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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

JAMAICA

PROJECT PAPER

URBAN AND RURAL SHELTER IMPROVEMENT

AID/LAC/P-089

Project Number: 532-0067  
Housing Guaranty Number: 532-HG-011

UNCLASSIFIED

# BEST AVAILABLE DOCUMENT

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AGENCY FOR INTERNATIONAL DEVELOPMENT

## PROJECT DATA SHEET

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4. BUREAU(OFFICE)

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A

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5. PROJECT NUMBER

532-HG-011

6. PROJECT TITLE (maximum 40 characters)

Urban and Rural Shelter Improvement

8. PROJECT ASSISTANCE COMPLETION DATE (FAGD)

MM DD YY  
09 31 85

7. ESTIMATED DATE OF OBLIGATION  
(Under 1" below, enter 1, 2, 3, or 4)

A. Annual FY 81

B. Quarter 4

C. Final FY 85

8. COSTS (\$000 OR EQUIVALENT \$1 = )

A. FUNDING SOURCE	B. FX	C. FIRST FY		D. LIFE OF PROJECT		
		G. L/C	D. Total	E. FX	F. L/C	G. Total
1. Appropriated Total						
(Grant) DA	170			500		500
(Loan) HG loan	5,000			15,000		15,000
Other U.S. 2.						
Host Country GOJ					4,000	4,000
Other Donor credit unions					900	900
TOTALS	5,170			15,500	4,900	20,400

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROX. PRIMARY PRIOR. GEN. FUND. CODE	B. PRIMARY TECH. CODE	C. PRIMARY CODE	D. OBLIGATION TO DATE	E. AMOUNT APPROVED IN ACTION		F. LIFE OF PROJECT	
				1. Grant	2. Loan	1. Grant	2. Loan
SD	866			500		500	
HG*	729				15,000		15,000
TOTALS				500	15,000	500	15,000

10. SECONDARY TECHNICAL CODES

11. SECONDARY FUND. CODES

12. SPECIAL CONDITIONS CODES (maximum 7 characters)

A. Code  
B. Amount

13. PROJECT PURPOSE (maximum 40 characters)

\*non-appropriated

to provide additional funding for programs designed to improve squatter settlements and to support programs of home improvement loans to members of Jamaica's credit unions.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY  
06 83 06 84 1 08 85

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  Local  Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)

APPROVED BY

Signature  
Title

Glenn O. Patterson

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON D C 20523

ASSISTANT  
ADMINISTRATOR

*Original forwarded  
to PEE/HA  
9/20/81  
AID/1000-009*

GUARANTY AUTHORIZATION

PROJECT NO. 532-HG-011

PROVIDED FROM : Housing Guaranty Authority  
FOR : The Government of Jamaica

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America and the Caribbean by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 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 percent (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance shelter activities in Jamaica.

These guaranties shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement and may include a grace period of up to ten years on repayment of principal. The guaranties of the loans shall extend for a period beginning with disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans 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 made in the long term U.S. capital markets.
3. Government of Jamaica Guaranty: The Government of Jamaica shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranties 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 one-half of one percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.

5. Eligibility Dates: Shelter activities commenced under Phase I (532-HG-010) shall be eligible for reimbursement under Phase II (532-HG-011) so long as such activities meet all of the criteria in the Phase I and Phase II authorizations.

6. Other Terms and Conditions: The project shall be subject to the following conditions precedent to first disbursement under Phase II and to such other terms and conditions as A.I.D. may deem necessary:

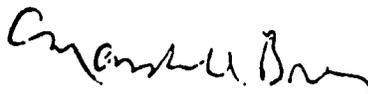
A. Progress satisfactory to A.I.D. on implementation of the Phase I \$15.0 million loan, Project No. 532-HG-010, including a new revised cost recovery plan and agreement on new land tenure instruments;

B. Reorganized and adequately staffed Sites and Services and Community Development Units in the Ministry of Construction;

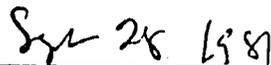
C. A Phase II Project Delivery Plan including a financial and construction schedule for each sub-project;

D. A substantial number of leases shall be signed to cover the individual projects that have been completed under the Phase I project; and

E. The completion of a study, in form and substance satisfactory to A.I.D., of the interest rate structure in Jamaica and its effect on the housing sector.



\_\_\_\_\_  
Marshall D. Brown  
Acting Assistant Administrator  
Bureau for Latin America and the Caribbean



\_\_\_\_\_  
Date

Clearances:

PRE/H:DMcVoy (Draft) 8/18/81

GC/H:MKitay (Draft) 8/18/81

LAC/DR:ILevy

LAC/CAR:GHill (Draft)

GC/LAC:BVeret *M/Kitay 9/25*

FM/LD:EOwens (Draft) 9/21/81

*M/S*  
PRE/H:JShaw:prj:vc:gw:vc:9/25/81:

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GOJ	Government of Jamaica
HG	Housing Guaranty
JCCUL	Jamaica Cooperative Credit Union League
JMB	Jamaica Mortgage Bank
KMA	Kingston Metropolitan Area
MOC	Ministry of Construction
MOF	Ministry of Finance
NHC	National Housing Corporation
NHT	National Housing Trust
PRE/H	Private Enterprise Bureau, Office of Housing (AID)

Currency Equivalents (September 1981)

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Currency Unit	=	Jamaican Dollars
U.S.\$	=	\$1.78 Jamaican
\$1.00 Jamaican	=	\$0.57 U.S.

## ANNEXES

- ANNEX A Logical Framework
- ANNEX B Government of Jamaica Request Letter
- ANNEX C JCCUL Loan Administration, Responsibilities and Expenses
- ANNEX D Credit Union Lending Criteria
- ANNEX E Ministry of Construction - Squatter Settlement Improvement Sites
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- ANNEX G Ministry of Construction, Sites and Services Division, Financial Section - Proposed Organization
- ANNEX H Draft Guaranty Authorization
- ANNEX I Statutory Checklist
- ANNEX J Environmental Threshold Decision

## I. SUMMARY AND RECOMMENDATIONS

### A. INTRODUCTION AND BACKGROUND

This Project Paper covers the second phase (\$15.0 million) of a \$30.0 million program which originally provided Housing Guaranty (HG) financing for urban (tenement-area) upgrading, squatter settlements improvement and rural homes improvement. It was designed to assist the Government of Jamaica (GOJ) and the Jamaican private sector with the development of the institutional, financial and planning framework necessary to carry out these program elements on a continuing basis. The first \$15.0 million (Phase I) was authorized in September 1977 (532-HG-010) and the contract documents were signed in February 1978.

The proposal contained in the PP represents some modifications to the program as originally set forth in the first Project Paper, both in the implementing institutions and in the program content. It is based on the experience to date in implementing Phase I which is set forth in two evaluations undertaken in September 1979 and July 1981 but also reflects AID's long experience in the housing sector in Jamaica which includes a series of HG loans and grant assistance. It also takes into account the recent change in Jamaica's government and the deteriorated economic situation existing when the new Government took office late last year.

The Phase I program provided \$10.0 million for the urban upgrading program and \$2.5 million each to squatter settlements improvement and rural homes improvement. However, management problems, conceptual differences and problems resulting from the political campaign resulted in a shift from the urban upgrading program to the squatter settlements improvement program. In addition, the home improvement loan program was expanded to include both rural and urban credit union members.

Problems associated with the above, the overall economic situation, and the departure of the Regional Housing Officer and the technical assistance advisor in July of last year, replacements not arriving until March and February 1981, respectively, have left the entire program behind schedule.

However, the new government is producing continuing changes in policy, institutions and new personnel aimed at improving management and implementation performance including the shelter sector. This new climate plus the lessons learned and experience gained to date in Phase I argue for moving ahead now on Phase II and completing Phase I. (Section II.C.1. describes the experiences of Phase I in more detail).

To this end, USAID has had discussions with the GOJ about the desirability of completing the drawdowns on Phase I as rapidly as possible and moving ahead with a Phase II by the end of September. The GOJ has responded positively, citing steps it is taking to strengthen its management and implementation capacity and seeking further technical assistance. The latter

includes help in completing its national housing policy and assistance with a national settlements strategy.

B. THE PROBLEM TO BE ADDRESSED

All of the statistics relative to shelter shortcomings in Jamaica cited in the PP in Phase I, both in terms of absolute shortages and in terms of the availability of amenities and deteriorated neighborhood conditions, continue to apply. In fact, they now are worse and the problem, as in all developing countries, impacts most heavily on the poor.

The Phase I PP cited estimates in 1977 of the need for 20,000 new units per year for ten years to keep abreast of population growth without taking into account improvement or replacement of the vast backlog of sub-standard buildings. More recent estimates suggest that there should have been some 22,000 new units built per year from 1970-80. In 1979, it was estimated that 74 percent of the Kingston Metropolitan Area (KMA) population lived in tenements and squatter communities under sub-standard conditions (overcrowded, unsafe and lacking water, sanitary and electricity facilities) and that 45 percent of all "low-income" households occupied dwellings of this character.

Efforts in providing new shelter over the past ten years have, however, resulted in only 5,000 new units or serviced plots per year, far below the needs. While figures are imprecise, direct AID experience under Phase I, despite providing some families with improved shelter and helping to establish a governmental mechanism for the continued improvement of squatter communities, indicates there is still a large and growing number of squatter communities in need of upgrading. Furthermore, the growth of squatter communities is likely to continue given the increasing cost of conventional housing, the slow pace of new construction, continued rural to urban migration and the relatively high rate of natural population increase.

New projections for Jamaica's population, now 2.2 million, indicate a growth of some 415,000 during the current decade, with the fastest growth occurring in the 20-30 year age group--the group which will have the greatest need for housing and probably be most vocal about it. The result is that new estimates for housing needs exceed 20,000 units per annum.

The problem, which needs to be addressed and defined in a comprehensive national shelter policy, falls roughly into three elements: conceptual--what level of shelter and amenities should be provided; financial--how to raise the resources to finance the housing and the related issue of cost recovery; and delivery--that is, how can both the government and the private sector be geared-up to produce the solutions. The GOJ currently is working on a national shelter policy.

C. SUMMARY PROJECT DESCRIPTION

1. The Project

The project will provide for an additional \$15.0 million in HG financing for two sub-projects; approximately \$10.0 million for a program to improve

squatter settlements and up to \$5.0 million for a program of home improvement loans to members of Jamaica's credit unions. All sub-projects will be aimed at families earning below the median income

The Ministry of Finance will be the borrower and will make funds available to the two sub-projects.

a. The Squatter Settlements Improvement Program: This component will provide financing for land tenure, water, sewerage, drainage, roads, footpaths and electricity but will not necessarily include all elements at each site. Tenure will be provided in the form of a leasehold. It will be implemented by the newly reorganized Sites and Services Division (SSD) of the Ministry of Construction (MOC).

The exact cost recovery formula has not been established yet, however, an approach acceptable to AID will be a condition precedent to disbursement under the project. (See Section VII for an illustrative approach).

b. Home Improvement Program: This component will provide financing for home improvement loans to families who belong to member organizations of the Jamaica Cooperative Credit Union League (JCCUL). Any family earning below the median urban income who belongs to a JCCUL member organization of the will be eligible. Funds will flow through the Ministry of Finance to the JCCUL who will on-lend to individual credit unions. The credit unions will process and service the individual loans in accordance with the criteria set up under the project. Details on charges by the institutions will be worked out during Implementation Agreement negotiations.

Cost recovery is built into this program due to the necessity for the individual credit unions to recover the full cost of their loans.

## 2. Goal, Purpose and Strategy

The proposed project intends to address all three elements associated with improving the shelter situation in Jamaica in order to achieve the overall goal of improving the quality of life of poor families. The emphasis will be on strengthening delivery capacity. In Phase I, the project was diluted somewhat by the number of institutions involved to deal with plus the need for more central government coordination and the use of the Jamaica Mortgage Bank as the intermediary.

The objective of Phase II is to continue the successful elements of Phase I will concentrating on two sub-programs, squatter settlements improvement and home improvements through the credit unions. The MOF, as the formal borrower, will play a coordinating and reviewing role in the sub-programs. Technical assistance will focus on stronger project management and the newly reorganized Sites and Services Division (SSD) in the Ministry of Construction in the squatter settlements improvement program, other selected GOJ and private sector organizational units and on assistance to the JCCUL and some of the individual credit unions in the home improvement program.

In working with the MOC, the project will seek to strengthen planning, implementation and servicing (cost recovery) functions within the Ministry. The HG financing, while helping to alleviate the overall squatter shelter problem, also will provide the means for the Ministry to expand its operation and thereby gain the necessary experience to continue the program.

In working with the SSD on the design and planning of the program, the idea is to structure the improvements at a level where the costs are more affordable to the beneficiary and to institute a phased-in program of recovering costs. Over the long-run, services can be increased and the government budget allocation for shelter can reach a larger number of families and concentrate subsidies on the very poorest.

By providing continued support to the financing of home improvements through the credit union mechanism and extending the program to both urban and rural communities, the strategy under Phase II is to continue to foster greater initiatives by the private sector to improve Jamaica's overall shelter situation. If it can be clearly demonstrated that credit union members can utilize this program to upgrade their shelter and will repay the loans in a timely way, then there will be an increase in credit union membership and savings with an ultimate expansion in the number of home improvement loans. To the extent that the home improvement program through credit unions can be expanded, it will take some pressure off of the government for providing assistance to families which have this program available to them and allow the government to concentrate on squatter settlements improvement and reinstitute its efforts in tenement upgrading and sites and services.

In the broader context, AID, using the relationship it has and is developing with its HG program will work with the Minister in helping to finalize an overall comprehensive national housing policy and a settlement development strategy. This will seek to integrate more closely the efforts of other government institutions and programs, ensuring that they do not proceed as a series of uncoordinated projects and that they are developed within the context of established criteria.

To support this effort, AID is tentatively programming, \$10.0 million HGs each in FYs 1982 and 1983. Although the composition of these programs will begin to take shape after the updated Shelter Sector Assessment and overall urban review, they could include participation in such things as re-instituted sites and services and the urban upgrading programs, co-op housing and housing finance institutions.

### 3. Project Outputs

a. Squatter Settlements Improvement: Improvement of approximately fifteen squatter sites under Phase II at various locations in Jamaica will be financed by this component. The number of families per site will vary from approximately 50 to 500. The level of improvements per site will depend on needs at the site but will emphasize, as first priority, secure land tenure, with the minimum improvement related to that priority, i.e., surveying and grading. Additional improvements will include water, sewerage, drainage,

access roads and paths etc. and will depend on the cost recovery program adopted. It is anticipated that approximately US\$10.0 million will be allocated to this program with about 2,500 lots being upgraded at an approximate average cost of \$4,000 per lot.

b. Home Improvement: This component of the project will finance approximately 5,900 home improvement loans to members of credit unions throughout Jamaica which belong to the Jamaica Cooperative Credit Union League. It is anticipated that up to US\$5.0 million will be allocated to this program and that the average loan will be US \$1,000 (J\$1780) with the credit union putting up at least 15 percent.

c. Institutional: By the completion of the drawdown for Phase II, it is projected that the newly reorganized Sites and Services Division of the MOC will be fully staffed and with a body of experience gained through this project. It also is planned that the Ministry will have a new design/planning/monitoring unit to have the overall responsibility for planning, coordinating and monitoring all of the Ministry's housing programs. The Ministry has asked AID to help in the development of this unit.

The JCCUL will have developed the procedures and experience to effectively expand its assistance to its member credit unions. It is planned that the credit unions, with the expansion of their home improvement loan capacity under this program and the addition of new members and savings, will have gained the experience to continue to expand the program.

