

662-0005

662-HG-001

Seychelles

Low-Income Shelter Development

FY 81

Project Paper

Seychelles Low-Income Shelter Development

662-HG-001

Office of Housing

Agency for International Development

August, 1981

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<b>AGENCY FOR INTERNATIONAL DEVELOPMENT</b> <b>PROJECT DATA SHEET</b>	<b>1. TRANSACTION CODE</b> <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	<b>DOCUMENT CODE</b> 3
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<b>2. COUNTRY/ENTITY</b> SEYCHELLES	<b>3. PROJECT NUMBER</b> 662-HG-001
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<b>4. BUREAU/OFFICE</b> AFR	<b>5. PROJECT TITLE (maximum 40 characters)</b> Low-Income Shelter Development
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<b>6. PROJECT ASSISTANCE COMPLETION DATE (PACD)</b> MM DD YY 09   31   84	<b>7. ESTIMATED DATE OF OBLIGATION</b> (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY 81    B. Quarter 4    C. Final FY 84
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8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant) ESF	( )	( )	( )	295	( )	295
Other U.S.						
1. HG Loan				2,500		2,500
2.						
Host Country GOS & Private Sec.					3,553	3,553
Other Donor(s) UNDP				200		200
<b>TOTALS</b>				<b>2,995</b>	<b>3,554</b>	<b>6,548</b>

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SD		860				295		295	
(2) HG	720		866				2,500		2,500
(3)									
(4)									
<b>TOTALS</b>									
								295	2,500

<b>10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)</b>	<b>11. SECONDARY PURPOSE CODE</b>
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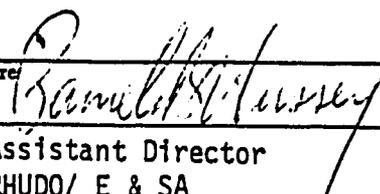
<b>12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)</b>									
A. Code									
B. Amount									

**13. PROJECT PURPOSE (maximum 480 characters).**  
 \*(non-appropriated)

1. Strengthen Seychelles Housing Development Corp. as housing finance institution capable of being economically self-supporting and capable of assisting lower-income groups.
2. To increase production of low cost housing by institutionalizing the aided self-help, minimal standard, maximum cost recovery approach to housing.

<b>14. SCHEDULED EVALUATIONS</b> Interim MM YY   MM YY   Final MM YY 06   83       10   84	<b>15. SOURCE/ORIGIN OF GOODS AND SERVICES</b> <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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**16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)**

<b>17. APPROVED BY</b>	Signature:  Title: Assistant Director RHUDO/ E & SA	Date Signed MM DD YY 08   20   81	<b>18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION</b> MM DD YY
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## I. SUMMARY AND RECOMMENDATIONS

### I.A. Introduction

This project will constitute AID's first effort in the shelter sector of this new nation. The HG loan will be made to assist the Seychelles Housing Development Corporation (SHDC) finance their 'District Housing Program' for families of below median incomes.

Housing has been a major issue in the Seychelles since Independence in 1976. Its elevation to the top of the Government of Seychelles (GOS) list of development objectives has come during a decade of rapid change. In a period of a few years the Seychelles economy has been realigned from an agrarian and fishing society to a service economy based on tourism. In 1977 the present government embarked on an ambitious development course stressing public interventions to achieve better social conditions, including the provision of new and improved housing. Some consequences have included the rapid rise of public sector expenditure and the recent introduction GOS-controlled limited corporations.

The Seychelles Housing Development Corporation is responsible for almost all aspects of housing in the country. The housing programs managed by SHDC include the District Housing Program (DHP), which is an effort by the GOS to develop scattered clusters of modern housing throughout the main islands using available infrastructure as much as possible. The DHP was approved in October, 1980, and represents a response to the perceived social difficulties of high density housing and the high costs of fully servicing such housing developments.

In late 1980 the GOS requested AID to determine the potential for a HG-financed project. Working with the staff of the SHDC, AID personnel and consultants studied the shelter sector and the District Housing Program and developed the types of program activities which could be included in an HG project. A PID was prepared by PKE/H and approved by Africa Bureau on August 4, 1981.

This project will have significant institutional as well as physical goals and outputs. The project and its related technical assistance will improve GOS project administration and cooperation between different shelter-related institutions, facilitate project execution, and improve the SHDC's capacity for project financing, management, and cost recovery.

The project will also have a significant impact on shelter policy in Seychelles. The HG loan, combined with technical assistance, which will be funded largely by Economic Support Funds planned for Seychelles, will stimulate and facilitate increased rationalization of shelter policy, particularly housing finance policy, by concentrating on financial issues such as housing subsidies, cost recovery practices, mobilization of local capital, and clearer delineation of the role of the private sector in the provision of lower-income shelter.

Construction management techniques will be combined with maximum use of local materials and beneficiary labor. Project designs and management are intended to reduce initial project costs and minimize recurrent costs to beneficiaries. Appropriate minimal construction standards will be used, and SHDC will organize a special program to assist self-help and small contractor construction efforts. Although SHDC may engage in some direct construction, particularly of water infrastructure, the bulk of the work will be performed by the private sector. The project will assist in creating a better working relationship between the new corporations and the private sector by assisting in institutionalizing the concept of 'aided self-help' housing construction.

It is anticipated that the private sector will also provide most of the building materials, while SHDC will monitor environmental concerns in relation to housing siting, construction, materials, and the provision of services.

### I.B. Summary Project Description

#### I.B.1. Goal and Purpose

The project goal is to improve living conditions among lower income households.

The purposes of this project are: a) to strengthen shelter institutions by developing the SHDC as a housing finance institution which is economically self-supporting and capable of assisting lower income groups, and (b) to increase production of low cost housing by institutionalizing the aided self-help, minimal standard, maximum cost recovery approach.

Anticipated end of project conditions include:

- \* shelter provided to 800 families with access to water, waste disposal, long term housing finance, and secure tenure.

- \* a strengthened SHDC with an improved capacity to plan, design, implement, and manage comprehensive low cost shelter programs in a manner that leads to an economically viable portfolio.

- \* a statement of policy by SHDC which delineates the roles of the public and private sectors in the provision of shelter.

#### I.B.2. Beneficiaries

The proposed project will directly benefit 800 low income families throughout the Seychelles through the provision of new shelter. Other households will benefit indirectly through the employment generating impact of project construction and through SHDC's increased capacity to provide further affordable low cost housing.

The household income range for the AID target population of the District Housing Program is from the 20th to 50th percentiles of income distribution, households earning from \$169 to \$277 per month.

### I.B.3. Project Outputs

The Seychelles shelter project will be comprised of approximately 800 low cost owner-occupied homes. The cost of these homes will average approximately \$6250 with the cost of individual houses varying according to plot size, house type chosen, and ability to repay. Beneficiaries will choose from a range of house sizes and types, assisted by SHDC to determine their needs and ability to repay. Shelter financed under the HG program will be affordable by a range of households below the median income (\$277 per month). It is estimated that employment will be increased through the high labor content of the proposed construction activities. The project will generate an estimated 1,675 person months of skilled employment and 3,560 person months of unskilled employment, not including self-help beneficiary labor, according to calculations based on construction employment data.

Institutional outputs will include the strengthening of the SHDC's capacity to plan, design, implement, finance, and manage comprehensive low cost shelter programs in a manner that leads to an economically viable portfolio. Elements of this institution building process will include strengthening SHDC's ability in financial planning by establishing stronger internal management and administrative controls and procedures to enhance analysis of costs, staff training, and program evaluation.

### I.B.4. Project Inputs

\* A HG loan of \$2.5 million will be authorized and contracted with an eligible U.S. investor.

\* The host country contribution to this project will take three forms:

a) beneficiary self-help labor and construction management, plus beneficiary contribution of personal savings, with an estimated total value of \$1 million.

b) the GOS will designate an amount equivalent to \$2.5 million to be lent from the Social Security Fund to the SHDC as 'matching funds' to be combined with the HG loan to create a larger loan pool with a lower combined interest rate.

c) GOS/SHDC contributions in the form of staff salaries and overheads related to project planning and implementation, valued at about \$53,000.

\* Technical assistance totaling \$295,000 will be provided from grant funds: \$120,000 from FY 1982 ESF grant funds and \$175,000 from FY 1983 grant funds.

### I.B.5. Important Assumptions

Benefits of the proposed project are targeted to below-median income households, who will own their completed dwellings on the basis of freehold tenure, with the right to sell. Should they sell their houses to households earning incomes above the median, the benefits of improvements in living conditions will flow toward households which are not eligible members of the

target population. Therefore, a key assumption underlying this project proposal is that sufficient financing for middle-income housing will remain available to SHDC to satisfy demand for housing credit among that group and forestall eventual appropriation of project units by currently ineligible higher-income households.

This problem cannot be overcome without undesirable restrictions of the right to sell privately owned property. However, consideration of circumstances in Seychelles indicate that the problem will be limited for the following reasons. First, demand for owner-occupied housing is high among lower-income groups; second, middle and upper-income households have been traditionally well-served with regard to access to housing credit; and, third, the total host country contribution to the pool of project housing credit is approximately 40% to 50% of the total local capital which can reasonably be expected to be allocated to SHDC over the life of the project. Therefore, sufficient housing credit for middle and upper-income housing should remain available to SHDC to restrain demand by those groups for housing completed and owned by lower-income households. Overall, while the problem may manifest itself in a few occurrences, there should be no significant flow of benefits to households outside the target group.

#### I.B.6. Other Donor Activity

The United Nations Development Program (UNDP) and the UN Centre for Human Settlements (HABITAT) have an established program of technical assistance to SHDC. This includes an architect-planner and several construction management UN Volunteers. It will also soon fund an engineer/building designer. The total funding support for the 1982/83 program is \$200,000. The U.N.-financed activity is aimed primarily at increasing SHDC's technical capacity for physically planning and managing increased levels of housing production. Since the proposed AID activity, including technical assistance, is directed primarily toward increasing SHDC's capacity to finance increased levels of housing production, the AID and U.N. activities are mutually very supportive and combine to maximize SHDC's capacity to replicate the project.

#### I.B.7. Other AID Activity

An AID grant-financed IRT (Improved Rural Technology) project on the island of Praslin is currently producing earth-cement bricks at prices competitive with concrete blocks. The project is located directly adjacent to a DHP housing site and several proposed subdivisions. It is anticipated that houses financed by this proposed housing project will utilize these materials and assist in the further development of the IRT project as an important source of construction materials on Praslin.

### I.C. Summary Findings

#### I.C.1. Economic Analysis

Tourism contributes nearly 90% of Seychelles foreign earnings and 35% of national income. Although revenues have not declined because of price increases and revaluation of the Seychelles rupee, the number of visitors has declined. This trend is expected to continue in the foreseeable future and may affect tourism earnings. The GOS, however, has managed

its development investment and budget well and the Seychelles had a 1980 balance of payments surplus of \$7.3 million. The debt service ratio is extremely low (1%) and the proposed HG loan would not significantly affect it.

### I.C.2. Social Analysis

Shelter problems in Seychelles vary widely by region of the country, but about 80% of the families who lack adequate shelter are from below median income groups. The District Housing Program will enable such families to gain access to modern housing within their own communities, eliminating potentially disruptive dislocation and improving community integration.

Self-help techniques among poorer families have worked well in prior Seychelles housing programs. Fuller development of the aided self-help concept will be encouraged by the HG project.

### I.C.3. Technical Analysis

A range of house plans, from 30 m<sup>2</sup> to more than 70 m<sup>2</sup> has been prepared by SHDC, providing a range of shelter solutions which can be matched to applicants' needs and abilities to repay. The cost of serviced land, building materials, and labor and transport have been calculated. Labor costs have risen nearly twice as fast as other construction costs during the past year. By encouraging maximum participation by beneficiaries as owner-builders, the HG project will assist lower income families to gain affordable shelter by controlling construction costs, especially labor costs, through use of personal savings to build and incrementally improve their shelter.

Using criteria developed by SHDC\*, 19 sites have been chosen for the first year of the District Housing Program and 11 sites for future expansion have been identified. All are urban infill or village extension sites relatively near existing services. "Infill" sites are undeveloped portions of an existing urbanized settlement.

Beneficiaries are expected to construct their own access within right-of-way reserves. SHDC will provide water service to the sites through direct construction or contracts with public or private contractors.

The program will use locally available materials to the extent possible, restricting import components to about 40% of total construction costs.

The nature of the proposed construction indicates that no significant harm will occur to the natural environment. Most construction materials are imported. The primary locally produced materials to be used,

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\*Criteria listed in Annex 10.

stone and timber, are present in sufficient quantity that any increased exploitation of these resources due to project construction will not have a significant impact on the total supply of these resources. It is anticipated that the project will have significant beneficial impacts on the social environment of the project beneficiaries.

#### I.C.4. Institutional Analysis

The major strength of the SHDC is its capacity to quickly and effectively process and service loans. The loan application process is normally completed within four weeks. SHDC could quickly and effectively disburse the HG loan and matching funds to lower income borrowers.

The HG loan and related technical assistance which comprise the project would provide for and encourage SHDC's development in the areas of financial policy and planning, and rationalize administrative procedures and functional structure. The GOS recently directed the parastatals and controlled limited corporations, including SHDC, to develop and implement manuals of procedures. The HG project would encourage this initiative and assist SHDC to effectively implement procedures which will foster institutional strength.

#### I.C.5. Financial Analysis

Total project cost will be about \$6.55 million, including beneficiary inputs, which are largely self-help labor.

Recovery of the shelter investment will be by means of monthly installments over repayment periods from 15 to 30 years at a variety of interest rates which ensure the fullest possible recovery of cost.

#### I.D. PID Issues

##### I.D.1. Institution Building

The primary purpose of this project is to increase the SHDC's capacity to manage comprehensive shelter programs in a financially viable manner. Elements of the institution building process are delineated in the body of the paper, particularly in Section II.D.2 and Section III, and in Annex 6. The key elements are those of investment planning, program management and administration, internal evaluation and analysis procedures, staff training, and portfolio management/cost recovery.

##### I.D.2. Technical Assistance and Training

SHDC's requirements for technical assistance, particularly in relation to institution building, have been examined and are set forth in detail in Annex 6. Technical Assistance will play a key role in transforming project inputs into institutional outputs, especially since SHDC is such a new organization. Technical assistance in the form of short term consultancies will aid SHDC by providing on-the-job staff training. In addition, training for senior SHDC staff will take place through their attendance at the annual AID Shelter Workshop for Senior Housing Professionals. The SHDC general manager will attend the Workshop in October 1981 and it is anticipated that other senior staff will attend in subsequent years.

I.D.3. Technical Assistance Budget

It is estimated that 26 person months of technical assistance is needed to execute this project. This technical assistance will be funded through the Economic Support Fund (ESF) in an amount totalling \$295,000: \$120,000 from FY 1982 ESF grant funds and \$175,000 from FY 1983 ESF funds. If this project is approved, these funds will be authorized.

Should funds be needed by this project prior to obligation of ESF funds in FY 1982, the Office of Housing will consider making available HG fee funds for technical assistance up to \$40,000.

I.D.4. Private Sector

The project relies heavily on private sector involvement through aided self help by beneficiaries and through private sector provision of building materials and skilled labor. SHDC will, as a matter of policy, formally delineate the roles of the private and public sectors in shelter provision. It is anticipated that the policy will assign to the private sector the role of providing most construction materials and labor while the public sector provides most of the needed housing finance.

I.D.5. Improved Rural Technology Project

The production of construction materials by the AID-financed IRT brick-making project was examined. The IRT project is producing satisfactory bricks which will be used to construct houses financed by the proposed housing project. SHDC is currently examining the prospects for increasing production levels on the Praslin IRT site, beginning production on Mahe Island, and anticipates selling the bricks at a profit. Refer to Section VI.A.

I.D.6. Environmental Issue

Increased exploitation of resources was examined as a general issue. The nature of the proposed increases in housing production indicate that increases in production of construction materials, primarily stone and timber, will have no significant impact on the total of these resources available in Seychelles nor will they have significant negative impacts on specific areas of Seychelles where resource exploitation takes place.

Environmental concerns such as housing construction, and siting, are of adequately met through the planning and management efforts of SHDC and the Department of Environmental and Technical Services of the Ministry of Planning and Development. Training and technical assistance needs with regard to these environmental concerns are being met by resident technicians, including planners, funded by several donors.

I.E. Summary of Inputs

The following inputs are proposed:

1. HG Loan:	\$2.5 million
2. ESF Grant FY 82:	\$120,000
3. ESF Grant FY 83:	\$175,000
4. GOS Matching Funds	\$2.5 million
5. Beneficiary Self-Help	\$1 million
6. GOS/SHDC Administrative Costs:	\$53,000
7. UNDP/UNCHS:	\$200,000
	<u>\$6,548,000</u>

Of the total inputs, \$2.79 million, or 42%, is provided by the AID-guarantied loan and AID-financed technical assistance.

I.F. Recommendations

Based on a review of the proposal set forth in this paper, it is recommended that the Housing Guaranty be authorized and the ESF grant be approved, subject to the availability of funds, as follows:

Amount of Housing Guaranty: \$2.5 million

Technical Assistance, ESF: \$120,000, FY 82; \$175,000, FY 83.

