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

CARIBBEAN REGIONAL

PROJECT PAPER

BARBADOS PRIVATE INITIATIVES IN HOUSING

AID/LAC/P-101

Project Number: 538-0081
HC-538-HG-002

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-top: 5px;">A</div>	Amendment Number _____	DOCUMENT CODE <div style="text-align: center; border: 1px solid black; width: 20px; margin: 0 auto;">3</div>
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2. COUNTRY/ENTITY BARBADOS	3. PROJECT NUMBER <div style="display: flex; justify-content: space-between;"> 538-HG-002 538-0081 </div>
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4. BUREAU/OFFICE LAC PRE/HUD 5	5. PROJECT TITLE (maximum 40 characters) BARBADOS PRIVATE INITIATIVES IN HOUSING
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 10 31 85	7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 82 B. Quarter 4 C. Final FY 89
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B. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 82			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(320)	()	(320)	(320)	()	(320)
(Loan)	()	()	()	()	()	()
Other						
1. HG	5000	5000	10000	5000	5000	10000
U.S. 2. HG Fee	100		100	100		100
Host Country (MOHL-Sugar Levy UPs)		2675	2675		2675	
Other Donors						
TOTALS	5420	7675	13095	5420	7675	13095

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)	866					320		320	
(2)	729						10000		10000
(3)	729					100		100	
(4)									
TOTALS						420	10000	420	10000

10. SECONDARY TECHNICAL CODES (maximum 8 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
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12. SPECIAL CONCERN CODES (maximum 7 codes of 4 positions each)
A. Code _____ B. Amount _____

13. PROJECT PURPOSE (maximum 180 characters)
The purposes of the program are to shift the initiative for production of housing for low-income families to private developers and individuals by the provision of financing for modest homes and for home improvements; assist government move away from the direct production of housing; provide for expanded lot and home ownership by providing part of the financing to carry out the Tenantry Freehold Purchase Act.

14. SCHEDULED EVALUATIONS Interim 9 8 3 19 8 4 Final 1 0 8 5	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of 6 page PP Amendments)
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17. APPROVED BY	Signature <div style="text-align: center;"> Fredrik A. Hansen Title: Acting Director, Office of Housing and Urban Development </div>	18. DATE DOCUMENT RECEIVED IN AID/M, OR FOR AID/M DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
	Date Signed MM DD YY	MM DD YY

INSTRUCTIONS

The approved Project Data Sheet summarizes basic data on the project and must provide reliable data for entry into the Country Program Data Bank (CPDB). As a general rule blocks 1 thru 16 are to be completed by the originating office or bureau. It is the responsibility of the reviewing bureau to assume that whenever the original Project Data Sheet is revised, the Project Data Sheet conforms to the revision.

Block 1 - Enter the appropriate letter code in the box, if a change, indicate the Amendment Number.

Block 2 - Enter the name of the Country, Regional or other Entity.

Block 3 - Enter the Project Number assigned by the field mission or an AID/W bureau.

Block 4 - Enter the sponsoring Bureau/Office Symbol and Code. *(See Handbook 3, Appendix 5A, Table 1, Page 1 for guidance.)*

Block 5 - Enter the Project Title *(stay within brackets; limit to 40 characters).*

Block 6 - Enter the Estimated Project Assistance Completion Date. *(See AIDTO Circular A-36 dated 1/26/78, paragraph C, Page 2.)*

Block 7A. - Enter the FY for the first obligation of AID funds for the project.

Block 7B. - Enter the quarter of FY for the first AID funds obligation.

Block 7C. - Enter the FY for the last AID funds obligations.

Block 8 - Enter the amounts from the 'Summary Cost Estimates' and 'Financial Table' of the Project Data Sheet.

NOTE: The L/C column must show the estimated U.S. dollars to be used for the financing of local costs by AID on the lines corresponding to AID.

Block 9 - Enter the amounts and details from the Project Data Sheet section reflecting the estimated rate of use of AID funds.

Block 9A. - Use the Alpha Code. *(See Handbook 3, Appendix 5A, Table 2, Page 2 for guidance.)*

Blocks 9B., C1. & C2. - See Handbook 3, Appendix 5B for guidance. The total of columns 1 and 2 of F must equal the AID appropriated funds total of 8G.

Blocks 10 and 11 - See Handbook 3, Appendix 5B for guidance.

Block 12 - Enter the codes and amounts attributable to each concern for Life of Project. *(See Handbook 3, Appendix 5B, Attachment C for coding.)*

Block 12 - Enter the Project Purpose as it appears in the approved PID Facesheet, or as modified during the project development and reflected in the Project Data Sheet.

Block 14 - Enter the evaluation(s) scheduled in this section.

Block 15 - Enter the information related to the procurement taken from the appropriate section of the Project Data Sheet.

Block 16 - This block is to be used with requests for the amendment of a project.

Block 17 - This block is to be signed and dated by the Authorizing Official of the originating office. The Project Data Sheet will not be reviewed if this Data Sheet is not signed and dated. Do not initial.

Block 18 - This date is to be provided by the office or bureau responsible for the processing of the document covered by this Data Sheet.

ASSISTANT
ADMINISTRATOR

GUARANTY AUTHORIZATION

PROJECT 538-HG-001

PROVIDED FROM: Housing Guaranty Authority

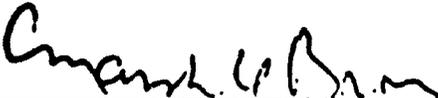
FOR : The Government of Barbados

Pursuant to the authority vested in the Acting 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 Ten Million Dollars (\$10,000,000) 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 housing projects in Barbados.

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

1. Term of Guaranty: The loans may extend for a period of up to thirty years (30) from the date of disbursement and may include such terms and conditions as shall be acceptable to A.I.D. The guaranties of the loans shall extend for a period beginning with disbursements 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 Barbados Guaranty: The Government of Barbados 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.

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



Otto Reich
Assistant Administrator
Bureau for Latin America and the Caribbean

Clearances: *AK*
PRE/HJD: JHowley AK Date 5/5/82
GC/HJD: MGKitay _____ Date _____
GC/LAC: BVeret _____ Date 7/2/82
FM/LD: ESCwens _____ Date 5/3/82
LAC/DR: DJohnson _____ Date _____
LAC/CAR: _____ Date _____
KJLW
GC/H: MJWILLIA:IS:prj:06/22/82

PROJECT AUTHORIZATION

Name of Country: Barbados
Name of Project: Barbados Private Initiatives in Housing
Number of Project: 538-0081

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a grant for the Barbados Private Initiatives in Housing project for Barbados involving planned obligations of not to exceed three hundred and twenty thousand (\$320,000) in grant funds ("Grant") over a two-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project ("Project") consists of the furnishing of technical assistance to assist AID Project 538-HG-001, Barbados Private Initiatives in Housing, to accomplish its objectives. The assistance will provide technical assistance for project administration and management and toward development of a more comprehensive national housing policy.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

Source and Origin of Goods and Services

Except as set forth below and except for ocean shipping, goods and services financed by A.I.D. under the Grant shall have their source and origin in the United States or in Barbados, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

Otto J. Reien

Otto J. Reien
Assistant Administrator
Bureau for Latin America
and the Caribbean

Aug 6 1962

Date

Clearances:
GC/LAC/Verot: *1/29* date *1/29*
LAC/CAR: _____ date _____
LAC/DIR/DJohnson: _____ date _____

GC/LAC/TDCarter:ckg10/28/82ix23272

BARBADOS PP OUTLINE - PRIVATE INITIATIVE IN HOUSING

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I. SUMMARY AND RECOMMENDATIONS

A. INTRODUCTION AND BACKGROUND

In January of 1981, the AID Office of Housing provided a two man team to assess the housing situations in Barbados specifically and in the other Eastern Caribbean countries generally. This study also outlined possibilities for a Housing Guaranty Program (HGP).

Shortly following this study, and presumably arising out of interest generated by it, the Government of Barbados (GOB) made application for a loan of US\$1.25 million to finance the purchase of plots, the upgrading of houses and infrastructure and the provision of community facilities for four tenantry sub-projects (see detailed description of tenantries in body of paper). Total project costs were estimated at US\$2.75 million and the project was to be part of the GOB's overall efforts to improve tenantry shelter conditions.

Discussions were held by RDO/C with the GOB regarding the possibility of a program and the likely use of HC resources if a program were to be funded. Subsequently, the final report of the January study was provided by the RDO/C to the GOB. After a lengthy review and consideration, the GOB requested a feasibility study in October.

Eventually, a meeting was held in December between RDO/C and Office of Housing representatives and the Prime Minister. At this meeting, the Prime Minister outlined his priorities; home improvement loans and financing for new construction. He also asked for technical assistance to analyze the problems and effectiveness of the housing industry across the board. He concluded by requesting AID to proceed with consideration of an HGP.

As a result of that meeting, the Office of Housing assembled a team in February 1982 to develop the PID and do preliminary PP work. The PID was approved for a \$10 million HGP in April to finance home improvements, new construction and tenantry plot purchases aimed at families below Barbados' median income level. The PID approval cable (See Annex 1) required that the detailed intensive review leading to the PP specifically focus on the GOB's strategy to establish, over time, a flow of resources to meet low income housing needs, to establish clearly that an effective demand exists for the HC financing with particular emphasis on tenantry occupants, to complete the analysis of the credit institutions through which the financing will flow and to set forth the AID strategy for the program.

A project design team fielded by the Office of Housing completed this work in April.

B. THE PROBLEM TO BE ADDRESSED

It is estimated by the Ministry of Housing and Lands (MOHL) that Barbados needs some 1,700 new units of housing per year over the next five years to

accommodate new household formations, replace existing housing stock as it becomes unusually old or beyond repair and to begin to eliminate the growing backlog.

In addition, the Ministry feels there is a crucial need to begin to step up the rate of home improvements (upgrading, repairs and maintenance) in order to slow down the rate of replacement required.

Production of new units has not been close to the level needed to meet the needs projected above. For the eight year period 1970 - 78, it is estimated that an average of only between 600-700 units were completed per year. For the three years 1979-81, it is estimated that new starts averaged only around 700 units per year, both public and private.

The situation is rapidly getting worse, posing a major problem for the Government. Because of a tight credit situation reflecting overall strains in the economy and interest rate controls, including a 12 percent ceiling on mortgages, the supply of mortgage money from the private sector has almost completely dried up. The same applies to home improvement loans. The public sector is suffering equally. Budget cut-backs will curtail production of government rental housing to projects already underway and the same applies to the direct construction program.

The government's two loan programs relative to housing, a home improvements loan fund and the Barbados Mortgage Finance Company (BMFC), are currently without new funds to lend. The BMFC, along with the commercial banks, has made no new commitments since last August.

Finally, tenants on tenantry plots will not move forward with significant upgrading efforts to their housing until they are able to purchase their lots.

C. SUMMARY PROGRAM DESCRIPTION

1. The Program

The proposed program is for a \$10 million Housing Guaranty to provide long term mortgage financing for modest, new homes, to provide financing for home improvements and expansion and to provide financing for lot purchases and home improvements as part of a major effort to carry out the purposes of the 1980 Tenantry Freehold Purchase Act. The program envisions \$5 million for new construction, \$3 million for home improvements and expansion and \$2 million for the Tenantry Program.

All solutions financed under the program will be affordable by families earning at or below the median family income for Barbados, estimated in February to be \$11,712 (US \$,856) per year.

Financing of the program in Barbados will be through existing credit institutions now equipped to make such loans. Specifically, the commercial

carry out home improvement financing and the Barbados National Bank, the government-owned commercial bank, will provide financing for the Tenantry Program.

Development grant funds of \$160,000 per year for two years are proposed to fund a resident technical advisor and short term assistance and training to the credit unions. In addition, it is planned to utilize \$100,000 of HG fee income over two years for short term assistance and training to the BMFC.

2. Goal, Purpose and Strategy

The goal of the program is to help alleviate the overall shortage of housing units in Barbados; to significantly improve the existing housing stock, particularly deteriorating timber houses; to shift the initiative for this effort towards the private sector; and to broaden the ownership basis of housing in Barbados.

The specific purposes of the program are to facilitate the ability of the private sector, both institutional and individuals, to provide new homes and home improvements for low income families by providing financing to do this which will, at the same time, assist government in reducing its role and to provide the financing for implementation of the Tenantry Freehold Purchase Act to purchase house plots and make improvements.

RDC/C strategy is to utilize the HG Program to provide for financing which is not available in Barbados at the present to enable the private sector response that is crucial to overall government objectives. It is recognized that this is a short term approach and there must be a longer term approach.

With respect to the long-term approach, the Cabinet of the Government has adopted a statement contained in the Letter of Application for the program, which sets forth the policy directions which it intends to follow in the housing sector. Among the areas covered are interest rates, role of the NHC and BMFC, private sector participation and the development of home savings and loan associations and land tenure.

Throughout the life of the HG program AID will strongly encourage the GOB to move forward with this strategy and technical assistance will be provided under the HG to assist the GOB in developing a more comprehensive national housing policy.

3. Program Outputs

Based on an average size for mortgages and home improvements within the maximum to be allowed and the amount allocated to each subprogram, it is estimated that 500 new houses and 2,000 home improvement loans will be financed under the program. It is also estimated that 1,000 tenantry occupants will be able to finance their plot purchase and make improvements to their houses.

Institutionally, the outputs will center on an expanded and improved Barbados Mortgage Finance Company and an increased capacity for credit unions to make home improvement loans.

In addition, technical assistance provided as part of the project should assist in the preparation of a comprehensive national housing policy.

4. Program Inputs

As outlined above, the program inputs will be a \$10 million HG, a development grant of \$320,000 for a resident advisor and supplemental technical assistance and HG fee income of \$100,000 for additional technical assistance.

5. Beneficiaries

The target group for this project are those families earning at or below the median family income in Barbados. A review of recent government statistical data indicates that the median family income is B\$976 per month or B\$11,712 per annum. Incomes in tenancies for the most part will tend to be below the national median family income.

6. Issues and Constraints

Approval of the PID indicated certain areas, as described in Section IA, that needed to be specifically addressed during final project preparation. They are all covered in this PP.

The major issue confronting the project is what strategy the GOB should adopt to develop and continue a flow of resources into housing from internal sources. Part of the overall strategy must be a rationalization of interest rate policy and its effect on housing finance.

Discussion between AID and the Government has already occurred on this matter and the Government has indicated its willingness to examine this question fully during the life of the HG with a view toward restructuring interest rates if economic conditions permit.

Constraints to the project center around assumptions which have been made relative to the response of the private sector; i.e. institutions, builders/developers and individuals, to the provision of a large amount of finance but which will have certain conditions attached to it, i.e. maximum loan amounts and total house cost.

One of these assumptions concerns participation by private commercial banks as lenders in the program. Such banks do not now make, nor have they in the past made, mortgage loans to the income levels or for the type of housing contemplated in the proposed program. Analysis indicates some reluctance on the part of these banks to do so even though they currently do not have funds available for mortgage lending. They are more likely to participate as

lenders for home improvements. However, if the banks do not participate as mortgage lenders, BMFC can pick up the slack and/or the home improvement/tenantry program components can be increased.

Of greater importance is the response of developers and individuals to providing and buying new houses within the constraints set forth. Additional interviews with several key developers/builders during project design have indicated they can and will provide suitable housing. It is also the judgment of the consultants and knowledgeable people in government and the private sector that individuals will buy.

With regard to families occupying tenantry plots, buying these and making improvements to their houses, some 87 surveys of plantation tenancies and a major urban survey have been completed. Results indicate that most people will opt to buy their plots. The Barbados National Bank has received a number of applications for plot purchase even though the program is just beginning.

D. RECOMMENDATIONS

It is recommended that a \$10 million Housing Guaranty Loan be approved to the Government of Barbados to foster private sector initiatives in the provision of housing and that \$320,000 development grant be provided for technical assistance.

II. THE HOUSING SECTOR IN BARBADOS

A. HOUSING IN THE ECONOMY

Construction industry output as a percentage of GDP has increased steadily during the past five years from 6.0 percent in 1977 to 7.1 percent in 1981.

Approximately two-thirds of construction activity is accounted for by housing; and housing activity, in turn, is about evenly split between the private and public sector. Total housing starts were officially estimated to be 614 in 1979, 712 in 1980 and 790 in 1981. This growth is consistent with Central Bank statistics on the growth of long-term lending for housing, which averaged about 11.6 percent per year in real terms, 1976 - 1980.

During the past year, however, the construction industry began to overheat due in large part to the GOB's ambitious public works program. The result was a growing shortage of skilled labor and a 35 percent wage increase in 1981, the highest of any sector in the economy.

As part of its overall program to deal with a worsening economy and budgetary problems, the GOB has tightened credit restrictions and cut back the pace of its public sector construction program for 1982. Two predictable results: new mortgage money has dried up almost completely and the construction sector pipeline has been reduced to only about six months of work. Now the government is concerned as to how to provide some infusion of financing into the construction industry to maintain employment.

The construction industry is heavily dependent on direct imports of materials. About 65 percent of the cost of housing, for example, represents the cost of materials and approximately 80 percent of building materials are imported. Thus, some 52 percent of housing costs require foreign-exchange expenditures. This is reported to underlie the limitation of 12 percent on mortgage rates, i.e. deliberately constrain the availability of mortgage money to curtail imports.

B. THE HOUSING STOCK

The 1970 census counted 58,696 housing units against a total population of 238,500. By the end of 1980, the population was estimated to be 249,000 and the number of housing units approximately 67,200. Unlike most developing countries, Barbados does not have a large indigent population living in informal housing in squatter areas or slums. There are, however, some urban housing areas which are overcrowded with sub-standard housing, much plantation tenantry housing needs improvement and some rural areas have little infrastructure with adequate roads being the major problem.

According to the 1970 census, the latest census for which detailed information is available, wood was by far the most common building material

with 75 percent of the houses constructed of wood. Concrete (masonry) houses made up about 19 percent of the total with mixed wood and concrete and other types making up the remainder. Generally speaking, the provision of infrastructure was not too bad although some 40 percent of the homes did not have water on the premises and many houses utilized pit latrines.

The situation has improved somewhat over the past ten years and detailed surveys of tenancies, both urban and plantation, are underway to come up with more definite estimates of needs.

Along with population growth, it is the age of the housing stock, rather than the lack of infrastructure facilities, which indicates a need for stepped up investments in shelter. The age distribution of the 1978 housing stock was estimated to be:

8.5%	Less than 8 years old
19.8	1.18 years
21.1	19.28 years
49.6	more than 28 years
1.0	delapidated beyond repair

The normal life of a timber house is said to be 20 - 30 years, and good maintenance with periodic improvements can extend this to a longer period.

C. TENANTRY HOUSING

Tenantry housing is unique to Barbados. It constitutes such a large part of Barbados' housing as well as being part of the proposed project that it merits a separate discussion.

In Barbados, the population may be divided into three groups according to their housing ownership patterns; those who own both a dwelling unit and the land upon which it is located, those who rent both, and those who own their residences and rent the lot upon which the residence is located. The latter pattern, whereby residents own their homes but rent the land upon which it is located, is known as a tenantry. The Ministry of Housing estimates that 20,000 dwelling units, approximately one-third of the national housing stock, are located on tenancies. The tenantry residents live in "chattel" houses that they own and are located on "house spots" - rented lots used solely for chattel houses. Rent levels for the house spots are subject to rent control laws and are normally very low. Tenantry rents range from a low of \$5.06-.08 per month for some plantation tenancies to \$56.00 per month for urban tenancies. The tenantry residents are overwhelmingly members of the lower income group in Barbados. Approximately 15 percent of the island's tenancies are government-owned and are managed by either the Agricultural Development Corporation (plantation tenancies) or the National Housing Corporation.

The current tenantry system has its origins in the plantation tenantry system that evolved following the emancipation of the slaves in Barbados in 1838. Landlords rented the land to the tenants who erected moveable wooden houses called chattel houses that could be moved by the tenant if his

employment changed. Chattel houses were constructed of wood with small dimensions so that the walls could be dismantled easily and moved on short notice. The foundations normally consisted of loose rock to permit easy movement of the houses. The system has continued to present. Over the years, urban tenancies developed following the principles established by the plantation tenancies. A detailed description of the system is contained in Annex 2.

The important point relative to the proposed project is that the tenants do not own the land on which their home is situated. Even though families may have been on their house spot for a number of generations and, basically, cannot be evicted if they pay their rents, they do not, for the most part, upgrade their shelter in any permanent way for fear they may still lose it.

D. HOUSING NEEDS

In projecting housing needs in the future the MOHL uses projections of households, estimates replacements for housing units which become unuseable during the period and estimates losses due to fire. On this basis, housing needs per annum have been projected by the MOHL at approximately 1,700 units over the 1981-85 period.

This is based on a total household increase of about 2,200 over the period or about 440 new households per year. Replacement of houses is estimated at 1.8 percent of the total housing stock which indicates about 1,160 houses per year. To this is added a loss from fire of about 100 units per year. The total is, therefore, about 1,700 units and this is used for planning purposes by the MOHL.

III. THE INSTITUTIONAL FRAMEWORK FOR HOUSING

A. GOVERNMENT POLICIES AND PROGRAMS FOR HOUSING

1. The Development Plan

The Barbados Development Plan 1979 - 1983 allocated B\$46.15 million for housing out of a total public investment program of B\$ 561.72 million over the plan period (8.2 percent). The major items contemplated were B\$38 million for National Housing Corporation (NHC projects (rental units and infrastructure) and B\$8.5 million for an integrated sites and services program which assumed external financing and which has never been developed. Outside of the public investment program, that is, outside of budgetary resources, the plan envisaged B\$41.3 million to establish a revolving fund under the NHC to finance the construction of units for sale.

The chapter on Housing, Lands and the Environment, states among its General Objectives:

to provide the opportunities for Barbadians of all income groups to have access to adequate housing at reasonable costs in an environment conducive to wholesome living" and

to provide security of tenure of house lots

The introduction of a Tenantry Development Program was specifically mentioned in the Plan to address the tenure question.

The Plan proposes a minimum of 3,200 dwelling units to be constructed over the Plan period, an annual average of 800 units, within the public sector or through financial assistance to the private sector. In addition, the Plan notes that the private sector has contributed approximately 50 percent of the increase in the national housing stock since 1970, and assumes that the private sector will continue to make a significant contribution to the national housing program.

As a leading specific objective, the Plan states:

"to mobilize private capital in order to increase the availability of funds to finance mortgages and make conditions of mortgage finance less prohibitive"

Further with regard to financing, the Plan states:

"the Government, through the Barbados National Bank, will continue its policy of issuing housing bonds and will continue to seek sources of funds for financing house ownership and to establish security of land tenure. The Government will also actively encourage the development of Building and Loan Societies"

In the economic situation of 1981/82 with declining public revenue and foreign exchange prospects, it is clear that the residential construction targets established in the plan will not be realized. It is also clear that the Government must take steps to induce a greater response from the private sector and to rationalize and improve its housing finance policy if the pace of housing construction is to pick up. It appears that external funds such as the HG can be usefully applied towards meeting these objectives.

Annex J contains a table of the Public Investment Program and a copy of the Chapter in the Plan on Housing, Lands and the Environment.

2. The Budget

The GOB fiscal year 1982-83 began on April 1. Budget estimates are as follows:

	B\$ million	
	1982 83	Revised 1981 - 82
Current Expenditure	501.3	463.5
Revenue	494.4	473.4
Surplus (Deficit)	6.9	(9.9)
Capital Costs	135.7	175.0
Overall Deficit	128.8	184.9

As can be seen there has been a substantial cut-back in capital expenditures. Furthermore, the revised 1981 - 82 estimates reflect a B\$ 25 million cut back in capital costs from the original budget. This reflects a scaling back in government projects.

Over the five year period up until last year the MOHL accounted for about 10 percent of the GOB's capital budget. For FY 1981 - 82, however, the capital budget was originally set at B\$ 200.2 million. Of this amount the MOHL was budgeted for B\$12.3 million, or only 6.2 percent of the total. Subsequently, with the overall reduction of the capital budget to B\$175.0 million, the MOHL budget was reduced to B\$11.0 million.

For 1982 - 83 MOHL is again budgeted for B\$11.0 million out of a total B\$135.7 million, or 8.1 percent of the total. Housing is over half of this (B\$ 6.0 million), the same as last year, and constitutes National Housing Corporation Programs, mostly completion of rental projects which have already been started. The remainder was mostly for the Community and Environment Services and the Parks and Beaches Commission.

For current expenditure, the revised overall GOB budget for 81 - 82 was B\$ 463.5 million. The MOHL budget amounted to only about 2.5 percent of this at B\$11.5 million. For 1982 - 83, the MOHL budget for current expenditures amounts to B\$ 9.0 out of a total of 501.3 or only 1.8 percent.

	81 - 82		82 - 83	
	B\$m.	%	B\$m.	%
Central Administration	1.1	9.1	1.2	13.3
National Housing Corporation	4.9	41.1	2.9	32.2
Community & Environment (includes Park and Beaches)	5.2	43.3	4.2	46.7
Economic Services (includes Lands and Surveys)	0.8	0.8	0.7	7.8
	<hr/>		<hr/>	
Total	11.9	100.0	9.0	100.0

The NHC budget above is supplemented by rent collections which, in 1982 - 83 are projected to be on the order of B\$ 4.4 million.

It should be noted that several government housing programs are off-budget. The direct construction program is financed through a revolving fund by borrowing and sale of houses. The BMFC is financed primarily through borrowed funds and the General Workers' Home Loan Fund, also a revolving fund, and through grant allocations primarily from the Sugar Levy Fund.

It is clear that the COB is having to scale back its overall budget and particularly its capital budget and that housing is being affected along with other items. The capital budget for housing, essentially the NHC budget, remains at the same level as 1981-82 and is only to complete existing projects already underway and not to start any new ones. When compared with a capital budget of B\$ 13.7 million in 1980-81 and taking account of inflation, it can be seen the diminished resources the COB can put into housing. It is against this backdrop that the COB is moving to induce the private sector to play a greater role.

Further budget details are contained in Annex 4.

3. Government Policies

There is no comprehensive national housing policy in Barbados at present. What has existed is a series of ad hoc policies, as in many countries, which are beginning to get at the problem. The Planning Unit of the MOHL has prepared a paper "Toward a National Housing Policy" which provides the framework in which the Government is now working.

On June 3 of 1982, however, the Cabinet of the Government of Barbados formally adopted a statement of its strategy in the housing sector over the near future:

"The major thrust in Government's housing policy over the immediate and distant future shall be the involvement of the private sector in a more direct manner. Particular emphasis shall be placed on the encouragement of this sector to provide housing from the lower income earners. In the past, and to

some extent in the present, this has fallen the responsibility of the public sector. With limited resources the impact was not as great as it could be and it is anticipated that the future shall experience a somewhat worse performance.

The major issues which shall be addressed in more specific policies, which the Government of Barbados intends to develop and pursue over the planning period of 1980-85 are:

- (a) the need to maximize and secure funds from domestic sources for investment in housing.
- (b) the re-organization of the role of the National Housing Corporation to meet current demands.
- (c) the involvement of private developers in the development of housing schemes, particularly those for sale.

Within the framework above, the approaches which shall be considered include:

- (a) a rationalization of the interest rate structure to make housing a more attractive prospect for investors.
- (b) the encouragement of home savings and loans association, including the re-organization of existing organizations to achieve this objective.
- (c) the movement towards full cost recovery in all housing programs.
- (d) the de-emphasizing of the role of the National Housing Corporation as a builder of units, particularly as a builder of units for sale to middle income earners.
- (e) the emphasizing of the role of the National Housing Corporation as a technical services unit, and as a manager of sites and services programs. In this revised institution any building done by the NHC shall be of the pre-fabricated type, essentially for the lower income earner.
- (f) the re-organization of the Barbados Mortgage Finance Company to permit it to attract savings and to make loans such like building societies.
- (g) greater focus on the maintenance and upgrading of the housing stock through appropriate fiscal and monetary matters.
- (h) rationalisation of the public and private housing rental market to ensure consistency in the quality of unit rented on the market, particularly for the low-income earner.

- (i) continued focus on the land tenure market to ensure that conditions conducive to the establishment of more permanent dwelling units shall be provided.

This represents a major step forward in identifying steps to improve the efficiency of the housing sector.

Related to the above policy framework are the Government's plans to upgrade rural and urban tenancies. As quantified earlier, a significant percentage of Barbados' lower income families reside in old homes, many of which are deteriorating, located on plots of land they do not own (tenancies). Unless they own the land they will not make the improvements necessary to upgrade their housing. Thus, the government enacted the Tenancy Freehold Purchase Act in 1980 which will give families on tenancy property the option to buy. This Act is the key policy to establish ownership on the basis of which it is believed occupants will improve their shelter.

The process will be facilitated by the provision of finance to purchase the plots and to make basic improvements. To provide the widest possible basis for extending these private initiatives the government proposes to utilize HC financing for mortgages for new home construction and home improvements utilizing existing finance mechanisms.

Two other policy initiatives will have to go hand in hand if the overall policy is to succeed. First, government programs for developing and producing housing for sale and rental, already cut back drastically because of a funding shortage, will have to be cut back specifically as a matter of policy. That is, if the budget situation should ease, the COB should not then engage itself again in starting new projects, or, if it does, they should be consciously aimed at the lowest income levels as part of an overall strategy.

Secondly, the housing finance system, now almost without funds because of interest rate policies and the overall credit squeeze, will have to be rationalized if a long term solution for providing adequate finance to the private sector to produce housing is to be developed.