#### 4. Project Inputs

a. Housing Guaranty: The \$15.0 million of HG funding will provide approximately US\$10.0 million for the Squatter Settlements Improvement Program and US\$5.0 million for the Home Improvement Program.

b. Technical Assistance: The long term resident advisor provided under Phase I PRE/Housing OPG will be continued under Phase II working primarily with the MOC Sites and Services Division. Additional short and long term technical assistance and training will be provided including a resident Project Coordinator in the MOC. Short term technical assistance also will be provided. Grant assistance will be incrementally funded in FY 82 and FY 83.

c. Local Contribution: As in Phase I, the GOJ will provide the land and cover administrative costs for the squatter settlements improvement program. This contribution is estimated to be \$2.0 million. In addition, the individual credit unions will provide a minimum of 15 percent of the loan amount for the home improvement program.

d. Summary (US\$ 000,000):

	<u>HG</u>	<u>DG</u>	<u>GOJ</u>	<u>Credit Unions</u>	<u>Total</u>
Squatter Improvement	10.0	-	2.5	-	12.5
Home Improvement	5.0	-	-	.9	5.9
Technical Assistance	-	.5	-	-	.5
Total	15.0	.5	2.5	.9	18.9

5. Beneficiaries

The beneficiaries will be families living in squatter areas, who earn less than the median urban family income in Jamaica. The median family income for urban areas is approximately US\$281 (J\$500) per month as of June 1981.

For the home improvement loan program the same figures will be used and no loan will be made to a family exceeding these figures.

6. Issue and Constraints

The most recent evaluation identified a series of problem areas in Phase I which are dealt with in more detail in Section II.C.1. All will be addressed in Phase II. However, three of them are considered significant enough to merit special attention to ensure successful implementation.

The first issue concerns cost recovery and affordability. A firm recovery plan has not yet been instituted to cover lease assignments on the plots completed under the Phase I squatter settlements improvement program. The basic principles are agreed to, i.e., a 49 year lease with payments covering 40 percent of the capital costs, the remainder to be recovered as part of the user charges for utilities. However, a final determination of costs and the imposition of the user charges has not been made. Interest rates will be set at a level consistent with current government programs and policies and a phased-in approach leading toward greater cost recovery will be adopted under Phase II. Moreover, it is imperative that the new government adopt a plan as soon as possible (an illustrative approach is contained in Section VII) and a condition to this effect will be contained in the Implementation Agreement.

The two remaining issues concern land acquisition and tenure and the staffing of the implementing agencies,

In general, Jamaica's land tenure situation is complex, full of different historical precedents, conflicting claims, questionable titles and various rental and leasehold arrangements. It is within this context that settlements are identified or nominated, declared and acquired by government and then leased by individual occupants once settlement upgrading has been completed.

The current process involves several Ministries in multiple interactions that conclude with government purchase or long-term lease from the owner. Under the best of circumstances, the process is long and difficult, often delaying the upgrading process and indirectly increasing costs. The GOJ is continuing to improve the land acquisition process and will consolidate these responsibilities under the MOC in the future.

The expeditious development and implementation of Phase I was partly affected by the availability of competent and experienced staff. The new government has, in general, been hindered by a lack of experienced personnel, adequate budgets to fund positions and personnel turnover, shelter programs being no exception. The MOC has met with serious constraints in its search for senior, experienced professionals and asked AID to help out with short-term technical assistance. This is currently being done with a financial analyst now in Jamaica and a senior engineer to arrive shortly to assist on technical aspects. In addition, the Ministry plans to increase its efforts to locate and employ the staff it needs to implement the project. In the meantime AID grant funds will help to provide short-term assistance to advise existing staff.

As pointed out in the evaluation section, some of the credit unions need more experienced staff to handle an expanded home improvement loan program and will require additional TA from the JCCUL. The JCCUL will benefit from the continued inputs of a resident advisor financed under Phase II and such short-term assistance as is needed. With this help the credit unions should be able to handle the program.

#### D. RECOMMENDATIONS

Based on the findings set forth in this paper and experience to date with Phase I of the Urban and Rural Shelter Improvement Project, it is recommended that a Housing Guaranty and development assistance be approved as follows:

Housing Guaranty: \$15.0 million

Technical Assistance Development Grant: \$500,000.

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

## II. DETAILED PROJECT DESCRIPTION

### A. HOUSING SECTOR BACKGROUND

#### 1. Urbanization

Over the past 35 years Jamaica has experienced rural to urban migration on a massive scale. Between 1960 and 1970, Jamaica's overall population grew by 15.6 percent while the urban population increased by 43 percent. Although a population census has not been conducted since 1970, the available evidence suggests that this trend has continued up to the present. Between 1970 and 1980, according to the Department of Statistics, 72 percent of the country's growth occurred in urban areas.

In 1980 over 50 percent of the island's 2.2 million population lived in urban areas, according to official estimates. In contrast, only 22 percent of the population lived in urban areas in 1943, 30 percent in 1960.

While internal immigration is an important factor in the growth of Jamaica's cities, natural increase also plays an important role with an overall population growth rate in the country of 1.7 percent per year during the 1970-78 period.

A major feature of this rapid urbanization has been its concentration in the Kingston Metropolitan Area (KMA). By 1983 the population of the Kingston Metropolitan Area is expected to reach 830,000 or about 75 percent of the total urban population.

While the KMA continues to be the chief target of rural to urban migration, a number of regional centers have experienced growth due to migration. These include Montego Bay, Spanish Town, May Pen and Mandeville. Together they account for approximately 15 percent of the island's approximately 1,200 "towns".

#### 2. Housing Conditions

In 1977 the estimated requirement for new housing construction just to keep abreast of population growth was 20,000 units per year over the next 10 years. This estimate did not include elimination of the backlog of sub-standard dwellings.

During the 1971-77 six-year period, only about 32,000 units were completed, half by government, half by private developers. In recent years, however, due to a variety of reasons, private housing development has diminished considerably and government-sponsored development has increased. By 1978 the GOJ was developing at least 75 percent of new formal housing.

A 1977 Ministry of Housing survey revealed 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 percent of the urban population. A survey of five low-income areas (including two squatter settlements) in Kingston conducted in 1972 found that 6 percent of the buildings were in good conditions, 29 percent were fair, 58 percent were poor and 14 percent unfit for living. Since then, the quality of the housing stock has deteriorated even further, although no further statistics similar to the above are available. The steady decline of the Jamaican economy has led to widespread deferred maintenance, and relatively little new construction has taken place.

In general, the quality of the housing in the urban areas 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 central areas of the cities where the great majority rent units of one or more rooms within a small compound known as a yard.

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. In 1977 it was estimated that over 50,000 yards existed in the urban areas of Jamaica. At an average of three dwelling units per yard, it would mean that roughly 150,000 dwelling units were included in the yard areas at that time.

A typical dwelling is a room of approximately 30M<sup>2</sup>. 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.

A substantial portion of low-income families resides in squatter areas on captured land. 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<sup>2</sup>.

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

### 3. Projection of Needs

Little is available in the way of recent planning figures to set the framework of housing needs in the future other than those cited in the summary

section. Production in the 1970's however fell so much short of the estimate of needs for that period that any current projection of needs would be substantially increased. The figure cited in the summary--about 20,000 new units per year over the 1980-90 decade to keep pace with population increase and meet the backlog--appears reasonable. In addition, maximum use of programs for tenement upgrading, squatter settlements improvements and home improvements will have to be made to keep existing marginal housing stock from deteriorating further.

AID also will be undertaking a Shelter Sector Assessment update to provide a better framework for the housing policy work and program planning which will be assisted by AID. These efforts will provide a better assessment of overall housing needs.

## B. GOJ SHELTER POLICIES, PROGRAMS AND INSTITUTIONS

### 1. Policies and Programs

The GOJ shelter policy is not yet fully developed and will not be complete for several months. However, the GOJ is determined to present a comprehensive statement of goals and objectives that is based on an accurate assessment of constraints and realistic solutions. AID already has provided some policy advice at the request of the GOJ and has been asked for additional assistance in this regard as well as to provide assistance in the development of an overall shelter sector assessment.

Although the comprehensive shelter policy has not yet been developed, there are several clear goals that the GOJ is pursuing. Under the former administration, new attempts were made to provide affordable housing and basic services for low income people. Announced policy goals included preservation of existing housing stock to the maximum, avoidance of demolition and improvement of yards (tenement areas). The AID-funded squatter settlement improvement projects and the IBRD-funded sites and services projects demonstrated fewer alternatives for low income facilities than previous efforts.

These projects, however, also revealed implementation constraints, (e.g., land acquisition, project supervision and lack of interagency cooperation) which are being examined by the GOJ as part of its assessment and evaluation effort. There is, for instance, a 1977 Community Amenities Act which empowers government to negotiate acquisition of private lands. The procedures, however, tend to be cumbersome. Among other things it is often difficult to trace the title or identify the owner. The serviced sites and squatter settlement improvement programs, with modifications, remain essential elements of the current Government's shelter plans. Modifications in the settlement improvement program include more appropriate site selection, more discriminating provision of services and infrastructure based on site assessments and reorganization of the Ministry of Construction's Sites and Services Division. Sites and services projects will most likely include serviced plots and serviced plots with one habitable room, although the specific features of the program are being deferred until present projects can be consolidated and occupied.

Another specific area of policy emphasis is the upgrading of regional centers and smaller towns to strengthen their role in the urban hierarchy. The present Government has proposed a program to improve the quality of rural life and enhance the economic viability of secondary and small towns by extending urban services (electricity, water, public transport, health, education and recreational facilities) to 120 towns over the next twenty years. This represents a departure from past efforts which have been characterized by the scattered provision of services which has led to a kind of rural sprawl, greatly increasing the cost of infrastructure and inhibiting the development of economically viable small towns. Preliminary plans call for improved infrastructure and shelter and new employment opportunities. In addition, the MOC will streamline its management and planning responsibilities and attempt to allocate the bulk of construction activities to the private sector.

Generally, the Ministry appears committed to the development of a policy which pursues a range of shelter solutions based on private sector involvement, sound management and reduced subsidies. The overall economic decline of recent years, ever spiraling construction costs and the lack of experienced manpower present great obstacles. It is, in fact, the recognition of the degree of the problem which is inhibiting policy clarification.

In adopting a policy which recognizes the important role of squatter settlements, the GOJ hopes to rationalize the spatial development pattern and the delivery of services in order to raise the standard of living of large numbers of poor people. The squatter settlement improvement program is one part of a broader GOJ effort which attempts, with a minimum of government assistance, to increase opportunities for the poor to gain title to property and to find shelter that is within the range of their abilities to pay. In order to achieve these objectives, the GOJ will utilize serviced plots, squatter settlement upgrading and various minimum shelter solutions.

## 2. Institutions

a. General: Several ministries as well as parastatal agencies, quasi-government bodies and private institutions are responsible for shelter, or infrastructure related to shelter. Phase II will deal primarily with two of these organizations, the Ministry of Construction (MOC) and the private Jamaica Cooperative Credit Union League (JCCUL) and they are described in more detail in the Institutional Analysis, Section III. However, it is useful to briefly describe the overall institutional context of shelter sector activities in Jamaica and the re-emphasis of the Jamaica Mortgage Bank on secondary market operations and provision of mortgage insurance rather than its role as a primary mortgage lender.

### b. Government Ministries

(1) Ministry of Construction (MOC): The MOC was created in 1979 by combining the Ministry of Housing and the Ministry of Public Works although these two elements continue to operate more or less separately. The Ministry

is the largest government housing developer and has the primary responsibility for the majority of housing programs.

Until the World Bank's sites and service program authorized in 1974, most public housing involved completed units supposedly aimed at low income families and at a subsidized basis. Funding for these projects was to come from the Housing Fund, a statutory fund generating resources from the sale or rental of Ministry-built housing. In fact, 1975-76 data, the latest figures available, indicated that only some 8 percent of the Ministry's programs were financed from the Fund, the rest coming from general revenues. More recently, the Ministry's programs have been essentially reduced to those being financed by AID and the World Bank.

In addition to the World Bank's Sites and Services Program, which is finally in the process of being completed, Phase I of the HG provided funds for the Squatter Settlement Improvement Program and the aborted urban (tenement) upgrading program (see Section II.C.1. - Evaluation) originally in the Ministry of Local Government but transferred to the MOC. The Ministry also had a pilot project for resettling indigent families.

The Ministry will continue both its Sites and Services Program as the World Bank project comes to a close and the Squatter Improvement Program, and may re-institute the urban upgrading program. A more detailed treatment of the Ministry's reorganization efforts to cope with its existing and proposed programs is contained in Section III.

(2) Ministry of Local Government (MLG): The MLG was originally responsible for executing the Urban Upgrading Project but eventually gave up its responsibility to the MOC. It was also originally a joint sponsor with the MOC of the indigent housing scheme but the program has not expanded. Thus, the MLG, at the moment, is not a major factor in housing.

c. Government-Owned Entities

(1) National Housing Trust (NHT): The NHT was established in 1976. It raises its funds through a 3 percent employer tax on wages and a 2 percent contribution on wages by employees earning above some minimal level per week. The latter contribution is withheld and paid to the government by the employer and is refundable after seven years at an interest rate of 1 percent below the lowest NHT rate.

The funds are used to finance home improvement loans or mortgages for the acquisition or construction of homes. Loans are available at up to 10 times a borrower's income and repayment is at 20 percent of income. The interest rate varies with the amount borrowed and the term will thus be a function of the amount borrowed and the borrower's income.

The NHT administers about half of the annual flow of resources into housing and, therefore, its policies and programs are of great significance in structuring a new national housing policy.

(2) National Housing Corporation (NHC): The NHC is a government owned corporation under the overall responsibility of the MOC. It produces completed housing units for a higher income group than MOC programs in general. It has obtained funds from foreign and domestic commercial banks, the Commonwealth Development Corporation (CDC) and the JMB and attempts to make a profit on most of its projects. It has, however, incurred sizeable losses in recent years.

(3) The Urban Development Corporation (UDC): The UDC is a government corporation which was established in 1968 to undertake urban development projects that are too large or complex for the private sector to handle. Although the UDC has constructed some "low income" completed housing units, its major efforts have been toward land development and reclamation and basic primary infrastructure tied into tourism, commercial facilities and hotels.

(4) Jamaica Mortgage Bank (JMB): The JMB was established in 1971 with the assistance of AID. It is wholly owned by the Government and under the responsibility of the MOF.

The JMB was originally intended to provide a secondary mortgage market function and to perform as a mortgage insurer. Patterned somewhat after the U.S.'s Fannie Mae, the bank became an active primary lender with the proceeds of an AID \$10.0 million Development Loan. In addition to AID and the GOJ, the JMB has obtained considerable credit through the Jamaica National Investment Co., the CDC and the Caribbean Development Bank.

The Bank has operated at higher income levels (although Phase I of the HG is administered by JMB) and there has been some recent discussion that it would begin to concentrate more on a secondary market operations and insurance.

(5) Sugar Industry Housing Ltd. (SIHL): The SIHL began operations in 1976 as a wholly owned government corporation affiliated with the Sugar Industry Authority under the Ministry of Agriculture. It provides financing for housing, either new units or home improvements and for upgrading the infrastructure in specific areas.

c. Infrastructure: Three major agencies are responsible for water supply: the National Water Authority, a statutory corporation under the MLG which carries out the planning and development of water supplies for the rural parishes who in turn have the responsibility for improvements and extension; the Water Commission which produces and distributes water from the city of Kingston and urbanized St. Andrews; and the Kingston and St. Andrews Corp. which handles the rest of the Kingston/St. Andrews area.

Government agencies acting as developers, e.g., the MOC, and private developers must pay the cost of extending water transmission mains to project sites as well as site distribution. Thus, major infrastructure costs are often charged against projects even though situations arise where other projects eventually derive benefits. This has a major impact on attempts to

lower plot costs to an affordable level in low income projects. The same three agencies are responsible for sewerage although only Montego Bay and portions of Kingston are on central sewerage systems.

d. Other Financial Institutions:

(1) Building Societies: The 6 building societies in Jamaica with 29 branches, about half located in the Kingston area, constituted the largest supply of mortgage finance up until 1977 when the NHT assumed that role. More than 90 percent of their financing goes for residential units.

