented, titles, they have been mostly piece-meal and not nationwide. By withholding the freehold title, Government's intentioned to safe guard the poor farmers land but it has a negative effect with the land not being eligible for mortgage. The Government has proclaimed that all Government land holders who have been in occupancy for more than 10 years will be provided with free hold title. (Budget speech of 2016). Under the traditional inheritance

patterns, lands are not properly divided. Majority of the properties have multiple owners though only a few of them would be in occupation of a house on the property. Financial institutions do not lend for housing on such properties. Another tendency is that lands with multiple owners do not come into the market due to disputes. Large scale real estate developments taking place on coconut and rubber estates are because of the clear titles they hold, whilst more suitable housing land in the same areas do not come into the market as they are encumbered. This tendency is also inadvertently raising the price of land for housing, generating high profits for the developers who block out and sell land.

In the Rural Housing Sector, National Housing Development Authority (NHDA) has been the main agency since 1984 implementing nation-wide programs. Up to 2015, the NHDA has assisted 1,530,558 families to build new houses or to improve their housing. The current Rural Housing Program implemented by NHDA has the potential of meeting the needs of rural communities at a very affordable cost to the families as well as to the State. NHDA currently provides small loans of Rs. 100,000 to Rs.300,000 at affordable interest rates from 3.73% to 6.0%.

The issues of the housing of the Fishing communities based on special livelihood and location needs have to be addressed through a targeted program. They may not always be housing but may possibly be community development programs based on need.

3.5.2 Specific Objectives, Policies, Actions and Resources

Specific objective: Supporting people in the rural areas to plan their settlements and build their own shelter, infrastructure and services: Village Reawakening Movement

The NHDA will lead a program with District and Divisional authorities to mobilize rural communities to plan and develop their own settlements. Existing Rural Development Societies and other village level voluntary organizations will be reactivated to build social capital through collective action. A specific Community Action Planning module will be developed to identify the needs of the village and plan for action and identify the resources required to implement the plans. Through this planning process they could identify the most vulnerable families in the village, those ready to build new houses and those needing housing improvements. Identification of these needs will be carried out using agreed criteria. Through this process, a more transparent targeting and prioritizing system for the allocation of limited resources can be arrived at. The NHDA will provide small loans together with technical assistance and guidance to build an adequate house or improve their house according to the needs of the family. Families will compliment by mobilizing their own resources and social capital within the communities to complete a house of their choice.

The advantage of preparing a Village Development Plan is that they could access resources of other line Ministries and agencies, Provincial Government budgets, NGO sources and others to improve infrastructure and social facilities. In this manner the communities will be empowered to negotiate with funding sources to invest funds at their disposal for projects that are prioritized by the community. The next step in the process is to introduce Community Contracting to agencies carrying out rural infrastructure and social development facilities as practiced in the Million Houses Program. Infrastructure works like village roads, drainage, culverts, water supply, community centers, pre-schools can be contracted out to Rural Societies. This process would lead to a holistic approach to rural development making it a more comprehensive Village Reawakening Movement.

Another objective of the rural housing program is to activate local economic development by infusing cash to the village economy. Housing construction by the people along with skills development, building materials production and developing the village level supply chain is an effective means of alleviating poverty in the rural sector.

In order to achieve the objective of reaching housing for all, the Government will need to facilitate the alienation of state land to those who do not own land. Progressively the Government will grant free hold title to alienated land and to those who have been in occupation for more than 10 years. These properties will then become bankable and the Government will induce commercial banks to provide small loans for housing improvements. With the new impetus on saving for housing, thrift and credit cooperatives will be encouraged to provide additional housing credit to their members for new housing and housing improvement. The NHDA's rural housing programme will be enhanced as described above to be a comprehensive nation-wide **People's Village Reawakening Movement**.

3.6 Urban Housing: Challenges, Specific Objectives, Actions and Resources

3.6.1 Challenges

Although Sri Lanka is one of the least urbanized countries in the world with around 18.3 percent of its 20.3 million population living in urban areas, its low level of urbanization appears to be an exception for a middle-income country. The definition of urban in the 2012 Census constituted Municipal Councils (23) and Urban Councils (41). This definition however does not reflect areas with urban characteristics and furthermore Municipal Councils and Urban Councils boundaries have been extended since 2012. Possible reasons for low urbanization include historical factors such as development of high level of social infrastructure around the country. The heavy focus on rural development from the beginning of the 20th century, resettlement programs which drew the rural poor away from their overcrowded villages to new newly irrigated areas as well as more recent trends such as rising property prices in urban areas. Most households in Sri Lanka have access to modern-day social services as well as basic healthcare, education and electricity in their own localities, reducing the need to migrate to an urban area in search of these facilities. Also Sri Lanka's policy initiatives to promote industries around the country resulted in a less need for internal migration and urbanization.

On the negative side, in recent years, Sri Lanka is seeing high land costs and unaffordable housing prices which to some extent are artificially generated, having an impact on urbanization in the country. This situation implies that a large percent of households in Sri Lanka cannot afford to move into urban areas due to economic reasons. This trend is prompting the emergence of unauthorized settlements particularly in fringe areas, among low income groups.

Suburbanization is another aspect to be addressed. It is the movement of people from city center to peripheral areas to escape from congestion and overcrowding due to their higher mobility in transport and rise of private car ownership. This is becoming more prevalent as the economy grows and more middle class families emerge in the demographic landscape

Low urbanization offers opportunities to fast-track overall economic growth. Encouraging faster urbanization and promoting Colombo as a regional financial hub, Sri Lanka can tap growing global investor appetite for investment opportunities around the cities and towns. Considering this opportunity, the Western Region Mega-polis Plan has been prepared by the Government as a priority investment area. It envisages the growth of the western region from its current population of 5.8 million to 8.7 in 2030. The development of the Colombo Port City on reclaimed land will eventually include a population of around 300,000 by 2030. The Mega-polis plan is to attract investors focusing on areas such as infrastructure development, utility services, financial services, logistics services, IT and telecommunication, leisure and property development. Urbanization that would be triggered by the investment plan of the Mega-polis can increase business prospects for a large number of industries catering to modern urban living.