II. DETAILED DESCRIPTION

II.A. Background

II.A.1. Prior AID Activity

Following a GOS request that the potential for a HG loan in Seychelles be evaluated, AID prepared a Shelter Sector Assessment in early 1981 which contained the following major recommendations:

a. Institutional Development. Inputs are required to the SHDC to enlarge its financial management abilities, diversify sources of housing finance, increase staff knowledge of shelter solutions, and improve program development and management capabilities.

b. Delivery System Development. Coordination of implementing institutions requires improvement. The systematic, continuous, and sustainable delivery of adequate and affordable housing should become a goal of SHDC and shelter-related institutions.

c. Affordability, Standards, Materials. The shelter sector needs to examine these issues in terms of developing the concept of affordable shelter solutions for target income groups.

d. Subsidies. To adequately meet the need for shelter, housing expenditures should be recovered as fully as possible by developing affordability criteria and reinvestment policies which maximize SHDC's ability to finance new housing from its revenues. Current subsidy practices should be analyzed and rationalized.

It was felt that if the majority of the foregoing recommendations were carried out, GOS housing programs would be put on a more financially viable and self-sufficient basis. Through the implementation of this HG project, it is anticipated that significant progress will be made in this direction.

#### II.A.2. Population and Shelter Overview of Seychelles

With a population of only 63,500 persons, the absolute housing requirements of the Seychelles are very small. There is, however, a significant housing deficit concentrated among lower income households. The deficit is evidenced by overcrowding and unsanitary conditions. Population dynamics have made it difficult for the GOS, with its limited resources, to adequately address this deficit and meet new demand.

The 1977 Census measured the housing deficit as amounting to 1600 units (among 12,664 households). Another 2,270 houses were classified as in 'poor' condition, constructed of nondurable materials or in bad repair (20% of all houses). The deficit is located primarily on Mahe Island, the largest populated island in the country and the location of the capital.

On Mahe Island, where 88% of the total Seychelles population lives, the rugged terrain has compressed growth into a narrow coastal strip from Victoria, the capital, to Anse aux Pins. This corridor of urbanization grew 117% from 1960 to 1977 and now contains about one-half of Mahe's population on about 10 square miles of land, less than one-sixth of the island's total land area. This growth pattern has created the greatest concentration of inadequately sheltered lower income households in Seychelles.

Other regions of Mahe Island have different, less concentrated shelter problems. Villages in many rural areas rely on seasonal streams and wells for their water supply. Houses in the rural areas are far more likely to be overcrowded and built of nondurable materials than in urban and urbanizing areas. Residents of rural areas tend to have larger families and less access to community services, facilities, transport, and communications.

Overall, the housing problems of Seychelles break into two parts: an urban problem concentrated in the Mahe corridor, where land is a constraint and the population is growing at 7.2% per year; and a rural problem, including the smaller islands of Praslin and La Digue, which have 10% of the total population, where the development of infrastructure services has lagged.

The national housing deficit developed during a period of rapid population growth from the mid-1950's to the mid-1970's, when access to credit and land was extremely limited. In the past few years the growth rate has slowed and the GOS has encouraged family planning.

The Shelter Sector Assessment estimated a need for about 2,500 new houses by 1985 and about 8,000 to meet housing needs through the year 2000. Population growth over that period is anticipated to be 2.1% annually. Reducing the deficit while also meeting new demand will likely place a continuing heavy burden on the shelter institutions and the Seychelles economy.

### II.A.3. GOS Shelter Policies

The Seychelles National Development Plan for 1981-85 continues the high priority given housing in earlier plans. It calls for nearly 2.1% of the development budget to be invested in housing and sets forth a five year plan to substantially reduce the housing deficit.

Although a policy is not explicitly stated, the government suggests that the public sector provide the finance required and make land available, while the private sector be relied upon to construct housing and some infrastructure through beneficiary self-help and use of small private contractors.

There are no private housing finance institutions. Rather, local capital is mobilized through the Social Security System and is then lent interest-free to the SHDC to capitalize its housing programs. The plan calls for the construction of 500 houses annually during the plan period. The constraint to this GOS plan is the fact that other government departments and limited corporations also have access to the Social Security Fund. The SSF money received by the SHDC is not sufficient to enable it to achieve its shelter production goals without additional sources of funding.

A long-range goal of this project is to assist the SHDC to increase and broaden its access to sources of local capital. It is anticipated that the SSF will continue to be a major source of local capital for a variety of projects, including housing. The current constraints in the SSF-SHDC funding arrangement should be addressed in order to increase and make regular the amounts and timing of SHDC access to SSF funds in order to improve SHDC financial planning. The major constraint in the SSF-SHDC funding arrangement is the GOS-approved provision that the SSF lend to SHDC at no interest. This has inhibited SHDC's access to SSF capital because other corporations have been able to offer the SSF better returns on its investments, while lending to SHDC for housing is viewed as having a decapitalizing effect on the SSF.

The major purpose of the proposed project is to increase the financial viability of SHDC. By rationalizing SHDC's financial policies and improving its financial administration and management practices, the SHDC will significantly increase its revenues and be able to pay competitive rates of interest on monies it borrows, including funds from the SSF, while managing comprehensive shelter programs. By establishing a rational financial policy and demonstrating improved management through carrying out the proposed project, SHDC will become a more attractive borrower. It is estimated that a competitive rate of interest for SSF capital will be 7%. At the time of project completion SHDC will be in a position to pay interest at this rate.

Attaining improved financial viability will, therefore, permit SHDC to compete more vigorously for local capital, including SSF funds. In addition to improving SHDC's access to such capital, which will benefit the rational management of comprehensive shelter programs, the payment of competitive rates of interest for SSF capital will significantly reduce the decapitalizing effect on the Social Security Fund of investing in housing, ultimately benefiting the SSF's ability to meet the future needs for social security resources.

It is not expected that the SHDC will be able to pay a competitive rate of interest to the SSF for the initial inputs of SSF funds planned for this project. The initial inputs are anticipated to follow the current practice (0%) or provide a modest return (3%). The exact interest rate to be charged by the SSF will be determined by the GOS. However, it is expected that the interest rate will rise gradually as SHDC's financial ability improves with the assistance provided it by the project.

#### II.A.4. SHDC Programs and Strategies

SHDC was established in January, 1981, as a parastatal organized from the Housing Division of the Ministry of Planning and Development. It is expected to finance all housing and manage its operations on a break-even or profit-making basis. The GOS anticipates that SHDC will receive about \$3 million from the SSF during 1981 (a shortfall of about \$1.9 million from planned receipts). SHDC's charter does not permit mobilization of savings.

Until late 1980 housing programs were split into an upper income mortgage lending component for individual borrowers and a project oriented lower income component for self-help builders. The lower income component produced a high-density housing estate with expensive, high-standard infrastructure, but an insufficient number of units were produced and unit costs for services were high.

In October 1980, the GOS approved the District Housing Program (DHP), essentially ending the construction of housing estates of any size and merging the earlier two programs. Under the DHP land will be purchased and made available as scattered small sites close to infrastructure. The SHDC is establishing a single mortgage fund to provide all housing credit at varying rates of interest from 0% to 10%, depending on ability to repay. Mortgages cover up to 100% of total shelter costs. Management of this fund, called the 'Housing Loans Fund', is the SHDC's primary financial responsibility.

The SHDC has begun acquiring and subdividing the initial 19 sites of the District Housing Program. Five sites are now being developed and others are being planned. (See Annex 10 for a list of sites). By recovering the cost of the land, which SHDC sells to allottees at a profit, the SHDC is creating an acquisition fund to purchase more land. Another 11 sites have been identified for acquisition in the near future, probably during 1982 and 1983.

All the sites are urban 'infill' or village extensions which require minimal access or waterline construction. Where water service construction is required, the work is carried out by the Seychelles Water

Authority Ltd. The Water Authority's capacity to finance and construct such works is limited. Under the proposed project, SHDC would finance the necessary construction and the work would be done directly by SHDC or by contract to the Water Authority or private contractors.

The GOS has not yet enunciated a comprehensive housing finance policy which includes principles of cost recovery, rationalization of subsidies, and long-range financial and production planning. Technical assistance in conjunction with this proposed project will assist the GOS and SHDC to address these issues, and to delineate clearly the roles of the public and private sectors.

#### II.A.5. Private Sector

There are three areas of private sector involvement in this project:

First, the provision of housing for private ownership. Home ownership and owner occupancy are strongly encouraged by the GOS. All houses built through the project will be privately owned with freehold tenure.

Second, the provision of building materials. It is anticipated that most of the materials will be purchases by home builders in the private market. Some materials, especially timber, concrete blocks, and doors will be produced by private small producers. Some materials will be provided by GOS-controlled companies which compete directly with private sector producers and suppliers.

Third, house construction. It is expected that virtually all the houses built by the project will be constructed by individuals on a self-help basis, by privately contracted skilled labor, and by small contractors working for individual borrowers. This project will assist the SHDC to fully develop its Contractors Register of such small residential builders and assist them to gain opportunities for employment.

#### II.B. Coordination with Other International Donors

The proposed project and activities planned by UNCHS/UNDP are mutually supportive. The UNCHS/UNDP program provides assistance to SHDC in the areas of planning, engineering, and program management. The level of assistance is expected to continue at about \$200,000 during 1982/83. The UN program is helping SHDC increase its capacity to program and build housing to meet shelter needs; the proposed project will assist the SHDC to improve its capacity to finance housing needs. The existence of the ongoing UN assistance also lessens the amount of technical assistance AID would need to provide in the initial stages of the project. RHUDO/Nairobi and UNCHS's Technical Cooperation Division have an on-going program of collaboration.

In addition to UN activities, a World Bank-financed physical planner is assisting the GOS to prepare district development plans. SHDC coordinates with this planning process, which includes District Housing Program sites in the district plans.

### II.C. Project Goal and Purpose

The project goal is to improve living conditions among lower income households in Seychelles.

The purposes of this project are: a) to strengthen the SHDC as a housing finance institution which is economically self-supporting and capable of assisting lower income groups, and (b) to increase production of low cost housing by institutionalizing the aided self-help, minimal standard, maximum cost recovery approach.

The project completion date is September, 1984. Anticipated end of project conditions include:

- \* shelter provided to approximately 800 households, 400 through HG loan funds, and 400 households through Host Country contributions. Shelter provision will include access to water, waste disposal, long term housing finance, and secure tenure.

- \* a strengthened SHDC with the capacity to plan, design, implement, and manage comprehensive low cost shelter programs in a manner that leads to an economically viable portfolio. This will include verifiable SHDC procedures for program development, financial planning, organizational structure, administrative controls, cost recovery, operations evaluation, and staff training.

- \* an articulation of policy by SHDC which delineates its financial policies with emphasis on the roles of the public and private sectors in the provision of shelter.

### II.D. Project Outputs

#### II.D.1. Physical

This project will produce approximately 800 houses, the design of which is described in Section VI. These houses will be located on the 19 sites (described in Annex 10) which form the existing District Housing Program and on sites to be acquired by SHDC in 1982 and 1983. The exact house design will be determined by the size of the beneficiary's family and his/her ability to repay.

#### II.D.2. Institutional Outputs

Institutional outputs will include the strengthening of the SHDC's capacity to plan, design, implement finance, and manage comprehensive low cost shelter programs in a manner that leads to an economically viable portfolio. SHDC is the only shelter-specific organization in Seychelles and virtually the only source of housing finance. Realization of these outputs will aid replicability of concept and sustainability of performance. Elements of the institution building process to be addressed by the SHDC with the support of AID-funded TA are:

- \* Program Development. SHDC will establish procedures for setting out an annual program which targets the types and amounts of loans to the shelter needs to be met.

\* Financial Planning. SHDC will establish annual and long range procedures for estimating its financial requirements, identifying sources of funds, and its cost recovery program.

\* Program Management and Administration. Procedures and practices which provide stronger internal controls and place responsibility at appropriate staff positions.

\* Evaluation and Analysis. Procedures for regular evaluation of operations and analysis of costs.

\* Portfolio Management/Cost Recovery. Analysis of SHDC portfolio and lending patterns, development affordability criteria for borrowers, assessment of the costs and appropriateness of various lending instruments, including the graduated payment mortgage, and procedures for linking its portfolio yield to the cost of capital.

\* Staff Training. A staff training program, including counterpart training by donor-financed technical assistance personnel.

\* Institutional Coordination. Linkages with appropriate shelter-related organizations such as the GOS Planning Division, the Seychelles Water Authority Ltd., and the Social Security Fund, by means of regular staff meetings centering on program funding and implementation scheduling.

## II.E. Project Inputs

### II.E.1. HG Loan

A HG loan of \$2.5 million will be authorized and contracted with an eligible U.S. investor.

### II.E.2. Host Country and Other Capital

The host country contribution to this project will take three forms:

1. The GOS will designate a local currency amount equivalent to \$2.5 million to be loaned from the Social Security Fund to the SHDC as 'matching funds'. This amount will be combined with the HG loan to create a larger loan pool (\$5 million) with a lower combined interest rate. The GOS may in addition designate that its Treasury, which will be the borrower of the HG loan, absorb a portion of the HG loan interest.

2. Beneficiary self-help labor and construction management, plus beneficiary contribution of personal savings, with a total value of \$1 million.

3. GOS/SHDC contributions in the form of staff salaries and overheads related to project planning and implementation, valued at \$54,000.

4. UNDP/UNCHS technical assistance to SHDC, valued at \$200,000.

### II.E.3. Technical Assistance and Training

Short term technical assistance will be provided through grants of \$120,000 in FY 82 and \$175,000 in FY 83 from the Economic Support Fund (ESF). These grant funds will be used to provide specialized assistance to SHDC to strengthen its institutional capacities, primarily in the areas listed at Section II.D.2., Institutional Outputs. Refer to Annex 6 for detailed description of Technical Assistance and Training activities, priorities, and budget.

Through specific AID funded activities, such as the annual AID Shelter Workshop for Senior Housing Professionals, short term training will be provided to SHDC and other GOS officials in various aspects of shelter design, implementation, and financial management.

### II.F. Beneficiaries

#### II.F.1. Direct Beneficiaries

The direct beneficiaries of the \$2.5 million will be those below-median income families who receive mortgage loans to construct housing under the SHDC's lending program. The beneficiaries will be primarily from the income group between the 20th and 50th percentiles of income distribution, earning from \$169 (R.1,100) to \$277 (R.1,800) per month. (See Section V for income distribution). At an average cost of \$6,250 per housing unit, including an inflation factor, about 400 houses would be built under the AID-guaranteed loan. At an average family size of 5.5 persons there would be 2,200 direct beneficiaries.

#### II.F.2. Beneficiary Participation

Families applying for individual loans will choose that unit which best meets their needs within the price range they can afford from the range of plans offered by SHDC. They may also submit their own plans to SHDC for approval. SHDC will estimate construction costs and determine affordability before proceeding with the loan application, thus maximizing choice of design.

Families will also be able to apply for allocation of housing plots in any of the districts where DHP sites will be available (19 districts) although preference may be given in the allocation process to current residents of the district.

It is estimated that about one-third of the beneficiary families will perform all or most of the construction work themselves. Overall, about 50% of the total labor will be performed by beneficiaries, and the remaining labor will be performed by skilled labor or small contractors hired by borrowers. SHDC will provide assistance to borrowers with contractor selection and construction management.

#### II.F.3. Indirect Beneficiaries

The SHDC's capacity to design, finance, and manage comprehensive housing programs will be increased by the proposed project's institution building process and by the HG loan. Therefore, in addition to the direct

beneficiaries of the HG loan, there will be a significant number of indirect beneficiaries: those households who in the future are able to obtain housing credit because of SHDC's increase in capacity over its current levels. In addition, other indirect beneficiaries will include private sector laborers, small contractors, and materials producers and suppliers who gain employment as a result of increased SHDC activity.

### III. INSTITUTIONAL ANALYSIS

#### III.A. Implementing Agency

The Seychelles Housing Development Corporation (SHDC) is proposed as the implementing agency for this HG project. SHDC is a parastatal established in January 1, 1981, by the GOS specifically to improve the financial management of public sector housing. Since private sector involvement in housing finance is extremely limited, especially for poor people, SHDC is virtually the only formal shelter finance institution in Seychelles. It is involved in virtually all aspects of housing except for providing community facilities.

#### III.B. Policies and Objectives

SHDC was created as part of the GOS policy to achieve greater efficiency of management of GOS "commercial" activities by forming parastatals and limited corporations. The direction given SHDC, strongly influenced by the housing deficit, was to: first, emphasize housing production, and; second, to develop operating policies and practices that put public housing finance on a sound, commercially viable basis. The long term objective of SHDC is to create a revolving or reinvestment fund adequate to meet the demand and need for housing without requiring heavy capital infusions in the future.

#### III.C. Organization, Administration and Staffing

##### III.C.1. Organization

In its first seven months SHDC essentially adopted the organization of its predecessor, the GOS Housing Division. In August 1981, a new organizational structure was prepared. Approval by the President is expected. It is well-developed and workable, dividing operations into: 1. Finance and Accounting; 2. Loan Processing; 3. Construction Services; and 4. Management Services. SHDC's ability to fully implement this structure will be critical to its future efficiency.

##### III.C.2. Administration

Primary early emphasis has been placed on loan processing administration. Lending procedures which are highly effective and efficient have been established. In its first seven months SHDC processed more than 500 loans of various types, nearly doubling the total annual output of its predecessor organization. Loan processing and servicing is SHDC's major area of strength.

The emphasis on loan processing to increase housing production has created a heavy demand on the time of the limited management staff. As a result, implementation of other efficient administrative practices has lagged, especially in the areas of policies and procedures for operations and accounting; internal controls over revenue and expenses; staff training; and financial policy, planning and reporting. Skilled top managers frequently make decisions without full knowledge of SHDC's financial condition.

### III.C.3. Staffing

SHDC essentially is a skeleton institution in the process of growing. Top management, both administrative and technical, is highly skilled and competent. However, only five or six key personnel handle most aspects of management, and virtually all decisions are made by the general manager or his deputy. Many of their decisions, particularly on land subdivision and loans, are reviewed by the GOS.

