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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

PROJECT PAPER

Proposals and Recommendations
For the Review of the
Development Loan Committee

JAMAICA - URBAN AND RURAL SHELTER IMPROVEMENT

AID-DLC/P-2260

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

UNCLASSIFIED

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September 16, 1977

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Jamaica - Urban and Rural Shelter Improvement

Attached for your review is the recommendation for authorization of the issuance of guaranties pursuant to Section 221 of the FAA of not to exceed Fifteen Million United States Dollars (\$15,000,000) in face amount, assuring against losses (of not to exceed one hundred per centum (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing in Jamaica.

This Housing Investment Guaranty is scheduled for consideration by the Development Loan Staff Committee on Friday, September 23, 1977, at 2:30 p.m., in Room 3886 New State. If you are a voting member a poll sheet has been enclosed for your response.

Development Loan Committee
Office of Development Program
Review and Evaluation

Attachments:

Summary and Recommendations
Project Analysis
Annexes I - X

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET		1. TRANSACTION CODE <input checked="" type="checkbox"/> A ADD <input type="checkbox"/> C CHANGE <input type="checkbox"/> D DELETE	PP 2. DOCUMENT CODE 3
3. COUNTRY/ENTITY Jamaica/Jamaica Mortgage Bank		4. DOCUMENT REVISION NUMBER Original <input type="checkbox"/>	
5. PROJECT NUMBER (7 digits) 532-HG-010	6. BUREAU OFFICE A. SYMBOL LA B. CODE 05	7. PROJECT TITLE (Maximum 40 characters) Urban and Rural Shelter Improvement	
8. ESTIMATED FY OF PROJECT COMPLETION 82		9. ESTIMATED DATE OF OBLIGATION A INITIAL FY 77 B QUARTER <input type="checkbox"/> C FINAL FY 77 (Enter 1, 2, 3, or 4)	

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) -

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FA	C. LC	D. TOTAL	F. FA	G. LC	H. TOTAL
AID APPROPRIATED TOTAL						
GRANT						
LOAN						
OTHER						
U.S.	1. HG	15,000	15,000	15,000		15,000
	2					
HOST COUNTRY		2,400	2,400		4,800	4,800
OTHER COUNTRIES						
TOTALS		15,000	17,400	15,000		19,800

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY		H. 2ND FY		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1)									
(2)									
(3)									
(4)									
TOTALS									

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	C. GRANT	D. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1)							MM YY 019 718
(2)							
(3)							
(4)							
TOTALS							

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PIO FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PIP FACESHEET DATA, BLOCK 12? 1. YES, ATTACH CHANGED PIO FACESHEET.

1. NO
 2. YES

14. ORIGINAL AG OFFICE CLEARANCE <i>Charles P. Campbell</i>		15. DATE DOCUMENT RECEIVED IN AID B, OR FOR AID B OCCURMENTS, DATE OF DISTRIBUTION MM DD YY 08 31 77	
TITLE		DATE SIGNED MM DD YY 08 25 77	

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PROJECT PAPER
JAMAICA 532-IG-010

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- II. Logical Framework
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B. RECOMMENDATIONS

On the basis of the findings set forth in this Project Paper, approval of a \$30 million Housing Guaranty Program is recommended. The program described in this paper amounts to \$30 million. An additional \$15 million authorization is planned for FY 1979 after an in-depth evaluation of the manner in which the \$15 million 1977 authorization is being implemented.

- The project meets all applicable statutory criteria.
- The criteria checklist is attached as Annex I.

C. PROJECT BACKGROUND

This Project Paper draws on the analysis and conclusions contained in the Project Identification Document dated 28 January 1977 and the Shelter Sector Assessment completed in July of the same year. It is also based on the experience gained by AID in the housing sector, particularly through the support given to the creation of the Jamaican Mortgage Bank, the recipient of a \$10 million AID concessional loan and a \$10 million HG.

During the last 35 years, Jamaica has experienced a rural to urban population migration of massive scale. In 1943, 22% of the island's population lived in urban areas. By 1970, the figure had changed to 40% and projections for 1980 suggest it will be 50%.

A major feature of this urbanization has been its concentration in the Kingston Metropolitan Area (KMA), which in 1970 had 63% of the country's urban population. There are indications that the rate of growth of the KMA is slowing down relative to other areas. By 1980, for example, one projection suggests that its total share of the urban population will be 57%. There are four other major urban centers: Spanish Town, Montego Bay, May Pen and Mandeville. Along with Kingston they account for over 80% of the total urban population. Although there is a trend toward the growth of small towns, it will be a long time before the dominance of the KMA is challenged.

It is estimated that approximately 1,025 rural villages exist throughout Jamaica's countryside. The 1970 census classified as rural towns, those centers of less than 2500 population. New rural development trends appear to lead to linear settlement patterns along roadways.

1. Housing Conditions

It is estimated that the annual housing requirements for keeping abreast of population growth is of the order of 20,000 units per year over the next ten years. This estimate does not include elimination of the backlog of sub-standard dwellings.

A recent Ministry of Housing estimate shows that the number of people living in sub-standard housing (overcrowded, unsafe, lacking water and power connections and sanitary facilities) in the KMA, Spanish Town, May Pen and Montego Bay amounted to 33% of the urban population. A survey of five low-income areas (including two squatter settlements) in Kingston conducted in 1972 found that 6% of the buildings were in good condition, 29% were fair, 58% were poor and 14% unfit for living.

In general, the quality of the housing in the urban area is related to family income. High-income families occupy extremely costly residences on the better sites; middle-income families reside in individual units or large housing developments. Low-income families are in part located in the old central areas of the cities where the great majority rent units of one or more rooms within a small compound known as a yard. A substantial portion reside in squatter areas on captured land.

Yards vary considerably in size and composition, from units with one dwelling in a single, one room structure, to large tracts of open land of over an acre with many structures. It has been estimated that over 50,000 yards exist in the urban areas of Jamaica. At an average of three dwelling units per yard it can be established that roughly 150,000 dwelling units are included in the yard areas.

A typical dwelling in a yard is a room of approximately $30M^2$. Generally a shared toilet and kitchen facilities and sometimes a standpipe are located in the open land. A common entrance serves all the dwellings in the yard. Electricity, water, sewage collection facilities and roads are present, though in varying degrees of quality.

Squatter settlements are characterized by high density (estimated in one squatter area of Kingston to reach 300 persons per acre). Data from yard areas and squatter settlements show an average occupancy of five persons per room. The most striking element in the squatter areas is the lack of basic infrastructure including water, roads, electricity, and sewage collection as well as the lack of schools, health clinics, community centers, parks and play areas. The typical unit built by squatters may employ salvage material or concrete blocks, with most having a metal roof of one form or another, and a surface area of approximately $30M^2$.

In the rural areas the overall owner occupancy rate has been estimated at 77%. This rate varies greatly from farming areas where the vast majority are owner occupants to sugar estates. Based on data from the sugar estates owner occupancy rates vary from 15% to about 50%. Data adjusted to 1974 show an average of 4.7 persons per unit with 50% of the dwellings having only one room.

2. GOJ Policy

The GOJ has clearly stated as it's goal improvement of the living and shelter problems of all segments of the population, especially the poorest third. Over the years the GOJ has emphasized the construction of new units. This effort will continue in order to meet the needs of rapidly expanding population. In 1971, however, the GOJ, with the support of the World Bank, undertook an ambitious sites and services program seeking less costly solutions for lower-income families. Last August, the Prime Minister of Jamaica announced a new strategy for Urban Development. The strategy involves

- the rehabilitation of existing dwelling units and concomitantly the upgrading of public services such as telephone, electricity, sanitation and water;
- the introduction and development of small businesses in the selected areas; and
- the expansion and/or provision of adequate community and social services,

and is designed to result in provision of adequate shelter, generation of employment, and improvement in the condition of the people. This new approach recognizes the limitations of slum clearance strategies which lead to displacement of people and destruction of existing communities. The first step of the new program involved a series of detailed enquiries into the nature of community life in Kingston's tenement or yard areas. These have led to initiation of a pilot urban upgrading project. The information developed in the studies and the programs established for the pilot upgrading program provide an excellent foundation for an expanded program dealing with the yard areas.

D. PROJECT DESCRIPTION

1. Sector Goal

The goal of this program is the improvement of the quality of life of the urban and rural poor of Jamaica. (See Logical Framework Annex II).

2. Program Purpose

The program has been designed to assist the GOJ and the Jamaican private sector with the development of the institutional, financial and planning framework necessary to provide adequate shelter and related facilities for families with incomes below the median in the country's urban and rural areas.

The program will finance home-improvements, community centers, infrastructure and a minimum house for qualifying families living in inner city slums and squatter areas, and provide home improvement financing for small farmers and families living in rural areas.

The Jamaican Mortgage Bank (JMB) will be responsible for structuring and monitoring the financial components of sub-projects and the overall compliance of the implementing agencies with the purpose of the RG program.

The JMB will be dealing with private finance institutions in the tenement upgrading program and the rural home improvement. In the Squatter areas JMB will be working with the Ministry of Housing. The participation of a central housing finance institution in a program for low-income families involving the private and public sector should contribute to a coordinated and rational approach in the financing of shelter solutions for low-income families in Jamaica.

3. Projects Specific Purposes and Outputs

a. Tenement Upgrading Sub-Project

The GOJ in 1973 decided to explore the possibilities of improving the shelter and related facilities of the yard residents in the inner city slums.

A 30 square block area located in downtown Kingston and containing about 1000 families was selected for evaluation of the needs of the community and the types of programs that could be implemented. The Kingston Pilot Program has served to test different methods of collecting social and economic data from yard residents. It has produced a complete profile of the inner city slum dweller including marital and family data, incomes, employment and education statistics, etc. This data is believed to be applicable to other similar areas of the country. Community organization techniques have been developed and staff trained in the application of such techniques. Community services felt needed by the community as expressed through the different group organizations have been developed, i.e. day care centers, community centers, vocational training, legal aid. A survey of the physical conditions of each yard has been completed and the degree of repair needed by each ascertained. A system has been developed for the actual improvement of the yards including the role of the yard owners and the lenders. In recent months a small amount (J\$150,000) was secured from the Workers Bank to initiate the improvement of a small number of yards through home improvement loans.

AID's participation is designed to further assist GOJ's implementation of the pilot program in downtown Kingston and to replicate this effort in an estimated 20 other areas where physical decay, overcrowding, and inadequate services represent a serious problem to the economic and social viability of established population centers. The specific stated objectives which the program seeks to accomplish are identified as follows:

- To improve the physical conditions of life in the selected target areas;
- To improve the general level of social welfare;
- To improve the sense of community through self-help and local leadership; and
- To generate special employment opportunities for local residents.

The basic principle underlying the tenement upgrading program asserts that a shelter solution for the urban poor should result from use of the physical and human resources that exist within these communities. Several types of action are proposed:

1. To provide home improvement loans to property owners for the rehabilitation of existing deteriorated residential structures which are judged to be structurally sound. This would encompass repairs to foundations, walls, framing, roofing, provision for increased habitable space (where needed) and repairs or replacement of doors and windows.
2. The upgrading or installation of sanitary and kitchen facilities (enclosures, and fixtures) where none currently exist.
3. The cleaning up or repairing areas of outdoor living space within tenement yards. This would entail mainly resurfacing outdoor areas to improve general health conditions. (The tenement areas to be the focus of this sub-project are characterized by their organization in "yards", enclosed compounds which belong to one owner but contain an average of three single story dwelling units.)
4. The demolition of structurally unsound buildings which represent a clear physical and health hazard to the lives of area residents. Such actions will be minimized to the greatest extent possible to avoid major displacement of people. It is estimated that only 10% of the total 8,000 tenement yards to be potentially affected by the program will require clearance. However, in those cases where demolition is required new units will be built using the yard concept of shared facilities so costs may be kept at affordable limits for existing tenants.

