

FINAL REPORT

**IMPROVING HOUSING AND URBAN SERVICES
IN THE CARIBBEAN REGION, 1961–97:
THE ROLE OF RUDO/CAR**

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ABSTRACT

From 1980 to 1997, USAID's Regional Urban Development Office for the Caribbean (RUDO/CAR) was located in Kingston, Jamaica. It managed the Housing Guaranty Loan Program (HG program) and provided a wide range of technical assistance and training in the Caribbean region on issues related to housing, urban development, infrastructure improvement, and the environment. The RUDO played an effective and creative policy-making and institutional development role and left a legacy of improved policy-making and delivery systems for housing and urban services.

IMPROVING HOUSING AND URBAN SERVICES IN THE CARIBBEAN REGION, 1961–97: THE ROLE OF RUDO/CAR

1 BACKGROUND AND ACCOMPLISHMENTS

For 17 years, from 1980 to 1997, the Regional Housing and Urban Development Office for the Caribbean (RHUDO/CAR)¹ was located in Kingston, Jamaica. It managed the Housing Guaranty Loan Program (the HG program) and provided a wide range of technical assistance and training in the Caribbean region on issues related to housing, urban development, infrastructure improvement, and the environment.

The RUDO, along with other regional offices, reported to a central office in Washington,² which provided overall policy direction and technical support. The Housing Office remains responsible for administering the HG program and providing technical support on urban related matters to USAID.

Under the HG program more than \$160 million in loans were made to improve housing and urban conditions in the Caribbean region, and major technical assistance projects were implemented in Jamaica, Haiti, and Barbados and on a regional basis.

While the HG program provided scarce capital for housing and infrastructure improvements and thousands of units were built, many of the accomplishments of the RUDO were longer lasting and involved institutional and systemic development. RUDO played a significant role in improving the housing policies and systems of many countries in the region. There were a number of concrete accomplishments:

- Housing funds in Jamaica, Barbados, and the Dominican Republic are now more targeted to those who need it most. The RUDO played an important role in bringing this about.
- Housing finance in these countries and in the Eastern Caribbean are leveraging greater numbers of housing solutions and are taking better advantage of production and development efficiencies. The RUDO helped in this process.
- Governments have given up their traditional role of suppliers of housing and, to a significant degree, have turned that role over to more efficient private providers, be it private developers and lenders or the informal sector. Governments have become facilitators and regulators of

¹ The name of the office was later changed to the Regional Urban Development Office for the Caribbean (RUDO/CAR), and the office is hereafter referred to as the RUDO.

² This office was known for most of the period as the Office of Housing and Urban Programs (PRE/H). It was incorporated into the Environmental Office of USAID's Global Bureau and is now known as the Office of Environment and Urban Programs (EUP). It is hereafter referred to as the Housing Office.

the housing process rather than direct participants. The RUDO pushed hard on this theme throughout its tenure in the region.

- Caribbean policy makers, along with their U.S. counterparts, came to recognize that housing investment and development do not take place in isolation, but have to be planned and financed taking into consideration a multiplicity of environmental and developmental issues and considerations. The RUDO was a key player in bringing about this transition.
- National housing strategies recognized the importance of designing and building low cost affordable solutions, and the RUDO supported this throughout its presence in the Caribbean. Starter homes, core houses, serviced lots, settlement upgrading of informal areas, and squatter titling became part of Caribbean shelter sector programs.
- As a result of RUDO supported training and networking opportunities and participation in RUDO-funded technical assistance and housing projects, a cadre of experienced public and private sector housing and urban development professionals now work in the Caribbean.

The RUDO agenda was not limited to housing, because the pressing problems of housing were occurring for the most part in rapidly urbanizing areas. Solving housing problems was closely linked to the problems of urbanization—job generation, urban revitalization, pollution and environmental degradation, inadequate infrastructure, inefficient government, and the poor quality of public services. Some of the RUDO's most effective initiatives were efforts to address these problems.

Jamaica was the largest beneficiary of the HG program in the Caribbean and was the third largest recipient worldwide of HG assistance on a per capita basis. Of the total of HG funds made available (over \$160 million), nearly \$127 million were provided to Jamaica and \$33 million went to other countries. The level of assistance provided to Jamaica reflects a combination of factors including its strategic importance in the region and influence in the English speaking Caribbean, need for capital and foreign exchange, history of cooperation with USAID and concern about improving the housing situation in the country. While much was accomplished during the 1970s and 1980s, the housing program was phased out in the 1990s for a number of reasons. The RUDO and the GOJ lacked a common vision of how housing resources ought to be allocated. Also, Jamaica's financial and economic situation had deteriorated so much that it was very difficult to make progress in the housing sector alone, and the instrument that was available to USAID, the HG loan program, became less and less advantageous to Jamaica.

Because of a decline in HG program activity in the region and cutbacks in administrative budgets, the RUDO closed in August 1997, and the functions of the office were moved to EUP in Washington, D.C. Prior to the closing of the RUDO all HG projects were closed out, and all other ongoing project responsibilities were turned over to other USAID/Jamaica Mission offices to manage.

This report was completed based on a review of USAID documents in Washington and Jamaica. The information was supplemented by interviews with former RUDO staff and other USAID personnel. Field interviews were conducted with counterparts from Jamaica and Barbados.

The report reviews the history and experience of the RUDO and describes how it contributed to improving housing and the urban environmental conditions in the region. First, regional housing and economic problems are characterized. Next, background information is presented on the HG program and how its goals and objectives evolved over time. Third, RUDO programs in each country and various regional initiatives are described. Fourth, some of the general programmatic themes that RUDO emphasized are summarized. Representative examples of successful projects are highlighted. Finally, some general conclusions are made about the impacts that the RUDO was able to achieve.

2 REGIONAL HOUSING AND URBAN DEVELOPMENT CONTEXT AND ENVIRONMENT

The Caribbean region is composed of many small island countries, many of which gained their independence recently. While Haiti and the Dominican Republic have long traditions of independence, Jamaica became independent in 1962, and Barbados and Guyana became independent in 1966.

The economic transition from colonial status to independence has been difficult. The countries of the Caribbean have limited natural and financial resources and in most cases their markets and populations are small. In many cases the populations are poor. Bilateral clients of the HG program have ranged in size from the Dominican Republic with a population of 7.5 million to Barbados with a population of 250,000. The region reflects its multi-lingual colonial past.

While cultures and traditions differ, the region suffers from many common problems. Caribbean countries suffer from under-development, rapid urbanization and growth, high levels of unemployment, out-migration, shortages of investment capital, and substantial economic dependency on remittances from abroad. They are heavily dependent on tourism and agriculture for foreign exchange earnings. Demand for traditional agricultural products has shrunk, and most countries have had a mixed experience with developing an industrial sector and expanding their tourist facilities. Both industrial production and tourism require a high import content. Export earning crops such as sugar, bananas and, other fruit have lost their traditional markets, and production levels have declined.

In large part because of the region's colonial past there is a tradition to look to national governments and the public sector to resolve and finance solutions to problems. The private sector is relatively weak and dominated by a small number of large firms.

The region faces a common set of housing and urban development problems. As a whole, it is characterized by low quality and poorly maintained housing and infrastructure. A large portion of

the population lives in substandard housing and in environmentally deteriorated neighborhoods. Many dwellings lack basic services such as piped water or sewer connections. Low family incomes coupled with high development costs, lack of basic infrastructure systems, inefficient production and financing systems, and rapid urbanization are major constraints to improved housing. Interest rates tend to be high, and housing finance systems are designed to serve middle income borrowers. Only a small fraction of the population can afford decent, basic housing without substantial subsidies. The region has high development costs and is dependent on high cost imported building materials. Low incomes and the lack of affordable building sites (because of relatively high cost of improving building sites) has resulted in large scale, illegal squatting in urban areas in many countries.

In the past, governments traditionally played an active role in the housing sector. Governments provided heavily subsidized rental and sales housing and low interest loans to purchase or improve houses. Government loan programs were dependent on external financing or limited local sources such as social security investments and suffered from inefficient administration and arrearages. Most countries have a large stock of publicly owned and poorly maintained housing. Because of the limited public resources available to governments and the high per unit subsidies traditionally provided, government programs reached only a small portion of those requiring housing assistance. This was the situation that confronted the RUDO in the 1970s and 1980s as it helped the countries in the region to address these issues.

3 THE HOUSING GUARANTY PROGRAM

The major financial resource that the RUDO brought to the region was the Housing Guaranty (HG) Program. This program is described in more detail in the accompanying box.

