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

JAMAICA

PROJECT PAPER

JAMAICA SHELTER AND URBAN SERVICES POLICY

AID/LAC/P-446

Project Number: 532-0149
Loan Number: 532-HG-013

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY: JAMAICA

3. PROJECT NUMBER: 532-HG-013

4. BUREAU/OFFICE: LAC

5. PROJECT TITLE (maximum 40 characters): JAMAICA SHELTER AND URBAN SERVICES POLICY PROGRAM

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 01 9 31 09 31

7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4)
 A. Initial FY 88 B. Quarter 4 C. Final FY 93

8. COSTS / \$000 OR EQUIVALENT \$1 =

A. FUNDING SOURCE	FIRST FY 88			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Appropriated Total						
(Grant)						
(Loan) HG*	20000		20000	50000		50000
Other						
U.S.						
Host Country						
Other Donors)						
TOTALS	20000		20000	50000		50000

*NON-APPROPRIATED

9. SCHEDULE OF AID FUNDING (\$000)

A. APPRO-PRATION	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)	HG	729	860	0	0	0	20000	0	50000
(2)									
(3)									
(4)									
TOTALS							20000		50000

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

11. SECONDARY PURPOSE CO

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

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

TO PRODUCE A SELF-SUSTAINING DELIVERY SYSTEM FOR SHELTER, WATER, SEWERAGE AND OTHER URBAN SERVICES WHICH WILL MEET THE CURRENT AND FUTURE NEEDS OF THE URBAN POOR BY MAKING USE OF A SECTORAL LENDING APPROACH TO OVERCOME POLICY, INSTITUTIONAL AND PROCEDURAL CONSTRAINTS IN THE EXISTING SHELTER DELIVERY SYSTEM.

14. SCHEDULED EVALUATIONS

Interim MM YY 01 9 0 Final MM YY 01 9 31

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

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

17. APPROVED BY

Signature

Title WILLIAM R. JOSLIN
 DIRECTOR, USAID/JAMAICA

Date Signed

MM DD YY 10 6 31 08 18

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

MM DD YY

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
C = Change
D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

USAID/JAMAICA

3. PROJECT NUMBER

532-0149

4. BUREAU/OFFICE

LAC

5. PROJECT TITLE (maximum 40 characters)

TECHNICAL SUPPORT FOR SHELTER AND URBAN SERVICES POLICY PROGRAM

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
09 30 93

7. ESTIMATED DATE OF OBLIGATION

(Under "D." below, enter 1, 2, 3, or 4)

A. Initial FY 89

B. Quarter 1

C. Final FY 93

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)	(562)	(194)	(756)	(2000)	(1000)	(3000)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Host Country		252	252	0	1000	1000
2. Other Donors)						
TOTALS	562	446	1008	2000-	2000	4000

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	729	862			700		2700
(2) HE	534	540			40		300		
(3)									
(4)					740		3000		
TOTALS									

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

11. SECONDARY PURPOSE CODE

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

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

TO PROVIDE TECHNICAL SUPPORT SERVICES TO IMPLEMENT AND MONITOR THE SECTORAL LENDING AGENDA AS DEFINED UNDER THE \$50 MILLION HOUSING GUARANTY-FINANCED JAMAICA SHELTER AND URBAN SERVICES POLICY PROGRAM, 532-HG-013

14. SCHEDULED EVALUATIONS

Interim MM YY 09 91 Final MM YY 09 93

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

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

MISSION CONTROLLER HAS REVIEWED AND CONCURS WITH THE METHODS OF IMPLEMENTATION AND FINANCING INCLUDED HEREIN.

SIGNED:

ROBERT A. LEONARD, CONTROLLER

17. APPROVED BY

Signature

WILLIAM R. JOSLIN
DIRECTOR, USAID/JAMAICA

Date Signed

MM DD YY
016 310 78

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

MM DD YY

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20503

PROJECT NO. 532-HG-013

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

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America and the Caribbean, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance to eligible U.S. investors (Investors) acceptable to A.I.D. of guaranties pursuant to Section 222 of the FAA of not to exceed Twenty-Five Million Dollars (\$25,000,000) in face amount. The guaranties shall assure against losses (of not to exceed one hundred percent (100%) of loan investment and interest with respect to loans, including any financing thereof, made to finance housing projects in Jamaica.