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Summary of Outputs:

No. of Sites	21
Population Affected	106,500
No. of Households	26,625
No. of Yards Affected	8,875
Est. No. of Yards Requiring Demolition	888
Construction:	
Community Centers	20
Home Improvement Loans	21,300
New Dwelling Units	2,564

(See Summary of Tenement Upgrading Program, Annex III)

b. Squatter Settlement Improvement Sub-Project

Involvement in this sub-project is designed to build upon GOJ's current squatter upgrading experience gained from two World Bank projects managed by the Ministry of Housing and to replicate this program's activities in three other urban sites. Squatter communities represent a significant part of Jamaica's urban growth process and improvements in these areas are important to the nation's short and long-term physical, social and economic development objectives.

The sub-project has been designed to include the following actions:

1. provision for legal recognition (land tenure) of the selected squatter settlements through long-term lease arrangements (49 years)
2. preparation of a balanced lot scheme for the physical arrangement of residences;
3. installation of basic utilities and services for the plotted areas including water supply, roads and footpaths, drainage, sewerage, and electricity.

Summary of Outputs:

No. of Sites	3
Population Affected	18,750
No. of Households	3,750
No. of Lots	3,000

(See Summary of Squatter Settlement Improvement Program, Annex IV)

c. Rural Home Improvement Sub-Project

In support of GOJ's commitment to significantly increase agricultural productivity and to reduce the rate of rural to urban migration throughout Jamaica, this program proposes to improve shelter conditions of small rural farmers by making home improvement financing available. Participants in this program must live in communities or villages having populations of 2,500 or less, or must earn at least 50% of household income from farming.

Summary of Outputs:

Population Affected	33,000
No. of Households/Loans	7,000

(See Summary of Rural Home Improvement Program, Annex V)

4. Borrower and Participating Institutions

The Jamaican Mortgage Bank, (JMB) a statutory body of the GOJ will be the borrower of the HG funds and distribute the same according to the requirement of each sub-project.

JMB will review and approve the contractual arrangements between the implementing agencies and the primary lenders for each of the sub-projects. It will also review and approve the improvement standards for the rural and urban programs. In approving these arrangements and standards, JMB will use the general criteria and operational procedures approved by AID for each of the sub-projects.

The following are the institutions expected to participate in the program in addition to the Jamaican Mortgage Bank:

- i) the Ministry of Local Government: responsible for the tenement area upgrading sub-project.
- ii) the Ministry of Housing: responsible for the squatter settlement improvement sub-project.
- iii) the Credit Unions: to participate as primary lenders in the rural home improvement sub-program and in portions of the tenement upgrading sub-project.
- iv) the Jamaican Credit Union League: responsible for the credit union system and home improvement loans made by the credit unions.

- v) the Worker's Bank: commercial bank, to be involved in tenement upgrading sub-program;
- vi) the Building Societies: traditional sources of housing finance, to participate in the credit unions tenement upgrading sub-program.

5. Implementation Arrangements

a. Borrowing Agent

The Jamaican Mortgage Bank (JMB), acting on behalf of the GOJ will borrow the guaranteed funds. All loans resulting from implementation of the sub-projects will be made at 12% (terms will vary). The JMB will authorize the intermediate lenders 1% earnings and will, itself, earn the difference between the HG loan rate and the 11% returned by the intermediate lenders.

b. Tenement Upgrading Sub-Project

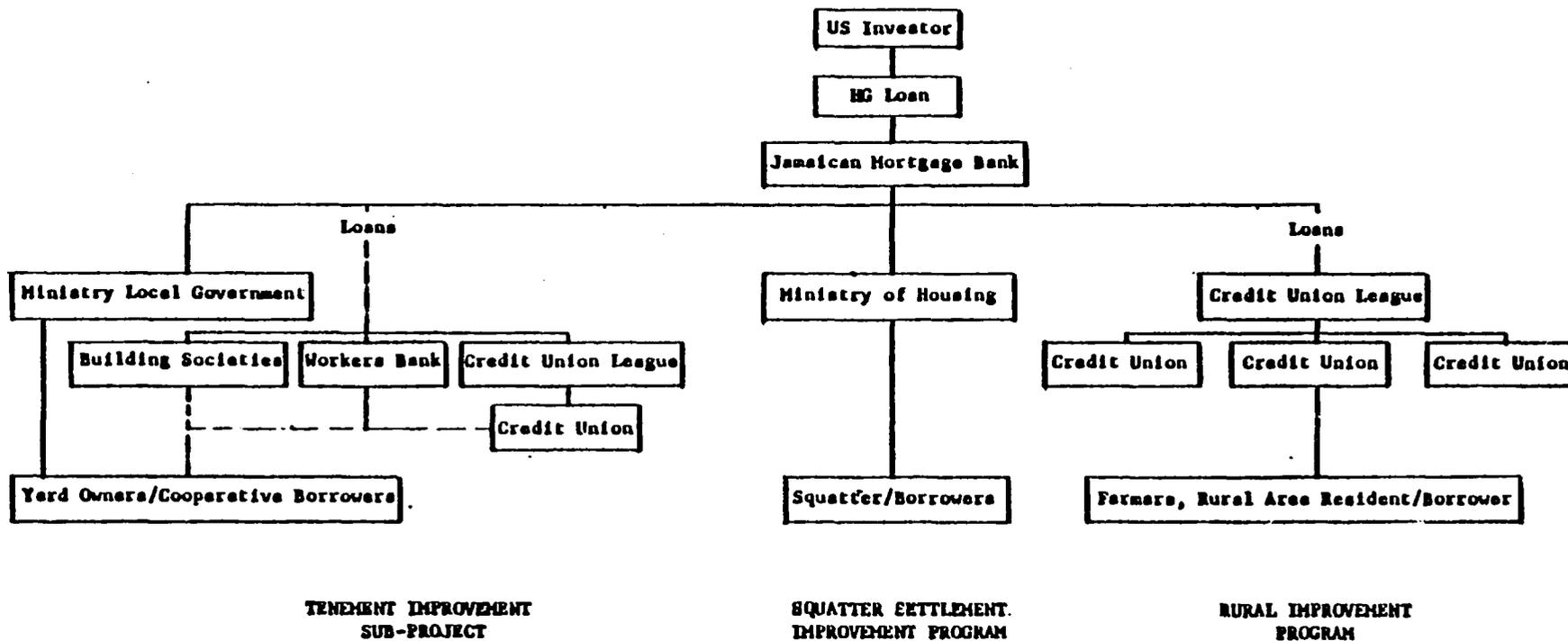
Funds for home improvement loans will be transferred to the Workers Bank or the Building Societies for lending to yard owners. This sub-project will be implemented by the Slum Upgrading unit of the Ministry of Local Government which will have control over payments made to contractors and the borrowing activities of the yard owners. The funds for the community centers will be borrowed from the JMB by the Ministry of Local Government and repaid from budget allocations.

In the event a yard owner relinquishes his property right to the government in legal proceedings, the residents of the particular yard will form a cooperative and take over the lease rights from the government. These cooperatives will borrow for improvements or unit construction from the credit unions in cases where the yard structures were demolished. Funds for these loans will be transferred to the credit unions by JMB through the Jamaican Credit Union League.

c. Squatter Settlement Improvement

The JMB will transfer funds for the provision of infrastructure in the squatter settlements to the Ministry of Housing (MOH). The Ministry's Sites and Services and Upgrading Unit will implement this sub-project. Recuperation of costs will be realized from a part of the lease payments for the improved lots to be entered into by the Ministry of Housing and each squatter.

The following chart describes the Flow of Funds and the relations among the different institutions.



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d. Rural Home Improvement

Funds for this sub-project will be received by the Jamaican Credit Union League and made available to individual credit unions for home improvement loans. The credit unions will receive the 1% service fee.

6. Project Inputs

A US\$ 30 million HG loan is proposed as the basis of the U.S. commitment.

The loan will be distributed as follows:

- a. Urban Program \$25 million
1. Tenement Upgrading \$20 million
 2. Squatter Improvement \$ 5 million

SUMMARY OF EVENTS
(SUS Millions)

PROJECT	SOURCE	AID		GOJ	OTHER	TOTAL
		FY 77	79			
Tenement Upgrading		\$10.	\$10.	\$4.0	$\frac{1}{\$}$ -	\$24.0
Squatter Settlement Improvement		2.5	2.5	-	-	5.0 ^{2/}
Rural Home Improvement		2.5	2.5	-	0.8 ^{3/}	5.8
Total		\$15.	\$15.	\$4.0	0.8	\$34.8

1/ Administrative costs and support day care center in each project area.

2/ GOJ contribution will be in the form of land and administrative costs. No value has yet been given to these inputs, but a conservative estimate placed the value at about \$2 million.

3/ Jamaican Credit Unions, loan funds from own resources.

E. TECHNICAL ANALYSIS

1. Tenement Upgrading

The expected outputs of this sub-project, community centers, improved yards, limited construction of new units and provision of community services reflect application of the most suitable technology for rehabilitation of Jamaica's inner city slums. The principles and techniques described below have already been tested in the pilot demonstration program in South Central Kingston. The strategy is one of urban upgrading rather than slum clearance, and focuses on specific target regions rather than application nationally in a generalized way. Tenement upgrading emphasizes the community as a critical unit and social force.

a. Location of the Problem Area

Seventy-five percent of Jamaica's urban population resides in the three largest cities, Kingston, Spanish Town and Montego Bay. Clearly if projects are to be located to meet the needs of the greatest number of urban poor they should be located in these three urban centers.

Other factors, however, will be considered in selecting the project areas. Among the most important are the urgent need to reduce the flow to the KMA, the need to develop certain key areas consistent with national and regional development plans and the need to revitalize certain urban centers, this latter applying particularly to Oracabessa, Buff Bay, and Port Antonio.

It is expected that a third of the yard areas will be located in the Kingston Metropolitan Area, 20% in St. Catherine, especially Spanish Town; 10% in Montego Bay and the remaining 37% in other urban areas.

b. Improvement Standards

The home improvement loans to be provided with the WC loan earmarked for such purpose will result in the improvement of the following areas of the yards:

- structural safety: columns, beams, stairs, flooring,
- sanitation: WC, drainage, increase the ratio of facilities to persons,
- improving site layout, resurfacing yards, fencing repairs, painting, as necessary.

The following standards have been set by combining the Kingston Pilot Project experience with public health requirements

Shelter:	50SF/Person + 50% = 75SF/Person
Yard/Lot:	150SF/Person
Project Areas (Density):	480SF/Person (not to exceed 100 Person/Acre)

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Toilets:	1 Toilet for every 8 persons
Lavatories:	1 Lavatory for every 6 persons
Showers:	1 Shower for every 12 persons
Stand Pipe/Wash Tub:	1 per yard (for every 4 households)
Windows:	10% of Floor Area

The principal of the urban upgrading to avoid demolition will be applied to the maximum extent possible. In the event demolition or clearing the yard offers the only feasible solution, new units will be built using the yard concept of sharing sanitary, cooking and water facilities so that costs can be kept at a level affordable by the tenants. It has been estimated that only 10% of the 8,000 yards will have to be entirely redone.