The Housing Guaranty Program

The Housing Guaranty (HG) Program was authorized by Congress in the Foreign Act of 1961. Under the program the U.S. government guarantees long-term, dollar denominated, market rate loans made by private U.S. lenders to foreign governments or other foreign entities for housing and urban infrastructure programs approved by USAID. The borrowers use the proceeds of the HG loans to finance housing or urban related programs. The cost of administering the HG program is substantially funded by fee income. Since 1975 legislation has required that HG loans primarily benefit low income families. Ninety percent of the housing that is financed must be “suitable for families below the median.”

Over the past thirty-six years more than \$3 billion in loans world-wide have been guaranteed under the program. In many cases USAID also provides technical assistance and training programs and analytic methodologies (such as, for example, the shelter sector assessment or housing needs analysis) to facilitate implementation of HG loans and to help beneficiary countries better understand and address housing and urban development concerns.

Although the HG program was actively involved in the Caribbean region in the 1960s and 1970s, the RUDO was not formally established until 1978. Initially located in Washington, D.C., it was moved to Kingston, Jamaica, in 1980 and formed an important part of the USAID Mission in Jamaica until it was closed in August 1997. The history and role of the RUDO office and assistance to the Caribbean reflects the changing priorities and requirements of the HG program and of the governments in the region. Four distinct periods can be identified.

During the early years of the HG program in the 1960s and early 1970s, the principal objectives of the HG program were to finance U.S. builder initiated housing developments and to encourage the creation of specialized housing lending institutions similar to savings and loan associations. During this period, characterized as the builder developer and savings and loan phase, substantial HG assistance was provided to Jamaica, the Dominican Republic, and Guyana to finance the production and sale of single family housing. The loan proceeds were used to finance long-term home purchase mortgages with low downpayments. Builders were able to show how modest, simple housing could be successfully developed for moderate income families that had not previously been served. Over time, because of a host of technical, financial, and administrative problems, builders lost interest in the program. During this period, to provide more security for loans made under the program, the Housing Office began to require governments to guarantee repayment of HG loans.

The years 1972-1980 encompass what is known as the basic human needs period because the U.S. Congress modified the HG program legislation so that its financing was targeted to the basic shelter needs of low income families. Also increasingly the Housing Office came to recognize the complexity of the housing development process and the importance of influencing host government housing policies and improving housing delivery systems. Because of the growing concern by Congress that low income families should be the primary beneficiaries of HG assistance and as the magnitude of the housing needs of developing countries became clear, the RUDO office began to play a more active and directive role in how HG funds were employed. The RUDO adopted a more articulated shelter strategy, whose major objectives included: encourage governments to facilitate the production of housing and provision of housing and housing finance rather than providing such services directly; improve the management, financial, and technical skills of government officials so that they can more effectively make use of the scarce financial resources available; encourage governments to make more effective use of public funds by reducing per unit subsidies and concentrating on lower cost solutions such as starter homes and upgrading of existing units; and define shelter assistance more broadly to include community facilities and support services. One of the results of the Housing Office's adoption of these strategic principles was an expansion of technical assistance and training to help implementing agencies improve their administrative systems and reform policies and practices.

Beginning in 1980 the HG program entered a third phase in which governments were encouraged to rely more on the private sector to build and finance HG supported low income housing. While governments provided funds and set the rules and specifications, the implementing institutions were private builders, banks, savings societies, and credit unions. Once the RUDO was established in Kingston and, because of a broadened view of the scope of USAID housing assistance, the RUDO's program agenda expanded substantially to encompass municipal development,

housing policy formulation, and economic development initiatives. The Jamaica Mission also asked the RUDO to manage Mission funded urban revitalization and tourism development projects.

With the incorporation of the Housing Office into the EUP and the contraction of the HG program in the 1990s due to funding constraints, the RUDO during the fourth phase gave increased attention to urban environmental and infrastructure problems in Jamaica and in the region. The office focused its efforts on completing the Jamaica HG projects that had been previously authorized and managing several regional environmental and disaster mitigation projects.

4 JAMAICA

Jamaica received the major share of RUDO attention and was a significant participant in the HG program from its inception for several reasons. The country lacked local investment capital for housing; the Government of Jamaica (GOJ) had a need for foreign exchange; and the GOJ was interested in and open to help from RUDO to improve shelter delivery in the country. In conjunction with the HG assistance, the RUDO provided substantial technical assistance to Jamaica to improve the capacity of both public and private sector housing institutions to plan, finance, and develop housing.

Regular and close collaboration between the RUDO, the GOJ, and Jamaican shelter institutions was facilitated when the RUDO was moved to Jamaica. RUDO developed a collegial relationship and close partnership with many public and private sector housing institutions and organizations. Significant accomplishments were achieved in addressing the unmet housing needs of the country and improving the capacity and efficiency of public and private housing sector institutions. These efforts, however, were undermined by adverse macroeconomic considerations, inflation, a declining standard of living, lack of public resources to support HG funded initiatives, and loss of key public sector managers to the private sector. The country suffered regular balance of payments crises. The continual decline in the value of the Jamaican dollar in relation to the U.S. dollar over the past twenty-five years imposed a substantial burden on the country's ability to improve housing in Jamaica and repay its HG debt. Several HG loans included additional borrowings to cover capitalized interest that was owed on earlier loans.

Political tensions and conflicts also had a negative impact on the ability of government and housing sector institutions to operate efficiently and to establish a positive investment and development climate. The polarization and conflict between the major political parties (e.g., the Jamaica Labor Party led by Edward Seaga and the People's National Party led by Michael Manley) reached its peak in late 1970s and, coupled with high levels of crime and violence, had many disruptive effects on the society. Private investment dried up. Many wealthy Jamaicans emigrated to the United States. As a result of the political climate, government decision making was politicized, and each change of government brought government reorganizations, policy shifts, and turnover of personnel.

The economic, social, and political problems and instability of the country had a direct impact on the ability of the government to make use of the HG resources and technical assistance that was provided through the RUDO. It was difficult to design and execute housing schemes in the economically and politically unstable environment of the 1970s–90s. During this period prices were rising, incomes were declining in real terms, violence and crime were common, and institutional capacity was declining. Given such a difficult environment the results that the RUDO was able to achieve are impressive. HG funds not only built thousands of housing units, but the RUDO also helped the government revamp the country’s housing system and institutions, improve the capacity of housing delivery systems, develop more efficient policies for public support of the housing sector, and target assistance to low income households.

4.1 The 1960s and 1970s

In the 1960s and 1970s, virtually all USAID housing assistance was centered around projects to encourage more affordable houses, strengthen local financial institutions, and direct more lending toward lower and lower middle-income beneficiaries. Later on, in the 1970s, the objectives of the RUDO and the government evolved and efforts were made to reach much lower income households through a variety of different approaches. The table below shows each of the loans during this period. They are discussed in greater detail in Appendix A.

As the decade drew to a close, the RUDO reached agreement with the Michael Manley government for a bold new initiative in slum upgrading. This mirrored the support that the Housing Office was providing in many other regions of the world and fit in with the emphasis of the government on assistance to the poorest of the poor.

Year of Contract	Loan #	Amount (\$ Million)	Principal Outputs
1967	001A	6.3	Modest complete houses
1971	002B	5.0	Modest complete houses
1972	003	1.1	Core houses
1972	008	1.9	Cooperative housing
1973	009	10.0	Modest complete houses
1978	010	15.0	Slum upgrading

4.2 The 1980s

During the 1980s the RUDO was actively involved in expanding HG assistance to Jamaica, and it engaged the GOJ on a wide variety of housing policy issues. Both USAID and the new Seaga administration agreed that the shelter sector was not functioning effectively. Among the problems were the lack of funds for housing, declining levels of housing production, the inability of the development sector to produce affordable units, an undue reliance on the public sector to produce housing units and affordable financing, various development constraints that inhibited the production of housing and housing sites (e.g., problems in assembling land and securing clear titles, high interest rates, undercapitalized and inefficient construction companies), and the limited participation of the private sector in the provision of housing for the lower income population.

The problems of the sector led the GOJ in the 1980s to rethink its shelter policies and develop a new shelter strategy. That strategy included stimulation of private sector participation in the financing and construction of affordable housing; focusing GOJ resources on the development of more affordable solutions, such as serviced lots and neighborhood upgrading; improving the coordination of housing and infrastructure development; and eliminating constraints to the development of low cost housing.

However, as the decade progressed, it became clear that the HG program was not as appropriate for Jamaica as it had once been. Part of the last two HG loans to Jamaica were used to pay off overdue interest on earlier loans. The devaluation of Jamaica's currency and the country's deteriorating financial situation effectively precluded further loans. By 1985, per capita real gross domestic product was only 68 percent of its 1975 level. The table below sets forth the final HG programs that were undertaken. Further details of each program are provided in Appendix A.