Through 1977 the assets of the societies had increased by an average of about 21 percent per year from 1970 due to certain tax incentives to savers to a total of J\$185.7 million. Since 1977, activity, along with the Jamaican economy in general, has trailed off significantly. Interest rates on mortgages are currently 13-14 percent. Savings accounts pay 9 percent with large one year deposits earning from 10 to 10 1/2 percent.

(2) Jamaica Cooperative Credit Union League (JCCUL) and Credit Unions: JCCUL is the trade association for the 96 credit unions in Jamaica totalling about 192,000 members, up from about 142,000 at the end of 1978. The total savings at the end of 1980 were J\$138 million. Most of the credit union funds go to finance consumer items.

There is, however, increasing interest in expanding their mortgage and home improvement operations. Demand far exceeds available funds for mortgages which are now limited to J\$20,000 per loan.

More details on the operation of the JCCUL and the credit unions relative to Phases I and II are contained in Section III, Institutional Analysis.

(3) Others: Life insurance companies are the largest non-bank financial intermediaries which make mortgage loans. Their activity in recent years amounted to about 10 percent of total mortgages.

Jamaica also has five merchant or investment banks whose mortgage activity amounts to about 5 percent of the total. In addition, seven trust companies operate in Jamaica, most affiliated with commercial banks. Mortgage loans made by these companies constitute about 7 percent of the total.

C. AID PROGRAM STRATEGY

1. Phase I Evaluation

a. General: Under Phase I of this program, AID entered into agreements with the borrower, the Jamaica Mortgage Bank (JMB), and the implementing institutions, the Ministry of Finance (MOF), Ministry of Housing (MOH)--which was later reorganized as the Ministry of Construction (MOL), Ministry of Local Government (MLG), and the Jamaica Cooperative Credit Union League Limited (JCCUL). The US\$15.0 million loan was made by the Federal Home Loan Bank of

New York. The loan is financing two of the three intended sub-projects-- Squatter Settlement Improvement and the Credit Union Home Improvement loans. The third and originally the largest sub-project, Urban Tenement Upgrading, was discontinued in 1980 with funds reallocated to the Squatter Settlement Improvement Project.

The Implementation Agreement was signed on February 23, 1978. By late 1978 the conditions precedent to disbursement were satisfied and US\$5.0 million was advanced to the JMB. Other disbursements were for US\$1.0 million in September 1979, US\$2.0 million in March 1980, and US\$2.0 million in December 1980. The remaining US\$5.0 million was deposited in an escrow account in December 1980, pending final disbursement.

An initial evaluation was made of the project in August 1979. The report showed that overall implementation progress was fair and identified a number of problems and constraints for which a series of actions were proposed. The evaluation indicated that although the three-element demonstration project was moving slowly, at least two of the three sub-projects could accelerate their implementation schedule with the recommended adjustments.

It was possible, however, to anticipate the abnormal and extraordinary conditions which plagued Jamaica during the following year. The year prior to the general election of October 1980 was marked by hurricane-caused floods, a continued severe economic decline, increased social tension and escalating political violence as the election approached. Two of the three sub-projects were particularly sensitive to the strains and tensions created in the society at large. By their very nature, the Urban Upgrading and Squatter Settlement Improvement projects dealt with high density low income sites which became particularly vulnerable to political and criminal intimidation. All three projects experienced problems whose origin and solutions were external to project remedies.

The post election period has seen an improvement in the overall political and social environment and some improvement of the economy. However, the new Government, hindered by a lack of experienced personnel, severe budget problems and personnel turnover, has moved cautiously with institutional, management and staffing changes.

All of the project coordinating and executing institutions were affected by both pre- and post-election actions. There have been major changes in senior staff positions in the Ministry of Construction and the Sites and Services Division. Generally, the shortage of experienced personnel for key management positions has overburdened the "acting" managers, creating a slow decision making system. It is in these general circumstances which the HG program operated over the past two years. Brief descriptions of the sub-projects follow.

b. Urban (Tenement Yard) Upgrading: The Urban Upgrading sub-project was discontinued in 1980 after considerable effort under difficult circumstances had produced negligible results. Of the proposed \$10.0 million sub-project budget, only \$200,000 was disbursed. The balance of the funds were

reallocated to the Squatter Settlement Improvement sub-project. The project objectives were not achieved, but some lessons were learned.

The project was intended to upgrade some tenement areas of Jamaica, primarily located in Kingston and described in Section II.A. above, through repairs and upgrading of the buildings, the infrastructure, the common outdoor living areas and selected demolition of clearly unsound buildings. As such, it represented an ambitious attempt to improve the social, economic and physical conditions in some of Jamaica's most depressed areas. Unfortunately, the project was beset by conceptual, management and implementation difficulties which were compounded by the deterioration in the overall Jamaican situation.

Essentially, the project was not able to overcome one of the basic problems surrounding efforts of this nature, i.e., preservation and rehabilitation vs. demolition and replacement. The need also was there to include some aspect in the project which could immediately demonstrate to the people that their situation would improve.

Management problems growing out of the above conceptual difficulties plagued the project. This resulted ultimately in the transfer of the project management from the MLG to the MOC but the difficulties were never resolved. Another problem related to the fact that most tenement occupants are renters and agreement was never fully reached over the specific rights and responsibilities of the tenants and landlords.

However, the GOJ has expressed strong interest in obtaining AID assistance for a new multifaceted urban and shelter development effort that could include some concepts and elements of this sub-project. Both the GOJ and the USAID have agreed that the first step will be a further examination of the old sub-project as a part of overall feasibility and design studies.

c. Squatter Settlement Improvements (SSI): This sub-project was originally allocated \$2.5 million in Phase I to provide for the following elements in two or three squatter areas over a 30 month period: (a) provision for legal recognition (land tenure) through long-term lease arrangements (49 years); (b) preparation of a balanced lot scheme for the physical arrangement of residences; and (c) installation of basic utilities and services including water supply, sewerage, drainage, roads and footpaths and electricity. The GOJ contribution of land, administrative costs and community facilities was valued at \$2.0 million. It is being implemented by the Sites and Services Division (SSD) of the Ministry of Construction (originally the Ministry of Housing).

The scope of this sub-project was substantially expanded as a result of the reallocation of the \$10.0 million earmarked for Urban Upgrading bringing the total to \$12.5 million. The number of sites was increased to twelve with physical work now 100 percent completed on one site, 80 percent on two, 60 percent on four, 30 percent on three and just underway on two.

Given the conditions in Jamaica since the project was authorized and its substantial expansion, progress has been satisfactory. Nevertheless, there are a number of areas where shortcomings were identified and improvements need to be made in Phase II. First, the lack of sufficient skilled and experienced staff has hindered the project from the beginning. The SSD is undergoing some reorganization (see Section III) which will result in improvements. However, staff recruitment remains a problem and must be addressed as a high priority. Substantial technical assistance must continue.

A workable cost recovery plan has not been formulated. As the Ministry prepares to assign leases for the first completed sub-projects this item becomes crucial. Only the general principles have been established; 40 percent of costs are to be recovered through the leasehold payments and the remainder through user charges for the utilities. A condition precedent to disbursement for Phase II requires that leaseholds be signed for the sites completed under Phase I.

Related to the above is the question of affordability. The program deals with squatters already on site. If cost recovery is to occur, then special consideration needs to be given to further reductions in the cost per plot in order to maintain the level of subsidy within the financial capability of the Government. Other problem areas that need to be addressed are those of land acquisition (tenure), selection of sites based on some specific criteria and the tightening up of the contracting process.

d. Home Improvement: This sub-project was allocated \$2.5 million in Phase I, originally to finance home improvements for credit union members below the median family income in "rural" areas. Because of difficulties in establishing what constitutes "rural" area membership, the eligible beneficiaries were ultimately expanded in late 1979 to include all members of credit unions whose incomes fell below the median income level.

The funds flow through the Jamaica Cooperative Credit Union League (JCCUL) to its member credit unions located throughout Jamaica, for example. The Jamaica Mortgage Bank on-lends to the JCCUL which in turn on-lends to the credit unions. The credit unions make home improvement loans to their members, providing 15 percent of each loan from their own funds.

The JCCUL provides for administrative and staff costs associated with the on-lending activity, monitoring, promotion and education efforts. AID has provided for a limited amount of technical assistance which has been beneficially utilized in the promotional campaigns, improved analysis of loan applications, better evaluation techniques and improved loan management and servicing. More recent efforts have taken a broader look at an expanded role for credit unions in home improvement loans and mortgages.

The project's progress has been reasonable. A little over \$1.5 million of the \$2.5 million had been disbursed by July 1981 for some 4,000 sub-loans. Several problems have been identified, however, and these will be addressed in Phase II.

First, JCCUL has not received any spread to date for its role in the project despite obvious incurrence of costs. The initial thinking was that this would be a service to members. However, if JCCUL is to play a positive and significant role as the project proceeds into Phase II it should receive a spread on the on-lending (from JMB and, in Phase II, the MOF) to the credit unions. This was recommended in the first (1979) evaluation and negotiations were recently completed to give the JCCUL a spread.

Some of the credit unions participating in Phase I and others who have indicated their desire to participate lack the capacity to manage such loans economically and effectively. This lack of management skill and experience has been reflected, in some cases, in inadequate demand, poor processing and servicing practices and underutilization of available resources.

In the remainder of Phase I and in Phase II JCCUL should tighten up its criteria for recipient credit unions and provide additional technical assistance as part of the program. The latter will, in turn, depend on a sustained AID T.A. input.

## 2. Project Goal and Purpose

a. Goal: The goal of this project is to improve the overall quality of life of poor families in Jamaica by improving the conditions of the shelter in which they live.

b. Project Purpose: To assist the GOJ and the Jamaican private sector to develop the institutional, financial planning implementation framework necessary to provide adequate shelter and related services in the country's urban and rural areas for families with low incomes. The project will finance a range of infrastructure improvements and services for qualified persons living in squatter settlements. It also will finance home improvements for credit union members throughout Jamaica.

The objective of Phase II will be to continue the successful elements of Phase I, i.e., the squatter settlements improvement program and the home improvement loan program.

## 3. Sub-Project Objectives

a. Squatter Settlements Improvement Sub-Project: Squatter settlements represent a significant part of Jamaica's urban growth process. In 1979, 74 percent of the population of the Kingston Metropolitan Area lived in inner-city tenements or squatter communities. It was projected that approximately 22,000 new units per year were needed to meet the needs of new households and reduce the housing backlog. However, average production of units and serviced sites was only 5,000 per year in the 1970s, so the overall situation worsened considerably. Given the existing backlog in residential construction and the rapid escalation of building costs, the only alternative available for a large proportion of urban households is to find accommodations in already overcrowded and inadequately serviced squatter settlements or in new squatter communities.

The GOJ has acquired experience with low income shelter solutions as a result of having carried out World Bank projects as well as under Phase I of this project. A program of continued upgrading of squatter settlements is of critical importance to Jamaica's short-term and long-term shelter service delivery objectives.

b. Home Improvement Sub-Project: The GOJ is committed to private sector involvement in housing, reduced subsidies and adequate shelter for all citizens. In support of these commitments and in recognition of the need to upgrade and prevent further deterioration of the existing housing stock, this sub-project was designed to make financing available for home improvements throughout Jamaica. Participants in this sub-project must belong to one of the member organizations of the Jamaica Cooperative Credit Union League. Home improvement loans under this sub-project will be restricted to members whose incomes place them at the lower end of the income scale within the credit union movement.

#### 4. Relation to CDSS

The continued rapid growth of Kingston and other urban centers is placing significant new burdens on urban services and housing institutions. The ability of these institutions to respond effectively is severely hampered by staff shortages (especially managerial staff), fragmentation of authority, poor coordination and inadequate budget support. Delivery of public services is further hampered by an eroding tax base, poor cost recovery on development projects and severe tax administration problems. In addition, the present system for land acquisition, zoning, surveying and registration are serious constraints to the rapid and economical urbanization of lands.

USAID efforts to address the problems of housing and urban development in the recent past have been focused on the \$15.0 million Housing Guaranty which, as described, has dealt primarily with home improvements provided through island-wide credit unions and squatter settlements improvements. Although the urban (tenement) upgrading scheme was not successful for reasons previously mentioned, there is interest in reviving the basic concepts of the scheme in a much needed urban revitalization program.

The present government's plans in the housing and urban development field call for the provision of improved services and infrastructure for towns located throughout the island in an effort to bring about a more balanced spatial distribution of settlements and in order to reduce rural to urban migration. In the past, scattered provision of scarce resources in several hundred rural settlements has produced an "urban sprawl" that, in addition to being extremely costly, has undercut the development of towns that already have a full range of public and business functions. Nevertheless, because of the importance attached to balanced development in Jamaica, the Mission will continue to work with with Government as the "rural towns" program evolves, probably focusing on selected settlements which hold the greatest promise of becoming true strategic service centers.

In addition to HG support to continue the existing programs and new efforts to help develop and support a national housing policy and strategy

aimed at meeting the demand in excess of 20,000 shelter units per annum, future AID efforts will utilize a multi-faceted approach in dealing with the problems of urban decay and inadequate housing. Such an approach would make maximum feasible use of private sector initiatives and funds. Peace Corps volunteer and community organizations could be used in a variety of different roles. The Mission intends to develop an urban program using HG resources, new concessional funds, and the integration and coordination of existing and anticipated AID projects.

In order to maximize the impact of assistance, the urban program will initially be limited to relatively small areas in two or three locations at least one of which will be in Kingston. Some program activities may have considerable impact outside the target area, e.g., improved tax administration and land registration practices while other activities may serve as pilot efforts. Major components of the new program may include:

- Assistance to small scale enterprises (creation of new business and upgrading of existing enterprises).
- Improved health services including environmental sanitation and family planning.
- Skills training for unemployed youths.
- Promotion of private investment through the provision of risk guarantees.
- Workshops with GOJ officials and private sector representatives to discuss building standards, codes and policies.

And technical assistance in areas such as:

- Housing finance;
- Tax administration, land valuation and records;
- Review of alternative policies and incentives to promote new investment;
- Assistance to key building materials industries (such as cement) to relieve constraints;
- Exploration and expansion of use of indigenous building materials, reduction in building standards;
- Short term training programs for government officials in such areas as construction management, housing finance, contract supervision, and
- Short term technical assistance in NHT and Jamaica Cooperative Credit Union League in program planning, project design, monitoring and implementation.

The USAID program already includes future provisions for vocational skills training, management training, small business development and a wide range of technical assistance services. Better coordination and targeting within USAID/Jamaica, in some instances, is all that would be required to achieve the objectives of the integrated urban development program. In other cases additional funds will be provided to expand existing programs so as to encompass the target area. Certain components do not fall within any existing program areas and would have to be specially funded.

#### D. COORDINATION WITH OTHER DONORS

Involvement by other donors in the shelter sector in Jamaica has been limited except for the World Bank. With a recognition that the shelter needs of low-income families needed to be addressed with a specific program, the GOJ, in conjunction with the World Bank, launched a major sites and services program in 1974 to which the Bank provided funding of \$13.8 million. The project has also gone extremely slowly and the final sub-projects are just now reaching completion.

The UN funded the preparation of a National Physical Plan in 1966 which included an attempt to define an urban structure and growth policy based on the concept of decentralized employment centers and upgrading of community services in existing population centers throughout the island. Although never formally approved, the Plan still represents a model and point of departure for current thinking.

In addition, the Dutch Government contributed to the funding of the Pilot Kingston Upgrading Project and the Commonwealth Development Corporation (British) and the Caribbean Development Bank made financing available to the Jamaica Mortgage Bank. The CDB also purchased mortgages from the JMB.