Relocation of yard residents will be permitted as a last resort only. Relocated families will be given space in Ministry of Housing projects or will be accommodated in adjacent yards.

c. Rehabilitation Costs

The work required is labor intensive and involves minimum use of bulk building materials (imported and domestic). The primary inputs are labor (to be drawn from the project area to the greatest degree possible), and the selected building materials necessary for basic rehabilitation of structures and the installation or upgrading of sanitary facilities.

Typically, existing structural elements in a yard (foundations, wall, framing) are in good to fair condition and in need of only minor repairs.

Habitable spaces, doors and windows need minor repairs or replacement. The most serious problems include the upgrading (or installation where none exist) of sanitary and kitchen facilities (enclosures as well as fixtures), the replacement or repair of roofing surface material and the cleaning up and providing adequate surface for outdoor yard areas. The following breakdown gives an indication of construction costs for improving a yard of 1800SF in which three households (12 persons) reside within habitable spaces totalling 800SF without sanitary facilities, with structures in need of roof repair and requiring a cleaning of the outdoor area.

	<u>\$5</u>
Construction of 10' x 10' enclosure for toilets and kitchen facility (100SF @ 10.00SF):	\$1,000
Sanitary Facilities (6 fixtures @ \$200):	\$1,200
Replacement of 400SF of roofing \$1.00/SF:	\$ 400
Cleanup and resurfacing of outdoor area of yard (600SF @ .50/SF):	<u>\$ 300</u>
<u>Yard Rehabilitation Costs</u>	\$2,900

AWARD NUMBER

It is estimated that construction of new residential units with shared facilities in a yard will cost approximately \$15 /SF.

For community centers efforts will be made to acquire existing structures, preferably old houses that are still serviceable and which have reasonably large yard space. Thus rehabilitation and, or conversion, rather than new construction, will be the method used.

The building will normally be large enough to accommodate only the local administrative staff of the project, and space for community leaders' meetings. In addition, there might be accommodated the various other community activities such as community meetings, lectures, and recreation.

The average cost for establishing a community center including acquisition, is estimated at \$345,000 based on the experience of the Kingston Pilot Project. (Annex VI shows the repair cost for 39 yards in the Kingston Pilot Project.)

d. Project Implementation and Cost Recuperation

The Urban Slum Upgrading Unit of the Ministry of Local Government will implement the tenement upgrading sub-project. Actual project implementation for each project area will be carried out by a Project Staff assigned to the specific area.

Following a detailed survey of the physical conditions of the yards in its area the Project Staff housing officer assistant will initiate the upgrading process by approaching the yard owners.

The tenement upgrading sub-project is directed at the renter population living in the yards. The reaction of the yard owner to the direction of the upgrading effort is, therefore, vital to its implementation.

Certain incentives exist which should induce a high percentage of yard owners to participate:

- the improvements will put yard owners in compliance with public health laws. Refusal to conform to these standards authorizes the GOJ to seize the property, sell or lease it and return the proceeds to the yard owner net of all expenses related to property improvement and administration.
- yard owners may avoid reductions in rental payments to December 1971 levels by improving their properties. The Rent Restriction Act of 1976 reduced all rents in depressed areas to 1971 levels unless improvements have been made to the units.
- the financing terms are reasonable.

Close coordination between GOJ staffs and yard owners will be necessary to assure an equitable sharing of the rehabilitation costs by owners and renters.

The improvement cost will be determined by the degree of improvement the GOJ decides is appropriate to bring the units to the minimum standards of health and safety.

In some cases the cost of the improvement can be shared on a 50/50 basis between the yard owner and the yard dwellers. In other cases, however, the contribution of the yard owner will be closer to the full amount of the rent now being collected.

The sub-project sets a maximum rent payment of 20% of the monthly income of families in the target area. The present monthly rent payment in the yard areas is approximately 15% of the monthly income. Surveys completed for the Kingston Pilot Project have shown that families are willing to pay an additional 5% per month above current rent levels provided improvements are made to their dwellings. Consequently, the difference between such additional payments and the amount required to pay the improvement loan would be taken from the present rent being collected by the yard owners.

Experience developed in the Kingston Pilot Project suggests that four varieties of yard owner participation occur. It is anticipated that in the end about 70% of the yard owners will cooperate and be capable of amortizing an upgrading loan.

1. Yard Owners Capable of Repaying Loan and Willing to Cooperate

Here problems are not anticipated. The majority of owner occupiers and owners living in other units (also owned) in the area fall in this category. About 35% of all units in the Kingston Pilot Project are owned by such resident yard owners. Given the fact that units owned by resident yard owners are those in best condition, it is not expected that the loan required to upgrade will be high. This combined with their obvious commitment to the area means that almost all of them will be both willing and able to take advantage of the sub-program.

2. Yard Owners Willing to Cooperate but Incapable of Repaying Loan

This category will include yard owners who are owner occupiers but simply lack the capability to absorb any debt. Some of these rely on their rent as their only source of income. Some have other sources of income but own yards in such disrepair that the cost of an optimum upgrading would require too large a loan. Not more than 10% of yard owners are expected to fall into this category.

Two strategies in dealing with these owners have been developed. One is to reduce the amount of upgrading required. A decision will depend on the degree to which the upgrading plan employs absolutely minimal standards. If no compromises can be made in terms of total upgrading cost, the property will have to be acquired by Government on a lease basis. The owner, if he or she so wishes, may then become a leasee in the co-operative which would be set up as a result.

In situations where the yard owners decide not to or are unable to cooperate, present condemnation laws and a new lease law being considered by the GOJ will be used to allow the GOJ to assume the benefits of the present lease and proceed to make the necessary improvements. In the tenement upgrading program the rental collection functions will be delegated by the GOJ by transferring the rights of the lease to a tenement cooperative unit that will make the collections and pay for the home improvement loan. After the loan payments are completed the cooperatives will continue to operate the yard and make improvements as their funds permit.

3. Yard Owners Unwilling to Cooperate but Capable of Repaying Loan

The GOJ policy dictates that whenever a yard owner is capable of repaying a loan he should be obliged to do so as this frees up more funds for those cases where property must be acquired.

Jamaica public health law allows the GOJ to proceed with upgrading and charge the costs to the yard owners. If the yard owner refuses to repay, a lien can be issued on the property following which the GOJ will seize the land, sell it or lease it and after all costs are deducted forward the balance to the yard owner. In this way the uncooperative but financially capable yard owner will bear the total cost of the upgrading of the property.

It is expected that about 12% of all yard owners will fall into this category.

A sub category is the missing yard owner, the person who has abandoned the property. The Public Health Act allows acquisition of the property after a public notice has been posted. It is expected that 5% of all yard owners will fall into this category.

4. Yard Owners Unwilling to Cooperate and Incapable of Loan Repayment

Customarily these are yard owners who own the worst properties, who live out of the area, and who do not depend on the rent as an important source of income. If they do live in the area they tend to be old and inefficient property managers. Since such properties are likely to require the largest loans, there is even less incentive for the yard owners to participate.

Following the procedure described above, these properties may be upgraded under a lease arrangement. Since these yard owners tend to be hardship cases it may not be fair to impose the burden of upgrading on the yard owner by deducting it from his or her lease. In view of the fact that the majority of such yards will be due for demolition and complete rebuilding, it is anticipated that the land will be acquired outright and the owner charged with the costs of demolition only. A tenant cooperative will lease the area and be responsible for loan repayment. The remaining 8% of yard owners should fall into this category.

Information gathered on 37 of the first 70 yard owners to be processed in the Kingston Pilot Project (where 69 of the first block of 70 expressed interest in the upgrading program) is shown in Annex VI in the Appendix.

The Project Staff will act as the developer, determining the types of rehabilitation work required for each yard, supplying all construction materials, and authorizing all payments to contractors.

When the scope of work and the appropriate financial arrangements (size and terms of loan) have been concluded, the yard owner or cooperative will negotiate a contract with local craftsmen or contractors (employing local labor to the maximum possible extent).

Payments for work accomplished, when authorized by the Project Staff and the borrower, will be made directly by the lender (the Worker's Bank, the Building Societies or, in the case of the cooperatives, the Credit Unions), to the contractor for labor costs and to the supplier for materials. The lenders will debit the borrower's account according to the terms of the loan.

2. Squatter Settlement Improvements

The GOJ with resources from the World Bank has undertaken the upgrading of two squatter areas in Kingston. The resources allocated for both sites by the World Bank are approximately \$800,000. Drawing on the experience gained in these projects the Ministry of Housing plans to expand the squatter improvement to other sites.

a. Location of Project Areas

The three sites selected for application of the HG program are Norwood in Montego Bay, Mountain View Avenue in Kingston and Succaba Pen in Old Harbour (St. Catherines). These project areas are owned by the GOJ (Ministry of Housing).

b. Construction Cost and Management

Squatter areas average approximately 100 persons (20 families or households) per acre. The number of dwelling units does not necessarily equal the number of families as there is often more than one family per dwelling unit. In addition, more than one dwelling unit may be located on a lot, usually the case when an extended family occupies the lot. Without central sewerage facilities densities average 10 to 12 lots per acre with a minimum lot size of 1,500 square feet. With central sewerage facilities, the number of lots per acre can be increased to between 15 and 20 per acre. Assuming 15 lots per acre and 20% of the area for roads and paths, the average lot size can be increased to 2,323 square feet.

u

The estimated cost of infrastructure, \$J 33,900 per acre or \$J 2,250 per lot, includes:

	<u>\$J</u>
Site Clearance and Preliminary Grading	1,700
Water Supply	4,000
Roads and Footpaths	5,700
Drainage	1,700
Sewerage	10,000
Electrical Service	2,600
Community Facilities	4,200
Survey and Legal Expenses	1,000
Contingency	<u>3,000</u>
Total Infrastructure Cost Per Acre	\$J 33,900

The Ministry of Housing will be responsible for the construction work. The more complex, capital intensive construction of sewerage, water and electrical systems and final grading of roads will be contracted out to private contractors on the basis of fixed price bids. Labor intensive construction work, including sub-grading, grading road alignment, and drainage work will be handled directly by the Ministry ("forced account") using local labor under the supervision of the technical staff of the Sites and Services and Urban Upgrading Unit.

c. Cost Recuperation

Current GOJ practice allocates about 44% of the infrastructure costs to the lease to be recuperated over a 49-year period. The remaining costs are recuperated through user charges.

If full recuperation were handled through the lease, monthly payments would reach \$J 19.25, the amount necessary to repay the cost of infrastructure improvements at 12% interest plus the amount for the payment of

land (currently about 3.00). Payment for infrastructure improvements (\$J 16.25/month) would approximate 13.5% of an annual income of \$J 1,500/year, while total lease payments would be about 15.5% of such income.

GOJ planners are concerned that allocation of 15.5% of income to payment for the improved lot would not leave sufficient margin for the squatter to secure additional resources for home improvement. Consequently, the Ministry of Housing, recognizing the need for full recuperation of the costs, is considering different alternatives for such recuperation within the financial terms of the HG loan. An alternative is to charge the lot with a portion of the infrastructure while the other portion is recuperated through the rates. Annex VII describes the methods by which charges for services and use of infrastructure are recovered in Jamaica and the present costs attributable to the lots in one (Cochburn Pen) of the squatter areas being improved with funds from the World Bank. The alternative of recuperating a portion of the infrastructure (44%) through the users charges now being used in the World Bank program is the one to be used in the HG Program.

3. Rural Home Improvement

a. Location of Project

The GOJ has embarked on a major effort to increase agricultural production. This sub-program will support the GOJ effort by improving the housing conditions of farmers, regardless of their location, and of families in rural areas.

