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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
(Amendment #1)

AID/LAC/P-312 &
AID/TAC/P-101

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

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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE

C

A = Add
C = Change
D = Delete

Amendment Number

1

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Regional Development Office/Caribbean

3. PROJECT NUMBER

538-0081

4. BUREAU/OFFICE

Latin America and Caribbean
(LAC)

05

5. PROJECT TITLE (maximum 40 characters)

Barbados Private Initiatives in Housing

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
11 23 18 17

7. ESTIMATED DATE OF OBLIGATION

(Under 'B' below, enter 1, 2, 3, or 4)

A. Initial FY 83

B. Quarter 3

C. Final FY 86

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

A. FUNDING SOURCE	FIRST FY 83			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total				470		470
(Grant)	(50)	()	(50)	(470)	()	(470)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country		10			157	157
Other Donor(s)						
TOTALS	50	10	50	470	157	627

9. SCHEDULE OF AID FUNDING (\$000)

A. APPRO- PRIATION	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) DA	866			320		150		470	
(2)									
(3)									
(4)									
TOTALS				320		150		470	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

The purposes of the grant are to finance technical assistance and training to support the implementation of the HG loan project (538-HG-002), expand the institutional capacity of public and private sector shelter institutions, and assist in the development of a comprehensive national housing policy.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final 11 23 18 17

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

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

This amendment provides \$150,000 in additional grant funding in order to extend the technical assistance for sixteen months, provide in-country and U.S. training and purchase commodities. The mission Controller has reviewed and concurs with the methods of implementation and financing.

17. APPROVED BY

Signature

James S. Hoytaway

Title

Director, RDO/C

Date Signed

MM DD YY

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

MM DD YY

PROJECT AUTHORIZATION AMENDMENT NO. 1

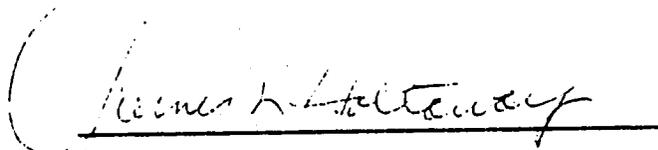
Name of Country: Barbados
Name of Project: Barbados Private Initiatives in Housing
Number of Project: 538-0081

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, the Barbados Private Initiatives in Housing Project was authorized on August 6, 1982. That authorization is hereby amended as follows;

a. Delete in Paragraph 1 "three hundred and twenty thousand (\$320,000) in grant funds ("Grant") over a two year period from date of authorization" and replace with "four hundred and seventy thousand (\$470,000) over a fifty-two (52) month period from date of authorization to December 31, 1987".

b. Delete the entire Paragraph 2. and replace with "The Project will consist of a program to provide training, long and short term technical assistance and commodities required in support of the 'Barbados Private Initiatives in Housing' Housing Guaranty (HG) Loan Project."

2. The authorization cited above remains in force except as hereby amended.



James S. Holtaway
Director
Regional Development Office/Caribbean

Clearances:

C/PSD:GArgento	<u>Cleared</u>
A/C/DR:KFinan	<u>Cleared</u>
RLA:TCarter	<u>Cleared</u>
CONT:RWarin	<u>Cleared</u>
A/D/DIR:PROrr	<u>Cleared</u>

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Barbados Private Initiatives in Housing
(538-0081)

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1

BARBADOS PRIVATE INITIATIVES IN HOUSING
(538-0081)
PROJECT PAPER AMENDMENT

I. SUMMARY AND RECOMMENDATION

A. Recommendation

RDO/C recommends that AID grant an additional \$150,000 to the Government of Barbados for the Private Initiatives in Housing Project grant for a project total of \$470,000, and that the Project Activities Completion Date (PACD) be extended from the present date of August 31, 1986 to December 31, 1987.

B. Project Description

The Barbados Private Initiatives in Housing Project was authorized on August 6, 1982 with a PACD of August 31, 1985. The purpose of the project is to provide the training and technical assistance required in support of the U.S. \$10 million "Barbados Private Initiatives in Housing" Housing Guaranty Project (538-HG-002).