The government can also benefit from urbanization through cost savings with more concentrated utility services provision and social infrastructure services such as healthcare and education. With many large-scale property development projects already under construction, making Colombo to be a major center of finance, commercial, leisure, knowledge and transportation, Sri Lanka can attract more investments into Colombo city-centric businesses. Colombo and the Mega-polis will need and could absorb much more investment not only to increase the city's capacity, but also to meet the demand from the population commuting daily to Colombo for work. However, such investments must not only aim at serving mainly the minority affluent segment of the population and tourists, but a wider range of people from all income segments as a part of the wealth creation.

Urbanization has caused many environmental impacts associated with the reduction of green spaces. Having realized the important role of green space in urban ecosystems, the Mega-polis Plan has set out a series of policies to introduce green elements into urban areas for ensuring sustainable urban development. Transportation systems linked to housing are key areas to be taken into consideration under the Mega-polis Plan in order to address the need to improve connectivity amongst the hub cities of the plan.

The issues that the policy needs to address in the urban sector can be summarized as follows:

- The need to realizing the full potential of the people living in “underserved” settlements and other settlements where the people are presently living in uncertainty of their future,
- Means of 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 and making available a wide range affordability options,
- Improving the living environments for all in a sustainable manner,
- Creating opportunities for the private sector to invest in housing.

The present underserved settlements may be grouped into three categories. Firstly settlements located in very high value land in strategic locations. Secondly those located in reservations and near hazardous installations in the way of infrastructure development projects like railway and highways. Thirdly those that are received their title to land and have built reasonably good housing but still requiring improvements in services. The programs for these three categories of settlements can be called “Redevelopment”, “Relocation” and “Consolidation” respectively.

3.6.2 Specific Objectives, Policies, Actions and Resources

Specific objective is: to qualitatively improve the lives of the people capitalizing the land assets they possess and expand the range of housing options available to all affordability groups.

The key aspects of policy in this regard is that it will solely be market based, through the optimization of the use of valuable urban land through mixed development. The program's objective is also to realize the full potential of the dormant land assets that people are sitting on and improve their economic status and social mobility.

As described above urban settlements can be categorized into three components of development; **“Redevelopment”, “Relocation” and “Consolidation”**. In the case of Colombo the approximate ratio of these categories would be 30, 20 and 50 % respectively of the 1053 settlements.

The **Redevelopment** component would essentially convert potentially valuable land assets owned and occupied by the people and the state into better housing for those living on the land and other affordability groups as well as into commercial and office spaces. Planning and design, both physical and financial, have 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 venture owned by the community, or a venture 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, NHDA and USDA to formulate the guidelines and regulatory framework with social safeguards and redress mechanisms. The successful implementation of the program would lead to socially and commercially integrated urban development, enhancing cityscape, creating lively living environments and wealth for the people, the private sector and the State.

The **Relocation** component would apply to communities living on land subject to flooding and other hazards and those communities living on lands that are required for infrastructure development. In these instances the NIRP has to be applied. The entitlements under the NIRP would be the share of the families in the new investment. A similar formula for the development as proposed under Redevelopment can be instituted for Relocation projects.

The **Consolidation** approach will apply to about 50% of the settlements in Colombo that have been upgraded with secure tenure and services and where people have built habitable housing. What they suffer from is the labeling as an “underserved” settlement. They have to be legally and socially 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. Shortcomings in these settlements are poor drainage, solid waste management and internal traffic movement. These shortcomings can be addressed by the Community Development Councils. Communities in this category could also opt for redevelopment if the potential exist, clearly considering all the trade-offs.

A city-wide holistic planning effort will have to be undertaken so that all the families concerned will know exactly how their future is going to be shaped and realize the benefits of being part of the housing movement. The NHDA, USDA and UDA would be encouraged to commence city-wide planning and mobilization of communities as a matter of urgency to determine which settlements would fall into which category and initiate action of the communities to be in charge of their own development. In addition a city-wide planning approach is essential to coordinate investment and programming of infrastructure development.

When transparent and accountable systems are established, investors would have the confidence to place money for good returns. 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, pre-financing initial mobilization 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 patronage to empowering people to be in 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 paradigm shift which has to be clearly understood and practiced by all concerned.

3.7 Estate Housing: Challenges, Specific Objectives, Actions and Resources

3.7.1 Challenges

The issues in housing in the Estates sector have remained without a suitable remedy all these years. Projects to improve the living conditions of Estate workers have been piece-meal at best. Of the 160,000 families living in estate line rooms only about 25,000 have received adequate housing. The houses that are currently being built will fall into disrepair and poor maintenance since the occupants cannot relate themselves as having a stake in the property. The fundamental issue is land tenure; families living in the line rooms do not own them and the estates are reluctant to release land for housing the workers. It is a case of workers accommodation being tied to the job in the estate. In the projects that have been implemented so far, issues of entitlement, plot size, lease duration and the location have been debated but a consistent policy has not been followed. In determining who is entitled to a plot and a house, the situation is that in majority of the cases it is the woman who is employed in the estate and not the head of the household. Debates around the location of the land and the design of the house are other issues that have not been resolved. Overwhelming opinion of the stakeholders is that the families should be given the choice to decide within a given frame work regarding the positioning of the house and the design; again reinforcing the need to institute the people's process of housing. Sensitive Community Action Planning is essential to meet the requirements of the people, ensure minimum disruption to Estate landscape and for settlements to be sustainable.

3.7.2 Specific Objectives, Policies, Actions and Resources

Specific objective is: to progressively improve housing and living conditions of about 135,000 Estate families living in Line Rooms.

A major policy change is necessary in this regard. This can be achieved by mainstreaming Estate workers as part of the States governance structure rather than being under the Estate management as they are presently. The policy to be pursued in this regard is the creation of integrated villages within the Estate. Though the Estates will have to dedicate a certain amount of land for this purpose, it can be planned with minimum disruption to the Estates. Integrating worker housing into existing villages in the periphery of the estates by providing land with secure tenure will be practiced where applicable.