SHDC has nearly 200 employees, 130 of whom are construction laborers and artisans. The remainder are largely clerical and administrative support staff. To operate efficiently under the proposed new organizational structure will require that SHDC locate skilled mid-level managers for vacant posts or engage in a vigorous staff training program. Most of the clerical and administrative staff is young, enthusiastic, and reasonably well educated. Improvements in their efficiency will depend largely on the SHDC's ability to implement its proposed organizational structure, locate key mid-level staff, and train personnel in specific tasks.

### III.D. SHDC 1981 Funding and Commitments

The SHDC's primary source of funds is from the Social Security Fund managed by the quasi-independent GOS Social Security Division. SHDC's charter does not permit it to mobilize savings or compete for other sources of local capital. SHDC's second source of capital has been from foreign housing loans and grants made to the GOS prior to SHDC's creation.

Both sources have committed funds to SHDC on an irregular basis, through the intermediary of the GOS Treasury, which acts as a broker in receiving and distributing local and foreign funds to the GOS ministries, the parastatals, and the limited corporations controlled by the GOS. GOS budget constraints and vigorous competition for SSF investment capital have created delays and shortfalls in the actual receipt by SHDC of funds planned for it.

As of August, 1981, SHDC had received a total of R.21.2 million (\$3.3 Million) from the SSF, the Treasury and foreign loans. It had committed, through loan approvals a total of R.30.8 million (\$4.8 million) and disbursed, as loan proceeds and operating expenses, a total of R.20.1 million (\$3.1 million).

In order to meet its current commitments to borrowers, SHDC will need R.9.6 million (\$1.5 million). In addition, it may need further infusions to cover operating expenses, but information on revenues and expenditures are inadequate to permit an accurate estimate of these needs.

In July SHDC began to slow down its rate of loan approvals in order to avoid becoming too over-committed. It appears evident that without a direct means to raise capital, SHDC will have a difficult time meeting its 1981 commitments without severely curtailing loan approvals. SHDC is unsure of the amount of SSF funding it will receive during the remainder of 1981. However, it does expect to receive an additional R.4 million (\$600,000) yet this year from West German housing funds already received by Treasury. Adequacy and regularity of funding has proven to be a major constraint in timely placement of loans. It is evident that SHDC will soon need to strengthen its financial planning capacity.

III.E. SHDC Operations

III.E.1. Current

From January to July 1981 SHDC made 504 loans of the following types:

<u>Loan Use</u>	<u>Number of Loans</u>
Buy site/build house	241
Build house (site owned)	105
Purchase existing house	54
Extend existing house	15
Home Improvement	<u>89</u>
Total	504

The loan terms charged by SHDC vary widely. Interest rates vary from 0% to 12% and the repayment period varies from 10 to 30 years. The procedure for setting loan terms is not explicit, but in general the size of the loan depends on the household's size and the monthly repayment is based on 25% of the household's monthly income. After the loan size and monthly repayment is set, the interest rate and repayment period is calculated. The interest rates charged on the 504 loans made by SHDC from January to July 1981 are:

<u>Interest Rate</u>	<u>Number of Loans</u>
0 - 2%	12
3 - 4%	128
4-1/2 - 6%	23
7 - 7-1/2%	82
8 - 8-3/4%	234
9 - 12%	25

The average loan for new house construction is R.75,000 (\$12,500). It can be assumed that interest rates of less than 7% are for loans to low-income borrowers. Of these 504 loans, 175 borrowers have begun to make repayments, which do not start, in the case of new housing, until construction is complete.

### III.E.2. Collections

In addition to its 1981 portfolio, the SHDC services another 2000 loans made by its predecessor organization from 1974 through 1980. The average size of these loans is R.60,000 (\$9,230). Most carry terms of 7-3/4% for 15 years. The delinquency rate on all SHDC managed loans is about 15%, an improvement over its predecessor. SHDC notifies borrowers when payments are one month late and plans to have a vigorous collection procedure, including visits to late-paying borrowers.

### III.E.3. Direct Construction

SHDC began an 'experiment' in late April 1981, to directly construct housing for lower-income buyers. This has resulted in SHDC's current high level of staff who are laborers and artisans. The purpose of this experiment is to gather data on construction costs in order to better control labor and material costs when lending to individual borrowers who manage their own construction, as well as to sell the houses, which will go to lower-income purchasers. This venture has strained SHDC's management and technical assistance capacity and it is doubtful whether record-keeping is adequate for the purpose. About 50 houses are planned for completion in 1981 under this experimental program.

### III.E.4. Contractor Register

Under a program begun in July 1981, SHDC has begun a register of contractors. It anticipates matching contractors to borrowers who need construction assistance. SHDC will determine the cost of the work to be done and pay contractors directly for work performed. It anticipates being able to better control costs and construction scheduling in this manner. This is a common and well proven practice in a number of countries and, if developed well, promises to reduce the costs of houses built in this manner.

### III.F. Assessment

Although set up to improve the financial management of housing, the GOS directed SHDC to give first priority to increasing housing production. This has been done very effectively by SHDC. Loan processing and servicing are SHDC's major strengths. However, emphasis on only one area has delayed SHDC's development in other areas, especially financial management. This is evident in the lack of internal controls, accounting procedures, staff deployment, financial policy and financial planning.

Since the SHDC is so new, it cannot be expected that all areas of management are well-organized. However, it is apparent that operational control and decision making is too centralized, causing great demands on the time of top management, which is stretched very thin. The General Manager and Deputy General Manager are not free to concentrate on the increasingly critical matters of implementing the revised organizational structure, seeking funding, formulating policies on finance and standards, and developing a strategy for pursuing the long-term objective of financial self-sustainability. In addition, up to now SHDC has played virtually no role in coordinating its activities with those of other shelter-related institutions, such as the Water Authority and the provision of community facilities by GOS agencies.

Despite these shortcomings, SHDC is off to a very good start. Its ability to successfully concentrate on its first area of priority has been demonstrated. There is little doubt that SHDC could quickly and effectively disburse funds received from the HG project to lower-income borrowers. In order to grow as an institution as a result of increased activity, however, SHDC will need to address its current weaknesses.

These constraints include an inadequate policy framework for determining interest rates, investment planning, and portfolio analysis required to manage comprehensive housing programs in a financially viable manner, especially in the long run; staff capacity to fully implement the new organizational structure and procedures for program administration; and strategies for attracting further local and foreign capital. It is proposed that the technical assistance and training elements of this project be directed primarily to these constraints.

#### IV. ECONOMIC ANALYSIS

##### IV.A. Structure\*

The Seychelles, a middle income country of 63,500 inhabitants, has become a service economy in the past 10 years. Since the opening of the international airport in 1971, tourism has become the dominant industry. Agriculture and manufacturing are increasingly insignificant contributors to the domestic product.

The main components of the Seychelles domestic product are:

- a. Tourism, generating over seven times the foreign exchange earnings of domestic exports of merchandise (main exports: cinnamon bark and copra, with frozen fish also making a substantial contribution to external earnings).
- b. Construction, which has fluctuated from 20% of GDP in 1972 to 9% of GDP in 1975.
- c. Government services, which have grown 10% annually over the last few years.
- d. Agriculture, whose share in the expanding domestic product has declined from 20% in 1972 to 10% in 1977.

Until 1978 the Seychelles benefited from a favorable set of circumstances:

- a. The growth of tourism.
- b. Significant grant assistance from the United Kingdom.
- c. Liberal economic policies that encouraged foreign private capital.
- d. Generous amounts of technical and financial assistance from international agencies.

Sources: World Bank Economic Memorandum, July, 1980; Seychelles Monetary Authority reports; GOS Statistics Division reports.

Since 1978, these circumstances have either been eliminated or have declined in magnitude. Financial resources and economic conditions are therefore severely strained, given the ambitious development program that is underway.

The 1980 performance of the economy was disappointing due to the following developments:

a. Tourism (visitor arrivals) declined by 10% adversely affecting many facets of economic activity. The 12% increase in tourism receipts reflected the rise in prices (in 1980, prices rose by 13.5%) rather than an increase in the average length of stay or average expenditure by tourists in real terms.

b. The current account (exports, imports, tourism income, foreign travel investment income) for 1980 experienced a R.54.2 (\$8.5) million deficit compared with corresponding deficits of R.33.2 (\$5.2) million in 1979 and R.35.7 (\$5.6) million in 1978.

The 1980 deficit was the result of increases in imports and in expenditure on foreign travel as well as a decrease in net investment income.

c. Business conditions, particularly in the private sector, remained slack, with only the public sector showing signs of significant activity.

d. Private sector credit, while expanding from R.156 (\$24.5) million in 1979 to R.171 (\$26.8) million in 1980, actually showed a 3.6% drop in real terms, after taking inflation into account.

Public sector performance, incurring a record level of capital expenditures in 1980 (R.190 million = \$29.8 million) continued to provide strong support to the economy. Although substantial finance for these expenditures come from abroad a healthy trend towards greater reliance on local resources has emerged. In 1980, R.54 million (\$8.5 million) in domestic finance was mobilized for investment in capital projects and parastatal companies.

#### IV.B. Public Financial Position

The financial position of the government continues to be relatively favorable. The GOS has successfully financed and efficiently managed its capital development—and recurrent budgets. Economic circumstances affecting Seychelles are well understood by the GOS.

##### IV.B.1. Expenditures/Revenue

Recurrent revenues and expenses have annually increased 22% and 23% respectively from 1977 through 1980. However, in the past year revenues have increased at a faster pace (22%) than (and exceeded) expenditures (12% increase).

This revenue trend, which exceeded budgetary expectations, is attributable to improved direct tax yields reflecting rising national income and more effective tax administration. Incomes from dredging of the Victoria inner harbor and oil exploration also generated additional tax revenues.

Recurrent expenditures have been increasingly dominated by social service and financial transfer allocations to health and education programs.

Capital expenditures which more than doubled in 1978 over 1977, increased 38% in 1980 over 1978. Since 1977 capital expenditures have reached one-third of total expenditures as compared with 20% in 1977.

#### IV.B.2. Balance of Payments

As analyzed above in the current economy section, the magnitude of the current account deficit has been increasing steadily over the past few years but particularly in 1980 (over the 1979 deficit). The imbalances have been covered by official loans and private investment which in 1980 totalled R.73.7 (\$13.7) and R.30.8 (\$5.7) million respectively.

#### IV.C. Economic Evaluation and Projections

The Seychelles economy, on account of limited resources and commercial activity, is structurally weak. This weakness is due to its heavy dependence on tourism and foreign capital.

In order to alleviate the economic constraints resulting from a one industry economy, diversification into areas with potential for the Seychelles such as commercial fishing or agriculture is required.

Economic conditions over the next few years are not likely to be much different from the 1978-80 period.

a. Prospects for a major upturn in the tourist industry are not good. Balance of payments pressures will therefore persist.

b. Private sector activity will continue to decline. The public sector, particularly the parastatal companies will have increasing responsibility to maintain the momentum of economic activity. Their demands on the available manpower and financial resources of the Seychelles could be excessive.

c. Substantial levels of foreign capital assistance as well as an increase in domestic capital efforts will be required for the government to maintain its capital investment oriented development strategy.

An important factor to be noted is the efficient financial management performance of the government. Recurrent revenues more than cover recurrent expenditures, with most capital improvement expenditures fully financed from a well-planned mix of domestic and external sources. In addition the government's development strategy, although perhaps too ambitious, is well-defined, with clear priorities oriented toward supporting long term development. The government's skills will be put to the test in the next few years when financial constraints are likely to intensify.

#### IV.D. Government of Seychelles Capacity to Repay

The Seychelles is credit worthy in terms of its ability and willingness to repay foreign obligations. With concessionary loans to the government having started only three years ago, the annual debt service as a percent of the value of exports of goods and services is extremely low, estimated to be less than 1% and therefore manageable. The proposed HG loan would not have a significant impact on this position.

#### IV.E. Project Financial Analysis

##### IV.E.1. Project Costs

The total cost of the project is approximately \$6.44 million, of which \$2.5 million will be an AID-guaranteed loan.

##### IV.E.2. Shelter Cost Recovery

The HG loan will be pooled with the SSF loan, providing a \$5 million package from which SHDC will make housing loans.

Capital cost recovery of the pooled financing will be by monthly mortgage repayments made by the beneficiaries. Where possible, SHDC will use payroll deductions. SHDC also operates a street-level walk-up counter and is prompt in following up on late payments.

Costs are presently recuperated by SHDC from lower income households on the basis of level monthly payment mortgages at interest rates ranging from 0% to 12% for 10 to 30 years. SHDC has the legal right to increase interest rates to borrowers with three months notice but has not yet exercised this option. Under this proposed project, SHDC will be assisted by AID to develop alternative mortgage approaches. SHDC will also be assisted to examine the possibilities of increasing the earnings of its current portfolio. It is expected that the GOS/SSF capital input into this project will lower the combined interest rate sufficiently so that an estimated return of 9% annually from project mortgages will recover all projects costs.

The exact rate of return on the package of mortgages will be determined by the terms of the HG loan and the SSF loan. Analysis of a lending package based on a HG loan of 15% for 25 years and an SSF loan for 7% for 25 years and on-loaned at 12% for 12 years, with annual surpluses reinvested in housing, showed that all costs could be covered. A second example of a possible lending package, based on a HG loan of 15% for 30 years and an SSF loan of 3% for 30 years, showed that on-lending at 9% for 30 years would also cover all costs. The exact interest rate of the SSF loan will be determined by the GOS after negotiating with HG investors.

##### IV.E.3. Costs of Loan Administration

The SHDC earned a positive spread of 0.8% between its revenues and total expenditures during the first six months of 1981. The costs of making 510 loans are included in total expenditures, but the exact cost of these operations cannot be determined. It is anticipated that with HG project

assistance SHDC will analyze loan administration costs along with other operating costs to determine its exact loan administration costs. It is expected that the return on project mortgages will cover SHDC loan servicing costs as well as other project costs.

#### IV.E.4. Cash Flow

As the various components of the SHDC cost recovery financial plan are more fully developed in detail, a Master Project Delivery Plan, including cash flow, will be prepared.

#### IV.E.5 Technical Assistance Costs

It is estimated that 26 person months of technical assistance is needed to execute this project. This technical assistance will be funded through the Economic Support Fund (ESF) in an amount totalling \$295,000: \$120,000 from FY 1982 ESF grant funds and \$175,000 from FY 1983 ESF funds. If this project is approved, these funds will be authorized.

Should funds be needed by this project prior to obligation of ESF funds in FY 1982, the Office of Housing will consider making available HG fee funds for technical assistance up to \$40,000.

### V. SOCIAL ANALYSIS

#### V.A. The Target Population

Beneficiaries of this project will be households earning up to the national median income, especially those between the 20th and 50th percentiles of income (\$169 to \$277 per month).

The shelter problems in Seychelles are frequently masked by the country's beauty and appearance of general well-being. The benign and equable climate, freedom from epidemic diseases, and generally abundant supply of fish and fruit make Seychelles a fortunate country. A number of socioeconomic indicators verify this. Life expectancy exceeds 70 years for women and 64 years for men. Malnutrition is infrequent. About half the housing is in good condition, connected to public water, and, on Mahe, to electricity. In addition, Seychelles is a middle-income country with a per capita GNP of about \$1100. These beneficial conditions have not, however ensured adequacy of shelter.

Services and income are distributed unequally. In 1979 the GOS Statistic Division estimated that the bottom 50% of households received only about 20% of total income. Services are more difficult to quantify, but data clearly show a distribution pattern similar to that of income. It is from this group, families earning up to the national median of R.1800 (\$277) per month, that beneficiaries of the HG project will come. Since Seychelles is so small in absolute terms and the HG project is in support of a national housing program of scattered sites, the target population includes below-median income families from all parts of Seychelles.

There are no typical "slums" in Seychelles. Rather, poor people are dispersed throughout the population and across the islands. Their shelter problems vary considerably. Shelter and services are most developed in Northern Mahe; least developed in Southern Mahe. The greatest concentration of lower-income shelter needs is found in the urbanizing areas of eastern Mahe, especially in the Plaisance - Anse aux Pins corridor. Overall, three regions have developed on Mahe, with these characteristics:

Victoria and northern Mahe - urban to moderately dense rural areas; incomes above average; greatest disparity of income distribution; highest levels of infrastructure, community services, health and cleanliness among children; best housing conditions; lowest density per room (1.4 persons per room).

Eastern Mahe (Plaisance - Anse aux Pins) - highest rate of urban growth; incomes about average; median levels of infrastructure and community services; lowest levels of health and cleanliness among children; density per room 25% above the national average of 1.6 persons per room.

Southern and Western Mahe - rural regions, low density populations; incomes below average; lowest levels of infrastructure and community services; median levels of health and cleanliness among children; density per room 50% above national average.

On Praslin and La Digue islands, which are primarily rural, housing conditions and service levels are at about national averages, except that electric service is not available. Incomes are below average.

Overall, the needs of the target population can be defined in two ways: an urban problem in the Victoria to Anse aux Pins corridor where land is least available and urban growth is estimated to be 7.2% per year; and a rural problem, especially in southern and western Mahe, where infrastructure development has lagged. Experience gained in earlier lower-income programs showed that applicants came from all parts of the island, indicating mobility and a willingness to move to wherever housing opportunities were greatest. The demand for 'a piece of land and a house' was stifled during pre-independence times when there was little access to housing credit or land. Knowledge of housing conditions among the poor, and their demand for land, were the major factors underlying the decision by the GOS to give a high priority to housing. Refer to Annex 7 for further details of the shelter needs of the target population.