The primary objective of the loan-grant HG program is to facilitate the ability of the private sector, both institutional and individuals, to provide new homes and home improvements for low-income families. There has been progress in meeting the objectives of the project and in developing the institutional capability of the Ministry of Housing and Lands, which is the implementing agency for the grant. However, an extension of time is required to complete activities which are being funded under the existing grant, and additional funds are required to provide further technical assistance to the private sector as well as to address any new housing initiatives of the newly elected Government of Barbados.

In the follow-on phase to be funded with this grant amendment, the emphasis will turn from the analysis of the housing situation in Barbados and the design of amelioratory policies and programs to the implementation of those policies and programs. Among the activities to be financed from the grant will be seminars or workshops for private sector developers and builders who need assistance in building low cost housing. With this assistance, it is hoped that HG loan funds will be drawn down at a quickened pace. The additional grant assistance to be provided in this amendment and the extension of the PACD reflect AID's projected assessment that the entire \$10 million HG loan will be drawn down by the end of 1987.

II. BACKGROUND

A. General Background of Loan and Grant

In August, 1982, AID authorized a shelter program, "Barbados Private Initiatives in Housing, which included a US\$10 million Housing Guaranty (HG) Loan (538-HG-002) and a US\$320,000 grant for a complementary technical assistance project (538-0081). This program was developed to respond to the Government of Barbados' (GOB) expressed interest in developing both policies and practices to improve the financing and delivery of shelter for low income persons; particularly through the private sector.

B. Project Goal and Purpose

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

The purposes of the HG loan, as stated in the original Project Paper, are: (1) to facilitate the ability of the private sector, both institutions 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 to reduce its role and (2) to provide financing for implementation of the Tenancies Freehold Purchase Act to purchase house plots and make improvements.

To achieve the purposes of the project, AID's immediate objective is to provide financing through the HG loan that is not ordinarily available to families below the median income (the median family income is presently defined as U.S.\$8,000 for a family of four with two wage earners), and to enable the private sector to play an increased role in the provision of new housing and the upgrading of the existing stock. AID's objective for the grant is to assist the GOB to develop a comprehensive policy for housing improvement including the institutionalization of a more effective system for financing and producing housing, largely through the private sector. To further these objectives AID has engaged in dialogue with the GOB on housing policy issues and has provided technical assistance and training.

C. Purpose of the Original Grant

The purposes of the original \$320,000 grant to the GOB are to finance technical assistance and training to support implementation of the HG loan project, to expand the institutional capacity of public and private shelter institutions, and to assist in the development of a

comprehensive national housing policy. Specifically, the technical assistance has been devoted to improving the project management and administrative capabilities of the Ministry of Housing and Lands (MOHL) and the public and private lenders participating in the HG program; and to supporting the development of a comprehensive GOB housing policy as well as a plan and strategy for implementation of that policy. Grant funds have financed a senior housing advisor attached to the MOHL to assist in achieving these objectives.

D. Overall Project Status

Significant progress has been made in achieving the program and policy objectives that were envisioned for the HG program. As of August, 1986, 63% of the HG loan has been disbursed to lenders. The program has played a significant role in improving housing conditions for families earning below the median income. Nearly 3,000 families constituting about 14% of all below median income home owners have been able to acquire new housing or improve their existing homes.

The private sector has begun to respond to the market opportunities created by the HG program and by GOB policy changes and has given increased attention to the housing needs of lower income families. Banks, credit unions and trust companies are providing financing to families with incomes below the median. Builders are beginning to offer houses that are more affordable for lower income families. They have test marketed smaller houses with reduced amenities on smaller lots in an effort to sell houses to home buyers who are eligible for financing under the HG program.

Progress has been made in improving the housing finance system and the supply of funds for housing credit. The HG program has provided lenders with a positive experience in making a large number of loans to low income families, and lenders have begun to solicit loan business from the low income sector of the population. The Housing Credit Fund (HCF), established to administer the HG financing program through the participating banks and credit unions, has grown in importance. The GOB has designated the HCF as a permanent revolving fund for housing and capitalized it with the proceeds of the \$10 million HG loan. The GOB is now giving consideration to establishing the HCF as a statutory body that will continue its role of providing resources for low and moderate income housing.