Once land tenure is granted, NHDA would be able to extend the small loans program for the families to build their housing incrementally. By this action the dependency of the workers for employment in the estate for a right to a house can be severed and the people will have the choice of opting for different vocations and locations. It will also open up the estate job opportunities to people living the peripheral villages.

The 2017 budget allocation of rupees one billion for estate housing will be sufficient to meet the needs of 1,250 families. However greater attention into this sector by the State and the NGOs will be needed to address the increasing problem of Estate housing.

3.8 Resettlement Housing: Completion of current program

3.8.1 Challenges

Resettling conflict affected families in the North and the East remain one of the highest priorities of the Government. Up to about 60,000 families are awaiting housing grants to rebuild their houses. Of this number, land ownerships issues have to be completed for about 16,000 families. The current

owner driven people's process program with donor funding has been acceptable.. As international donor funding is drying up the Government will be required to allocate funding to house any balance left. Under the current program, a family receives a grant of Rs. 550,000 and it is expected to build a permanent house of 550 square feet with bricks and tile roofing. The results of the program are quite encouraging with families building well finished adequate houses for the grant amount. Some beneficiaries have fallen into debt by trying to build larger houses adorned with expensive finishes. However they do not mind borrowing additional funds since they see the opportunity to own a well finished house, after having lived in the camps for over two decades.

3.8.2 Specific Objective, Actions and Resources

The specific objective is: to resolve land issues, resettle and assist approximately 60,000 families to rebuild their lives and their houses. Considering the inflation in the cost of building materials and the shortage of labour in these areas, the grant may need to be revised. The principle of equity has to be maintained with those who have already received the grants. The 2017 national budget has allocated Rs. 14 billion with the intention of housing 20,000 families during the year. If the same level of State investment can be continued, it can be assumed that the all the resettled families can be housed by 2020. Implementing agencies such as NHDA, UN-Habitat, Habitat for Humanity and IFRC will have to continue to provide intensive technical assistance and monitoring to ensure standards are met and that people do not unnecessarily fall into debt by trying to build larger houses. There is a need to have a common data base for all the returnees who have an entitlement for land and housing grants, since some families are reported to have claimed grants in different DS divisions.

Around 5200 families have been identified as presently living in disaster prone sites that need to be resettled as matter of urgency. At present there is no program for such resettlement. Since these families are very vulnerable, it could be an area of interest for donor assistance with some grant funding. Ministry of Housing along with the Ministry of Disaster management needs to explore donor assistance to develop a sustainable program of resettlement.

When families have to be resettled to make way for development projects, the principles of the National Involuntary Resettlement Policy would be the main basis to determine the resettlement plan. However the objective should always be to provide a better quality of life for the resettled. Therefore resettlement plans should offer a range of options as resettlement solutions.

3.9 Rental Housing: Challenges, Specific Objectives, Actions and Resources

3.9.1 Challenges

Rental housing is a much neglected, housing option in the country. The restrictive legislation like the Rent Act and the Ceiling on Housing Property Law of the 1970s resulted in a drop in rental housing development. Rental Housing may only be a partial answer to urban housing problems, but is an important housing option especially in the urban areas, particularly in situations where people are not ready or able to buy or build houses on their own.

For many people, the decision to rent a house is a deliberate and necessary choice. It is not just because they can't afford to buy or build a house. Their reasons for making the choice to rent are not all the same:

- Renting lets people to stay mobile and move away where remunerative work is available elsewhere without being tied down to any particular place or to regular mortgage payments.

- Renting allows flexibility in managing household budgets by moving to cheaper housing when times are hard and to better housing when incomes increase.
- Renting accommodates people in the transitory periods of their lives, when they are not yet ready to settle down in one place.
- Renting accommodates the young employed and the newly married who may flock in to urban areas.
- Renting allows people especially female workers to be close to their work places and to the schools of their children.
- Renting allows the tradition of people sending their city earnings to their families in the village or to invest in buying land or building houses in the village.

At the upper end of the market, rental housing will be for better-off tenants in the form of luxury condominiums in city center high rises, row-houses or detached houses of all shapes and sizes. At the lower end of the market, rental housing might come in the form of affordable rental rooms in owner managed buildings, or portions of houses with shared services. It could even be rented space within a shared room, or even the right to store one's belongings and occupy a certain space during a part of the day.

The Policy promotes Rental Housing as a strategic approach to developing a workable urban housing system. The Policy needs to first acknowledge the rental arrangements which already exist and find flexible, realistic ways to regulate them. It has to be recognized that rental housing arrangements contribute to local livelihoods. Local dynamics and housing market conditions may differ from location to location and there cannot be a single formula

3.9.2 Specific Objectives, Policies, Actions and Resources

The specific object is: to increase the supply of rental housing by integrating into redevelopment and new housing programs. Another objective is to create affordable rental accommodation for the elderly in locations spread around the country. The attraction for affordable rental accommodation is location and proximity to work places and children's schooling. Easy access for transport and communication are other attractions.

The new Housing Policy has provision to encourage the private sector developers to enter the rental housing market. Incentives for non-profit local companies sourcing funds from foreign donors to provide rental accommodation to senior citizens are also available in this policy.

The policy will provide for the National Housing Agencies, Provincial Housing Agencies and Local Authorities to partner with private developers by offering land with off-site services to construct rental housing for this target group. Physical and zonal Planning will identify suitable lands for this purpose. Incentives and concessions will be built in the policy as necessary for attracting private capital for this segment of housing development.

3.10 Housing for the Special Needs

Sri Lanka's population is rapidly aging and by 2040, one person out of 4 will belong to the elderly category. Most of them will eventually be left alone unless looked after by children or family. Majority of the elderly are female. The very poor, homeless, destitute seniors without a means to live, will receive attention from the Social Services Ministry, Local Governments, religious and other

charitable organizations. This care is given free of charge by the Government and by the charitable organization.

An affordable system of rental accommodation is appropriate for senior individuals and couples having to live alone but have some means of income either from an employment pension or support from children. Their special needs have to be met both in of elderly friendly housing solutions and designs.