4. Government Housing Organization and Programs

a. Government Organization for Housing: The Ministry of Housing and Lands (MOHL) is the ministry responsible for planning and developing the government's overall housing programs. It includes Departments of Town Planning, Lands and Surveys and Parks and Beaches. The head-quarters staff includes administration and the Housing Planning Unit. The National Housing Corporation (NHC), a statutory corporation, is an arm of the ministry charged with implementing government programs.

The Planning Unit develops the statistical base, undertakes studies and provides the basis for the government's programs. It is this unit which is the focus of the government's efforts to develop the plans needed to cope with its growing housing problem. For instance, detailed surveys are now underway on all plantation tenancies to determine socio-economic data on the

residents, the condition of the housing stock and the level of infrastructure. A detailed study of a large lower income area of Bridgetown is also underway seeking similar information.

The NHC develops and carries out the government's housing programs. It does not set housing policy but operates within guidelines set by the MOHL. In addition to its development and construction work the NHC administers some 5,000 rental units. It also administers the government's General Workers' Housing Loan Fund. In this latter capacity the NHC acts as a housing finance institution.

NHC's budget is part of the overall budget of the MOHL. The recurrent budget includes costs associated with maintaining the rental units and is financed partly by government budget allocation and partly by rental receipts. The NHC's commercial program, i.e. development, construction and sale of single houses, is a completely separate operation financially, financed through sale of the houses. Construction financing is provided by bank borrowing. The houses are then sold to buyers with long term financing provided by Barbados Mortgage Finance Company.

b. Government Housing Programs:

(1) Introduction: The government's direct intervention in shelter production has been of four types over the past several years: home improvement loans for general workers; rental housing; direct construction of residential housing and a modified sites and services program. At one time, the former Urban Development Corporation sold land to housing developers, but this program no longer exists. All of the above programs are implemented by the National Housing Corporation. The government's other intervention has been through the Barbados Mortgage Finance Company which, in the past several years, has provided much of the long term financing for the direct sales program. (Its activities are discussed in more detail in under Housing Finance.

The major new initiative by government in its shelter programs is the Tenantry Program which is just getting under way.

Following are descriptions of the programs.

(2) The Tenantry Program: Over the long term this program intends to eliminate all tenancies and transfer freehold titles in the lots to the tenant.

The program originated in 1980 with two pieces of legislation, the Tenancies Freehold Purchase Act (TFPA) and the Tenancies Development Act (TDA). There were, of course no legal barriers to purchase by a tenant of his house prior to 1980, but the government believed that these new laws would promote land ownership and induce families to improve their shelter and overall living conditions.

The TFPA divides tenancies into plantations and non-plantation tenancies. Plantation tenancies are located mainly in rural parts of the island. Non-plantation tenancies are located primarily in urban areas and are more functional to their owner as a source of income.

Under the TFPA, any tenant who has resided on his lot for five consecutive years or five out of the preceding seven years has a legal right to purchase his house spot. In order to exercise this right, the tenant serves a notice on his landlord of his intention to purchase. In response to this notice, the landlord must secure the permission of the Chief Town Planner who certifies that the lot is saleable. Following this certification, the landlord must convey the lot to the tenant at a price determined by the Act. The Act contains a simplified form of conveyance and establishes attorney fees for the conveyance at 1 percent of the purchase price. (Attorney fees for other conveyances are established by law at 2-3/4 percent). The simplified form of conveyance and reduced fee structure are intended to encourage transfers under the TFPA.

In establishing the price of the lot, the distinction between plantation and non-plantation tenancies is important. For lots on plantation tenancies, the price is B\$1 per square meter (B\$.11 per sq. ft.) with a minimum purchase price of B\$300. For non-plantation tenancies, the fair market value of the lot determines its value. The Act anticipates that the landlord and tenant will be able to determine fair market value through negotiations. If they are unable to do so, they can go to the local Registrar and request him/her to fix the purchase price. It is relatively expensive to use the Registrar and so far nearly all non-plantation purchase prices have been resolved between landlord and tenant. The Act contains safeguards against speculation and once the tenant has acquired the lot, he cannot dispose of it for a period of five years from the date of purchase.

The Act provides for the establishment of a loan fund to assist tenants who want to purchase lots but are financially unable to do so. Because of scarce resources, only limited funds have been available for tenantry loans. In February 1982, the MOHL proposed a B\$1.26 million plan to implement the Act. It is this appropriation which the MOHL hopes to supplement with HG financing.

In those tenancies where infrastructure facilities are very bad or lacking, the TDA provides a means whereby the MOHL may acquire a tenantry for which the ministry has approved a plan for the improvement of the drainage, water supply, sewage disposal or electricity supply. The tenantry is acquired by the ministry in accordance with the procedures set forth in the Land Acquisition Act.

The two tenantry acts are intended to function with a minimum of government involvement. In particular, the TFPA is designed to provide private landlords and tenants with a streamlined method by which freehold titles to tenantry lots can be transferred to the tenants.

The MOHL has found it necessary, however, to become involved in certain aspects of the tenantry programs. It is conducting sociological surveys of each tenantry to advise residents of their rights under the new legislation

and to obtain statistical information on tenancies and their housing needs. The results of these surveys should be extremely useful in determining which tenancies should be developed, the specific problems that must be addressed in each tenancy, and the level of funds necessary to upgrade the housing stocks. In addition, many of the tenancies need to be surveyed in order for their lots to be conveyed. Working with limited resources, the MOHL has been responding to requests of tenants for surveying services. As the tenancy program involves more tenants, the demand for these services is going to increase accordingly.

(3) General Workers' Housing Loan Fund: This program, administered by the MHC, covers loans for improvements, extensions and purchase. The maximum loan is for \$12,000 although the loans range upward from around \$1,600. The average over the last three years was \$59,000.

The primary purpose is to assist families in improving their present housing conditions through improvements or adding a new room although the maximum amount could finance a small wooden shell house. The specified downpayment is 10 percent, the current interest rate is 6 percent and the loan is secured by a chattel mortgage.

The program grew out of the Sugar Workers Loan Scheme but was broadened in 1973 - 74 to include other low income workers. The program is aimed at lower income workers but it is not clear exactly how this is defined.

As of a year ago, there were about 3,500 loans with an outstanding balance of almost \$5.5 million indicating that this fund made many very small loans in its early years. Initial capitalization came from the Sugar Levy Fund but in recent years has come from a Ministry of Finance allocation. The fund is supposed to be a revolving fund but, because of the low interest and inflation (and perhaps delinquencies) it is decapitalizing. MHC made application for a replenishment but currently there are no plans to increase the fund. New loans can only be made from repayments. Loans were averaging about 200 in number per year for the past several years but that was not achieved in the past year and no new loans are being made at present.

MHC provides technical assistance and help to loan applicant families who try to do their own work.

(4) Rental Housing: The government's current stock of rental units is between 4,000 - 5,000 and is administered by MHC. Although the inventory includes many single unit dwellings, all new projects consist of row houses built to a high standard with all amenities. At present, there are four projects at various stages of completion comprising some 240 units. No new project starts are currently contemplated.

According to MHC officials, the idea is to serve a particular category of client e.g. workers, rather than categories eligible occupants by income levels because income levels are constantly changing. There is, however, supposed to be a maximum income level for this program of \$150 per week.

although NHC is trying to get this raised. Bus conductors, for example recently won a wage increase to B\$ 225 - 250 per week.

The setting of rents is a cabinet decision and is not done on an economic or cost basis, but grows out of a philosophy that this type of housing aimed at the lowest income levels is a social cost. The rents were raised in October across the board for the first time in eight years, (see Annex 5 for schedule of new rents).

The most expensive units are B\$ 30 per week, but some are as low as B\$9. The variations are due to home types (size) and age. Maintenance costs are projected in 82 - 83 to be B\$ 3 million, but in recent years have exceeded the rental receipts. Even with the new rents, receipts will probably not cover the costs.

The delinquency rate is about 50 percent, but serious delinquencies are less, at about 25 - 30 percent. There is a process of ultimate eviction and government policy endorses compliance and the principal of rental payments. It appears, however, that the rent arrearage problem is very serious and that many units are occupied by higher income families, e.g. civil servants, bank tellers, policemen, etc. The standards are high, the rents are cheap, payments are not rigidly enforced. Therefore, the program, as now constituted and administered, appears to be clearly a drain on government budgetary resources.

(5) Direct Construction: As mentioned above, the Development Plan called for the establishment of a separate account or revolving fund to be used for the direct construction of residential units for sale by the NHC. The fund was to maintain itself through sales and bank borrowings. The major project undertaken recently is known as West Terrace.

The purpose of this program was to demonstrate that NHC could develop basically the same or even better middle income housing at the same price or lower than that of private developers and in the process help contain the cost increases that private developers were charging.

The total West Terrace project, located about 45 miles from Bridgetown center, consists of about 300 units, of which 100 units, (first phase) are under construction. It was conceived as a middle income housing project with a projected cost of about B\$ 75,000 per unit.

The design of the project started in early 1980. A series of problems growing out of the design work, problems with the construction contractors and problems with cost overruns and bank financing have resulted in prices now set from B\$ 103,000 to B\$ 120,000, and actual costs to government may be another 20 percent higher.

Standards are high: the average lot size is 5,400 sq. ft.; the average area of a house is 1,250 sq. ft, including three bedrooms and two baths; services include paved streets, side-walks, city water, electricity and natural gas. Building materials are expensive.

The houses as finally developed are clearly not affordable by middle income Barbadians even though they will probably sell at under cost. The demonstrated intent, to construct cheaper than the private sector, has not been achieved.

The project is behind schedule and moving slowly because of financial problems. Construction of the remaining portion of the project consisting of about 200 units has not started yet and it appears unlikely that these units will be built in the near future considering the problems encountered in the development of the first phase.

It is this type of project and the experiences encountered with it that have led government to its conclusion to shift its programs for housing development more to the private sector.

(6) Sites and Services: The GOB has no formal sites and services program as such. Because there are no large parcels of land available, the government acquires land in bits and pieces to implement projects. Therefore, its sites and services efforts are now limited to very small projects, less than 50 plots, which are primarily related to resiting families displaced by other projects (roads industrial estates, etc.), upgrading projects where overcrowding might require some displacement and, in one case at least, a relocation onto agricultural land so that families could do subsistence farming. Where the relocation is caused by another project, e.g. roads, that project bears the cost of the relocation. Upgrading of tenantry infrastructure, for instance, may cause some families to be re-located on serviced plots.

These projects are usually of the order of 50 or so plots with an average size of 3,000 - 4,000 square feet. Infrastructure includes paved roads, water, electricity and minor drainage with the allottee required to put in a septic tank. In most cases, the lots are rented with the allottee having the option to buy (in effect, the government has created a tenantry) and chattel houses are moved onto the site.

In developing these various small projects, the government sets a rental or sales price based on land acquisition costs (usually below actual market), development costs and a small amount of overhead.

The overall program is small, however, and does not serve any particular demand, but relates mostly to re-siting as mentioned. The figure provided was 102 serviced sites in 1981 - 82. As mentioned above, one of the basic problems is land. The GOB has no land bank nor periodic acquisition of lands. The only large parcels available would have to come out of plantation or agricultural land and this is not available.

There is no core house program. People would prefer to get a serviced lot, if available, and put their own chattel house on it or build from scratch. In fact, the most basic chattel house, made of wood, is really a core unit of 180 square feet which can be and is expanded.

B. HOUSING FINANCE

1. Overview

Institutions making mortgages or home improvement loans fall into five categories commercial banks and their trust company subsidiaries, the Barbados Mortgage Finance Company (BMFC), credit unions, insurance companies and the National Housing Corporation (through the General Workers' Home Loan Fund described earlier.) Minor amounts have also been loaned through legal firms on behalf of clients and from private pension funds of major companies.

The only institutions which are completely or primarily devoted to providing housing finance are the BMFC and Barclays Finance Corporation (Barfincor), a subsidiary of Barclays Bank. BMFC is not a deposit taking institution and Barfincor raises money through one to five year term deposits. There is no active building society in Barbados. One was started some years ago but it did not prosper and has made no loans since 1975. It continues to service outstanding mortgages amounting to several hundred thousand dollars.

The credit unions, because of limitations on size of individual loans and high demand by members are limited to home improvement loans for the most part although some small timber homes are financed. The General Workers' Loan Fund is also restricted to home improvement loans for the most part. Insurance companies make loans only to their policy holders.

In summary, there is no specialized system of housing finance such as the savings and loan system in the US or the building societies in Britain catering to the home buyer and/or saver.

To give some idea of the order of magnitude of these institutions' operations in housing finance, outstanding mortgages as of the end of 1981 are listed below (except for insurance companies where recent information was not available). The figure for commercial banks is generally for short term loans (bridging finance, major improvements) and, in some instances, home purchases secured by mortgages. The rest are for standard long term mortgages of 15-25 years.

	B\$ million
Commercial Banks	30.0
Trust Companies	73.5
BMFC	39.1
Insurance Companies	35.5 (End of 1979)

For home improvement loans, other than the category mentioned above, commercial bank loans outstanding as of January 1982 amounted to B\$39.5 million out of the B\$ 60.3 million of outstanding consumer installment credit of which they are a part, or 66 percent of the total. The outstanding loan amount for the General Workers' Home Loan Fund as of 3/31/81 was on the order of B\$5 million. BMFC does not currently make home improvement loans. Credit

unions had B\$5.6 million in outstanding loans at the end of 1981, a "significant" portion of which was in home improvement loans.

The government sets the maximum interest rate on mortgages. This was recently raised from 10 to 12 percent on October 1, 1981. The BMFC governed by different legislation from the commercial banks, also had its limit raised to 12 percent in March 1982. Short term home improvement loans, five to seven years, currently cost 17 to 18 percent. Since it is now costing at least 14 percent plus to attract long term deposits, long term mortgage money is no longer available in the private sector and has not been since September. BMFC is making no new commitments because of a shortage of funds. Thus, it is almost impossible to get a long term mortgage unless you are a significant policy holder of an insurance company. Annex 6 contains the terms and interest rates for commercial bank lending.

2. Commercial Banks

There are seven commercial banks operating in Barbados, six of which are foreign owned (Barclays, Citibank, Chase, Canadian Imperial, Royal and Scotiabank); the Barbados National Bank is owned by the Government of Barbados. Financing for land purchase, home construction, or home improvement/repair has historically been available at all seven institutions, although one has a policy which excludes lending for land purchase.

At the present time it is quite difficult to obtain loans for any of these purposes, due to the fact that the Central Bank has instituted a restriction which limits the volume of consumer loans, has put a 15 percent maximum average weighted interest limit on total portfolio and has reduced the money supply available to banks for lending. It has accomplished the latter through use of the reserves policy which presently requires banks to keep reserves of 17 percent of total deposits; 8 percent in cash at the Central Bank, 14 percent in treasury bills and 5 percent in Government bonds.

This has reduced funds available for loans at a time when demand was relatively high, as evidenced by the 18 percent increase in total commercial bank loans over the period January, 1981 - January, 1982, (B\$ 601 million as of 1/82) and the increase from 74 percent to 80 percent in the loan to deposit ratio. The result has been that commercial banks' consumer instalment loans for home improvement and real estate went from B\$ 40.9 million to B\$ 39.5 million (6 percent of total loans) over the same period; total consumer instalment credit dropped from B\$ 61.6 million to B\$ 60.3 million, and total personal loans held even at B\$ 136.4 million.

Loans for home improvement, repair and for land purchase are generally made on an instalment basis for up to seven years with the effective interest rate currently ranging as high as 18 percent. See Annex 6 for details.

Construction financing is available for masonry houses for terms of up to two years against a firm takeout mortgage loan from a reputable long term lender and the security of the land. A down payment of 10 to 20 percent of the estimated cost of the home is often required, as there are frequently cost

overruns. The rate is set at prime plus 2 to 3 percent (prime is presently at 14 percent).

Financing for home purchase has been available through Barfincor, and through the trust company/subsidiaries of Royal Bank and Canadian Imperial Bank of Commerce (CIBC), through the trust division of the Barbados National Bank, and, to a very minor extent, through Citibank, Chase, and Bank of Nova Scotia. At the present time, however, there is almost no long term mortgage money available, due both to the 12 percent maximum rate imposed by the Central Bank and the general tightness of the money supply. While savings rates carry an 8 percent rate (also set by the Central Bank), one to five year time deposits, which represent the only source of funds other than capital for trust company mortgage lending, are running between 11 and 14-1/2 percent and, in some cases, even higher, making lending for long term mortgages a clearly unprofitable venture at the marginal cost of funds and land rose by 14 percent from B\$ 25.3 million to B\$ 29.0 million, and trust companies' mortgage loans for private dwellings rose from B\$ 59.8 million to B\$ 73.5 million, a 23 percent increase over the same period. Most of this, however, was done in the first half of the year. Of the total B\$ 102.5 million outstanding, BARFINCOR is reported to have at least B\$ 70 million.

Virtually, all long term mortgage lenders have indicated that they have made no new commitments for loans since September, 1981 when the 12 percent Central Bank restriction was imposed; any increase in outstandings since that time is from previously made commitments. For the full calendar year 1981, however, the commercial banking system's mortgage loan portfolio for private dwellings and land rose by 14 percent.

Details on commercial bank mortgage terms are contained in Annex 8.

Although banks and trust companies indicated that they used basic criteria as a guide when reviewing an application, in actual practice they allow variations outside the norm due to such factors as borrowing history of the client, level of other necessary monthly payments for food, clothing etc., provision of food from home gardens and animals, and most importantly, the character of the borrower and an apparent willingness to make loan payments under almost any circumstances.

While some organizations have made loans for the purchase of wooden homes (Citibank, for example), they were for short (7-10 year) periods of time, reflecting what the banks saw as increased risk of fire, wind and damage from salt air and termites. The remaining institutions concentrated on masonry houses, to the almost entire exclusion of wooden homes. This concentration probably arose out of the increased risks mentioned above, as well as from the fact that there was sufficient demand for mortgages of masonry homes which allow a larger loan (less administration per dollar loaned) to a client with greater financial status.

In addition to the above listed commercial bank sources of housing financing, the Barbados National Bank (BNB) has the responsibility for administration of the "Tenancies Freehold Purchase Fund", a fund established to implement the TFP Act. (See Annex 9 for proposed procedures).

The BNB also administers of the Public Officers' Housing Loan Fund which has been funded by government and through long term borrowings from the National Insurance Scheme at rates ranging from 6 3/4 to 7 1/2 percent. The money is available to civil servants for the purchase of land, a home, or for home improvements, at a rate of 10 percent for a term of up to 20 years, depending on the amount and use. Security is in the form of a first or second mortgage, with the maximum loan being the smallest of \$100,000 three times the maximum annual salary of the borrower's grade, or 90 percent of the value of the house and land; if secured by a second mortgage, the maximum is \$27,500. Other requirements are identical to those for normal mortgage/home improvement loans. Outstanding mortgages are about \$4.5 million, with three billion additional yet to be committed. Applications on file, however, are for an amount greater than the money available, and it is doubtful that the fund will be able to borrow again from the NIS.

3. Barbados Mortgage Finance Company

BMFC was incorporated as a limited company under the Barbados Companies Act in 1968 and began operation in 1970. It is also governed by the Mortgage Insurance Act which, along with covering mortgage insurance, sets the interest rate BMFC can charge and the maximum amount of the loan it can offer.

BMFC began as a joint venture between the Commonwealth Development Corporation (CDC) and the GOB with a paid up capital of BDS 1.46 million. In 1978, with the creation of the BNB, that institution ultimately acquired all of the shares of BMFC except for about 1 percent which are held by the Insurance Corporation of Barbados. The capitalization remains at BDS 1.46 million.

BMFC does not take in deposits; except for its equity its funds are borrowed. Outstanding loan capital as of 12-31-81 was approximately BS 36.2 million. The major lenders are the CDC (BS 9.7 million) and the National Insurance Scheme through the BNB (BS 12.5 million), with other loans from the Caribbean Development Bank, insurance companies and an issue of housing bonds managed by the BNB (See Annex 9 for loans outstanding). Its average cost of money is between 7 and 8 percent.

Mortgage assets as of 12/31/81 were BS39.1 million with outstanding commitments of BS 8 million. BMFC can also make loans for home improvements but does not do so currently. The maximum loan BMFC can make is BS 100,000 and the loan cannot exceed 90 percent of the value of the house. The maximum repayment period is 25 years (longer than commercial banks now provide) but cannot extend beyond the age of 60. However, for timber houses, which are eligible for financing, the maximum repayment period is 15 years. Loans are insured by the Insurance Corporation of Barbados. There is no maximum income limitation on borrowers. BMFC has financed many of the houses constructed for sale by the NHC.

BMFC has made modest annual profits during the past six years which ranged up to BS 265,000 after taxes but in 1980 dropped to BS 69,000. Profits

were, however, back up to B\$ 206,000 in 1981. (See Annex 10 for 1981 Balance Sheet and P & L Statement).

4. Credit Unions

Credit unions in Barbados come under the Co-operative Societies Act of 1949 and are registered with and supervised by the Co-operatives Division of the Ministry of Agriculture. The Registrar supervises the ongoing accounting and management of credit unions, and requires and supervises a year-end audit.

There are currently 27 registered credit unions in Barbados. They range in size from as few as 20 members, to as many as 2,843 with total membership of over 6,500. All operate on a voluntary basis. Most have volunteer staff and a board of directors called the committee of management. A few have one to two paid staff performing bookkeeping and clerical functions. The largest credit union has three full-time paid staff.

At the end of 1981, credit unions had about B\$ 6.1 million in deposits and outstanding loans of B\$ 5.6 million. Although no specific figures were available on an overall basis, housing loans represent the largest category of loans made by the credit unions.

Credit unions are of two basic types: employment based operations which have been set up by a confederation of public employees or by a private company, and community-based organizations which in many cases started in parish churches. Ten credit unions are employment-based, including five which are for public employees, three were established in private companies, and two were organized by workers within a specific industry. The balance of 17 are community-based.

The 1035-member Police Officers Co-operative Credit Union is the oldest and has the largest deposits, totalling B\$ 3.5 million. Outstanding loans are B\$ 2.6 million. The Public Workers are second largest, with total deposits of B\$ 1.9 million and outstanding loans of B\$ 1.7 million.

Community-based credit unions range in size from 524 members to as small as 20 members. The largest reported total deposits of B\$181,716 in March, 1982, and total outstanding loans of B\$ 123,888.

Barbadian view credit unions primarily as a place where they are able to borrow money and to do so at interest rates lower than commercial banks at affordable repayment terms and with minimal red tape. Interest rates range from 1 percent per month on the outstanding balance in larger unions to 1/2 percent per month in some community-based unions.

Credit unions in Barbados maintain both share accounts and special savings accounts. Under the Co-operatives Act, credit unions can pay dividends of up to 5 percent per annum on share accounts but can go as low as 1 percent. Savings accounts also pay low rates.

The Act requires that each credit union retain a Reserve Fund which may be utilized for operating funds when necessary, subject to the approval of the Registrar. The union must pay 25 percent of annual net income into this account before dividends and other interest are paid. If there is surplus after payment of dividends and interest, members decide what to do with it, and typically vote a rebate on loans rather than larger returns on shares. This reflects the widely accepted view that their purpose is to serve borrowers.

Maximum loan amounts vary from credit union to credit union. They are typically set at B\$ 10,000 or \$15,000 by larger credit unions. Some of the smaller credit unions operate with a B\$ 1,000.

Barbadian credit unions typically require 20 to 30 percent of the loan amount in share capital and savings deposits. This requirement is as high as 50 percent in several instances. For larger loans (B\$ 10,000+), employment-based credit unions may require assignment of a paid up life insurance policy or other collateral. One community-based union has done so. The maximum loan term for larger credit unions is five to seven years; for smaller community-based unions, generally three to five years.

A sample of actual housing loans made by credit unions in 1979 through 1981, indicates that the larger, employment-based unions probably conduct 50-60 percent or more of their lending activity in housing. Results of interviews with 11 credit unions on their 1981 housing loans indicates that they typically finance.

- (1) home repairs or improvements requiring B\$ 2,000 to \$6,000.
- (2) home expansions or conversions from timber to masonry construction, requiring B\$ 9,000 to \$15,000.
- (3) loans of varying sizes topping off other loans for home construction or renovation.

Six of 11 credit unions interviewed have provided information on housing loans made during 1981. This is summarized on Table (1) Home Improvement Lending - Barbadian Credit Unions in Annex

5. Insurance Companies

Although insurance companies appear as significant lenders for mortgages, they deal only with policy holders and the loan is related to the size of the policy. One insurance company interviewed indicated it would make B\$4 million in mortgage loans in 1981. A variety of conditions apply, set by each company. The following would be typical

1. The borrower must be a policy holder.
2. The home to be purchased must not be a wooden house.
3. The cost of repayment cannot exceed 1.0 of the borrower's income.
4. The maximum term of mortgage is 20 years.

5. The amount of the loan cannot exceed 75 percent of the value of the property to be purchased.
6. The borrower must carry insurance adequate to pay off the mortgage if he/she should die.

The insurance company interviewed said it would be willing to lend new funds to low income borrowers if the borrower met the qualifications listed above.

Insurance companies would also be a potential source of financing if a secondary market were created in Barbados. It does not seem likely, however, that their primary activities can be increased beyond the service they now provide policy holders.

D. THE PRIVATE CONSTRUCTION SECTOR

1. Design Work

There are more than twenty established architectural and engineering firms operating in the country. There are also separate firms of quantity surveyors who perform cost estimation. Most of their work involves design for the private sector including middle and upper income housing. Design work, although of a high technical quality, tends to be conservative and high building standards are applied at least partly because of the hurricane problem.

2. Builders

There are few large builders in Barbados. In residential construction there are two general contractors who have in the past produced about 80-100 units per year. There are also two companies that produce pre-assembled timber houses which are transported to and erected on individual sites.

The two large general contractors are mainly involved in the construction of expensive masonry units. Less expensive models with about 800 square feet are possible offered at about B\$ 50,000.

There are about 15 moderate size builders in Barbados. These have the capacity to build up to, maybe, 25 units per year or an equal number of home improvement jobs. In spite of limitations in available financing and limited mass production capability these builders play a substantial role in the building industry because they can undertake small projects in scattered sites.

Small builders constitute the informal construction sector. They can be seen around the island working on houses for lower income families. Usually, the small builder gets involved in renovating and home improvement types of work either on a permanent or part time basis. He usually has one vehicle, some hand tools and sometimes a mixer. He takes one job at a time and usually takes much more time in completing a job than a medium size contractor would. This type of builder would be ideally suited to participate in a major portion of the house improvement program.

3. Materials

With the exception of sand and quarry stone, most construction materials are imported. Cement, however which is a key material should be locally produced in Barbados by mid-1984. Wood, the other key material to residential construction is presently imported. Because of the strong competition among the many importers the prices are reasonable and the supply is adequate.

IV. PROGRAM DESCRIPTION

A. GOAL

The goal of the program is to help alleviate the overall shortage of housing units in Barbados; to significantly improve the existing housing stock, particularly deteriorating timber houses; to shift the initiative for this effort towards the private sector; and to broaden the ownership basis of housing in Barbados.

B. PURPOSE

The specific purposes of the program are: 1) to facilitate the ability of the private sector, both institutional and individuals, to provide new homes and home improvements for low income families by providing financing to do this which will, at the same time, assist government in reducing its role; and, 2) to provide the financing for implementation of the Tenantry Freehold Purchase Act to purchase house plots and make improvements.

C. AID PROGRAM STRATEGY

1. Immediate Objectives

a. Maximizing Private Sector Initiatives: To achieve the goal and purpose set forth above, USAID's immediate objective will be to generate the private sector response that underlines the overall rationale for the proposed program. Part and parcel to this approach must be a gradual reduction in the government's own direct involvement in the development and production of housing except at specifically determined very low income levels.

The provision of a large infusion of financing is necessary to provide the basis for the private sector response. Private sector initiative is defined, for this program, as builders and developers who will build for a market which is being shaped by the maximum size of the mortgages, new houses and home improvement loans that can be financed and the individuals who will either buy their houses or build their own or who will apply for home improvement loans based on what they can afford and what they want. The individual response also includes those occupants of tenantry plots who will opt to buy their plot and make such improvements as they can afford. The above approach should result in the most effective utilization of resources.

To ensure that government's role as a developer and producer of housing begins to diminish, the National Housing Corporation, which carries out this role now, will not be permitted to construct housing for financing under the HG Program. NHC, because of budgeting problems and government's already announced intentions to cut back on NHC's role as a producer of housing, is limited in its activities this year only to completing what's underway.

The dialogue leading to the proposed program has also disclosed active government consideration of other moves which will affect NHC's operations; i.e. consideration of selling off some rental units now maintained by NHC at a heavy subsidy and the possible shifting of the General Workers Home Improvement Loan portfolio to the BMFC.

b. Institutional: In addition to NHC objectives described above, the intent of the program is to utilize the existing financial structure in Barbados for financing housing; commercial banks, the Barbados Mortgage Finance Company the Barbados National Bank and the credit unions. As part of the strategy to permit private builders and individuals to respond, the financial institutions must be able to handle the volume and deal with the income levels being aimed at in the program. With the technical assistance to be provided as part of the program, it is felt that the credit unions can get their volume up to be active participants and the same is true for BMFC on a larger scale. The intent with the commercial banks is to introduce them to lending at a much lower income level than they now do for mortgage lending. It is unclear at present whether and to what degree they will do this and, if so, if they would continue to do so.