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

1. Term of Guaranty: The loans may extend for a period of up to thirty years (30) from the date of disbursement and may include such terms and conditions as shall be acceptable to A.I.D. The guaranties of the loans shall extend for a period beginning with the disbursements of the loans and shall continue until such time as the loans have been paid in full.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed that prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.
3. Government of Jamaica Guaranty: The Government of Jamaica shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranties to the Investor 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 guaranties shall be subject to such other terms and conditions as A.I.D. may deem necessary.



Dwight Ink

Assistant Administrator
Bureau for Latin America and
the Caribbean

9-20-88

Date

Clearances:

DAA/LAC:	FWSchieck	<u>FWS</u>	date	<u>9/20/88</u>
PRE/H :	FHansen	<u>FW</u>	date	<u>9-19</u>
GC/PRE :	BVeret	<u>B</u>	date	<u>9/19/88</u>
GC/LAC :	KHansen	(draft)	date	<u>26 AUG 88</u>
LAC/DR :	TBrown	<u>TB</u>	date	<u>9/20/88</u>
LAC/CAR:	MZak	<u>(draft)</u>	date	<u>19 AUG 88</u>

LAC/DR/CF:P.Buckles:647-5246:3089N:08/11/88:vgm

Jamaica Shelter and Urban Services Policy Program
(532-HG-013)

Policy Agenda

A major purpose of the sector lending program is to support implementation of the GOJ's National Shelter Strategy and related initiatives implied by the logic of the strategy. The sector program objectives are summarized on pages five through eight in the program document. Broad categories include:

1. Significantly expand access to water and sewerage on a basis affordable to the poor.

Policy objectives are:

- a. Enhance water availability to low income settlements by:
(a) implementing a policy of providing water connections to households who do not have registered certificates of title but have other reasonable documentation of plot ownership (regularization of land titles will be part of this effort);
(b) introducing workable cost recovery solutions that will permit NWC to provide standpipes to communities otherwise without water service; and (c) establishment of a general policy on financing off-site water and other infrastructure investments that will make it feasible to develop sites and services projects without passing on all of the costs of off-site investment to lot buyers.
- b. Develop a water production information system and establish a leak detection and repair capacity within NWC. Carry out pilot projects that demonstrate the cost-effectiveness of tighter water management policies.
- c. With a view to reducing sanitation costs, conduct research to examine the tradeoffs between extensions of the piped public system, self contained treatment systems for subdivisions, septic tanks, and other techniques for handling wastes at differing densities and site conditions. Use the results to establish clear policies and standards as a base for future system extensions. Replace the present policy of requiring up-front payment for the full costs of sewer connections with a revolving fund so that households can pay for installation over time and thus afford to use the existing sewer network.

d. Develop a comprehensive three year investment program for water supply and sanitation to coordinate the activities of all agencies (and donors) engaged in this field in Jamaica.

2. Significantly expand public sector delivery of land and services affordable to the poor.

Program policy objectives are:

a. Expand public production of serviced sites and settlement upgrading. the GOJ targets call for increasing annual production of these units by almost 15 times over 1983-86 baseline production -- partly as a result of reorienting public sector priorities to emphasize less costly units, and partly as a result of greater sectoral investment. Specific targets for this sector program will be worked out with MOC(H) in the process of preparing the program's Implementation Agreement.

b. Design and implement a land inventory system that will permit MOC(H) to quickly identify and comparatively assess a pipeline of potential land parcels for future serviced sites and upgrading projects. Building on existing GOJ practices to regularize land ownership, use this system to develop a priority site acquisition and development program for high growth urban centers.

c. Prepare and implement a plan for more effective targetting of subsidy resources to the poor and overall reduction of per unit subsidies over time. Develop budgetary practices and systems that will account for subsidies explicitly. To expand the resource base, improve collection of debt service payments on existing mortgages.

d. Conduct management analyses to identify key institutional weaknesses in MOC(H) and design and implement programs to address them.