Only 14% of adults who have disability have ownership of houses. Only 17% of own a plot of land to build a house on. This group has to be considered as a special group and needs to be prioritized in the allocation of land and housing integrated into communities that are undertaking housing development. Specific actions recommended by the National Policy on Disability are:

- Authorities (such as the National Housing Development Authority) which obtain State allocations to implement housing development programs through the provision of loans and grants will include as their beneficiaries, a reasonable proportion of people who have disability.
- Authorities responsible for land distribution will, in any program, give priority to a reasonable proportion of landless individuals who have disability
- To enable landless individuals who have disability to qualify for housing loans, Authorities (such as the National Housing Development Authority) which obtain State allocations to implement housing development programs will reserve a reasonable proportion of their allocations to provide grants for such individuals to purchase land.
- All State-sponsored and private sector programs which construct dwellings will build a reasonable proportion of houses with accessibility facilities and make them available for purchase to people who have disability on a priority basis
- Loans, grants and subsidies or tax exemption benefits will be given wherever possible to adapt existing housing

3.11 Land and Tenure: Challenges, Specific Objectives, Actions and Resources

3.11.1 Challenges

The majority of urban land in Sri Lanka is state-owned. Ownership is fragmented across the government agencies. This is inefficient as the land allocation often goes beyond the requirement of individual agencies and land is underutilized adding little value to the government institutions or to the economy. Many of these assets are in prime locations and their underutilization is a barrier to urban development.

The fragmentation in ownership makes mobilization of these resources problematic as often the incentive for various agencies/ministries is to maximize asset base as opposed to considering the wider benefits of releasing land for strategic purposes.

A potential solution is to consolidate land holdings into a single entity for example a Land Bank, for better macro management. This then enables housing to be prioritized at the central government level circumventing the need to negotiate with individual ministries/agencies.

3.11.2. Specific Objectives, Policies, Actions and Resources

While urban development patterns in the past have been dominated by uncontrolled and organic sprawl, Sri Lanka is pushing forward with efforts to organize and better manage urban growth. Managing the evolution and geographic distribution of housing is critical in achieving the desired results.

Enabling higher densification of housing, particularly in urban areas, is required to arrest the unsustainable patterns of sprawl. Substantial investments planned in urban transportation, electrification/modernization of the railway and the introduction of Light Rail Transit system, for example, can provide a stimulus, enabling Sri Lanka to rethink how its housing market should evolve. It is logical to encourage high density housing along the mass transit corridors. Government policy can create incentives for high density development along these corridors by relaxing the development regulations such as reducing parking requirements, relaxing height restrictions, allowing higher FAR for residential development. The potential for targeted densification along transit lines extends beyond Colombo, for example, Kandy and Galle. Densification is as an inevitable part of economic growth in cities. The onus is on the government to be ahead of the curve and have mechanisms in place to support the process and guide the pattern of densification to ensure sustainability.

The right to a place to live by convention is established by over 7 years of occupation of a piece of land irrespective of tenure. However in the application of this principle, careful consideration has to be made regarding the purpose of the occupation; as a place to live or as a place to carry out an illegal business. The rightful claims can be established through certain criteria and community consultations. Land Kachcheries currently operating in the conflict affected North to establish claims of returnees is a useful model to be adopted in the urban areas too. People who have free hold title to small plots (2 perches/50 sqm) of urban land cannot realize the value of the land unless they opt to pool the parcels and enter into a redevelopment project. It is known that a majority of the owners are aware of and willing to participate if there is an opportunity.

In the rural areas and in some parts of urban areas the Government has committed to enact legislation to grant permit holders, including Swarnna Bhoomi holders, who have been occupying land for more than 10 years, free hold title under the Land Development Ordinance. This legislation once enacted will make a significant number of the rural properties bankable

In traditional rural areas, a large portion of the properties have multiple owners through inheritance laws and therefore not marketable for housing purposes. Government intervention for resolution of such cases may not be possible unless through acquisition for public use.

3.12 Housing Finance: Challenges, Specific Objectives, Actions and Resources

3.12.1 Housing Finance Providers

The Government has thus far been the main provider of housing finance.. The NHDA has provided 1,530,558 loans over the period of 1984 to 2015 to the value of over Rs. 53 billion. It has also constructed housing estates and urban flats that have been sold to different affordability groups. Small housing loans provided by the NHDA are at concessionary interest rates and on personal guarantees. Private sector provides housing credit to the top 20% of the upper income group with fixed incomes and permanent employment. The main banks providing housing credit are the Bank of Ceylon (BOC), the Peoples Bank (PB), the State Mortgage and Investment Bank (SMIB), National Savings Bank (NSB) and the Housing Development Finance Corporation (HDFC Bank). Other commercial banks like Hatton National Bank (HNB), Commercial Bank, Sampath Bank etc. have

recently started to expand their share in the housing finance sector. Housing credit from these banks is purely on strict mortgages based criteria. The mortgage rate of Sri Lanka as a percentage of the GDP is considerably low at 6%, compared with other countries of similar economic level. Savings and Credit cooperatives like Sanasa, the Women's Cooperatives such as Women's Bank and Jana Rukula have been quite active in the housing sector in the last two decades providing housing credit to the lower end of the market with mutual guarantees and less demanding conditions. Women's Bank's small housing loans consist of about 30% of its loan portfolio provided on group guarantee and it claims a recovery rate is 100%.

Many Sri Lankans take up overseas employment sometimes with the sole aim of saving for the building of a house on their return. This group offers an opportunity for the banks to provide incentives to save for housing with attractive interest rates and concessionary loans. Non-convertible NRFC accounts with higher interest would be an incentive to compensate for the exchange losses through monthly conversions.

Formal banking institutions leave out a large segment of the society due to "lack of creditworthiness" and due to the cost of lending for small credit packages. Creditworthiness is considered by the formal lending institutions as borrowers who are fixed income earners who can show regular income with certified evidence and repayment capacity. Informal sector earners have great difficulty in satisfying these requirements despite the capacity to repay.