2. Long Term

The above strategy will deal with immediate objectives although it will also deal with long term aspects of institutional development. But the GOB must itself come up with a long term strategy to deal with housing. The first step in this direction must be a comprehensive national housing policy which should clearly spell out the role of government. It must address such issues as land use and availability, including whether to provide serviced land to developers, building and construction codes, research into lower cost housing, more effective means of conveyancing, what subsidies government should provide and to what income level.

Unless, however, the government is able to provide a framework within which resources can ultimately be raised internally for housing it won't solve its housing problem. Unless mortgage rates reflect what it costs to raise money this won't happen. The current mortgage rate ceiling (12 percent) does not permit lenders to raise money that can be loaned at this ceiling. RDO/C recognizes, however, that this ceiling is a reflection of other factors in the economy, such as balance of payments problems, budgetary deficits and the need to control credit. It is not due to a political need to keep mortgage rates low. As such, it is a complex situation that needs to be addressed in the light of all factors. If, however, housing is to remain a government priority mortgage rates must be treated within the overall context. If mortgage rates are ultimately allowed to find a market level and the provision of housing adjusts to this, then government can better determine how to deal with those families who cannot participate.

To assist in arriving at a long term strategy, the proposed program will provide for technical assistance in the formulation of a national housing

policy which can include some assistance in looking at the housing finance situation.

If the current program is successful and based on an analysis of the national housing policy which is developed, RDO/C will consider whether the provision of an additional HG follow-on program can be usefully employed to achieve further progress toward the program goals set forth.

On June 3, the GOB's Cabinet approved an important statement of policy principles as the result of dialogue with AID. Their letter transmitting these are Annex 11.

3. Other Aid Housing Activities

The proposed HG program for Barbados represents a significant initiative for AID in the Eastern Caribbean. Heretofore, the only major direct program of assistance for new housing was an \$8.4 million project for low income housing and secondary mortgage market activities. This loan was channeled through the Caribbean Development Bank in the mid 1970s for on-lending to the Eastern Caribbean LDC's, Jamaica and Belize. Barbados was not a participant. More recently, AID has financed the construction of some 70 low income homes to replace units destroyed in St. Vincent by Hurricane Allen in 1980.

The basic thrust of this Barbados HG program, to facilitate greater private sector participation in the provision of low income housing solutions, is strongly supportive of AID's strategy to promote the development and expansion of the region's private sector. Consistent with this objective and concomitant with the development of the HG PID, the Mission requested and the Office of Housing has financed a comprehensive study of the building industry in Barbados. This study examines the effectiveness of the housing industry itself, the performance of its institutions, productivity of labor and physical resources employed. It may be expected that the recommendations made by the study will assist Barbados in adopting policies and practices which can substantially improve the efficiency of the housing sector and expand the role of the private sector within it.

It should also be noted that there are on-going, several AID-financed activities which will be directly supportive of the Barbados HG program and which will facilitate the project's development and implementation. A major portion of the \$2 million Basic Human Needs loan to the GOB, for example, is providing for the development of tenantry roads and extension of community water supplies. The experience gained will be highly useful in facilitating elements of the HG program. In addition, with AID funds, the CDB is financing a detailed study for the upgrading of the New Orleans low-income neighborhood in Bridgetown, which contains several tenantries. This area includes potential beneficiaries under the HG and information from the study was useful in developing the proposed HG Program.

Also related is the current AID \$1.5 million grant support to the Caribbean Confederation of Credit Unions (CCCU) through the Credit Union National Association (CUNA). Under this project, the credit union movement in

the region and the management of credit unions will be strengthened. Since credit unions are expected to play a significant role in the execution of the HG, this technical assistance will have a direct and positive impact upon the success of the contemplated housing program. Finally, by means of a recent grant of \$216,000 to CARICOM, a region-wide set of construction standards and codes is being formulated which will establish a long-needed uniformity in technical building practices. When available and approved, this code will be incorporated within the operations of the HG Program.

D. COORDINATION WITH OTHER DONORS

In addition to the activities mentioned above, the CDB made a loan of about \$2.9 million to the Barbados Mortgage Finance Company through the Barbados Development Bank to finance approximately 200 low and lower middle income houses. The loan was fully disbursed in 1978 and repayment has started. As a result of the aforementioned New Orleans study, CDB may provide an additional loan of \$1 million to BMFC for home improvement loans.

The only other "donor" that has been active in housing in Barbados has been the Commonwealth Development Corporation. CDB was a joint partner with the CDB in creating the BMFC in 1968. It sold its interest to the government in 1978 when the BNB was formed. CDB still has an outstanding loan to BMFC of about \$4.9 million. As far as is known, it is not currently contemplating any further assistance.

The UN's Housing and Human Settlements Agency (HABITAT) has provided technical assistance to the BMFC in the person of a resident advisor from July, 1981 until the end of February, 1982. He concentrated his efforts on examining an expanded role for BMFC in such things as savings and loan activities and secondary markets.

E. DETAILED PROGRAM DESCRIPTION

1. The Overall Program

The proposed program will finance three main categories of solutions: mortgage finance for new homes; home improvement loans; and financing land ownership and improvements as part of the tenantry program.

The Government will be the borrower under the HG program. All funds will be on-loaned to the participating credit institutions.

2. The Sub-Programs

4. Finance for New House and Home Improvement Loans: The procedures governing these sub-programs are essentially the same. It is intended that the government will make available to lending institutions lines of credit for financing new houses and home improvements for loans meeting certain criteria. The criteria will include a maximum interest rate, minimum down payment and,

in the case of new houses, total cost of the house, length of repayment and income eligibility of borrower. The interest rate to the institutions will include a reasonable spread for on-lending.

Lending institutions are to include commercial banks, including the BNB and trust companies, credit unions and the BMFC. Allocation between the three categories will assure an equitable spread of the funds. However, the Implementation Agreement will allow changes in this allocation if the situation dictates.

The preliminary allocation of funds to this sub-program is US\$ 8 million, \$4 million for new home financing and \$4 million for home improvements.

(1) Mortgage Financing for New Homes: These will be individual loans to finance new houses. It is assumed that borrowers will be individuals who are having a house constructed on their own land or are buying from a private contractor. In the case of a contractor, this could be anything from a contractor building an individual house to several houses to a sub-development. For individuals building themselves lending institutions would make progress payments during construction. For contractors who seek to use this program for providing the long-term financing for mortgages, construction or bridging finance would be provided by a commercial bank's commercial department. It is assumed that developers will seek a commitment from commercial banks for take-out commitments for their sub-developments and that this could be given within the overall allocation of funds by category.

Underwriting of projects or single units and servicing of mortgages will be the responsibility of the lending institution. Loan terms by lending institutions and eligible mortgages under this program will be determined based on current mortgage terms and the affordability criteria discussed in Section IV H and VI A. This will provide a maximum 25 year mortgage at 12 percent interest on a house with a maximum value ranging between B\$26,000 and 34,000 depending on downpayment.

(2) Home Improvement Loans: These will be loans to individuals for improvements and expansion to their homes and will serve to upgrade and expand the existing housing stock. These types of loans are now difficult to obtain because of a shortage of financing. The terms of the loans will be a maximum seven year term at 16 percent annual interest and maximum amount of B\$8,000 on homes valued at no more than B\$34,000.

b. The Tenantry Program: Earlier sections as well as Annex discuss the details of the Tenantry Program and the Tenantry Freehold Purchase Act. As outlined, the Act permits any tenant on a tenantry to purchase his/her plot. The price is fixed at B\$ 1 per square meter for plantation tenancies and negotiated for private tenancies. Government intends to facilitate this process by providing loans to tenants to purchase their plots and to make improvements to their homes they would not otherwise make without freehold tenure. It is expected that these loans will finance predominantly

three types of improvements: installation of permanent foundations, indoor water facilities and toilets. However, any type of improvement will be allowed.

The government has selected the Barbados National Bank (BNB) to administer these loans. The BNB's proposed procedures to administer the program are contained in Annex 8. Because of funding limitations, the program is currently limited only to plantation tenancies and loans for purchase of land. The HG loan will expand the program as described above; i.e. to include home improvement loans and all tenancies.

Interest rates, repayment terms and size of loans will be the same as in the home improvement loan program except that as outlined in the BNB procedures, special consideration will be given to old age pensioners and families with a weekly income of less than B\$100 where financing will be provided on softer terms from Bajan resources coming from the Sugar Levy Fund.

All loans made under this sub-program will be suitable for families earning less than the median and will be eligible for financing under the HG. The preliminary allocation for this sub-program is US\$ 2 million.

The Government also intends to provide for the installation of or improvement to infrastructure in selected tenancies. In some cases, community facilities will be included as part of the overall program. Government-owned tenancies will be the first to receive the benefits of this infrastructure program and community improvements followed by plantation tenancies. Certain studies, surveying work and design will be required as a first step. The costs relating to infrastructure will be considered as GOB contribution to the project.

3. Technical Assistance

For a project of this magnitude with a first time borrower under the HGP, with a variety of implementing institutions, and with significant long term goals to achieve, it is recommended that a resident contract advisor who is an experienced generalist in shelter for developing countries be assigned to Barbados for a two year period. The individual would be assigned to work in the Planning Unit of the Ministry of Housing and Lands, but also work in close cooperation with the Ministry of Finance and Planning.

It is also contemplated that approximately one person year each of short term technical assistance be programmed to assist the BMFC and the credit unions in development of expanded activities.

In the case of the BMFC, the assistance will be more specialized and technical in nature e.g. assistance in setting up its computerized system of mortgage servicing, assistance in developing new mortgage instruments etc. For the credit unions, the assistance will be more general in that it will be available to a number of institutions and will provide assistance in structuring a housing improvement loan system including methods of processing and

reviewing applications, technical inspections, disbursements, following up on delinquencies etc.

In both cases, some short term training in the U.S. may be substituted if deemed useful (detail on technical assistance and a draft Scope-of-Work are in Annex 12).

F. PROGRAM INPUTS

1. Housing Guaranty

HC financing of up to \$10 million with repayment over thirty years including up to a ten year grace period on repayment of principal will be provided to finance eligible mortgages for new houses, home improvement loans and loans to purchase tenantry plots.

Allocation of this input has been provisionally set at \$4 million for mortgage financing, \$4 million for home improvement loans and \$2 million for the Tenantry Program.

2. Grant Funds

Development Grant funds of \$320,000 will be provided to fund the resident adviser and to fund short term technical assistance to assist in the development of a national housing policy and for assistance to the credit unions, both technical expertise and training.

HC fee income of up to \$100,000 will be made available to provide short term assistance and training to the Barbados Mortgage Finance Company and to supplement the assistance to the credit unions.

3. Local Inputs

The GOB is providing B\$ 1.26 million (US\$ 630,000) from Sugar Levy Funds to the BNB for the Tenantry Program. Sugar Levy Funds are restricted to use by plantation workers and because of the relatively small amount it is being restricted to lot purchase. An initial allocation of B\$ 400,000 has been deposited with BNB.

The government will also provide funds for infrastructure and community facilities to those tenancies in greatest need. Until surveys have been completed, the program has not been costed out.

Finally, individuals obtaining mortgages and taking loans for home improvements will contribute various downpayments. Standard mortgages will require 10 percent down payments but some individuals will undoubtedly pay more. Home improvement loan "deposits" will vary. Some credit unions require that an individual have anywhere from 20 to 50 percent of the loan in the share and savings account.

G. PROGRAM OUTPUTS

1. Direct Provision of Housing

In terms of housing solutions, the maximum size mortgage for new houses that will be eligible for financing under the program will be B\$ 23,400 with 25 percent of income applied and B\$27,700 with 30 percent of income applied. Assuming that the average mortgage will be B\$ 20,000 this would provide for 400 new houses to be financed under the program (B\$ 8 million for new house financing).

If home improvements average B\$ 3,000, 2,660 home improvement loans will be financed (B\$ 8 million for home improvements). If tenantry plot loans plus improvements average B\$4,000, 1,000 tenantry occupants will be able to finance their plots under the program (B\$ 4,000 for Tenantry Program).

2. Institutional

Commercial banks are well experienced in making mortgage loans. However, if they are to participate in the HG Program, they must deal with an income level they do not deal with now. Thus, institutionally, they will be gaining exposure to and experience with this income level to the extent that they participate.

BMFC on the other hand is a relatively smaller institution. As a significant lender under the proposed program, it will also be the beneficiary of specialized short term technical assistance. At the conclusion of this program, BMFC will have increased its overall portfolio, have added additional staff, expanded its experience to a different clientele and improved its operating procedures.

All 27 credit unions in Barbados will be eligible to participate in the program. Because of size, general capability and interest, it is unlikely that all will participate. It is also likely that some who do participate will do so only in a minor way. Technical assistance will be a necessary ingredient for those who participate to any significant extent. It is anticipated that the end result will be that six-eight credit unions who have taken advantage of the program will have expanded their activities considerably, improved their management and increased their membership.

The final output being projected is a comprehensive national housing policy which will encompass the CCB's strategy in the housing sector.

3. Sustainability and Replicability

The sustainability of the program will depend on the continued availability of funds. Since the proposed program is not designed to finance all housing needs in Barbados, the availability of additional financing through the institutions participating in the program is also necessary. This will depend

on the mortgage rate relative to the cost of attracting deposits or raising funds through borrowing. The latter will in turn, depend on the overall economic situation in Barbados and its effect on the balance of payments (housing requires over 50 percent foreign exchange expenditures) and the credit situation.

Recognizing the inter-dependence of a number of factors, the government must clearly determine the priority of housing relative to other needs and set the mortgage rate accordingly. Based on this, it can better allocate government expenditures to housing.

If the flow of funds into housing can be sustained, then the other elements of the program appear replicable. That is, the program relies on the private sector, builders and individuals, to respond within the limits of the solutions which can be financed. Indications are that some builders already are adjusting the types of houses to fit in with the program including consideration of different approaches like town houses for sale, shell houses, etc. Individuals will clearly respond according to their capacity. These initiatives should continue into the future.

Institutionally, with the experience gained supplemented by the technical assistance, the BMFC and the credit unions should continue to expand their lower income housing activities.

N. BENEFICIARY PARTICIPATION AND IMPACT

1. Direct Beneficiaries

The direct beneficiaries of the \$10 million NG will be those families who finance a house, home improvement or tenantry plot under the program. All solutions financed under the program will be affordable by families earning at or below the median family income for Barbados (See Section VI for discussion of affordable solutions).

During work on the PID, the median family income was established as \$3976 per month or \$47,712 per annum. During project design questions were raised concerning whether the figure is too low. Since both prices and incomes will rise during program implementation, the Implementation Agreement will be structured so that the maximum size of the various solutions can be raised to take this into account. Such flexibility will also permit changes if further work on income distribution results in adjustments (see Section VII, Social Soundness Analysis, for further discussion on income).

Based on the current median income, the average size loans likely to be financed under the maximum limitations, it is estimated that 400 new houses, 2,440 home improvements and 1,000 tenantry lot purchases and improvements will be financed. At an average of four persons per household, this would be

2. Beneficiary Participation

The proposed program ensures maximum participation by the beneficiaries. Where individuals arrange to have a house built directly or finance an improvement to an existing home or decide to purchase their tenantry plot, the decision to do so will be theirs. It will be based on their preferences and what they feel they can afford at the time, whether this be a small timber house, a masonry shell to be added to later, a permanent foundation now with other improvements to be added later etc., or the degree to which the individual decides to employ self-help. The only constraint will be the maximum size of the loans that can be financed under the program.

For developers and builders who will be producing houses for sale under the program, they will have to produce and offer houses for sale within the maximum constraints. It will be up to them to produce housing units which will sell and the determination of marketability will be theirs. If the houses are unacceptable and do not sell, the risk is theirs as well.

There were some questions raised during project design whether houses acceptable to Barbadians could be built within the size constraints or whether tenantry occupants would opt to purchase their plots. There are strong indications that the answer in both cases is yes (see more detailed discussion of this in Section VII). The final answer will be provided during the program implementation.

3. Indirect Beneficiaries

With major cut backs in the government's capital budget there is a concomitant cut back in the number of major government projects. These are winding down now and no major new ones are scheduled to get under way. The same is true for building related to the tourism industry. Consequently, unemployment in the construction sector is on the increase. This infusion of a significant amount of financing for housing will enable contractors, both large and small, to increase their work and the employment they offer as well as that employment arising secondarily in construction related trades, commerce and industry.

V. INSTITUTIONAL ANALYSIS

A. IMPLEMENTING INSTITUTIONS

The Implementing Institutions under the program and their responsibilities are:

Ministry of Finance and Planning - will be the borrower and guarantor of the HG funds. Will also be responsible for on-lending the HG funds to the lending institutions, i.e. the commercial banks, including the BNB, the BMFC and the credit unions.

Ministry of Housing and Lands Planning Unit - responsible for overall program planning, coordination and monitoring, working closely with the MOFP.

National Housing Corporation - responsible for upgrading infrastructure under the Tenantry Program as part of the GOB's program contribution.

Central Bank - will act as fiscal agent for the GOB, receiving foreign exchange, establishing a Barbados dollar program account, making disbursements, receiving sub-loan payments and making payments to the U.S. lender.

Barbados National Bank - responsible for the primary lending function for purchase of plots and home improvements under the Tenantry Program.

Commercial Banks - (including BNB) will participate as lenders for new home mortgages and home improvement loans.

Barbados Mortgage Finance Co. - will participate as a lender for new home mortgages and home improvement loans.

Credit Unions - will participate as lenders for home improvement loans (and for new construction to the extent allowed by their rules and capacity).

As described, the proposed program has as its emphasis, eliciting a response from private builders and individuals to produce housing if the financing is available. To achieve this, the program envisions utilizing the existing credit institutions in Barbados operating within a framework provided by the government and at interest rates described for each program. For those institutions which are private i.e., commercial banks (other than BNB) and the credit unions, the response to the program must be anticipated. For government-owned institutions i.e. BNB and BMFC, their response can be influenced more directly.

It appears, as described more fully below, that the commercial banks, although they have the experience and capacity to participate, may only respond to the home improvement loan program. The spread to the banks which is anticipated in the new home program does not appear to be sufficient when

coupled with an income level and type of house they do not ordinarily deal with to attract their participation.

The credit unions, on the other hand, have indicated, at least the larger and more aggressive ones a strong interest in participating in the home improvement loan program and have demonstrated a significant demand. Their participation will be limited only by their capacity to implement. Carefully structured technical assistances should make this possible.

The BMFC also has a strong interest in participating and, under its current law, is limited to a 2 percent spread over the cost of its money. Here again, technical assistance will be necessary. As a government institution BMFC will be responsive to dealing with lower income groups and adjusting its terms for timber houses. It is felt that BMFC can pick up any slack on mortgage lending not taken up by the commercial banks.

BNB will likely participate in the Tenantry Program but, as a major part of the overall program, this should be a significant effort.

B. GOVERNMENT MINISTRIES AND AGENCIES

1. Ministry of Finance and Planning

Recent changes during program design have resulted in a decision to have the Ministry of Finance and Planning carry out the functions of borrower on behalf of the GOB. The Central Bank will act as the lender to the participating credit institutions. This means that the Central Bank (unless the function is assigned to the BNB) will have to set up a function to review loan applications for participation, set on-lending terms, review documentation submitted in support of the application and, working with the MOHL, set criteria and make sub-allocations of funds. The most difficult aspect of this processing will be with the credit unions.

2. Ministry of Housing and Lands Planning Unit

The Ministry will set policy for the program with day to day responsibility in the Planning Unit which was the focus in furnishing and developing information necessary to prepare the proposed HC Program. Its staff includes the Chief Housing Planner, a senior planner, two additional planners, six research assistants and supporting staff. The quality of the work produced by this unit is high and it has provided comprehensive coverage of the housing situation in Barbados through a series of special studies and papers as well as having developed the Tenantry Program details. It is this unit which will do the major part of the work in developing a comprehensive national housing policy.

However, with a program of this magnitude, the need to coordinate with other institutions, the need to develop detailed plans for the expanding tenantry sub-program and the overall requirement to monitor and adjust as the HC Program proceeds, the staff will probably have to be expanded beyond the

current level of eight. Government will have to make this commitment. It is proposed to place a full-time resident contract technician within the unit to assist the Chief in the management of the program and to act as a high-level policy advisor to government.

3. The National Housing Corporation

The NHC's current budget projection for 82-83 is about B\$7.7 million of which B\$4.4 million is projected to come from rental receipts. Maintenance costs for rental units were in excess of rental receipts last year and, thus, had to be supplemented by the general budget. The capital budget for 82-83 is B\$ 6 million, the same as last year. Most of this is required to complete four rental projects already underway.

The NHC is currently organized into seven departments: General Administration, Accounts, Legal, Technical, Housing Management, Inspectorate and Loans. Its professional and administrative staff number about 130. On the development and construction side NHC both contracts out and does force account work with a labor force averaging between 400 and 500 but occasionally reaching 700.

The Technical Department staff handles the direct construction program, the construction and maintenance of rental units, sites and services and any infrastructure upgrading the government carries out. Design work is contracted out as is much of the new construction, although 15 percent of construction is done directly by force account. Construction is done on a public bid basis for both rental housing and commercial building.

The Loan Department processes loan applications and performs credit checks. The Inspectorate Department handles the technical review of the applications and makes physical inspections. Approval or rejection of a loan is made by a sub-committee or the Board. The Housing Management Department conducts socio-economic surveys of NHC applicants and beneficiaries and provides much of the data for ministry studies. Servicing of loans is done by the Accounting Department.

The efficiency of NHC's operations and whether its role as developer and producer of housing, as manager of a large stock of rental units and as a housing finance agency could not be handled better by the private sector or by the Barbados Mortgage Finance Company has been questioned. It does appear that the major commercial project now underway, West Terrace, mentioned earlier, has been beset by major problems as least partly of a managerial nature, and the level of delinquencies in both the rental and loan programs have run at a rate higher than acceptable. The issue is whether a government agency should be doing things that the private sector can do equally as well or more efficiently. The rationale advanced for NHC's involvement in commercial activities is that it will keep prices under control; in effect, keep the private builder honest and competitive. It does not appear to have achieved success in this regard and this is one of the reasons the government is looking to increase the role of the private sector.

There appears to be serious thinking in government that the role of NHC should now be modified. There are no plans currently to start any new direct construction projects for sale and the completion of West Terrace at this stage is up in the air. There is also some discussion of selling off at least a large part of NHC's rental portfolio and transferring the General Workers' Home Loan Fund to the Barbados Mortgage Finance Company. The ultimate role for NHC would then be reduced and it would play a larger role in undertaking research in building materials, developing lower cost housing, setting building and construction standards etc. with perhaps an expansion of the sites and services concept.

The NHC is also responsible for managing the government-owned tenancies in urban areas and for instituting tenantry upgrading projects for the modest program underway. Review of its capabilities indicates that it should have no problem in handling a stepped-up program of tenantry upgrading particularly as it scales back some of its direct construction activities.

C. BARBADOS NATIONAL BANK

The Barbados National Bank, and its Trust Division are affected by the Central Bank restrictions enumerated earlier regarding consumer loan portfolio, required reserves, and maximum rate on mortgages. The Trust Division is not exempt from the reserve requirements on term deposits as are separate trust companies. The result of all this is that the bank has not made any new mortgage commitments since September, 1981, and its supply of consumer credit is limited. Both the Trust Division and the Commercial Loan Division probably are underutilizing their staff, and could handle additional mortgage loans and/or home improvement/land loans in amounts of \$52 million each to be loaned over two years or less.

The Trust Division is, however, responsible for the \$5400,000 plantation tenantry loan program under the Tenantry Freehold Purchase Act and it is anticipated that they will obtain an additional \$54 million under the first phase of the HG Program for urban and plantation tenantry freehold purchases. Assuming that the average level of such loans will be in the range of \$54,000-6,000, the number of loans which the BNB might be asked to make will be from 700-1,100 loans. They feel that with their present staff they will be able to process the applications and administer the loans with relatively little difficulty. If, however, as is presently the case, it takes two officers to make and administer 300 loans of this size and quality, BNB may need four to eight people for this program alone.

With the exception of the tenantry purchase program mentioned above, both the Trust Division and the Commercial Loan Division of the Bank have generally not done much lending to lower income families who are the target group of the HG Program. Furthermore, the Board of Directors has not given the Commercial Loan Division approval to make loans on wooden houses, and the Trust Division, as a matter of informal policy, has not done so. Both the Trust Division and Commercial Loan Division have stated that they regard the Barbados Mortgage Finance Corporation (99 percent owned by BNB) as the logical administrator of funds for housing programs involving families with income below \$12,000 per

year (excluding the tenantry purchase loans). While they would consider involving the Bank in such programs if asked to do so by the government, they would otherwise feel that it would put them in a competitive, rather than a complementary position vis a vis the BMFC.

Given all this, it is doubtful that the Barbados National Bank will be interested in participating in the new home program but it will participate in the tenantry purchase and home improvement loan program. Both the Trust Division and Commercial Lending Division indicated that they feel there should be a minimum spread of 3 percent over the cost of the funds for this program.

D. BARBADOS MORTGAGE FINANCE COMPANY

The current total staff of BMFC is twenty-one. Senior professional staff includes the manager, assistant manager and the chief accountant. There is also an administrative officer, two loan officers, an assistant accountant and a control officer. The manager and assistant manager handle all management functions (personnel, administration etc). The administrative officer is in charge of collections and pursuing delinquencies. There are two trainees, one working with the loan officers and the other with the administrative officer. An organization chart is attached as Annex 13. Accounts are handled by a mini-computer. There is only the head office location; no branches.

BMFC's professional staff, although small, appears capable. In addition to general management, it deals primarily with loan origination and servicing. Valuation (appraisal) work, which includes inspection during construction, and legal work is done on a fee basis which keeps permanent staff overhead low but at the same time gives BMFC the potential to expand its activities relatively quickly.

As far as could be determined, BMFC's operations are effectively run. As of the end of 1981, only 3.3 percent of some 1,500 loans were overdue by three months or more. It has made modest annual profits during the six years ending 1981. BMFC is limited by law to a 2 percent spread over its cost of money and it has managed to operate on this basis effectively. Improvements need to be made, however, in things such as operating procedures. BMFC operates, for instance, with a set of three manuals which includes new loan processing, accounting services and technical. Some of the instructions date back to 1974-75 and clearly need to be up-dated.

There was some concern expressed by the Caribbean Development Bank in a supervisory report last year that BMFC's debt/equity ratio was too high; on the order of 16:1. However, in the recent budget speech, the Prime Minister indicated that government would provide additional capital to BMFC of B\$ 1 million per year for the next three years which would bring total equity capital up to about B\$ 4.8 and the debt/equity ratio to something on the order of 7 or 8:1. CDB had suggested 6:1.

Assuming BMFC can roll over its existing loans when they come due (it has recently renegotiated its loan from the Commonwealth Development Corporation and BNB and the Insurance Corporation of Barbados have agreements to roll over

their loans) there will still be a need for BMFC to borrow additional funds if it is to expand to fill its role as a leading provider of mortgages in Barbados. Participating in the proposed HG will enable it to do this. There is also some possibility of a new loan from CDB.

The other possibility for BMFC with regard to raising funds is by taking in deposits. A senior housing finance specialist seconded to the BMFC for six months by the UN prepared an overview report with recommendations for expanding and modifying BMFC's role including taking in deposits and operating more as a savings and loan or building society. This possibility is currently being considered by government.

BMFC had outstanding commitments of B\$ 6.5 million at the end of February. Of these, B\$1 million related to NHC projects being completed other than West Terrace and B\$5.5 million to individuals. Against these commitments, BMFC has undrawn funds from current loans of B\$2 million. This is obviously a major problem although the general manager feels that about half of the B\$5.5 million commitments to individuals will be cancelled because of increasing costs and an awareness by individuals that financing is not available. Presumably, some of the individual loan commitments would be eligible for financing under the HG. There were no readily available records on 1981 activity by income group of total value of houses financed. However, slightly over 50 percent of BMFC's 308 loans approved in 1981 were for mortgages of B\$40,000 and under (see Annex 14).

In discussing the financing of timber houses by BMFC with the general manager he indicated that there is nothing in BMFC's governing legislation that would prohibit BMFC from extending the current 15 year maximum. However, the Insurance Corporation of Barbados which issues the mortgage insurance would also have to agree.

Although BMFC is running its current level of lending and servicing in an acceptable manner with its small professional staff, if its activity were to expand significantly, the staff would have to be increased. There is also the possibility that BMFC may at some point in the future pick up the servicing of the government's General Workers' Home Improvement Loan Program. Finally, it is felt that BMFC is a key institution in rationalizing the housing finance system in Barbados. As such, it is proposed that one person year of specialized short term technical assistance spread over two years in several different sub-areas be programmed.

E. COMMERCIAL BANKS

1. General

Based on the initial analysis done for the PID, it was contemplated that commercial banks would play a lead role along with the BMFC for mortgage financing of new houses. This was based on the fact that commercial banks have institutionally played a role in mortgage financing and they were currently out of funds to lend for this purpose. It was assumed that with mortgage rates set at 12 percent by government, an on-lending rate to the

banks of 10 percent and no money otherwise available to lend, the banks would accept the 2 percent spread and make mortgage loans to families below the income level they now deal with (B\$24,000 and up) and for types of housing they now lend for (masonry houses of B\$50,000 - 60,000 and up).

More detailed analysis during project design indicates that this may not be so, and the bank's participation as mortgage lenders under the program may be limited. They were more enthusiastic about home improvement loans where they do have experience at lower income levels and are lending at a higher rate of interest. However, the on-lending terms by government still have to be negotiated and the spread will have to be sufficient to ensure their participation.

More detailed discussion of each of the categories follow.