Women are legally entitled to own land and housing. Women frequently are the borrowers of mortgage loans and manage the construction of housing, often providing substantial amounts of labor. About 8% of all households with children are headed by women and consist of only a mother and her children. In 5% of all households with children, the mother is the sole earner. Family structure in Seychelles is quite fluid. About 40% of all children live apart from their fathers, but only 20% of them receive any financial support from their fathers. These households tend to be significantly poorer than nuclear families. Gaining the opportunity for home ownership frequently improves their quality of life and promotes family stability. It is anticipated that among the individuals who gain the greatest benefits of increased housing opportunities offered by the project will be a significant number of women-headed households.

V.B. Income Distribution in Seychelles

Although income in eastern Mahe districts is near the national median, the 1979 survey found that about 80% of the households with children earned below median incomes. Employment in this region is largely in such occupations as domestics, fishing, construction labor, light industrial labor, and low-level government jobs.

Estimates of monthly family income for Seychelles were made by the GOS Statistics Division in its 1978 Household Expenditure Survey. Other data from the Statistics Division and the SHDC have been compiled and developed into the following table, which compares 1978 income and 1980 income for all Seychellois families.

MONTHLY INCOME (HOUSEHOLD)

Percentile of Population	1978		1980	
	Rupees (US\$1 = R.6.95)	Dollars	Rupees (US\$1 = R.6.5)	Dollars
10th percentile	500	72	800	123
20th	725	104	1100	169
30th	900	130	1400	215
40th	1000	144	1600	246
50th	1200	173	1800	277
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60th	1400	202	1950	300
70th	1650	237	2100	323
80th	2000	288	2400	369
90th	3300	475	4000	615

Income data for residents of southern and western Mahe is inadequate for comparisons to national data, but it is doubtful that they have benefited as much from income rises since dependence on casual employment in fishing, agriculture, and construction is higher in the rural areas than in the urban areas, and informal and private sector pay is somewhat lower than formal sector pay. Despite the probable regional differences in incomes, and recent fluctuations in lower-income levels, the R.1,800 per month national median is being used as the cut-off point for this project because overall data indicates that rural/urban differences are not great, and because the recent income rises indicate that the R.1,800 figure may well be conservative.

This project, to be implemented through the District Housing Program of the SHDC, is intended to reach lower-income households, especially those between the 20th and 50th percentiles of income, who can participate as individual mortgage borrowers who construct their own housing or who contribute labor while hiring some skilled labor. It is anticipated that with development of alternative mortgage instruments, some beneficiaries may come from income groups below the 20th percentile.

### V.C. Provision of Community Facilities

Community facilities such as schools, clinics, recreation fields and community centers are provided by GOS ministries separately from housing development. Programs to provide these services have been greatly expanded and are self-sufficient for funding and planning. Although project planning will attempt to more closely coordinate housing and community facilities provision, the project will not require the construction of additional community facilities.

## VI. TECHNICAL ANALYSIS

### VI.A. Technological Implications

With one exception, the materials, designs, procedures, techniques, and construction methods rely on traditional, commonly used practices well established in Seychelles. The exception is the planned introduction at one project site of cement bonded earth bricks produced by an AID funded IRT Construction Materials Industry project on Praslin Island. The bricks produced are of a high quality with an excellent finish and satisfactory crushing strength established by controlled compression testing. The cost of the bricks is competitive with concrete blocks and it is anticipated that with increased production, which can easily be accomplished, prices can be reduced. Using the bricks requires a higher degree of masonry skill than do concrete blocks. Masonry skills however are very well developed in Seychelles and widespread. A satisfactory demonstration house/office made of the bricks is nearing completion and a number of potential beneficiaries of the proposed HG project have expressed interest in building with the IRT bricks. Several individuals have voluntarily participated in producing bricks for their own use. No technological problems are anticipated in introducing this material.

#### VI.A.1. Project Sites

The District Housing Program through which the HG project will be implemented is a program of incremental development of small scattered sites. All sites are of the urban 'infill' type or are village extensions and are selected according to identified criteria, including the minimization of infrastructure construction. The procedure for identifying, acquiring, and subdividing land is well established. Sites in 19 districts have been identified, five have been subdivided, planning of remaining sites is proceeding, and 11 other sites are under consideration for future DHP expansion. In total, the number of plots to be made available will exceed the number required for the HG project.

#### V.I.A.2. Materials/Designs/Standards

The most commonly used construction materials will be concrete blocks, local stone, local and imported timber, and imported galvanized corrugated iron roof sheets. Virtually all finished materials are imported. With the exception of the IRT bricks, as noted earlier, all proposed materials are widely available and commonly used. Production and use of local timber is being encouraged by SHDC, which purchases small lots of timber from individuals for use in its direct construction and maintenance program. Imports are 40% of total costs.

House designs produced by SHDC technical staff cover a wide variety of types and sizes ranging from about 30 m<sup>2</sup> to more than 70 m<sup>2</sup>. House plans are sold by SHDC to borrowers for R.20 (\$3). A typical SHDC plan is attached as Annex 5. In addition, SHDC evaluates plans submitted by borrowers and estimates construction costs. Such plans must be approved by SHDC and the GOS Planning Division. House plans offered by SHDC are suitable to a variety for household sizes and incomes, and to climatic and site conditions.

The house design selection process maximizes choice by individual borrowers, guided by SHDC to determine household need and ability to repay. The basic standard followed is that of a beneficiary-built completed habitable shell of durable materials. This will be the standard for the HG project.

#### VI.A.3. Construction Methods/Employment

The aided self-help concept will be followed by this project to maximize self-help beneficiary inputs of both labor and management. SHDC will encourage self-help builders with technical assistance and facilitate the matching of small contractors to borrowers through its recently started Contractors Register. Beneficiaries are also expected to provide their own access and surface water control through mutual self-help assisted by SHDC. The labor intensive nature of the planned construction activities will produce considerable employment. It is estimated that the project will generate 130 person months of skilled employment and 250 person months of unskilled employment in plot servicing. House construction, excluding self-help inputs, will generate an estimated 1,545 person months of skilled employment and 3,330 person months of unskilled employment. Employment calculations are based on SHDC labor data and construction estimates.

#### VI.A.4. Sustainability and Replicability

Technically, the project is based on the premise that through aided-self-help, affordable houses can be produced by lower-income households. Financially, it is based on the premise that substantial amounts of below median income housing can be financed in Seychelles on a non-subsidized basis by prudent financial management of total available housing resources. Recent rises in incomes among lower income groups, a high desire for home ownership, and a tradition of self-help house construction indicate that the project has good prospects for sustaining a high level of production through replication of project design and techniques.

#### VI.B. Cost Analysis

Analysis of the costs of serviced land, building materials, and labor and transport show that shelter solutions of the standards proposed are affordable to a range of lower income households. The labor intensive nature of the construction, combined with the fact that labor costs have risen nearly twice as fast as material costs in the past year indicates that maximizing the aided self-help concept offers the best opportunity for controlling costs. SHDC will assist owner-builders to control construction costs through its loan disbursement procedure, which disburses loan proceeds to borrowers in four progress payments (30%, 30%, 30% and 10%). Each progress payment will be preceded by a site inspection and submission by the borrower of a schedule of expenditures.

It is anticipated that, given the range of house sizes and types planned and the range of household sizes, a wide variety of loan sizes and terms would be offered using different mortgage instruments. The average loan to be made is estimated to be \$6,250 (R.40,000). The average loan would be affordable to families of different incomes, if level monthly payment mortgages were used, on the following terms: (Repayments = 25% of monthly income).

20th percentile	7% for 30 years
30th percentile	9% for 25 years
40th percentile	10% for 20 years
50th percentile	11% for 15 years

The following affordability table illustrates the sizes of loans and types of shelter solutions affordable at various loan terms.

AFFORDABILITY TABLE

Income Percentile	Monthly Income	Monthly House Payment	Maximum Mortgage (9%/30yrs)	Type of Shelter Solution	Maximum Mortgage (12%/25yrs)	Type Shelter Solution
10th	\$123	\$31	\$3853	—	\$2,943	—
20th	\$169	\$42	\$5,220	A	\$3,988	—
30th	\$215	\$54	\$6,711	B	\$5,127	A
40th	\$246	\$61	\$7,581	C	\$5,792	A
50th	\$277	\$69	\$8,575	D	\$6,551	B

- NOTES:
1. Monthly Housing Payment Based on 25% of monthly income.
  2. Types of Solutions:
    - A — serviced land and 31m<sup>2</sup> core house.
    - B — serviced land and 47m<sup>2</sup> dwelling unit.
    - C — serviced land and 57m<sup>2</sup> dwelling unit.
    - D — serviced land and 68m<sup>2</sup> dwelling unit.
  3. Level monthly payments are assumed.

The table above illustrates two optional lending strategies which SHDC could pursue. Each would respond to different institutional needs and target population needs. While it is anticipated that the 800 total loans to be will be spread evenly across the target income group (20th to 50th percentiles of income distribution), the exact sizes of loans and types of terms will be varied by SHDC to broaden lower income access to credit as much as possible to meet beneficiaries needs while also maintaining a financially viable portfolio.

VI.C. Environmental Considerations

VI.C.1. Planning Considerations

The IFE prepared in June 1981 identified no major environmental issues but noted several areas for attention during project design: adequacy of waste disposal; construction on steep slopes; and stormwater runoff control. The SHDC site planning process deals adequately with these areas of attention. The planning process includes identification of sites using identified criteria; subdivision according to topographic details of the site; adequacy of plot size to ensure adequacy of waste disposal by means of septic tanks, and physical inspection of each plot. In addition, SHDC offers technical assistance to borrowers to ensure proper house siting. Stormwater runoff control by means of simple stone retaining walls is widely practiced by homeowners in Seychelles. Refer to Annex 11 for a typical SHDC subdivision plan, and to Annex 10 for map of sites. All proposed housing subdivision plans are submitted to the Planning Division of the Ministry of Planning and Development for approval. The Planning Division which falls under the Department of Environmental and Technical Services of the Ministry, examines the proposed plans with regard to environmental concerns as well as zoning considerations.

V.I.C.2. Increased Resource Utilization

As modified following review in July 1981, the IFE identified increased exploitation of natural resources as a general issue. The major resources used are stone (granite) in the form of stone blocks, aggregates, and dust and timber. Stone is greatly abundant in Seychelles, especially on the populated islands which are granite in origin. Virtually all the stone used in house construction in the form of natural stone or formed blocks will be stone found on the site itself. Aggregates and dust used in concrete block production are quarry products. Increased house construction will not result in a measurable reduction of Seychelles' granite resources. Much of the timber used in Seychelles is imported from Swaziland and Malaysia. The primary local timber used is albizzia. While some is produced by a government sawmill, most of the albizzia currently used is produced by very small local suppliers. Seychelles is densely wooded and albizzia is abundant. The total volume of local timber produced is very small. Increased exploitation of local timber due to increased levels of housing production will not result in environmental degradation or measurably reduce the total timber resource. An active reforestation program is carried out by the Department of Agriculture with donor assistance. Timber cutting is on a selective basis to minimize environmental degradation. Clear-cutting and other practices which denude areas of their timber resources are not practiced except in limited instances in which specific small areas have been cleared in order to establish another form of productivity such as tea planting or fruit farming.

V.I.C.3. Central Environmental Unit

The GOS in 1981 created a central Department of Environmental and Technical Services (DETS) within the Ministry of Planning and Development. Headed by competent staff, DETS coordinates environmental affairs, including cooperation with the GOS Department of Agriculture, which carries out reforestation projects, and with SHDC, which will monitor environmental

concerns related to shelter. While DETS does not have direct authority over all environmental concerns, the major planning considerations are directly under its control and coordination between DETS and other agencies does take place. An expanded environmental program is currently being formulated. Analysis of staff capacity and environmental activities indicates that Seychelles does not require technical assistance beyond that which it currently receives in order to adequately safeguard its environment and resources. Awareness of environmental concerns is high in Seychelles. The GOS is very aware that the natural beauty of Seychelles is a major element in attracting tourism, on which much of the economy depends. Should monitoring of this proposed project reveal a need for technical assistance with environmental concerns, efforts will be made to provide this assistance within the financial constraints of the project.

## VII. PROJECT IMPLEMENTATION

### VII.A. GOS Loan Management

The SHDC will be the implementing agency and the focal point of project activity. However, it is anticipated that the GOS Treasury will be the HG borrower, acting purely as a financial intermediary between SHDC and the U.S. investor. Treasury will on-lend the HG loan to SHDC and make the repayments to the U.S. investor. Treasury will absorb any losses due to exchange rate fluctuations. SHDC will be responsible for disbursing the HG loan to individual borrowers, collecting their repayments, and repaying the HG loan to the Treasury.

Accordingly, the U.S. investor will negotiate the HG loan directly with the GOS Treasury. The Treasury will execute the AID Guaranty Agreement and process all fund transfers including the initial drawdown(s) and ultimate loan repayments to the U.S. investor.

Although the Treasury will prepare the various financial requests, SHDC as the implementing agency will be required to submit the appropriate supporting documents. With respect to project technical assistance, SHDC will make requests directly to RHUDO/E&SA, which will use PRE/H Indefinite Quantity Contractors to the extent feasible to meet each need for consulting assistance.

### VII.B. AID Project Management

The proposed project is a significant part of AID's bilateral assistance program to the Seychelles. The AID Office of Housing (PRE/H) is responsible for HG program development, negotiation, and implementation. The Office of Housing's responsibilities will be carried out by its Regional Housing and Urban Development Office (RHUDO) for East and Southern Africa located in Nairobi, Kenya.

### VII.C. Project Monitoring and Evaluation

Evaluation of progress in meeting the outputs envisaged for the program will take place through RHUDO coordinated Regular Annual Evaluations. These evaluation reports will note any deviations from the project's purpose and scheduling and will present a detailed factual basis for such revisions of the program as may be necessary.

The reporting process will include periodic progress statements made by the SHDC to AID. These reports will include quantitative measures of the physical progress of project components and will be structured so as to be compatible with the guidance of the PRE/H Monitoring and Evaluation Manual.

In addition, and as an integral part of continuing project evaluation and review, AID will receive reports from short-term technical advisors who will periodically assist the SHDC with project implementation. It is anticipated that during project implementation quarterly fiscal and project reviews lasting two to three weeks will be carried out. Some of the areas RHUDO will pay special attention to are:

- Loan disbursements.
- Project cash flow - collections, remittances and loan commitments.
- Portfolio administration developments - arrearages, prepayments and development of audit procedures.
- Accounting and record-keeping.
- Implementation/Loan Agreement monitoring and assistance.

The SHDC will designate a member of its staff to act as 'AID Project Coordinator'. This individual will monitor project progress for the SHDC and note problem areas to discuss with the AID funded technical advisors. The "AID Project Coordinator" will oversee the production of such reports as may be required during the period of project implementation.

#### VII.D. Project Agreements

The following agreements will be required:

1. Implementation Agreement: This agreement between AID and the GOS details the procedures for execution of the project, covenants, conditions precedent, the reporting requirements, and limitations on the uses of HG funds.
2. Guaranty Agreement: This agreement between AID and the U.S. investor insures the latter against loss.
3. Host Country Guaranty: This agreement between the GOS and AID insures against Loss.
4. Loan Agreement: This agreement states the loan terms between the GOS borrower and the U.S. investor.

A Master Project Delivery Plan will be prepared prior to advertising for a U.S. investor. It will be updated prior to each disbursement.

AID 1020-28 (1-78)  
SUPPLEMENT 1

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Project Title & Number: Seychelles Low Income Shelter Development

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.)