One of the priority issues on the policy agenda of the new Government which was elected to office on May 23, 1986, is whether to establish a secondary mortgage market facility within the Housing Credit Fund. Recognizing that it is necessary to expand the role of the private sector in meeting the housing needs of Barbados, the HCF will expand the availability of housing finance and encourage private sector production and delivery of low and moderate income shelter within the framework of the GOB's policy and plan for housing.

The present and potential importance of the HCF was not anticipated by the original design of the HG program. The growth of the HCF to date is a significant accomplishment that will help assure that adequate public and private resources are available for the housing sector. Through the HCF, the GOB can channel financial resources to achieve GOB housing policy objectives. The development of mortgage backed instruments and a secondary mortgage market facility would provide the GOB with an additional mechanism for broadening the capital market in Barbados. As a result of the success of the HCF the GOB will be able to depend more fully on market forces to finance low and moderate income housing.

Other signs of the progress that has been achieved are that over the past two years the GOB has allocated more National Insurance Funds to housing and has encouraged people to improve their houses by exempting home improvement lending from Central Bank reserve requirements.

As AID had hoped when the HG program was approved four years ago, the GOB has reduced its direct role in housing delivery. The GOB has concentrated its efforts and resources on improving its targeting of shelter resources to encourage the private sector to provide low and moderate income housing. The National Housing Corporation (NHC) is shifting its emphasis away from the direct construction of subsidized housing. Instead, the NHC is developing small serviced plots to sell to individuals and to private developers for the construction of low and moderate income sales housing. Most publicly sponsored construction work is now being contracted out to the private sector. The NHC is considering policy changes to improve cost recovery and targeting of assistance in its rental housing program.

The MOHL is encouraging reduction in the size and cost of houses. It is currently developing a starter home project to demonstrate to the private sector that there is effective demand for low-cost starter units.

Policy discussions between GOB officials, lenders, builders and other entities involved in the provision of housing have increased. As a result, public officials have developed a greater understanding of the conditions needed to foster an expanded private sector role. The private sector has begun to understand that producing and financing housing for the low and moderate income population can be profitable.

Since project implementation began in 1983, the GOB has formulated a comprehensive housing policy. The policy is incorporated in the White Paper on Housing which was formally adopted by Parliament in March 1985 as the National Housing Policy.

With grant-funded technical assistance, the MOHL then prepared a National Housing Plan based on that policy. The Plan defines how the

objectives in the White Paper will be attained, and estimates the resources and quantitative outputs needed to realize those objectives. Policy and institutional changes that are needed to meet the targets are identified, and a schedule for their implementation is established. The primary goals of the Plan are to increase house and land ownership, encourage maintenance of existing units, promote more affordable housing, improve the effectiveness of Government programs and encourage an expanded role for the private sector. The Housing Plan was completed in final draft in May 1986 and is under review within the GOB. The Plan is, however, already being used by the MOHL as a program management tool.

E. Grant Progress and Achievements

The grant has provided five types of technical assistance: (1) a senior housing advisor attached to the MOHL, (2) technical assistance to the Barbados Mortgage Finance Corporation (BMFC) and credit unions, (3) research and analytic support in the development of the National Housing Plan, (4) technical assistance to the HCF and (5) training. This assistance has been directed to both the short-term objectives of assisting in HG project implementation and the formulation of a comprehensive GOB housing policy, and the long range objectives of institutional development, policy modification and improved allocation of public resources.

1. Senior Housing Advisor Services

A senior housing advisor has been attached to the Housing Planning Unit (HPU) of the MOHL since January 1984, and his efforts have contributed to the progress that has occurred to date. The senior housing advisor has assisted in the development of policies, procedures and plans for the implementation of the HG project; coordinated scheduling, task definition and identification of grant-funded short-term technical assistance; advised on the development of GOB housing policies; managed the preparation of the National Housing Plan; and provided specific technical assistance to the MOHL, HCF, NHC and the Barbados Mortgage Finance Company (BMFC). The senior housing advisor also has encouraged a dialogue between GOB housing and finance officials, and between the GOB and private sector builders and lenders. He has encouraged the GOB to give more attention to the promotion of lower cost housing units, affordability considerations and cost recovery in Government programs.