2. Long Term Mortgage Loans

Those organizations without trust company or mortgage lending subsidiaries or divisions, or who do not use their trust company for mortgage lending, are unlikely to participate in any long term mortgage program, unless there is significant pressure from the government to do so. Citibank, Chase, and Scotiabank in particular fall into this category; they simply do not see it as in their interest to be in the long term mortgage market for lower income families, with the exception of small numbers of loans for very good customers. None of them feel they would be able to raise such funds in sufficient amounts in the future to justify the development of greater in-house expertise for a permanent program. If they were to take part in a long term mortgage program using HG funds they suggest a spread of 3-5 percent over the cost of funds.

The remaining institutions, Barfincor, Royal Bank Trust, and CIBC Trust, indicated minor interest in a mortgage lending scheme, but none were enthusiastic about it. Of the three, CIBC Trust, and perhaps Royal Bank Trust, would be most likely to participate if some pressure were put upon them. If they did decide to take a portion of the funds, they all indicated that there would be no problem in administering a minimum of \$2 million in long term mortgage loans over a period of 2 years or less, excepting slowdowns caused by lawyers.

Any long term mortgage program would also have to be structured to address a number of issues of concern to the banks. Most of the banks interviewed had had little experience with lending for the purchase of wooden homes. Those that did limited the loans to 7-10 years, and handled them under their normal consumer loan portfolio. All such loans were on houses with solid foundations on freehold property. The houses also had to have insurance against loss from the usual perils. While insurance is available for a new or older wooden home, it is more expensive at \$5.50/thousand of value than it is for masonry at \$3.50/thousand. Furthermore bankers and insurers conservatively estimate the minimum life of a softwood timber house at 8-10 years, even though it is normally significantly longer. Applying such a low minimum life, however, tends to limit the term for which most lenders will lend to 10 years.

The banks were also skeptical about the type of masonry home available for \$30,000 which represent the maximum mortgage a family could obtain with an

annual income of \$12,000, no other debt, and 1/3 of their gross income being applied to the mortgage cost at an interest rate of 12 percent over 20 years. They consider it unlikely that many lower income families would be able to put up anything other than land as a down payment. Government guarantees were of little interest to the institutions, as the ultimate losses from real estate lending have been very low in Barbados, and the paperwork for government is excessive. The more pressing problem is that the arrears on loans to people with lower incomes may be high, and arrears can easily reduce the effective spread by 1/2 percent or more. A government guarantee on arrearage losses might be helpful, but it would be more easily handled by simply increasing the spread.

To summarize, the commercial banks generally have the capability in terms of qualified people to administer a long term mortgage lending program, but if 2 percent is the maximum allowable spread allowed for the Housing Guaranty Program, there will either be no interest, or if pressured, the amounts taken for relending may be relatively small. If the funds are to be relent for the purchase of wooden homes, the pressure may have to be greater, and there will have to be a significant change in their lending habits.

3. Short Term Home Improvement/Land Loans/Construction Loans

The interest among commercial banks in obtaining funds for relending for home improvement or purchase of land is significantly higher than for long term mortgage lending, perhaps because the banks can more easily see a market for this type of loan, and because they do have experience in lending to lower income individuals in their consumer loan portfolios. The banks certainly have the capability to participate in a program of this sort for \$1-2 million per bank over a two-year period.

Home improvement loans have generally been made for the expansion or improvement of wooden houses in amounts of \$2,000 - \$5,000. This implies a high per dollar cost of administering such a portfolio which is exacerbated by the high level of arrears, even though ultimate losses are low. Another consideration is that if the base rate to the banks from the government is such that the ultimate loans made under this program are at a rate that is more than 15 percent, presumably the banks will be less likely to participate unless these loans are excluded from the 15 percent weighted rate ceiling.

Acceptable spreads to the banks over the cost of funds range from 2 to 5 percent; the major differences reflect different methods of pricing as well as different estimates of the costs of handling such a portfolio and the cost of reserve requirements. For commercial banks as whole, the average spread over the cost of deposits on their total portfolio is in the range of 5-6 percent net after the cost of reserves (which are estimated at 75 to 100 basis points), and traditionally, on consumer installment loans, the net spread is closer to 7 1/2 - 8 percent.

Of the six non-government commercial banks in Barbados, CIBC appears to be the most likely to participate in a HG Program for home improvement and/or land loans, with Barclays the next likely. Chase has a low level of interest

due to their desire to concentrate on commercial rather than retail business. Citibank and Scotiabank are somewhat in the middle, with their level of desire dependent on the spread offered. Royal Bank appears to be interested only if the spreads are in the range of 4-5 percent; they seem to have done a careful analysis of what it costs them to administer installment loans.

F. THE CREDIT UNIONS

1. General

The credit unions as a group are clearly short on management expertise to handle a sizeable increase in loans although capability varies widely. To expand their operations the following areas will need attention:

- General Management Operations. There needs to be emphasis on basic management skills and, particularly with the larger credit unions, an expansion of paid trained staff to administer operations.
- Resource Mobilization. Current rates of interest on share and savings accounts do not appear realistic relative to competing institutions for savings.
- Financial Management. Emphasis on basic ledger accounting and cash flow management. There needs to be a more realistic use of spreads to cover expanded management needs rather than simple rebates to borrowers.
- Analysis of Loan Applications with particular attention to borrower income/expense ratio and credit history.
- Loan Disbursement procedures need to be strengthened relative to intended use of loans and the draw down.
- Marketing of the credit union and the full range of services it offers to expand the membership base.

Perhaps the most crucial need above relates to resource mobilization and this in turn relates to the expressed need of credit unions to borrow through the HG Program to expand their lending. Over the long run the payment of interest on share and savings deposits of 1-5 percent against passbook savings at commercial banks of 8 percent is not realistic and will not enable credit unions to expand. As things stand now, the majority of the credit unions interviewed had back logs of unfunded housing loans ranging up to 45 for the larger credit unions. These backlogs would be higher if people thought there was a likelihood of actually getting a loan.

The second most important area is to generate and utilize a spread (the difference between the cost of money and what its loaned at) sufficient to enable the credit unions to obtain adequate management. Volunteer staff or one or two inexperienced paid staff is not sufficient.

Delinquency is not generally a problem for larger credit unions, which are (1) employment-based and (2) make loan collection automatically through payroll check-off. The problem occurs with some community-based credit unions, which typically do not have this system, and are generally operating with a part-time office and voluntary staff.

In summary, despite the problems identified, the credit unions are now making a sizeable number of home improvement loans and the basic capacity exists. Needs and capabilities vary significantly however, between employment-based credit unions and community-based unions. These variations suggest that it will be necessary to provide more intensive technical assistance and special requirements for HG Program participation for community-based credit unions if they are to participate.

A more detailed discussion of the two types of credit unions follows.

2. Employment-Based Credit Unions

In most cases, these organizations are running a capable lending operation for making home improvement loans of under \$15,000. Borrower analysis at the Credit Committee level is sound and loan origination and funds disbursement are done with generally adequate controls.

These credit unions are better capitalized than are the community-based groups. They offer good potential as HG Program on-lenders because they (1) can collect deposits and repayments through a fully automated payroll check-off system, and therefore minimize their default ratio, (2) offer a broad base of employees and in some cases, a range of actual or potential borrowers in the below median income groups, and (3) provide a captive work setting in which to build membership.

Across the board, the employment-based credit unions need data management systems support for recording and tracking their transactions. In every one interviewed, paid or unpaid staff have been hand posting deposits, withdrawals, loan disbursements and repayments to office ledgers. Only the 2543-member Public Workers Credit Union receives computerized deductions from payroll. Even within this operation, a supervisor and two clerks must separate the deduction items and individually post them. Management Committee officials indicate that they cannot continue to manage a loan portfolio which currently stands at \$1.7 million without shared computer facilities.

Employment-based credit unions (range of 100 to 300 members), and some medium sized community-based unions need specific assistance in marketing their credit unions as places for savings as well as borrowing.

Employment-based as well as community-based credit unions need assistance in applying controls to loan disbursement, basing this operation upon documentation of actual housing improvement work done. Only in two cases do these organizations specifically require a contractor-supplied work program before loan approval. Credit unions are routinely disbursing the entire loan up front, and there have been some cases of funds abuse.

All credit unions will need technical assistance in program management if they are to participate effectively in the HC Program. This will be needed in the areas of (1) funds tracking and (2) directing of loan approval to those types of home improvement loans which represent the greatest need.

Information supplied by four employment-based credit unions on 1981 home improvement loans, indicates the following in loan volume:

	No. Loans		Average	TOTAL (B\$)
	Annual	Mo.	Loan (B\$)	
Public Workers Credit Union	450	38	1667	750,000
Teacher's Credit Union	30	2	5000	150,000
Transport Board	224	19	268	59,949
Police Officers	163	14	4998	814,674
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	867	73	2047	\$1,774,623

At a projected average home improvement loan of B\$3,000, this rate of loan origination would require about B\$ 2.6 million.

Within the four larger credit unions, job classification breakdowns indicate the following number of members making below B\$976 per month:

Public Workers Credit Union	2,112
Teacher's Credit Union	100
Transport Board	321
Police Officers	90
	<hr/>
TOTAL	2,623

3. Community-based Organizations

The special strengths of community-based credit unions are (1) access to and familiarity with their member/borrowers, and (2) more intimate knowledge of housing needs and capabilities of households attempting to improve their housing in Barbados' high cost housing market. These strengths are evident in the lending work of two large organizations. Both have been making fewer but more substantial loans to borrowers seeking to do a major renovation or expansion of a home because they need the improvement due to family expansion and cannot afford to buy in this housing market. They make loans in frequent installments if necessary, to avoid saddling the family with the added cost of inflation.

Five of the community-based credit unions have significantly more years of experience in meeting their membership needs than do the employment-based credit unions. Long-standing service to broad segments of the community, and

the sheer ability to survive as community-based lenders, recommend the more capable and experienced community-based credit unions for consideration for participation in the HC Program, as a means for reaching low to moderate income borrowers where they live.

Each community-based organization examined is suffering from the disadvantages of not operating with a full-time office, with at least one part or full-time paid staff person who can handle the books. This is in part a financial problem. Few are generating net cash receipts which will support the cost of a bookkeeper, at average \$5 750 to \$5900/month.

This places a severe strain upon non-paid Management Committee members who must keep accounting records. For some of the community-based credit unions, bookkeeping is handled by several committee members at monthly or weekly deposit nights when members may come to the credit union office to make deposits, withdrawals and payments to loans.

A representative sample of community-based credit unions indicates that these types of organizations consistently need technical assistance in improvement of overall management skills, accounting and financial management such as preparing cash flow analysis and working from it to budget for their lending activity.

Community-based credit unions need assistance in conducting borrower analysis, specifically in detection of previously existing patterns of poor household budgeting and non-payment of obligations, and determination of the borrower's actual ability to repay, after household expenses are taken out of gross monthly income.

Best available figures on housing loans initiated during 1979 to 1981 by community-based credit unions, indicate that the more experienced lenders in housing are originating only three to seven loans per year, or an average of less than one loan per month. Three other community-based credit unions indicate that they receive similar requests for major loan assistance but cannot fund loans over \$51,000 to \$55,000 with their present deposit base. Community-based credit unions do not customarily keep waiting lists in housing. An indicator of potential demand is the breakdown of known loan origination by community-based groups for 1981, provided by some five community-based organizations to the Registrar's office in March, 1982.

	No. 1981 loans	Amount (\$)	AVG. (\$)
Shamrock Credit Union	3	\$ 18,400	\$ 6,100
Wesleyan Holiness	9	57,000	6,333
Southern	7	7,720	1,103
Goodwill	3	7,400	2,467
St. Albans	1	1,000	1,000
TOTAL	23	\$ 91,520	\$ 3,979

At an average of B\$ 3,000 per home improvement loan, this origination rate would produce only B\$ 69,000 in loans per annum under the HG Program. Applying this average to all 17 community-based credit unions would not provide a significant annual loan volume. Thus, it does not appear that the community-based credit unions will be a significant factor.

4. Summary

In summary, it is felt that with sufficient technical assistance the credit unions will play an active role in providing finance for home improvement loans at a level which will be affordable by the target group. This TA should take the form of short term specialized assistance in specific subject areas outlined above and should consist of about one person year spread over two years. A detailed special report on credit unions done during project design is available to support these conclusions and recommendations.

In theory, any credit union should be able to participate in the HG funded program. In practice, some will not be able to demonstrate the capability or their level of activity would be too small to make participation feasible. These criteria will be developed as part of the Project Delivery Plan developed by the GOB and would be subject to AID's approval.

VI. TECHNICAL ANALYSIS

A. TECHNICAL SOLUTIONS AND COST ESTIMATES

1. New Construction

It was determined that the maximum size mortgage affordable by a family earning the median monthly income of B\$976 assuming 12 percent interest, 25 years to repay and 25 percent of gross income to mortgage payments is about B\$23,400. Assuming a 10 percent downpayment indicates a house costing B\$26,000 and with a 30 percent downpayment a house valued at about B\$34,000.

During the PID phase, cost estimates were made of a number of core and standard house solutions which fall within or close to the above constraint in order to determine the range of new housing the program could finance. These cost estimates include the cost of a serviced site which consists of land cost (lot size of 2,400 square feet) and services (water, electricity, paved roads, sewage disposal) although the site cost can vary considerably, depending on location, size and topography. During project design, several builders and quantity surveyors expressed views that the cost estimates were on the low side. However, in trying to pin down costs, estimates for masonry construction, for instance, ranged from B\$60-80 per square foot. Thus, it was decided that the estimate used in the PID with minor variations is considered a reasonable cost until some real experience can be gained.

		Size	Lot Cost*	Sewage	House Cost	Total Cost
			B\$		B\$	B\$
<u>Core Housing</u>						
Timber house	(10x18)	180	6,480	1,600	7,200	15,760
Masonry house		200	6,480	1,600	13,000	21,080
<u>Standard Housing</u>						
Timber house						
One bedroom	(18x18)	324	6,480	1,600	12,960	21,040
Two bedrooms	(18x24)	432	6,480	1,600	17,280	26,360
Three bedrooms	(18x28)	504	6,480	1,600	20,160	29,640
Masonry house						
One bedroom	(18x18)	324	6,480	1,600	19,440	27,520
Two bedrooms	(18x24)	432	6,480	1,600	25,920	34,000
Three bedrooms	(18x28)	504	6,480	1,600	30,240	38,320

*2,400 sq.ft. with services except for sewage shown separately.

Although it can be seen from the above that the three bedroom timber house and even the one bedroom masonry house is above the limit that can be financed using the assumed mortgage limits, a number of variations can be applied to bring these houses into the affordable range. First, lot sizes could be reduced somewhat by individuals. Second, some families can afford to make a greater downpayment than 10 percent. Third, the plot of land may already be owned. Fourth, some families might be prepared to devote a greater share of their income to housing expenses than 25 percent, say 30 percent, which would increase the size of the mortgage they could carry. For instance, a family earning the median and prepared to devote 30 percent of its income to housing and making a downpayment of 25 percent could afford a house costing B\$37,437. There will, however, be a maximum value of house which can be financed under the program as well as a mortgage limitation.

Although some skepticism was originally expressed regarding the likelihood that Barbadians would opt to purchase a core house solution or any solution other than a single house on an individual plot, further interviews and discussions during project design indicated this might not be so.

With both costs and financing high, and in the latter case currently unavailable, it appears that individuals, as in the U.S., are scaling back their expectations. The idea of a core house which can be expanded as financial means permit is becoming more acceptable. So are the ideas of lower cost condominiums and row houses where once these were not acceptable. In the latter case, the NHC row house projects are having some impact even though they are uneconomic from a government standpoint.

Such forms of construction will clearly affect costs. Thus, the cost estimates above can only be considered an order of magnitude and may change considerably as the program gets underway.

2. Home Improvements

Home improvement loans are of two basic types: improvements to some aspect of the dwelling and an actual expansion of the house.

In the case of expansions, we have calculated costs for some typical expansions which include foundation work. In the case of bathroom and kitchen additions, the costs of fixtures are included.

	<u>Cost</u>
<u>Home expansion</u>	<u>B\$</u>
One bedroom (120 square feet)	
- timber	5,150
- masonry	7,800
Bathroom (masonry only)	3,500
Kitchen	
- timber	4,780
- masonry	7,000

In the case of dwelling improvements, these will take the form of such things as replacing a galvanized roof, installing a permanent foundation, providing water in the house, adding electricity, installing a septic tank, etc. For the purposes of cost calculation, a minimum core house of 180 square feet (10 feet x 18 feet) was used. The costs would substantially increase, for instance, if the roof to be replaced is for a 330 square foot house. In other words, the cost of B\$550 shown in the Housing Solutions Summary for the roof replacement is a minimum cost. The same minimum cost concept applies to the other suggested improvements.

The cost of B\$550 for providing water to an existing house does not include any bathroom or kitchen fixtures and it was based on information provided by the Water Authority. Likewise, the minimum cost of B\$450 for providing electricity was derived from information provided by the Light and Power Company.

Home Improvements - (for 18 x 10 core house)

	<u>B\$</u>
Roof	350
Foundation	300
Electricity	450
Water	550
Sewage	1,600

The above gives some idea of the range of solutions likely to be financed under this aspect of the program. Theoretically, these improvements are affordable by the target group but final eligibility will turn on credit checks which will consider total debt payments an individual might be making including other shelter expenditures, the most obvious being for the basic house. Thus, the number of solutions and the families reached under the program will relate to the capacity of families to service the debt. A maximum size loan will be imposed on the program however. The maximum home

improvement loan affordable to qualifying families will be B\$8,000 based on a 7 year term and 16 percent interest with 25 percent of income applied and for a home with a value no more than B\$34,000.

3. Tenantry Program

This program consists of lot purchase and home improvements loans to be assumed by the individual plus infrastructure to be installed by NHC in selected tenancies.

For lot purchase, as stated earlier, the law has fixed B\$1 per sq. meter (B\$.11 per sq.ft.) as the cost of land in plantation tenancies. The average lot size varies from 300 - 400 sq. meters (2,700 - 3,600 sq.ft.) in plantation tenancies so the average cost incurred by tenants will be on the order of B\$350. For urban tenancies, as described earlier, the lot price will be determined by fair market value. The lots may be somewhat smaller but the cost higher. However, the rents range from as low as B\$3 per month to B\$12 per month so it is in the interest of the owner to come to terms if he can. The provision of long term financing is intended to make this possible.

Home improvements and or expansion under this program will take the same form as those described earlier. The greatest need for improved shelter among tenantry occupants, bearing in mind that they probably own their own chattel house, is to make the foundation permanent and add water service.

With these assumptions, the cost of some illustrative solutions can be calculated.

	B\$			
	<u>Lot Purchase</u>	<u>Foundation</u>	<u>Water</u>	<u>Total</u>
Plantation Tenantry	350	500	550	1,400
Urban tenantry (say B\$1 per sq. ft. and 2,400 sq. ft. plot)	2,400	500	550	3,450

Using a loan repayment period of seven years (suggested by BNB) at an interest rate of 16 percent and 25 percent of income, a loan of B\$ 4,300 can be afforded by a tenantry family earning the median of B\$ 542 per month in one of the tenancies cited above and a loan of B\$ 7,368 by the family earning B\$919.

Infrastructure improvements to tenancies to be made by the government will take the form of roads, water and electricity, plus a certain of home relocations due to the work.

To provide an order of magnitude on this element, which can differ widely with tenancies, we have used the average cost of proposed infrastructure improvements for four tenancies where the Government has done detailed studies and have allowed 10 percent for contingencies. This works out to an

average cost of B\$ 625,000 per tenantry. Cost recovery would be through taxes.

B. CAPACITY TO IMPLEMENT THE PROGRAM

During the PID work a separate study was conducted of problems and constraints in the building industry in Barbados. The consultant met with a number of builders/developers and in the course of discussions mentioned the possibility of a HC financed program. However, it was pointed out that the program would be aimed at lower cost houses than the developers had normally built and that cost restraints might require timber houses.

The response of a number of developers during the period between PID work and project design was encouraging. What this program seeks to do is to set limits on the mortgage and the total value of the house that can be financed under the program and then let individuals and builders/developers respond. During project design, the team met with several developers all of whom expressed great interest in developing projects which could be financed under the program, each pursuing different approaches to stay within the cost constraints.

One was considering the possibility of row or town house development, another had developed a no frills basic masonry unit, another was considering manufacturing its own timber houses (as opposed to buying a completed unit directly from the lumber company), several were considering some type of prefab or manufactured housing and another was considering whether or not it would be possible to induce lenders to stretch out the mortgage term. Although all expressed real problems in staying within the limits, it appears likely that with the lack of financing available for more conventional higher cost housing, these developers will come up with housing within the limits.

While land is some problem, all of these developers talked to have access to some land. One of the larger builders has land on which to construct over 200 houses. This builder indicated he could be ready to go in four months and within eight months start to hand over houses. In this particular case, houses would be pre-sold with the down payment financing initial work and the mortgage. Thus, no construction financing, as such, would be required by the builder.

In addition to the developers, the planning firm that is working on the study of the lower income area of Bridgetown is recommending an expandable self-help duplex unit, each unit to be built on 1,500 square feet of land and costed out well within the affordable range.

Finally, there are individuals who either own their own plot of land now or who could acquire it and who will build their own houses perhaps utilizing some self-help. Such individuals, particularly young families, appear prepared to start with a small core house and expand it later.

Thus, it is the judgment of the project design team that the capacity, willingness, capability and interest are there to permit the response.

G. ENVIRONMENTAL CONSIDERATION

At the time of the PID preparation, the RDO/C prepared an Initial Environmental Examination (IEE) which recommended a negative determination. The IEE was subsequently approved by the LAC Bureau during the PID review.

The direct environmental impacts of the proposed program will be minimal assuming environmental design criteria are applied during implementation. Such criteria are controlled through departments in the MHL and the Water Department.

More detailed treatment of the environmental aspects are contained in the IEE which is attached as Annex 15.

VII. SOCIAL SOUNDNESS ANALYSIS

A. INCOME DISTRIBUTION

The Statistical Department of Barbados conducted a household survey of disposable income during the period April 1978 - March 1979, the latest survey for such information. The distribution of monthly income per household for the target group i.e. those families earning up to the median, was:

<u>DECILE</u>	<u>DISPOSABLE INCOME</u>	<u>GROSS INCOME</u>
1	BDS 0 - 65	BDS 0 - 65
2	66 - 143	66 - 143
3	144 - 247	144 - 247
4	248 - 355	248 - 247
5	356 - 454	359 - 468

To obtain gross income it is assumed that the typical beneficiary household consists of two adults, including only one wage earner, and two minor children. Using the 1978-1979 income tax deduction and tax rates yields a gross income corresponding to the survey disposable income. Because exemptions in 1978-79 were BDS\$3,000 for a couple with one wage earner and BDS\$400 - 600 for each minor child, the assumed four - person household would be liable for income tax at monthly incomes of only BDS\$340 and up. Thus, the gross income at the lower income levels were almost the same as disposable incomes.

The following assumptions were used to translate the 1978 - 1979 income into January 1982 income.

Inflation since the survey through January 1982 was estimated to be 67 percent utilizing information from the Barbados CPI.

Income is underreported by percent due to inadequate provision for income in kind and other non-reported income.

With these assumptions, the distribution of monthly household income for the target group for January 1982 is:

<u>DECILE</u>	<u>GROSS INCOME BDS</u>
1	0 - 137
2	138 - 299
3	300 - 515
4	516 - 747
5	748 - 976

The January 1982 median monthly household income is estimated to be BDS\$976 or US\$488. On an annual basis this comes to BDS\$11,712.

As pointed out earlier, there have been questions raised during project design that the figure is too low. Additional work will be done by the GOB and, if supported, the figure will be adjusted. In addition, adjustments will be made as the program proceeds to take account of any general increase in the overall income level arising out of inflation.

Some representative wage levels are contained in the sections immediately below.

B. BACKGROUND RELATIVE TO HOUSING

With the island's dimensions approximately 21 miles at the longest and 14 miles at the widest (166 sq. miles) and cane fields occupying much of the open space, the population is congregated in small communities throughout the island in addition to the larger concentrations of which Bridgetown is the major one. With an overall population density one of the highest in the world, no one is far from an urban center.

Two major efforts are underway to assist the government to come to grips with housing, particularly for lower income families. The first of these is an examination of all of the 300 plantation tenancies in Barbados by the Planning Unit of the MOHL. These are more rural in context, if that term has validity in Barbados. The purpose of these surveys is to develop comprehensive socio-economic data on tenantry occupants with particular reference to housing and the condition of the tenantry. To date, 87 tenancies have been surveyed and although data has not been tabulated or analyzed in an overall way, some individual reports are available.

The second effort is a study of one of the large lower income neighborhoods in Bridgetown under financing provided by the Caribbean Development Bank with a view to possibly sponsoring a pilot upgrading project. This study will not be completed until late May although some of the preliminary information was made available to the Design Team.

As pointed out earlier, two of the most important facts which emerge in examining the shelter sector in Barbados are (1) that there are no slum areas as such, although there are areas where the houses are clearly sub-standard in terms of size, condition, location and amenities, and (2) approximately 1/3 of the island's families live on land which is rented, although in most cases they own their own house (tenancies and chattel houses are discussed more thoroughly in earlier sections). The other factor which is very important to the concept of this program is that the desire to own one's home on one's own land is a very powerful cultural trait in Barbados. This trait was substantiated in both surveys mentioned above.

C. DESCRIPTION OF THE TARGET GROUP

As stated above, about 1/3 of Barbados' families live on a tenantry plot, either in plantation tenancies or in "urban" tenancies, that is, within sub-areas of larger communities, particularly Bridgetown. The plantation tenancies are more structured in that there are usually several "tenancies" to a large plantation and they consist of groups of houses which have a common identity i.e. small communities, often with a concentration of relatives. The plantation owns the land and collects rent from the plot occupants. In most cases, the tenant owns his own house, it is constructed of timber and it is on a loose rock foundation. Occupation by the family may go back through several generations. The provision of infrastructure is not bad; most of these homes have electricity and water on the site if not in the house, many have telephones but pit latrines are common. The other predominant factor is that the houses are often old although upkeep is surprisingly good.

Rent is extremely low; in one plantation tenantry being surveyed during the project design period most of the families were paying BDS.08 per month! Nor does the law permit these families to be evicted as long as they pay their rent. Although these tenancies are owned by the plantations, not all individuals, including heads of households, work on the plantation or in related jobs. In one case, for instance, the head of household was a bus conductor who had been living on the plot for 30 years. The man's daughter was working as a secretary in Bridgetown. Therefore, occupations are varied although not to the extent that they are in "urban" areas.

Median family incomes in the plantation tenancies tend to be below the national median. Two predominant factors are emerging from the surveys as they affect this project. First most families, or at least the heads of households, prefer to continue to stay where they are. Second, a large proportion of heads of households have indicated that they want to buy their plot and the first thing they'll do is make the foundation permanent and put a W.C. in the house. This, in spite of the fact that rents are almost nothing and eviction does not appear to be a threat. Although there is no economic rationale it appears to be a well documented fact that goes to the strong cultural desire to own one's land. The two answers most frequent are, "if I own I cannot be moved off," and that "it's something to leave to my children". It's not as clear, however, that children have as strong a desire to remain in the plantation tenancies (see below).

In the low income area of Bridgetown being surveyed there are 2,351 people in 716 households. By definition, these are low income families with slightly over 50 percent of the heads of household were earning BS100 a week or less. What was not quite clear from information presented was whether second incomes were significant because, if so, the median might be higher than the median used for the proposed program indicating that BS11,712 might, in fact, be low.

About 23 percent of the working population were unemployed, most of the rest were in semi-skilled jobs. Some 2.8 percent of the entire population was retired.

The majority of the heads of household had been living in their houses for more than ten years. Almost 60 percent of the houses were owned by the occupants (again, timber was the predominate construction and the amenities were similar to plantation tenancies) and most of the rest were rented. The exact opposite prevails relative to the land, however, with almost 60 percent of the land being rented and only about 30 percent being owned. This is similar to the situation in plantation tenancies except that the land rent proportion is smaller and the landlords probably own only a few plots, perhaps adjacent to what they themselves live on.

Of those tenants now renting plots 59.4 percent indicated they wanted to buy their plot. In this area rents were much higher than tenancies but were still on the order of only B\$ 6 - 12 a month. For those tenants who responded that they wanted to continue renting and were asked why, the answer was not cost for the most part (only 13 percent), but unavailability of funds (68 percent). Presumably, many of these people would buy if long term financing were available.

This survey turned up another interesting fact which has relevance for the proposed program. The overwhelming majority of the heads of households, who were the survey respondents, indicated they wanted to continue to live on their own land and were not interested in town (terrace) houses or flats. However, in a subsequent neighborhood meeting which included younger people, it turned out that these younger people were very much interested in town houses, condominium flats or starting out with a shell house if it gave them the opportunity to own.

Attached as Annex 16 to the PP is a table of salary levels for government workers. Since government workers cover such a broad range of activities, they can be considered as indicative of salaries for various categories in the private sector as well. The credit unions also provided some income data on typical categories to provide some picture of the target group and its relation to higher income levels.

The government just approved a wage increase for domestic workers to B\$1.50 per hour for a 44 hour week (B\$66 per week, B\$3,532 p.a.)

VIII. ECONOMIC ANALYSIS

The Project is considered economically viable if (a) economic benefits exceed economic costs and (b) the new housing and home improvements to be financed under the Project are undertaken at the least cost. In response to (b), we presuppose that the housing activities to be undertaken under the Project will be at the least cost; these activities will be performed by the private sector and we presume that the private sector will respond to market signals, undertaking the activities in the most efficient manner.