Lanka Financial Services for Underserved Settlements (LUFSSUS) established with technical support and seed capital from UN-Habitat addresses this issue by providing a guarantee mechanism for community organizations to borrow in bulk from formal banking institutions. There are established criteria and also technical assistance available to the community savings groups for this purpose. This mechanism allows for formal capital to reach a large segment of the population who would otherwise be left out. LUFSSUS has so far assisted 23 community organization covering 1870 families.

Bank's lending rate for housing is considerably high, ranging from 12 to 15 %, which has a negative impact on investment on housing. The National Savings Bank, one of the leading housing credit providers employs lending rates of 12% for 5 years, 13% for 10 years and 14 % for 15 years. On this basis a housing loan of 1 million rupees to be paid back over 15 years would require a monthly repayment of Rs. 13,317 and Rs.5 million loan would require a monthly installment of Rs 66,587⁶.

3.12.2 Income and Affordability

Considering the current availability of formal housing credit to invest Rs 1 million for a family's housing solution, would requires a family income of over Rs. 50,000 per month on the basis of 25% family income to be devoted for housing. In the rural areas a majority may not have this level of income, while a loan of Rs. 500,000 may be more affordable by many, and combined with the family's own efforts can yield an adequate house of 500 to 700 square feet. While in the urban context, majority of the people working in the informal sector living in "underserved" settlements can afford a loan of 1 to 2 million rupees at the current market rates of interest. However the issue is collateral. The value of the small parcel of land (2 perches/50 sqm) which they are currently occupying in the city of Colombo, may even be worth Rs. 6 to 20 million depending on the location. This amount is more than the cost of a 500 square foot apartment (Rs 3.5 M). Therefore land pooling and redevelopment is potentially a financially feasible model where the families can be accommodated on site with their assets appreciating in value. The most important aspect of

⁶ National Savings Bank

implementing this model is the participation of the people living on the site in the process of development.

The current household expenditure on housing in urban areas is 17.5% of income and in rural areas it is 9.4%. It is the second biggest expenditure of household income after food (39%). Considering the high priority that families place on housing, the percentage of income spent on housing could be increased 20 to 25%.

3.12.3 Targeting Subsidies

The government, over the years, has taken a variety of approaches to increase the access to housing for the poor. But it has to be recognized that the nation cannot afford to allocate resources to provide subsidized housing for a few at expense of other priority social expenditures. Subsidies also distorts the market discouraging investors to engage in producing housing for low-income groups,, basically leaving it for the Government to deal with this segment. The Policy intends to move from this notion to a market based approach to reach the goal of 'Shelter for All'. However, it may still be necessary to identify and introduce targeted subsidies as part of a social safety net to protect vulnerable house-holds. In these cases, subsidies that that distorts prices should be avoided, as should subsidies, which once given, are difficult to modify or discontinue. There are certain groups in the country that still require subsidies in some form to avail themselves of an adequate shelter..

Groups that require targeted housing subsidies can be identified as follows:

- a). Conflict affected families whose housing had been destroyed or damaged and returnees being resettled. To ensure equity with the families who have already been assisted the grant should be a maximum of Rs. 750,000 to rebuild a house.
- b). Rural poor who are currently receiving Samurdhi grants. An objective assessment of their status will have to be carried out to establish their entitlement for a housing grant. (eg Sevena Sarana) Village communities should be involved in assisting them to build a house.
- c). Estate workers. This category has the worst housing and services in the Island and they cannot be brought into the housing market due to the absence of security of tenure. However if a sensitively planned integration of these families into villages, a permanent solution could be found.
- d). Elderly living alone. They can be assisted through a community supported program and institutional housing program on a rental subsidy.

Housing subsidies should have a built-in review procedure. In addition, care should be taken to ensure that subsidies do not dampen supply responses and lead to increases in house prices.

3.12.4 Savings for Housing

Specific objective is: to develop a culture of savings that could leverage housing credit at affordable terms. The policy is to link saving directly to housing credit.

Thrift and Credit Cooperative Societies have been mobilizing savings with the objective providing housing loans for a long period. An example is the Teachers Thrift and Credit Union. All employee thrift and credit cooperatives need to be re-energized with the motivation that every member should own a house by the time they reach the age of 40. These housing dedicated savings schemes should be promoted with innovative financial models. Housing incentivized savings schemes should

be offered by the formal banking sector including offering of attractive interest rates for housing linked savings accounts and for remittances of overseas employed persons.

3.12.5 Expanding Housing Finance

The specific objective is: to increase housing finance to cover a larger range of affordability groups. The Policy will develop innovative financial instruments with easier accessibility.

Currently the formal banking sector caters only to the 20% of the upper end of the market. The strategy should be to reach at least 60% of the market. Commercial banks are conservative and risk averse. However housing is a fixed capital asset which in Sri Lanka appreciates in value. Repossession in the case of default is adequately covered by legislation and therefore lending to this sector is not necessarily a risky business. Obtaining a mortgage involves a whole series of documentation requiring professional expertise which discourages many in trying to obtain a mortgage. Income certificates, tax certificates, title clearance, valuation certificate, planning approval, contract document are some of the documentation required to obtain a housing loan. In today's IT environment lending institutions should provide this service as "one stop shop" to obtain a mortgage. To facilitate investment the Government should prioritize the complete digitization of the Land Registry linking the Survey Department mapping and the records at city property and Assessor's Departments.

3.12.6 Small Housing Loans from NHDA

The specific objective is for NHDA to expand the provision of small loans to the families in need of housing and housing improvements across the country especially to those who do not have formal income sources.

To expand NHDA's coverage it needs to re-assess its loan portfolio and improve collection of repayments for on-lending in addition to the annual budgetary allocation. An audit of its assets and strategies to capitalize them needs to be carried out for NHDA to regain its position as the leading housing agency in the country. Action needs to be taken to improve the recovery rate from its current 50 - 60% so that additional funds are available for on-lending.

3.13 Planning and Management

3.13.1 National Physical Plan

The National Physical Plan of 2007 should be considered as a guide to land management ensuring congruence within regions, balance between development, conservation and disaster-free settlements. The declaration and enforcement of certain areas as "risk areas" would decrease the proportion of population exposed to natural disasters as well as effects of climate change. On the other hand increasing the population densities in areas designated as Metro Cities would facilitate the provision of cheaper and better quality urban amenities.