2. Technical Assistance to the Barbados Mortgage Finance Corporation and Credit Unions

Through the grant, participating lenders have been helped to improve their administrative capabilities and ability to participate in the HG project. A seminar on lending practices for credit unions was

financed with grant funds and discussions have occurred with the Barbados Credit Union League on how smaller credit unions could develop the expertise to participate in the HG project. The BMFC's manual of operating policies and procedures was reviewed and revised and recommendations made about how its role and functions could be carried out more effectively and efficiently.

3. Development of the National Housing Plan

To assist the GOB in its analysis of housing conditions and issues, the preparation of nine policy papers was financed with grant funds. The papers analyzed housing needs, demand and supply considerations and the level and character of public and private investment in the sector. They identified impediments to improving housing in Barbados, recommending changes in GOB housing policies regarding the improvement of institutional arrangements. These studies increased the awareness of GOB policy makers about housing problems and how they might be dealt with, educated housing officials about the macro-economic implications of housing investment and provided the basis for MOHL staff preparation of the National Housing Plan.

4. Technical Assistance to the Housing Credit Fund

The most important institutional change during the past three years has been the evolution of the concept of the HCF. Initially conceived as an administrative entity to manage the HG loan funds, the role and responsibilities of the HCF have expanded dramatically, and it is now the GOB's principal housing finance intermediary. The GOB has used the proceeds of the HG loan to capitalize the HCF.

In late 1985, the GOB began to consider changing the HCF from a division within the MOHL to a statutory corporation under either the MOHL or the Ministry of Finance and Planning. Pending further review, the new entity would have the status of a financial institution with the broadened mandate to assure availability of financing to private institutions for low and moderate housing. For resources it would initially rely on the reflows from its prior lending under the HG program. It may also have authority to issue mortgage-backed instruments and act as a secondary mortgage market facility. These tools would assure sufficient liquidity for it to continue to influence private sector institutions to expand their production and financing of low and moderate income housing.

Grant funds have been used to analyze the housing finance market in Barbados, assist the HCF in planning for its expanded role, train HCF staff to undertake management of the expanded institution, improve existing HCF lending programs and design new programs for participating lenders. Assistance has been provided to the HCF to

computerize its record keeping and financial systems. As a result of administering the HG project, HCF staff have become more aware of the financial requirements for private sector participation and more familiar with the practices and procedures of lenders. The senior housing advisor has played an important role in advising the GOB how best to restructure its housing finance system and set up the HCF.

5. Training

The training component has provided exposure to new practices and improved the technical skills and capabilities of program managers in the MOHL, the NHC, the MOFP, the BMFC and the Central Bank. In particular, the HCF staff has become more aware of the importance of designing lending programs which are attractive to private lenders, and of aggressively promoting HCF objectives and programs.

The analytic capabilities of the Housing Planning Unit have been strengthened. This training has enabled GOB officials to understand and analyze housing problems and issues, and to improve their management of programs and resources. Courses tailored to the needs of the HCF accountant have been financed. Permanent secretary level officials have been sponsored at short-term seminars on housing policy analysis and the Chief Housing Planner of the MOHL spent four months in a specialized individually tailored housing finance program at the University of California at Berkeley. Recently, special attention has been given to training MOHL staff in computer applications and programming.

Overall the technical assistance has provided a forum in which AID and the GOB have been able to discuss a wide range of housing policy issues, including the merits of increased privatization. It has supported the GOB's evaluation of its housing policies and its development of a comprehensive shelter policy.

6. Status of Grant Expenditures

As of June 1, 1986, \$247,000 of the original \$320,000 grant had been spent. The remaining funds, \$73,000, are expected to be sub-obligated by the end of August 1986 to finance the work of the senior housing advisor on the Housing Plan, other consultants who will assist the HCF develop its lending programs and the purchase of computer hardware and computer training.

7. Grant Evaluation

The program evaluation conducted in May 1985 concluded that the grant project was effective in meeting the objectives of the HG shelter program. The evaluation concluded (Section 13.4 p.3):

"Technical assistance has been well structured to date. Progress is being made on developing a consensus on the policy issues needed to support the National Housing Plan. Demands and priority given to the Plan have resulted in a substantial percentage of resources being spent on this effort. The evaluation team supports this decision and believes the resources have been well used. Additional resources may be needed to support implementation of the Plan.