While there has been no formal effort to coordinate programs by the donors (mostly due to the limited and sporadic nature of the involvement) in shelter, AID has kept in touch with the other efforts and exchanged views and experiences, particularly with the World Bank.

#### E. PROJECT OUTPUTS

##### 1. Physical

The squatter settlements improvement program will involve the upgrading of existing squatter areas through provision of minimal services and utilities for plotted areas. The level of improvements needed to bring a given area up to a basic standard will vary from site to site depending on the existing condition of the site but will start from a minimum of surveying and grading up to provision of water supply, sewerage, drainage, roads, footpaths and electricity. In some cases community facilities will be provided.

Approximately fifteen sites at various locations in Jamaica will be selected. Each site will have from 50 to 500 families and included as part of

the project will be the preparation of a balanced lot scheme on each site. The intent is to hold the improvements to an average of J\$7120 (US\$4,000) per lot which would result in 2,500 lots being improved with the US\$10.0 million allocated to this program.

Based on the experience gained in Phase I, it is assumed that the average loan under the home improvement program will be J\$1780 (US\$1,000). This would result in 5,900 loans for the \$5.0 million HG allocation with the credit unions putting up a minimum 15 percent of the loan.

## 2. Institutional

By the completion of the drawdown for Phase II it is projected that the newly reorganized Sites and Services Division of the Ministry of Construction will be fully staffed and with a body of experience gained through this project. It is also planned that the Ministry will have a new design/planning/monitoring unit to have the overall responsibility of planning for, coordinating and monitoring all of the Ministry's housing programs. The Ministry has asked AID to help in the development of this unit.

It is planned that the credit unions, with the expansion of their home improvement loan capacity under this program and the addition of new members and savings will have gained the experience to continue to expand the program.

The JCCUL will have developed the procedures and experience to effectively expand its assistance to its member credit unions.

## 3. Indirect

There will be several indirect and non-quantifiable outputs flowing from the project.

First, with the relationships established in completing Phase I and in Phase II with the new government, assistance will be provided in completing work on a new comprehensive national housing policy and a national settlement strategy, as well as an updated Shelter Sector Assessment.

Central to the development of long range plans to meet Jamaica's needs through both public and private sectors is a clearer definition of cost recovery strategies, including interest rates. Interest rates are presently maintained at an artificially low level ranging from 3 to 8 percent. The need to raise the rates to more closely reflect the cost of money is recognized by the GOJ. The Office of Housing appreciates the complex social and political implications of Jamaica's interest rate practices and will undertake a full scale study before the implementation of Phase II. Currently a preliminary analysis is underway.

Another indirect benefit will be the employment created by \$10.0 million worth of work on the infrastructure going into the squatter settlements upgrading program.

F. PROJECT INPUTS

1. Capital

A \$15.0 million Housing Guaranty loan is proposed as the U.S. contribution to the capital costs of Phase II of the Urban and Rural Shelter Improvement Project. The GOJ will contribute an estimated US\$2.5 million to the squatter settlements improvement sub-project through land and administrative costs. The credit unions will put up a minimum of 15 percent of the total loans made under the home improvements loan program.

Distribution of capital costs is as follows:

<u>Sub-Project</u>	US\$(000,000)			<u>TOTAL</u>
	<u>AID</u>	<u>GOJ</u>	<u>CREDIT UNION</u>	
Squatter Settlements	10.0	2.5	--	12.5
Home Improvements	5.0	--	.9	5.9
Total	15.0	2.5	.9	18.4

2. Technical Assistance

A \$500,000 Development Assistance grant has been proposed for the provision of technical support and training to improve the planning, coordination and implementation capacities of those GOJ and private sector institutions responsible for the relevant urban and shelter activities. Much of this technical assistance will be centered on project (HG-011) management, training, implementation, with particular focus on the newly reorganized SSD in the squatter settlement improvement program, other selected organizational units within the GOJ and on assistance to the JCCUL and some of the individual credit unions.

To carry out the above, assistance of 3 types is needed (1) resident contract technician(s); (2) short term consultants and special studies; and (3) training. It is planned to have either one resident technician for three years supplemented by specific short term consultants or one resident for two years and one for one year with a smaller amount of short term consultancies. A final decision will be made after discussions with the GOJ. The budget will remain the same.

a. Resident Technician(s): Housing Generalist to be assigned as Project Coordinator in either the MOC or MOF. This technician would assist with overall project coordination and management, establishing procedures and processes within the borrowing and implementing agencies that provide for prompt project execution, regular disbursements and adequate monitoring and financial control. Though the primary responsibility of this position is to coordinate project implementation, the coordinator would also assist the GOJ (MOC, etc.) and JCCUL with shelter-related management organization and with

functional and procedural clarification. In addition, he would assist with the definition of additional studies and consultancies in such areas as cost recovery, housing finance, tenure, site planning, etc. A decision may be taken to provide two residents for the tasks above in which case, dependent on their skills and experience, there would be a reduction in short term assistance.

b. Short-term Consultants and Special Studies: These consultants will provide inputs in areas requiring specific technical analysis and/or studies. Their efforts may include, but not be limited to: (1) a study of the housing finance system particularly focusing on analysis and recommendations related to the regular mobilization of private and public financing for lower income shelter and services--the study would include the matter of interest rates and subsidies and their role in public housing finance; (2) assistance in establishing effective cost recovery mechanisms; and (3) assistance with specific GOJ shelter management constraints; and (4) assistance with establishment of an evaluation and monitoring system.

c. Training: Given the lack of experienced and trained personnel, particularly in the public sector, there is a demonstrated need for specific short term in-service and external training at middle and senior staff levels in the shelter institutions. Jamaica has had some participation in the AID PRE/Housing Shelter Training Workshop for senior professionals, and continued annual participation by a limited number of private and public personnel would represent a key component of the training elements of AID's strategy. A second component would be several two week mini-courses/workshops on shelter development to reach 12-15 working level staff of the various shelter and shelter-related agencies. The third component is short courses in housing finance and financial management in the U.S. for selected Jamaicans.

### 3. Illustrative Budget

-- 3 years resident technician	\$310,000
-- Short term consultancy and special studies--10 person months	110,000
-- Training (excluding long term U.S. study)	<u>80,000</u>
	\$500,000

PRE/Housing and Mission funds are currently providing technical assistance to strengthen Phase I implementation capacity which will impact on Phase II. This includes:

- a 30 day finance and accounting consultant to the MOC (work underway). PRE/Housing funded.
- a 30 day senior engineer consultancy to the SSD to assist with operations management reorganization (September 1981). PRE/Housing funded.

- a two week preliminary policy input to the MOC (work completed). PRE/Housing funded.
- Housing Policy, National Settlement Strategy and Shelter Sector Assessment work (September-November, 1981). PRE/Housing and Mission funded.

PRE/H and Mission funds will provide future technical assistance through a separate, full-scale recovery study, including the interest rate structure, prior to the disbursement of Phase II funds.

#### G. FINANCIAL EFFECTS ON SUB-PROJECT BENEFICIARIES

The target population for both sub-projects is defined as families whose incomes fall below the median income as defined by the Jamaican Mortgage Bank and the U.S. Embassy. No official GOJ measure of household income in Jamaica has been carried out since 1968. According to the JMB/Embassy information, a reasonable estimate for median household income for urban areas is US\$3,370 (J\$6000) per year.

Both sub-projects have been planned in such a way as to ensure that the costs of infrastructure to improve squatter settlements and the home improvement loans will be appropriate to families whose incomes fall below the median income level. As discussed earlier, the level of upgrading undertaken in the squatter settlement improvement sub-project will be determined on a site by site basis and will be based, in part, upon the ability of recipient households to pay for such improvements and on the cost recovery program adopted by the government.

Home improvement loans will be based on a maximum payment of 20 percent of the annual income of beneficiaries. Loans for home improvement are expected to average US\$1,000 (J\$1780). Assuming a repayment period of 5 years and an interest rate of 12 percent, the annual loan repayment costs would be US\$278 (J\$494) per household. On the basis of a maximum payment of 20 percent of family income, this means that an annual family income of only US\$1,390 (J\$2470), considerably below the median income, would be required to borrow US\$1,000 (J\$1780) for a home improvement loan.

### III. INSTITUTIONAL ANALYSIS

#### A. GENERAL

As described earlier, this project focusses on institutional development as its priority recognizing that the concepts and programs being considered and undertaken by the GOJ and, in particular, those supported with HG financing, will go nowhere unless the institutional base is there to plan and implement these programs. This is self-evident at present as the GOJ begins to emerge from the pre-election chaos that enveloped the country including its housing organizations as pointed out in Section II.C.1. above on the evaluation of Phase I. The October 1980 election has produced continuing changes in government policy, institutions and personnel which are aimed at improving management and implementation performance and this includes housing. However, the general lack of experienced personnel has slowed this process of change.

One area of weakness in Phase I and identified in the evaluations was the formal borrower in the project and the need for a central coordinating role in government. In Phase I the Jamaica Mortgage Bank (JMB) acted as borrower and assumed financial responsibility for the program. However, JMB, even though it is government created and regulated, is not a direct agency of government but acts primarily as a private institution. As such, it has no direct control over any government agency or other private institution.

Thus, although the JMB has more recently exercised a stronger role as the "borrower" under Phase I as recommended in the first (1979) evaluation, it is ultimately dependent on the good will, commitment and ability of the MOC and the JCCUL to move the program. In Phase II it is proposed to have the Ministry of Finance be the borrower and to have a Project Coordinator located in the MOF or the MOC for overall coordination of the program. The MOF and the Project Coordinator will, however, use similar procedures to those developed by the JMB in Phase I.

From the more general institutional standpoint one other aspect bears mentioning. Under Phase I, the Ministry of Local Government (MLG) had responsibility for the Urban (Tenement) Upgrading component which it carried out through the National Urban Upgrading Unit (NUUU). That unit was ultimately absorbed by the Ministry of Construction when the program was transferred. However, also under the aegis of the MLG at that time was an Urban Upgrading Advisory Committee (UAC) to coordinate the various interests involved in that program. There appears to be a real need for some type of government oversight committee covering its various shelter and urban upgrading programs, particularly in view of the still-being formulated shelter policy and the broader urban programs the government is contemplating (and to which AID might provide assistance - see Section in CDSS). The Mission/RHUDO will encourage the establishment of such a committee as part of Phase II with the MOF as borrower.

## B. MINISTRY OF CONSTRUCTION (HOUSING)

Subsequent to the authorization of Phase I the Ministry of Housing and the Ministry of Public Works were combined into a new Ministry of Construction. Organizationally the Ministry is still composed of its two parts each with a Permanent Secretary.

Responsibility for the Squatter Settlements Improvement Program in Phase I was under this Ministry's Sites and Services Division (SSD) and ultimately the Urban (Tenement) Upgrading Program along with the personnel of the NUUU who administered it, moved into this division. Responsibility for implementation of the World Bank's large sites and services program also rested with the SSD. The MOC, and particularly its SSD, has been affected by the broad government changes but has also been subject to substantial staff attrition over the past year. With the stabilization of the general environment, work should now be able to accelerate on shelter projects but staff vacancies and the inexperience of new employees have slowed the process. Low wages have hampered recruitment of experienced staff.

The MOC is in the process of finalizing a new organization structure for the SSD. (See Annex F for organization chart). The Division will have a director and two operating components, Operations and Finance, the latter including administrative functions. In addition to the manager, the Operations senior staff will have several engineers and a cost estimator. Finance will be headed by a Controller.

As now contemplated, the SSD will be responsible for implementation and control of the Squatter Settlements Improvement Program only (the name will be changed to reflect this). Each engineer will have full responsibility for a group of sites. Site design and planning will be the responsibility of a Project Design and Monitoring Unit in the Ministry which will be a multi-disciplinary group handling planning, design and monitoring. Community development research and studies necessary to support program planning and implementation will be done by the Ministry's new Community Development Division, also just formed.

In addition to the technical aspects of design and implementation, the assignment of leases and the servicing of loans (processing and collections) is assigned to the SSD for the Squatter Settlements Improvement Program. Although the initial sub-projects under Phase I are now ready for servicing, the arrangements have not yet been concluded. One possibility is to shift loan servicing to a financial institution at some future time.

The financial and administrative function also includes the preparation and submission of vouchers to the JMB under Phase I. To date the process has been fragmented, slow and error prone, leading to returned submissions, late payments and problems with contractors.

The Ministry has indicated that recruitment of senior experienced personnel is proceeding slowly. In order to keep the momentum going, to conclude Phase I rapidly, and to get off to a good start on Phase II, additional technical assistance specifically to help with the reorganization and to expedite project work is needed.

The current resident technical advisor will be assigned to the SSD. Short-term advisors are being sent to work with the Operations Staff and to help establish the finance section of the Division. The Community Development Division, responsible for the sociological surveys necessary in the site selection process, will be staffed by some former members of the Ministry's Co-op and Condo Unit.

USAID and the RHUDO believe that with the organizational changes taking place along with the supplemental TA, the MOC will have the capability of implementing the remainder of Phase I and Phase II in a timely manner.

### C. JAMAICA COOPERATIVE CREDIT UNION LEAGUE (JCCUL) AND CREDIT UNIONS

The JCCUL, briefly described in Section II.B-2.d., is the first level implementing agent for the home improvement program. HG funds for this program are on-loaned to the JCCUL from the JMB who in turn on-lends to individual credit unions, currently at the same rate it pays to the JMB, i.e., 11 percent. The credit unions lend to the ultimate borrowers at 12 percent. As a service to its members, the JCCUL agreed to guarantee repayment to the JMB.

The JCCUL is a private institution and sees itself as responsive to its membership. It does not, however, necessarily interpret its role as providing special assistance to low income rural residents. It does want to promote new members (this was one of the objectives of Phase I) but also wants to retain its independence from Government.

The League currently has twenty-five employees, professional and administrative. This includes managers of the following functions: mortgages; finance and property; training; and field services. In late 1979 the League assigned two of its senior staff and several other employees to work with the home improvement program on a part-time basis. They are responsible for administering and promoting the program. Overall the JCCUL performs a number of functions for the program; promotion, monitoring, administration, collection, and advisory for the guaranty. For the most part it has performed successfully. However, it has received no fee to date (i.e., no spread on the on-lending). The 1979 evaluation recommended a spread for the JCCUL. Negotiations with the JMB resulted in a 3/8 percent fee for the JCCUL. It is necessary that JCCUL receive this fee for the services it performs if it is to continue to carry them out successfully.

With regard to the credit unions, none of them have extensive staff and most are stretched a bit thin relative to the home improvement program. It had been assumed that the \$2.5 million in HG Phase I funding for this program would not only satisfy demand but would also generate sufficient income to cover costs. (1 percent spread to the credit union). This assumption has proved generally valid but the most recent review indicates that some of the smaller credit unions do not have the capacity to manage additional funds economically and effectively. Nor does the 1 percent spread give them the resources necessary to improve the situation sufficiently. (The credit unions generally get a 4-6 percent spread on their other activities, paying 6-8

percent for savings). Although procedures at the credit unions are generally good, performance in some of the credit unions cited has resulted from poor management and finance practices.

Simply increasing the availability of loan funds to the credit unions would only aggravate the problems. The JCCUL will, in the remainder of Phase I and in Phase II, apply more stringent criteria to credit unions applying for loans to ensure they have the capacity to handle them. It will, at the same time and in conjunction with AID, have to step-up its training and advisory services to individual credit unions.

#### D. FUTURE INSTITUTIONAL ASSISTANCE

As the new government moves to rationalize its shelter and urban programs and with the intended issuance of a new comprehensive national housing policy, there are implications for the broad array of institutions operating in the sector.

First, as mentioned earlier in this section there is need for some type of senior Urban Advisory Committee to coordinate and oversee the Government's efforts including policy formulation, in this sector.