Life of Project: From FY 81 to FY 84  
Total U.S. Funding: \$2.79 million  
Date Prepared: AUG. 20, 1981

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p> <p>To improve the living conditions of lower income households.</p>	<p>Measures of Goal Achievement: (A-2)</p> <ol style="list-style-type: none"> <li>1. SHDC increases amount of housing finance available to below-median income households.</li> <li>2. SHDC increases its output of units for lower-income households.</li> </ol>	<p>(A-3)</p> <ol style="list-style-type: none"> <li>1. GOS records</li> <li>2. Census data.</li> </ol>	<p>Assumptions for achieving goal targets: (A-4)</p> <ol style="list-style-type: none"> <li>1. GOS continues to support a policy of lending to below-median income households.</li> <li>2. GOS continues to allocate Social Security Fund resource to SHDC.</li> <li>3. SHDC is able to develop economically viable mortgage portfolio.</li> <li>4. Demand for affordable housing units remains strong among lower-income households.</li> <li>5. Successful HG demonstration process for increasing housing production and improving living conditions of lower-income households is adopted and replicated by GOS.</li> </ol>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project: 84  
From FY 81 to FY 84  
Total U.S. Funding \$2,79 million  
Date Prepared: August 20, 1981

Project Title & Number: Seychelles Low-Income Shelter Development

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose: (B-1)</p> <ol style="list-style-type: none"> <li>To increase the production of lower-income housing through institutionalizing the aided self-help, minimal standard, maximum cost recovery approach to housing.</li> <li>To strengthen SHDC as a housing finance institution capable of supporting itself and assisting lower-income households.</li> </ol>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)</p> <ol style="list-style-type: none"> <li>800 households provided with shelter, access to water, waste disposal, secure tenure, and long term housing finance.</li> <li>SHDC planning, designing, financing, and managing comprehensive lower-income housing programs.</li> <li>SHDC establishes policy delineating roles of public and private sectors in the provision of shelter (policy based on aided self-help concept) and manages a financially viable mortgage portfolio.</li> <li>SHDC establishes procedure for internal control and administration.</li> <li>SHDC increasing its sources of capital.</li> </ol>	<p>(B-3)</p> <ol style="list-style-type: none"> <li>SHDC records.</li> <li>RHUDO-PRE/H site inspections.</li> <li>Project monitoring and evaluation.</li> <li>SHDC reports.</li> <li>Technical assistance advisors reports.</li> <li>SHDC policy statement.</li> <li>SHDC manual of procedures.</li> </ol>	<p>Assumptions for achieving purpose: (B-4)</p> <ol style="list-style-type: none"> <li>Persons within target group willing and economically able to pay for improved shelter and services.</li> <li>SHDC able to recruit sufficient qualified mid-level technical management staff to carry out shelter planning, financing, and design tasks.</li> <li>GOS supports continuing role for private sector in materials production and concept of progressive construction through owner-contributed labor.</li> <li>SHDC accepts and implements consultant recommendations for effective management practices.</li> <li>GOS regularizes and increases its SSF contribution to SHDC and identifies other sources of capital.</li> </ol>

AO 1020-22 11-730  
SUPPLEMENT 1

**PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK**

Life of Project: \_\_\_\_\_  
From FY \_\_\_\_\_ to FY \_\_\_\_\_  
Total U.S. Funding \_\_\_\_\_  
Date Prepared: \_\_\_\_\_

Project Title & Number: \_\_\_\_\_

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Outputs: (C-1)	Magnitude of Outputs: (C-2)	(C-3)	Assumptions for achieving outputs: (C-4)

**PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK**

Life of Project: \_\_\_\_\_  
 From FY \_\_\_\_\_ to FY \_\_\_\_\_  
 Total U. S. Funding \_\_\_\_\_  
 Date Prepared: \_\_\_\_\_

Project Title & Number: _____			
NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: (A-1)	Measures of Goal Achievement: (A-2)	(A-3)	Assumptions for achieving goal targets: (A-4)
Project Purpose: (B-1)	Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)	(B-3)	Assumptions for achieving purpose: (B-4)
Project Outputs: (C-1)	Magnitude of Outputs: (C-2)	(C-3)	Assumptions for achieving outputs: (C-4)
Project Inputs: (D-1)	Implementation Target (Type and Quantity) (D-2)	(D-3)	Assumptions for providing inputs: (D-4)

AID 1020-20 (1-72)  
SUPPLEMENT 1

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY \_\_\_\_\_ to FY \_\_\_\_\_  
Total U.S. Funding \_\_\_\_\_  
Date Prepared: \_\_\_\_\_

Project Title & Number: \_\_\_\_\_

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Purpose: (B-1)	Conditions that will indicate purpose has been achieved: End-of-Project status. (B-2)	(B-3)	Assumptions for achieving purpose: (B-4)

**PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK**  
Seychelles Low-Income Shelter Development

Life of Project: \_\_\_\_\_  
From FY 81 to FY 84  
Total U.S. Funding \$2.79 million  
Date Prepared: August 20, 1981

Project Title & Number: \_\_\_\_\_

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Outputs: (C-1)</p> <ol style="list-style-type: none"> <li>1. Low cost shelter units.</li> <li>2. Serviced plots for above shelter units.</li> <li>3. Viable lower income mortgage portfolio.</li> <li>4. SHDC capable of planning, financing, and managing comprehensive lower-income housing programs.</li> </ol>	<p>Magnitude of Outputs: (C-2)</p> <ol style="list-style-type: none"> <li>1. 800 housing units of a range of types and sizes.</li> <li>2. 800 serviced plots for above housing.</li> <li>3. SHDC portfolio earnings exceed debt obligations.</li> <li>4. SHDC planning, financing, and managing 400 new lower-income construction loans annually.</li> </ol>	<p>(C-3)</p> <ol style="list-style-type: none"> <li>1. SHDC records.</li> <li>2. Site inspections.</li> <li>3. Technical assistance advisor reports.</li> <li>4. Analysis of SHDC portfolio.</li> <li>5. Monitoring and Evaluation.</li> </ol>	<p>Assumptions for achieving outputs: (C-4)</p> <ol style="list-style-type: none"> <li>1. SHDC retains and trains skilled personnel.</li> <li>2. Construction carried out within estimated costs.</li> <li>3. SHDC acquires and services land in an adequate manner.</li> <li>4. SHDC commitment to lower-income housing continues.</li> <li>5. SHDC continues commitment to upgrading earnings from portfolio and increasing other revenues.</li> </ol>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Project Title & Number: Seychelles Low-Income Shelter Development

Life of Project: From FY 81 to FY 84  
Total U.S. Funding \$2.79 million  
Date Prepared: August 20, 1981

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Inputs: (D-1)</p> <ol style="list-style-type: none"> <li>1. HG Loan.</li> <li>2. GOS/SSF Investment.</li> <li>3. Beneficiary self-help investment.</li> <li>4. PRE/H technical assistance funding.</li> <li>5. FY83 ESF technical assistance grant.</li> <li>6. SHDC administrative costs.</li> </ol>	<p>Implementation Target (Type and Quantity) (D-2)</p> <ol style="list-style-type: none"> <li>1. \$2.5 million housing guaranty loan authorized.</li> <li>2. GOS-designated \$2.5 million in SSF monies as matching funds.</li> <li>3. Self-help inputs of labor and construction management valued at \$1 million.</li> <li>4. PRE/H funding of \$40,000 in technical assistance.</li> <li>5. FY83 ESF grant of \$150,000 approved.</li> <li>6. SHDC administrative costs valued at \$53,000.</li> </ol>	<p>(D-3)</p> <ol style="list-style-type: none"> <li>1. Lender and borrower reports.</li> <li>2. RHUDO monitoring and evaluation.</li> <li>3. SHDC records.</li> <li>4. Technical advisors reports.</li> </ol>	<p>Assumptions for providing inputs: (D-4)</p> <ol style="list-style-type: none"> <li>1. HG investor available.</li> <li>2. GOS accepts HG loan proposal.</li> <li>3. SSF has adequate resources available.</li> <li>4. Beneficiaries carry out aided self-help construction.</li> <li>5. Technical assistance personnel available.</li> <li>6. ESF funding available.</li> </ol>

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REDO FILE  
OFFICIAL FILE

X: RHUDO FILE

UNCLASSIFIED

ACTION  
REDO  
RHUDO

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P 040727Z AUG 81  
FM SECSTATE WASHDC  
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RUEHNR/AMEMBASSY NAIROBI PRIORITY 5161  
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CHRON	1
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DATE RECD	12
DATE DUE	8/5
ACTION TAKEN	
INITIALS	
DATE	8/6

AIDAC NAIROBI FOR REDSO AND RHUDO; FROM ACTING AA/AFR  
E.O. 12065:N/A

TAGS:

SUBJECT: SEYCHELLES--LOW-INCOME SHELTER DEVELOPMENT  
HOUSING GUARANTEE (662-HG-021)

1. A. ACTING AA/AFR HAS REVIEWED PID FOR SUBJECT PROJECT  
AND AUTHORIZES DEVELOPMENT OF PROJECT PAPER.

P. PROJECT COMMITTEE, COMPOSED OF REPRESENTATIVES OF  
AFR/EA, AFR/DR/EAP, AFR/DR/SPD, PRE/E, AFR/DP AND GC/E,

MET JULY 24, 1981, TO REVIEW SUBJECT PID. PC MEMBERS  
DISCUSSED AND RESOLVED A NUMBER OF QUESTIONS CONCERNING  
THE PROPOSED HG. THE ISSUES LISTED BELOW ARE TO BE AD-  
DRESSED BY THE DESIGN TEAM.

2. ISSUES

A. WHILE THEY ARE NOTED IN THE PID TEXT, THE INSTITUTION  
BUILDING ASPECTS OF THE PROJECT ARE TO BE MORE CAREFULLY  
DELINEATED IN THE FINAL PROJECT PAPER. THESE ASPECTS  
ARE TO BE SET OUT MORE CLEARLY AND CONSISTENTLY IN THE  
LOGFRAME AND PROJECT DESCRIPTION. THE LOGFRAME'S  
OBJECTIVELY VERIFIABLE INDICATORS SHOULD BE EXPRESSED  
IN MORE QUANTIFIABLE TERMS.

B. THE DESIGN TEAM IS TO EXAMINE CAREFULLY THE TECHNICAL  
ASSISTANCE AND TRAINING REQUIREMENTS OF THE PROJECT,  
ESPECIALLY IN RELATION TO THE INSTITUTION BUILDING  
EMPHASIS. CAREFUL ATTENTION MUST BE GIVEN TO BUDGETING  
FOR THE TA AND TRAINING. THE PC IS CONCERNED THAT THIS  
BUDGET BE DEVELOPED FROM AN EXAMINATION OF THE ACTUAL  
REQUIREMENTS AND NOT FROM AN ASSUMPTION OF HOW MUCH ESF  
OR PRE/E FUNDING MIGHT BE AVAILABLE.

C. THE DESIGN TEAM SHOULD EXAMINE THE POSSIBLE IMPACT OF  
DELAYED PROVISION OF ESF FUNDING AND PROVIDE ALTERNATIVE  
RECOMMENDATIONS SHOULD ESF NOT BECOME AVAILABLE AS  
CURRENTLY PLANNED.

D. THE PP IS TO DESCRIBE THE RELATIONSHIP OF THIS  
PROJECT TO THE SEYCHELLES PRIVATE SECTOR. THE DESIGN  
TEAM IS TO EXAMINE HOW THE PROJECT MIGHT WORK MORE CLOSELY  
WITH THE PRIVATE SECTOR.

E. IN VIEW OF THE HIGH PERCENTAGE AND COST OF IMPORTED MATERIALS FOR SEYCHELLES SHELTER CONSTRUCTION, THE DESIGN TEAM SHOULD LOOK AT THE ON-GOING IRT ACTIVITY IN THE SEYCHELLES AND DISCUSS HOW THE BLOCKS BEING PRODUCED COULD BE USED IN CONSTRUCTION FUNDED THROUGH THE HG. THE PP SHOULD ALSO EXAMINE ADDITIONAL ALTERNATIVE SOURCES OF LOCALLY AVAILABLE MATERIALS.

3. PRE/H, IN COLLABORATION WITH AFR/DR/SDP, WILL MODIFY THE IEE TO: 1) IDENTIFY INCREASED EXPLOITATION OF NATURAL RESOURCES AS A GENERAL ISSUE TO BE EXAMINED DURING PP DEVELOPMENT; 2) RECOMMEND A NEEDS ASSESSMENT FOR TA AND TRAINING IN ENVIRONMENTAL CONCERNS IN RELATION TO HOUSING CONSTRUCTION, SITING AND PROVISION OF SERVICES; AND 3) RECOMMEND THAT THE DESIGN TEAM IDENTIFY APPROPRIATE TA AND TRAINING, EITHER WITHIN THE PROJECT OR THROUGH OTHER MECHANISMS, IF REQUIREMENTS ARE IDENTIFIED IN THE NEEDS ASSESSMENT. THE AFR ENVIRONMENTAL OFFICER WILL REVIEW THE MODIFIED IEE; ADDRESSEES WILL BE ADVISED BY SEPTEL WHEN IT IS APPROVED.

4. TO EXPEDITE DEVELOPMENT OF THE PP FOR FY 1981 AUTHORIZATION, THE PC HAS CONCURRED IN THE DESIGN TEAM'S DEPARTURE IN ADVANCE OF FORMAL APPROVAL OF THE PID. ADDRESSEES HAVE BEEN ADVISED BY SEPTEL OF PLANNED ETAS.

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STATE 205291

**MINISTRY OF PLANNING AND DEVELOPMENT**  
**DEPARTMENT OF ECONOMIC PLANNING AND COOPERATION**

P. O. Box 199, Unity House, Republic of Seychelles  
 Telex : 2268 MINWP SZ Telegrams : MINPD, Seychelles Telephone 22321



Please address all correspondence to the Principal Secretary

Your Ref :  
 Our Ref : ECON/1/5  
 Enquiries To :  
 Telephone Ext :  
 Date : 13th August 1981

**Mrs. Pamela B. Hussey**  
**Assistant Director**  
**RHUDO/E & SA**  
**P O BOX 30261**  
**NAIROBI KENYA**

**Dear Ms Hussey**

**GOVERNMENT OF SEYCHELLES/U.S.A.I.D. LOW-INCOME HOUSING DEVELOPMENT**

Minister M. Ferrari and I have had discussions with you and your staff during the past year to investigate whether U.S.A.I.D. through its Housing Guarantee Program and related technical assistance could help us address the Seychelles' low income housing needs. Following these discussions, A.I.D. staff and consultants prepared a proposed housing program which would involve a \$2.5 million Housing Guarantee loan plus \$2.5 million matching funds from the Seychelles Social Security Fund. I have recently reviewed the draft project summary and recommendations.

The purpose of this letter is to inform you that this Ministry, as representative of the Seychelles Government, hereby requests U.S.A.I.D. to proceed with project development of the proposed Housing Guarantee loan and technical assistance.

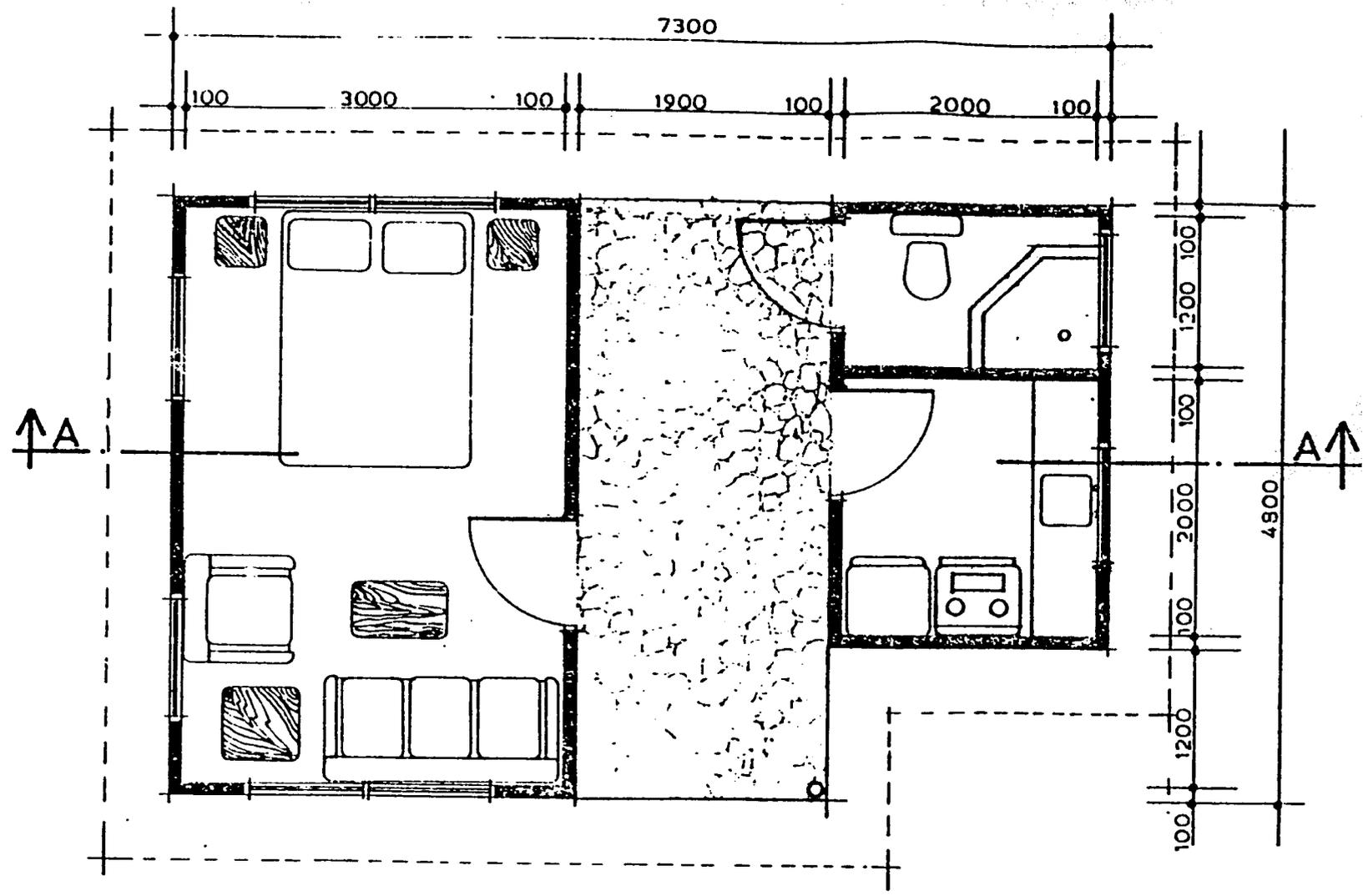
I understand that the proposed Project Paper for this HG loan will now be submitted to U.S.A.I.D. in Washington for review and approval in August/September 1981. I hope that this review process proves favourable, and that we can look forward to program commencement in the near future.