The Housing Planning Unit staff has been effective in administering the program. As the tenancies program progresses and the Housing Credit Fund is established as a revolving fund, additional staff resources may be required.

Housing Credit Fund staff has devoted considerable time to help the BMFC develop policies and procedures to make participation by low income people feasible. Other technical assistance may be needed to assist BMFC in further dealing with affordability in such areas as lower cost approaches to titling and legal fees, and alternate down payment and mortgage payment mechanisms.

Of particular importance is the need to set objectives, policies and guidelines for the operations of the HCF revolving fund in the context of providing continuous additional sources of funds for the housing sector. Also, macro-economic considerations of providing housing sector finance need to be explored in the context of developing the National Housing Plan".

F. Rationale for Additional Funds and Discussion of Any Change of Direction

Follow on technical assistance is required to complete implementation of the HG project by late 1987, when the HG loan is expected to be fully drawn down from escrow. The additional TA will also help to reinforce implementation of GOB policy changes resulting from the National Housing Plan. The additional activities to be financed by the grant amendment will build on the positive outcome of the work undertaken to date. This program will now shift away from design and analysis toward implementation support.

Trust Companies are just beginning to originate mortgages for the low income target group. Technical assistance will be available to Trust Companies to help them define techniques for dealing with the special requirements of low-income lending such as tailoring underwriting standards to a low income clientele and more aggressively soliciting low income business. This should lead to a continuing Trust Company commitment to the low-income market.

Small credit unions are currently unable to participate in the program because they do not have staff capacity to underwrite loans. Grant assistance will be made available to the Credit Union League to organize a central underwriting and loan processing facility so that small credit unions can participate in the program. Grant assistance will be used to design an HCF Home Improvement program which will be attractive to commercial banks in terms of risk and cost of funds. The Barbados Mortgage Finance Corporation requires continued support to keep up its efforts to originate mortgages for this group.

To successfully complete the HG Project, builders and developers must produce and market attractive houses which are affordable to low-income families who are eligible for HG financing. Only if beneficiaries who qualify for a mortgage or home improvement loan are also able to identify a suitable and inexpensive house for purchase, or a competent contractor to do the improvements to their existing house, will the HG loan be disbursed in a timely fashion. Although builders have reduced the size and cost of their houses in the last two years, most low cost houses on the market are affordable only to families at the higher end of the eligible income range. Grant resources will provide interested builders, developers and small contractors with assistance in low-cost house design, construction scheduling, pricing and marketing.

The Housing Plan, which establishes new roles for the public and private sectors, is under review, and may soon be formally adopted by the GOB. The review process will stimulate dialogue, questions and provoke issues. Grant funds will enable the HPU to call on the senior housing advisor to assist in the dialogue and to help make adjustments to the Plan.

One of the positive outcomes of the project has been the growth and development of the HCF. The GOB is considering establishing the HCF as a statutory body with expanded authority to act as a secondary shelter finance institution and expand the financial resources of public and private lenders. Grant-funded follow-on technical support to the HCF to help to define its policy objectives, establish its legal framework and authority, develop its operating policies and procedures and train its personnel will be critical.

G. Benefits to AID and the Project of Additional T.A.

AID authorized the Barbados Private Initiatives in Housing shelter program not only to provide financial assistance to families earning less than the median income but also to assist the GOB with policy and institutional development. With the development and adoption of the White Paper and the preparation of a National Housing Plan, the GOB improved its capability to define a comprehensive national housing policy and develop an institutional framework and plan for its implementation. The GOB policy assigns primary responsibility for the provision of housing to the private sector, limits government's role, establishes the basis for institutional change and clarifies institutional responsibilities.

Continued AID provision of grant resources will help to assure that the policy achievements to date are incorporated into the operational procedures of the implementing institutions. Further consolidation and development of the policies, procedures and practices that have been initiated are needed to make the system work more efficiently, institutionalize the steps toward privatization and firmly establish the new roles of the public and private sectors. By sustaining its technical assistance role, AID can ensure that the recently adopted GOB policy and institutional goals for housing are made operational.