As lending to Jamaica became less feasible, the RUDO began looking for greater USAID Mission support for its urban related activities. By linking these interests

Jamaica HG Loans, 1980–89

Year of Contract	Loan #	Amount (\$ Million)	Principal Outputs
1983	011	15.0	Urban services, improvement loans
1984	012	22.0	Upgrading, financial systems
1988	013	19.4	Urban infrastructure services
1989	014	22.6	Completion of 012 projects

to those of the Mission in the private sector, economic development, tourism, and the environment, the RUDO began to build a base for fruitful collaboration with the Mission, which was destined to last over ten years.

Thus, in 1985 the RUDO was given the leadership responsibility to develop a Mission funded initiative to address the problems of decay, poverty, out-migration of business, high unemployment, and crime in downtown Kingston. In spite of these problems, downtown had important assets. It was centrally located with good transportation. The courts, many government offices, and the wholesale and retail food distribution business for the island were located downtown. The area had many vacant factory shells and commercial buildings that lent themselves to cost effective rehabilitation and reuse. Putting these properties back to productive use appeared to be economically attractive and could generate employment and reinvestment in the area. Based on a successful pilot effort to rehabilitate an old brewery in 1985, the \$15 million Inner Kingston Development Project (532-0120) was approved (see box).

The objectives of the Inner Kingston Development Project were to encourage private reinvestment downtown through the rehabilitation of vacant and underutilized downtown properties and through the upgrading of outmoded basic infrastructure. The program had two components: a loan and grant to the Urban Development Corporation (UDC), a national parastatal development agency, to build a new trunk sewer for the downtown and install traffic lights at key intersections and a grant to the Kingston Restoration Company (KRC), private, public purpose to finance pilot development projects, promote investment downtown and provide community development services to the low income residents of the area. Over the 10 year course of the project USAID

provided an additional \$3 million to KRC for development activities and to prepare a new downtown plan.

Private Sector Led Economic Development: the Inner Kingston Development Project

The Inner Kingston Development Project was an innovative and comprehensive RUDO-managed and Mission-funded ten year effort (1986–96) to revitalize the deteriorated downtown core of Kingston, Jamaica. It created a dynamic and multi-faceted partnership between the Government of Jamaica (GOJ) and the Kingston Restoration Company (KRC), a public purpose, nonprofit private development company, to generate new jobs and investment and trigger a self sustaining redevelopment process.

To stem disinvestment, create a positive investment climate, and put vacant or under-utilized properties into productive use, KRC employed a variety of development and financing strategies and techniques. It rehabilitated vacant industrial and commercial and publicly owned properties, assembled vacant sites for development, bought and sold real estate to investors, provided grants to small property owners to upgrade their properties, planned and implemented street upgrading and improvement projects, and built community support for the revitalization process by helping to improve public services for the low income population resident in the area.

KRC was able to achieve many of its objectives and had a substantial impact on the investment climate downtown. It developed three, formerly vacant, multi-tenanted factory complexes; assembled and sold off two blocks of vacant land and property that have been redeveloped, helped more than forty property owners rehabilitate their buildings, improved public infrastructure along the three principal downtown commercial streets, and created an effective community development program for residents of the area. By 1996 KRC had invested \$6.4 million in property developments and related activities, and other private investors had invested 2.25 times that amount in their own buildings. Not only did public and private investment increase substantially, but the project also generated more than 4,600 jobs. As a result of the increased construction activity, an active promotion and publicity campaign by KRC, and the completion of a KRC-funded long term plan for the area, public attention was focused on the investment opportunities in Inner Kingston. The business community formed a business improvement district (the Downtown Kingston Management District), and the GOJ was convinced to enact a tax incentive scheme to encourage private investment downtown.

While USAID's involvement with KRC ended in 1996 and despite the country's economic difficulties, KRC remains institutionally sustainable and an effective catalyst for economic development. Working with the GOJ, the business improvement district and a variety of funding sources, KRC continues to promote job growth, private investment, and the improvement of downtown.

KRC developed a comprehensive and aggressive economic development and revitalization program. The program sought to convince private investors and property owners that conditions downtown had changed for the better and there were opportunities to make profitable investments in the area. Vacant industrial properties were rehabilitated into multi-tenant space for small

and medium sized businesses. Commercial rehabilitation projects were completed in partnership with private investors. KRC managed the rehabilitation of a major government building for the GOJ. Derelict properties and vacant land were assembled and sold to private developers. Small matching restoration grants were made to more than 40 property owners who agreed to fix up their buildings and facades. Health, employment, recreation and education services were made available to the low income residents of the area.

The UDC component of the project was for the replacement of an outmoded and hazardous sewer system that inhibited investment in the downtown area and for the upgrading of public improvements. The UDC project suffered from substantial delays and cost overruns due to the unanticipated complexity of the project, rapidly rising costs, and inadequate project management. Consequently, the scope of the UDC project was reduced and it took longer than anticipated to complete the infrastructure upgrading program.

Evaluations of the Inner Kingston Project concluded that it had generated more than 4,000 jobs, substantial reinvestment had occurred, and property values had increased. With income from investment projects, fees, and support from other donors, KRC is continuing to promote downtown investment and provide social services to low income residents.

Other activities of the RUDO during the 1980s demonstrated the same collaborative style:

- In 1987, the Jamaica Mission assigned management of the Tourism Action Project (TAP) to the RUDO. That project supported various community development and public improvement activities in the main tourist centers of Jamaica (Montego Bay, Negril, Ocho Rios, and Port Antonio) in order to encourage economic development and investment.
- In response to the perception of the GOJ that local government was inefficient, the RUDO conducted studies of how to improve the management of the local government in Kingston (the Kingston and St. Andrew Corporation) and of the town planning process. Management and technical assistance were provided to the Town and Country Planning Department. A new development plan for Montego Bay was funded.
- The RUDO played an important role in designing and implementing housing and emergency services projects in response to the damage caused by Hurricane Gilbert in 1988. It managed a program to repair damaged roofs throughout the island and to provide emergency food and medical assistance to low income households in downtown Kingston through KRC.

4.3 The 1990s

In the 1990s USAID and the Ministry of Environment and Housing (MEH)³ had difficulty agreeing on a common agenda for housing, and the RUDO was not satisfied with the performance of the public sector housing organizations. Because of weak management systems and the difficulty of obtaining adequate GOJ budgetary resources, projects were not completed on a timely basis.

³ MEH was formerly the Ministry of Construction (Housing).

At the same time, the downswing in the economy and the falling Jamaican dollar undermined the ability of the GOJ to service its HG debt. The USAID Mission concluded that Jamaica could not afford any further external borrowings for housing and that offshore funds needed to be directed to trade and investment activities. Consequently, the Mission and USAID/Washington agreed to phase out housing as a Mission concern by the end of FY 1994, but it was agreed that the RUDO would play a continuing role within the Mission on environmental and infrastructure initiatives.

In 1994 some consideration was given to the feasibility of developing a local currency, private sector HG loan for housing sponsored by building societies, but the project was never approved. Environment and infrastructure, particularly in the context of supporting tourism growth, became the key elements of the RUDO program, and more attention was devoted to regionwide activities. Jamaica was viewed as a laboratory for environmental initiatives whose results could be disseminated in the region. Housing efforts focused on trying to get remaining HG funds disbursed, the loans liquidated, and the projects closed out by August 20, 1997.

5 BARBADOS

Barbados, a small and relatively affluent island country in the Eastern Caribbean with 250,000 residents, was the recipient of one HG loan. The \$10 million loan (534-HG-001) was approved in 1982 along with a companion technical assistance grant.

The project was designed to provide funds to increase the availability of financing for low income households; expand the role of the private sector in housing finance; and improve the policy development capacity of the Ministry of Public Works, Transport, and Housing (MPWTH), formerly the Ministry of Construction and Housing (MOCH). The project was completed and closed out in February 1988.

5.1 Program Design

The HG loan was designed to finance improved housing in Barbados for households below the median income, which did not have access to long-term credit on reasonable terms. The lending program had three components: loans for new home purchase; home improvement loans to upgrade existing units; and loans for existing homeowners to purchase the rented land on which their chattel houses were sited.⁴ Several implementing institutions were used: (1) banks and the government sponsored Barbados Mortgage Finance Company for mortgages; (2) commercial banks and credit unions for home improvement loans; and (3) the Barbados National Bank for land loans. (Institutional borrowers were allowed to earn specified spreads on the funds they borrowed.)

The companion technical assistance program financed a long-term resident advisor who worked at the MPWTH for two and a half years to help implement the HG program, promote increased

⁴ Chattel houses, a traditional type of housing in Barbados, are wooden houses without a permanent foundation that are situated on leased land.

private sector involvement in the provision of lower cost housing and housing finance, and help the Ministry prepare a national housing plan. The program also financed offshore training for Ministry staff and technical studies of housing issues.