The recipient of home improvement loans under this project must reside in towns or areas of less than 2,500 population or earn one half or more of the household income farming. The selection criteria combines the population definition of a rural town with the stated objective of supporting the agricultural sector.

b. Financial Arrangements

The sub-program will be carried out through the Jamaican Credit Union League and its member unions, already serving small town populations with comparable financing. Following current practice each credit union will do a credit analysis of the prospective borrower and determine the repayment capability. A recipient of a Home Improvement loan may or may not have legal title to the unit. Credit union policy permits allocation of a maximum of 30% of income to rent or mortgage payment, including fuels and water.

Disbursements of loan funds will be made by the Jamaica Credit Union League to the individual credit unions when they certify that the improvement for which the loan has been granted has been completed. The League will conduct periodic spot checks to verify the utilization of funds. It is estimated that the home improvement loans will average \$J 1,000.

c. Construction Arrangements

The individual loan recipients will be responsible for arranging for construction. With the units scattered over the countryside it will be virtually impossible to establish on-site inspection for each of the loans. Reliance on the ability of the recipient to select the proper help and secure adequate materials is, therefore, an essential component of this sub-program. The close relationship between the credit union and its client, nevertheless, puts the supervisory problem in a different perspective. Since credit union members are responsible or liable for the action (or inaction) of each member, a good foundation exists for the monitoring of a rural housing program.

F. FINANCIAL AND ECONOMIC ANALYSES

1. Financial Effects on Sub-Projects Beneficiaries

The target population for all the sub-projects is defined as families below the estimated median income by the Shelter Sector Team (see background) in J\$ 1,700 per year in the urban areas and J\$ 1,350 in the rural areas.

Each sub-project (see annexes III, IV and V for the detailed description of the financial cost of each sub-project) has been planned in a way that the loans are affordable by families below the median income in the urban and rural areas.

Home improvement loans for the tenement and rural sub-projects are based on a maximum payment of 20% of the annual income of the beneficiaries with loans for home improvement of around J\$ 1,000 repayment of such loan in a 10 year period at a 12% per annum interest will require an annual payment of J\$ 177. This payment calls (on the basis of the 20% of the family income for house payment) for an annual income of J\$ 885 which is below the median income for the urban and rural areas.

To repay the J\$ 2,050 related to the cost of the improved lot in a 30 year period at a 12% interest squatters will need to pay J\$ 161 per annum which calls for an annual income of J\$ 805. This is also below the urban median income.

2. Financial Impact on Implementing Agencies

On the basis of a \$30 million HG at 9% per annum with a ten year grace period repayable in 30 years, the impact on the financial institutions participating in the program could be estimated as follows:

a. Jamaica Mortgage Bank (JMB)

- Increase assets or approximately \$J 42 million. This is based on fact that the proceeds of the loan directed to improvements (\$J 23.5 million) will be repayable in a maximum period of 15 years.

- Gross income from the HG Loan will amount to a little less than 2% per year of the total amount outstanding.

b. Ministry of Housing

- An increase in portfolio of approximately \$J 6 million from the granting of Lease Agreements.
- Partial absorption of administrative costs by retention of a percentage of the payments from recipients of improved lots

c. Credit Unions

- An increase in savings. Assuming 50% of the recipients of home improvements are new members and that such new members deposit with the Credit Unions \$J 5.00 per month (\$J 60.00 per year), new savings at the end of disbursement period of HG will be near \$J 1 million.

3. Economic Analysis

a. Current Economic Situation

- In recent years Jamaica's economy has suffered from severe internal and external problems, as manifested by a growing balance of payments deficit, a large and growing fiscal gap, growing rates of unemployment and underemployment, and negative GOP growth rates in the last several years. Performance in key economic sectors manufacturing, agriculture, tourism and construction has been disappointing. At the same time, demand for imports has steadily increased, exacerbating an already precarious balance of payments situation. By mid-1977, Jamaica's net foreign exchange reserve position has dropped to a negative US\$ 200 million, with gross reserves estimated at about US\$ 16 million, the equivalent of approximately 10 days of imports.

The reasons for Jamaica's economic problems are complex and no one single remedy is sufficient to counteract the numerous forces which have led to the present situation. Major reasons for the crisis include:

- (1) excess liquidity in the economy over the past few years, combined with a lack of parity between Jamaican currency and that of its principal trade partners^{1/}
- (2) high annual rates of inflation brought about

^{1/} In May, 1977, the GOJ announced that the Bank of Jamaica had adopted a dual exchange rate system under which a Basic Rate (based on the prevailing rate of J\$0.91 = US \$1) will prevail for government transactions, transactions of the bauxite/alumina sector and the import of essential goods, whereas a new Special Rate of J\$1.25 = \$1 would be used in other transactions. The Special Rate signifies a devaluation of 37.5% over the Basic Rate, and was expected to have a deflationary influence on non-essential imports while at the same time giving a greater comparative advantage to locally-produced goods and stimulate the flagging tourist industry.

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by both the externally induced world inflationary cycle resulting from petroleum price increases as well as an internally induced upward-moving wage-price spiral; (3) increasing isolation - primarily due to political uncertainties from traditional sources of external financing; and (4) over-construction of the bauxite-alumina and tourist complexes during the decade of the 1960's, which has not been met by expected performance in the 1970's.

The economic optimism of the '60's was accompanied by a change in economic lifestyle, and both consumption and investment patterns changed to reflect Jamaican optimism that prosperity - in the form of sustained economic growth - would dominate in the 1970's. In short, Jamaica was gearing up for a decade of economic growth that never materialized, with the consequence that the current situation is one which can be classified as a financial and economic "emergency." Future prospects are highly dependent upon two key factors: (1) the ability of local decision-makers to enforce both public and private discipline to increase production and simultaneously reduce consumption; and (2) the GOJ's ability to attract immediate external assistance to help breach its current balance of payments gap.

b. Impact of Proposed Housing Guaranty

i. Balance of Payments

Jamaica's overall balance of payments situation has deteriorated significantly over the past several years, and it is estimated that total short fall in 1977 could go as high as US\$ 200 million. The \$30 million HG loan with its 30 year term and a 10 year grace period should alleviate the balance of payments deficit as during the 10 year grace period the net dollars available to the GOJ will be equivalent to the principal of the HG loan less the annual repayment of interest.

The JMB is taking steps to protect the local investment which results from the infusion of the U.S. dollars by creating a reserve fund to cover the risk of devaluation. The fund will be built from the 2% per annum spread the Bank will receive from the primary lender in each of the sub-projects. The spread may

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be larger if the HG loan can be secured at a rate lower than 9% per annum.

Finally, the economic benefits resulting from an improvement of the quality of life for almost 8% of the population are expected to include increased productivity, employment generation. In addition, a reduction of public expenditures should result from the improvement of sanitary conditions.

In summary, the \$30 million HG loan should have a positive overall impact on the external and internal sectors of the Jamaican economy.

2. Employment Generation

Total estimated expenditures of the HG related program are over \$J 47 million, of which \$J 37.5 million will be financed by the HG loan. These expenditures do not include additional public expenditures on parks, schools, clinics and other social services required nor do they anticipate private expenditures on commercial, manufacturing or professional facilities and services. That such additional expenditures follow has been demonstrated in the Central Kingston Urban Upgrading Pilot Project with the contribution of a community center with day care and health clinic facilities, a furniture center and a center for technical training. Assuming 50-50 division of local labor costs versus material and other costs, and an average labor cost of \$J 8.00 per day (\$J 40.00 per week) expenditures for labor of approximately \$J 25 million will result in local employment opportunities over a five-year period totalling three million man-hours (390,000 man-days) or full time employment for 1500 persons for a year. \$J 47 million in total expenditures should have a multiplier effect on economic activity of 10 to 20 times this amount. Because of the labor intensive nature of the project areas particularly for the unemployed, plus the emphasis on use of local building materials, the program should have relatively little negative impact on the nation's balance of payments.

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G. Social Analysis

1. Overall Implications

The HG program is designed to support, develop and improve the social infrastructure of the urban areas inhabited by low income families. It is also directed at improving the living environment of the rural sector's small farmers and low income families living on small farms.

In the tenement upgrading program the HG will fully utilize the community structure now in existence in each of the tenement areas. Displacement of families will be kept to a minimum so the community and employment fabric developed in the yard areas will not be disturbed. Cooperative organizations will be responsible for the management of the yards where government intervention is required due to the failure of the yard owner to cooperate with the lending program.

Following the method employed in the Kingston Pilot Project, careful analysis of the socio-economic profile of the target group will be undertaken so that programs in addition to the shelter improvements can be made directly responsive to the needs of the community residents. The technical assistance requested to help with the development of a delivery system for several programs for the urban poor should assist the GOJ in setting new basis for an integrated approach to dealing with the urban poor.

In the squatter sub-project the HG also supports an improvement approach rather than one of displacement. Provision of tenure of an improved lot should give the squatter a sense of stability that will without doubt result in an improvement of his own shelter.

The rural sub-project deals with the farmer with incomes below the median but also is directed to families living in the rural towns which receive their income from the provisions of

service to the rural sector. The home improvement activities in the rural areas will be coordinated and implemented by the Credit Unions which are essentially a grass root organization thus giving this sub-project a broad social base.

2. Target Groups

Families in the urban areas with incomes below the estimated median for the urban areas of J\$ 1,700 per annum will be the beneficiaries of the \$25 million HC loan allocated for the urban areas. The \$5 million HC for the rural areas will be directed to families below the median income of J\$ 1,350 per annum. The following provides some data about the residents on tenements and squatter areas.

SELECTED SOCIAL DATA - KINGSTON

	<u>Tenements</u> <u>(Yards)</u>	<u>Squatter</u> <u>Settlements</u>
Median Age	20	20
Distribution by Sex	55%-Female	70%
Household Size	4-Persons	5
Household headed by Women	43%	40%
Density (People/Acre)	20	100
Owner Occupancy	10%	-
Education Level	Primary	Primary

* Source: Doctor Orlando Patterson, Harvard University, 1975.

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4. Role of Women

Sixty percent of the women of Jamaica are in the labor force. The percentage is higher among the urban target population where many women work in the informal sector. This high level of employment is necessary because almost half of the urban families are headed by women. Even in households with a male head, income is so low that women must contribute to household income. For this reason, day care services and basic school, both part of the urban improvement sub-programs, are of critical benefit to women. The Health Programs to be administered from the Community Centers will be designed to meet the needs of women in the low income neighborhoods through their emphasis on birth control, nutrition during pregnancy and nutrition for children under age five. Women will be eligible as head of household for home improvement loans

The participation of women on staff is also an important component of the urban sub-program. The day care, basic school and social work staff will be drawn largely from the ranks of professional and community women. The Bureau of Women's Affairs provides assistance for employed women in the construction industry.

5. Environmental Impact

A negative determination has been made with respect to the impact of this program on the Jamaican environment.

H. TECHNICAL ASSISTANCE

The proposed technical assistance consisting of a full-time technician (18 months to two years) and short-term advisors is to assist the implementing agencies develop their capacity to plan, implement and evaluate programs to provide adequate shelter and related facilities to the urban and rural poor. Scopes of Work to be developed in consultation with JMB and GOJ. The technical assistance will assist the implementing agencies in the following:

JMB

Develop working relationships and monitoring procedures with each implementing agency.

Develop criteria for each sub-project in consultation with the implementing agency responsible to that sub-project.