Land management in urban areas is closely tied to urban development planning. The strategies adopted by the Urban Development Authority (UDA) to effectively manage urban land relate to aspects of planning, regulation and standardization. At urban planning level, land use has been regularized by the identification of zones for specialized activities. The footprint of buildings, floor area-ratios, total allowable square areas and building height restrictions are imposed.

Land sub-divisions carried out by private parties are also regulated by the specification of minimum plot-sizes, minimum/maximum number of plots per hectare, requirements of drainage, accessibility,

etc. Land use for private or public housing developments are also regulated as to optimizing of densities, provision of infrastructure, environmental services such as waste disposal, drainage, sewerage, etc. and provision of public amenities such as playgrounds, community facilities, public spaces etc. At the same time, access to education and health facilities is also insisted on. The object is to ensure that the management and use of land fulfills the expectations of citizens without compromising on the urban environment of the cities, especially due to transport-related activities⁷.

3.13.2 Private Investment in Planning and Management of Condominium Properties

There is a rapidly developing commerce and service sector in the urban economy of Sri Lanka. This is enabled mostly by private investments and sustained by mobilizing trained and qualified personnel. This category of persons have an affordable income level and are in need of housing facilities located in easy commuting distance from their workplaces in the urban areas. The Government's policy in this regard is to provide the opportunities in new and redevelopment projects to attract private capital through public-private partnerships.

The Government will therefore establish appropriate mechanisms to enable National Housing Development Authority in partnership with the respective Local Authorities to establish public-private partnerships to develop mixed, high density housing in strategic locations where such demand exists. In these developments a certain percentage of housing units of different sizes should be reserved for rental housing. The design of such condominium properties should take into account the demand of different affordability groups and provide a range of choices rather one size structures creating monotonous cityscapes.

National Housing Development Authority will partner with the provincial housing authorities and local authorities to allocate land with off-site utility facilities and invite private developers along with the banking sector to construct affordable housing with convenient mortgage financing systems. In the suburban areas the concepts adopted can include low rise high density 'town house' models with suitable modifications to suit local conditions. Private developers taking advantage of the incentives provided will use their enterprise to achieve affordable cost effective housing due to scale of production. Security of the collateral offered with secure title will enable banks to provide reasonable mortgage loans to different affordability groups. This will be a component of the enabling process where the private sector invests, designs, builds and market the housing units whilst the Government, through its lead agency, the NHDA facilitates the process by providing access to land, connecting essential infrastructure up to the housing development sites and facilitating the regulatory process.

3.14 Regulating Housing Development

3.14.1 The Need for a Facilitating Regulatory Framework

Housing development is generally governed by many regulations. They include urban planning stipulations, building codes, infrastructure standards, land use regulations, environmental concerns and many others. Clearly, they are intended in the interest of the society, requiring housing producers to meet desired health, safety, environmental and aesthetic standards and optimize the use of land as a scarce resource. However, experience has shown that they also have profound implications not just on the supply of housing but also on their affordability because of the resultant additions to the cost. Because they are implemented through a multiplicity of agencies, which are

⁷ Sri Lanka Report to Habitat III

often unable to act in coordination, navigation through these regulations that are contained in a range of laws and policy decisions, and satisfying their sometimes unrealistically high standards, often cost time and money. These therefore have the inadvertent result of subverting their original intent by discouraging investment and being a deterrent to the supply of housing. Therefore, a housing strategy that enables a well-functioning housing market, as practiced in Sri Lanka, needs to constantly review the impact of its regulatory environment and its effects on housing sector performance. An urgent necessity at present is to review this system to create a comprehensive and complementary network of relationships among all the stakeholders – the consumers, builders, service providers, financiers, investors, and regulators. For a vibrant private housing sector to function, as intended by the Government, it is essential to provide a regulatory framework sensitive to its economic consequences along the entire cycle of housing development, production, transaction, use, maintenance and replacement. Such reforms are intended to create efficiencies in housing market operations and improve housing outcomes beneficial both to the developers and the consumers of housing. This would help the government to achieve its goals of an enabling shelter strategy.

3.14.2 Regulatory audit of the Housing Sector

An effective regulatory system has necessarily to be structured to minimize transaction costs and time delays, while maintaining fairness, stability, transparency and consistency. In such a system, outcomes have to be predictable, land-use regulations need to encourage private investments, and building regulations should be affordable to adapt to present day needs. The present regulations based on standards adopted under the colonial rule based on their own standards irrelevant to the country, do not satisfy this need. The disincentives inherent in an overly regulated system need to be minimized to improve the responsiveness of the housing supply to changes in demand in the market. But the present system, as often reported by developers and investors, seems to impose a cascading set of constraints that makes housing development unattractive. They have contended that bureaucratic bottlenecks need to be completely avoided and that the regulatory system should function with low bureaucratic costs and delays, both in formal procedures and in practice. A preliminary step in initiating regulatory reform seems to be the conducting of a regulatory audit. Such an audit needs to cover all the regulations affecting the housing sector. It should identify the agencies responsible for regulation, key regulations that need closer examination, establish their impacts on housing sector performance through disincentives created in areas of supply, demand and prices and set priorities and a time frame for regulatory reform. They should also include a cost/benefit analysis of some of the more stringent regulations to understand the cost to the economy of the imposition of such regulations. The objective of reform should be to identify alternatives that do not compromise the environmental, health, and safety concerns that were the objective of the original regulations but were derived from western standards and imposed here without due regard for the need to customize them to suit local needs and situations.

3.15 Organizing the Building Industry:

The building industry plays a vital role in housing development and it is essential that it should be organized and strengthened to meet the emerging needs of the housing sector, especially the urban housing sub-sector. The key to a well-functioning building industry is the elimination of monopolistic practices and facilitating the entry of small firms in to the sector in all phases of

construction, production of materials and their distribution. Steps have to be taken to encourage the building industry by reducing import controls, and by facilitating licensing requirements for small producers, transporters, contractors and developers. Government will also support building research institutions, which can help the development and use of local construction materials and building technologies while helping to train local producers in new technologies and efficient construction management.