The Government of Barbados (GOB) in 1983 decided to use the proceeds of the HG loan to create a special revolving loan fund, the Housing Credit Fund (HCF), in order to provide a continuing funding resource for lower income housing in Barbados. The RUDO encouraged the GOB to do this to ensure that a steady stream of funds would be available to the housing sector regardless of changes in general economic conditions. The HCF is a unit of the Housing Ministry, which funds the HCF's administrative costs. The HG loan was fully disbursed in 1985.

5.2 Accomplishments and Results

The principal objective of the HG loan was to increase funding for the housing sector at a time when funds were in short supply and interest rates were high. This objective was achieved, and because the HG loan was used to capitalize the HCF, a specialized secondary market institution, the proceeds of the HG loan continue today to support new construction and housing improvements. As a result of the HG loan, a total of \$41.6 million has been lent to more than 6,600 borrowers for long- and short-term housing loans.

Lending by private sector lenders in Barbados has increased, and a substantial portion of the population has benefited from long-term loans and lower interest rates. The HCF today is a self sustaining and well managed institution. It oversees a permanent revolving fund that supports housing improvement by lending long- and short-term monies to public and private lending institutions.

The HG loan and the technical assistance provided by USAID had important impacts beyond the lending that has taken place. The funds provided by the HCF enabled banks and credit unions to gain experience in lending to households below the median income. Prior to the HG loan this market was largely ignored. The lenders' favorable repayment experience with borrowers has motivated them to lend to this client group on a regular basis.

The HG loan and the technical assistance had substantial impacts on government housing policies. They focused GOB policy makers' attention on the financing and housing needs and problems of below median income households. They were made more aware of the significance of affordability in designing housing solutions and the importance of cost recovery in designing projects or operating financing schemes.

As a result of their improved understanding of housing markets, HCF and Ministry staffs made efforts to convince builders to construct lower cost solutions to serve the HG eligible group. Such efforts were somewhat successful in getting builders to offer smaller, more affordable units (i.e., starter homes) on smaller lots.

Today, households somewhat above the median income group are eligible for HCF assistance, but the HCF remains interested in serving households with special housing needs. When the program

started the median family income for purposes of the HG loan was \$8,000. While HCF funds are no longer bound by USAID requirements, over the past year about two thirds of the mortgage loans made were to households with incomes less than \$17,500.

An important objective of the project was to develop an effective and mutually beneficial relationship between the GOB and private lenders. This working partnership was successfully achieved and continues today. HCF policies and procedures were designed to create lending arrangements that allowed lenders to earn a reasonable profit and make prudent lending decisions, but they also enabled the HCF to ensure that its low income client group was being assisted. The good working relationships established between the finance community and the MPWTH through the HG program provided a forum which continues today in which public and private sector representatives can discuss issues of mutual concern. The MPWTH now routinely consults the private sector in developing new policy.

The development of a national housing plan was an intensive effort to systematically estimate housing needs, effective demand, and production capacity. The plan quantified projected public and private investment requirements over a ten year period. The plan, which was intended to be a guide for developing government housing policies and investment levels, was an innovative effort that provided a systematic, long-term, and quantitative basis for public decision making. The MPWTH continues to use the housing plan framework to develop policies and budget submissions.

The HG program and exposure to RUDO staff and consultants helped increase the technical capacity of MPWTH staff. A number of staff members received training in housing finance, including how secondary housing markets operate in the United States, and they participated actively in regional seminars and professional association meetings. GOB officials believe that the analytical skills that were used to design implementation procedures for the HG program, prepare the national housing plan and conduct other studies on housing policy issues were useful and are being used to this day.

6 THE DOMINICAN REPUBLIC

The economy of the Dominican Republic (DR) has experienced relatively low economic growth rates, currency devaluation, and rapid urbanization. The DR has one of the highest urbanization rates in the hemisphere. In 1990 60 percent of the population lived in urban areas. Two thirds of the urban population live in substandard housing in squatter or informal housing areas. About 30 percent of the country's 7 million population live in Santo Domingo.

The Dominican Republic (DR) was an active participant in the early years of the HG program, borrowing a total of \$17 million.

Between 1964 and 1972 five HG loans were made to the DR totaling \$13 million. These loans were used to finance the building of homes for workers and middle income homebuyers. Savings

and loan associations were actively involved in financing the projects, and the HG projects helped provide seed capital and strengthen the savings and loan system, which was established in 1963. Between 1963 and 1972 savings in associations grew from \$1.2 million to \$28 million. The HG loans also were an important source of foreign exchange for the country.

Dominican Republic HG Loans, 1960–89

Year of Contract	Loan #	Amount (\$ Million)	Principal Outputs
1964	003	3.3	Modest complete houses and home improvement loans
1964	003B	.7	Modest complete houses and home improvement loans
1968	005	2.1	Modest complete houses and home improvement loans
1969	006	6.0	Modest complete houses and home improvement loans

HG 8 (517-HG -008) was contracted in 1973 to continue the financing begun under HG 6. It provided \$4 million to finance two and three bedroom single family and row houses across the country. House prices could not exceed \$9,500. Funds were provided to the *Banco Nacional de la Vivienda* (National Housing Bank, BNV) of the Dominican Republic, which served as the central bank for the savings and loan industry.

In 1981–82 a Tripartite Housing Program was developed to finance low cost worker housing and home improvements through a joint housing effort of private businesses, the *Consejo Nacional de Hombres Empresa* (National Businessmen’s Council, CNHE), and the GODR. The GODR was to contribute the land, and the employers were to underwrite 20 percent of the cost of the housing for their employees. The project was to be financed with a \$15 million HG loan, but because of adverse interest rates the borrowing never took place, and the project was deauthorized in 1983.

The DR did not participate in the HG program after HG 8 for the following reasons: the GODR and USAID could not agree on a common housing agenda; the GODR lacked interest in developing a policy dialogue on housing because the Mission chose not to focus on housing; and the country was unable to service additional debt. The RUDO and the Mission, however, collaborated on various studies and initiatives. For example, in the 1980s several studies of the problems of rural housing were completed, and assistance was provided to CODETEL, the telephone company, in designing an affordable workers’ housing scheme. In 1991 the RUDO helped the Mission define a comprehensive urban environmental strategy. The DR participated actively in the regional disaster mitigation project.

7 GUYANA

In 1966 and 1969 two HG loans were made to Guyana totaling \$1.6 million. The first loan (504-HG-001) was sponsored by the Trade Union Council of Guyana and the American Institute of Free Labor Development. Of the \$2 million authorized loan amount, \$1.2 million was used to finance 320 two, three and four bedroom houses in the Georgetown area. Under the second loan

(504-HG-002) \$417,545 of a \$4 million authorized loan was disbursed to finance 100 houses built in MacKenzie. The remaining funds were deauthorized because the loan commitment term ran out.

The project was successfully completed, but it did not lead to a continuing program. Thereafter, the RUDO was not actively involved in Guyana.

8 HAITI

Haiti could not qualify for HG assistance, but the RUDO was involved in several noteworthy projects. The RUDO began working in Haiti in 1983 and helped design and manage a \$1.75 million Mission funded technical assistance and pilot low cost housing construction program with the *Banque du Crédit Immobilier* (BCI), the first privately owned housing bank in the country. A long-term resident advisor and short-term consultants helped the BCI set up accounting, financial management, and information systems. BCI lent funds to moderate income borrowers, and the RUDO funded a ten unit pilot development project to give BCI experience in lending to the low income housing market. As a result of the negative economic and political conditions, BCI has become a commercial bank and is only serving the upper income market. The Haiti Mission, at the time, however, considered this initiative an outstanding success. Following BCI's initiative, other commercial banks established housing finance subsidiaries patterned after U.S. savings & loan institutions.

During the 1980s the RUDO provided the Haiti Mission with regular advice and technical support on issues related to shelter delivery, developing credit institutions, and urban development through public/private partnerships. It helped the Mission formulate its urban strategy approach.

The RUDO worked with the Mission to establish a unique and innovative approach to providing water and sanitation services to Cité Soleil, a large, very low income slum in Port-au-Prince with appalling environmental conditions (see box).