Ministry of Local Government

Develop the Tenement Upgrading Unit.

Develop procedures for the identification of projects and for the planning, programming implementing and evaluating tenement upgrading programs.

Develop procedures for identification, promotion and implementation of community organization projects.

Ministry of Housing

Develop procedures for the planning, programming, implementation and evaluation of squatter settlement improvement projects.

Develop procedures for identifying, promoting and implementing community organization projects.

Jamaica Credit Union League

Develop procedures for promoting, making and administrating home improvement in tenement upgrading projects through local credit unions.

Develop procedures for promoting, making and administrating home improvement loans in rural areas through local credit unions.

The Foundation for Cooperative Housing (FCH)

A non-profit organization with extensive experience in low income housing in the U. S. and the developing countries received in FY 1977 a grant from AID (OPG) in the amount of \$600,000 for the development of activities such as the ones outlined above. FCH is now implementing the provisions of the grant in Honduras and Peru and it has proposed to assist JMB in the different aspects of the EG program. JMB has agreed and negotiations for an FCH-JMB OPG should be concluded late this year.

I. PROJECT ADMINISTRATION

The responsibilities under this EG program of the borrower, the Jamaican Mortgage Bank, and the implementing agencies, the Ministry of Local Government, the Ministry of Housing and the Jamaica Credit Union League, are compatible in all cases with existing authorities, responsibilities and programs.

The JMB, as Borrower, will control all disbursements of funds to the implementing agencies, and for this reason will be the program's focal point. JMB has considerable experience with the EG program and, most importantly, it has been working in the field of housing finance at the primary and secondary levels for the last five years. In addition, JMB, an autonomous public agency, is developing a system involving private sector lenders, including the Workers Bank and the Building Societies, who will act as primary lenders in an effort to expand the financial resources available to the low-income population. The participation of JMB in this EG program will serve to support the effort of the Bank to develop its image and its experience of working with the target groups in line with the new GOJ shelter sector policy. In addition, JMB in carrying out other projects has already established operating and financial arrangements with all the primary lenders and implementing agencies thus making the Bank the ideal coordinating or integrating entity for the type of program proposed herein.

The Jamaican Credit Union League and its member credit unions throughout the country will actively participate in the program, drawing funds from JMB for lending to cooperatives formed in yards where yard owners refuse to participate in the slum upgrading program. The credit unions will also be fully responsible for developing the rural home improvement loan program. As of June 1, 1977 the combined assets of the credit unions amounted to J\$ 46 million with a total of 103 credit unions in the country.

The capability of the credit unions to work with all segments of Jamaican society has been clearly established in more than twenty years of intensive savings and loan operation. The credit unions are now the primary lenders in the site and services program. They provide funds from the World Bank and from their own resources for the purchasing of construction materials for the construction of units on the improved lots. The participation of the credit unions in this HG program will allow them to expand, particularly in rural areas, their present lending for home improvements and it will establish the operation procedures for the continued participation of the credit unions as eligible lenders in the JMB low-income shelter finance system.

The Workers Bank and the Building Societies, primary lenders for home improvement loans in the slum upgrading sub-programs where yard owners do agree to borrow funds to improve their yards, have already taken small steps to expand the range of their financial services. The Workers Bank is now in the process of finalising approval of a small line of credit (J\$ 150,000) for the improvement of a number of yards in the Kingston Pilot Slum Upgrading Program. The Building Societies have expressed interest in participating in the Slum Upgrading Program and both institutions are now approved eligible lenders in the JMB system. The implementation of this HG program should result in an active and continuing participation by these private lenders in the financing of shelter solutions for low-income families.

The Ministry of Local Government is empowered to deal with such vital aspects of shelter as water, sewage and planning. It is expected that the Ministry of Local Government will be responsible for the implementation of the new Lease Law now under consideration.

The Slum Upgrading Unit being created by the Ministry of Local Government to be responsible for the overall development and implementation of the tenement upgrading sub-program and the related Project Staffs are expected to represent major institutional developments in the effort to increase the GOJ ability to deal effectively with low-income shelter problems. These units are described in detail below.

It is the intent of the GOJ that the lending/borrowing/collection relationship be maintained at the private sector level in all the slum upgrading efforts. The role of the Slum Upgrading Unit and the Project Staff is one of development, coordination and monitoring. Most important, the Project Staff supported by the Slum Upgrading Unit will seek to promote and secure additional resources from different departments of the GOJ for the improved target areas. This role is vital to achieve the integrated approach in improving the quality of life of the urban poor.

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1. Tenement Upgrading

The Ministry of Local Government will, using present budget allocations form the Slum Upgrading Unit and the Project Staffs required for each site.

A national director, directly responsible to the Permanent Secretary of the Ministry of Local Government, will be in charge of the entire sub-program. This senior executive will be employed, like all other staff members, on a contract basis. Working directly under him in the national office will be the following:

An urban geographer and/or sociologist familiar with statistical and planning methods who will provide advanced planning inputs on the local level and integrate local activities with the government's national plan of development.

A senior architect who will supervise and coordinate the physical upgrading component of the national program.

A senior community officer, a sociologist, who will centralize and coordinate social investigation and planning and will mobilize relevant activities in other Ministries on behalf of the local projects.

A senior Economist who will coordinate GOJ services aimed at small businesses through such agencies as the Small Industries Board, and the Jamaican Development Bank. The economist will also relate the sub-program to the Government's Production Plan.

A senior Financial Comptroller, who will regulate the financial structure of the entire program. This officer will, on the one hand, supervise the financial operations of each project, and on the other hand, coordinate with the Jamaica Mortgage Bank and other financial institutions.

A full-time lawyer who will provide legal advice and guidelines both on the local and national levels.

The above staff will be known as the Slum Upgrading Coordinating Unit.

There will also be an advisory Board which will oversee, evaluate and guide the entire sub-program. The National Advisory Board will be chaired by someone fully committed to the principles and objectives of the program, hopefully a person with some broad perspective on the crucial issues. He or she will be appointed by the Minister of Local Government. The board will include the permanent Secretary of the Ministry of Local Government, a senior representative from the Ministry of Housing, the Chairman of the JMB, two of the directors of the specific projects elected by their peers, a senior representative from the National Development Agency, the Attorney General, the General Manager of the Credit Union Organization of Jamaica, a senior executive from the Workers Bank, a committed executive from the

private sector, probably from the construction industry, and one or two other persons to be appointed at the direction of the Minister of Local Government.

Each specific project will also have a counterpart Advisory Board similar in structure and function to the present Advisory Board of the Pilot Project in Central Kingston. This Board will be made up of a community representative from the project, the Secretary of the Parish Council and other prominent persons involved with the development of the local community.

The Project Staff will include the following:

Project Director - responsible for the overall administration of the project and ultimately responsible to the National Director. He or she will also be the financial comptroller for the project.

Community Coordinator - responsible for informing the community of the project's programs and receiving feedback from community leaders. He or she will coordinate existing government social programs, including basic and adult educational programs, day care facilities, community councils and recreational activities.

Community aides will assist the project Director, the Community Coordinator and the Coordinator of Economic Projects in obtaining information from the people in the community and informing them of project activities.

There will be approximately one community aide for every 2,500 people in the project area.

Coordinator of Economic Projects - responsible for the promotion of employment in the area by coordinating the services that will be of assistance to small businessmen and other self-employed persons in the project area and by initiating new economic activity whenever possible.

The Housing Officer - responsible for the physical improvement of the area, especially the upgrading of housing units. He or she will conduct the physical survey of the project area, assess in detail the state of disrepair and make specific recommendations for improvements. Such recommendations will be a part of a more general plan of improvement of the area which will relate the upgrading of the housing units to improvements in the existing infrastructure.

The Housing Officer, who should be a qualified architect, will draw upon and coordinate the services of professionals from the private sector, such as surveyors, planners and contractors. He or she will be primarily concerned with the implementation of the upgrading plan, and ensuring that the loans to yard owners or cooperatives are spent according to plan and schedule.

2. Squatter Settlement Improvement

The Site and Services and Urban Upgrading Unit of the Ministry of Housing will administer the sub-program, and is now preparing to increase its staff (two more architects) in order to expand its activities from the present two project areas. This unit relies to an important extent on community councils to provide information and assist with program complementation.

3. Rural Home Improvement

The Jamaican Credit Union League will administer this sub-program with the help of the individual credit unions. The mortgage loan department of the League will control borrowing from the JMB, and also disbursement to the credit unions.

J. IMPLEMENTATION AND EVALUATION PLAN

Upon the authorization of \$15 million for the present FY 1977 a Letter of Advice will be issued to the Jamaica Mortgage Bank so it may approach US Investors interested in lending funds for 30 years with a ten year grace period. Loan disbursement will take place over a period of a minimum of 30 months. Contract Agreement negotiations are planned for November 1977 with the target for signing in the middle of December

The Letter of Advice will indicate to JMB that before seeking a U. S. Investor they will have to present to AID

- 1) A preliminary work plan (Master Plan) showing the projected financial and construction schedule for each of the sub-projects;
- 2) Evidence that the Slum Upgrading Unit in the Ministry of Local Government has been created, i.e. funds allocated and personnel hired.

A full-time technician to provide technical assistance will be recruited in November 1977 so work may start in Jamaica by early 1978.

Construction of improvement in all the yards selected for the Kingston Pilot demonstration program should commence in February 1978. Construction should commence also in the Norwood site in Montego Bay. By this time, the credit unions will have completed their review of improvement loans totalling approximately \$500,000. An advance disbursement of up to \$3 million will be made to permit the initiation of construction in all the sub-programs.

The socio-economic and physical evaluation in 10 of the 21 projects in the tenement program should be completed by July 1978, and construction should be underway in the two additional squatter settlements. The credit unions should also have completed review of another \$500,000 in improvement loans.

The first evaluation of the program will take place in August 1978 so bottlenecks can be identified and corrective actions taken. It is expected that each implementing agency will conduct periodic evaluations of the sub-projects.

Construction should commence in 10 of the projects in the tenement program by January 1979 and the squatter sites should have roads completed by the same date. Home improvement for the total value of \$2.5 million should be also under construction.

In July 1979 a second evaluation will take place with all the \$15 million HG authorized in FY 1977 disbursed by May 1980. The results of the evaluation will be submitted to the LA Bureau for review with a recommendation whether to proceed with the additional \$15 million authorization at the end of FY 1979. Adjustments will be made to the number of units for the second tranche to reflect the inflation costs and some reallocation of the funds among the sub-projects may be recommended along with possible modifications of the program.

SER/H will monitor the program progress on a regular basis through reports and visits to the project sites.

K. ISSUE

The issues raised at the PID level (see Annex IX) are addressed on the following pages of this text:

PID Par.	2	-	p.	3
	3	-	pp.	21 f.
	4	-	p.	21 f.
	5	-	p.	11 f.
	6	-	p.	7 f.
	7	-	p.	18 f.
	8	-	p.	22
	9	-	p.	10 f.

STATUTORY CHECKLIST

Jamaica

Jamaica Mortgage BankSection 222:

The total face amount of guaranties issued, outstanding at any one time, shall not exceed \$600,000,000.

Section 222 (b):

The proposed Guaranty will finance self-liquidating housing projects under one or more of the following criteria:

- (a) Private housing projects of types similar to those insured by HUD and suitable for conditions in Jamaica.
- (b) Low-income housing projects.
- (c) Housing projects with 25% of the aggregate mortgage financing from local sources.

Section 223 (a):

The A.I.D. guaranty fee has been determined by A.I.D. in accordance with the authority delegated by the President.