Under the Project, the Central Bank of Barbados will borrow U.S. dollars on the U.S. capital market and the Central Bank, in turn, will place the local currency equivalent at the disposal of a local financial intermediaries for onlending to qualifying families for shelter solutions. Consequently, economic benefits exceed economic costs if the interest rate that the Barbadian populace is willing to pay for the funds exceeds costs. Costs include not only the interest rate charged on the U.S. capital market but also any administrative costs incurred by the dispensing intermediary in Barbados.

Currently, the Barbadian authorities can expect the cost of the funds on the U.S. capital market to be in the neighborhood of 15 percent. Administrative costs incurred by Barbadian financial institutions would hike the cost of funds up to an estimated 18 percent. We expect 30 percent of the funds to be lent to the Barbadian populace at an interest rate of 12 and 50 percent at 16 percent interest. Government is not willing to raise mortgage interest rates at this time as holding this rate is part of its credit policies, generally while the restrictions on beneficiaries serves its social purposes. Interest on home improvement loans are set very close to market rates with the slight break designed to reflect service to the low-income groups. These interest rates, represent an element of subsidy. Economic theory indicates a population would be willing to pay what the interest rates would be if the government were to remove mortgage interest rate restrictions. As a measure of this interest rate, we use the sum of the domestic inflation rate, the marginal productivity of capital, and a premium that reflects risk incurred because of the general lack of creditworthiness on the part of the Project's target group. Given that (a) the current inflation rate in Barbados is between 13 and 14 percent, (b) the marginal productivity of capital in third world countries has traditionally been between 3 and 5 percent, and (c) a risk premium conservatively estimated at 3 percent, the population, according to economic theory, would be willing to pay between 19 and 22 percent for the funds. Since the costs of the fund has been projected at 18 percent, this suggests that the Project is viable from the standpoint of cost-benefit analysis.

Moreover, the Project responds to the severe foreign exchange "crunch" that has been plaguing Barbados. The "crunch" was precipitated by (a) last year's disastrous performance of the sugar sector when foreign exchange losses of \$10 million were recorded, (b) a 3 percent drop in tourist arrivals, and (c) the 6 percent decline in manufacturing output. Until propped up by a \$30 million loan from the Orion Bank Group, reserves had declined by more than 40 percent last year. We expect foreign exchange requirements related to the

construction of housing to use up roughly 50 percent of the 910 million to be provided under this Project. The remaining 50 percent would beef up Barbados' foreign finances, increasing reserve levels by almost 6 percent.

In addition, the Project's activities will give the country's economy a much needed boost. After growing annually in real terms roughly 5 percent in 1976-80, real output fell almost 3 percent in 1981, and we anticipate that 1982 also will be a no growth year. The Project also responds to the needs on the part of the Barbados public for an outlet for their savings. In the U.S. savings on the part of the public take the form of deposits in savings banks, purchases of stocks, and real estate to name only a few forms; in Barbados, investment in housing is the most important form of saving for the vast majority of the populace.

Finally, we feel that Barbados is sufficiently "credit worthy" to make use of the non-concessional funds to be furnished under this Project. Unlike other East Caribbean states that have never borrowed on non-concessional terms, non-concessional borrowing would not be new to Barbados; for instance, last year's loan from the Orion Bank Group was provided at hard terms. Furthermore, although some difficulties are lurking on the horizon, the country for the time being appears capable of servicing the debt that would arise from the funds to be provided under this Project. For example, the debt-service ratio at the end of 1979 was a very modest 3 percent according to the World Bank.

IX. FINANCIAL PLAN

A. PROGRAM FINANCING

Project financing will be from a Housing Guaranty loan from a private U.S. lender for capital costs. The loan will be at prevailing market rates with a US guaranty and the effective cost will include an HG fee. For technical assistance, financing will come from Development Grant Funds and HG Fee income. The host country contribution will be from the Sugar Levy Fund to assist in financing tenantry lot purchases, from the MOML budget for tenantry upgrading and from beneficiary downpayments as a contribution to mortgage financing and home improvement loans.

	US \$ (000)			
<u>CAPITAL COSTS</u>	FT 83	FT 84	FT 85	TOTAL
Housing Guaranty Loan	3,000	3,500	3,500	10,000
Sugar Levy Fund	200	200	230	630
MOML Budget	415	415	415	1,245
Down Payments	430	500	500	1,430
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	4,045	4,615	4,645	13,305
	<hr/>	<hr/>	<hr/>	<hr/>

TECHNICAL ASSISTANCE COSTS

DEVELOPMENT GRANT

Housing Advisor	110	110	-	220
Credit Union	50	50	-	100
	<hr/>	<hr/>		<hr/>

TOTAL **160** **160** **-** **320**

HG FEE INCOME

<u>Financial Institutions</u>	50	50	-	100
	<hr/>	<hr/>		<hr/>

TOTAL TECHNICAL ASSISTANCE **210** **210** **-** **420**

The MOML budget item is based on the upgrading of four tenancies at an average cost of US\$ 312,000 per tenantry completed over a period of three years. Downpayments were calculated on the basis of an average 20 percent

downpayment on home improvement loans and twelve percent down payment on new housing.

B. FLOW OF PROGRAM FUNDS AND INTEREST RATES

The following is a general description of how the program will work with details to be worked out during negotiation of the Implementation Agreement. All spreads are tentative.

The loan can be for 30 years, ten year grace period on repayment of principal and be at prevailing U.S. interest rates for this type of borrowing.

Mortgage loans will be financed through lending institutions (open to commercial banks and BMFC but largely expected to be carried out by BMFC) and will carry an interest rate of 12 percent (the current rate in Barbados), and a maximum term of 25 years. Lines of credit will be established to these institutions which will receive funds at 10 percent allowing 2 percent spread.

Home improvement loans are expected to be made by all institutions although the commercial banks and the credit unions will probably handle most of these loans. Credit unions are now charging a maximum of 12 percent for their loans and home improvement loans made under this program by credit unions are likely to carry this rate, although government is exploring the feasibility and practicality of a 16 percent, 7 year term loan. Credit unions will receive funds at a cost allowing a spread of about 2 percent. For commercial banks, home improvement loans are made under the category of personal loans and will carry an interest rate of 16 percent and a 7 year term. The on-lending of HC funds by the COB to the banks for this purpose will be at an interest rate commensurate with what is charged i.e. 12-13 percent.

The COB has designated the Barbados National Bank to be the primary lender under the Tenantry Freehold Purchase Program (TFPP). It has made an initial deposit of B\$ 400,000 to the Trust Division of BNB to establish a revolving fund for financing lot purchases for plantation workers under the TFPP. The deposit came from the Sugar Levy fund which is a tax on the proceeds of sugar put aside to support sugar workers on a grant basis. The Sugar Levy fund goes back some twenty years. It is to this revolving fund that the AID HC Funds for the TFPP will go but the fund will be expanded to cover urban tenancies and home improvement loans as well as lot purchases. The MOHL will also finance surveys, studies and legal fees in connection with the TFPP from the Sugar Levy fund.

HC Funds will go into the TFPP revolving funds at a rate which will permit the BNB a reasonable spread for servicing the fund. As currently contemplated, loans for lot purchase to the lowest income and most needy families will be made at 6 percent, but loans at this rate will be financed exclusively from the Sugar Levy fund. Loans for urban tenancies or for the home improvement loans associated with such lot purchases will carry the same terms as those for the home improvement loan program generally, i.e. 16 percent interest, 7 year term, maximum loan B\$5,000. (See Annex 8 for the proposed procedures of BNB relative to the TFPP). For participants

(beneficiaries) above the lower cut off, lending terms are now contemplated at current commercial rates. It also appears that there would be some middle category of lower income tenantry tenants, i.e. the jump from 6 percent to 12 percent is a large one. At the moment the proposal only relates to percent of income that would be applied toward repayment.

The interest rates to be charged by the GOB in its loans to the participating institutions will be along the lines described above with final terms set in negotiation. As stated above, the GOB will probably receive a thirty year term from the US lender with a ten year grace on repayment of principal. Mortgage loans in Barbados at present range up to 25 years on masonry houses and 15 years for timber houses. (It is contemplated that the latter will be changed for this program). Home improvement loans are made for up to seven years. The GOB may choose to pass on at least some of the benefit of the extended term to the local financial institutions provided that the roll over of funds is used for similar loans.

The difference between the interest rate received by the GOB from the local financial institutions (for the most part this will be 10 percent but will be higher from the commercial banks on home improvement loans and lower from BNB on some lot purchase loans) and what it pays to the US lender will be covered from the GOB budget. Upgrading of infrastructure in the tenancies will also be covered under the budget.

C. COST RECOVERY

As far as the beneficiaries go, relative to housing solutions and within the lending rates described above, there will be full cost recovery. The capital costs will be fully recovered on individual solutions, either as sales of individual units by builders to individuals, by small contractors on home improvements, by individuals arranging for these costs themselves or by the purchasers of tenantry plots. In the case of plantation tenantry plots, the cost is set by law albeit at a low cost.

The only subsidy will be that provided by the government in making financing available at a rate lower than the cost to government of HC funds and lower than it would cost to raise the equivalent funds locally by deposit or loan. This is considered a cost to government of launching this program.

However, as part of its strategy for the future of ultimately raising adequate funds internally for housing, the GOB will allow mortgage interest rates to be raised when appropriate, relative to other financial considerations. Since all mortgages in Barbados now carry adjustable interest rate clauses, existing mortgages could also be adjusted when this occurs and the on-lending rates on the loans by government as well. This would cut the government subsidy costs and could also keep mortgage holders from getting a windfall benefit with the existing low rates. The reverse would be true if rates should fall.

This would also protect government in the event that the U.S. loan has renegotiable clauses in it which, at this time, appears likely.

D. DEMAND FOR HG FUNDS

As was stated earlier, the MOHL has estimated that there is a need for approximately 1,700 new housing units per year in Barbados over the next five years. This is in order to accommodate new household formations and to replace existing stock which becomes unusable due to age or poor maintenance or is destroyed by fire.

Assuming that the need for new housing will be in roughly the same proportion as family income distribution, then about 850 new units will be needed each year by families below the median income level or 2,550 over a three year period. It is recognized that many of these families will not be able to finance a new house as their income will be too low. However, the estimate for output under the program using an average mortgage size of B\$20,000 is for 500 units or slightly less than 20 percent of the need below the median income. Thus, this would indicate a need, and by definition, effective demand, to support the allocation of \$5 million (B\$10 million) to finance new construction.

For home improvement loans, the output projected is 2,000 using an average loan of B\$ 3,000 and the allocation to this category of B\$ 6 million. It is not possible to project "needs" for home improvement loans. However, it was estimated in 1978 by the MOHL that almost 50 percent of the housing stock at that time (around 65,000) was more than 28 years old. While recognizing that some of these houses will be replaced, the bulk of them are obviously candidates for home improvement loans. In addition, large numbers of Barbadians do buy a small house which can expand as their incomes dictate. The conclusion is that the "effective" demand for home improvement loans will exceed the available financing. This conclusion is borne out by the discussions which have been held with commercial banks and credit unions.

With regard to the tenantry lot purchase program, the government estimates the number of families living in tenancies to be approximately 20,000. The Outputs Section estimates some 1,000 combined lot purchase/home improvement loans being financed at an average loan of B\$ 4,000 with sub-program allocation of B\$ 4 million (US\$ 2 million). This appears well within the likely existing demand particularly since the overwhelming reason of tenantry dwellers is a desire to purchase their lot according to on-going surveys by the MOHL.

In the event that demand does lag in any of the sub-program sectors, the Implementation Agreement will permit the allocation to be shifted to a sub-program where the demand is greater. In the final analysis, the proposed program is an attempt to induce a significant response by builders and individuals to that type of housing they can afford and want with maximum flexibility by providing the finance. The result will depend on what that response is.

X. PROJECT IMPLEMENTATION

A. BORROWING PROCEDURES

The Government of Barbados will be the borrower of the HC loan with the Central Bank acting as the government's fiscal agent. US dollars will flow into the Central Bank from the US lender and the Central Bank will make disbursements in local currency on behalf of the GOB. The Central Bank acting for the GOB will on-loan the funds to the participating institutions as described in the previous section.

The government will be responsible for repaying the loan in US dollars and will bear the foreign exchange risk arising out of any devaluation.

B. DISBURSEMENTS

Given the state of the long term capital markets in the U.S., it is difficult to state exactly how disbursements will take place. Because it is anticipated that the program may take three years to draw down and U.S. lenders may be reluctant to structure a loan over this long a period, it may be necessary for the GOB to go to the market twice in, say, US\$ 5 million increments.

Prior to the first disbursement the GOB will prepare a Program Delivery Plan which will include an allocation among institutions in the sub-program, e.g. so much for commercial banks and IMFC in new construction financing, so much for each category of institution in home improvement lending and a further sub-allocation to institutions in the sub-program e.g. by individual credit unions. This will be based on interest in participation and demonstrated demand and capacity but will also be done to ensure an equitable distribution. The plan will also give a planned schedule of loan disbursements and will be submitted to RD and PREM for approval.

Upon approval of the Program Delivery Plan, an amount of US\$ 2 million will be approved for disbursement as an advance to begin the program. The Central Bank, acting as fiscal agent for the GOB, will then maintain this amount in Barbados dollars in a program account based on the tentative sub-allocation among the participating institutions. These institutions will in turn seek commitments from the Central Bank to finance a specific block of eligible loans. After the commitment has been given and the loans have been made, the GOB will authorize disbursement to the lending institution on presentation of evidence that loans have been disbursed. Building or construction financing will be handled by the institutions.

Prior to release of the second disbursement from the US lender the GOB will provide evidence that eligible loans have been made equal to an equivalent amount. This process will continue until the last disbursement. The GOB will have six months from the date of the last disbursement to provide

evidence to PRE/H and RDO/C that the entire HG loan amount has been disbursed in accordance with the Project Paper.

C. PROGRAM PLANNING AND APPROVAL

Since this will be a program which relies almost exclusively on the response of private or independently-run institutions, private builders and individuals, the specific program planning done in government-sponsored projects will not take place.

What will be necessary, as described above, will be the allocation among sub-programs, among institutional categories and among specific institutions along with a planned schedule of utilization of the HG; the Project Delivery Plan.

Preparation of this plan will be based on the analysis undertaken as part of the project design effort which has been discussed with government. Responsibility for the plan will rest with the Planning Unit of the MOHL.

All aspects of the plan will be flexible so that changes can be made as experience in the program dictates. In the first instance, the Program Delivery Plan will start with the allocation among sub-programs i.e. new house construction, home improvements and the tenantry program. If any of these sub-programs lag there must be a reallocation.

The same process will apply to allocations among institutional groups and among individual institutions.

With regard to institutional allocations, both by group and individually, the decisions affecting commercial banks will be dependent more on the interest of the institutions to participate based on the conditions of the loan rather than on their capacity. With regard to BMFC, there is no doubt it will participate and there is also a recognition that it needs to strengthen its overall management to some degree. However, decisions as to allocation will be relatively simple.

The same can not be said for credit unions as described under the Institutional Analysis section of this paper. Therefore, the COB will have to develop an approach whereby it can reach a decision on the degree to which credit unions in general will be able to participate and a sufficiently detailed analysis of individual credit unions to determine the level that can be allocated to any given credit union.

With regard to the Tenantry Program and the government's contribution to infrastructure, the Planning Unit has underway surveys of plantation tenancies to determine socio-economic status and the level of infrastructure and community facilities. From this will be developed a plan for upgrading individual tenancies on a priority basis.

D. CONDITIONS

The following list identifies the major concerns that AID has for the implementation of the Project. Each of these areas of concern will be formalized in the Implementation Agreement as a condition precedent to the selection of an investor or the disbursement of the HC loan.

1. Master Project Delivery Plan

Promptly after signing the Implementation Agreement, the Borrower, and MONL will begin preparation of the Master Project Delivery Plan. The Plan will set forth the planned cash flow needs; the roles of the participating institutions; the procedures of the participating institutions for site selection, beneficiary selection and cost recovery; the procedures to be used by the financial agent for project management; as well as any other data that may be mutually agreed upon.

The Plan should cover the following:

2. The terms of the on-lending from the participating lending institutions. The Project envisions that the Borrower will provide lines of credit to participating lenders to finance eligible mortgages and home improvement loans. The Plan should describe the terms on which the line of credit will be offered (including the fees and spreads to be charged by participating institutions), security interests of lenders, and the procedures to be followed by the Borrower to make sure that the line of credit is used for eligible loans. AID is also concerned that throughout the life of the Loan, the Borrower should use an amount equal to the outstanding principal of the HC loan for the purposes of the project. Therefore, if mortgages and home improvement loans in Barbados continue to be substantially shorter than the life of the HC loan, the terms of lending should provide for roll-overs of the initial project lending to make sure that the HC funds continue to be used for project purposes for the life of the Loan.

3. An estimate of the level of participation of the credit unions in the Project. AID wants to maximize the participation of credit unions in the Project. The Plan should describe the level of participation of the credit unions and discuss the steps to be taken to assure their capacity to participate at these levels. In addition, the Plan should discuss how sub-allocations of funds to individual credit unions will be determined.

4. The method of allocating the HC loan among BMFC and the commercial banks (including the trust companies and BNB) and the estimated level of participation of each. AID wants to provide as great an opportunity as possible for the participation of private lenders in the Project. The Plan should set forth the commitments that private lenders have made to the Project and what future efforts will be taken to involve private lenders in the Project. The Plan should also discuss the criteria, if any, to be followed by the Borrower in establishing the amounts of HC resources that will be on-lent to each participating institution.

5. Steps to be taken by BNB to implement the Tenantry Program. The Plan should update these procedures as necessary. Procedures to ensure that the direct benefits of the Project go to persons below the median income. The Implementation Agreement will require that to assure the benefits of the HG loan go to persons below the median income, home improvement loans may be for no more than B\$8,000 and may only be made for houses valued at less than B\$34,000. Mortgages shall be for homes with a value no more than B\$34,000 with the final mortgage amount tied to downpayment and affordability. The Implementation Agreement will also commit the participating institutions to conduct a public information campaign to inform low income persons about the Project and require participating institutions to designate employees who shall be responsible for assisting low income persons to obtain financing. The Plan should describe the documentation that will be used to insure the eligibility of borrowers and the promotional efforts to be used by the participating institutions.

A description of the method by which the participating institutions will provide construction financing to private developers. In order to provide for construction financing and eligible expenses that may be agreed upon by AID and the Borrower, we anticipate an advance to the Borrower of \$2,000,000. The advance will be replenished as the Borrower furnishes evidence to AID that home improvement loans and mortgages have been made to eligible beneficiaries. The Plan should identify the institutions that will receive advances and provide a timetable setting forth the rate at which eligible mortgages and loans will be generated and the advance will be replenished.

6. At the current time maximum loans for mortgages in Barbados are 25 years for masonry houses and 15 years for timber houses. It is intended that at least the latter will be lengthened.

7. Finally, there will be a condition that AID must approve any changes in program and/or institutional allocations that occur from the PDP.

E. MANAGEMENT

1. AID

Overall management and administration of the Housing Guaranty will be the responsibility of the Office of Housing's Regional Housing and Urban Development Office for the Caribbean, currently working out of AID/Washington, through periodic visits to Barbados. The RDO/C will be responsible for providing guidance and decisions relative to the program with recommendations from PRE/H.

The Office of Housing will also be responsible for the management of technical inputs financed from HG fee income. Administration and management of the Development Grant assistance will rest with RDO/C working closely with PRE/H. The RDO/C will assign a project officer in this connection and also as primary liaison with the Office of Housing and the GOB on the overall program.

PRE/H will, in effect, serve as the RDO/C's housing technical office for this project.

All documentation and communication relative to the program will come through the RDO/C.

2. Government of Barbados

The Planning Unit of the Ministry of Housing and Lands will be responsible for managing the substantive aspects of the program for the GOB. It is to this unit that the resident advisor will be assigned. However, as discussed in the Institutional Analysis section, this unit will have to be strengthened to take on this assignment.

The Ministry of Finance through the Central Bank (BNB) will have responsibility for the on-lending of funds to the various credit institutions including setting the terms, negotiating loans and reviewing the mortgages, home improvement loans and tenantry purchases loans for eligibility.

Discussions with the GOB up to the time of the PP have supported the above delimitation of duties. However, it is not clear yet where the final decision will be made relative to the program or responsibility for some aspects. This will have to be clarified in a management plan as set forth under section XD above.

7. PROGRAM MONITORING AND EVALUATION

The Planning Unit of the MOHL, recognizing, as described above, that it probably needs to be expanded staff wise, has the capability and experience to carry out day to day monitoring of the program and to work with PRE/H in structuring an evaluation. It has carried out a series of studies that have provided much of the analytical framework for this PP.

It will be crucial to set up a monitoring and reporting system which will provide the basis for assessments of program implementation relative to the allocations and sub-allocation so that adjustments can be made if necessary. It will also be necessary to determine the income levels actually being reached since the intent of the program is to set up controls by affordability of units rather than by setting income limitations. PRE/H will work with the Planning Unit in the initial phases of the program to set up a mutually agreeable reporting system.

PRE/H will use the reports for project monitoring and will prepare a detailed Monitoring Plan which will include specified dates for visits to Barbados to review program progress. Detailed discussions will be held with the RDO/C as part of these visits, particularly to raise any policy issues needing resolution. Because of the nature of this project technical review by an AID engineer will not be necessary.

Program evaluation will take place on an annual basis. The first annual program evaluation will take place one year after the signing of the

Implementation Agreement. The responsibility for taking the initiative to conduct this evaluation will be that of PRE/H. However, the evaluation will be conducted jointly with the Planning Unit which will provide necessary staff support and information. The annual evaluation will concentrate primarily on:

- a) Progress towards the stated objectives spelled out in the Logical Framework.
- b) Major accomplishments of the program to date.
- c) Major problems of the program and corrective action taken by COB and the Office of Housing.
- d) Recommendations and/or expectations for the next year.

Office of Housing Evaluation and Monitoring Guidelines will be utilized to conduct these evaluations.

G. NEGOTIATING STATUS

Pursuant to approval of this Project Paper, AID will authorize a \$10 million HC loan and send a letter of Advice to the COB. Upon receipt of the Letter of Advice, the COB will determine the best time to enter the U.S. capital market to borrow. The COB will keep the Office of Housing informed through the RDO/C of every development and the timing of its borrowing. The Office of Housing will facilitate the process within AID policy guidelines and encourages U.S. Lenders. The legal agreements are:

1. The Implementation Agreement between AID and COB.
2. The Loan Agreement between the U.S. lender and COB.
3. The Guaranty Agreement between AID and the U.S. lender.
4. The Guaranty Agreement between AID and the COB.
5. The Paying and Transfer Agency Agreement.
6. The Escrow Agreement.

H. PROGRAM IMPLEMENTATION SCHEDULE

Second Quarter CY 1982

1. Approval of \$10 million project paper; with \$10 million authorization.
2. Office of Housing issues Letter of Advice.
3. Implementation Letter delivered to and discussed with COB.
4. Draft Implementation Agreement prepared by AID for review and comment.

Third Quarter CY 1982

1. Signing of Implementation Agreement and Project Agreements by AID and the Borrower.
2. Aid fields technical assistance.
3. Completion of Legal opinions.
4. Completion of Project Delivery Plan and agreements with participating institutions (including their procedures).
5. Negotiation and signing of Loan Agreement between the U.S. Lender and Borrower.
6. Negotiation and signing of Guaranty Agreement between AID and U.S. Lender.
7. Negotiation and signing of Guaranty Agreement between AID and COB.
8. Paying Agreements executed.
9. COB draws down the one fourth of the authorized amount advance for MO loan.
10. Execution of Escrow Agreement (if applicable).

Fourth Quarter CY 1982; First, Second and Third Quarters CY 83

1. Bajan institutions continue processing applications for loans.
2. RNUDC/USAID review progress with COB at the end of each quarter.
3. Rolling advance replenished as disbursed.
4. Office of Housing, USAID and COB undertake annual evaluation in 3rd Quarter.

1984 - Quarterly reviews and preparation of second program when and if circumstances warrant.

PROJECT DESIGN SUMMARY
LOCAL PARAMETERS

Life of Project
From FY 73 to FY 75
Total U.S. Funding \$10,000,000
Total Project \$10,000,000

Project Title: RESEARCH AND DEVELOPMENT OF PRODUCTION OF POLYMER

CONTRACT ELEMENT	LOCAL GOALS & CONTRIBUTION TO NATIONAL GOALS	STATE OF ORGANIZATION	ASSUMPTIONS FOR CONTRACT ELEMENT
<p>Project - Local Goal: To develop research and development activities in the polymer industry.</p> <p>Contract Element 2-1</p> <p>1. Help establish the overall structure of training for low income people.</p> <p>2. Significantly increase the capacity to carry out, particularly by developing local banks, to assist the initiative for production of the polymer.</p>	<p>Contract Element 2-1</p> <p>1. Increase number and productivity of low income households in improved shelter, with connection with new bank.</p>	<p>2-1</p> <p>Project underway by RDC and National. Local report from participating agencies.</p>	<p>Assumption for contract element 2-1</p> <p>Bank and development will respond and 25 percent will be finished.</p>
<p>Contract Element 2-2</p> <p>1. Help provide materials and hardware and financial assistance provide appropriate and have important base to low income families, address the direct production issue of government.</p> <p>2. Provide a model to carry out the program financial budget for</p>	<p>Contract Element 2-2</p> <p>1. Provide bank and public financing activities in experimental and setting to continue producing housing for low income people in a self-sustaining way.</p>	<p>2-2</p> <p>Provide reports from bank, state, credit unions and government banks and state. Review monitoring and evaluation.</p>	<p>Assumption for contract element 2-2</p> <p>Government will encourage the private sector to do what it will facilitate its efforts with the help from government funds to reduce its production function. A major effort is included to implement the</p>
<p>Contract Element 2-3</p> <p>1. Develop improved shelter banks</p> <p>2. Increase number of the bank of</p> <ul style="list-style-type: none"> 1. Significant number of families <p>3. A private sector approach in producing for low income people</p> <p>4. Training plots improved and</p>	<p>Contract Element 2-3</p> <p>1. 2000 new bank</p> <p>2. 2000 low income household bank</p> <p>3. 1000 training plots provided</p> <p>4. 1000 individuals affected</p>	<p>2-3</p> <p>Production records of bank, production and loan records of bank and credit unions, records of bank.</p>	<p>Assumption for contract element 2-3</p> <p>Bank will step up to handle the other bank and that will increase the effort as priority to provide education of people in the field.</p>
<p>Contract Element 2-4</p> <p>1. Bank from high long term bank</p> <p>2. Development</p> <p>3. Housing quantity loan</p> <p>4. Bank budget report</p> <p>5. Technical assistance and training to bank, bank and credit union</p>	<p>Contract Element 2-4</p> <p>1. \$100,000,000</p> <p>2. \$100,000,000</p> <p>3. \$100,000,000,000</p> <p>4. \$100,000,000</p> <p>5. \$100,000,000</p>	<p>2-4</p> <p>1. Bank record</p> <p>2. Bank and bank record</p> <p>3. 10000 and 10000 bank (10 bank) & National record</p> <p>4. Bank record</p> <p>5. Bank and bank record</p>	<p>Assumption for contract element 2-4</p> <p>1. Bank director</p> <p>2. People and bank</p> <p>3. U.S. investor responds</p> <p>4. Gov budget for more</p> <p>5. U.S. technical available</p>

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OUTGOING TELEGRAM

OPTIONAL FORM 135 (OCR) Rev. 3-79
Formerly OS-327 (OCR)
Dept. of State

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AID/LAC/DR:DBURNETT:GM
04/05/82 20242
AID/AA/LAC:OJREICH

AID/LAC/DR:ILTARNSTRONG (DRAFT)
AID/LAC/DR:THCKEE (DRAFT)
AID/LAC/CAR:SMERILL (DRAFT)
AID/OC/H:MKITAY (DRAFT)

AID/LAC/DR:CLEONARD
AID/LAC/DR:ILEVY
AID/LAC/DP:DBROOME (DRAFT)
AID/PRE/H:UMANN (DRAFT)

9. AID/DA/LAC:MDBROWN

PRIORITY BRIDGETOWN

AIDAC

E.O. 12065: N/A

TAGS:

SUBJECT: DAEC REVIEW OF PRIVATE INITIATIVES IN HOUSING PID

1. SUMMARY: SUBJECT REVIEW HELD MARCH 24, 1982. HIGHTON AUTHORIZED TO PROCEED TO INTENSIVE REVIEW, TAKING INTO CONSIDERATION THE GUIDANCE OUTLINED BELOW. BUREAU'S PRINCIPAL CONCERN INVOLVED LACK OF COP AND PROJECT STRATEGY FOR ESTABLISHING, OVER TIME, A FLOW OF RESOURCES TO MEET LOW INCOME HOUSING NEEDS.

2. EFFECTIVE DEMAND: WHILE THE PID DOES NOT INDICATE THE BASIS FOR THE DEMAND PROJECTIONS BY THE TARGET GROUP FOR THE PROPOSED HOUSING SOLUTIONS, BUREAU UNDERSTANDS THAT COP HAS UNDERTAKEN SURVEYS AND MADE ESTIMATES ALONG THESE LINES. BDO/C SHOULD ANALYZE AND EVALUATE SUCH DEMAND STUDIES TO DETERMINE WHETHER, IN FACT, THEY ESTABLISH A SATISFACTORY BASIS FOR THE PROPOSED FUNDING ALLOCATIONS. IF NOT, THE REQUISITE

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DEMAND STUDIES SHOULD BE UNDERTAKEN DURING INTENSIVE REVIEW. THE PP SHOULD CLEARLY ESTABLISH A STRONG PROBABILITY FOR DRAINING DOWN THE HC AND COUNTERPART CAPITAL PROCEEDS WITHIN THE PROJECT'S THREE YEAR TIMEFRAME.