Improving Water Supply for the Urban Poor: Cité Soleil, Port-au-Prince, Haiti

Cité Soleil is a desperately poor slum of 2.3 square kilometers with 200,000 residents in Port-au-Prince, and it has appalling environmental and sanitation conditions. Solid waste is uncollected, and open drainage canals carry household waste through the community. Drainage canals overflow regularly into the streets and peoples' homes. Prior to the initiation of the project the area lacked the most basic water and sanitation facilities. Water was trucked in and sold by private water vendors who charged a high price for poor quality water. Using funding of \$450,000 obtained from the Environmental Initiatives for the Americas and Sustainable Cities Projects, and assistance from the Environmental Health Project, from 1995 to 1997 the RUDO worked with the Mission and UNDP (which funded a water system including storage facilities, pipes and fountains for the area) to help establish an autonomous, community based organization to manage the water supply system and provide environmental sanitation services from the sale of water. With RUDO assistance, the Center for Development and Health, the country's largest

NGO, set up CADEPA (*Comité pour l'Alimentation, la Distribution d'Eau Potable et l'Assainissement*) as a new independent entity to obtain water from CAMEP, the water authority for Port-au-Prince, manage and operate the system to distribute water, set water rates, design and build pay-to-use communal latrines, and implement a solid waste collection program. CADEPA created a neighborhood management structure of 41 fountain committees, which manage and oversee 65 fountains. Despite serious civil unrest, political conflicts, and many administrative problems, CADEPA has been accepted by the community, is financially self supporting from water sales, is providing essential water and sanitation services to one of the poorest communities in the region, and has generated 124 new jobs. More than 65,000 persons are purchasing their water from CADEPA.

9 OTHER ACTIVITIES IN THE REGION

Until 1986 the RUDO's efforts in the Eastern Caribbean were limited principally to Barbados, although exploratory trips were made to several of the islands in the Eastern Caribbean to investigate the feasibility of assistance projects. In the late 1980s and 1990s, RUDO provided technical support to the regional Mission for the Eastern Caribbean (RDO/C), located in Barbados, and was involved in a variety of regional activities.

In 1986 the RDO/C asked the RUDO to help conceptualize a regional development activity for southern St. Lucia. Rapid economic development of the area was creating squatter problems and the need for new housing development. A land use management study was conducted, and discussions were held with the Caribbean Development Bank (CDB) about developing a USAID/CBD regional infrastructure lending program. A related study of land, shelter, and infrastructure delivery issues was carried out in St. Kitts and Nevis, Trinidad and Tobago, St. Vincent and the Grenadines, and Dominica.

The RUDO in 1987 initiated the Regional Network and Training Program (RNTP) to promote the exchange of information and professionalism among housing officials and consultants in the region and the policies and objectives of the RUDO. Under the program seminars and conferences were held and a bimonthly newsletter was published.

In January 1988 a regionwide workshop was held in Kingston, Jamaica, to review what was known about the role and characteristics of the informal sector in the provision of housing in the Caribbean. In July 1988, under the RNTP, a follow-on regionwide workshop on the role of the informal sector in shelter development was held in Barbados. The RUDO and UNCHS jointly funded a regionwide meeting of Ministers of Housing in Trinidad and Tobago in September 1988, which focused on current housing and urban development issues. In July 1989 the RNTP held a conference in St. Lucia on urban land management, as land management had been highlighted in other meetings as the most fundamental constraint to providing decent shelter for the urban poor.

In 1991 the RUDO examined the feasibility of using HG funds to capitalize a secondary mortgage market for the countries that are members of the Organization of Eastern Caribbean States (OECS). The OECS decided not to take advantage of the HG program, but the RUDO provided

useful advice on how to set up the secondary market, and it was established with funding from the International Finance Corporation and the Home Mortgage Bank of Trinidad.

In response to the destructive impacts of hurricanes and other natural disasters in the region, in 1993 the Caribbean Disaster Mitigation Project (CDMP) was developed. The project is funded by the USAID Office of Foreign Disaster Assistance (OFDA) and implemented by the Organization of American States. Management of the project was assigned to the RUDO. With the closure of the RUDO the CDMP is now being managed under the Jamaica Mission's Caribbean Office of Regional Assistance.

In the fall of 1995 the RUDO was given responsibility for managing the \$700,000 Caribbean Environment Network Project. The project works with governments and the private sector in the region to address coastal zone and marine degradation due to tourism. Projects were undertaken in Haiti, the Dominican Republic, and the Eastern Caribbean and closely coordinated with other donor initiatives. The project was successfully completed in December 1998. More than 300 practitioners were trained in such topics as integrated coastal zone management, siting and design of tourist facilities, and solid and liquid waste management in the tourist sector. Coastal zone management plans were developed for three tourist areas in the Dominican Republic.

10 RUDO PROGRAM FOCUS

Over its history the RUDO increasingly focused on encouraging policy and institutional reform and innovation to improve housing, infrastructure, and environmental conditions in the region. USAID's priorities changed over time, but some themes were fundamental to RUDO assistance because they were essential building blocks in creating sustainable shelter delivery systems in the region and responded to critical problems. For example, helping the urban poor was a fundamental policy objective of the RUDO and was reflected in the design of all its projects and initiatives. Convincing governments that they should not be direct producers of housing or mortgage assistance but should instead rely on the private sector was another common theme of RUDO assistance. Similarly, while governments needed to establish a framework and ground rules for investment, only the private sector had the resources to create sustainable economic development and job generation. RUDO gave special attention to the creation of sustainable housing finance systems that could meet the needs of the population at large but particularly of low income families. Because they were serious problems for the region, environmental issues and disaster mitigation efforts received increased attention by RUDO in recent years. Each of these topics is explored in more detail in this section.

10.1 Environmental Concerns

In the 1990s, economic and financial conditions in the region combined with changing priorities in USAID and, indeed, in many of the countries of the Caribbean, led the RUDO to place more emphasis on the importance of environmental concerns.

Jamaica's economy, for example, depends largely on three sectors, tourism, bauxite, and agriculture. All three are heavily dependent upon the country's natural resource base, and it has become ever more important to protect and preserve that base for sensible exploitation. At the same time, worsening economic conditions in Jamaica, and indeed throughout the region, have led to greater poverty and increased threats to the natural resource base. While housing related concerns have not abated, Jamaica and other countries in the region, and USAID, believed that higher priority should be given to environmental programs. The RUDO, with partners in local government and experience in infrastructure throughout the region was well placed to help carry this out.

Historically, Jamaican government efforts to provide adequate wastewater and sanitation facilities have not been very effective. With Jamaica experiencing devaluation and restrictions on public spending for infrastructure, poor people have been adversely affected during this decade. Fewer people could afford decent housing and health conditions have worsened perceptibly. Urban pollution has increased and authorities have been confronted with situations that could directly imperil tourism, the country's major source of foreign exchange.

One example serves to illustrate how the RUDO was able to combine its traditional housing program with environmental concerns. The GOJ wanted to upgrade two large low income squatter areas overlooking the resort areas of Montego Bay, but had opted to include water and roads but leave out new sanitation facilities because sewers were too expensive for the population to afford. This presented a classic problem. RUDO and the residents, indeed the government as well, desperately needed to find a solution that would be environmentally sound for this prosperous tourist region, healthy, and still affordable to the low income residents. To help the government and residents address this problem, the RUDO proposed a project to provide adequate, healthy, and affordable on-site sanitation solutions. Further details are provided in the box below.

Developing Low Cost Sanitation Solutions for the Poor: Montego Bay, Jamaica

Jamaica's tourist centers are growing rapidly as poor rural families move to urban areas in search of employment. These migrants cannot find or afford decent housing and occupy vacant land on which they erect makeshift informal housing. Such "squatter" communities lack basic public services and sanitation, are unhealthy and unattractive, and pollute groundwater and coastal tourist facilities. The GOJ wanted to upgrade two large low income squatter communities (Norwood and Rosemont) overlooking Montego Bay that were without sanitation facilities because sewers were too expensive for the low income residents to afford. The terrain was steep and rocky, and the existing mains were distant from the site. A survey found that 18 percent of the households had no sanitation system whatsoever, 42 percent of the households used some form of water based sanitation, and 40 percent used a latrine. To help the GOJ address this problem, the RUDO proposed that the GOJ provide innovative low cost, adequate but healthy on site sanitation solutions such as dry pit latrines and train the families residing there in better sanitation practices. The Construction Resource Development Center (CRDC), an indigenous NGO, developed standard construction contracting specifications and helped families, on a fee for services basis, obtain financing and building approvals and negotiate contracts to install the sani-

tation solutions. The GOJ was convinced to support the Montego Bay Low Cost Sanitation project. Between 1995 and 1998 over 1,300 sanitation solutions were installed, and residents received training in sanitation and health practices. Surveys indicated that the residents had adopted much improved sanitation practices. Other services and improvements (i.e. roads, water and electricity) were provided to the area utilizing HG funds.