Section 223 (f):

The maximum rate of interest allowable to the eligible U.S. investor to be prescribed by the Administrator will not be more than one percent above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development.

Section 223 (h):

No payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

Section 223 (j):

(1) Jamaica is a country that is presently receiving or has received during the past two fiscal years development assistance under Chapter 1, Part I of the Act.

(2) The proposed Housing Guaranty will be coordinated with and complementary to other development assistance to Jamaica.

(3) The proposed Housing Guaranty will demonstrate the feasibility and suitability of particular kinds of housing and financial institutional arrangements.

The face value of guaranties issued with respect to Jamaica in this fiscal year will not exceed \$25 million. It is planned that the average face value of all housing guaranties issued in any fiscal year shall not exceed \$15 million.

Section 238 (c):

The guaranty agreement will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued.

**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

ANNEX II

Life of Project:
From FY 77 to FY 79
Total U. S. Funding \$30.3 million
Date Prepared: 7-29-77

Project Title & Number:

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To improve the quality of life of the urban and rural poor of Jamaica</p>	<p>Measures of Goal Achievement:</p> <p>A continuous increase in the number of shelter units and the extension of public facilities to urban and rural areas.</p>	<p>1. Periodic reports from participating agencies 2. SER/II on-site evaluations</p>	<p>Assumptions for achieving goal targets:</p> <p>1. Continued GOJ commitment to shelter sector 2. Completed projects result in replicable improvements in sector</p>
<p>Project Purpose: To assist the GOJ and Jamaican private sector with development of institutional planning and financial framework necessary to provide adequate shelter and related facilities for low-income families in the country, urban and rural areas.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>1. GOJ co-ordinates shelter sector programs 2. Housing and infra structure standards are raised in urban core and squatter settlements 3. Credit Unions and private banks increase low-income clientele</p>	<p>1. Periodic reports from public and private sector institutions. 2. SER/II on-site evaluations</p>	<p>Assumptions for achieving purpose:</p> <p>1. GOJ continues to fund coordinated shelter/infrastructure programs 2. Private banks and credit unions actively solicit low income clients</p>
<p>Outputs:</p> <p>Expanded scope of urban upgrading task forces; Increased public utility networks; More accessible home improvement financing; Land tenure</p>	<p>Magnitude of Outputs:</p> <p>Increased staff of task forces; 8,876 yards improved; Extension of infrastructure to 3,000 unserved lots; 7,000 rural home improvement loans</p>	<p>1. Periodic reports 2. On site evaluation 3. Technical assistance reports</p>	<p>Assumptions for achieving outputs:</p> <p>1. Yard owner cooperation 2. Full staff position funding 3. Efficient project administration</p>
<p>Inputs:</p> <p>1. IIG 2. GOJ 3. T.A. 4. Private banks and credit unions</p>	<p>Implementation Target (Type and Quantity)</p> <p>1. \$ U. S. 90 million 2. \$ U. S. 5.44 million 3. \$ U.S. 3,000,000 4. \$ U.S. 800,000 (Credit Unions)</p>	<p>1. Disbursements records 2. Periodic reports</p>	<p>Assumptions for providing inputs:</p> <p>1. U.S. investor interest 2. GOJ funds budget as planned 3. Credit unions meet commitment 4. U.S. technicians available for T.A.</p>

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Appendix 3E, Ch 3,
H8.3 (TM 3:1)

ANNEX II

TENEMENT URBAN UPGRADING (SUMMARY)

1. Number of Projects:	21
2. Estimated population of all Projects: (6500 pilot Project in Kingston plus 10 projects of 5000 persons each)	106,500
3. Estimated area (acres) of all Projects based on 100 persons per acre (or 500 sq. ft. gross area per person):	1,012
4. Estimated number of persons/Dwelling Units (Household) in project areas:	4.0
5. Estimated number of Households (106,500 ÷ 4):	26,625
6. Estimated number of Dwelling Units (Households per yard):	3.0
7. Estimated number of Addresses (Yards):	8,875
8. Estimated Annual Income (\$J) Dwelling Unit (Household)	1,500
9. Current Annual Rent/Household in Project Areas (of Income):	15% or \$J 225
10. Maximum estimated Annual Rent/Household of Target Population (% of Income)	20%
11. Maximum estimated Annual Rent/Household of Target Population (\$J)	\$J 300
12. Average estimated total cost of improvement/ Dwelling Unit (\$J)	(\$J) 1,000
13. Estimated number of Rental Dwelling Units in need of repair (80% of total number in line 5)	21,300
14. Estimated number of Address (yards) requiring complete demolition (10% of line 7)	888
15. Total estimated cost of	
a) Improvements to Dwelling Units	(\$J) 21,300,000
b) New Yard Units	(\$J) 2,800,000

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(SUMMARY)

16.	Estimated Cost of Community Centers (20 x (\$750) 5,000 :	(\$J) 900,000
17.	Total Estimated Cost of Home Improvements, Community Centers and New Yards:	(\$J) 25,000,000
18.	Estimated additional annual capability (% of Income) of an Average Income Household to pay for improvement (line 11-10):	5%
19.	Estimated additional annual capability of a Household to pay for improvements (\$J): (line 11 - line 9):	(\$J) 75
20.	Total estimated additional capability of ten- ants in target population to pay for Improve- ments (line 18 x 21,300 units):	(\$J) 1,597,500
21.	Annual Debt Service on (\$J) 21,300,000 at 12% over 15 years (\$47. per \$1,000):	(\$J) 3,131,100
22.	Contribution from Yard/Owner line 21 - line 20:	(\$J) 1,533,600

SQUATTER SETTLEMENT IMPROVEMENT (SUMMARY)

1. Estimated Number of Projects:	3
2. Estimated Population of all Projects:	18,750
3. Estimated Target Population of all Projects (100% of line 2):	18,750
4. Estimated Area (Acres) of all Projects based on 100 persons per acre (or 500 sq. ft. gross area per person):	200
5. Estimated number of persons/Dwelling Units (Households) in Project Areas:	5.0
6. Estimated Number of Lots (Addresses):	3,000
7. Estimated Number of Dwelling Units (Households/Lot):	1.25
8. Estimated number of Dwelling Units (Households) in Project Areas:	3,750
9. Average estimated cost of Improvement Infra- structure/Lot (based on Ministry of Housing estimates of \$J 33,900/acre 15):	(\$J) 2,250
10. Total estimated cost of Infrastructure (water, sewage, electricity and roads) in project area (\$J 2,250 x 3,000):	(\$J) 750,000
11. Estimated Annual Income (\$J)/ Dwelling Unit (Household) in Project Area:	(\$J) 1,500
12. Estimated maximum capability of each House- hold to pay for shelter (% of income):	20%
13. Estimated maximum capability per year of each Household to pay for shelter (\$J):	(\$J) 300
14. Total estimated Capability per year of Target Population to pay for Infrastructure Costs Assignable to lease payments (line 13 x line 8):	(\$J) 1,025,000
14. Annual Debt Service on (\$J) 6,250,000 at 12% over 30 years. (124.15 per 1,000)	(\$J) 775,937

RURAL HOME IMPROVEMENT (SUMMARY)

1. Estimated Number of Persons:	34,025
Estimated Number of Persons per unit:	4.7
2. Estimated Annual Income (\$J) Dwelling and Household:	(\$J)-1,000
3. Estimated Current Cost of Shelter/Household in Target Population (% of Income):	2.5%
4. Maximum Estimated Resources (% of income) available for Shelter/Household	20%
5. Maximum Estimated Resources (\$J) available for Shelter/Household:	(\$J) 200
6. Average Estimated Loan for Improvements/Dwelling Unit (\$J):	(\$J) 1,000
7. Estimated additional capability/household to pay for loan (% of Income, Line 4-3):	17.5%
8. Estimated additional capability/household to pay for loan (\$J):	(\$J) 175
9. Total Amount Available for Home Improvement Loans (\$J 1,000 x 7,250):	(\$J) 7,250,000
10. Total estimated capability of Target Population to pay for Home Improvement Loans (\$J 175 x 7,250)	(\$J) 1,268,750
11. Annual Service on (\$J) 7,250,000 at 12% (\$J 161.44 per \$1,000 over 12 years)	(\$J) 1,170,444

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ADDRESS OF PREMISES	STATUS OF OWNER	EMPLOYMENT STATUS OF OWNER	CONDITION OF PREMISES & COST TO UP-GRADE	TOTAL NO. OF ROOMS ON PREMISES	NO. OF ROOMS RENTED AND MONTHLY RENTAL	TOTAL NO. OF HOUSEHOLD	TOTAL NO. OF PERSONS	AVERAGE INCOME PER HOUSEHOLD
22 Run Lane	Owner Occupier	Security Guard \$200.00	Moderate Repairs \$5,000.00	12 Rooms & 2 Shops	10 Rooms \$130.00	9	44	\$37.50 weekly
27 Barry St.	Owner Occupier	Works Overseer \$440.00 Mthly	Major Repairs \$6,000.00	6 Rooms	4 Rooms \$32.00	4	13	\$20.50 weekly
16 Foster Lane	Owner Occupier	Day Care Attendant \$122.00 Mthly	Moderate Repairs \$4,000.00	6 Rooms	4 Rooms \$48.00	4	18	\$32.00 weekly
21 Barry St.	Owner Occupier	Contractor \$400.00 Mthly	Minor Repairs \$3,000.00	8	6 \$100.00	6	22	¹⁷ \$44.00 weekly
22 Foster Lane	Owner Occupier	Salesman \$300.00 Mthly	Major Repairs \$5,500.00	5 Rooms	3 Rooms \$24.00	3	14	\$27.00 weekly
36 1/2 Barry St.	Owner Occupier	Pensioner \$100.00 Mthly	Major Repairs \$7,000.00	10 Rooms & 2 Shops	8 Rooms & 2 Shops \$205.00	7	26	\$43.00 weekly
36 1/2 Barry St.	Owner Residing in P.A.	as above	Major Repairs \$5,000.00	5	5 \$50.00	5	17	\$28.00 weekly
6 Halden Lane	Owner Reside outside P.A.	Evaluator \$700.00 Mthly	Major Repairs \$7,000.00	9	9 \$90.00	9	29	\$31.00 weekly

Continued.../3

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URBAN UPGRADE PILOT PROJECTDATA ON IMPROVEMENT COSTS, LAND OWNERS AND MONTHLY RENTS

ADDRESS OF PREMISES	STATUS OF OWNER	EMPLOYMENT STATUS OF OWNER	CONDITION OF PREMISES & COST TO UPGRADE	TOTAL NO. OF ROOMS ON PREMISES	NO. OF ROOMS RENTED AND MONTHLY RENTAL	TOTAL NO. OF HOUSEHOLDS	TOTAL NO OF PERSONS	AVERAGE INCOME PER HOUSEHOLD
23 Foster Lane	Owner Occupier	Dressmaker \$270.00 Monthly	Moderate Repairs \$1,500.00	6 Rooms	5 Rooms \$70.00	5	14	\$31.50 weekly
46 Rosemary Lane	Reside outside P.A.	Selfemployed Printer \$1,200.00 Monthly	Major Repairs \$7,000.00	5 Rooms	5 \$60.00	5	7	\$27.00 weekly
46 Gold Street	Owner Occupier	Forler \$160.00	Moderate Repairs \$3,000.00	8 Rooms	6 Rooms \$78.00	6	25	\$38.00 Weekly
39 Barry St.	Reside outside P.A.	Plumber \$300.00 Monthly	Minor Repairs \$1,800.00	4	4 \$47.00	4	17	\$29.50 Weekly
57 Gold St.	Owner Occupier	Tailor \$120.00 Monthly	Minor Repairs \$1,200.00	6	4 \$35.00	4	15	\$33.00 weekly
26 Ladd Lane	Owner Occupier	Casual Labourer \$200.00 Monthly	Moderate \$4,000.00	7 Rooms	6 Rooms \$60.00	6	19	\$31.00 Weekly