3.16 Building Technology & Materials:

3.16.1 Wall Building Materials and Technologies

Burnt clay bricks are the most preferred walling material with a share of 53.2% of the current housing stock. Burnt bricks are becoming scarce and expensive due to the shortage of good clay and fire wood. Increasing labour cost too affects the conventional brick industry which is labour intensive. Bricks are transported from areas where brick kilns are located and the transport distance too affects the cost.

The policy advocates the improvement of labour productivity of the brick industry using improved casting techniques and improving energy efficiency of the burning process to increase the output of bricks required for the Housing Movement.

Sand- Cement blocks occupy a share of 33.8% in the current housing stock and are increasingly becoming more popular in the rural and resettlement housing over the traditional clay bricks. Blocks are generally made on site or obtained from a local block maker close to the site and have its benefits in comparative cost reduction in production. As the sizes of blocks are larger than bricks, construction is easier and faster. However, the need of greater quantity of sand for production of blocks is a major constraint under the restrictions imposed on river sand mining to protect the environment. Availability of sand is a limitation on expansion of block industry to meet the construction industry demand.

The Policy promotes the improvement of productivity and reduction of wastage of resources such as sand and cement, by improving the on-site casting practices.

3.16.2 Roofing Materials and Technologies

Clay roofing tile was traditionally the most popular roofing system prior to introduction of asbestos roofing. It is still preferred in warm climates due to better thermal insulation properties. There are several profiles of clay tiles in the market, but most common and cheapest is the one with flat profile called "Calicut" tiles. One of the drawbacks in clay tiles as a roofing system is relatively higher timber requirement in the roof structure, compared to asbestos roofing. This makes the tile roofing comparatively more expensive than asbestos. Local roofing tile manufacturing, as an industry is somewhat a depressed industry, needing external support to develop. According to the information provided by 'All Island Clay Tile Manufacturers Federation', the country has about 250 clay roofing tile factories in operation. The total production capacity is estimated to be 25 Million tiles per month. The present demand is around 1/10th of the total production capacity. Production is also seasonal, depends upon weather. All raw materials are sourced locally.

The clay tile industry at present has several drawbacks to face the predictable high demand owing to the ban of asbestos. According to the information from the tile manufacturer's federation, the major issues are as follows;

- Lack of updated technology and machinery with high productivity.
- Poor quality management awareness- Manufacturers unaware of availability of Sri Lanka Standards (SLS No.2:1975-now under revision).
- Poor labour housing facilities and welfare.
- Mixing poor quality tiles with good ones by the suppliers.

The industry is severely affected by recently imposed ban on earth extraction by the Geological Survey and Mining Bureau.

Asbestos has gained popularity over clay tiles because of its lower cost, durability and ease of construction. According to the industry sources, asbestos roofing sheets has a market share of around 60-70% at present. There are four main manufacturers who produce asbestos-based products and 4,500 persons are employed in asbestos industry.

Government has announced on August 29, 2015 that strict laws will be enforced with regard to asbestos, and by 2018 the production and importation of asbestos will be banned completely. One of the main products using asbestos is asbestos roofing and ceiling sheets, the most popular form of roofing/ ceiling material in the country. Sri Lanka banned blue asbestos in 1997 and the recently announced ban will apply to white asbestos used mainly for the production of roofing and ceiling sheets.

The local building industry, will now have to turn to use alternative roofing materials resulting in an unprecedented demand being created to the clay roofing tile industry, which is the next popular form of roofing.

3.17 Research and Development

National Housing Policy necessarily has to stimulate research and development into housing. It also includes investing in research for collecting both quantitative and qualitative data and specific sectoral research. It needs to bring out the innovations that people are making in designing, financing, building and use of materials. In addition it has to research on the broader impact of planning of human settlement and the types of settlements and policies. Currently the involvement of Universities in research in the field of housing is very limited due to the lack of resources.

A significant effort was made very recently by the National Science and Technology Commission (NASTEC) in consultation with representative groups of scientists/experts in different fields to develop what has been termed as a *“National Research and Development Framework”* (NRDF). Ten subject areas were identified to be given immediate research priority which would directly enhance the national development effort. Of these areas one was Shelter. In this document, Shelter is defined not merely as a ‘product’ but as a ‘process’ and as an integral part of human settlements. One of the key specific intentions is to build capacity of the research institutions and source research funding.

The NRDF explicitly identifies the need to establish a Research Centre with a knowledge management platform as a central point of contact for Research and Development. The NRDF through the efforts of NASTEC and the Ministry of Science Technology and Research has received Cabinet approval for this proposal in March 2016.

Implementing an enabling strategy requires more and better information on housing sector performance, its relationship to policy and its connection with the broader economy and social goals. There is a need for better diagnosis of sectoral problems as well as for better prescription of policy remedies. This will mean focus on four main areas:

- Collection and dissemination of best practice information,
- Developing practical tools based on research insights and findings that will be used the quality of policy analysis, policy formulation and implementation.
- Improving the amount and quality of the data available on the housing sector,
- Expanding substantive research on the all sub-sectors, and their performance

3.18 An Institutional Framework for Managing the Housing Sector

The need to oversee the housing sector as a whole and to integrate the housing sector into overall social and economic development planning requires an appropriate institutional framework. Presently disparate housing initiatives are scattered and un-coordinated, and are implemented by different arms of the Government. Housing is also identified as a devolved subject in terms of the thirteenth amendment to the Constitution of Sri Lanka. A new and effective institutional framework for the housing sector therefore, will make it possible for the Government, to manage the housing sector in a manner that provides adequate and affordable shelter for all. Such an institutional mechanism is needed to oversee the performance of the sector as a whole and to coordinate the major agencies that influence housing sector performance.

A coordinated institutional mechanism should also be tasked with the collection, analysis, interpretation and publication of data on the performance of the housing sector, particularly concerning the outcomes with respect to the poor and the disadvantaged. It should provide an institutional linkage between housing and macro-economic planning, generate long-term plans for housing sector development in conjunction with national planning agencies and provide a forum for participation of the private sector, Non-Governmental organizations, community based organizations and the general public in housing policy formulation at both National and sub-national levels. This institutional framework will also review the effects of regulations on housing, initiate regulatory reforms, engage in housing policy research and influence housing related agencies to improve housing sector performance.