Under the USAID/Jamaica Technical Support for Shelter and Urban Services grant program, approximately 60 percent, \$1.86 million, went to support environmental activities. Almost half of these funds came from the 1995 Environmental Initiative for the Americas to address urban pollution in Jamaica's watershed areas. In the fall of 1995 the RUDO was given responsibility for managing the \$700,000 Caribbean Environment Network Project (CENP). The project works with governments and the private sector in the region to address coastal zone and marine degradation due to tourism. Projects have been undertaken in Haiti, the Dominican Republic and the Eastern Caribbean and closely coordinated with other donor initiatives.

10.2 Coping with Disasters

Disasters have had increased impact and assumed increased importance in the past twenty years throughout the world and especially in the Caribbean. A recent note from the United Nations Center for Human Settlements discusses this concern (see box).

Impacts of Natural Disasters

The damage caused by disasters is staggering. In the first half of this year alone the cost accrued by natural disasters is US\$ 24 billion. Given the enormous impact of disasters on economies, the environment and peoples' lives, the United Nations declared the 1990s the International Decade for Natural Disaster Reduction (IDNDR). Despite the devastation they wreak, disasters can also act as a catalyst for taking decisive action to reduce vulnerability.

No matter how unexpected disasters may be, they never occur in isolation. Poverty, environmental degradation, unsustainable development, social inequality, conflicts, unsafe construction practices and the lack of an effective infrastructure, are all factors which can dramatically increase the impact of a disaster. Clearly, the relationship between disasters and development is complex. Reducing vulnerability is a far-reaching process, which requires unified actions at the individual, local, national and international levels. The empowerment of people is often overlooked, yet a community's safety depends largely upon the decisions they make in terms of construction methods, land and water use and the level of awareness they have in preventing and reacting to disasters. Following a disaster, the rehabilitation of homes, infrastructure and buildings, if improperly done, can exacerbate the long-term vulnerability of the community.

Source: Adapted from a UNCHS (Habitat) media briefing, "Focus on Disaster in Cities," September 9, 1998.

In the early 1990s, the Housing Office and the Office of Foreign Disaster Assistance entered into a memorandum of understanding to cooperate on programs in a number of regions. Disasters, both natural and man-made, are particularly damaging in urban areas. The focus of the agreement was on mitigation of urban disasters. This agreement provided an additional area of strength to the RUDOs that could be used to help in efforts to strengthen local authorities.

Over the past twenty years, countries in the Caribbean have witnessed a dramatic upsurge in the level of destruction from natural disasters. It is no coincidence that this upsurge coincides with increasing urbanization in the region. Analyses have concluded that vulnerability in the Caribbean to disasters was heightened by poor siting of buildings, improper construction techniques, inadequate building codes and enforcement, and, significantly rapid development of coastal and other flood prone areas as tourism interests advanced. Furthermore, the losses to life and property were made greater by the progressive withdrawal of reinsurance companies from the region in the face of devastating losses.

The Caribbean region was therefore a natural first choice in which to initiate this worldwide program. The region is at the mercy of strong hurricanes that sweep through every year generating billions of dollars of damage to property and the loss of lives from high winds and flooding. Unlike other regions, however, the Caribbean is economically much more vulnerable to these natural disasters because of its dependence on the tourism industry.

Because of the importance that disasters do play in the region, the RUDO had been involved even before the agreement between OFDA and the Housing Office. As far back as 1981, the RUDO had evaluated the emergency shelter relief program following Hurricanes David and Frederick in the Dominican Republic in 1981. Nevertheless, the 1990 agreement signaled the beginning of a systematic effort by the RUDO and OFDA.

In 1993, the \$5 million, five year Caribbean Disaster Mitigation Project (CDMP) was launched. OFDA provided funding for the regional program and worked closely on a number of initiatives with the RUDO. The main focus of the RUDO program was related to disaster preparedness, mitigation, and prevention for shelter and infrastructure. More than that, however, the program actively sought out those institutions that were directly involved with financing, insuring, designing, and building the built environment. The project is being implemented in the Dominican Republic, the Eastern Caribbean, Belize, and Jamaica. It is intended to address such problems as the siting and construction of the built environment; the insurance industry's capacity to assess risk; the availability of information to identify risk prone, environmentally fragile areas; and community preparedness activities.

During the first year, the RUDO contracted a regional disaster advisor, formulated a regional disaster mitigation strategy, and began to actively work with a number of Missions in the region. Project activities include risk mapping; the development of a disaster preparedness program for the Dominican Republic; improving insurance underwriting standards; and training for builders, designers, and workmen in how to retro-fit and strengthen low income houses in vulnerable areas.

Using techniques of hazard mapping to raise local awareness, the program subsequently carried on with an active training program and mini pilot projects that reached every USAID assisted country in the region. Some success was also achieved in the battle to regain the confidence of the insurance industry. The program's major accomplishments were as follows, each of them significant in a region that is so dependent on its natural habitat:

- The program reached agreement with the Caribbean Development Bank to begin including disaster risk assessments in its project preparation process;
- Local artisans and builders were trained throughout the region in the retrofitting and strengthening of low cost houses to withstand natural disasters;
- The region developed a capacity to undertake hazard mapping so that each country would have a clearer idea of where its most significant risks were;
- Disaster mitigation policies were adopted at the national level in Jamaica and are being put into effect;
- A successful model program for community participation in the Dominican Republic was developed and is being demonstrated in other countries;
- Lifeline loss reduction in essential utility services has been stressed and assessments carried out in a number of the countries;
- Insurance and re-insurance issues have been raised and addressed through a series of workshops, and progress has been made on coming to workable solutions that would make affordable insurance against natural disasters available in the region.

The program also succeeded in finding an institutional home for itself as the RUDO phased out its activities. It is now firmly and successfully located with the Organization of American States regional office in Kingston and continues to receive OFDA support.

10.3 Reaching the Urban Poor

The Caribbean region has been the source of a number of innovative approaches to reaching the urban poor. As did all other regions, the RUDO program in the 1960s stressed complete single family homes in the range of \$8,000–\$10,000 each. While these were modest homes, they were clearly not intended for the poorest of the poor. Beginning in the 1970s, however, and spurred by the Congressional mandate to provide basic services to the world's poor, the RUDO was able to put into practice all facets of the Housing Office's approaches to serving urban low income households. These included slum and squatter upgrading, sites and services, core housing, low cost housing for sale or rental, and community facilities. At the conclusion of the RUDO program in the region, the average cost of the services and solutions being provided had been reduced dramatically to less than \$1,000.

Jamaica's focus on the urban poor began when housing cooperatives in Montego Bay were supported in a 1972 Jamaica program. Deteriorating urban neighborhoods were upgraded in a Jamaica 1973 initiative, and slum areas in Kingston were targeted in 1978. One of the most ambitious projects for its time was a tenement upgrading program, that was, unfortunately, terminated in 1980 at the height of the Manley/Seaga political election violence. Work with the new Seaga government in the early 1980s concentrated on improving squatter areas. Activity in Barbados and the Dominican Republic paralleled the Jamaican track.

Jamaica's urban areas have grown rapidly over the past twenty years as poor, rural families move to urban areas in search of employment. These migrants have had great difficulty in finding and being able to afford decent housing. Often, they have simply squatted on vacant land. Such squatter communities lack the basic necessities of sanitation and running water and are unhealthy and unattractive. To find solutions that are affordable to the poor has been difficult. One excellent example, detailed in the section on the environment, involved Norwood and Rosemont, two low income squatter areas overlooking the resort areas of Montego Bay that had no sanitation facilities. These squatter areas presented a classic problem. RUDO and the government designed an environmentally sound solution that was at the same time affordable to the low income residents.

The Inner Kingston Project, discussed earlier, was also an ambitious and successful effort to reach low income residents in Inner Kingston in a comprehensive manner. It represents a model for community development and improvement of services for the urban poor that can be emulated in the rest of the Caribbean and indeed in other regions.

The RUDO's efforts have not been confined solely to Jamaica, although as the largest country, Jamaica has naturally been the target of much of the assistance. Another notable effort, discussed in Section 8 above, is the Cité Soleil project in Port-au-Prince, Haiti.

10.4 Housing Finance

From the 1960s into the 1990s, housing finance has been a recurring theme in many RUDO programs. This resulted from both outside and regional influences. The HG program was based in large part on the premise that sustainable housing development could only prosper if, as in the U.S., there were viable financial systems that would support the construction industry and make it possible for the average household to own a house.

The overall success of the housing finance efforts provides, unfortunately, more insights into reasons why it is so difficult to establish viable housing finance systems that serve the below median income household, than reasons for optimism. In the Caribbean, as in other regions, the success of housing finance cannot be viewed apart from the overall strength and success of the local economies and the local financial sectors, both of which in most countries in the region have not prospered greatly in the past twenty years. Many countries have had problems in servicing their international debts and have experienced currency devaluations and shortages of foreign exchange. Loan management and servicing have been made more difficult because of unstable economic conditions, inflation, and continuing high levels of unemployment. Finally, political

changes, such as in Haiti, have also profoundly affected the success of the housing finance effort. Nevertheless, there are successes to report and valuable progress was made in several countries in the region. The basis has been laid, as economic conditions evolve, for a successful housing finance system.