D. ANALYSIS OF PROJECT CREDIT INSTITUTIONS: CENTRAL TO THE PROJECT'S FEASIBILITY IS THE WILLINGNESS AND CAPABILITY OF PRIVATE CREDIT INSTITUTIONS TO PARTICIPATE IN A HOUSING PROGRAM FOR LOW INCOME FAMILIES. MISSION SHOULD PERFORM INSTITUTIONAL ANALYSIS TO DETERMINE: (1) DEGREE OF INTEREST; (2) CAPABILITIES FOR CHANNELING FUNDS TO TARGET BENEFICIARIES TO MEET THE OBJECTIVES OF ONE OR MORE OF THE PROPOSED HOUSING SOLUTIONS CONTEMPLATED UNDER THE PROJECTS AND (3) THE CONDITIONS ASSOCIATED WITH FINANCIAL INTERMEDIARY PARTICIPATION (E.G., TECHNICAL ASSISTANCE REQUIREMENTS, TERMS AND CONDITIONS FOR SUBLOANS AND SUBSEQUENT ROLL-OVERS, SUB-BORROWER ELIGIBILITY CRITERIA, AND ARRANGEMENTS FOR RECEIVING AND REPAYING PROJECT FUNDS PROVIDED BY THE CENTRAL BANK).

E. TENANCY PROGRAM: THE BASIC UNDERLYING ASSUMPTION FOR THIS COMPONENT OF THE PROJECT IS THAT TENANTS WILL UPGRADE THEIR HOMES ONCE THEY SECURE TITLE TO THEIR LOTS. MISSION SHOULD CLOSELY EXAMINE BASIS FOR THIS ASSUMPTION AND CONFIRM ITS VALIDITY DURING COURSE OF PP PREPARATION.

F. AID STRATEGY: WHILE SEEKING TO ENCOURAGE BOTH PRIVATE CREDIT INSTITUTIONS AND BUILDERS TO BECOME ENGAGED IN PROVIDING RESOURCES FOR LOW INCOME HOUSING, IT IS NOT APPARENT HOW THE PROJECT WILL CONTRIBUTE TO A CONTINUING FLOW OF PRIVATE RESOURCES OVER TIME, PARTICULARLY IF THE INTEREST RATE CEILING (CURRENTLY AT 12%) REMAINS BELOW THE REAL OPPORTUNITY COST OF CAPITAL. THIS ISSUE SHOULD BE THOROUGHLY EXPLORED WITH APPROPRIATE GOB AND PRIVATE SECTOR AUTHORITIES TO DETERMINE WHAT MEASURES ARE NECESSARY TO ATTRACT INFUSIONS OF CAPITAL INTO THE HOUSING SECTOR AND WHAT MEASURES THEY ARE PREPARED TO TAKE TOWARD THIS OBJECTIVE. THE BUREAU DOES NOT VIEW HC FINANCING PER SE AS A LONG TERM SOLUTION TO THE FUNDING REQUIREMENTS FOR LOW INCOME HOUSING, BUT RATHER AS A VEHICLE FOR ENCOURAGING THE GOB TO ADOPT THE NECESSARY MEASURES REQUIRED FOR ESTABLISHING A VIABLE HOUSING FINANCE SYSTEM SERVICING, INTER ALIA, LOW INCOME GROUPS. THE

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PP SHOULD INDICATE A STRATEGY FOR ACHIEVING THIS OBJECTIVE. IN ADDITION, THE PP SHOULD SET FORTH PROCEDURES PERMITTING PERIODIC AID/COB INTERCHANGES OVER POLICIES AND OTHER MEASURES BEARING ON LOW INCOME HOUSING.

6. BUILDING MATERIALS: SINCE 80% OF BUILDING MATERIALS FOR HOUSING ARE IMPORTED, RDO/C MAY WISH TO CONSIDER ASSISTING PUBLIC AND/OR PRIVATE GROUPS IN THE HOUSING SECTOR IN IDENTIFYING AND/OR DEVELOPING LOCAL (I.E., EASTERN CARIBBEAN) SOURCES OF BUILDING MATERIALS. THIS COULD BE DONE IN THE CONTEXT OF THIS PROJECT OR AS A SEPARATE ENDEAVOR.

7. INITIAL ENVIRONMENTAL EXAMINATION: THE PROJECT'S IEE, WHICH RECOMMENDED A NEGATIVE DETERMINATION, WAS APPROVED BY THE BUREAU ON MARCH 24, 1982.

8. FYT: ALL LAC MISSION PID APPROVALS ARE NOW SUBJECT TO BUREAU REVALUATION IF THE POST-PID PROJECT DEVELOPMENT PROCESS EXTENDS BEYOND ONE YEAR. WY

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THE TENANTRY SITUATION

In Barbados, the population may be divided into three groups according to their housing ownership patterns; those who own both a dwelling unit and the land upon which it is located; those who rent both and those who own their residences and rent the lot upon which the residence is located. The latter pattern, whereby residents own their homes but rent the land upon which it is located, is known as a tenantry. The Ministry of Housing estimates that 20,000 dwelling units, approximately one third of the nations housing stock, are located on tenancies. The tenantry residents live in chattel houses that they own and are located on "house spots" rented lots used solely for chattel houses. Rent levels for the house spots are subject to rent control laws and are normally relatively low. Tenantry rents range from \$1.00 to \$6.00 per month. The tenantry residents are overwhelmingly members of the lower income group in Barbados.

The current tenantry system has its origins in the plantation tenantry system that evolved following the emancipation of the slaves in Barbados in 1838. At the time of emancipation, plantation estates covered most of the prime lands on the island. Because of the high population density at that time and the ownership by the plantation owners of nearly all arable lands, there were no vacant lands available to ex-slaves for their housing

The freed slaves remained on the plantations where they worked and rented a house spot as partial compensation for their labour. The tenantry system has continued to be an important part of the plantation system from 1838 to the present.

Landlords rented the land upon which tenants erected moveable wooden houses, chattel houses, that could be moved by the tenant if his employment changed. Chattel houses were normally designed of wood with small dimensions so that the walls could easily be dismantled and moved on short notice. The foundations normally consisted of loose rock to permit easy movement of the chattel houses. Over the years, urban tenancies have also developed following the principles established by the plantation tenancies.

A succession of tenantry statutes have been enacted to define the rights of landlords and tenants. Legislation prior to 1981 established security of tenure for tenants renting land in the tenancies. The Security of Tenure of Small Holdings Act, Cap 237, enacted in 1955 (the "1955 Act") and the Tenancies (Control and Development) Act, Cap 239, enacted in 1965 (the "1965 Act"), gave tenants protection against eviction and provided for the development and upgrading of the tenancies.

The 1955 Act focused upon the contract of tenancy and its termination by either party. It set out the terms and conditions of contracts of tenancy for both house spots and rented

agricultural holdings of less than 10 acres So long as the tenant paid his rent promptly, a landlord had to provide the tenant with at least 6 months notice to vacate the site The 1955 Act established small holdings committees for each of the islands magisteria districts to administer the contracts of tenancy The practical effect of the 1955 Act was to make it extremely difficult for a landlord to evict a tenant.

The 1965 Act reaffirmed the protection of the tenant against eviction, established rent control ceilings on the amount of rent that a landlord could charge for a house spot and limited the right of a landlord to subdivide or sell a tenantry without the prior written consent of the Government Planning Commission No tenant may be ejected from a house spot until it is proven in a court of summary jurisdiction that there are rent arrears in excess of three months or the tenant has created a public nuisance or is otherwise engaging in conduct contrary to the legitimate interests of the owner or the other tenants

The 1965 Act also fixed all rents at their 1965 levels Any increase in land taxes or water rates may be passed on directly to the tenants In addition, if the landlord developed the services available to his tenants, he could request the local magistrate to increase rents by 10 - 20% of the proved cost of the improved services Any improvements had to be approved by the Ministry of Housing and the tenants and since the development of the tenantry would result in higher rents the tenants normally rejected development plans

In sum, the 1965 Act, provided tenants with a security of tenure at a very low price. However, it also operated as a disincentive to the upgrading of the tenancies and fostered substandard living conditions.

As one of its Manifesto pledges, the Barbados Labour Party promised to provide tenants on plantation tenancies with the opportunity to purchase the house spot on which they lived. After its installation in power in 1976, the Party appointed a small committee to develop a policy framework and propose legislation that would permit each tenant to purchase his house spot at a reasonable price.

The Government determined that it was important to provide tenants with an opportunity to purchase their house spots because land ownership is regarded as a value of self-worth among Bajans and because of its belief that where land is owned, the owner-occupiers are more likely to incrementally improve their living conditions over time.

On October 9, 1980, two pieces of legislation, the Tenancies Freehold Purchase Act 1980 and the Tenancies Development Act 1980, were enacted. There were, of course no legal barriers to the purchase by a tenant of his house spot prior to 1980 but the Government believed that the national housing policy's tenancy upgrading program should be based on new tenancy purchase and development legislation and these new laws have served as the basis of the Government's program to promote land ownership and improve tenancy living conditions.

In both acts the statutory definition of "tenantry" was expanded to include government-owned tenancies and tenancies having five or fewer lots within the coverage of the tenantry legislation. (Both of these categories of tenancies had been excluded from the 1955 Act and the 1965 Act.) Approximately 1/3 of the island's tenancies are government-owned. These tenancies are managed by the National Housing Corporation and the Agriculture Development Corporation. The NHC is in charge of conveying lots to tenants on government-owned tenancies.

The Tenancies Freehold Purchase Act divides tenancies into plantations and non-plantation tenancies. Plantation tenancies date from the slavery period and are mainly located in rural parts of the island. Non-plantation tenancies are primarily located in urban areas and are more functional to their owners as a source of income.

Under the Tenancies Freehold Purchase Act, any tenant who has resided on his lot for five consecutive years or five out of the preceding seven years has a legal right to purchase his house spot. In order to exercise this right, the tenant serves a notice on his landlord of his intention to purchase. In response to this notice, the landlord must secure the permission of the Chief Town Planner, who certifies that the lot is saleable. Following this certification, the landlord must convey the lot to the tenant at a price determined by the Act. The Act contains a simplified form of conveyance and establishes attorneys fees for the conveyance at 1% of the

purchase price (Attorneys fees for other conveyances are established by law at 2 - 3/4%). The simplified form of conveyance and reduced fee structure are intended to encourage transfers under the Tenancies Freehold Purchase Act.

In establishing the price of the lot, the distinction between plantation and non-plantation tenancies is important. For lots on plantation tenancies, the price is one dollar per square meter with a minimum purchase price of \$300. For non-plantation tenancies, the fair market value of the lot determines its value. The Act anticipates that the landlord and tenant will be able to determine fair market value through negotiations. If they are unable to do so, they can go to the local Registrar and request it to fix the purchase price. It is relatively expensive to use the Registrar and so far nearly all non-plantation purchase prices have been resolved between landlord and tenant. The Act contains safeguards against speculation and once the tenant has acquired the lot, he cannot dispose of it for a period of five years from the date of purchase.

The Act provides for the establishment of a loan fund to assist tenants who want to purchase lots but are financially unable to do so. The money for such a loan fund must either be appropriated by a parliamentary vote or be drawn from the resources of the Barbados National Bank or the National Housing Corporation. Because of scarce resources only

In February 1982, the Ministry of Housing proposed a \$1.5 million plan to implement the Act.

The Tenancies Development Act 1980 provides a means whereby the Ministry of Housing may acquire a tenantry for which the Ministry has approved a plan for the improvement of the drainage, water supply, sewage disposal or electricity supply. The tenantry is acquired by the Ministry in accordance with the procedures set forth in the Land Acquisition Act.

The development of a tenantry may be initiated either by a designation order of the Ministry of Housing or the submission by the landlord of an improvement plan to the Ministry of Housing. The improvement plan must set forth the cost of improvements to be made and mechanisms to recover the costs, including the rents payable by the tenants who will rent the improved lots and the price payable by those tenants who wish to purchase their lots. Notice of a proposed improvement plan must be given to all interested parties. The Ministry of Housing is not currently initiating any development plans under the Tenantry Development Act but the Act could serve as a mechanism to use the HC funds.

The two tenantry acts are intended to function with a minimum of Government involvement. In particular, the Tenancies

Freehold Purchase Act is designed to provide private landlords and tenants with a streamlined method by which freehold titles to tenantry lots can be transferred to the tenants. The Ministry of Housing has found it necessary to become involved, in certain aspects of the tenantry programs. It is conducting sociological surveys of each tenantry to advise residents of their rights under the new legislation and to obtain statistical information on tenancies and their housing needs. The results of these surveys should be extremely useful in determining which tenancies should be developed, the specific problems that must be addressed in each tenantry, and the level of funds necessary to upgrade the housing stocks. In addition, many of the tenancies need to be surveyed in order for their lots to be conveyed and landlords and tenants are both reluctant to incur these costs. In theory these costs should be borne by a developer and passed on to the new purchasers, but in practice the Government has elected to pay for the costs of surveying. Working with limited resources, the Ministry of Housing has been responding to requests of tenants for surveying services. As the tenantry program involves more tenants, the demand for these services is going to increase accordingly.

Over the long term, the tenantry program intends to eliminate all tenancies and transfer the freehold titles in the lots to the tenants. The final stage in the Ministry of Housing's plan for the tenancies involves the preparation of development plans for all tenancies, providing adequate infrastructure services for all tenantry residents and transferring the tenantry lots to their occupants.

PUBLIC INVESTMENT PROGRAM
Table 4-1
ESTIMATED SECTORAL COMPOSITION OF PUBLIC INVESTMENT PROGRAMME
(1979/80-1982/83)

Sectors	\$ Million	Per cent
ECONOMIC SECTORS	193.94	34.5
Agriculture	69.83	12.4
Mining and Industry	51.67	9.2
Tourism	52.73	9.4
Other	19.71	3.5
ECONOMIC INFRASTRUCTURE	96.16	17.1
Transport and Communications	80.16	14.3
Water Resources	16.00	2.8
HOUSING	46.15	8.2
SOCIAL SERVICES	164.34	29.3
Education	90.21	16.1
Health	67.60	12.2
Labour and Community Development	6.53	1.2
PUBLIC BUILDINGS AND OTHER WORKS	61.13	10.9
	541.72	100.0
*New Central Bank Buildings	21.00	
TOTAL PLANNED CAPITAL EXPENDITURES	562.72	

*To be financed from Central Bank funds

FINANCING OF PUBLIC INVESTMENT PROGRAMME

Financing of the level of expenditure outlined in the public investment programme will call for continued efforts to mobilise national resources from the following sources:

- the budget surplus on current account of the Government (that is, the excess of recurrent revenue over the total recurrent expenditure),
- local borrowing - that is, the investible funds of the National Insurance Board, increase in outstanding Treasury Bills and other medium and long-term borrowing mainly from the banking system, and other institutional investors such as Insurance Companies.

Where local financial resources are not sufficient to finance contemplated expenditures the following external sources will be used:

- Foreign borrowing - that is, from international financial institutions such as the World Bank, the Inter-American Development Bank, the Caribbean Development Bank, the European Development Fund, the OPEC Special Fund, the Caribbean Development Facility, and from bilateral sources.
- external market borrowing.

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Expenditure on *Infrastructure* is estimated to be \$96.16 million, or 17.1% of the total public investment. An amount of \$16.0 million will be spent on the development of *Water Resources* and \$80.16 million on *Transport and Communications*. Of this latter amount \$8.7 million will be spent on improving the public transportation system. Other major projects will be:

- A new General Post Office
- Spring Garden Road
- Samuel Jackman Prescod Polytechnic Access Road
- St. Barnabas to Warrens Road (Ring Road)

The public investment in the *Housing Sector* is estimated to be \$46.15 million or 8.2%. The National Housing Corporation will spend an estimated \$38.0 million, and \$8.15 million will be expended on a Sites and Services Project.

The *Social Services* are allocated \$164.34 million or 29.3% of the public investment expenditure. The largest portion of this, \$90.21 million, will be spent on *Education*. The major education projects will be as follows:

- World Bank Project (construction of Schools, and Training).
- Samuel Jackman Prescod Polytechnic.
- New Secondary Schools.
- National Auditorium.

A sum of \$67.60 million is estimated to be spent on health projects. The *Bridgetown Sewerage and Polyclinics Projects* will account for \$49.50 million of this amount.

Expenditure on *public buildings and other works* is projected to be \$61.13 million. The major project will be the construction of the New Supreme Court Complex, at an estimated \$17.30 million. There will also be expenditure on Fire Stations, Police Stations and Magistrates' Courts. The capital expenditure on the Defence Force is estimated to be \$10.05 million. Finally, an amount of \$19.50 million has been allocated for land and property acquisitions.

Chapter 10

HOUSING, LANDS AND THE ENVIRONMENT

INTRODUCTION

Housing is important to the development of a country in both economic and welfare terms and may typically constitute as much as 15 to 20 percent of household expenditure. The social benefits such as shelter from the elements, improved sanitation, and access to health and education facilities lead to improved productivity and meaningful economic returns. A positive housing policy can thus make a substantial contribution to economic development and social welfare.

Such a housing policy must be cognizant of the distribution around Barbados of employment, social services, recreation and other facilities which are all part of a wholesome environment and must consider the general economic policies of the country as a whole.

According to the Population Census, 1970, there were then close to 59 000 dwellings in Barbados to house 235,200 people. The average household size was 4.01 persons.

On the surface, these figures appear to suggest that nationally, housing was adequate. However, more careful assessment of the age and condition of the houses and the services provided, indicated that there was a housing problem in Barbados. The Government has therefore been pursuing a policy designed to increase the quantity and quality of the housing stock and this policy will continue during the Plan period.

REVIEW OF THE HOUSING SITUATION

During the period 1970 to 1978 some 7185 dwellings were added to the housing stock, thus increasing the total stock to 66 185. (The estimated increase has been computed using data from the Barbados Statistical Service, the Waterworks Department and the Town and Country Planning Department.) Over this same period, the Public Sector contributed to the estimated increase of 7185 dwellings by providing 3013 dwellings (42 percent of the total increase). Of these, 2607 were low income units and 406 were middle and lower middle income units.

Table 10-1 below provides the details of the public sector housing programme between 1970-78.

Table 10-1
PUBLIC SECTOR HOUSING CONSTRUCTION 1970 - 1978
TYPE OF DWELLINGS AND NUMBER BY YEAR OF CONSTRUCTION

	1970	1971	1972	1973	1974	1975	1976	1977	1978	Total
<i>Low Income</i>										
For Sale	-	-	1	54	164	12	152	-	-	383
For Rent	230	155	50	118	64	200	62	60	80	1019
Loan Finance	184	291	172	167	110	88	115	29	49	1205
<i>Lower Middle Income</i>										
For Sale				70	14	6	56	-	74	220
<i>Middle Income</i>										
For Sale				6			73	107	-	186
	414	446	223	415	352	306	458	196	203	3013

SOURCE: National Housing Corporation - Ministry of Housing and Lands.

The table shows that 87% of all dwellings provided directly or indirectly by the Public Sector over the period 1970-78 were low income, and within the low income total of 2607, approximately 46% were provided indirectly through loan finance, 39% were built directly for rent and the remaining 15% were for sale.

Middle income dwellings accounted for 6% of the public sector output while lower middle income dwellings accounted for 7%. The middle income and lower middle income units were built for sale.

The Government will continue to concentrate on the provision of low income housing but will increase the percentage of low income dwellings for sale without jeopardising the objective of providing rental units.

The Government recognises that it is an integral part of its overall responsibility to ensure that the population enjoy satisfactory housing conditions. This includes the provision of community facilities, proximity to place of work and educational facilities as well as pleasant environmental surroundings.

A number of inadequacies including institutional ones, and others relating to financing mechanisms, standards and technology, have been highlighted during this period, and these have constrained the realisation of the objective of providing satisfactory housing conditions for all.

The housing needs and effective demands have not been quantified and attempts made to optimise available private and public resources have met with only modest success. Proposals to rectify this will be formulated during the Plan period.

The data on which housing planning should be based was incomplete and there was no intermediate financing mechanism for providing loans between suppliers' credit

on the one hand and traditional mortgage financing on the other. Data collection has already commenced to guide proposals for solving this problem.

During the period 1970 to the present, there has been little change in traditional building technology. The materials used for construction and the methods employed were much the same as they were decades before. However, during the Plan period, the Government will utilise alternative technology in house construction.

There were no housing standards in Barbados in 1970 apart from the Town Planning Regulations and the Health Services Act (1969), and there are still no other in existence. Appropriate standards will be established during the Plan period.

During the Plan period, the Government will establish a planning unit within the Ministry of Housing to prepare plans for removing these constraints in the manner set out later in this chapter under Institutional Structure.

Objectives of the Plan

General Objectives

- to provide the opportunities for Barbadians of all income groups to have access to adequate housing at reasonable costs in an environment conducive to wholesome living;
- to provide security of tenure of house lots;
- to encourage the construction of permanent houses;
- to introduce a community approach to housing, making provision for community centres, day care centres and recreational facilities;
- to provide a basis for the collection of data to improve the planning and implementation of housing programmes and the creation of building standards;
- to provide incentives for the development of alternative materials and methods of construction.

Specific Objectives

- to mobilise private capital in order to increase the availability of funds to finance mortgages and to make conditions of mortgage finance less prohibitive
- to upgrade housing in tenancies both rural and urban by providing fully serviced buildings lots;
- to provide detached units each year for sale to low and lower-middle income groups;

- to encourage low and lower-middle income earners to build their own houses by providing loans and/or subsidies directly or indirectly, on condition that the houses are built in accordance with certain minimum standards;
- to provide lands, if necessary, for housing development by the private sector;
- to re-develop the remaining depressed metropolitan housing areas such as Church Village, Cat's Castle, Greenfields and Upper Bridgetown;
- to establish a Land Registry;
- to establish mechanisms for ensuring the protection of the environment.

STRATEGIES, POLICIES AND TARGETS

Housing

Public Sector

In keeping with the stated policy of the Government it is proposed that a *minimum* of 3 200 dwelling units be constructed over the Plan period 1979 - 1983 or an annual average of 800 units within the public sector or through assistance to the private sector.

It is proposed to construct, through the National Housing Corporation, a total of 1 000 low income units for rent and 1 500 low and lower middle income units for sale.

The Government, through the Barbados National Bank, will continue its policy of issuing housing bonds and will continue to seek sources of funds for financing house ownership and to establish security of land tenure. The Government will also actively encourage the development of Building and Loan Societies.

The land required over the Plan period for the 2 500 units to be provided directly by the public sector including all the necessary community and related facilities is estimated to be 107 hectares.

Private Sector

The Government recognises that it is necessary to have the assistance of the private sector in implementing its national housing programme. The Government estimates that the private sector has contributed approximately 58 percent of the increase in the national housing stock since 1970. It is expected that the private sector will continue to make a significant contribution to the national housing programme.

The private sector is expected to provide 700 units on serviced lots provided by Government and will also be encouraged through appropriate fiscal measures to maximise

its output over the Plan period. The Prime Minister and Minister of Finance and Planning, in his 1979 Budget, announced incentives for private sector house construction. These are:

- o reduction of Corporation Tax to 20% on profits derived from building and sale of two or more wall houses in any one year;
- o rebate for developers of land tax payable during the year preceding, and the year of completion of single or condominium units for sale.

The planning Unit of the Ministry of Housing and Lands will attempt, early in the Plan period, to quantify the land requirements of the private sector for house construction; and where shortages exist, the Government will take the necessary steps to achieve its objectives of providing land for housing development by the private sector.

Lands

Physical Development Plan

The revised Physical Development Plan will become available during the Plan period. The new Plan which will contain the results of the special planning studies for Oistins and Speightstown which were commissioned by Government in 1977 and 1978 respectively, will form the basis for the physical development of Barbados during the Plan period 1979-1983 and beyond.

Tenantry Development

The Government considers security of tenure to be an important factor in improving the quality of housing, and has therefore included, as part of its strategy, a programme for transferring ownership of house lots to plantation tenants. Two projects are being planned to meet the objective of providing security of tenure and providing links with economic activity. These are the *Integrated Urban Development Project* and the *Integrated Rural Development Project*.

The *Integrated Urban Development* is intended to cover the entire Island and not just Bridgetown and its environs. It is so called because Barbados is regarded internationally as an urban country, and also to distinguish it from any specific links with agricultural activity. The *Integrated Rural Development Project* is also designated to emphasise the specific links it will have with agricultural activity.

The *Integrated Rural Development Project* and the *Integrated Urban Development Projects* are both being planned not only to ensure that land tenure is improved, but also to establish links with economic activity both in the agriculture and non-agriculture sectors.

It is proposed to seek financing for the *Integrated Rural Development Project* from the Inter-American Development Bank, and for the *Integrated Urban Development Project* from the World Bank and the Caribbean Development Bank.

Land Registry

The Government will establish a Land Registry during the Plan period to prepare a comprehensive register of all lands in Barbados and to facilitate the conveyancing of land. The Land Registry will also facilitate the management of Government property.

Land Acquisition

The Ministry of Housing and Lands will continue to act as Government's landlord, and during the Plan period will continue to acquire lands for the implementation of Government's total development programme.

Environment

Division of the Environment

The Government will adopt comprehensive measures to protect and enhance the environment, and to achieve this, will create a special Division of the Environment within the Ministry of Housing and Lands. The Division of the Environment will ultimately integrate the Town and Country Planning Department, the Environmental Engineering Division of the Ministry of Health, the Parks and Beaches Commission and the Caves Authority. Its terms of reference will include the following:

- o to protect and enhance the environment;
- o to integrate environmental considerations into the development planning process;
- o to co-ordinate effectively all agencies, both governmental and non-governmental, whose operations impact on the environment; and
- o to control effectively all physical development and other activities which affect the environment.

The Government, in an effort to achieve fully the objectives of establishing the Division of the Environment, will establish an advisory body to be known as the *National Council for the Environment* within the Plan period.

National Parks Development

In an effort to protect and enhance the environment the Government has designated the general coastal area from *Archer's Bay* in St. Lucy around the *East Coast* to *Ragged Point* in St. Philip as a *National Park* area. The Government will further select specific areas within this general area for development with emphasis on unique vegetation, beach and landscapes and preservation of sea and inland cliffs.

The landward limits of the *National Park* area are currently being established in consultation with the *National Trust*, and a detailed development plan for the area will be prepared during this Plan period.

Development of Public Parks and Beaches

The Government will continue to improve the facilities at some of the existing public parks as well as to develop new parks in *Holetown, Hackelton's Cliff and Haynes Hill* in St. John, *Codrington* in St. Michael and *Heywoods, St. Peter*. The Government will also establish an esplanade at *Fitts Village, St. James* and at *Oistins, Christ Church*. *The Marine Park at Folkestone St. James* will be complemented by the development of a *Marine Museum and Arts Centre* during the Plan period.

Conservation of National Areas

In order to prevent the further degradation of natural areas of beauty, the Government will protect these areas of special vegetation including *Graeme Hall, Turners Hall, Rusher Gully* and *Jack-in-the-box Gully*. The Government will issue prohibition orders against the removal of trees in the island as well as to institute specific measures to encourage tree planting, botanical gardens and horticultural centres.

Conservation and Improvement of Public Beaches

The beaches of Barbados are major assets and their protection are of significant importance. Some of the coastal areas of Barbados have undergone erosion and others remain threatened by wave action. An area of coastline between *Oistins* and *St. Lawrence Church* has already been studied and solutions proposed. These solutions will be implemented by the end of 1979. Action to protect the remainder of the coastline from natural and man-made phenomena will be taken during the Plan period.

Beach cleaning will continue to be a priority during the Plan period. Appropriate equipment will be acquired to clean up any oil which may result from oil spills off the coast of the island.

In order to further improve the amenities of several of the popular beaches, it is proposed to erect new public facilities at *Bay Street, Brighton/Brandons* and *Batts Rock*. The facilities at *Holetown, Rockley* and *Barclays Park*, on the East Coast, will also be improved during the Plan period.

Special Projects - Urban Renewal/Development

The Ministry of Housing, Lands and the Environment plans to complete or initiate certain other special projects to contribute towards meeting the overall objective of creating a wholesome environment.

The Hartman Care Project which was started in March 1976 will be completed during the Plan period.

The Urban renewal of the *Cathedral Square and Church Village* is intended to provide the opportunity to improve the present conditions of the residents who now suffer social deprivation because of the unsanitary conditions under which they live. The new headquarters for the *Central Bank of Barbados* will be sited in the vicinity of the *Spry Street*

car park and the Cathedral Square. An *Auditorium* and *Cultural Centre* will also be constructed in the Square.

During the Plan period, the Government will construct a new *Supreme Court Complex* to relieve the congestion being experienced by the Magistrates' and Supreme Courts, and also to advance its plans for the renewal of the urban area. The existing Supreme Courts will be utilised as Magistrates' Courts and part of the existing Magistrates' Courts will be released to the Police at Central Station.

The Carlisle Bay and Carriage Area from the Deep Water Harbour to Needham's Point has been studied and the re-development of this area will commence during the Plan period. The existing "Marshall Hall" site in Hincks Street will be developed as a Headquarters and office structure for the *Barbados Development Bank*.