The additional technical assistance made available by this amendment will lead to the following benefits: completion of the HG program; implementation of the policies and programs presented in the Housing Plan; establishment of the Housing Plan as a tool for monitoring and managing the sector and appraising policy; the increased capability of the MOHL for analyzing resource requirements and allocating and managing resources; establishment of the institutional and financial systems as operational and capable of providing an adequate level of financing to meet the demand from low and moderate income families; increased emphasis of the public and private sectors to the provision of affordable housing; and (pending approval of the GOB) the increased capability of the HCF as a statutory body that provides resources for financing housing for low and moderate income households through existing, primarily private sector, housing finance institutions.

III. PROJECT DESCRIPTION

Funds made available from the grant amendment will further the achievement of AID's objectives by financing training and technical assistance designed to complete the HG project and continue the institutional development and capacity building processes that have been initiated.

Project components include:

1. Support for Private Sector Financial Institutions, Builders and Developers,
2. Continued Development of the Housing Credit Fund,
3. Continued Development of the Housing Planning Unit,
4. Senior Housing Advisor Services,
5. Training (Components 1,2 and 3)

A. Support for Financial Institutions and Private Builders

Technical support will be provided to financial institutions and builders to improve their capabilities to meet the shelter needs of low and moderate income families. Private developers will be invited to participate in workshops, seminars and other technical assistance to address problems in designing, constructing and marketing low cost houses which are affordable to low income families. Housing demonstration projects will be used to show builders that low cost housing development is profitable and that there is effective demand for such housing.

The Barbados Credit Union League will be assisted in setting up a centralized loan processing facility for small community based credit unions so they can participate in the HG project.

As a result of the HG project, trust companies have begun to originate mortgages for low income home buyers. To encourage the trust companies to expand their lending program to low and moderate income families, grant funds will be made available to trust companies to help them process and evaluate low income mortgage loan requests. Assistance may include the organization of seminars, the development of advertising campaigns targetted to low income families and the direct provision of technical assistance.

Commercial bank collaboration will be sought in the design of new HCF Home Improvement Loan programs that will minimize risk and offer competitive terms. The commercial banks and trust companies will be provided assistance to help design a wider range of low and moderate income lending options. For example, many home owners could benefit from the availability of long term loans for substantial home improvements or the improvement of chattel houses. The output of these technical assistance activities will be an improved system for building and financing housing especially for low and moderate income families.

Follow-on assistance will be directed to the Barbados Mortgage Finance Corporation to augment its capacity to efficiently work with low income clients and extend the scope of assistance it offers to its clients. BMFC lending processes, particularly legal work, must be streamlined to provide builders with assurance that loan applications will be processed promptly. With grant assistance, the BMFC's authorizing legislation will be analyzed with a view to its increasing its operating flexibility, and the BMFC may hire a staff lawyer to expedite titling and mortgage work.

B. Continued Development of the Housing Credit Fund

One of the short term objectives of development assistance will be to give special attention to the continued evolution of the HCF as the GOB's principal secondary finance institution for housing. Assistance is needed to help the HCF develop a long term strategy as a financial intermediary.

If the GOB approves the pending plan to establish the HCF as a statutory body, a) assistance will be provided to define the HCF legally for purposes of drafting the enabling legislation.
b) Assistance will also be provided to help the HCF design its program and procedures for issuing mortgage-backed instruments and operating a secondary mortgage market facility.
c) Other assistance will be provided directly to HCF staff to help them design new lending programs and arrangements that will carry out HCF objectives and be attractive to lenders.
d) The HCF will also receive help in developing a marketing program to promote low and moderate income lending by banks and trust companies.
e) The HCF requires assistance in overall portfolio planning and continued assistance in designing programs for the use of reflows. An expert in the development of housing finance institutions will help coordinate and manage the development effort and provide policy guidance to the GOB. To carry out these tasks, several types of specialized consultants will be required in such areas as program procedures as design, legal and legislative assistance, marketing, accounting and secondary mortgage market practices. Additional computer software and equipment may also be required.