Also as mentioned earlier, consideration is being given to having the Jamaica Mortgage Bank concentrate, as originally intended, more on its secondary mortgage market operations and mortgage insurance and reduce or eliminate its primary lending activities. One other approach would be the creation of a government housing finance institution which might incorporate both the JMB and the National Housing Trust's lending activities.

In such a scenario, the NHT's project development work might go to the MOC or the National Housing Corporation or both. As described above, the MOC is already in a state of reorganizing itself to re-group the management of its programs.

There are, obviously, a number of other overall reorganization moves the GOJ could make. The purpose of this section is to suggest some of them and to indicate the range of possibilities where AID might provide some assistance and advice through the studies it will undertake and working relationships which will be established.

#### IV. TECHNICAL ANALYSIS

##### A. SQUATTER SETTLEMENTS IMPROVEMENT

###### 1. Construction Costs and Construction Management

Squatter areas being upgraded under Phase I average slightly more than 100 persons per acre (plus or minus 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, which is 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 percent of the area for roads and paths, the average lot size can be increased to 2,323 square feet.

Under Phase I the estimated cost of infrastructure was J\$33,900 per acre or J\$2,250 per lot. Due to inflation, currency devaluation and other factors, the original estimates of cost proved to be far too low. Actual costs are expected to fall within a range of US\$3,370 (J\$6000) to US\$3,933 (J\$7000) per lot. Phase II costs are being estimated on this basis, i.e., US\$4,000 per lot.

In spite of efforts to keep costs down, incomes among the target population have not kept pace with the rapidly increasing cost of providing basic infrastructure. In order to continue the squatter settlement improvement program, the range of services to be provided will be re-examined and a revised site selection system will be established.

In carrying out future upgrading programs, the highest priority will be given to the establishment of tenure. Land ownership is deeply embedded in the Jamaican traditional value system, and it is an essential element in achieving the degree of individual commitment of time, energy and financial resources required to make any shelter improvement program a success. Any efforts to provide tenure to squatters must involve rationalization of the irregular settlement pattern that is characteristic of these communities. This would include surveying and, in some cases, site grading.

Decisions as to the level of upgrading measures to be carried out will be made on a site by site basis. In considering secondary levels of upgrading first priority will be given to reducing overcrowding and carrying out measures that would eliminate or reduce health and environmental sanitation problems. The third category of upgrading activities will be service components; water, roads, footpaths, drainage, sewerage, electrical services and community facilities.

The level of upgrading that will be undertaken will vary from site to site. Questions of community goals and affordability will have to be

addressed before a decision can be made as to the level of services. In practical terms this will mean that roads may be paved or simply laid out compacted with an aggregate material. Water may be supplied to individual houses or from community standpipes. A water-borne sewerage system may be constructed or waste disposal measures may be limited to pit latrines. Similarly, in some cases community facilities may be provided and staffed, while in other cases land may be set aside for future development of public facilities and nothing more. In all instances, every effort will be made to keep community improvement costs below US\$4,000 per plot.

The Ministry of Construction will be responsible for developing the upgrading program and specific programs for the selected sites. Community input will be solicited and incorporated in the final decision as to the scope and level of upgrading to be carried out at each site but the decision will be made by the MOC. The Ministry will also be responsible for production of technical documentation, selection and supervision of private contractors to carry out capital improvements and distribution of tenure. Wherever possible local labor and labor intensive techniques will be utilized. Self-help will also be strongly encouraged.

## 2. Location of Project Areas

There will be approximately fifteen sites selected for financing under Phase II to be selected from several hundred potential sites. Criteria will be established for site selection during the negotiation of the Implementation Agreement. Sites will be selected on an island-wide basis but will reflect areas of greatest need. (See Annex E for proposed sites.)

It is expected that the number of families per site will average about 160-170 but sites might run as low as 50 families or as high as 500.

## B. HOME IMPROVEMENT PROGRAM

### 1. Location of Project

Under Phase I of this project the Home Improvement Program was initially directed at small farmers and families in rural areas. Under the latter part of Phase I and in Phase II, the program has been expanded to include people in both urban and rural areas. Recipients of home improvement loans will be members of credit unions belonging to the Jamaica Cooperative Credit Union League. The credit union system in Jamaica is well established with branches throughout the island. Home improvement loan recipients will come from the lower income levels within the credit union movement and emphasis will be placed on the recruitment of new members.

### 2. Construction Arrangements

The individual loan recipients will be responsible for arranging for all loan-financed construction. Because the units will be scattered over the

country it will be impossible to establish on-site inspection for each of the loans by the JCCUL. Reliance on the ability of the recipients to select the proper help and secure adequate materials is therefore an essential component of the sub-program. However, the close relationship between the credit union and the client makes the supervisory problem acceptable. Since credit union members are responsible for the action or inaction of each member, a good foundation exists for the monitoring of the loan program for home improvement.

#### C. CONSTRUCTION INDUSTRY AND CAPACITY

Because of the overall slowdown in the Jamaican economy which has affected the construction industry there is considerable excess capacity among contractors. However, contracting procedures utilized by the MOC in recent years have not been good. The MOC intends to tighten up both its procedures on contracting and supervision of construction work. As with other aspects of its management, weak and inefficient practices have been allowed to develop. This is an area where the resident advisor will concentrate and short-term assistance will be provided to help strengthen the function.

The effective supply of building materials is another area that will get attention in Phase II. Again, during the period of deterioration in Jamaica's economy, building materials availability dropped off drastically. Construction prices rose by 25 percent per year from 1976 to 1980 much of this due to the cost of imported building materials.

The situation has eased somewhat and the availability of materials is less a problem than in the past. It is, however, an area that will have to be closely monitored and the matter will be raised with the MOC as part of the implementation process.

#### D. ENVIRONMENTAL IMPACT

A negative determination has been made with respect to the impact of this project on the Jamaican environment. The IEE was approved by the Office of Environmental Affairs September 4, 1981.

## V. SOCIAL ANALYSIS

### A. OVERALL IMPLICATIONS

The HG program is designed to support, develop and improve the social infrastructure of urban areas inhabited by low income families. It is also directed at improving the housing and community services available to low income families living in rural areas.

Under the first phase of this project careful analyses of the socio-economic profile of the target populations were carried out. These analyses were very useful in ensuring that activities carried out under the various sub-projects were directly responsive to the needs of community residents. The second phase of the project will build on the lessons learned earlier.

A new Community Development Division has been established in the Ministry of Construction. Prior to embarking upon any squatter area upgrading efforts in the future, the Community Development Division will be called upon to conduct surveys and to undertake educational efforts.

Every effort will be made to minimize the disruption of communities. In the squatter settlement improvement 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 Home Improvement Loan sub-project now includes persons in both urban and rural areas who are members of credit unions. Credit unions are evenly distributed throughout the island, although a slightly higher percentage of members reside in rural areas, thus giving the sub-project a broad social base. In 1981 there were approximately 192,000 credit union members. Members come from all walks of life, but recipients of home improvement loans will come from the lower end of the membership's income scale because of the median income requirement.

### B. TARGET GROUPS

Recipients of home improvement loans and beneficiaries of squatter settlement improvement efforts will be families whose incomes fall below the estimated median income of US\$3,370 (J\$6000). Home improvement loan funded activity and squatter settlement upgrading efforts will take place in a wide range of locations ranging from downtown Kingston to small farms in more remote settings. The following provides some data concerning the characteristics of residents of selected squatter settlements which although obtained several years ago, is considered representative of today's situation.

SELECTED SOCIAL DATA - KINGSTON SQUATTER SETTLEMENTS

Median Age	20
Percentage Female	50%
Household Size	5
Household Headed by Women	40%
Density (People/Acre)	100
Owner Occupancy	--
Average Education Level	Primary

\* Source: Doctor Orlando Patterson, Harvard University. 1979

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. Women will be eligible as head of household for home improvement loans if they are credit union members.

## VI. ECONOMIC ANALYSIS

### A. CURRENT ECONOMIC SITUATION

Jamaica has compiled a dismal economic record over the past seven years. Between 1974 and 1980 GDP declined by 17.7 percent while real per capita income declined by more than 23.7 percent. Along with this decline in production and real incomes was a large increase in unemployment. At the last official measurement, in October 1980, unemployment stood at 26.8 percent. A great deal of underemployment is hidden in employment data.

Four factors were primarily responsible for the rapid decline in the Jamaican economy: A precipitous decline in private investment, a series of unexpected shocks to the external account (a sharp rise in oil prices and a major decline in revenue from tourism), the GOJ's miscalculation as to the ultimate effects of a levy on bauxite production and a series of deficit budgets financed by large short-term foreign borrowings.

As the economic situation deteriorated, production declined or stagnated in all major sectors of the economy. The decline was particularly great in the manufacturing and construction sectors. Production declined by 40 percent between 1975 and 1980 in the manufacturing sector with a loss of 10,000 jobs. The construction sector has declined by more than 40 percent since 1975. The loss of jobs totaled 18,000, i.e., more than one-third of those employed in construction.

The Jamaican economy's continued poor performance through 1980 was due, as in immediately previous years, to severe shortages of imported raw materials and other inputs for manufacturing and agriculture due to the scarcity of foreign exchange. This scarcity of foreign exchange not only has been a principal cause of economic deterioration in Jamaica for several years, but is the major constraint on Jamaica's economic recovery. Without sufficient foreign exchange, recovery will be impossible regardless of the availability of other critical inputs.

To address this problem, the administration elected in October 1980 has developed a three-part strategy which calls for (1) large-scale emergency balance-of-payments assistance to be used to finance imported raw materials, spare parts, and other inputs for manufacturing, agriculture, and tourism; (2) a major increase in foreign exchange earnings from exports and tourism by greater utilization of existing capacity; and (3) increased new investment by both domestic and foreign entrepreneurs to achieve a positive balance-of-payments pattern. The first part of this strategy, at least for the first year of the recovery program, is now almost assured. The government has concluded negotiations with the International Monetary Fund on a program which will provide some \$700 million in balance-of-payments support over the next three years, about \$300 million of which will be available beginning on April 1, 1981. In addition, it is in the final stages of negotiations with other multilateral financial institutions, with bilateral donors, and with commercial banks for even greater amounts in financing. Together, this

financing and expected foreign exchange earnings from exports and services will provide the Jamaican economy with most of the foreign exchange needed to facilitate a real GDP growth rate for the first time in eight years.

B. IMPACT OF PROPOSED HOUSING GUARANTY

1. Balance of Payments

The current account of the balance of payments showed a substantial deficit throughout the 1970s. The deficit peaked in 1976 at US\$341 million or 11.4 percent of GDP. The implementation of increasingly tight controls on foreign exchange resulted in a sharp decline in imports and helped bring about an improved balance-of-payments. In 1980 the deficit in current account decreased to US\$228 million or 7.8 percent of GNP. In the late 1970s the deficits in the current account were mainly financed by public external borrowing and by increases in the liabilities of the Bank of Jamaica. By 1976 commercial payments arrears started to accumulate and for the first time the net foreign assets position of the Bank of Jamaica turned negative. By the end of 1980 the Bank had a negative foreign assets balance of US \$536 million.

With the signing of the IMF Agreement in early 1981 and subsequent infusions of balance-of-payments support from a number of donors, the situation is somewhat less critical than in the past. Nevertheless, the Bank of Jamaica has been forced to borrow heavily at very high interest rates and for very short periods of time. The provision of an additional \$15.0 million HG loan with its 30-year term and 10-year grace period would provide additional significant relief from the current balance-of-payments problems.

In addition to providing much needed balance-of-payments support, other benefits are expected to include increased productivity and employment generation.

In summary, the additional \$15.0 million HG loan should have a positive overall impact on the external and internal sectors of the Jamaican economy.

## VII. FINANCIAL ANALYSIS

### A. IMPACT ON IMPLEMENTING AGENCIES

Funds will flow on to the Squatter Settlements Improvement program from the MOF to the MOC. Whether this will take the form of some type of loan from the MOF or be treated as a normal budgetary allocation has not been decided. Since MOC normal lending rates for its programs are now 8 percent it is assumed that, at least initially, the Phase II HG project also will set its rates at 8 percent. Therefore, if MOF does opt to on-lend the HG funds to MOC it will be at less than 8 percent.

In the case of the Home Improvement Loan program through the credit unions, Phase I HG loans rate to the credit union members were 12 percent including a 1 percent spread for the credit union. It has recently been agreed that the JCCUL will receive a 3/8 percent spread on the Phase I HG and presumably this spread will apply to Phase II. Thus, the HG funds should be made available by MOF to JCCUL at a rate of 10 5/8 percent.

This implies some subsidy from the MOF to the credit union movement given current HG rates and this is consistent with government intentions to stimulate the private sector. In the case of the MOC, this is an inter-government exchange of funds. The MOF will, of course, have the use of the foreign exchange whereby HG rates must be compared to short-term external borrowing rates by the GOJ of 19-22 percent.

The project should also have a favorable impact on credit union savings. Assuming 50 percent of the recipients of home improvement loans are new members and that such new members deposit \$J10.00 per month (J\$120 per year), new savings at the end of the disbursement period of the HG will be almost J\$2 million.

### B. FINANCIAL ARRANGEMENTS AND COST RECOVERY

#### 1. Squatter Settlements Improvement

Under the first phase of this project the GOJ proposed that approximately 40 percent of the infrastructure costs to the tenant/owner be recovered over a 49 year lease period. The remaining costs were to be recovered through user charges. The experience to date in attempting to determine both the lease charges and user charge system has not been entirely positive. As a result, the GOJ is actively considering modifications to the present system in order that the problem be resolved as Phase I lease assignments are now about to be made.

Phase II will incorporate the same basic cost recovery formula which is adopted for Phase I. Using the current 8 percent interest charge by MOC with a 49 year lease period for cost recovery purposes and taking 40 percent of the

average cost of improvement per plot in Phase II, i.e., 40 percent of US\$4,000 equals US\$1,600, repayment by the beneficiary would be US \$9.65 (J\$17.18) per month. For illustrative purposes, if the capital recovery portion of user charges were computed on the same basis, i.e., 49 years, than total payments would be based on the full US \$4,000 cost. In such a case payments would be US\$24.12 (J\$42.93).

If 20 percent of income were available to make these payments a family with an annual income of J\$2,575 would be able to afford them; well below the median income being used in this project.

## 2. Home Improvement

The Home Improvement sub-project will be carried out by the Jamaica Cooperative Credit Union League and its member credit unions. The credit union movement services almost 200,000 members by providing reasonably priced loans. Current loans for home improvement are 12 percent vs. the 13-14 percent now charged by building societies. The credit union system has well established lending practices which offer members both secured and unsecured loans. In carrying out the second phase of the Home Improvement Program the credit unions will follow their present loan policies which are based on an analysis of the prospective borrower's needs, past experiences with debt and the applicant's ability to repay (see Annex D for lending criteria). The credit unions will also consider making home improvement loans to members who do not own the land on which their house is built, provided there is an adequate lease-hold instrument. This policy has been instrumental in aiding a large proportion of the rural population and will continue to be very important in the future.

Disbursement of loan funds will be made by the Jamaica Credit Union League, following submission of executed loans for home improvement from individual credit unions. The League will provide direct loans to the individual credit unions for the amount of the loan. The loan amount will not exceed 85 percent of the face value of the executed loans with a minimum of 15 percent provided by the credit union. Each individual credit union will be responsible for the collection of loan repayments and for verifying that the loan proceeds are used in the proper manner.

The JCCUL has developed a general policy that these funds will be used for housing improvements. The reflow of funds will be directed to home improvement loans as far as possible. The JCCUL will attempt to maximize the reflow for second loans. They are also considering the use of a revolving fund.

Previous experience under the Home Improvement sub-project shows that loans of J\$1,000 or less are generally repaid within twelve months. However, to give some indication of income levels which can be reached with this program, a loan of J\$1,000 at 12 percent repaid over 5 years would require payments of only J\$22.24 per month or about J\$267 per year. Assuming that a borrower is prepared to pay 20 percent of his income for the loan, an income of only J\$1,335 would qualify.