The first housing finance program took place in the Dominican Republic in 1969 as an effort to strengthen the DR's saving and loan system and establish a secondary market. This was quickly followed in 1972 by programs with the Caribbean Development Bank to create a secondary mortgage window to serve the primary institutions of the eastern Caribbean islands, and, in Jamaica, with a program with the Jamaica Mortgage Bank (JMB) for the secondary financing of lower middle income houses. This first program financed houses intended for lower middle income groups such as teachers, nurses, policemen, and other service professionals. Through the 1980s, the JMB continued to be a partner for USAID.

By the middle of the 1980s, the RUDO's approach in the region had evolved and housing finance had become a part of a larger strategic approach encompassing the broader private sector in all facets of the housing system. Dialogue between public and private entities, including the finance sector, was emphasized.

Finance had also expanded to include not only formal sector institutions, by this time, but also ways and means that the informal sector could be involved in the financing process. Building on this success, the RUDO began to study the informal sector in Haiti and to assess the potential for linking it with formal financial sector institutions. Unfortunately, later political events undid much, if not all, of the good work that had been accomplished.

The RUDO also assisted the Barbados Housing Credit Fund to develop into a successful secondary mortgage lender, which is today a self-sustaining and well managed institution.

**A Self Sustaining Capital Resource for Housing:
the Barbados Housing Credit Fund**

During the 1980s lower income families lacked access to long-term mortgage financing and to short-term reasonable priced home improvement loans. Using the proceeds of a \$10 million HG Loan, the Government of Barbados (GOB) created the Housing Credit Fund (HCF) in 1983 as a permanent revolving fund to expand the financing that was available to lower income families for housing. The HCF entered into partnership arrangements with banks, credit unions and mortgage companies to provide long and short-term financing that they in turn relent on reasonable terms to lower income homeowners who wanted to improve their homes and to buyers of new modest houses. As the lenders repaid their borrowings, the HCF relent the funds. The RUDO helped the HCF develop lending guidelines and policies and set up a computerized financial management system. Since 1983 the HCF has lent \$41.6 million and more than 6,600 homes, eight percent of the country's housing stock, have been financed. Of that amount \$22.2 million has been used for mortgages (880 loans), \$12.2 million for home improvement loans (5,700 loans) and \$156,000 for land purchase loans (55 loans). There have not been any defaults. As a result of the project, formal sector lenders not only continue to relent HCF funds, but also have

become comfortable in lending their deposits to lower income families. As a result of cooperation between the HCF and the lending community, lenders are routinely consulted by the GOB on housing policies. The HCF is well managed and has not experienced any defaults. Its modest administrative costs are funded from loan income. The HCF is a permanent and self supporting finance institution and continues to play an importance role in improving housing on the island.

Beginning in the mid-1980s, the RUDO's major effort in housing finance in Jamaica was with the Caribbean Housing Finance Corporation (CHFC) a secondary financial institution, and with a range of primary financial institutions. CHFC is a parastatal corporation. RUDO's primary purpose in working with CHFC was to change the role of government from that of a producer and financier of housing to that of facilitating private investment in low income housing. Thus, CHFC was strengthened to take on the role of lending to private institutions involved in shelter development, including credit unions, commercial banks, and building societies.

Continuing its interest and support for housing finance efforts, in 1991 the RUDO examined the feasibility of using HG funds to capitalize a secondary mortgage market for the countries that are members of the OECS. OECS decided not to take advantage of the HG program, but the RUDO provided useful advice on how to set up the secondary market, and it was established with funding from the International Finance Corporation (IFC) and the Home Mortgage Bank of Trinidad.

10.5 The Private Sector in the Caribbean

The role of the private sector in housing and urban development in the Caribbean was a focus for the RUDO for nearly the entire thirty-five years that USAID supported activities in this field. In Jamaica, this became a particularly sensitive subject during the late 1970s and 1980s, as the political battles between Michael Manley and Seaga raged and as the Reagan administration, with its strong belief in the role of the private sector, took office. In fact, in 1980, the first resident RUDO Director was forced to leave Kingston as a result of unsubstantiated charges that he was involved in internal political matters. In general, the Housing Office has strongly supported the involvement of the private sector in most aspects of the urban development process. The Caribbean region was no exception to this approach.

Prior to USAID's involvement in Jamaica, most new formal sector housing was built for middle-income families, while the GOJ built and owned all new low income housing. This approach was inefficient, costly, and, in the end, ineffective. It produced only a fraction of the housing that was needed. USAID encouraged the government to re-think its role in the sector and to turn to the private sector to design, build, finance, and sell new housing. USAID encouraged the government to use its limited resources more efficiently, target its subsidies to those most in need, and become a facilitator, rather than a producer, of housing. In order for this approach to work, the private sector had to re-think its own role in the production process and learn how to meet the needs of lower income households.

Beginning in 1982, with the adoption in Jamaica of a new National Housing Policy, the RUDO began to concentrate on three major areas: development of the public and private sector roles in

shelter and urban development; establishment of a stable housing finance system; and acceleration of housing production. Two results of the new housing policy were government divestment of housing stock and a shift toward greater private sector participation in the production of housing and in local economic development.

RUDO supported these trends with two major projects during the 1980s. These were the Jamaica Private Sector and Basic Shelter Program and the Inner Kingston Development Project.

The Jamaica Private Sector Program had three purposes: (1) to encourage Government to become a facilitator in the production process, rather than a direct producer; (2) to increase private sector participation in the design, construction, marketing, and sales of shelter for a range of different income levels; and (3) to expand the low income housing finance operations of the CHFC.

In the 1990s, as RUDO's attention turned more to municipal management, urban infrastructure and the environment, it maintained the basic tenets of its approach and its belief that a sensible partnership between the public and private sectors was the best way to achieve advances in the housing sector.

11 CONCLUSIONS

The RUDO played an effective and creative policy-making and development role in the Caribbean, a region of diverse cultures, tradition, and institutional systems. It achieved many successes despite the challenges of an inhospitable economic and foreign exchange environment; high levels of unemployment and poverty; the pressures of rapid urbanization; and lack of adequate public services, infrastructure, and environmental strategies.

The RUDO's role evolved over time as the mandates and objectives of the HG program and the Housing Office changed. The focus of the early years on financing housing projects and building savings institutions grew into a more systematic and comprehensive approach. The RUDO sought to help governments in the region develop explicit strategies and national housing policies. These strategies and policies targeted scarce financial resources to low income families and basic, affordable housing solutions. Principles of cost recovery, cost effectiveness, and targeted subsidies were incorporated into shelter policy making.

The RUDO and the governments in the region also came to recognize the need to improve the delivery capacity of both public and private sector shelter institutions. Government was clearly an inefficient housing producer and financier and increasingly could not support the shelter sector. Parastatal shelter organizations and the private builders and lenders were more efficient and responsive delivery mechanisms and had the technical and financial capacity to develop effective, sustainable delivery systems. They needed, however, to consider the special needs and problems of low income families and to offer affordable solutions. Despite many constraints, substantial

progress was made in improving national policy making and creating sustainable institutional systems to deliver shelter solutions.

At the same time the RUDO helped make governments and Missions in the region more aware of the problems that rapid urbanization and growth were creating. Urban areas required large investments in infrastructure, improved public services, job generation, and environmental protection. The RUDO helped design projects that demonstrated innovative approaches to dealing with urban economic development problems.

In the late 1980s, as housing assistance became less of a priority, and USAID policy shifted and began to view housing within a wide context of environmental concerns, RUDO projects were designed to address regionwide issues of water, wastewater disposal, pollution, sanitation, and disaster mitigation. Improving infrastructure and urban services and the environment became the focus of the RUDO strategy, and Jamaica's large scale housing program was brought to a close.

One of the most important legacies of USAID's housing efforts in the region may be the RUDO's skill building and institutional development efforts. The RUDO can take some credit for the fact that the complexities of housing and urban development issues are widely recognized in the region and are reflected in many intergovernmental cooperative efforts and partnerships between the public and private sectors. Government agencies have become more familiar with long-term planning and strategic approaches to urban problem solving. Housing officials are more aware of the need to set priorities and target resources and respond to market considerations and individual initiative. A cadre of experienced public and private sector housing professionals now work in the region.

The RUDO in Jamaica closed in August 1997, but the Jamaica Mission continues to manage the regional disaster mitigation initiative. The Office of Environment and Urban Programs in Washington continues to provide technical support on shelter and environmental concerns to Missions in the region.