Yours sincerely

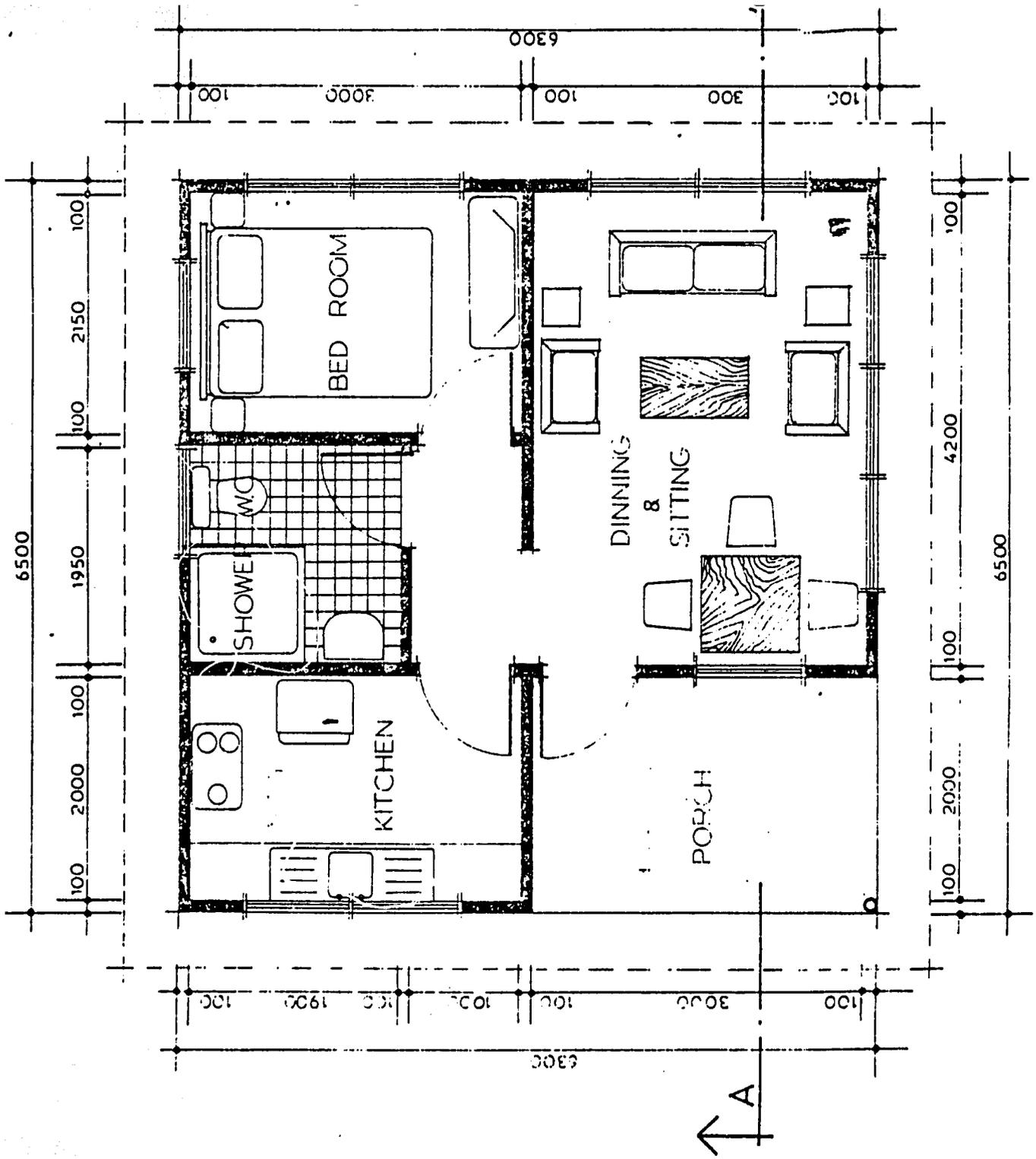
  
**R. W. J. Grandcourt**  
**Principal Secretary**

c.c. Mr. Dawkins  
 US Charge D'Affaires

ANNEX 5  
SHDC HOUSE DESIGN: 31.81 m<sup>2</sup>

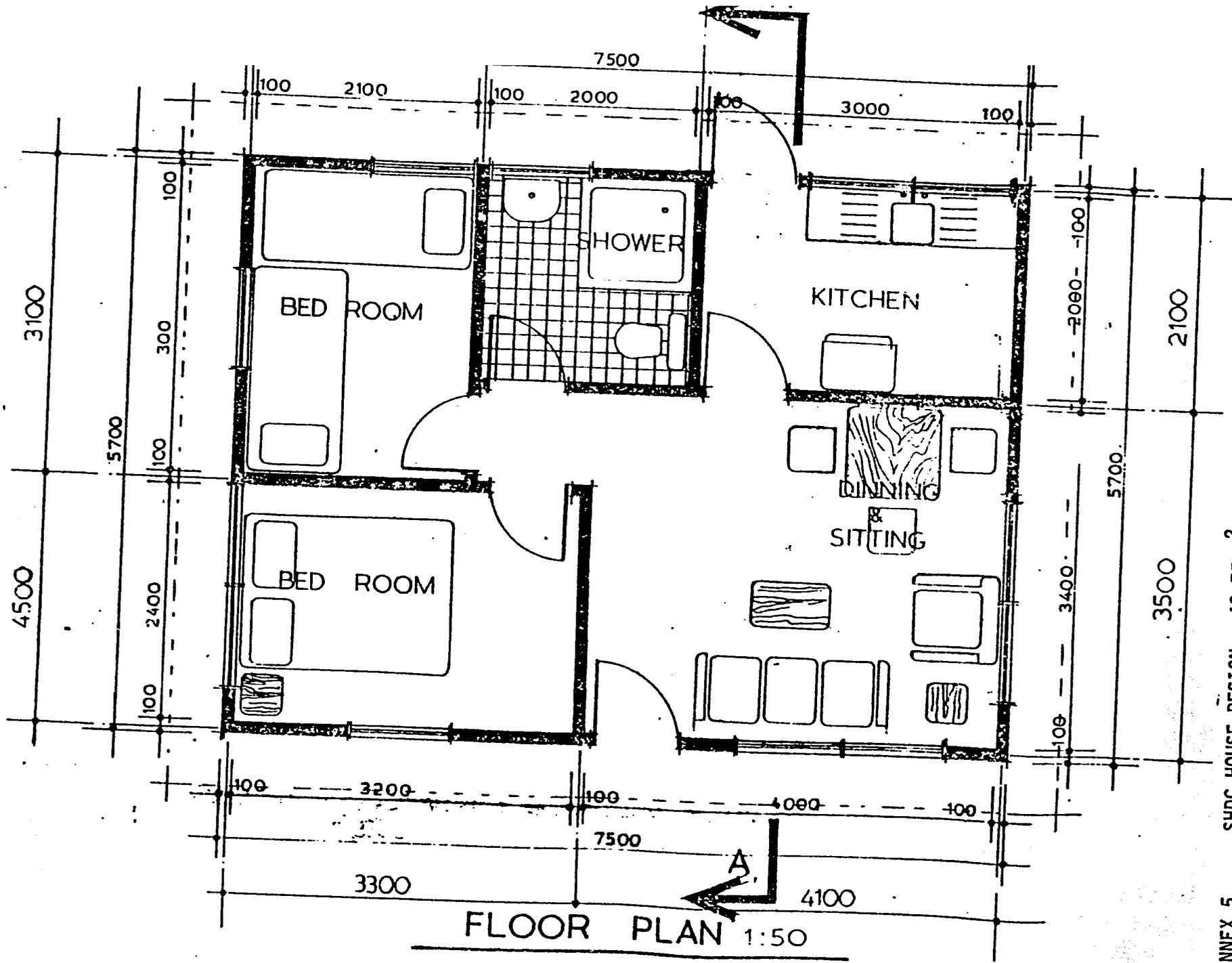


FLOOR PLAN 1:50



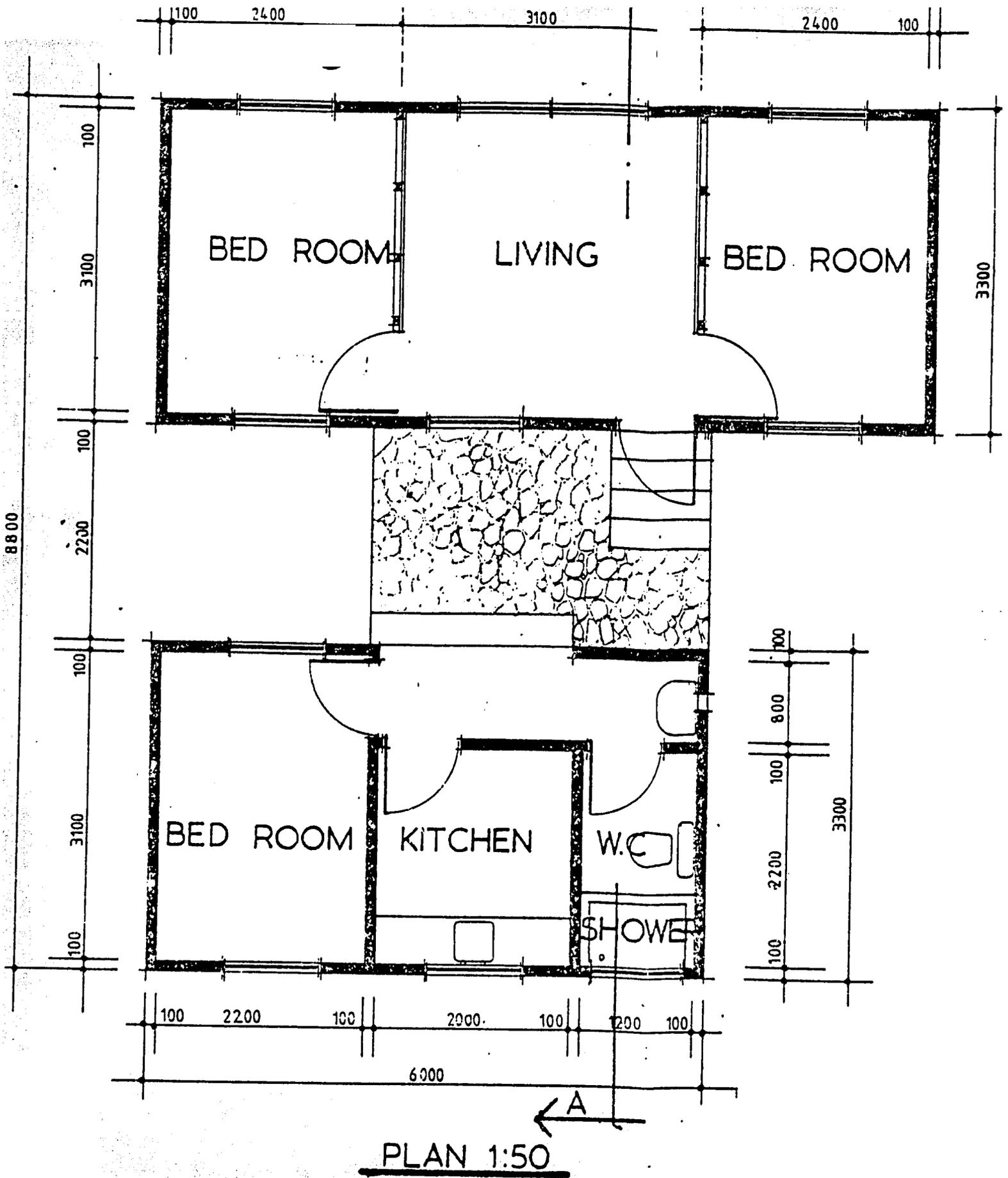
ANNEX 5  
SHDC HOUSE DESIGN: 40.95 m<sup>2</sup>

FLOOR PLAN 1:50



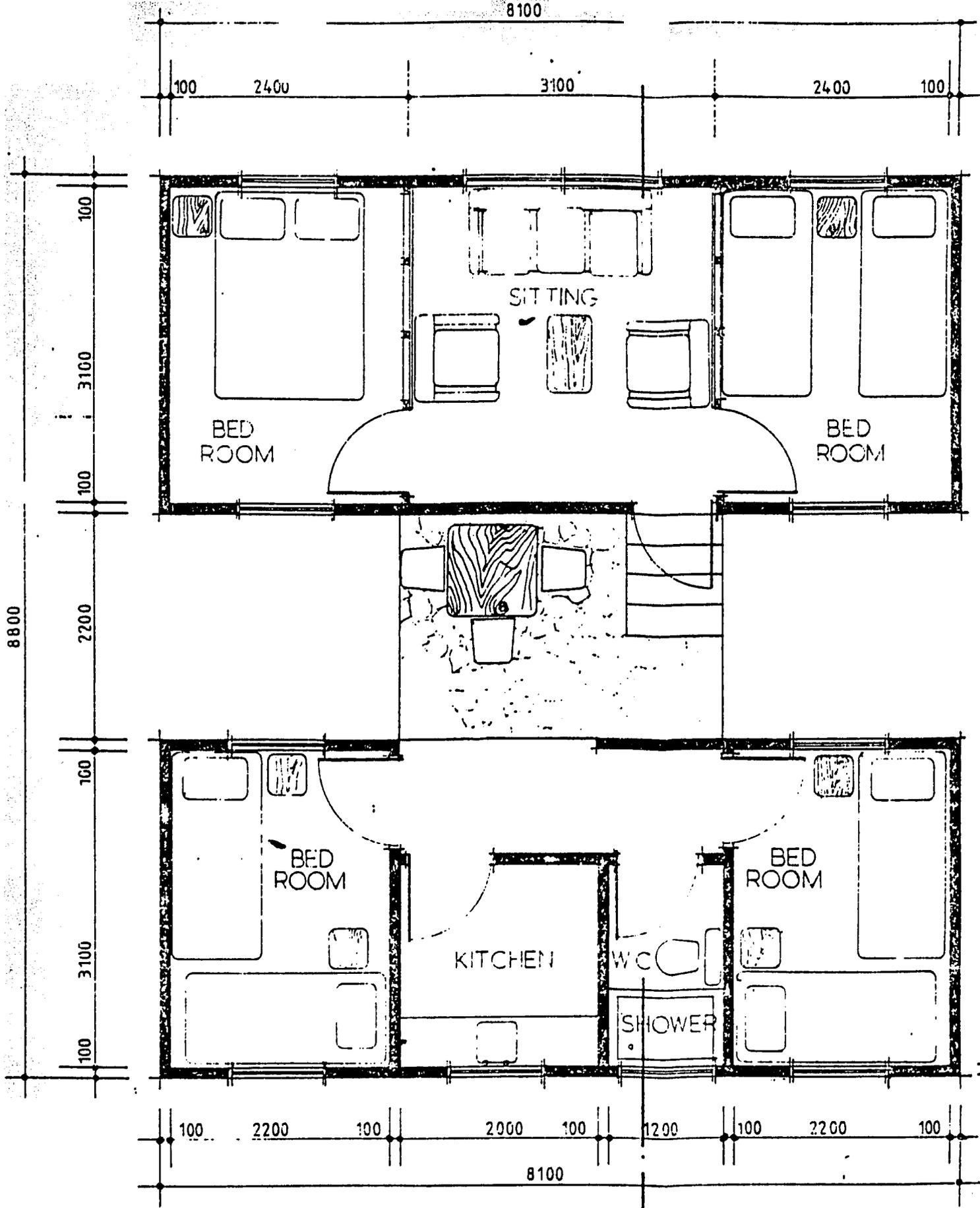
FLOOR PLAN 1:50

ANNEX 5 SHDC HOUSE DESIGN: 42.75 m<sup>2</sup>

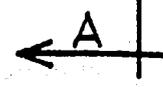


ANNEX 5  
SHDC HOUSE DESIGN: 46.53 m<sup>2</sup>

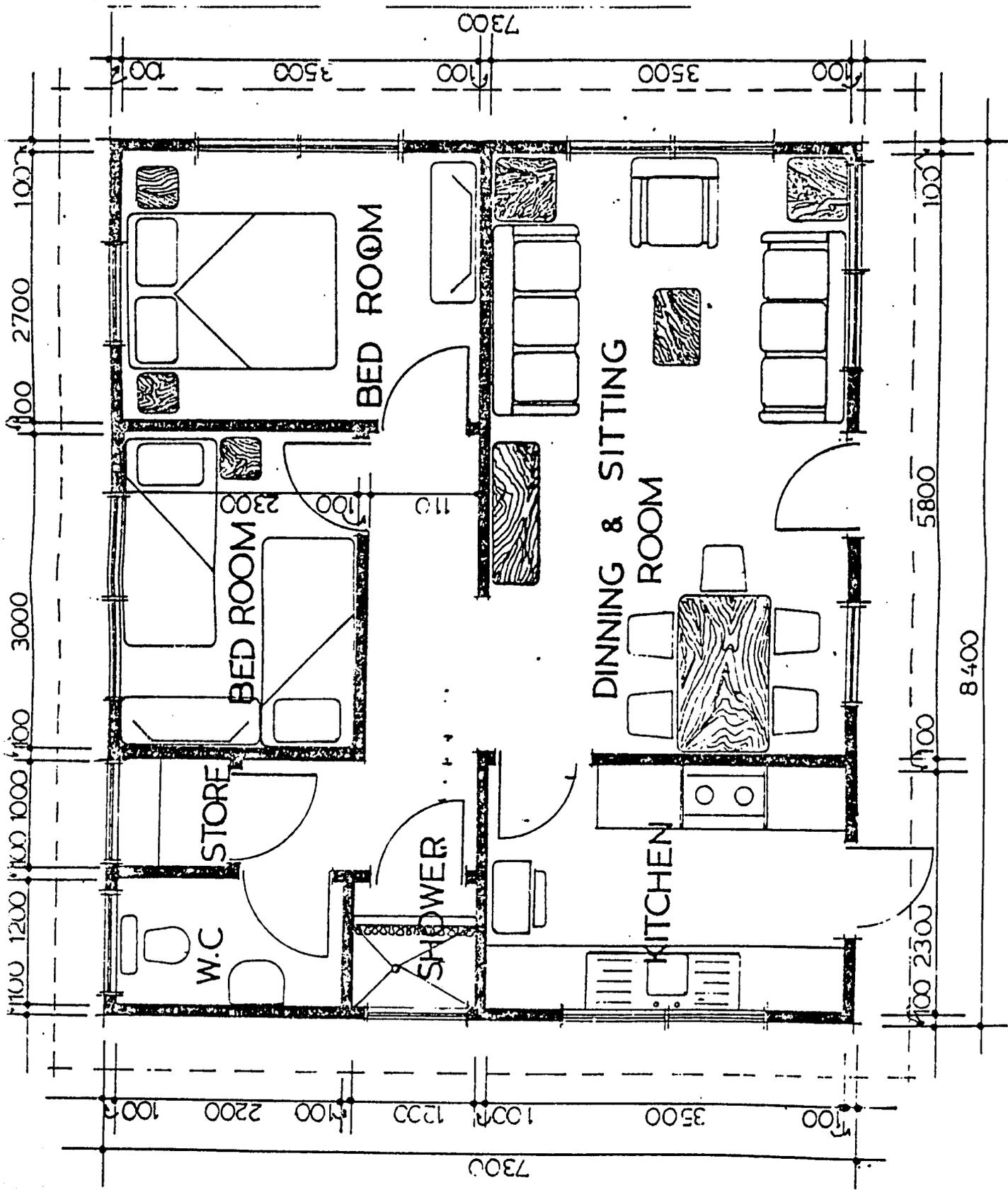
501



PLAN 1:50



ANNEX 5  
SHDC HOUSE DESIGN: 50.28 m<sup>2</sup>



FLOOR PLAN

ANNEX 5  
 SHDC HOUSE DESIGN: 61.32 m<sup>2</sup>

## TECHNICAL ASSISTANCE DESCRIPTION

Analysis of SHDC's operations showed a need for technical assistance in several areas. It is proposed that short term consultancies be the primary method for providing technical assistance to SHDC. Technical consultants would develop policy and procedural frameworks, methodologies, and staff assignments which would then be carried out by SHDC personnel assisted by the consultants.