## VIII. PROJECT IMPLEMENTATION

### A. ADMINISTRATIVE ARRANGEMENTS

#### 1. General

Under Phase II of the Project the borrower will be changed from the Jamaica Mortgage Bank (JMB) to the Ministry of Finance (MOF) as a result of the need for a stronger coordinating role in the Project and the GOJ's decision to place greater emphasis on the JMB's role as a secondary mortgage bank and in providing mortgage insurance. The responsibilities of the borrower, the MOF and the implementing agencies, the Ministry of Construction and the Jamaica Cooperative Credit Union League (JCCUL) are compatible with existing authorities, responsibilities and programs.

The MOF, as borrower, will control and monitor all disbursements to the implementing agencies through a Project Coordinator based in the MOC or the MOF. The MOF has experience with the disbursement of external loans but has had only limited contact to date with the HG program. The Ministry is, of course, also interested in the use of the foreign exchange.

The MOF will be responsible for the review and approval of the contractual arrangements between the implementing agencies and the primary lenders for the two sub-projects. It will also review and approve the proposed improvement standards and cost recovery plan for the squatter settlement upgrading program. In approving these arrangements, the Ministry of Finance will use the general criteria and operations procedures approved by AID for both of the sub-projects. The following institutions will participate in the program in addition to the Ministry of Finance.

- a. The Ministry of Construction: responsible for the settlement improvement sub-project;
- b. the Jamaica Credit Union League: responsible for the credit union system and home improvement loans made by the credit unions;
- c. the Credit Unions: to participate as primary lenders in the urban and rural home improvement sub-project.

Based on the recommendations contained in the second AID evaluation and the GOJ's experience, the role of the Ministry of Local Government (MLG) will be diminished. There will be continued liaison with the MLG regarding their normal inputs in water sewage and planning, but the Lease Law functions now assigned to the Ministry will probably be transferred to the MOC, thus consolidating much of the tenure process of selection, declarations, negotiation and lease assignment in one Ministry.

## 2. Squatter Settlement Improvement Program

A newly reorganized unit of the Ministry of Construction will administer this program. This unit will have essentially the same functions as the existing Sites and Services Division with one important difference: it will focus exclusively on implementation of settlement improvement, upgrading and the provision of minimally serviced plots. As discussed under Section III., the responsibilities for completion of basic shelter units and consolidation of previously funded, but uncompleted sites and services projects will be the responsibility of a separate management entity. These changes reflect the MOC's effort to streamline the management and implementation process.

Each squatter household will enter into a leasehold agreement with the MOC. Upgrading costs and new service costs will be recovered through these payments. A newly organized community development section will operate out of the office of the Minister of Construction to service the new settlement improvement unit.

## 3. Home Improvement Loan

The role of the JCCUL will remain essentially the same as in the first phase. It will draw funds from the MOF for on-lending to its credit union members for home improvement loans. JCCUL staff will continue to administer, monitor, promote and provide technical assistance to the program.

The credit unions will process loan applications and service the loans. The spread to the credit unions (now 1%) will be analyzed to see if some increase is justified. Some sort of spread to cover costs will also be examined for the JCCUL. Currently this has been agreed to for the remainder of Phase I at 3/8 percent.

## B. CONDITIONS

With the authorization of the FY 81 \$15.0 million loan, the MOF will be advised of the general terms and conditions of the HG, including the conditions precedent to seeking a U.S. investor and loan negotiations. These conditions will include:

1. progress satisfactory to AID on implementation of the Phase I \$15.0 million loan, project number 532-HG-010, including a new, revised cost recovery plan and agreement on new land tenure instruments;
2. reorganized and adequately staffed Sites and Services and Community Development units in the Ministry of Construction;
3. a Phase I Project Delivery Plan including a financial and construction schedule for each sub-project;
4. a substantial number of leases shall be signed to cover the individual projects that have been completed under the Phase I project; and

5. the completion of the study, in form and substance satisfactory to AID, of the interest rate structure in Jamaica and its effect on the housing sector.

C. IMPLEMENTATION SCHEDULE

The loan will be disbursed over a 30-month period. An Implementation Agreement will be negotiated in March 1982 with a loan agreement anticipated in May 1982. These dates are subject to change based on GOJ actions on the conditions above.

A full time advisor is presently working with the MOC and JCCUL. This technical assistance arrangement will expire in December 1982. If satisfactory progress is made by the GOJ on the conditions above, additional technical assistance will be considered for placement in mid-1982.

Included for Phase II will be additional short and long term technical assistance including a resident Project Coordinator in the MOF or the MOC. Recruitment will start as soon as funding is available in early FY 82.

D. AID MANAGEMENT

The project will be under the direct management (development, negotiation, implementation) of the Office of Housing's Caribbean Regional Housing and Urban Development Office (RHUDO). The Assistant Director in charge of the office is currently based in Washington, but day-to-day management will be provided by the Regional Housing Officer based in Jamaica and attached to the USAID. As a significant part of AID's bilateral assistance program to Jamaica, USAID/Jamaica will provide the policy framework with which the project is implemented. Short term assistance, either from the Office of Housing or consultants to the Office of Housing will be available as needed.

E. MONITORING AND EVALUATION

A new project monitoring system is expected to be established by the MOF and the MOC, with the assistance of AID. This management tool will lend itself to the preparation of quarterly progress reports which will be submitted to AID prior to regular review meetings chaired by the project manager. These review meetings will include participation by the chief officers of the implementing agencies, RHUDO staff and senior representatives of the MOF, the MOC and the National Planning Agency.

In accord with Office of Housing requirements, annual regular evaluations will be undertaken commencing one year after a new loan is signed.

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY 81 to FY 85  
Total U.S. Funding \$15,000,000  
Date Prepared: 11 September 1981

Project Title & Number: Jamaica - Urban and Rural Shelter Improvement 532-HG-011

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p> <p>to improve the overall quality of life of low income families by improving the conditions of their shelter.</p>	<p>Measures of Goal Achievement: (A-2)</p> <p>increase in the number and percentage of low-income households living in areas with improved basic services, land tenure, or improved houses.</p>	<p>(A-3)</p> <p>project monitoring and evaluation by RHUDO and borrower. periodic reports from participating agencies.</p>	<p>Assumptions for achieving goal targets: (A-4)</p> <p>continued GOJ commitment to shelter for the poor as a major priority. completed projects result in replicable improvements.</p>
<p>Project Purpose: (B-1)</p> <p>to demonstrate methods of shelter development. to assist the GOJ and the private sector to develop the institutional, financial, planning and implementational network necessary to provide adequate shelter and related services.</p>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)</p> <p>1) shelter-related service standards raised in squatter settlements. 2) credit unions expand access to below median income people 3) staff capability at MOC to carry out project design, upgrading, cost recovery system</p>	<p>(B-3)</p> <p>periodic reports from public and private sector institutions. RHUDO monitoring and evaluation.</p>	<p>Assumptions for achieving purpose: (B-4)</p> <p>GOJ continues to support coordinated shelter-infrastructure programs. domestic lending rates to be set at realistic levels. JCCUL continued commitment to shelter-related loans affordable to below median income group.</p>
<p>Project Outputs: (C-1)</p> <p>1.) Squatter Settlement Improvement Program (SSI) to secure land tenure and provide infrastructure 2.) Credit Union Home Improvement Loan Program (CUHIL) to facilitate home improvement loans to families of below median income. 3.) scope of Ministry of Construction (MOC) staff expanded.</p>	<p>Magnitude of Outputs: (C-2)</p> <p>1) approximately 15 squatter sites improved, comprising approximately 2500 lots. 2) approximately 5900 home improvement loans financed. 3) TA staff training and expansion in place.</p>	<p>(C-3)</p> <p>1) RHUDO monitoring and evaluation. 2) GOJ and Jamaican Cooperative Credit Union League (JCCUL) reports. 3) TA reports.</p>	<p>Assumptions for achieving outputs: (C-4)</p> <p>1) MOC improves land acquisition process, cost recovery process. MOC funds full staff. 2) efficient project administration by JCCUL and local credit unions, and their active solicitation of low income clients.</p>
<p>Project Inputs: (D-1)</p> <p>1. HG 2. TA 3. GOJ 4. credit unions</p>	<p>Implementation Target (Type and Quantity) (D-2)</p> <p>1. US\$15 million 2. US\$2.5 million including land for SSI Program. 3. long and short term T.A. to SSI and CUHIL Programs. 4. US\$900,000 (credit unions)</p>	<p>(D-3)</p> <p>1) disbursement records. 2) RHUDO monitoring. 3) JCCUL records.</p>	<p>Assumptions for providing inputs: (D-4)</p> <p>1) US investor interest. 2) continued presence of OPG TA. US technicians available for TA. 3) GOJ accepts HG loan rates. GOJ funds budget as planned. MOC reorganization completed. 4) credit unions meet commitment.</p>

A. I. D.  
REGIONAL HOUSING OFFICE



JUL 17 1981

AM 7,8,9,10,11,12,1,2,3,4,5,6 PM

MINISTRY OF CONSTRUCTION (HOUSING)

P.O. BOX 397,  
KINGSTON 10,

JAMAICA

ANY REPLY OR SUBSEQUENT REFERENCE  
TO THIS COMMUNICATION SHOULD BE  
ADDRESSED TO THE PERMANENT  
SECRETARY AND THE FOLLOWING  
REFERENCE QUOTED:-

No \_\_\_\_\_

15th July, 19 81

The Director,  
USAID Mission and Office of Housing  
16 Oxford Road  
Kingston 5.

Attention: Mr. J. Hjelt

Dear Sir,

I wish to confirm our recent discussions on the steps being taken by this Ministry to accelerate and complete the implementation of the Squatter Upgrading Programme, USAID-532-HG-010.

2. In this regard, we are presently finalising the reorganisation of the Sites and Services Division, changing its name, immediately selecting a new Project Director and assigning staff into project implementation sections with production responsibilities delegated to four Senior Engineers, one Financial Controller and one Cost Estimator. (See Organisation Profile at Appendix I).

3. Notwithstanding the above approach to the Division's reorganisation, we have met with serious constraints in our search for senior, experienced professionals to improve and sustain the desired level of project implementation. Based on this evaluation, and the difficulties being experienced in present programme constraints, we are requesting AID's urgent consideration in providing limited short-term technical assistance to help with -

- i) streamlining of the reorganised Sites and Services Division;
- ii) expediting the completion of the on-going projects.

The specific requirements are:

- a) the assignment of Mr. Roy Ocasio (CHF) for a period of 3-6 months as Advisor to the new Sites and Services Project Director.

b) ....

- b) the provision of a finance and accounting analyst for 30-60 days (in the first instance) to establish this section of the Division on a sound basis of accountability.
- c) the provision of shelter professionals (Engineers) for 60-90 days to work as counterparts to our new Operations Staff in the implementation of the Squatter Upgrading Projects. (See Appendix II).

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4. You will no doubt agree that our housing programmes must ideally relate to a comprehensive, national integrated development programme. In this regard, we are also seeking AID's urgent assistance in providing professionals with the expertise to assist in:

- i) fine tuning certain areas of our National Housing Policy;
- ii) the preparation of a shelter sector assessment and project design.

-----

The scope of work for these professionals is attached as Appendix III.

5. Sometime ago AID had assisted in the development of a Post and Panel prefabricated system for the construction of Owner/Occupier houses. This system is still relevant to and will greatly assist in our housing production thrust. It now requires upgrading and enlargement to a capacity of about five thousand (5000) units annually. AID's assistance is being requested to finance the improvement of the Post and Panel system. Please see the attached analysis of types and cost of Owner/Occupier houses at Appendix IV for your scrutiny and consideration.

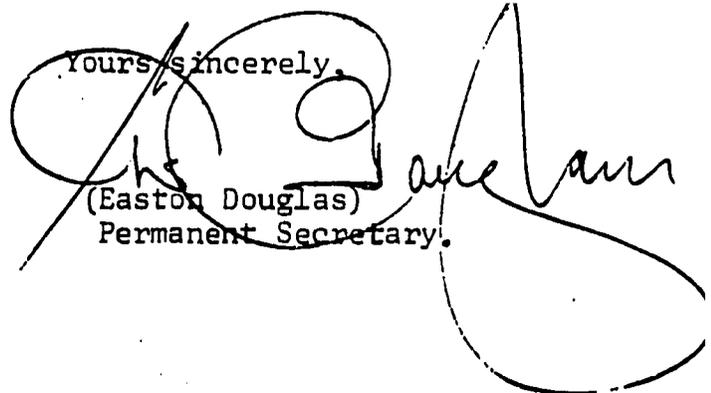
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6. We are now engaged in sociological surveys and assessment of twenty-eight sites for squatter upgrading, among which will be the six priority growth points for next year's development programme. These will be implemented in keeping with Government's strategy of developing 120 Regional, Sub-Regional and District centres within the framework of a National Settlement Strategy. Fifteen sites will be finally selected for the 1981-82 programme of upgrading and improvement to cater to the low income target group. The list is attached at Appendix V, and in this regard AID is requested to provide the US \$15M second tranche of the \$30M Housing Guaranty Programme for the 1982-83 programme.

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7. I wish to thank you for your usual interest and cooperation in these matters.

Yours sincerely,

  
(Easton Douglas)  
Permanent Secretary.

JCCUL LOAN ADMINISTRATION  
RESPONSIBILITIES AND EXPENSES

The JCCUL is responsible for the following tasks associated with the \$5 million of the HG loan to be disbursed to credit unions for home improvement on-lending:

- . Special assistance to individual credit unions in executing a loan promotion campaign.
- . Collection and tabulation of credit union loan repayments to JCCUL.
- . Repayment of the loan to the primary borrower (GOJ).
- . Periodic preparation of flow of funds statements, administration expenses and identification of any problems, including impacts of these problems.
- . General "trouble shooting" and technical support to individual credit unions in the management and implementation of the Home Improvement Loan program.

The JCCUL has agreed to a 3/8% of contingent liability per credit union repayment period as the administrative fee for carrying out these functions. If the credit unions collectively repay this loan on 11%, five years, semi-annual terms, the JCCUL would collect \$119,000 in administrative fees over the five years.

Based on an estimated level of effort required to effectively perform these administrative functions, a detailed budget of direct and indirect costs was assembled (Table 1). This budget, using conservative unit cost factors, projects administration expenses to be \$116,000 over five years. Consequently, the conclusion reached is that the \$119,000 of administrative fees collected covers the \$116,000 of administrative expenses incurred, with \$3,000 or a 2.6% profit margin as the return to the JCCUL for the work completed.