Cont Inued...../2

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ADDRESS OF PREMISES	STATUS OF OWNER	EMPLOYMENT STATUS OF OWNER	CONDITION OF PREMISES & COST TO UP-GRADE	TOTAL NO. OF ROOMS ON PREMISES	NO. OF ROOMS RENTED AND MONTHLY RENTAL	TOTAL NO. OF HOUSEHOLD	TOTAL NO. OF PERSONS	AVERAGE INCOME PER HOUSEHOLD
54 Fleet St.	Reside outside P.A.	Evaluator \$700.00 mthly	Major Repairs \$7,000.00	5	5 \$48.00	5	20	\$23.00 weekly
19 Lays St.	Owner Occupier	Plumber (Part time) \$100.00 mthly	Minor Repairs \$2,500.00	23	20 \$246.00	16	43	\$25.00 weekly \$25.00 weekly
24 Gold St.	Owner Occupier	Impact Worker \$102.00 mthly	Moderate Repairs \$4,400.00	9	7 \$84.00	6	30	\$26.00 weekly
17 Gold St.	Reside outside P.A.	Taxi Driver \$600.00 mthly	Moderate Repairs \$4,500.00	6	6 \$72.00	6	33	\$31.00 weekly
62 Run Lane	Owner Occupier	Factory Worker \$140.00 mthly	Minor Repairs \$2,900.00	5 Rooms & 1 Shop	4 Rooms & \$68.00	4	15	\$38.00 weekly
94 High Holborn Street	Reside outside P.A.	Director of Company \$2,000.00 mthly	Major Repairs \$7,000.00	10	10 \$62.00	6	25	\$25.50 weekly
2 Rosemary Lane	Reside outside P.A.	Seaman \$600.00 mthly	Demolition \$1,200.00 to demolish \$5,000.00 to rebuild	4	3 \$21.00	3	5	\$20.00 weekly

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ADDRESS OF PREMISES	STATUS OF OWNER	EMPLOYMENT STATUS OF OWNER	CONDITION OF PREMISES AND COST TO UP-GRADE	TOTAL NO. OF ROOMS ON PREMISES	NO. OF ROOMS RENTED AND MONTHLY RENTAL	TOTAL NO. OF HOUSEHOLD	TOTAL NO. OF PERSONS	AVERAGE INCOME PER HOUSEHOLD
Foster Lane	Reside outside P.A.	Machine operator \$197.00 monthly	Major repairs \$5,000.00	6	6 \$36.00	6	26	\$19.50 weekly
Gold Street	Reside outside P.A.	Truck driver \$900.00 monthly	Moderate repairs \$3,500.00	5	5 \$91.00	4	10	\$32.00 weekly
Laws Street	Owner Occupier	Self-employed \$220.00 monthly	Minor repairs \$3,000.00	31	29 \$400.00	28	76	\$34.50 weekly
Highborn St.	Reside outside P.A.	Factory worker \$200.00 monthly	Moderate repairs \$4,500.00	5	5 \$54.00	5	18	\$25.00 weekly
Lower Street	Reside outside P.A.	Not yet ascertained	Minor repairs \$1,400.00	6	6 \$64.00	5	14	\$27.00 weekly
Foster Lane	Owner Occupier	Impact worker \$138.00 Monthly	Demolish - \$1,000 Rebuild - \$5,500	8	4 \$26.00	4	11	\$20.00 weekly
Fleet Street	Reside outside P.A.	Not yet ascertained	Demolition - \$1,200 Rebuild - \$5,600	4	4 \$30.00	4	18	\$20.00 weekly
Gold Street	Owner Occupier	Shopkeeper \$120 monthly	Minor repairs \$2,000.00	5 and 1 shop	4 \$24.00	4	15	\$31.00 weekly

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ADDRESS OF PREMISES	STATUS OF OWNER	EMPLOYMENT STATUS OF OWNER	CONDITION OF PREMISES & COST TO UPGRADE	TOTAL NO. OF ROOMS ON PREMISES	NO. OF ROOMS RENTED AND MONTHLY RENTAL	TOTAL NO. OF HOUSEHOLD	TOTAL NO. OF PERSONS	AVERAGE INCOME PER HOUSEHOLD
54 Fleet St.	Reside outside P.A.	Evaluator \$700.00 mthly	Major Repairs \$7,000.00	5	5 \$48.00	5	20	\$23.00 weekly
19 Lays St.	Owner Occupier	Plumber (Part time) \$100.00 mthly	Minor Repairs \$2,500.00	23	20 \$246.00	16	43	\$23.00 weekly \$25.00 weekly
24 Gold St.	Owner Occupier	Impact Worker \$102.00 mthly	Moderate Repairs \$4,400.00	9	7 \$84.00	6	30	\$26.00 weekly
17 Gold St.	Reside outside P.A.	Taxi Driver \$600.00 mthly	Moderate Repairs \$4,500.00	6	6 \$72.00	6	33	\$31.00 weekly
62 Rua Lane	Owner Occupier	Factory Worker \$140.00 mthly	Minor Repairs \$2,900.00	5 Rooms & 1 Shop	4 Rooms & \$68.00	4	15	\$38.00 weekly
9 1/2 High Holborn Street	Reside outside P.A.	Director of Company \$2,000.00 mthly	Major Repairs \$7,000.00	10	10 \$62.00	6	25	\$25.50 weekly
2 Rosemary Lane	Reside outside P.A.	Seaman \$600.00 mthly	Demolition \$1,200.00 to demolish \$5,000.00 to rebuild	4	3 \$21.00	3	5	\$20.00 weekly

ADDRESS OF PREMISES	STATUS OF OWNER	EMPLOYMENT STATUS OF OWNER	CONDITION OF PREMISES AND COST TO UP-GRADE	TOTAL NO. OF ROOMS ON PREMISES	NO. OF ROOMS RENTED AND MONTHLY RENTAL	TOTAL NO. OF HOUSEHOLD	TOTAL NO. OF PERSONS	AVERAGE INCOME PER HOUSEHOLD
Highborn St.	Owner resides in P.A.	Not yet ascertained	Major repairs \$6,000.00	5	5 \$40.00	5	20	\$22.50 weekly
Ladd Lane	Owner Occupier	Not yet ascertained	Minor repairs \$3,000.00	5	4 \$48.00	4	20	\$25.00 weekly
High Holborn Street	Owner Occupier	Not yet ascertained	Moderate repairs \$5,000.00	7	6 \$78.00	6	29	\$25.50 weekly
18 Rosemary Lane	Owner Occupier	Not yet ascertained	Moderate repairs \$4,500.00	8	7 \$62.00	7	31	\$27.00 weekly
9-1/2 Fleet Street	Owner Occupier	Not yet ascertained	Demolish - \$1,000 Rebuild - \$6,000	5	4 \$48.00	4	24	\$25.50 weekly
66 Run Lane	Owner Occupier	Employee at Shipping Association \$240.16 monthly	Demolish - \$1,000 Rebuild - \$6,000	6	4 \$36.00	4	7	\$20.00 weekly
21 Malden Lane	Owner Occupier	Salesman \$200.00 monthly	Major repairs-\$5,500.00	10	8 \$44.00	7	18	\$23.50 weekly

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BEST AVAILABLE DOCUMENT Annex VII

ALLOCATION OF INFRASTRUCTURE COSTS

(Excerpted from "Interim Report" Squatter Upgrading Methodology

March 1977 - Prepared by the Sites + Services Unit Ministry of Housing)

A) CHARGES FOR MUNICIPAL SERVICES

There are various methods by which charges for services and the use of infrastructure are recovered; these are:

- (1) Land taxes. These go into Government's general revenue, but reflect the desire to preferentially tax the benefits of infrastructure development and services. Land taxes are traditionally linked to local municipal services, such as fire fighting policy and education in other countries where local authorities have more autonomy.
- (2) Road taxes. Users of motor vehicles pay a variety of road and vehicle taxes. These taxes also go into general revenue, but do indirectly cover construction of roads and repairs to roads. The tax is preferential in that it directly affects vehicle owners. It does, however, indirectly affect public transport users. Therefore, all users of roads do in some way pay for the use of the roads.
- (3) Water rates. These accrue directly to local government or the water commission and can be considered to cover the cost of the service, and go towards amortizing the capital investments.

This, of course, assumes that the charges are economic charges and the agency concerned is not being subsidised.

- (4) Sewerage charges. Sewerage charges are based on the taxable value of the premises and can possibly exceed the economic charge. The cost of sewerage treatment plan does in the short term have to be charged to the lot owner, as in many cases the scheme is only viable due to central sewerage treatment. Also, it is likely that the plant will not be taken over by the relevant authority for some time, during which time lot owners will not pay sewerage rates.
- (5) Electricity charges. The J.P.S. is generally responsible for installing main line infrastructure. They recover the costs of infrastructure over a maximum period of three years from their rates. (Some charges fall due to the individual consumer for additional line and poles, if the individual is situated a certain distance from the mains). As J.P.S. carry out their own works they generally present no problem, as they amortize their investments from the rates charged. The problems arise when they are unwilling to install infrastructure, as they feel the system installed will not be economic. This matter is still to be resolved for upgrading.

3) CALCULATION OF MONTHLY CHARGES

The calculation of monthly charges follows on from the assignment of costs to lot owners. To the monthly charges must be added any service

charges for the project and the monthly land charges. A figure for utilities should be assumed and included to produce a total monthly charge likely to be experienced by a lot owner.

The policy within sites and services projects is to charge a fairly high percentage of roadworks to the lot owners, to charge zero percent of the water supply infrastructure, and to charge a percentage of the sewerage infrastructure and main drainage infrastructure. Electrical infrastructure is not at present charged to the schemes.

C) REVISED ANALYSIS OF COST RECOVERY AND LEASE PAYMENTS FOR COCKBURN PEN
BASED ON PREVIOUS ANALYSIS SEPTEMBER 76

Relevant Statistics

Sq. ft. of total lots	564,249 sq. ft.
Number of lots	202
Average lot size	2,793 sq. ft.
Total acreage of site	17.5 acres

Assumptions

The costs to be covered by the repayments were assumed to consist of an infrastructure cost and an interest charge on the land cost.

It was assumed that the community should not bear the capital cost of the water distribution system, as this cost is in effect recovered in the rates.

For the road costs, 80% of this was charged to the community, as the roads will be used by outside traffic for short cuts, etc. The costs chargeable to the project were then worked out from the final

estimates for the following bills: prelims, water distribution, roads and footpaths, drainage. This amount was then divided by the totals for these bills. This gave a factor of 0.65 or 65%

65% of the provisional sums and the increase in cost of labour were charged to the community, and the total amounts for prelims and fluctuations in materials were passed on.

This calculation gave a percentage of chargeable costs to total cost of 65% for the project.

As the contractor's final claim figures had been broken down into operational heading, the basic exercise was repeated using these headings.

This gave a percentage of chargeable costs to total costs of 57%.

A percentage of 60% was then suggested as a reasonable figure to use, and was used to calculate costs chargeable to the project.

The procedure using operational headings is now repeated using final contract costs.