APPENDIX A

SUMMARY OF HG LOANS AND TECHNICAL ASSISTANCE TO JAMAICA

001A; 002; 003

The early loans were used to build modest new houses in suburban Kingston. The first HG loan (532-HG-001A) was made to Jamaica in 1967, five years after independence. The loan provided \$6.3 to finance 969 core houses in St. Catherine Parish near Kingston. In 1972, a second HG loan (532-HG-002) provided \$1.1 million for 164 more core houses in Ensom City. The third HG loan (532-HG-003) approved in 1971 was used to finance 600 two and three bedroom houses in Spanish Town.

008

HG 8 (532-HG-008) was the next project implemented, although various other projects were planned but never approved. It provided \$1.9 million and financed housing cooperatives in the Montego Bay area. The innovative mixed use project was designed to include the cost of community facilities (e.g. schools and parks) in the cost of the housing.

009

HG 9 (532-HG-009), approved in 1973, provided \$10 million to finance two and three bedroom homes across the island. Sales prices could not exceed \$J 10,900. The project was designed to comprehensively upgrade deteriorating urban neighborhoods and squatter settlements. A substantial technical assistance and training program was incorporated into the project to strengthen the capacity of GOJ housing and infrastructure agencies.

010

HG 10 (534-HG-0010) was approved in 1978 under the Manley administration. It was a \$15 million loan targeted to low income families to upgrade slum areas such as Norwood in Montego Bay and Cassava Piece in Kingston with water connections, sewerage, electricity, and footpaths. The project was designed to upgrade slum tenement complexes, finance physical improvements in squatter areas, provide leasehold tenure to the squatter occupants, and finance home improvement loans in rural areas. The tenement complex program had to be terminated in 1980 due to serious management problems, escalating costs, and the political violence that arose from the election campaign.

011

HG 11 (534-HG-011) was a \$15 million project that reflected the new Seaga government's commitment to more actively involve the private sector in housing. Approved in 1983 it was designed to finance tenure, water, sewerage drainage roads and footpaths in squatter settlement

areas and home improvement loans for credit union members. The GOJ lent funds to the Jamaica Cooperative Credit Union League (JCCUL), which in turn lent to credit union league members. The outputs of the loan include 699 upgraded units, construction of 282 starter homes in five communities and 2,060 home improvement loans. Technical assistance was provided to the MEH and to the JCCUL to improve their technical capacities.

012

HG 12 was designed in conjunction with the GOJ's change in policy and was intended to encourage GOJ implementing institutions to move away from direct housing construction and financing and concentrate their resources on infrastructure and land delivery and look to the private sector to finance and construct housing. The project was authorized at \$30 million and \$22 million was disbursed. HG 12 was designed to have public and private sector components. Under HG 12A (Public Sector) authorized in December 1984 \$6 million was disbursed for starter homes and urban upgrading. Under HG 12B (Private Sector), \$10 million was allocated to encouraging private sector provision of housing and financing. The Caribbean Housing Finance Agency (CHFC) lent funds to the City of Kingston Credit Union and the JCCUL for home improvement activities and to Building Society's Development Limited to provide interim development financing and mortgages (for Sucaba Pen). Under HG 12 C (Basic Shelter), \$20 million was directed to financing basic shelter, particularly settlement upgrading and sites and services. Funds were used by the MEH for squatter upgrading in the communities of Norwood and Rosemont in Montego Bay. The remaining funds were used by the government to finance settlement upgrading and sites and services, However, implementation of this project was halted for nearly six years because of extended negotiations between and CHFC and the MEH and USAID about who would be responsible for assuming the foreign exchange risks arising from any devaluation of the Jamaica dollar and for repaying the U.S. dollar denominated loan.

013

HG 13 (Jamaica Shelter and Urban Services Policy Program) was authorized in September 1988 and \$19.4 million of which \$15 million represented new funds and \$4.4 million represented capitalized interest. The purpose of the project was to develop a self sustaining delivery system for shelter, water, sewerage and other urban services by making use of a sectoral policy approach to overcome policy, institutional, programmatic and procedural constraints in existing shelter and urban services delivery systems. The project was completed in June 1994. Outputs related to the project included implementation of minor water supply projects and water/sewer connections by the National Water Commission, development of serviced sites and upgrading projects by the MEH and issuance of mortgages serviced by building societies.

014

HG 14, the last HG loan, was authorized in March 1989. It provided \$18 million previously authorized under HG 12 and \$4.6 million in capitalized interest. Its objective was to complete projects that had been initiated under HG 12, particularly to lend funds to building societies and other financial institutions for affordable shelter for low income residents.

Technical Assistance Grants

Grant funds provided technical assistance to numerous GOJ agencies to help them carry out activities related to the HG program and shelter reform.

The Urban Sector Technical Assistance Project (532-0117) was designed to strengthen the capacity of urban institutions to plan and manage urban growth. It was approved in August 1985, and funding totaled \$900,000. The assistance focused on improving the urban development planning and growth management capacity of the Town Planning Department (\$550,000) and training capacity of the College of Arts, Science and Technology Building Department (CAST) (\$350,000).

Substantial technical assistance resources were made available to support implementation of HG 12 and 13. Project 532-0149, Technical Support for Shelter and Urban Services Project, begun in September 1989, was authorized for \$3 million. The project funded positions at the National Water Commission, supported the GOJ Sector Coordinating Committee and funded policy studies on various topics including land titling, local government, the urban environment and sewerage options for squatter areas.

APPENDIX B

SELECTED CARIBBEAN REGION HOUSING GUARANTY LOANS

Selected Caribbean Region Housing Guaranty Loans

Loan No.	Country	Date	Date	Amount	Disburse	Percent	Interest
		Contracted	Completed	(\$000)	d (\$000)	Disburse d	Rate
517-HG-003A	Dominican Republic	May-64	Sep-88	3,331.7	3,331.7	100.0	7.00
537-HG-003B	Dominican Republic	May-64	Sep-88	650.0	650.0	100.0	7.00
504-HG-001	Guyana	Nov-66	Aug-92	2,000.0	1,185.9	59.3	5.75
532-HG-001A	Jamaica	Aug-67	Mar-91	7,500.0	6,317.5	84.2	6.25
517-HG-005	Dominican Republic	Jun-68	Sep-91	2,135.0	2,118.0	99.2	6.50
517-HG-006	Dominican Republic	Apr-69	Jul-92	6,000.0	6,000.0	100.0	7.25
504-HG-002	Guyana	Jul-69	Jul-93	4,000.0	417.5	10.4	8.00
532-HG-008	Jamaica	May-70	Oct-94	3,000.0	1,887.7	62.9	8.25
532-HG-002B	Jamaica	Sep-71	Dec-87	4,952.0	5,018.8	101.3	7.25
517-HG-007	Dominican Republic	Nov-72	Oct-92	860.0	860.0	100.0	7.50
532-HG-002B	Jamaica	Nov-72	Jan-90	1,182.0	1,109.5	93.9	7.25
517-HG-008	Dominican Republic	Apr-73	Oct-94	4,000.0	4,000.0	100.0	7.50
532-HG-009 ^a	Jamaica	Dec-73	Mar-87	10,000.0	10,000.0	100.0	8.75
532-HG-010 ^b	Jamaica	May-78	Apr-88	15,000.0	15,000.0	100.0	8.73
532-HG-011	Jamaica	Mar-83	Apr-88	15,000.0	15,000.0	100.0	Floating
534-HG-001 ^c	Barbados	Jul-83	Feb-88	10,000.0	10,000.0	100.0	11.65
532-HG-012A ^d	Jamaica	Dec-84	Apr-88	6,000.0	6,000.0	100.0	Floating
532-HG-012B ^d	Jamaica	Dec-84	Apr-88	4,000.0	4,000.0	100.0	Floating
532-HG-012C ^e	Jamaica	Dec-87	Sep-97	12,000.0	12,000.0	100.0	Floating
532-HG-013 ^f	Jamaica	Sep-88	Jun-94	25,000.0	18,357.7	73.4	Floating
532-HG-014 ^g	Jamaica	Mar-89	Sep-97	24,000.0	22,639.2	94.3	Floating
Totals				160,610.7	145,893.5	90.8	

Source: HG program files.

^a This loan was refinanced on 1/3/94 at an interest rate of 6.06 percent.

^b This loan was refinanced on 3/1/94 at a floating interest rate.

^c In some HG records this loan was listed as 534-HG-002.

^d These two loans were refinanced on 3/1/94 at a lower floating interest rate.

^e This loan was refinanced on 7/1/92 at a lower floating interest rate.

^f The original loan amount of \$25 million was reduced to \$15 million plus \$5,357,666 in accrued interest.

^g Originally intended to be part of HG-012.