The following areas of assistance are set forward in order of priority as perceived at present. The order of priority is based on analysis of which areas of SHDC operations require the greatest and most immediate attention in order to foster institutional capacity and promote an orderly institution building process. Monitoring and evaluation of project progress by RHUDO/E&SA in consultation with SHDC may change the order of priority.

1. Financial Reporting: A current institutional constraint is inadequate reporting of SHDC's financial condition. This constraint inhibits adequate analysis of revenues and expenditures and other means of determining financial condition. Technical assistance in this area would concentrate on the development of monthly or quarterly summary performance reports regarding:

a. Loan Portfolio: Loans disbursed by number, amount, terms; contingent liability, actual amortization versus scheduled amortization, analysis of arrearages; loans outstanding, loan commitments versus funds disbursed, analysis of variance; capital received for lending, available funds, receipt of funds, loans disbursed; funds received versus loan commitments made, budgeted amounts versus actual; projections of next month/quarter's activity.

b. Analysis of Expenses: Analysis of reported data to ascertain the costs of various SHDC functions and projects in order to set benchmarks and secure the most economical, efficient, and profitable means of operation; monitoring and evaluation of problem areas; analysis of material/labor costs; identifying operating cost categories and delegating to personnel responsibility for monitoring and controlling costs in each cost category.

2. Financial Policy and Planning: Although SHDC has adequate capacity to analyze shelter needs in Seychelles, a constraint exists with regard to a policy framework within which SHDC can plan for orderly expansion of its financial capacity and develop strategies by which it can meet the shelter needs of Seychelles within its capacity to attract capital. Technical assistance in this area would concentrate on examining financial issues and developing a policy framework which encourages SHDC's financial viability while broadening access to credit to the widest range of income groups possible. Specific issues include: shelter subsidies; cost recovery practices; shelter standards; alternative mortgage instruments; improved total portfolio earnings; projections of near-term and long-range capital requirements versus capital availability; and delineation of the roles of the private and public sectors in the provision of shelter, especially for below-median income households.

3. Personnel Management and Training: Analysis of the organizational structure SHDC plans to implement showed that while the structure is well thought out and functional, it will require that SHDC either attract key mid-level staff or train current staff to fill a variety of positions. Staff capacity will pose some constraint to expanding SHDC's capacity and increasing its efficiency. Technical assistance in this area will concentrate on:

a. Analysis of decision-making procedures and development of procedures to delegate responsibilities to the lowest levels feasible within the organizational structure. Included in these procedures will be schedules for timely input of required decision-making data; requirements for presentations of data; and dissemination of decisions made.

b. Identification of key staffing constraints and development of an on-the-job staff training program, including counterpart training by technical assistance personnel, to improve skills in specific task areas. Analysis of current staffing patterns and recommendations as required for improving staffing patterns to promote full utilization of staff skills. Development of detailed job descriptions including responsibilities and reporting requirements.

c. Senior Staff Training: It is anticipated that beginning in October 1981, one or two senior SHDC staff will annually attend the AID Shelter Institute. In addition, it is anticipated that SHDC senior staff will continue to participate in the annual AID African Housing Conferences.

4. Program Development/Housing Production: Regular reporting of housing production levels and costs are currently inadequate and pose a constraint to developing and managing comprehensive housing programs. Technical assistance in this area would concentrate primarily on:

a. Developing production and cost reporting methods to be incorporated into the regular summary performance reports set forward above at 1.b. Analysis of production levels and costs, duration of construction periods, number and type of units completed or in progress, and comparison of the relative efficiency of housing delivery procedures in operation (aided self-help, direct construction, contractor-built).

b. Methods of incorporating the analyzed data from production and cost reports into program development to improve program budgeting and management; make projections of monthly/quarterly housing starts, means of production, and targetting of solutions to the shelter needs of beneficiaries; and comparing and analyzing actual performance to projected performance.

5. SHDC Procedures Manual: It is anticipated that SHDC will soon develop a manual of procedures for operating. To ensure that the manual continues to be up-to-date and valid, technical assistance is proposed to assist SHDC to implement its procedures, refine procedures to encourage institutional development, and revise procedures as circumstances require to improve administration and management.

6. Environmental Planning: Analysis of environmental planning showed that no technical assistance is currently required. However, should monitoring and evaluation of project progress reveal that such assistance is required, technical assistance should be offered the GOS within the financial constraints of the project.

Technical Assistance Budget

The following technical assistance budget is based on analysis of SHDC and directed toward assisting SHDC to overcome identified institutional constraints as outlined on the previous pages. A complete technical assistance program and budget will be prepared by RHUDO prior to the beginning of the assistance program.

Description of Consultancy/ Consultant Capability	Person-Months of Consultant Work	Cost
<u>Financial Reporting</u>		
Loan Portfolio Analysis Financial Analyst	1 person-month	\$10,500
Revenue/Expense Analysis Financial Analyst	2 person-months	\$19,000
	SUBTOTAL:	\$29,500
<u>Financial Policy and Planning</u>		
Housing Finance Policy and Planning Housing Finance Policy Specialist	7 person-months	\$83,500
Financial Viability Analysis Financial Analyst	2 person-months	\$22,000
	SUBTOTAL:	\$105,000
<u>Program Management and Training</u>		
Administration/Management Administration/Management Specialist	6 person-months	\$72,000
Training Staff Training Specialist	6 person-months	\$66,500
	SUBTOTAL:	\$138,500
<u>Program Development/Housing Production</u>		
Housing Program Development Specialist	2 person-months	\$21,500
	SUBTOTAL:	\$21,500
	<hr/>	
	TOTAL:	\$295,000
Timing of Funding: \$120,000 in FY1982 funding		
	\$175,000 in FY1983 funding	

### Shelter Needs of the Target Population

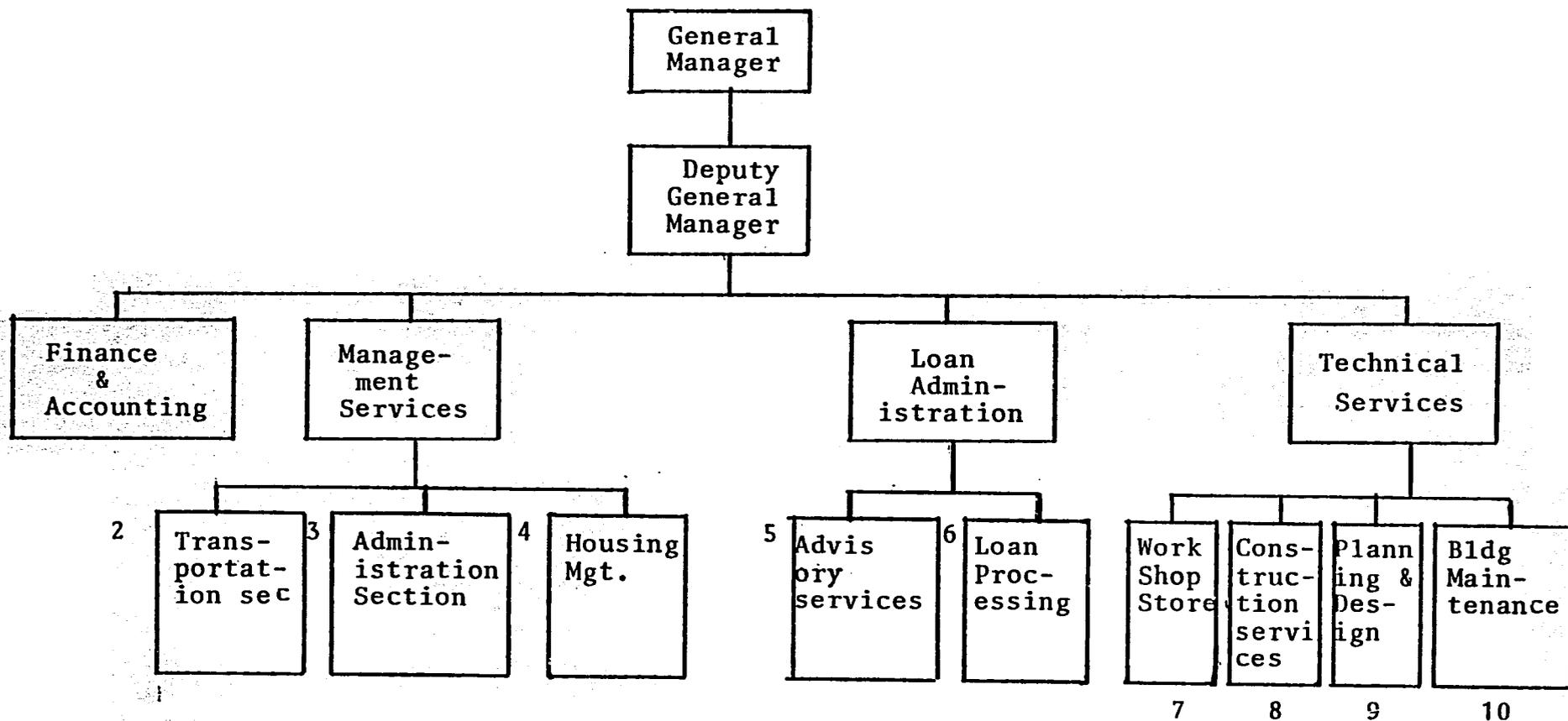
The housing deficit, described in Section II, impacts largely on the poor. It is estimated that about 80% of the need for housing is among below-median income families. A study of lower-income housing program applicants in 1980 showed that, of applicants from Eastern Mahe and Victoria, 85% described their current housing as dilapidated, while 33% said they lived with parents or friends. A majority had had applications on record for two or three years. About 10% owned houses on land they did not own.

While applicants frequently exaggerate their shelter needs, analysis of data from the 1977 census and a 1979 survey supports the applicants' claims. In the Plaisance -Anse aux Pins area, nearly 40% of the housing is in poor condition. About one-third of the children are in poor health and 34% are in a poor state of cleanliness, according to nurses who enumerated the survey. Nationally, only 8% are in poor health. In Victoria, only 1%. Three quarters of all households contain children, a figure somewhat higher than the rest of the country, indicating the presence of a larger number of young families than elsewhere. There are about 3.1 children per household, and only in this region do families with children live in housing of poorer condition than do childless households.

This region has been the fastest growing in Seychelles and has experienced the greatest pressure on housing stock. Although inter-island and intra-island migration is not adequately understood, it is evident that numerous migrants searching for jobs in the 1960's and 1970's settled in eastern Mahe, as near as possible to Victoria, the focus of economic activity and community facilities. From 1960 to 1977 this region grew about 117%, compared to 63% for all of Mahe. As a result of rapid past growth and the dynamics of family formation in a population with 40% of the people under age 15, it can be anticipated that pressure on housing stock will continue for some time.

In southern and western Mahe shelter needs are somewhat different. Both are rural areas. Villages such as Takamaka, Quatre Bornes, Les Cannelles and Val d'Endor tend to rely on seasonal streams and wells for water. Residents are about one-sixth as likely to have piped water, electricity or flush toilets as in Victoria. About one-third of the houses are in poor condition. Houses are much more likely to be constructed of the least durable materials. Communications, transportation and community facilities are much less available.

PROPOSED ORGANIZATION OF SHDC



SHDC OPERATIONS RESPONSIBILITIES

1. Performs posting of receipts and costs for all SHDC departments. Tabulates monthly, quarterly and annual financial statements for SHDC as a whole.
2. Operates and maintains 6 trucks that service building sites where government labourers are working or maintaining repairing government leased/owned houses.
3. Clerical, filing and personnel work of the SHDC office.
4. Manages 400 government owned rental housing units -rent collection, maintenance, filling vacant units, etc..
5. Advises public inquiries regarding loan applications (what is available, problems, etc..) Refers each enquiry to the appropriate department. Loans Manager responsible for overall supervision - check work to make sure all procedures being followed properly.
6. Conducts property valuations, case history of loan applicants, including verification of information provided by applicant as loan applications. Notifies applicant of loan decision. Collects fees associated with loan applications.
7. Stocks building components for building sites (direct construction projects by the Government). Also responsible for all building materials purchase.
8. Corps of laborers and artisans (carpenters, masons etc) responsible for implementing all Government construction projects.
- 9; Directs work of construction services Division: site lay-outs and sub-divisions, preparation of house plans, consultation with beneficiary and builder, determination of building materials requirements.
10. Maintains and repairs government owned houses under the supervision of the Housing Management Division. Building maintenance carries out actual work specified by Housing Management.

60x

SHDC LOAN PROCESSING PROCEDURE(DURATION: 4 WEEKS)

Loan Applicant submits Application to SHDC's Advisory Services Branch with the following documents: Registered Survey of Land, Employment Confirmation (Employer Letter) And House Plan approved by the Planning Authority.

Loan Processing Division performs the following tasks: Valuation of land (mkt value) and house (estimate of cost or, if already built, mkt value); valuation fee for this work paid by applicant upon submission of loan application. Case history of Applicant: Income, family size, savings, living conditions etc; Application Information verified; Application Information verified; Applicant Interviewed.

Loan processing division submits application/case history to Ministry of Planning for recommendation which, in turn, submits application with recommendation to SHDC General Manager for approval. Deputy General Manager or General Manager then decides on terms and conditions of loan.

Letter of loan offer sent to Homeowner for acceptance.

Upon receipt of applicants acceptance of loan offer, title search conducted.

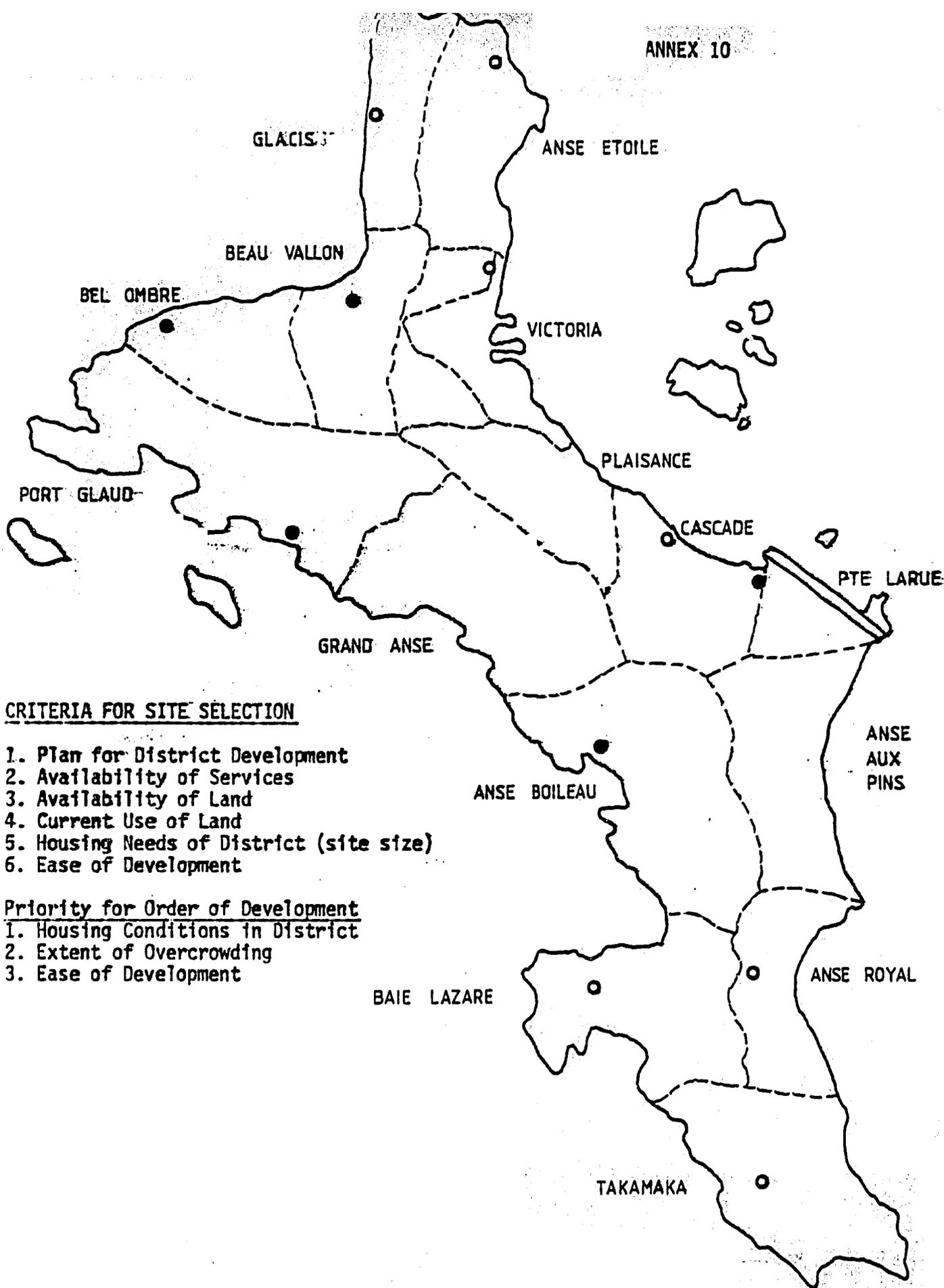
Mortgage/transfer of land documents prepared and signed by borrower, In presence of the Attorney General.