COST FACTORS USED TO  
COMPUTE PRECEEDING COSTS

	First 30 months (1-30)	Second 30 months (31-60)	Total 5 Year Costs (1-60)
1. a) Marketing Director @ \$12,400/yr. of effort (=½ time)	\$31,000	-----	\$31,000
b) Loan Manager @ \$11,200/yr. of effort (=½ time)	\$28,000	20% of 1st 30 mos= \$5,600	\$33,600
c) Accountant @ \$9,600/ yr. of effort (=½ time)	\$24,000	40% of 1st 30 mos= \$9,600	\$33,600
2. a) Printing & Reproduction 160 pp./mo. @ \$.10/page =\$16/mo.	\$480	¼ of 1st 30 mos. pp but @ .15/page = \$180	\$660
b) Office Equip/Supplies 3% of direct salaries	\$250	\$50	\$300
c) Commun. & Utilities= \$1.6 per day X 260 days/yr=\$420	\$1,050	10% of 1st 30 mos= \$100	\$1,150
d) Office vehicle: \$40/ month=\$480/yr.	\$1,200	5% of 1st 30 mos= \$60	\$1,260
e) Depreciation: 30% of office supplies & equipment costs	\$80	\$20	\$100
f) Clerical support: \$4000/ yr.	\$10,000	40% of 1st 30 mos= \$4,000	\$14,000
g) Postage (\$20/mo.)	\$600	20% of 1st 30 mos= \$120	\$720

ESTIMATED JCCUL ADMINISTRATION COSTS  
OVER 5 YRS. ATTRIBUTABLE TO THE MGT. OF  
\$5 MILLION OF HG FUNDS

	First 30 Months (1-30)	Second 30 Months (31-60)	Total 5 Year Costs (1-60)
<b>1. <u>Direct Costs</u></b>			
a) 1 Marketing Director	\$31,000	\$ ---	\$31,000
b) 1 Loan Manager	28,000	5,600	33,600
c) 1 Accountant	24,000	9,600	33,600
TOTAL:	<u>\$83,000</u>	<u>\$15,200</u>	<u>\$98,200</u>
<b>2. <u>Indirect Costs</u></b>			
a) Printing & reproduction	\$ 480	\$ 180	\$ 660
b) Office supplies & equip- ment (calculator/type- writer, air conditioner use included)	250	50	300
c) Communication & utilities	1,050	100	1,150
d) Use of office vehicle	1,200	60	1,260
e) Depreciation (Building, office equipment, vehicle)	80	20	100
f) Clerical support salary	10,000	4,000	14,000
g) Postage	600	120	720
TOTAL	<u>\$13,660</u>	<u>\$ 4,530</u>	<u>\$18,190</u>
GRAND TOTAL	<u>\$96.660</u>	<u>\$19.730</u>	<u>\$116.390</u>

CREDIT UNION LENDING CRITERIA

The credit unions' disbursement of HG funds to beneficiaries would employ the following lending criteria:

- . The beneficiaries must meet the median income test of the JCCUL as computed by them with the assistance of the Department of Statistics and the National Planning Agency.
- . The beneficiary must be a member of the credit union from which HG funds are available, to which he has applied.
- . The beneficiary must meet the credit eligibility requirements employed by the credit union from which HG funds are available; to which he has applied.

**MINISTRY OF CONSTRUCTION (HOUSING)**  
**SQUATTER AND LEASELAND UPGRADING PROGRAMME**  
**PROPOSED LIST FOR THE SELECTION OF FIFTEEN (15)**  
**PRIORITY PROJECTS**

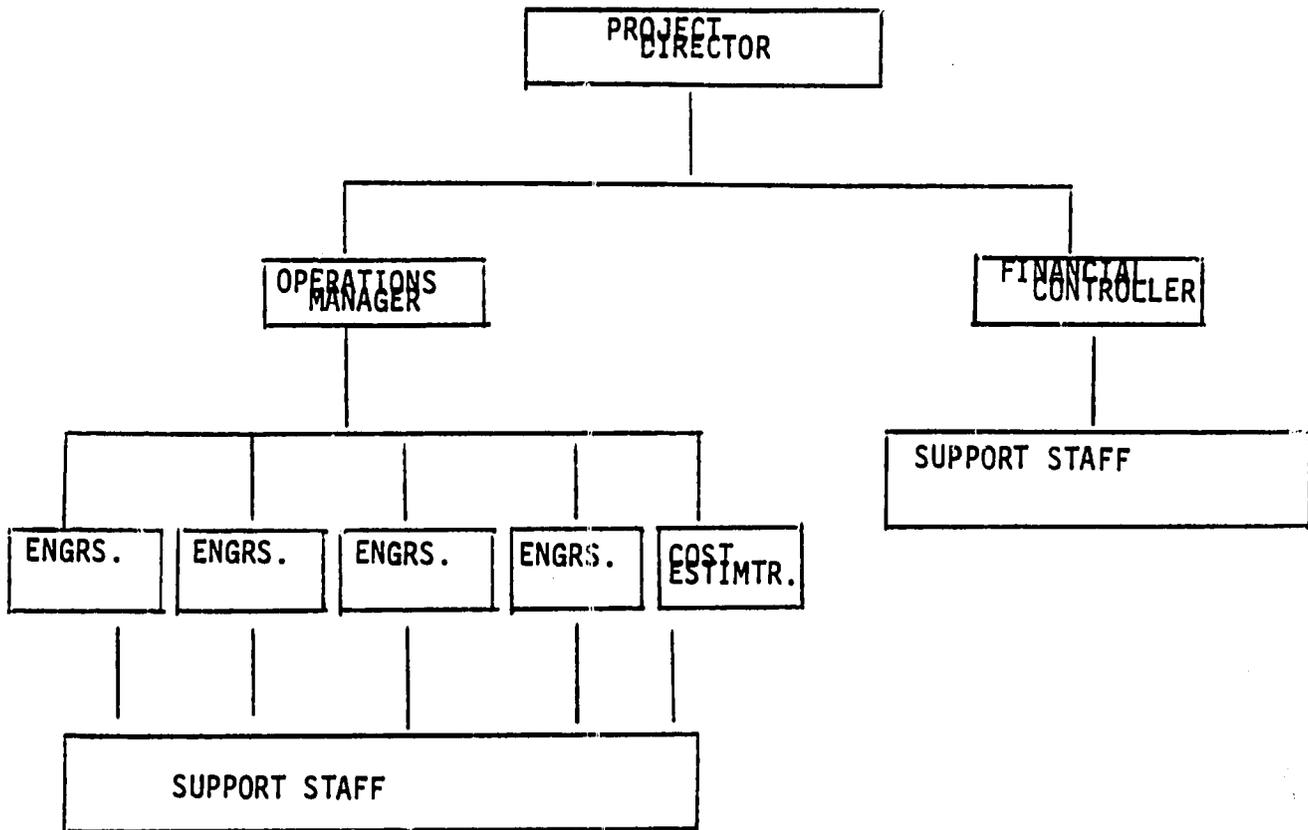
Financial Year 1981/82

No.	Project Location	Parish	Ownership	Estimated population	Estimated acreage	Existing amenities	Existing infrastructure	Remarks
1.	Jackson Bay	Clarendon	Government	19 families	20 acres	School, Police Station, Post Office, Community Centre		Unemployed - 75% Employed - 20% Self-employed 5%
2.	Golden Grove	St. Thomas	Government	To be determined	5 acres			
3.	Red Pond/Frazers Content, Wynters Pen.	St. Catherine	Dr. G.C. Brown	200 persons		None	None	Land captured, rented leased.
4.	Flynns Estate	Portland	Mrs. Patrice Flynn	80 persons	130 acres	None	Electricity, water, roadways.	
5.	Rectory Lands	Clarendon	To be determined	1,000 persons	100 acres	None	Electricity; water.	
6.	Wareika Hills	Kingston	Government	300 houses	30 acres	None	None	Squatting
7.	Africa	St. Catherine	Government	80 houses	20 acres	None	None	
8.	March Pen Road	St. Catherine	To be determined	250 houses	55 acres	None	None	
9.	New Market Oval	Westmoreland	Parish Council	2,000 persons	To be ascertained	None	Electricity; water	
10.	Lucea	Harover	To be determined	To be ascertained	-do-	None		Squatting Settlement Improvement Sites
11.	Capture Lands	Westmoreland	-do-	600 persons	-do-	None	None	
12.	Falmouth	Trelawny	Government	1,000 houses	-do-	None	None	
13.	Wentworth	St. Mary	Government	To be ascertained	-do-	None	Limited water supply.	
14.	Long Bay/Little Pot Grants Pen/Barrett Hall	St. James	UDC	60 families	750 acres	None	None	

ANNEX E  
 Ministry of Construction's  
 Squatter Settlement Improvement  
 Sites

No.	Project location	Parish	Ownership	Estimated population	Estimated acreage	Existing amenities	Existing infrastructure	Remarks
15.	Logwood	St. Elizabeth	Government	40 homes	15-20	None	None	
16.	Woodglen and Tarrant Drive	St. Andrew	To be ascertained	To be ascertained	To be ascertained	None	Electricity; water	
7.	Cox Street	St. Mary	- do -	200 families	-do-	None	None	Along River Bank.
18.	Happy Grove	St. Andrew	Mr. J. Barnett	200 persons	2-3 acres	None	None	
9.	Grants Pen Road, Fagan Avenue Red Hills Road.	St. Andrew	To be ascertained	To be ascertained	To be ascertained	None	None	
10.	66 Old Hope Road	St. Andrew	- do -	-do-	-do-	School, Post Office, Police Station.	Adjoining roadway; water Electricity	
11.	York Town	Clarendon	- do -	-do-	-do-	Post Office; School	None	
12.	Backbush/Mountain View Avenue	St. Andrew	- do -	-do-	-do-	Post Office; School	None	
13.	75-77 Waltham Park Road	St. Andrew	Government	-do-	-do-	Post Office.	None	
14.	81-91 Waltham Park Road.	St. Andrew	Government	-do-	-do-	None	None	
15.	Re-settlement project	St. Ann	U.D.C.	75 families	-do-	None	None	
16.	Bull Bay Version Gully/Greenvale Road	St. Andrew	To be ascertained	To be ascertained	-do-	Police Station	None	
17.	Seven Miles, Hill Sixty and Bridge View	St. Andrew	- do -	-do-	-do-	None	None	
18.	Rose Heights	St. James	- do -	300 families	-do-	None	Electricity	

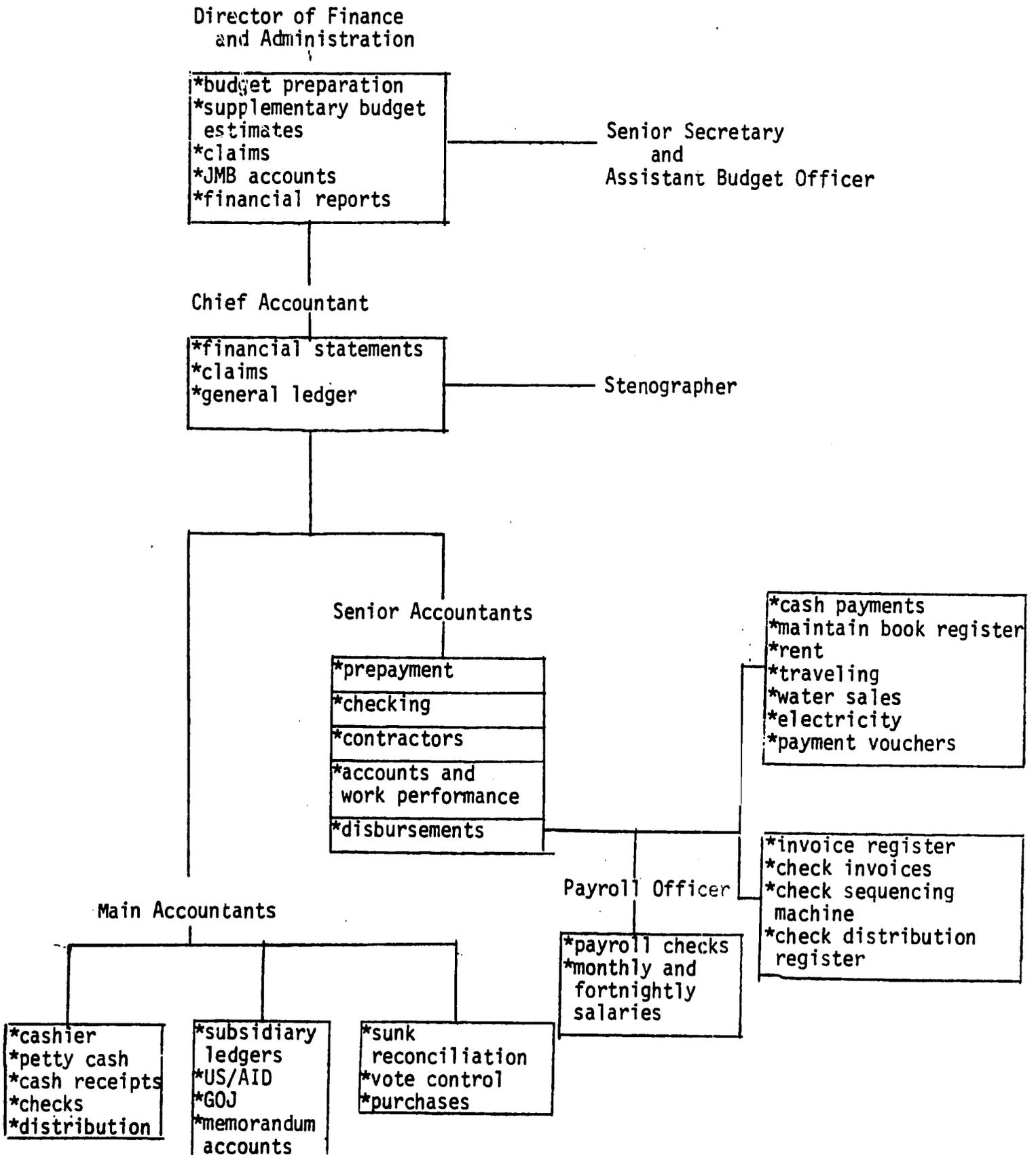
MINISTRY OF CONSTRUCTION  
SITES AND SERVICES DIVISION  
ORGANIZATIONAL PROFILE



**NOTE:**

- (a) This Organization is for project implementation and control.
- (b) It will have direct administrative responsibility to the Permanent Secretary of the Ministry of Construction (Housing).
- (c) It will be supported in planning, design and monitoring by a Project Design and Monitoring multi-disciplinary group of qualified and experienced professionals.
- (d) Community Development research and other investigations to support the programme will be provided by the Ministry's Community Development Division.

MINISTRY OF CONSTRUCTION  
 DIVISION OF SITES AND SERVICES  
 (FINANCIAL SECTION)  
 PROPOSED ORGANIZATION



UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20548

FORM 100-1  
MAY 1964 EDITION

GUARANTY AUTHORIZATION

PROJECT NO. 532-HG-011

PROVIDED FROM : Housing Guaranty Authority  
FOR : The Government of Jamaica

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America and the Caribbean by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 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 percent (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance shelter activities in Jamaica.

These guaranties shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement and may include a grace period of up to ten years on repayment of principal. The guaranties of the loans shall extend for a period beginning with disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans 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 made in the long term U.S. capital markets.
3. Government of Jamaica Guaranty: The Government of Jamaica shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranties 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 one-half of one percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.

- 2 -

5. Eligibility Dates: Shelter activities commenced under Phase I (532-HG-010) shall be eligible for reimbursement under Phase II (532-HG-011) so long as such activities meet all of the criteria in the Phase I and Phase II authorizations.

6. Other Terms and Conditions: The project shall be subject to the following conditions precedent to first disbursement under Phase II and to such other terms and conditions as A.I.D. may deem necessary:

A. Progress satisfactory to A.I.D. on implementation of the Phase I \$15.0 million loan, Project No. 532-HG-010, including a new revised cost recovery plan and agreement on new land tenure instruments;

B. Reorganized and adequately staffed Sites and Services and Community Development Units in the Ministry of Construction;

C. A Phase II Project Delivery Plan including a financial and construction schedule for each sub-project;

D. A substantial number of leases shall be signed to cover the individual projects that have been completed under the Phase I project; and

E. The completion of a study, in form and substance satisfactory to A.I.D., of the interest rate structure in Jamaica and its effect on the housing sector.