St. Cecilia, *Cat's Castle* and *Greenfields* will also receive attention. Redevelopment of these areas will commence during the Plan period.

Government proposes to collaborate with the Anglican Church in the development of the *Glebe Lands* in St. George. This development will become the centre of a new town for St. George, and will include plans for re-developing the existing tenantry to allow tenants to purchase serviced house plots at reasonable cost. The project will also include a polyclinic, community and recreational facilities and improved infrastructure.

Redevelopment plans will also be implemented for *Oistins* and *Speightstown*, both of which will become important economic growth nodes during the Plan period.

INSTITUTIONAL STRUCTURE

The Ministry of Housing, Lands and the Environment is currently establishing a *Planning Unit* to assist in the formulation and implementation of a *National Housing Policy* through plans and programmes. It will also advise on semi-public and private housing developments.

The Planning Unit will also be responsible for the following

- o identifying housing needs and effective demand;
- o advising on ways of optimising available private and public resources for housing;
- o developing and maintaining an information gathering system and establishing a data bank on housing conditions in Barbados;
- o monitoring needs of specific groups and monitoring rates of residential construction and market trends;
- o processing and analysing information on urban decay and community improvement needs;

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- o determining norms and standards for providing facilities and amenities in housing development; and

- o co-ordinating its activities with all relevant public and private agencies.

In carrying out its planning and programming functions, the Planning Unit will be required to develop specific programmes within the context of the Development Plan. These specific programmes will include all the technical and economic information necessary to evaluate the programme.

The Planning Unit will also be responsible for the formulation of a National Housing Code in consultation with all related public and private agencies and, in conjunction with the National Housing Corporation, the establishment of a counselling service for promoting better housing conditions.

EXPENDITURE

The total capital expenditure on Housing, Lands and the Environment over the Plan period is estimated to amount to \$116.32 million. Of this sum, \$41.3 million will be used to establish a revolving fund under the National Housing Corporation to finance the construction of units for sale. Mortgages for the houses so produced will be financed through the Barbados Mortgage Finance Company and by other financing institutions.

The Sites and Services (Integrated Urban Development) Project will require approximately \$11.0 million. Of this amount, it is anticipated that \$6.9 million will be borrowed from the World Bank and the Caribbean Development Bank.

The other major items of expenditure will be land and property acquisition, infrastructure and construction of houses for rent. These will amount to \$44.4 million or approximately \$11 million per year.

The Government will continue to provide financing for these activities over the Plan period from its own revenues, and will also continue to explore all avenues to secure loan funds to assist in its housing programme.

BUDGET DETAILS**Capital Expenditure**

The capital estimates for 1982-83 provide for the financing of continuing projects mainly. The following comparative table of the revised estimates for 1981-82 and the estimates for 1982-83 shows a decrease of 539 308 139.

Head	Ministry	Estimates 1982-83	Revised Estimates 1981-82
71	Prime Minister's Office	974 635	210 000
72	Defence and Security Division	7 500 000	10 000 000
73	Ministry of Finance and Planning	18 528 500	23 589 273
74	Ministry of Agriculture	14 278 812	10 354 533
75	Ministry of the Attorney General	1 055 330	1 632 500
76	Ministry of Education	17 625 300	21 230 579
77	Ministry of Foreign Affairs	532 000	1 096 682
78	Ministry of Health	6 726 773	29 175 241
79	Ministry of Housing, Lands and the Environment	11 000 000	10 966 068
80	Ministry of Information and Culture	5 162 662	17 111 329
81	Ministry of Labour Social Security and Sport	500 000	
82	Ministry of Trade and Industry	6 500 000	5 806 450
83	Civil Aviation and Tourism Division	23 358 599	19 530 500
84	Ministry of Transport and Works	20 919 250	23 296 845
85	Community Services	1 000 000	1 000 000
		<u>135 691 861</u>	<u>175 000 000</u>

Capital expenditure is classified as follows: -

FUNCTIONAL CLASSIFICATION OF CAPITAL EXPENDITURE

General Public Services	21 198 937
Defence and Security	7 500 000
Education	17 625 300
Health	5 729 473
Social Security and Welfare	1 000 000
Housing and Community Amenities	6 997 300
Other Community and Social Services	3 864 446
Economic Services	<u>71 776 405</u>
	<u>135 691 861</u>

"The Garden"
 Country Road
 St. Michael.

FROM: Manager, National Housing Corporation:

TO : Chairman and Member, National Housing Corporation:

DATE: 1981-09-24.

Increase in Rents

I am to inform you that the Ministry has directed that, with effect from 1st November, 1981 the rents for housing units and for land shall be as follows:-

Rents per week for Housing Units

	<u>Description</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Fernichurst	2-bedroom	30.00	35.00
	3-bedroom	25.00	30.00
Other Estates	1-bedroom)		
	bed-sitter)	4.00	9.00
	2-bedroom	5.00)	
	3-bedroom	6.00)	12.00
	3-bedroom	10.00	18.00
	3-bedroom	15.00	25.00

Rents per quarter for Land

Present Rate
Per Quarter

30.00
 25.00
 4.00
 5.00

Proposed Rate
Per Quarter

37.00
 30.00
 12.00
 9.00

Handwritten signature and date:
 24-09-81

Handwritten signature:
 Anc. Treasurer
 Manager

National Housing Corporation.

COMMERCIAL BANK LENDING TERMS

1. Home Improvements/Repair and Land Purchase

RATE: Nine percent - 10 percent calculated on an "add-on" basis, giving effective rates of 15 - 18 percent depending on the term of the loan. In a few cases "prime" (presently 14 percent) plus 2 to 3 percent is charged as simple interest on the outstanding balance.

TERM: One to seven years, with some banks limiting the term to five years maximum, and one bank to three years.

SECURITY: Unencumbered first mortgage or other acceptable collateral (stock, bonds, other real estate, second mortgage etc.) with market value equal to the amount of loan or more.

MAXIMUM/MINIMUM AMOUNTS: No set limits, but most banks generally prefer to lend for no less than \$500 - \$1,000. Average size is BS 2,000 - 3,000. Loans for home improvement under BS 5,000 are exempted from the personal loan ceilings imposed by the Central Bank.

REQUIRED DOWN PAYMENT: Zero to 20 percent depending on the value of the collateral and the character and financial condition of the borrower. Twenty percent is normal.

MINIMUM INCOME OF BORROWER: Limited only by ability to pay.

ABILITY TO PAY: Measured by comparing income net of taxes to total committed payments (rent, other loans, school fees etc.) with a minimum requirement of net income to payments of at least three to one. One bank requires that net income be at least 105 percent of total estimated regular payments which includes estimates for transportation, food, clothing, etc. Net income includes income of the spouse, usually at 100 percent.

MAXIMUM AGE OF BORROWER: Loan must be fully repaid by time of retirement.

TYPE OF HOME: Primarily wooden homes, with a permanent foundation on freehold property, but masonry is not uncommon.

2. Long Term Mortgages

RATE: Twelve percent maximum legal rate at present. Estimates of what an appropriate market rate would be are in the range of 14 to 17 percent. Mortgages are made with a variable rate clause and provide for 90 days notice, or every three to five years when note is renewed, depending on the institution.

TERMS: 15 to 20 years for masonry construction; 7-10 years for wooden homes (usually financed under a consumer installment loan portfolio).

SECURITY: Unencumbered first legal mortgage, or an "equitable" mortgage which is a first mortgage, in effect, but does not allow foreclosure without a court hearing first.

MAXIMUM/MINIMUM AMOUNTS: No set limits except for BARFINCOR which has an upper limit of BS 150,000. As a practical matter, the minimum mortgage for home purchase tends to be in the range of BS 50,000 to 60,000.

REQUIRED DOWN PAYMENT: Ten percent minimum with mortgage indemnity insurance required for difference between 10 and 33-1/3 percent except for BNB which does not require mortgage indemnity insurance.

MINIMUM INCOME OF BORROWER: No set limit, but in ^{practice} practice limited by size of mortgage and ability to pay.

GROSS INCOME TO DEBT SERVICE: Gross income of borrower including earnings of spouse at 20 to 100 percent (depending on institution) must be at least three to four times total debt service costs of borrower (including the proposed mortgage, mortgage insurance, property taxes and other debt).

MAXIMUM AGE OF BORROWER: Mortgage must be fully paid by time of retirement of primary earner in family.

REPORT DATE: 3/11/82

HOME IMPROVEMENT LENDING
MEMBER CREDIT UNIONS - 1981

Annex 7
 Page 1

LOAN TYPE: HOME IMPROVEMENT (NOT NECESSARILY EXPENSIVE)

<u>CREDIT UNION</u>	<u>NO. MEMBERS</u>	<u>LOAN</u> <u>MAX.</u> <u>(DOLL)</u>	<u>SIZE</u> <u>LOAN RANGE</u> <u>(DOLL)</u>	<u>AVG ('81)</u> <u>(DOLL)</u>	<u>USE</u>	<u>RATE</u>	<u>MAX</u>	<u>COLLATERAL</u> <u>SECURITY</u>
Public Workers	2465	\$15,000	\$2,000 - 3,000	\$1,667	Roof, siding replacement, systems	12/mo. reducing balance	4 yrs 2 mos.	20% loan amount; or guarantor
Police	2835	\$15,000	\$4,000 - 6,000	\$5,000	Roof, siding replacement or gradual conversion	12/mo. reducing balance	3 1/2	1/3 loan amount; guarantor if not
Mountain	324	None to practically	\$ 900 - 16,000	3 loans made - no reliable avg.	Repair to a chattel house; renovation to masonry "well" home	12/mo. reducing balance	15 mos - 2 1/2 yrs.	25% or more; guarantor if not
Shelbyman Business	188	\$30,000	\$1,500 - 6,000	\$3,500 -	One or more repairs to home, complete a home where borrower is doing improvement	12/mo. reducing balance	2 1/2 yrs	20% loan amount; guarantor if not
Barry Bakery	177	\$30,000	\$5,000 - 7,000	\$1,000	Expansion of core or standard home; modest improvements	12/mo. reducing	3	1/3 personal guarantor if not
MOBI	182	\$30,000	\$1,000 - \$5,000	\$4,000	Misc. improvements	12 reducing balance	5 yrs.	25% loan amount; guarantor if not

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HOME IMPROVEMENT LENDING
BANKING CREDIT UNION 1981

Annex 7
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(cont)

<u>AVERAGE HOUSEHOLD INCOME IN \$ (RANGE)</u>	<u>MODE/REP. RATIO</u>	<u>RETURN ON DEPOSITS ('81)</u>		<u>PAYMENTS OR INTEREST '80 '81</u>	
		<u>HOUSE DEPOSITS</u>	<u>SPECIAL SAVINGS</u>		
\$ 430 - \$1,000*	None set-total household expense	X			
\$ 750 - \$1,200	Save	IX			
\$ 450 - \$1,347	Save, Board interview borrower	X			None Reported
\$1,000 - \$1,800, low as 900*	None set Board interview borrower total household expense	IX		X	4IX
\$ 800 - 900	None set Board interview borrower	none reported		none reported	none reported
\$ 900 - \$1,330	None set Board interview borrower total household expense	X		X	IX 4IX

* This is based upon general observation of Credit Committee, as passed on to Board Members. Very hard to peg in organization this one.

**HOME IMPROVEMENT LOANS
LARGELY CREDIT UNIONS - 1981**

LOAN TYPE: HOME EXPANSION (440 COUNTRIES)

<u>LOAN TYPE</u>	<u>NO MEMBERS</u>	<u>LOAN MAX</u>	<u>SIZE LOAN PRICE RANGE (MAX)</u>	<u>AVG ('81) (804)</u>	<u>USE</u>	<u>RATE</u>	<u>MAX</u>	<u>COLLATERAL SECURITY</u>
Public Workers	2665	\$15,000	\$4000- \$15,000	\$11,000	Expansion of core or standard home	12%/no reducing	7 1/2	20% loan amount guarantor if not
Police	1035	\$15,000	\$ 8,000 15,000	\$12,000	Expansion of basic core house; conversion wood to masonry	12%/no reducing	5 1/2	1/3 loan amount; guarantor if not
Teachers	770	\$15,000	\$10,000 15,000	\$12,000	Same; core and standard houses	12%/no reducing	10; prefer 7	1/3 loan amount; guarantor if not
Shoreland	524							
Wholesale Business	188	\$10,000	\$10,000	\$10,000	Completion of core house, supplement to bank or other loan	12%/no reducing		20% of loan; guarantor if not
Party Store	177	\$10,000	\$ 7,000 10,000	\$ 8,500	Expansion of core standard house	12%/no	3	1/3 loan amount; personal guarantor if not
Hotel	162	\$10,000	\$ 8,000 10,000	\$ 9,000	Expansion of home- room, garage; over several loans	12%/no reducing	5	25% of loan; guarantor if not

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Loan Scheme established under the
Tenancies Freehold Purchase Act, 1980-53

1. Objectives of the Loan Scheme

The object of this loan scheme is to enable

- (a) qualified tenants on plantation tenancies to borrow money to purchase the freehold of their lots in accordance with Part I of the Tenancies Freehold Purchase Act 1980 (1980-53).

2. Executing Agent

The Barbados National Bank (hereinafter called "the Bank") is the executing agency for this Loan Scheme.

3. Eligibility for Participation in the Scheme

- (1) Participation in the scheme will be open to all qualified tenants with concessionary loans being possible for tenants listed below:-
- (a) tenants who are in receipt of old age pensions;
- (b) Tenants whose net income does not exceed \$100.00 per week.
- (2) The requisites established at sub-paragraph (1) must be proven to the total satisfaction of the Bank, and to this end a committee of 4 comprising representatives from the Bank, the National Housing Corporation and the Ministry of Housing shall be established to select those tenants who fall within that category and to administer the scheme generally.
- (3) In determining whether a person is a qualified tenant the personal circumstances of such a tenant will be taken into account.

4. Establishment of Fund

- (1) The Bank shall establish a fund to be known as "Tenancies Freehold Purchase Fund" into which shall be paid:
- (a) any money received by the Bank expressly for the purpose of making loans to tenants under this scheme (Section 21 of the Act);
- (b) all receipts by way of repayment of principal or interest or otherwise in respect of any loan granted under this scheme;
- (c) any moneys borrowed or any capital raised for the purpose of making loans to tenants under this scheme.

(2) There shall be paid out of the Fund:

- (a) any expenses incurred by the Bank in the administration of the Scheme;
- (b) amounts advanced by way of loan to tenants who qualify under paragraph 3;
- (c) interest on any money borrowed and the repayment of capital raised for the purpose of granting loans to qualified tenants.

5. Application for Loan

All applications for a loan under this Scheme:

- (a) must be in writing addressed to the Trust Division of the Bank in a sealed envelope marked "Application for a loan to purchase Tenantry Lot";
- (b) must be in a form approved by the Bank;
- (c) must contain -
 - (i) full particulars of the purpose for which the loan is sought
 - (ii) such other particulars as the Bank requires.

6. Security

Every advance by way of loan and the interest thereon and all expenses incidental thereto shall be secured to the Bank, either:

- (a) by a guarantee from a person who has the equivalent value in assets; or
- (b) by a charge on the land or dwellinghouse or both.

7. Amount of Loans

- (i) A loan under this Scheme shall not exceed \$4000;
- (ii) All loans in excess of \$1000 shall be subject to a deposit in accordance with standard banking practices;
- (iii) No deposit shall be required from tenants who qualify for concessionary terms under this scheme;
- (iv) When a tenant falls within the category of persons mentioned in paragraph 3(i)(a) the Bank shall with the consent of that tenant give to that tenant a moratorium equivalent to the life of that tenant.

Interest accumulated during that period
be added to the principal amount advanced.

8. Interest on Loans

The rate of interest payable on a loan advanced under this Scheme is that rate that the Bank determines, but it shall not exceed 6% where the tenants fall under paragraph 3(1) of this Scheme.

9. Repayments

- (i) Repayments in respect of any loan and interest thereon shall be made to the Bank by monthly instalments over a period not exceeding 10 years;
- (ii) Monthly instalments should not generally exceed 10% of the gross monthly income of the tenants for those tenants who earn less than \$200.00 a month, and 25% for those tenants who earn more than \$800.00 but less than \$1000.00 a month.

10. Reports

The Bank shall furnish to the Minister of Housing and the National Housing Corporation quarterly reports showing

- (a) the names, numbers and status of persons to whom loans have been advanced;
- (b) the amount of each loan;
- (c) the purpose for which and the terms and conditions on which the loan was made; and
- (d) any other information that the Minister of Housing may reasonably require.

BDFC LOANS OUTSTANDING

9/30/81

Commonwealth Development Corporation	A Loan	7-1/2%	4,320,000
Commonwealth Development Corporation	B Loan	7-1/2%	5,400,000
Barbados Development Bank-Caribbean Development Bank		7-1/4%	2,175,912
Barbados Development Bank-National Insurance Board	A Loan	7-1/4%	3,000,000
Barbados Development Bank-National Insurance Board	B Loan	7-1/2%	2,000,000
Barbados Development Bank-National Insurance Board	C Loan	7-1/2%	1,000,000
Barbados Fire & General Insurance Company		7%	240,000
Barbados National Bank-Housing Bonds		7-1/4%	1,500,000
Barbados National Bank-Housing Bonds		8-1/4%	2,332,700
Barbados National Bank-National Insurance Scheme		7/14%	5,500,000
Barbados National Bank-National Insurance Scheme		8%	5,500,000
Insurance Corporation of Barbados		7%	1,500,000

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Page 1

EMERSON MORTGAGE FINANCE COMPANY LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1981

<u>ASSETS</u>				<u>LIABILITIES</u>	
	\$	\$		\$	\$
mortgage loans	-	30,110,000	Cash balance (including cash)	333,191	
other assets	-	-	Head Office, Other Divisions & Branches Credit balances	10,375	
Office Suspense Accounts - Debit Balance Schedule	-	5,710	SIB - Bonds	3,900,610	
Fixed Assets			SIB - MIS	<u>12,714,475</u>	16,904,600
Office equipment	43,250		Other Liabilities:		
Furniture & fixtures	61,875		Office suspense Accounts - Credit balance (Schedule)	206,331	
Motor vehicles	30,000		Accrued interest payable -(Schedule)	290,722	
Motor vehicles	<u>21,545</u>		Profit & Loss	313,036	
	206,670		Sinking fund	<u>260,000</u>	2,170,000
Less Depreciation	<u>62,300</u>	144,306	Capital:		
Deferred Systems costs		9,320	Shares	1,460,000	
		<u>30,243,994</u>	CDC Loan	9,720,000	
			SIB - CIB	2,150,296	
			SIB - MIS	6,000,000	
			SPCC	200,000	
			PCB	<u>1,500,000</u>	<u>21,170,296</u>
					<u>39,113,994</u>

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BARBADOS MORTGAGE FINANCE COMPANY LIMITED

**PROFIT (LOSS) STATEMENT
FOR PERIOD ENDED DECEMBER 31, 1981**

	Actual		Budget	Variance	Year to Date
	\$	\$	\$	\$	\$
Interest					
Mortgage Interest	892,732		952,296	- 59,564	3,159,708
Head Office - Other Divisions	-	892,732	-	-	5,000
Total Interest, income	-	892,732	952,296	- 59,564	3,164,708
Less: Interest paid - Other	156,795	-	155,512	+ 1,283	619,303
Foreign	165,434	-	193,640	- 28,206	634,177
Head Office - Other Divisions	338,077	640,306	355,185	- 17,108	1,147,122
Gross profit	-	232,426	247,959	- 15,533	748,026
Add: Sundry income	-	(14,263)	9,000	- 23,263	37,876
Total operating income	-	218,163	256,959	- 38,796	805,902
Less Expenses:					
Staff Costs					
Wages/Salaries	88,765	-	77,329	+ 11,436	334,018
Staff benefits	17,371	-	20,777	- 3,406	69,649
Total staff costs	106,136	104,136	98,106	- 8,030	404,667
Occupancy Costs:					
Rents and rates	6,170	-	6,180	+ 10	24,640
Depreciation	7,972	-	8,129	- 157	30,816
Maintenance & repairs	1,656	-	1,840	- 184	7,133
Insurance	322	-	686	- 364	1,222
Total occupancy costs	16,120	16,120	16,815	- 695	64,811
Operating Costs:					
Stationery	3,106	-	3,750	- 644	18,437
Electricity	2,822	-	3,900	- 1,078	13,636
Postage	691	-	530	+ 161	3,972
Telephones	1,144	-	1,133	+ 11	4,610
Machine - Maintenance repairs	68	-	390	- 322	7,071
Travelling	1,230	-	1,000	+ 230	5,010
Motor vehicles	2,498	-	1,648	+ 850	7,972
Miscellaneous	581	-	328	+ 253	1,617
Professional fees	18,378	-	3,128	+ 15,250	30,050
Systems development costs	1,645	-	-	+ 1,645	1,645
Total operating costs	30,274	30,274	19,521	+ 10,753	104,630
Other Operating Costs:					
Directors' fees	2,178	-	2,100	+ 78	8,390
Bank charges	-	-	60	- 60	160
Total other operating costs	2,178	2,178	2,160	+ 18	8,550
		194,718	177,542	+ 17,176	871,396
Profit before tax		63,448	124,777	- 61,329	124,540
Less: Corporation tax		2,178	12,847	- 10,669	12,847
Profit/(Loss)		61,270	111,930	- 50,669	111,693

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THE PRIME MINISTER'S OFFICE
BRIDGETOWN, BARBADOS

TEL. 809-42-63179

Copy to Kinn/Hansen

JUN 14 2 31 PM '82

A.I.D.
OFFICE OF HOUSING

1982-06-10

Mr. William B. Wheeler
Director,
USAID Mission to Barbados
Trident House
Broad Street
BRIDGETOWN.

Dear Mr. Wheeler,

First let me express the appreciation of the Government of Barbados for the opportunity afforded to meet you on 1982-06-02, to discuss various matters pertaining to the Housing Loan Guarantee Programme. We construe this as further evidence of the strong commitment which has always been exhibited by the Government of the United States of America to the execution of the programme.

Please be assured that the Government attaches the very highest priority to the proposed scheme, and stands ready to take such steps as may be necessary to ensure its expeditious implementation.

In respect of the scheme itself, I would wish to confirm our understanding that the Government of Barbados will in the first instance, be provided with access to a loan of US.\$10 million which will be distributed as follows:-

US.\$5 million - New Home Construction

US.\$3 million - Home Improvements

US.\$2 million - Tenancies Programme.

The Government intends to use its good offices to ensure that the Commercial Banks and Credit Unions participate fully in the Programme. The Government will also subsidise the interest rates on loans for new home construction and land purchase to the extent of the difference in the cost of funds and the level at which they are on-lent.

Looking towards the medium and long term, we recognise the need to accentuate the role to be played by the private sector in the housing sector, and will be seeking to orient the sector in this direction

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Annex 11
p 2



**THE PRIME MINISTER'S OFFICE
BRIDGETOWN, BARBADOS**

TEL: 809-42-63179

2.

We are also examining various mechanisms to provide for the long-term financial requirements of the housing sector in Barbados.

The Government of Barbados would wish again to commend the staff of your organisation for the sterling efforts it has made to bring the programme to its present stage of development, and we look forward to your usual kind cooperation in this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read "J.M.G.M. Adams".

J.M.G.M. ADAMS
Prime Minister.



82-06-03

Attention Mr. Boyd

The Director,
Regional Development Office/Caribbean,
United States Aid
Gulf House,
BRIDGETOWN.

Dear Sir,

United States Aid (USAID) Housing Guarantee
Loan Scheme

I am to inform you that the Government of Barbados has agreed to the following Conditions as a basis for agreement with United States Aid for a Housing Guarantee Loan:

- (a) that in the first instance the loan shall be \$20m Bds. for a period of 30 years with a maximum grace period of 10 years, to be distributed as follows:
 - \$10m Bds. - New Home Construction
 - \$ 6m Bds. - Home Improvements
 - \$ 4m Bds. - Tenancies Programme
- (b) the Central Bank shall be the major financial agency in the programme, and shall establish lines of credit to other commercial banks, the Barbados Mortgage Finance Company and credit unions to permit them to participate in the scheme;
- (c) that the maximum mortgage shall be \$23,400 Bds. and the maximum house cost shall be \$35,000 Bds.;
- (d) that the Housing Planning Unit, Ministry of Housing and Lands be the coordinating agency for the programme, and that the staff of this unit shall be increased as is necessary;

/(e)...

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Spencer
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The Director,
Regional Development Office/Caribbean
United States Aid

82-06-03

- (e) that the Government commits itself to subsidizing the interest rates to the extent of the difference in cost of the funds and the level at which they are on-lent;
- (f) that the focus of the programme be on the private sector with the minimum public participation;
- (g) that the National Housing Corporation perform the role of a technical services unit; and
- (h) that the statement on Government long term housing policy as outlined at Appendix 1 be endorsed.

Yours faithfully,

R. Spencer
R. SPENCER
Permanent Secretary (ag.)

C.C. Director, Finance & Planning

RS:mr

Direction of Government's Housing Policy

The major thrust in Government's housing policy over the immediate and distant future shall be the involvement of the private sector in a more direct manner. Particular emphasis shall be placed on the encouragement of this sector to provide housing for the lower income earners. In the past, and to some extent in the present, this has fallen the responsibility of the public sector. With limited resources the impact was not as great as it could be and it is anticipated that the future shall experience a somewhat worse performance.

The major issues which shall be addressed in more specific policies, which the Government of Barbados intends to develop and pursue during the current plan period, include:

- (a) the need to secure funds from domestic sources for investment in housing
- (b) the re-organisation of the role of the National Housing Corporation to meet current demands
- (c) the involvement of private developers in the development of housing schemes, particularly those for sale

include: Within the framework above, the approaches which shall be considered

- (a) a rationalization of the interest rate structure to make housing a more attractive prospect for investors
- (b) the encouragement of home savings and loans association, including the re-organisation of existing organizations to achieve this objective
- (c) the movement towards full cost recovery in all housing programmes
- (d) the de-emphasizing of the role of the National Housing Corporation as a builder of units, particularly as a builder of units for sale to middle income earners

- (e) the emphasizing of the role of the National Housing Corporation as a technical services unit, and as a manager of sites and services programmes. In this revised institution any building done by the NHC shall be of the pre-fabricated type essentially, for the lower income earner
- (f) the re-organization of the Barbados Mortgage Finance Company to permit it to attract savings and to make loans such like building societies
- (g) greater focus on the maintenance and upgrading of the housing stock shall be provided through appropriate fiscal and monetary matters
- (h) rationalisation of the public and private housing rental market to ensure consistency in the quality of unit rented on the market, particularly for the low income earner
- (i) continued focus on the land tenure market to ensure that conditions conducive to the establishment of more permanent dwelling units shall be provided.

ARTICLE I. STATEMENT OF DUTIES**A. OBJECTIVES**

The objectives of this contract in order of priority are as follows

To strengthen GOB institutional capacity to undertake low income shelter projects.

To assist AID in the management and implementation of low-income shelter projects in Barbados.

B. SCOPE OF WORK**1. General Functions**

- a) Provides overall policy advice to the AID Mission and GOB particularly the Ministry of Finance and Planning, and the Ministry of Housing and Lands towards establishing and strengthening a coordinated shelter program to plan, design implement, finance and manage replicable shelter projects for below-median income families;
- b) Develops and recommends policies, plans and procedures for project implementation, monitoring and evaluation of AID-financed shelter projects for the purpose of overall management control by GOB, USAID and RHUDO/CA; when approved, administers such policies by means of direct functional guidance to staff of GOB participating agencies and of USAID who are involved with project implementation.
- c) Coordinates and monitors all AID financed shelter-related technical assistance to the GOB; reviews with GOB, USAID and RHUDO/CA recommendations, follows up actions required to carry out recommendations accepted by GOB and AID including fielding of additional technical and administrative expertise as needed for achievement of project objectives and shelter sector program goals.
- d) Ensures adherence by GOB and primary project implementing institutions to the terms and conditions of project agreements and of general AID policy and including promotion of communication and coordination among GOB ministries, various implementing agencies and AID in their related aspects of project planning and execution.

2. Specific Responsibilities and Authority

The contractor is expected to carry out general functions and the following specific responsibilities with the assistance of additional technical and administrative expertise as needed.

A. POLICY ADVICE AND TECHNICAL ASSISTANCE

The contractor is to serve as a high-level policy advisor in the shelter sector drawing on his/her own expertise and knowledge or arranging and managing special technical assistance. Specific areas include:

1. Studies leading to the creation of a national system to raise and deploy funds for investment in housing involving, among other things, questions of affordable investment levels, interest rate policies, the type and appropriate use of financial instruments and the organization of financial and production entities to carry forward a broad national housing program.

2. The development of appropriate roles for entities involved in housing production and finance including both public and private, and emphasizing maximum possible production of housing for all income levels by private producers.

3. The development of a national housing policy and a rolling, investment plan encompassing land 2 above.

4. Assistance in the creation of a program research function focussed on the cost effectiveness of the various methods to be used in housing production.

5. Arranging for and managing specific technical assistance for the Barbados Mortgage Finance Company, the credit unions, the National Housing Corporation and the Barbados National Bank as synthesized below:

a) The BMFC is likely to remain as principal financier of low-cost housing solutions and its functions could conceivably be broadened to include depository functions. Assistance to the organization will focus initially assuring it can actively carry out its major role in the USAID financial program and will also include special assistance in such areas as computerized mortgage servicing, accounting etc. Should it move in the direction of becoming a depository institution special assistance in the legal, organizational and saving/lending function will be provided.

b) Special assistance to credit unions will be provided to assure they have the capacity to structure a home improvement loan system. This will include processing and evaluating loan applications, credit checks, security of loan requirements, inspecting and disbursing, servicing, delinquency follow-up and foreclosures.

c) Assistance to the NHC to help in the areas of initiating a program of developing serviced sites for very low-income people, and assistance in the cost accounting area so that the real costs of programs developed and administered are available to assist in effective management.

d) Assistance to the BNB to establish and maintain effective financial management of the joint GOB/USAID housing program.