The results of these efforts will be to establish the HCF as an effective financial intermediary, thus assuring the availability of a minimum level of credit for the housing sector and particularly for low and moderate income families. HCF staff will have gained the experience needed to manage the institution. Housing finance will be better integrated into the country's capital market, and housing finance will be taken into consideration in the formulation of macro-economic policy.

C. Continued Development of the Housing Planning Unit

Continued support will be provided to the HPU to improve its ability to formulate and implement housing policies and programs, and to assist the HCF to play a leadership role in the marshalling and coordinating of resources for the housing sector.

a) The HPU will be aided in establishing a system for implementing the policies and goals established in the Housing Plan, improving the resource allocation process and evaluating the extent to which Housing Plan goals are being met.

b) To improve the ability of GOB officials to plan and manage for the housing sector, the collection and analysis of national housing data by the HPU will be systemized and expanded.

c) Attention will be given to developing improved HPU systems for the planning and analysis of policies and programs. Technical assistance directed to these efforts, as well as the procurement of additional computer equipment if required, will enable the GOB and MOHL to achieve the objectives of its comprehensive shelter policy.

D. Senior Housing Advisor Services

The senior housing advisor will continue to play an important role in the implementation of the grant and the HG loan and in promoting AID policy objectives through periodic short-term technical assistance visits to Barbados on a schedule that is responsive to GOB, RDO/C and RHUDO requirements. The tasks of the senior housing advisor include: providing general policy and project implementation advice to the GOB, coordinating with RDO/C and the GOB on the management of grant resources, providing technical assistance to the MOHL and assisting in implementing the GOB's comprehensive housing policy and the National Housing Plan. He also will assist the MOHL to design and coordinate technical assistance, workshops and seminars for private sector lenders and builders.

E. Training

Training will continue to be an important component of the grant for private and public sector components. The training activities will be designed to make builders capable of responding to the special requirements for operating successfully in the low income housing market. Training in policies and techniques for lending to low income clients and secondary market practices will be offered to lenders.

Training will be offered to make GOB officials more aware of the requirements for maximizing private sector participation in housing and for designing programs which attract private sector participation. Housing officials will be exposed to alternative management systems and techniques and will be sensitized to the need to formulate housing policies within the context of GOB economic policy objectives. All of the training activities will serve to support AID's and the GOB's policy and institutional development objectives.

IV. IMPLEMENTATION PLAN

A. Administrative Arrangements for the Grant

The MOHL will continue to be the grantee. The HPU will continue to be responsible for day to day administration of the grant. The Chief Housing Planner will be the Project Manager. If the Housing Credit Fund becomes a statutory corporation, the GOB will determine whether the HCF or the HPU will implement the grant.

Administrative arrangements between AID and the GOB for implementation of the grant will remain basically the same except that RDO/C's Private Sector Division will undertake a closer management and monitoring role.

The MOHL will continue to have increased responsibility for procurement and contracting. Most procurements will be undertaken by the MOHL, but RHUDO/Caribbean will continue to be responsible for processing requests for consultants under IQC arrangements RDO/C and payment vouchers to the senior housing advisor and the HCF consultant. AID will advance grant funds for procurements to the MOHL based on the submission to AID of quarterly projections of grant expenditures and documentation of actual expenditures for the previous quarter. Based on these submissions AID will approve the projected uses of the funds and advance funds to the MOHL.

The methods of implementation and financing and the projected amounts in each category are summarized below:

<u>Methods of Implementation</u>	<u>Method of Financing</u>	<u>Approximate Amount</u> (US\$)
Technical Assistance		
Long-term:		
AID Direct Contract	USAID Direct Pay	15,000
Short-term:		
AID-issued IQC, Purchase Order or Direct Contract	USAID Direct Pay	25,000
Host Country Contract	Advance/Reimb.	60,000
Commodities		
Host Country Contract	Advance/Reimb.	5,000
Training		
Overseas-PIO/P	Direct Pay, Transfer of Funds	40,000
Local Host Country	Advance/Reimb.	5,000
	Total:	<u>150,000</u>

B. Schedule of Grant Activities

In order that the project may be responsive to the grantee and consistent with the objectives of the project, by November 14, 1986 or such other mutually convenient time, AID and the Ministry of Housing and Lands will confer to assess the likelihood of the establishment of the HCF as a statutory body, discuss new housing initiatives of the GOB, and determine how the grant resources may be used to support new GOB initiatives which are consistent with the objectives of the project. It is a covenant in the amended project agreement that the Government of Barbados will present to USAID a three phase plan of all procurement action to be undertaken with grant funds during the final of the project.