In addition to the functions of policy formulation, coordination and monitoring, other responsibilities which correspond to elements of an enabling strategy have to be addressed in a coordinated manner. The most pressing of these functions are:

- i. Establishing and overseeing the regulatory environment for the delivery of housing finance,
- ii. Directing mortgage lending to the poor,
- iii. Administering housing subsidies to the needy, focusing on beneficiaries rather than numbers of units,
- iv. Establishing and broadening property rights,
- v. Providing infrastructure in under-served settlements
- vi. Bringing together infrastructure agencies and coordinate infrastructure delivery that creates an adequate supply of serviced land

- vii. Reviewing the impact of various laws and regulations on the performance of the housing sector,
- viii. Proposing new legislation to improve sector performance.

3.19 Integrated Infrastructure and Service Provision

The large-scale housing and urban development program envisaged under this policy will require additional investment in the improvement of infrastructure. Access to effective sewerage, water supply and electricity, is vital to the growth of these communities. Likewise, adequate transport, schools and healthcare services must be provided in appropriate locations that best serve the community. Improved visibility on plans and developments is also needed such that roll-out and further strategic planning can take place in a coordinated and efficient manner.

In order to achieve this, a four-fold policy is laid out –

Detailed mapping and planning: A detailed mapping and planning exercise is envisioned at the community-level. This should be carried-out in conjunction with community organizations and state agencies. These local-level plans will inform concerned agencies on developments and form the basis for further strategic planning.

Community planning support unit: A community planning support unit is envisaged to improve coordination between the planning agencies and local communities.

Multi-stakeholder coordination: A mechanism must be created whereby services and infrastructure provision is coordinated across the respective agencies such that delivery happens concurrently at each site under development. Agencies must manage the plethora of competing requests to ensure that roll-out is synchronized.

Harmonized local- and macro-level planning: Local-level plans must be integrated and harmonized with regional masterplans (e.g. Western Region Megapolis, Trincomalee, Kandy etc.)

Chapter 4: Policy Implementation Monitoring and Evaluation of Performance

4.1 Targets and Indicators

To achieve 'Shelter for All' by 2025 through the People's Housing Movement, it is necessary to have an indicative target of the annual output by sub sectors. However the targets are not absolute but merely indicative to measure the scale of effort by all the stakeholders. While the mobilization of all the actors into the process of the People's Housing Movement would require time but the process should gather its momentum as the awareness, priority and motivation is generated. Indicators of the commitment to the movement would be the rapid changes in policy as recommended herein, the number of actors; public, private, community and civil society joining in the process and most importantly people's realization and contribution to join the process to house themselves.

The following indicative targets for the sub sectors are based on the information of the National of Census of Population and Housing of 2012 and projections with the official definition of rural, urban and Estate sub sectors and Central Bank Report of 2015.

4.1.1 Rural Housing

The total backlog excluding Northern resettlement areas and the predominantly Estate districts, is 367,000 requiring housing improvement and 180,000 new units. To achieve Shelter for All by 2025 the annual requirement would be to improve 46,000 units and construct 22,000 new housing units. Assuming that 60% of this requirement will be met by individual families financed through bank, and cooperatives borrowing and remittances, the NHDA will have to support 18,000 families to improve their housing and 8,800 families to build new house per annum. If considered by Districts and Pradeshiya Sabhas, this target is achievable and the financial resources can be found within the NHDA and through the annual budgetary allocation. With the envisaged resolution of the land tenure issues of state and private encumbered land, the banking sector and the thrift and credit cooperative sector can reach about 60% of the demand in the rural areas. It should be noted however, that the Districts of Nuwara Eliya and Badulla have not been taken into this calculation although they contain a considerable rural population in addition to Estates.

4.1.2 Urban Housing

With an approximate requirement of 167,000 houses to be improved and another 65,500 needing new housing the annual requirement would be 21,000 and 8,400 respectively. It could be assumed that private individual savings and borrowing would cater to the total improvement needs including "Consolidation" settlements. It could be safely assumed that 4,000 to 5,000 new houses per annum would be built with the mobilization of people and the private sector. The challenge would be for the market to produce 3,000 to 4,000 new units under the "Redevelopment" category.

4.1.3 Estate Housing

This biggest challenge in reaching Shelter for All by 2025, would be posed by the Estate housing. To achieve an output of 17,000 units per annum is not financially feasible. The current combined output of Government, NGOs and others of about 2,000 house per annum hardly makes a dent in the problem. Therefore the cause of the problem needs to be addressed as recommended in para 3.7.

4.1.4 Resettlement Housing

Conflict affected resettlement housing as a priority concern of the Government, could be resolved over the next 3 years if the current level of funding continues (Rs 14 billion from Government plus donor funding) and the same approach of the people's process is followed. An output of 20,000 units per annum is achievable with multiple implementing agencies to support the people to build their own housing.

4.2 Monitoring Mechanism

The need to carry out follow-up and review of the revised housing policy is stressed, in order to ensure its effective implementation and progressive impact. Such follow up and review should be a continuous process at all levels of government and should recognize and strengthen existing platforms and processes, avoid duplication, and respond to local and national circumstances, capacities, needs and priorities. It should be inclusive, open, participatory and transparent.

The Ministry of Housing and Construction will establish an interactive public access ePlatform for Housing in Sri Lanka in the spirit of transparency and good governance. It will be a national platform for sharing information, to receive ideas and proposals and as a tool for monitoring the performance of the sector. All housing programs and projects will be required to be entered into the platform with monthly updates. All financial institutions providing housing credit will be required to enter their information into the system. Eventually it will become a public tool for information and monitoring.

The Ministry of Housing and Construction will establish a "Housing Policy and Monitoring Unit" to continuously review the Policy and detail out necessary strategies. It will manage the ePlatform responding to public enquiries and debates. Performance of the sector will be monitored continuously through the ePlatform and reported to the public, to the Minister of Housing and Construction and to the Parliament.

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