B. AID PROGRAM ADMINISTRATION

1. Project Disbursements - Advises and assists GOB agencies in the preparation of reports and all related supporting documentation required for the drawdown of AID funds. Recommends AID approval before disbursement.

2. Project Monitoring - In coordination with USAID Engineer, visits project construction sites at any reasonable time to verify construction progress, to check the quality of work and material used in construction and to review overall project organization and management in the field. Ensures that a thorough AID inspection is undertaken before completed work is accepted and before retention funds are released to the contractor.

In coordination with the AID controller or his staff, examines books, accounts and vouchers relating to project expenditures for construction, and loans and home improvement loans.

Examines or causes to be examined internal controls for safeguarding project assets. Where deficient or inadequate internal controls are revealed, works with the implementing agencies to develop procedures to remedy deficiencies.

3. Project Documentation - Provides functional guidance to GOB implementing agencies in their preparation of all required project documentation including but not limited to project delivery plans (construction budgets, cash flows and timetables), construction bid documents, construction draws, internally consistent cost recovery plans, marketing and sales plans, related financial plans for loan borrowings and disbursement requests. Reviews documentation for accuracy, completeness and resource availability before recommending AID approval.

Reviews participating agency procedures for making home improvement loans and securing them and reviews documentation for actual loans made.

4. Project Evaluation - Develops a comprehensive project evaluation plan as a tool for effective management of the shelter delivery program in Barbados. Participates in and coordinates the participation of GOB implementing agencies in the evaluation process. Carries out recommendations and actions of project evaluations as agreed upon between AID and GOB.

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5. Project Files - Establishes a complete set of centrally located project files in accordance with AID policy and filing requirements; and develops and administers procedures for maintaining them.

3. Other

- a) In carrying out these responsibilities, the contractor will establish a close daily working relationship with GOB implementing institutions, primarily the Ministry of Finance and Planning, and Housing and Lands, with the Barbados National Bank, the Barbados Mortgage Finance Corporation, the commercial banks, the Credit Union League and credit unions; will undertake regular site visits to participating institutions and to inspect construction activities; and will make himself available at any reasonable time for consultations with NHA and NHB staffs and other GOB project representatives.

C. ACCOUNTABILITY

The contractor will be evaluated annually by RHUDO/CA based on performance against the above scope of work.

The contractor is required to:

1. Prepare quarterly work plans for RHUDO/CA approval to serve as a guide to achievement and a measure of performance.
2. Prepare quarterly progress reports for RHUDO/CA which measure achievements against work plan; summarize project implementation status and development impact; and identify major problems in the areas of finance, management, technical and political.

D. RELATIONSHIPS

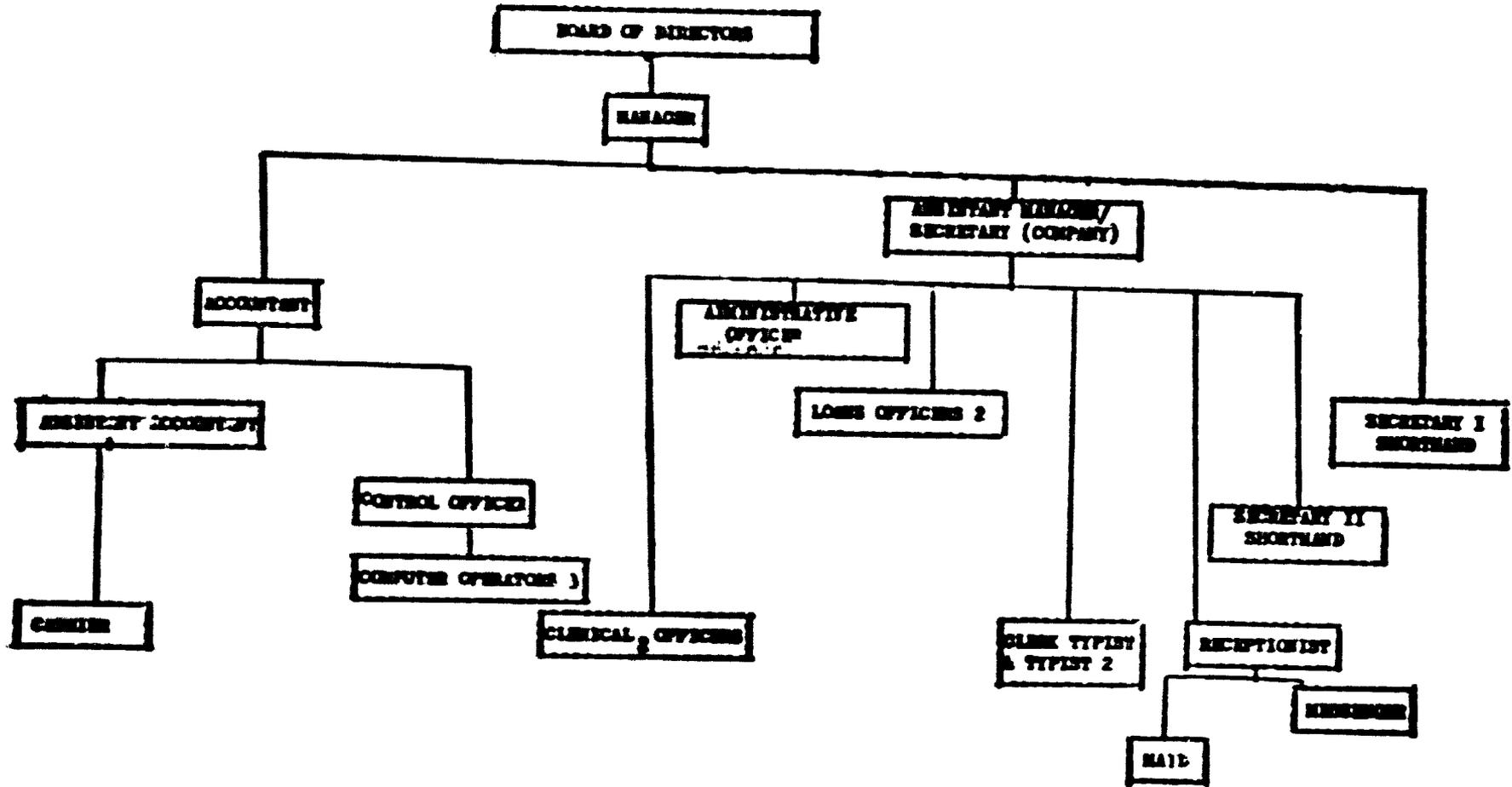
1. RHUDO/CA will provide overall guidance to the contractor in the performance of his duties and will directly supervise and evaluate contractor performance for AID.

2. The contractor is expected to establish and maintain those contacts necessary to the fulfillment of his responsibilities.

3. USAID will provide contractor with technical and administrative staff support services for the purposes of examining and verifying all project documentation, construction activities and the operations of GOB implementing agencies for accuracy, content and conformity with sound financial, engineering, legal and management principles and including conformity with AID policies and procedures.

BARBADOS MORTGAGE FINANCE COMPANY

Annex 13
Current 4/16/82



BNFC
LOANS APPROVED 1981

<u>Category (BD\$)</u>	<u>Number</u>	<u>%</u>
1 - 10,000	1	.03
10,001 - 20,000	63	20.5
20,001 - 30,000	59	19.2
30,001 - 40,000	46	14.9
40,001 - 50,000	24	7.8
50,001 - 60,000	33	10.7
60,001 - 70,000	32	10.4
70,001 - 80,000	29	9.4
80,001 - 90,000	10	3.2
90,001 - 100,000	11	3.6
	<u>308</u>	

Average Loan \$44,000

Initial Environmental Examination

Project Location: Barbados
Project Title: Housing Investment
Guarantee Program
Funding: FY 1982: \$10 Million
Project Number:
Life of the Project: Two (2) Years
IEE Prepared By: Alejandro Sundermann Date: March 1, 1982
Recommended Threshold Decision Negative Determination

Mission Director's Concurrence:

William B. Wheeler
William B. Wheeler, Director

Date: 4 March 1982

Assistant Administrator LA Decision:

Recommendation Approved _____

Date:

Recommendation Disapproved _____

Date:

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Initial Environmental Examination

Barbados - Housing Investment Guarantee Program

Description of Project

A. The Project

A USAID US\$10 million first tranche Barbados Housing Guarantee (HG) Program is proposed to finance three main housing categories as follows :

- 1) New home mortgage financing.
- 2) Home improvement loans.
- 3) Financing of land ownership and improvements as part of a tenantry program.

All loans and related infrastructure financed under the HG program will be suited for families whose income is below the median for Barbados.

The Barbados Central Bank will be borrower under the HG program. On-lending will occur with the Barbados National Bank, commercial banks, the Barbados Mortgage Finance Company, and credit unions, which will ultimately provide mortgage financing to the three above housing categories. It is expected that \$5.0 million will be used for new housing, \$2.0 million for tenantry plot purchase, and \$3.0 million for community upgrading and home improvement loans.

B. Identification and Evaluation of Environmental Impacts

1. Direct and Indirect Environmental Impacts

The project is expected to have a high beneficial impact on the cultural, socioeconomic and general health and well-being of the lower income population of Barbados. The Project is designed

to provide funds for land ownership, well designed new housing and home improvement, and tenantry roads and utility improvements which will improve the sense of individual identity through ownership of housing/land and availability of improved shelter, water, sewerage, electricity, and access facilities. The project responds to the demand for improved shelter/housing and will provide the basis for implementation of the Barbados Tenantry Freehold Purchase Act.

The construction of new homes and improvements to tenancies will have temporary and minor negative impacts on the natural environment related to the potential for erosion and possible noise and air pollution problems; however, the housing and tenantry projects to be undertaken will be designed as environmentally sound as possible, with particular emphasis on flooding, wind and seismic considerations, and protection from potential health hazards related to water supply and sewerage disposal.

2. Conclusions and Recommendations

From the description and evaluation of the impacts of the proposed project, it is concluded that there will be a low negative effect on the environment during construction implementation. The project however, will have a significant positive impact on the social, health and overall human living environment. Environmental design criteria and considerations will be used in housing and tenantry construction to assure minimal negative impact to the natural environment and to assure safe construction and rational land use planning.

A negative determination is recommended in accordance with the availability of approved environmental design criteria/considerations as follows:

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- a) Sound environmental design standards and criteria will be used to assure minimal disturbance of existing topographic and drainage patterns, and avoid potential erosion or ponding of water.
- b) The Government of Barbados policy regulating development, wastewater disposal and water supply practices will be strictly adhered to.
- c) Structural design of new housing will meet the minimum criteria recommended by the Council of Caribbean Engineering Organizations or the Barbados Association of Professional Engineers, particularly for wind and seismic design. The technical adequacy of projects will assure that new construction will not be undertaken in flood prone areas.

C. Check List for Environmental Impact Identification and Evaluation

Impact Identification and Evaluation - The following symbols used:

- N - No environmental impact
- L - Little environmental impact
- M - Moderate environmental impact
- H - High environmental impact
- U - Unknown environmental impact

LAND USE

1. Does the project change the character of the land through:
 - a. Erosion _____
 - b. Excavation and/or grading _____
 - c. Change in animal or plant habitats _____
 - d. Modification of land use _____
 - e. Increasing concentration/population _____
2. Potential natural disasters _____
3. Unplanned roadside activity (e.g. overgrazing) _____
4. Other factors _____

WATER RELATED IMPACTS

1. Does the project change the quality of water through:
 - a. Drainage pattern _____
 - b. Modification of flood patterns _____
 - c. Water table change _____
 - d. Salinity modification _____
 - e. Pollution of adjacent waters _____
 - f. Induce sedimentation of adjacent waters _____
 - g. Ecological balance _____
 - h. Other factors _____

	N	L	M	H	U
		X			
		X			
	X				
		X			
		X			
	X				
		X			
	X				
		X			
	X				
			X		
	X				

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p 8

D. Discussion of Impacts

1. Land Use Impacts

The project will be implemented with strict adherence to national land use and population concentration policies which are designed to assure rational housing and infrastructure development. New construction will be required to be approved by the Ministry of Housing and Lands, the Ministry of Health, the Ministry of Communications and Works and the Ministry of Agriculture as appropriate.

Temporary sedimentation and erosion will occur during construction in some areas of the island during the rainy season. However, once projects are completed and vegetative cover is added, erosion and sedimentation will be eliminated. Contractors will be required to correct any potential ponding resulting from the completed work.

2. Water Related Impacts

a) Water and Sewerage

Studies by a Canadian consulting firm of Stanley Associates in 1977 indicated that there is an adequate supply of water in Barbados for residential, commercial and agricultural uses up until the year 2010. Virtually all potable water (except for a few streams) is obtained through deep wells. Likewise most of the waste water is discharged to the coral and eventually reaches the ground water.

With the purpose of preventing chemical and bacteriological contamination, the Water Board adopted a policy regulating development and waste disposal practices in the island in 1963. A

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p.9

five-zone system was established based on recommendations by Tullstrom, a Swiss consultant in the early 1960s.

Zone 1 includes all the areas surrounding all existing supply wells and all new wells contemplated to be built in the foreseeable future. In these areas no residential or industrial development is allowed, except for existing structures, in which case installation of septic tanks are permitted under certain strict restrictions, i.e. addition of a filter-bed of activated carbon. Then the effluent goes to a soakaway no deeper than 20 feet. In zone 2, restrictions are placed on waste disposal practices. In zone 3, waste disposal restrictions are minimal, but petroleum storage containers are required to be enclosed by leak-proof reservoirs. There are essentially no waste disposal limitations in zone 4, but petroleum storage is regulated. There are no restrictions in zone 5.

Adherence to the zoning policy is presently fully enforced by the Water Authority. Furthermore, the Ministry of Health requires that all sewage disposal works and pits in zone 1 and 2 must be certified as to satisfactory construction before water supply is connected to the premises. In conclusion, since there is plenty of good quality water supply in Barbados the utilization of additional water, as a result of implementing the program, would be of minimal impact on the quantity of supply. Regarding the quality of the system, it can be said that the additional sewage pollutant generated by the program will be of minimal impact with the enforcement of the zone control system outlined above.

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Appendix 15
p. 10

b) Drainage/Flood Patterns

The existing drainage patterns will generally not be changed as a result of the project. Minor changes may be required for tenantry construction of roads and utilities, or new housing; however, the disturbance of existing drainage patterns will be minimized through sound design and planning. Housing development design will be reviewed closely to incorporate drainage improvements and avoid erosion or sedimentation problems. Housing development will be selected to avoid locations subject to flooding.

3. Atmospheric

There will be some local atmospheric changes due to dust, noise and exhaust fumes caused by construction equipment. However, the effect will be localized and of moderate impact for short periods of time. Exhaust fume pollution from construction equipment is quickly dissipated by the almost constant trade winds of Barbados.

4. Natural Resource Impacts

Local construction materials required for housing development are limited to aggregate and limestone blocks which are abundant and obtained from authorized quarries. The project impact on natural resources is minimal.

5. Cultural Impacts

The provision of funds for land and home ownership under the project will have a positive impact on living patterns and cultural values. The availability of adequate or improved housing conditions will improve the standard of living and well being of the poorer population and will provide them with a sense of pride, self reliance, and individual identity.

6. Socio-Economic Impacts

The project will provide a source of funds for families earning below the median income to own, build and improve their housing situation. The implementation of the Tenantry Freehold Purchase Act under the project will be a major step in assisting the lower income population to share in the pride of home ownership and access to water, sanitary and electricity services.

As described in 2(a) above, water supply in Barbados is adequate to meet the expected demand. Also, the electrical service in Barbados is good, both in terms of quantity and quality, and the proposed shelter program should neither require expansion of present system nor significantly overload the same.

7. Health Impacts

The project will assure that housing meets minimum acceptable safety and health standards by incorporating proper design criteria. The provision of safe water and proper sanitary facilities in new housing will be improved as a result of the project. Housing improvements may also include improvement of water and sanitary facilities. The Barbados Association of Professional Engineers or the Council of Caribbean Engineers Organization recommended minimum wind and seismic standards will be applied to new construction to assure structural safety.

As already stated, new housing will not be constructed in flood prone areas.

Z.18-17 -Cont'd

\$10 620 - \$13 116
 Inspector (Transport)
 Assistant Supervisor, Lazaretto
 Sewing Mistress
 Senior Telephone Operator
 Laundry Superintendent
 Inspector (Wells)
 Senior Orderly Supervisor
 Food Service Supervisor I
 Clerk of Works (Soil Conservation)
 Foreman Operator
 Assistant Maintenance Technician
 (Electrical)
 Linen Supervisor
 Midwife
 Senior Nursing Assistant

Z.22-18

\$8 496 - \$11 820

Senior Security Guard
 Assistant Forms Printer
 Senior Departmental Aide
 Craft Supervisor
 Linen Keeper
 Storekeeper
 Station Foreman
 Colonisation Assistant
 Signaller
 Senior Customs Guard
 Senior Postman
 Senior Records Sorter
 Clinical Photographer
 Water Rates Supervisor
 Inspector (Waste and Services)
 Assistant Photographer
 Meteorological Assistant II
 Technical Operator
 Laundry Supervisor
 Binder
 Assistant Linen Supervisor
 Junior Mechanic
 Proof Reader II
 Senior Messenger

Z.22-18 -Cont'd

\$8 496 - \$11 820 ✓
 Housekeeper, Grade II
 Senior Seamstress
 Orderly Supervisor
 Yard Superintendent
 Assistant Supervisor, Markets
 Occupational Therapy Assistant
 Air Traffic Control Cadet
 Assistant Matron, G.I. Schools (if not R.N.)
 Warden, Nurses' Home
 Planning Assistant II
 Food Service Supervisor II
 Assistant Orthopaedic Appliance
 Technician
 Key Punch Operator I
 Field Foreman

Z.29-18

\$6 288 - \$11 820 ✓

Medical Records Clerk
 Clerical Officer
 Clerk/Typist
 Machine Operator
 Operator (Electoral Office)
 Sales Attendant
 Teacher (District Hospital)
 Trainee Dental Auxiliary
 X-Ray Assistant
 Trainee Laboratory Technician
 Trainee Technician, Audio Visual Aids
 Assistant Dispenser
 Trainee Dental Hygienist
 Trainee Draughtsman
 Trainee Assistant Valuer
 Student Nurse
 Composer
 Trainee Quantity Surveyor
 Trainee Public Health Inspector
 Stenographer/Typist
 Assistant Cypher Officer
 Receptionist/Typist
 Operator, Child Animation



Z.29-18 -Cont'd

Z.28-21

\$6 288 - 511 820

- Dark Room Technician
- Immigration Officer
- Laboratory Technician
- Geological Assistant

\$6 552 - 59 144

- Messenger
- Keeper, Markets
- Ambulance Driver
- Laboratory Attendant
- Head Gardener

Z.28-23

Z.27-20

\$6 552 - 58 172

\$6 876 - 59 468

- Attendant, Valuations
- Telephone Operator
- Attendant, Inland Revenue
- Airport Supervisor
- Records Sorter
- Customs Guard
- Driver Messenger
- Driver Operator
- Assistant Technician (Archives)
- Assistant Food Service Supervisor
- Field Assistant
- Postman
- Archives Keeper
- Key Punch Operator II
- Departmental Aide
- Dental Assutant
- Vault Attendant
- Postal Officer
- Farm Attendant
- Housekeeper, Grade III
- Community Development Aide
- Telephone Operator/Receptionist
- Receptionist
- Assistant Storekeeper
- Security Guard
- Supplies Assistant

- Attendant
- Gatekeeper
- Laundry Operator
- Storeman
- Binder's Assistant
- Laundry Driver
- Head Cook
- Orderly
- Seamstress
- Caretaker
- Caretaker and Attendant
- Porter
- Porter/Cleaner
- Groom
- Senior Laundry Worker

Z.28-25

\$6 552 - 57 524

- Cook
- Laundry Worker
- Library Attendant

Z.30-28

\$6 024 - 56 552

- Maid

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P. SCALES

P. 1
\$34 392
Commissioner of Police

P. 2
\$30 732
Deputy Commissioner of Police

P. 3
\$27 888
Assistant Commissioner, Police
Chief Fire Officer
Superintendent of Prisons

P. 4
\$25 500 - 26 568
Senior Superintendent, Police
Director of Music

P. 5
\$22 728 - 23 460
Superintendent, Police
Deputy Chief Fire Officer
Assistant Superintendent, Prisons

P. 6
\$20 078 - 21 492
Assistant Director of Music
Divisional Officer, Fire Service
Assistant Superintendent, Police

P. 7-8
\$18 408 - 21 492
Cadet Officer, Police

P. 7
\$18 408 - 19 488
Inspector, Police
Inspector of Weights and Measures
Station Officer, Fire Service
Chief Officer, Prisons

P. 8
\$16 788 - 17 868
Station Sergeant, Police
Sub Officer, Fire Service
Assistant Chief Officer, Prisons

P. 9
\$14 628 - 16 248
Sergeant, Police
Chief Matron, Prisons
Principal Prison Officer

P. 10
\$13 948 - 14 088
Corporal, Police
Leading Fire Officer
Senior Prison Officer
Officer Instructor, Prisons

P. 11
\$8 890 - 13 116
Constable, Police
Fire Officer

P. 12
\$8 172 - 13 116
Prison Officer
Matron, Prisons

DRAFT PROJECT AUTHORIZATION

Name of Country: Barbados
Name of Project: Barbados Private Initiatives in Housing
Number of Project: 538-0081

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a grant for the Barbados Private Initiatives in Housing project for Barbados involving planned obligations of not to exceed three hundred and twenty thousand (\$320,000) in grant funds ("Grant") over a two-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project ("Project") consists of the furnishing of technical assistance to assist AID Project 538-HG-001, Barbados Private Initiatives in Housing, to accomplish its objectives. The assistance will provide technical assistance for project administration and management and toward development of a more comprehensive national housing policy.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

Source and Origin of Goods and Services

Except as set forth below and except for ocean shipping, goods and services financed by A.I.D. under the Grant shall have their source and origin in the United States or in Barbados, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

Otto J. Reien
Assistant Administrator
Bureau for Latin America
and the Caribbean

Date

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

- | | |
|--|------------|
| <p>1. <u>FAA Sec. 481.</u> Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country; or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?</p> | <p>No.</p> |
| <p>2. <u>FAA Sec. 620(c).</u> If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?</p> | <p>No.</p> |

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No.
4. FAA Sec. 532(c), 620(a), 620(f), 620b; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver? No.
5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981. N/A.
6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property? No.

- 7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC? No. Barbados has had an OPIC agreement since March 11, 1968.

- 8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? No.
 - (b) If so, has any deduction required by the Fishermen's Protective Act been made?

- 9. FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds? No.

- 10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into N/A.

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Consideration" memo:
"Yes, taken into account
by the Administrator at
time of approval of
Agency OYB." This
approval by the
Administrator of the
Operational Year Budget
can be the basis for an
affirmative answer during
the fiscal year unless
significant changes in
circumstances occur.)

11. FAA Sec. 620(t). Has the
country severed
diplomatic relations with
the United States? If
so, have they been
resumed and have new
bilateral assistance
agreements been
negotiated and entered
into since such
resumption?

No.

12. FAA Sec. 620(u). What is
the payment status of the
country's U.N.
obligations? If the
country is in arrears,
were such arrearages
taken into account by the
AID Administrator in
determining the current
AID Operational Year
Budget? (Reference may
be made to the Taking
into Consideration memo.)

Barbados is in full
compliance with its
UN obligations as of
December 31, 1981.

13. FAA Sec. 620A; FY 1982
Appropriation Act Sec.
520. Has the country
aided or abetted, by
granting sanctuary from
prosecution to, any
individual or group which
has committed an act of
international terrorism?
Has the country aided or

No.

abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

• 14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? **No.**

15. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) **No.**

16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 16th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed **No.** (Barbados has observer status in the Non-Aligned Movement. While they did send an observer to this meeting, they did not sign the communique).

to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

17. ISDCA of 1981 Sec. 721.
See special requirements for assistance to Haiti.

N/A.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

No.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

N/A.

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b. ISDCA of 1981, Sec. 725(b). If ESP is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

N/A.

c. ISDCA of 1981, Sec. 726(b). If ESP assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

N/A.

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5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from ESP.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(D).

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

Congressional notification will be sent to Congress in July 1982. Funds are within Operational Year Budget.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100.00, will there be

Yes.

(a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

- 3. PAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? No.

- 4. PAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook) for new guidelines.) N/A

- 5. PAA Sec. 611(w). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A

- | | |
|--|---|
| <p>6. <u>PAA Sec. 209.</u> Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.</p> | <p>No.</p> |
| <p>7. <u>PAA Sec. 601(a).</u> Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.</p> | <p>This Project* contains technical assistance which will be used to assist in increasing the flow of credit through credit unions, savings and loan associations, and private banks. The purpose of the Project is to shift the initiative for new homes and home improvement loans to the private sector.</p> |
| <p>8. <u>PAA Sec. 601(b).</u> Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise)</p> | <p>The Project will utilize U.S. private enterprise expertise to provide technical assistance.</p> |

The term Project shall be used to connote the entire Barbados Private Initiatives in Housing Project. Answers to this check list refer only to the grant portion.

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9. FAA Sec. 612(b), 636(h);
PY 1982 Appropriation
Act Sec. 507. Describe
 steps taken to assure
 that, to the maximum
 extent possible, the
 country is contributing
 local currencies to meet
 the cost of contractual
 and other services, and
 foreign currencies owned
 by the U.S. are utilized
 in lieu of dollars.
10. FAA Sec. 612(d). Does
 the U.S. own excess
 foreign currency of the
 country and, if so, what
 arrangements have been
 made for its release?
11. FAA Sec. 601(e). Will
 the project utilize
 competitive selection
 procedures for the
 awarding of contracts,
 except where applicable
 procurement rules allow
 otherwise?
12. PY 1982 Appropriation Act
Sec. 511. If assistance
 is for the production of
 any commodity for export,
 is the commodity likely
 to be in surplus on world
 markets at the time the
 resulting productive
 capacity becomes
 operative, and is such
 assistance likely to
 cause substantial injury
 to U.S. producers of the
 same, similar or
 competing commodity?
13. FAA 118(c) and (d).
 Does the project comply
 with the environmental
 procedures set forth in
 AID Regulation 16? Does

The counterpart contribution
 for the Grant element of the
 project will be local currency
 generated by payment of fees
 for the HIG program.

No.

Yes.

No.

Yes.

the project or program take into consideration the problem of the destruction of tropical forests?

- 14. FAA 121(d). If a Sahel project has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and

The Project will provide technical assistance to aid Barbadian private credit unions and cooperatives to assist urban low income workers to acquire adequate housing.

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otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Yes.

c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a 'relatively least developed' country)?

Yes.

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e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character

N/A. The Grant portion of this Project is for technical assistance.

f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes.

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires and capacities of the people of the country utilizes the country's intellectual resources to encourage

This Project recognizes the needs and desires of the Barbadians for adequate housing. It will also assist local institutions to acquire skills and management expertise necessary to enable them to improve management of their housing problems.

institutional development;
and supports civil
education and training in
skills required for
effective participation in
governmental processes
essential to self-government.

2. Development Assistance Project
Criteria (Loans Only)

a. FAA Sec. 122(b).
Information and conclusion
on capacity of the country
to repay the loan, at a
reasonable rate of interest.

N/A

b. FAA Sec. 620(d). If
assistance is for any
productive enterprise which
will compete with U.S.
enterprises, is there an
agreement by the recipient
country to prevent export
to the U.S. of more than
20% of the enterprise's
annual production during
the life of the loan?

c. ISDCA of 1981, Sec. 724
(c) and (d). If for
Nicaragua, does the loan
agreement require that the
funds be used to the
maximum extent possible for
the private sector? Does
the project provide for
monitoring under FAA Sec.
624(g)?

3. Economic Support Fund
Project Criteria

a. FAA Sec. 531(a). Will
this assistance promote
economic or political

N/A

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stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

- b. FAA Sec. 531(c) Will assistance under this chapter be used for military, or paramilitary activities?
- c. FAA Sec. 534. Will ESP funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

- 1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes.

- 2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him? Yes.

- 3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A

- 4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be N/A

financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one or these areas? N/A
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates? N/A
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Yes.

Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? **Yes.**
9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? **N/A**

B. Construction

1. PAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used? **N/A**
2. PAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? **N/A**

3. PAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)? N/A

C. Other Restrictions

1. PAA Sec. 122(b). If development loan, is interest rate at least 20 per annum during grace period and at least 30 per annum thereafter? N/A
2. PAA SEC. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A
3. PAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.
4. Will arrangements preclude use of financing: Yes.
- a. PAA sec 104(f), FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family

planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?

c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

d. FAA Sec. 662. For CIA activities?

e. FAA Sec. 636(1). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

f. FY 1962 Appropriation Act, Sec. 50. To pay pensions, annuities, retirement pay, or

adjusted service compensation for military personnel?

g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues?

b. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?

i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?

j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

k. FY 1982 Appropriation Act, Sec. 512. To be used for publicity or propoganda purposes within U.S. not authorized by Congress?