*Marshall D. Brown*

\_\_\_\_\_  
 Marshall D. Brown  
 Acting Assistant Administrator  
 Bureau for Latin America and the Caribbean

*Sept 28 1981*

\_\_\_\_\_  
 Date

Clearances:

PRE/H:DMcVoy (Draft) 8/18/81

CC/H:MKitay (Draft) 8/18/81

IAC/DR:Levy

IAC/CAR:Ghill (Draft)

GC/IAC:BVeret

FM/LD:EOwens (Draft) 9/21/81

PRE/H:JShaw:prj:vc:gw:vc:9/25/81:

**THE HOUSING GUARANTY PROGRAM**

**STATUTORY CHECKLIST**

**THE GOVERNMENT OF JAMAICA**

**PROJECT NO. 532-HG-011**

**ANSWER YES OR NO PUT  
PP PAGE REFERENCES  
AND/OR EXPLANATIONS  
WHERE APPROPRIATE**

**A. General Criteria Under HG Statutory Authority.**

**Section 221(a)**

**Will the proposed project further one or more of the following policy goals?**

(1) is intended to increase the availability of domestic financing by demonstrating to local entrepreneurs and institutions that providing low-cost housing is financially viable;

Yes

(2) is intended to assist in marshalling resources for low-cost housing;

Yes

(3) supports a pilot project for low-cost shelter, or is intended to have a maximum demonstration impact on local institutions and national; and/or;

Yes

(4) is intended to have a long run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital and other management and technological resources required for low-cost shelter programs and policies?

Yes

**Section 222(a)**

**Will the issuance of this guaranty cause the total face amount of guaranties issued and outstanding at this time to be in excess of \$1,555,000,000?**

No

**Will the guaranty be issued prior to September 30, 1982?**

Yes

Section 222(b)

Will the proposed guaranty result in activities which emphasize:

(1) projects providing improved home sites to poor families on which to build shelter and related services; or

Yes

(2) projects comprised of expandable core shelter units on serviced sites; or

No

(3) slum upgrading projects designed to conserve and improve existing shelter; or

Yes

(4) shelter projects for low-income people designed for demonstration or institution building; or

Yes

(5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor?

Yes

Section 222(c)

If the project requires the use or conservation of energy, was consideration given to the use of solar energy technologies, where economically or technically feasible?

Yes

Section 223(a)

Will the A.I.D. guaranty fee be in an amount authorized by A.I.D. in accordance with its delegated powers?

Yes

Section 223(f)

Is the maximum rate of interest allowable to the eligible U.S. Investor as prescribed by the Administrator not more than one percent (1%) above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development?

Yes

Section 223(h)

Will the Guaranty Agreement provide that 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?

Yes

Section 223(j)

- (1) Will the proposed Housing Guaranty be coordinated with and complementary to other development assistance in the host country?
- (2) Will the proposed Housing Guaranty demonstrate the feasibility of particular kinds of housing and other institutional arrangements?
- (3) Is the project designed and planned by A.I.D. so that at least 90 percent of the face value of the proposed guaranty will be for housing suitable for families below the median income, or below the median urban income for housing in urban areas, in the host country?
- (4) Will the issuance of this guaranty cause the face value of guaranties issued with respect to the host country to exceed \$25 million in any fiscal year?
- (5) Will the issuance of this guaranty cause the average face value of all housing guaranties issued in this fiscal year to exceed \$1 million?

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 Yes

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 Yes

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 Yes

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 No

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 No

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 Yes
Section 238(c)

Will the guaranty agreement provide that it will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued?

- B. Criteria Under General Foreign Assistance Act Authority.

Section 620/620 A

1. Does the host country meet the general criteria for country eligibility under the Foreign Assistance Act as set forth in the country eligibility checklist prepared at the beginning of each year?
2. Is there any reason to believe that circumstances have changed in the host country so that it would now be ineligible under the country statutory checklist?

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 Yes

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 No

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

ANNEX J

LAC/DR-IEE-81-33

ENVIRONMENTAL THRESHOLD DECISION

Project Location :: Jamaica

Project Title and Number : Urban and Rural Shelter Improvement,  
Phase II  
532-HG-011

Funding : \$15 million Housing Guaranty  
\$500,000 Development Grant, 532-0067

Life of Project : Thirty months, 81 - 83

Recommended Threshold Decision: Negative Determination

Bureau Threshold Decision : Concurrence with Recommendation

Action : Copy to Glenn G. Patterson  
Director, USAID/Jamaica

: Copy to Stephen Giddings  
PRE/H, Program Officer

: Copy to Stephen Jacobson, LAC/DR/CAR

: Copy to IEE file

 Date 4 Sept 81  
Robert O. Otto  
Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

Jamaica Urban and Rural Shelter Improvement  
Phase II

Project No: 532-HG-011

INITIAL ENVIRONMENTAL ASSESSMENT

Environmental Threshold Recommendation

Project Number: 532-HG-011

Project Location: Jamaica

Project Title: Urban and Rural Shelter Improvement, Phase II

Funding: \$15 million Housing Guaranty; 500,000 DG

Life of Project: 30 months

Environmental Action Recommended

Based upon the findings of the IEE, a negative threshold determination is recommended for this project.

OFFICE OF HOUSING *[Signature]* DATE: 8/31/81

LATIN AMERICA AND CARIBBEAN BUREAU \_\_\_\_\_ DATE: \_\_\_\_\_

## 1. BACKGROUND

### A. Environmental Setting

Jamaica is centrally located in the Caribbean Sea. As one of the four islands of the Greater Antilles, Jamaica is in close proximity to the United States, Central America, and northern portions of South America. It is the third largest island in the Caribbean.

With a land area of approximately 4,400 square miles, Jamaica extends 146 miles in length and reaches a maximum width of 51 miles. Both the coastline and the land surface are highly irregular. Three land forms are prominent in the island's physical relief: coastal plains; limestone plateaus, and steep mountains. The mountainous terrain dominates Jamaica's physical appearance. About one-third of the total land area is estimated to have slopes in excess of 20%. The Blue Mountains and John Crow Mountains of eastern Jamaica reach elevations of 7,400 feet and 3,750 feet, dominating the land to the east of Kingston, the capital. The much lower but heavily dissected Central Range is the main mountain system. Although reaching less than 1,400 feet in elevation, these interior mountains can be characterized as steeply sloping with rugged ravines and deep valleys.

Flanking the Central Range on all sides is a wide expanse of interior plateau and hills with elevations from near sea level to about 3,000 feet. The plateau comprises more than half Jamaica's land area and is characterized by its karst features, highly irregular limestone formations with depressions, underground caverns, and underground streams. The dissolving of soluble limestone by intense rainfall has caused the natural drainage system of this region to be subterranean.

The low-lying coastal plains reach only a few miles inland except on the southern coast where they are somewhat broader than in the north. The coastal plains are Jamaica's best agricultural land. Composed of alluvial deposits, portions of the plains are swampland, particularly in the western and south-western sections.

Jamaica's generally humid, tropical climate is broken into a number of micro-climates by regional differences in topographic elevations and variable winds. The prevalent north-east winds, trade winds, and alternating sea breezes influence the daily weather conditions of the various regions. The northern coast is exposed to the full influence of the north-east winds. At the eastern end of the island the Blue Mountains moderate the trade winds, while the climatic conditions of Kingston and the southern coastal plains experience alternating sea breezes (on-shore during the day, off-shore during the night).

The year round average temperature is 80°F. Somewhat cooler temperatures are experienced in the northern coastal areas. As a general rule, the temperatures decrease about 1° with each 300 feet of elevation, and the interior plateau is frequently 10 to 20 degrees cooler than the surrounding coastal plains.

Jamaica's annual average rainfall is 77 inches, but the wide range of physical settings influences rainfall distribution greatly in both amount and frequency. The principal rainy seasons are May/June and September/October. The heaviest rainfall occurs on the north-east coast (100 inches) and the high slopes of the Blue Mountains (200 inches). The heavy rainfall in these areas results from the north-east and local winds which force moist clouds up the mountains where they are cooled. Thus, the windward areas receive the most rainfall. On the leeward side of the mountains rainfall is much lighter. The southern coastal plains and Kingston receive about 50 inches a year. Rainfall there is irregular and infrequent; Kingston experiences frequent droughts and water shortages.

The major negative environmental phenomena are potential hurricanes and seismic activity. Although a major hurricane has not struck Jamaica in 30 years, the potential exists for destructive winds of 75 to 200 miles per hour, intense rainfall, and high waves. The months of August, September, and October are the most likely time for such an event. Seismic activity is most likely in the Kingston-St. Andrew region, where earthquake risk is comparable to that of California.

## B. The Built Environment

Historically, Jamaica's population was settled largely in rural areas. This is less true today. Rapid urbanization occurred during the 1950s and 1960s. It is now estimated that more than 50% of the population lives in urban areas, primarily in the Kingston-St. Andrews metropolitan area. All the larger towns with the exception of Mandeville and Spanish Town are located on the coast. There are some 1,150 smaller towns and villages dispersed throughout the island. Characteristics of the built environments are as follows, in summary:

1. Urban Areas: Most of the urban poor (below median income households) live in older tenement areas or in more recently established squatter settlements. The older tenement areas are in the central city. Tenements are in strips usually located along a road, with 3 to 5 families sharing an enclosed yard, standpipe, kitchen, and toilet facilities. Housing is primarily in one-story buildings with very high densities, calculated in 1977 as up to 300 persons per acre with an average occupancy of five persons per room. The small tenement compounds, known as "yards," are physically deteriorated. A 1977 Ministry of Housing survey found that one-third of the urban population lived in sub-standard housing, while a 1972 survey found that of five low-income areas (including two squatter settlements), 14% of the dwellings were unfit for habitation, 58% were in poor condition, and only 6% were in good condition. The most striking characteristics of the squatter settlements are the lack of basic infrastructure such as water, roads, electricity, sewage collection, and community facilities. The combination of deteriorating economic conditions and continued urbanization has worsened urban conditions: in 1979 it was estimated that 75% of Kingston's population lived in tenements and squatter settlements under sub-standard conditions, lacking space, water, and adequate sanitary and electric facilities.

2. Rural Areas: The rural population of Jamaica is highly dispersed with little correlation between land fertility and population distribution. This wide distribution has led to inadequacy of infrastructure development. It has been asserted that the steady rural-to-urban migration pattern of Jamaica has continued, despite high urban unemployment and poor urban housing, because the rural environment is so unsatisfactory. The average household size was estimated in 1970 as 4.6 persons, slightly above the national average, with about half the rural households living in improvised one-room dwellings usually constructed of wood and wattle. Housing conditions for sugar workers tend to be somewhat better than those of the average rural households. Farms with an average size of 1.5 acres constitute nearly 80% of all farms. Housing is somewhat better in small rural towns and villages, although even in towns of population 20,000 and over as much as 25% of the housing units are rural in character. In mountainous areas there frequently are no roads, electric lines, or water infrastructure. Residents carry water for considerable distances. Pit toilets are the ordinary form of sanitary disposal.

## II. Proposed HG Project (532-HG-011)

The proposed HG project will have two components: 1) Squatter Settlements Improvement (\$10 million); and, 2) Home Improvement (\$5 million). AID's experience in Jamaica's shelter sector is extensive and the proposed HG project is a follow-on to a \$15 million HG project authorized in 1977 and is based on two project evaluations as well as AID's longer-term experience. Both components of the proposed HG project will be implemented through national institutions and reach a widely distributed target population.

1. Squatter Settlements Improvement: It is proposed to finance infrastructure improvements in 15 squatter settlements ranging in size from 50 to 500 households. This project component is a continuation of the 1977 HG project and will be implemented by the newly reorganized Sites and Services Division of the Ministry of Construction. The types of improvements included are water, sewerage, drainage, roads, footpaths, and electricity. The exact types of improvements will be based on site requirements but will not necessarily include all elements at each site.

2. Home Improvement Program: In this component of the project, funds for home improvement will be channeled by the Jamaica Cooperative Credit Union League to approximately 5025 households who are members of credit unions throughout Jamaica. Both urban and rural households will be included. The average loan size is anticipated to be \$700 (the credit unions provide 15% of the loan funds). The improvement loans will be made to enable households to make durable renovations, extensions, and additions to their houses or to finance improvements to water supply or sanitary facilities.

Both components of the proposed HG project will be targeted toward upgrading existing communities and preventing the deterioration of existing housing stock.

### III. EXAMINATION OF ENVIRONMENTAL IMPACT

The objective of the proposed HG project is to improve living conditions in squatter settlements and to improve the conditions prevailing in existing housing stock. The construction of new human settlements in previously undisturbed areas is not envisioned. Within the squatter settlement component of the project, the first priority will be that of providing secure tenure by such means as surveying and grading. Improvements beyond this, such as providing water, sewerage, drainage, access roads and paths, will vary from site to site. Within the home improvement component of the project, the small loans to be made to individual homeowners will be used primarily to make basic home improvements needed to prevent deterioration of their house. The physical outputs of the project will be widely distributed throughout Jamaica.

#### A. Impact on Natural Environment

Considering the nature and distribution of the project's physical outputs, it is unlikely that the project will have a significant harmful impact on Jamaica's natural environment.

#### B. Impact on Human Environment

1. Provision of Secure Tenure: Providing security of tenure to squatters will have a beneficial impact on the human environment. Security of tenure is the first step in the incremental, progressive approach to improving conditions of squatter settlements and underlies the ability to provide improved infrastructure services on a rational basis.
2. Provision of Infrastructure Services: Providing improved levels of access to water and sewerage facilities will have a beneficial impact on the human environment, particularly with regard to general health conditions including control of vehicles for transmitting communicable diseases, and with regard to lessening the time spent transporting water. It is anticipated that the provision of roads, footpaths, and electricity will benefit the target communities by improving access to community facilities, formal transportation, and by strengthening the sense of community and improving personal security.
3. Provision of Home Improvement Loans: Home improvements carried out by project beneficiaries will have a beneficial impact by improving the sense of individual identity, safety of dwellings, and level of household amenities, especially with regard to the structural stability of housing stock, increased space of dwellings, and availability of individual water and sanitary facilities.
4. Man-Made Conditions: The conservation and upgrading of existing human settlements, as proposed by the HG project, will have several beneficial impacts. These include: 1) a lower commitment of financial and material resources than for a program of new construction, thus spreading the benefits of improved living conditions among as many households as possible; 2) minimum disturbance of existing natural environmental conditions with minimal negative impacts on natural conditions; and 3) better utilization of scarce land currently used for housing.

### C. Impact on Infrastructure Services

1. Negative: The major potential for a negative impact on the environment is the possibility that increased demand for water and increased use of municipal sewerage systems may result from extending and upgrading water and sewerage service in squatter settlements. Since the upgrading of services will take place in a number of widely distributed sites, it is unlikely that the proposed project will have a significant impact on the total capacity of water supply and sewage treatment systems. The potential for a significant impact on the supply and treatment systems in specific sites, leading to an overburdening of the systems, does exist. This problem can not be resolved solely within the context of the proposed project. However, the potential for such significant impact is substantially mitigated by the inclusion of the proposed upgrading sites into the National Water Authority's planning operations, so that increases in demand for water supply and treatment can be met by planned improvements in water supply and sewage treatment facilities for communities affected.

2. Positive: The increased accessibility of water supply will assist in reducing the health hazards associated with on-site or surface water supply systems which may be contaminated by malfunctioning sewage systems and improper disposal of human waste. In addition, improved water system distribution will reduce the threat of fires and provide the opportunity for future individual house connections. Upgrading of community sewage treatment facilities, including sewerage reticulation, will assist in improving groundwater quality by reducing sources of contamination; improve access to toilet facilities; and increase the life expectancy of existing on-site sewage treatment facilities, such as septic tanks, by reducing the number of users. In addition, the application of a central management system to water supply and sewage treatment, as will occur by extending services to currently unserved communities, will identify a formal government authority responsible for the proper functioning of the system.

### IV. ASSESSMENT AND RECOMMENDATION

It is unlikely that the proposed project will have a significant impact on Jamaica's natural environment. It is likely that the impact on the human environment will be beneficial to the communities and individuals affected. The potential exists for overburdening specific infrastructure elements at some sites, but the inclusion of the proposed upgrading sites in the Water Authority's planning operations mitigates against such overburdening doing significant harm to those systems.

#### Threshold

Based on the foregoing information, the proposed HG program will not do significant harm to the environment. As defined in AID Regulation 16, the project will not have a significant effect on the environment. Therefore, a Negative Threshold Determination is recommended.