Operational Heading	Total Costs (See Chart 3)	Conversion Factor	Cost Chargeable to Project	Comments
Prelim Upgrading	29,641	1.00	29,641	
Water Supply	95,122	0.00		
Roads + Footpaths	113,080	0.8	90,454	Recover in rates
Drainage	43,669	1.00	43,669	
Totals	281,512		163,774	

Costs chargeable to project/total costs x 100 = 58%

Therefore use conversion factor of 60%.

Final costs chargeable to project and lot recipients =

$$281,512 \times \frac{60}{100} = \$168,907$$

FOR INFORMATION

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

GUARANTY AUTHORIZATION

Provided from: Housing Investment Guaranty
Authority

JAMAICA Jamaica Mortgage Bank

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegation of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 221 of the FAA of not to exceed fifteen million dollars (\$15,000,000) in face amount, assuring against losses (of not to exceed one hundred per centum (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing in Jamaica. This guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loan shall extend for a period of up to thirty years (30) from the date of disbursement of the first installment of the loan including a grace period on the repayment of principal not to exceed ten (10) years. The guaranty of the loan shall extend for a period beginning with the first disbursement of the loan and shall continue until such time as the Investor has been paid in full pursuant to the term of the loan.

2. Interest Rate: The rate of interest payable to the Investor pursuant to the loan shall not exceed the allowable rate of interest prescribed pursuant to Section 223 (f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans.

3. Jamaica-Guaranty: Jamaica shall provide a full faith and credit guaranty to A.I.D. in United States Dollars assuring against any and all losses to A.I.D. by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be on half of one per centum (1/2%) per annum of the outstanding guaranteed amount of the loan plus the fixed amount of \$250,000 to be paid as A.I.D. may determine upon disbursement of the loan.

5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

Assistant Administrator
Bureau for Latin America

Date

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM

Annex IX

PAGE 01 STATE 071444
ORIGIN AID-21

1566

INFO OCT-01 EB-00 IGA-02 L-03 /848 R

DRAFTED BY LA/DP: DERBE: AF
APPROVED BY AA/LA: OMLION
GC/LA: TLCEJGER (DRAFT)
LA/GAR: MHWHEELER (DRAFT)
LA/DP: ENCOY
PPC/GPRE: JARLAUD (DRAFT)
LA/DR: WFELOMAN (DRAFT)
SER/H: MPITA (DRAFT)
LA/DR: PBITTNER (INFO)
LA/GAR: JLOCKARD (DRAFT)
LA/DP: RPJOHNSON
ARA-CAR: JETHYSEN (DRAFT)
DESIRED DISTRIBUTION
75 ACTION LA 11 CHRON 235 INFO 100 PPC 5 GC GCPD GCLA NO 4 FHLB HUD
2 34P

-----#117492 #11756 /46

R 311859Z MAR 77
FM SECSTATE WASHDC
TO AMEMBASSY KINGSTON

UNCLAS STATE 071444

AIDAC

E.O. 11652: N/A

TAGS:

SUBJECT: HOUSING INVESTMENT GUARANTY PID REVIEW

1. THE PID FOR A DOLS. 30 MILLION HOUSING INVESTMENT GUARANTY PROGRAM WAS REVIEWED AND APPROVED FOR FURTHER DEVELOPMENT. THE PROGRAM IS EXPECTED TO BE FUNDED OVER THE PERIOD FY 1978-1980 WITH DOLS. 10 MILLION TO BE PROVIDED IN THE FIRST YEAR.

2. PRP DEVELOPMENT. IN THE DISCUSSIONS IT WAS NOTED THAT THE GOJ IS CURRENTLY DEVELOPING AN EMERGENCY PRODUCTION PLAN WHICH IS EXPECTED TO FOCUS ON JAMAICA'S SHORT-RUN PROBLEMS IN EMPLOYMENT, IMPORT SUBSTITUTION, AND OTHER AREAS WITH EMPHASIS BEING GIVEN TO AGRICULTURAL PRODUCTION AND LOW-COST HOUSING. THE PLAN WILL SERVE AS A BASIS FOR DISCUSSIONS DURING APRIL WITH A WORKING GROUP OF EXPERTS TO IDENTIFY JAMAICA'S EMERGENCY AND LONG-TERM NEEDS AND TO DEVELOP AN OVERALL PLAN FOR DEALING WITH THESE NEEDS.

PRP SHOULD DEMONSTRATE THAT PROPOSED PROGRAM IS CONSISTENT WITH BOTH THE SHORT AND LONG-TERM PRIORITIES OF THE GOVERNMENT OF JAMAICA.

3. TARGET GROUP. PRP SHOULD ESTABLISH THE LOWEST FEASIBLE INCOME RANGE FOR THE TARGET GROUP BELOW THE MEDIAN WHILE KEEPING IN MIND THE NEED FOR A REASONABLE PROSPECT OF REPAYMENT UNDER HG PROGRAM. DIFFERENT INCOME LEVELS MIGHT BE SET FOR THE URBAN AND RURAL PROGRAMS. WHILE PROJECT BENEFICIARIES SHOULD BE PREDOMINANTLY FROM THE TARGET GROUP, IT IS UNDERSTOOD, OF COURSE, THAT SOME PEOPLE OUTSIDE OF THE TARGET GROUP MIGHT BE BENEFITTED; FOR EXAMPLE, IN AREAS SERVED BY INFRASTRUCTURE FINANCED UNDER HG PROGRAM.

4. VALUE OF HOUSING CONSTRUCTED OR UPGRADED. PRP SHOULD SHOW THAT HOUSING IS AFFORDABLE BY MEMBERS OF TARGET GROUP. QUESTION OF MINIMUM HOUSING STANDARDS SHOULD BE CONSIDERED SINCE IT WAS POINTED OUT IN THE DISCUSSION THAT CURRENT STANDARDS MIGHT HAVE TO BE LOWERED SOMEWHAT TO KEEP COSTS DOWN.

5. RENTAL UNITS. SPECIAL ATTENTION SHOULD BE GIVEN IN

REGARD TO THE OPERATION OF THE HG PROGRAM TO UPGRADE RENTAL UNITS. IN GENERAL, THE RELATIONSHIP BETWEEN THE GOJ AND THE LANDLORDS SHOULD BE DISCUSSED. THE LEVERAGE AVAILABLE TO THE GOJ, PAST GOJ PRACTICES IN SIMILAR PROGRAMS, ETC. IN PARTICULAR, THE PRP SHOULD DISCUSS MEANS OF PREVENTING EXCESSIVE RENT INCREASES AFTER THE UNITS ARE UPGRADED WHILE AT THE SAME TIME TAKING INTO ACCOUNT THE LANDLORD'S CAPABILITY TO REPAY THE LOAN UNDER THE HG PROGRAM AND MAINTAIN THE UPGRADED UNITS.

THE PID INDICATES THAT WHERE UPGRADING IS NOT POSSIBLE AND DEMOLITION IS NECESSARY, THE HG PROGRAM WILL FINANCE THE CONSTRUCTION OF NEW UNITS OWNED ON A COOPERATIVE BASIS. THE PRP SHOULD INDICATE HOW THE FORMER LANDLORD WOULD BE DEALT WITH IN THESE CASES. THE GENERAL ATTITUDE OF THE AREA RESIDENTS TOWARD COOPERATIVE OWNERSHIP, AND WHETHER ANY ADDITIONAL FINANCIAL DEMANDS WOULD BE PLACED ON THE RESIDENTS IN MOVING FROM TENANT TO COOPERATIVE OWNER/MEMBER STATUS.

6. INFRASTRUCTURE. IN THE DISCUSSIONS IT WAS POINTED OUT THAT INFRASTRUCTURE IMPROVEMENTS IN THE PROJECT AREAS MIGHT BE ELIGIBLE FOR FINANCING UNDER THE HG PROGRAM. IF SO, THE PRP SHOULD DISCUSS THE MEANS OF REPAYMENT FOR THIS TYPE OF BORROWING, I.E., WHETHER COLLECTIONS WOULD BE MADE FROM THE COMMUNITIES, WHETHER USER CHARGES WOULD HAVE TO BE INCREASED, OR WHETHER SOME TYPE OF GOJ SUBSIDY MIGHT BE NECESSARY. THE RELATIONSHIP BETWEEN THE HG PROGRAM'S FINANCIAL INTERMEDIARY (VERY LIKELY THE JAMAICAN MORTGAGE BANK) AND THE GOJ AGENCY RESPONSIBLE FOR THE INFRASTRUCTURE IMPROVEMENTS SHOULD BE DESCRIBED. HOW WILL THE JMB

ENFORCE COLLECTION FROM THE GOJ AGENCY IF REPAYMENTS ARE NOT ON SCHEDULE?

7. RURAL PROGRAM. GIVEN OUR OVERALL PRIORITIES IN FAVOR

OF RURAL DEVELOPMENT AND THE SEVERE RURAL HOUSING SHORTAGES THAT HAVE BEEN IDENTIFIED IN JAMAICA, THE PRP SHOULD GIVE AS MUCH ATTENTION AS POSSIBLE TO THE RURAL PROGRAM. THE CURRENT DOLS. 5 MILLION/DOLS. 25 MILLION SPLIT BETWEEN RURAL AND URBAN PROGRAMS COULD OF COURSE BE ALTERED IF A LARGER RURAL PROGRAM CAN BE DEVELOPED.

8. EMPLOYMENT. THE PRP SHOULD GIVE SPECIAL ATTENTION TO THE EMPLOYMENT EFFECTS, BOTH SHORT AND LONG-TERM, OF BOTH THE URBAN AND RURAL PROGRAMS. THE POTENTIAL FOR MAXIMUM UTILIZATION OF LABOR INTENSIVE METHODS SHOULD BE CAREFULLY EXAMINED. OVER THE SHORT-TERM BUILDERS WOULD BE EXPECTED TO HIRE WORKERS FROM THE PROJECT AREAS WHERE FEASIBLE. THE LONG-TERM EFFECTS MIGHT INCLUDE THE DEVELOPMENT OF A JAMAICAN INSTITUTIONAL CAPABILITY TO CARRY OUT FUTURE URBAN AND RURAL HOUSING PROGRAMS. THE IMPROVEMENT IN WORKERS' SKILLS, ETC.

9. GOJ CONTRIBUTION. THE PRP SHOULD DISCUSS WHAT ANNUAL LEVEL OF GOJ CONTRIBUTION IS EXPECTED AND REQUIRED TO INSURE THE SUCCESS OF THE PROGRAM AND THE BASIS FOR CONCLUDING THAT SUCH A CONTRIBUTION WILL BE FORTHCOMING.

CHRISTOPHER

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~~-LETTER OF APPLICATION-~~

USAID/Jamaica

Subject: Housing Investment Guarantee Loan, U. S. \$30 Million,
For Urban Upgrading, Squatter Settlement and Rural
Home Improvement

The JMB has received the necessary authority from the Ministry of Finance of the Government of Jamaica, and hereby requests a Housing Guarantee Loan of US \$30 million, to be authorized as follows: \$15 million in the current year, \$5 million by 30th September 1979 and \$10 million by 30th September 1980; \$10 million of the \$15 million requested for the current year will be used for urban upgrading; \$2.5 million for rural home improvement. An additional \$10 million of the \$15 million requested for subsequent years will also be used for urban upgrading purposes and the remaining \$5 million will be divided equally for squatter settlement and rural home improvement. Your confirmation in due course will be appreciated.

Letter signed by: W. B. Samms, Chairman/Chief Executive
Jamaica Mortgage Bank

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