Mortgage registered at the Registrar of Deeds. Mortgage registered as collateral for land to be purchased.

Borrower proceeds to purchase land with check written by General Manager of SHDC. If financing is for a completed home, General Managers check is for entire cost of house. If house to be built, General Manager disburses funds in 3 tranches (45%, 40%, 15%) soon to be 4 tranches (30%, 30%, 30%, 10%) Based on work completed - verified by vouchers submitted by borrower and SHDC site inspections.







CRITERIA FOR SITE SELECTION

1. Plan for District Development
2. Availability of Services
3. Availability of Land
4. Current Use of Land
5. Housing Needs of District (site size)
6. Ease of Development

Priority for Order of Development

1. Housing Conditions in District
2. Extent of Overcrowding
3. Ease of Development

MAP OF MAHE

DISTRICT HOUSING PROGRAMME PROJECTS

- CURRENT DEVELOPMENT
- PROPOSED DEVELOPMENT

GUARANTY AUTHORIZATIONPROJECT 662-HG-001

Provided From: Housing Guaranty Authority

For : The Government of the Seychelles

Pursuant to the authority vested in the Assistant Administrator, Bureau for Africa by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FAA of not to exceed two million, five hundred thousand dollars (\$2,500,000) in face amount, assuring against losses (of not to exceed one hundred percent (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing projects in the Seychelles.

This guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement and may include a grace period of up to ten years on repayment of principal. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.
3. Government of the Seychelles Guaranty: The Government of the Seychelles shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.
  
5. Other Terms and Conditions: The guaranty shall be subject to the follow condition precedent and to such other terms and conditions as A.I.D. may deem necessary.

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Assistant Administrator  
Bureau for Africa

---

Date

THE HOUSING GUARANTY PROGRAMSTATUTORY CHECKLISTTHE GOVERNMENT OF THE SEYCHELLESPROJECT NO. 662-HG-001

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

A. General Criteria Under HG Statutory Authority.

Section 221 (a)

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

YES

---

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

YES

---

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

YES

---

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

YES

---

(4) is intended to have a long run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital

and other management and technological resources required for low-cost shelter programs and policies?

YES

Section 222(a)

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

NO

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

YES

Section 222(b)

Will the proposed guaranty result in activities which emphasize:

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

YES

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

YES

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

NO

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

YES

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

NO

Section 222(c)

If the project requires the use or conservation of energy, was consideration given to the use of solar energy technologies, where economically or technically feasible? ..... NO .....

---

Section 223(a)

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

---

Section 223(f)

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

---

Section 223(h)

Will the Guaranty Agreement provide that no payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible? ..... YES .....

---

Section 223(j)

(1) Will the proposed Housing Guaranty be coordinated with and complementary to other development assistance in the host country? ..... YES .....

---

(2) Will the proposed Housing Guaranty demonstrate the feasibility of particular kinds of housing and other institutional arrangements? ..... YES .....

---

(3) Is the project designed and planned by A.I.D. so that at least 90 percent of the face value of the proposed guaranty will be for housing suitable for families below the median income, or below the median urban income for housing in urban areas, in the host country?

..... YES .....

---

(4) Will the issuance of this guaranty cause the face value of guaranties issued with respect to the host country to exceed \$25 million in any fiscal year?

NO

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(5) Will the issuance of this guaranty cause the average face value of all housing guaranties issued in this fiscal year to exceed \$15 million?

NO

---

Section 238(c)

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

YES

---

B. Criteria Under the General Foreign Assistance Act Authority.

Section 620/620A

1. Does the host country meet the general criteria for country eligibility under the Foreign Assistance Act as set forth in the country eligibility checklist prepared at the beginning of each year?

..... YES .....

---

2. Is there any reason to believe that  
circumstances have changed in the  
host country so that it would now  
be ineligible under the country  
statutory checklist? .....NO.....  

---

ENVIRONMENTAL THRESHOLD RECOMMENDATION

Project: Seychelles  
Project Title: Seychelles Low Income Shelter Development  
Funding: HG: US \$ 2.5 million  
Date IEE Prepared: June, 1981

ENVIRONMENTAL ACTION RECOMMENDED:

Based upon the discussion in this IEE, the proposed HG Program will not do significant harm to the environment. In addition, as defined in AID Regulation 16, the proposed project will not have significant effect. Therefore, a Negative Threshold Determination is recommended.

Office of Housing: Donald McQuay Date: 8/10/81

Africa Bureau: James S. Hester Date: 25 August 1981

INITIAL ENVIRONMENTAL EXAMINATION  
SEYCHELLES LOW INCOME HOUSING DEVELOPMENT

662-HG-001

OFFICE OF HOUSING  
AGENCY FOR INTERNATIONAL DEVELOPMENT

JULY 1981

## BACKGROUND

### A. ENVIRONMENTAL SETTING

#### i. Natural Environment

The Republic of Seychelles is one of the world's smallest countries in terms of both land area and population. Comprising more than 90 islands spread across the equator in the Indian Ocean, Seychelles's central point, Victoria, on Mahe Island, is located about 1000 miles east of Mombasa, Kenya, 2000 miles south of Bombay, India, and 600 miles north of Madagascar.

About 60 of the islands, lying primarily between Victoria and the African continent, can be characterized as scattered, low-lying, coralline, and lacking fresh water. Although their land area amounts to nearly half of Seychelles's total of 171 square miles, less than 1% of the total population lives on them. It is anticipated that no shelter solutions financed by the proposed HG loan would be constructed on these islands and, therefore, the remainder of this report will be concerned with the granitic islands surrounding Victoria, especially the islands of Mahe, Praslin, and LaDigue, where 98% of the population lives.

These islands are the only group of granitic islands in the world and can be characterized as extremely rugged with narrow coastal strips and rocky central backbones with ridges of peaks rising as high as 900 meters (2,950 feet) on Mahe. All are very small islands, with the largest, Mahe, having a land area of 57 square miles. Each of the three islands is ringed by smaller islands and there are three outlying islands: Silhouette, Fregate, and North. It is anticipated that all HG-financed activity would take place only on the islands of Mahe, Praslin, and LaDigue.

The three are dominated by their maritime environment. Yearly rainfall is heaviest on Mahe, ranging from 140 inches (3500 millimeters) in the central ridges to 60 inches (1500 millimeters) on the north and south coasts. Praslin and LaDigue receive lesser amounts but all are well-watered. Rainfall occurs primarily during the northwesterly monsoon season from October through March, resulting in small, high-velocity seasonal streams which drain the peaks and ridges. Flooding occasionally occurs on the coastal plains, where subsurface water levels are high and gradients trend "backward" away from the ocean.

The climate is equable, with a maximum average temperature on Mahe of 86 degrees F., tempered from March to September by light but steady southeasterly monsoon breezes. During the rainy monsoon humidity rises, nights are warmer, and breezes are unreliable. The islands are outside the Indian Ocean cyclone belt. Wind gusts reach 60 miles per hour (100 kilometers per hour) on rare occasions. Heavy rains are of short duration, but frequently result in generally minor erosion on steep grades.

No major negative natural processes impact on the three islands. The major natural hazards are unstable large boulders which break loose and roll down the steep slopes, usually during rainy periods, when the red soils become extremely slippery, to the point of creeping or flowing on rare occasions.

Soils are generally thin and infertile, consisting of sands in the coastal strips with occasional clay pockets and organic materials over lateritic red earth in the uplands. Praslin and LaDigue are somewhat less rugged than Mahe with a larger proportion of fertile soils and less steep gradients. Uplands tend to be heavily wooded. Much of the land is covered with large broken granite boulders. Sheets of granite, known locally as "glacis," are extensive, either exposed or covered by a few inches of soil.

## 2. Human Environment

About 88% of the total Seychelles population lives on Mahe Island, giving it an average density of 1,000 persons per square mile. More than half the island's 56,000 people live in the urbanized corridor from Victoria to Anse aux Pins at an average density of 3,000 persons per square mile. The need for skillful land use planning, especially for appropriate human settlement planning, is quite significant in view of population size and the scarcity of natural resources, especially fertile arable soil. Praslin and LaDigue, with populations of 4500 and 2000, are significantly less densely populated. However, the need for land use planning to make skillful use of the relatively more fertile soils of these two islands is significant in order to produce agricultural products for the people of Mahe.

Seychelles is a polyethnic society typified as Creole. About 85% of the people are of African descent, 10% of Indian descent (primarily Gujarati), and the remainder are of mixed European origin, mainly French and British, or of Chinese descent. It is a highly integrated and harmonious group and it should be noted that the percentages given are only approximations since the various ethnic groups have been integrated for many years. The overall cultural and social preferences prevailing with regard to dwelling design and tenure can be quite uniformly expressed as a desire for private ownership of "European-style" housing.

There are no major specific health concerns. Typical developing country health problems such as widespread malnutrition, anemia, or malaria do not occur. Life expectancy is about 70 years. Some parasitic diseases, such as hookworm, do occur, and care should be exercised to develop adequate sanitation in housing areas.

## 3. Infrastructure Services

Potable water is largely derived from superficial sources, primarily reservoirs and short streams. About 70% of all households have access to water standpipes or are served by individual water connections. Electricity is generated in Victoria using petroleum fuel and distributed to about half of all households on Mahe. A central electric distribution system is presently being installed on Praslin. There is no electric service, other than occasional small private generators, on LaDigue. Sewerage systems are primarily septic tanks (35% of households) and pit latrines. The first municipal collector-type treatment works, serving about 200 families, was installed in 1980 to serve a lower-income housing estate. For the HG project it is anticipated that all sewage treatment would be by septic tanks or pit latrines.

The transportation network consists of roads and footpaths. Virtually all primary roads and many of the secondary roads are paved, and the network is well-developed in the coastal areas. Much of the lightly-populated central ridge area has no road access. Most households are served by footpaths developed by years of use. Some are improved with steps and occasional surfacing. Footpath construction by self-help techniques has been widely practiced.

The authorities responsible for infrastructure services are parastatals: the Seychelles Water Authority; Seychelles Electricity Corporation; and Civil Construction, Ltd.

## B. PROPOSED HG PROJECT

As presently constituted, the proposed HG Project would benefit about 420 below-median income families through construction loans to build housing on land allocated to them through the District Housing Program or on their own privately owned plots. Construction would take place over a period of a year and the houses would be scattered widely on small sites on the three islands. The total value of the loans would be \$2.5 million. Technical assistance with house planning and construction would be offered by the Seychelles Housing Development Corporation, which would administer the loans. Technical assistance with housing sector program planning and housing finance would be funded by AID.

There is no overall environmental institution in Seychelles. Environmental issues and planning are the responsibility of several agencies:

- \* Public Health and Welfare -- Department of Health, President's Office.
- \* Land Use Planning -- Physical Planning Division, Ministry of Planning and Development.
- \* Shelter Planning -- Seychelles Housing Development Corporation; Physical Planning Division, Ministry of Planning and Development.
- \* Agricultural Planning -- Ministry of Agriculture
- \* Infrastructure Services -- Seychelles Water Authority; Seychelles Electricity Corporation; Civil Construction, Ltd.

## II

### EXAMINATION OF ENVIRONMENTAL IMPACTS

#### A. GENERAL ISSUES

A basic understanding of the following issues has been expressed in project planning to date. All will be addressed during refinement of the project. In general it appears that the project will improve the human environment without critical impact on the natural environment. However, following issues will be further reviewed at project design stage:

- Annual precipitation distribution, intensity, and potential for flooding.
- Potential hazard and incidence of destruction caused by unstable boulders.

#### 4. Natural Resources

##### Site Location Planning

- Impact on natural environment of specific sites.
- Potential for urban sprawl

##### Shelter and Infrastructure Design, Construction, and Operation.

- Dwelling unit types and specifications.
- Provision of potable water
- Sanitation and stormwater drainage systems.

##### 5. Technical Assistance

##### 6. Other Environmental Concerns

##### 7. Conclusions

The study reveals that the adverse natural impact on the three islands, natural hazards are considered to be a critical concern. However, annual precipitation is sufficient in some areas, particularly the central ridges, to warrant specific technical planning to ensure adequacy of stormwater drainage systems. In addition, while flooding due to heavy precipitation is occasional and not severe, specific technical planning should be carried out for sites in low-lying areas to mitigate any effects of flooding. Any housing sites which are particularly prone to damage by flooding or stormwater run-off should be deleted from HC consideration, unless the conditions can be mitigated by economical means.

Similarly, the potential for damage to housing by unstable boulders, while existing, is slight. Any such boulders identified during site planning should be removed or stabilized. This generally can be accomplished by plot-holder self-help before house construction takes place.

It should be noted that planning for the mitigation of such natural hazards as those identified above is common practice in Seychelles.

**Best Available Document**

## 2. Natural Resources

Timber is a commonly used building material in the Seychelles. In many houses it constitutes as much as one-third of the total building material. Since it is a traditional building material, it will be used in the construction of houses financed by the proposed Housing Guaranty project. Seychelles grows a significant amount of timber; most islands of the group have substantial timber growth. An active reforestation program is being carried out. However, since the purpose of the proposed project is to significantly increase the production of lower-income housing by assisting in the development of a financially-viable shelter lending institution, adoption and replication of the demonstration HG program could lead to increased utilization of Seychelles timber resource. An examination will be undertaken to determine the potential environmental impacts of increased use of the timber resource, including the possibility of total exploitation of the timber resource of a single island to supply timber for the benefit of residents of other islands, with the consequence that the exploited island would suffer such severe erosion and environmental damage that its future utility would be severely limited. If warranted, necessary mitigative measures will be incorporated into the project recommendations.

## 3. Site Location Planning

Under the proposed project, the sites for housing financed by the HG project would be those sites identified and subdivided under the GOS District Housing Program. These sites are largely of the "infill" type, aimed at maximizing the efficient use of urban land and infrastructure services. In some cases the ability of Seychelles to provide adequate infrastructure services, especially water, will be determining factors in specific site feasibility.

The District Housing Program reinforces to a substantial degree past growth patterns. While this aids in preserving agricultural land and filling in gaps in current urban land use, the site selection process should be examined to determine the effects of increasing density in some areas on the longer-term objectives and goals of Seychelles land use planning expressed in the District Development Plans and Seychelles Structure Plan, which are now under development.

## 4. Shelter and Infrastructure Development

While major negative natural processes do not impact on the three islands, the climate and terrain indicate that consideration should be given to certain elements of shelter unit and infrastructure design. Shelter units should be designed with adequate ventilation to minimize occupant discomfort due to heat and humidity while preventing the entry of wind-driven rain. Other elements of design include steps to minimize dwelling heat retention, such as adequate roof overhang, and to prevent soil erosion of foundations, especially of dwellings constructed on steep grades. Heavy annual rainfall indicates a need for planned on-lot and site stormwater drainage, with provision for minimizing downstream impacts.

The lack of municipal sewerage treatment systems indicates a need for care in the construction of on-lot collection and treatment systems such as pit latrines and septic tanks. The substantial amounts of surface and subsurface granite may pose problems in adequately disposing of water-borne wastes, especially on steep building sites. Digging to sufficient depths to construct adequate pit latrines may be difficult, and the pit latrines should be properly sealed against surface run-off of rain. Proper disposal of septic tank effluent may be a problem, and care should be taken to design adequate leach fields or

"soakaways " Since virtually all housing construction will be carried out by self-help or very small contractors, the Seychelles Housing Development Corporation should offer design and technical assistance with these health concerns..

#### 5. Technical Assistance

While the GOS is aware and concerned about the need to preserve the quality of its environment and to ensure that development projects do not damage the environment, there is no central authority charged with the responsibility of ensuring that government environmental policy is carried out. It is possible that the GOS and its institutions will need technical assistance to strengthen environmental planning efforts. The Project Design Team will review the technical assistance needs as they relate to environmental concerns; if technical assistance is determined to be needed, it will be provided within the financial constraints of this project.

### III

#### RECOMMENDATIONS

##### THRESHOLD

Based upon the foregoing information, a Negative Threshold Determination is recommended. As defined in AID Regulation 16 as amended in 1980 and PRE/H Manual Order 42-0, this determination is based upon the fact that the HG Project will not have significant impacts on the natural environment and infrastructure systems.