At that time, a time-phased implementation schedule will be prepared to plan the use of grant resources for the final twelve months of the project. The schedule will include projected expenditures for training, technical assistance and procurement of commodities.

It is presently anticipated that during calendar year 1986, special attention will be given to the development of the HCF, computerizing the operations of the HCF and HPU, and developing systems for implementing the Housing Plan.

The senior housing advisor is expected to play an active technical assistance and monitoring role during 1986 and the first half of 1987. During the last half of 1987 his role will become more limited.

The Project Activities Completion Date has been extended an additional sixteen months to December 31, 1987. A final evaluation and audit of expenditures will be undertaken by RDO/C Evaluation and Controller staff during the final quarter of the project.

V. FINANCIAL PLAN

A. Use of AID Grant Funds

The uses of the AID grant funds and the schedule for their expenditure will be:

AID Grant Expenditures (US\$)

<u>Component</u>	<u>CY 1986 (August 1 to December 31, 1986)</u>	<u>CY 1987</u>	<u>Total</u>
1. Support for Financial Institutions and Private Builders	20,000	25,000	45,000
2. Continued Development of the Housing Credit Fund	15,000	15,000	30,000
3. Continued Development of the Housing Planning Unit	7,000	18,000	25,000
4. Senior Housing Advisor Services	-	10,000	10,000
5. Training	<u>15,000</u>	<u>25,000</u>	<u>40,000</u>
TOTAL:	<u>57,000</u> =====	<u>93,000</u> =====	<u>150,000</u> =====

1. \$20,000 will be needed to finance the long term HCF development consultant; \$15,000 will come from the prior grant and \$5,000 from grant amendment funds.

2. \$20,000 will be needed to finance the senior housing advisor; half will come from the prior grant and half from grant amendment funds.

As appropriate and subject to the availability of funds, the RHUDO will finance some additional training and technical assistance for the Barbados program.

B. Grant Budget, including Host Country Contribution

The budget for the grant project will be:

	<u>Grant Project Budget (US\$)</u>					
	<u>Prior Grant</u>		<u>Grant Amendment</u>		<u>Total</u>	
	<u>AID</u>	<u>GOB</u>	<u>AID</u>	<u>GOB</u>	<u>AID</u>	<u>GOB</u>
Technical Assistance	237,000	106,000	105,000	45,000	342,000	151,000
Commodities	22,000	-	5,000	-	27,000	-
Training	<u>61,000</u>	<u>1,000</u>	<u>40,000</u>	<u>5,000</u>	<u>101,000</u>	<u>6,000</u>
TOTAL	320,000	107,000	150,000	50,000	470,000	157,000

The GOB counterpart contribution of \$50,000 for the grant amendment will be similar to that provided to match the initial grant. The contribution will be in the form of staff and office space that supports the HG program, particularly half the salary and related administrative costs of the Chief Housing Planner, HPU; the cost of staff involved in implementation of the Tenancies Freehold Purchase Act; and support services provided to the senior housing advisor and other consultants.

VI. INSTITUTIONAL ANALYSIS

A. Relation of the Grantee to Other Institutions

The relationship between the MOHL, the grantee, and other institutions will remain the same as it was under the initial grant except that the HCF may become a statutory body, in which case it will no longer be administratively responsible to the MOHL. In that case, the activities of the HCF and the MOHL will have to be closely coordinated to ensure that housing and finance policies are consistent and supportive.

B. How the Grant Assists the Development of Housing Institutions

The grant directly supports the institutional development of the HCF, the MOHL, the Barbados housing finance system and public and private financial institutions. It provides for training and technical assistance to delineate the roles and responsibilities of these institutions, expand their planning, analytic and policy making capabilities and improve their administrative skills and efficiency. All of this assistance will occur within the overall policy framework established by the new housing policy and the National Housing Plan.