3. Significantly expand the role of the private sector in shelter provision.

a. Facilitate informal sector shelter provision through the establishment of an independent network for sharing information on low cost shelter development.

b. Enhance land availability and reform land titling/transfer processes. The private sector will be introduced to low-income land development by having private firms operate as turnkey developers of sites and services projects; use of the land inventory system recommended above to provide information on the

d

characteristics of available sites to prospective private developers. The current land titling and transfer processes will be analyzed and a plan for reform that will remove present legal/regulatory impediments and provide training and systems support for procedural streamlining will be implemented.

c. Reform land development standards and application processing. Continue USAID/j's present program to: (i) rationalize and clarify development standards in a manner that will encourage economically reasonable development; and (ii) use computer systems improvements and more aggressive management techniques to reduce delays in applications processing.

d. Expand the provision of affordable credit for shelter. Efforts will be made to:

- i. Evaluate the program for the National Housing Trust (NHT) and devise and implement initiatives to better target output to low income groups and use NHT programs to increase the depth and breadth of private capital employed in the sector;
 - ii. Continue and expand the "loans to lenders" approach initiated in HG-012 Private Sector in which HG funds are on-lent to private housing credit institutions which in turn initiate mortgages for below median income households;
 - iii. Expand the concept initiated in NHT's mortgage certificate program by which low cost NHT funds are blended with private market rate funds to finance larger mortgages than would normally be permitted by NHT and move this program down the income scale to draw private mortgage money into lower-income lending;
 - iv. Continue and expand past USAID/Jamaica supported efforts to enhance the shelter lending capabilities of Jamaica's credit unions; reevaluate and revise as appropriate a number of legal and regulatory barriers in the housing finance system.
- e. Expand the provision of rental housing. Conduct a study of the rental housing market, and based on its findings, initiate reforms to remove constraints now inhibiting rental housing production.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20543

AUTHORIZATION

Name of Country : Jamaica
Project Name : Technical Support for Shelter and
Urban Services Policy Project
Project Number : 532-0149

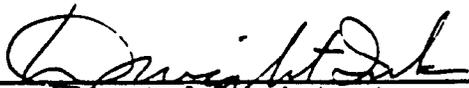
Pursuant to Sections 106 and 104 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Technical Support for Shelter and Urban Services Policy Project for Jamaica, involving planned obligations not to exceed Three Million United States Dollars (U.S. \$3,000,000) (the "Authorized Amount") in grant funds ("Grant") over a five year period from date of authorization subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is five years from the date of initial obligation.

2. The Project will assist in financing technical support services to implement and monitor the sectoral lending agenda as defined under the Housing Guaranty-Financed Jamaica Shelter and Urban Services Policy Program, 532-HG-013.

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

A. Source and Origin of Goods and Services

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



Assistant Administrator
Bureau for Latin America and Caribbean
Sept 13, 88

Date

Drafted:LAC/DR/CP:PKBuckles/DOC.3097N/16AUG87

Clearances:

DAA/LAC:FWSchieck	<u>FW</u>	date	<u>9/13/88</u>
GC/LAC:KHansen	<u>FW</u>	date	<u>8/26</u>
GC/PRE:BVeret	<u>FW</u>	date	<u>9/19/88</u>
LAC/DR:TBrown	<u>FW</u>	date	<u>09/25/88</u>
LAC/CAR:DCohen	<u>FW</u>	date	<u>21 Aug 88</u>
PPC/PB :SBUGG	<u>(draft)</u>	date	<u>19 AUG 88</u>

JAMAICA SHELTER AND URBAN SERVICES POLICY PROGRAM
SECTOR APPROVAL DOCUMENT

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EXECUTIVE SUMMARY

GOAL AND PURPOSE

The goal of this program is to promote increased economic growth and wider sharing of the benefits of growth. Its purpose is to produce a self-sustaining delivery system for shelter, water, sewerage and other urban services that will meet the current and future needs of the urban poor. This will be achieved through a sectoral lending approach, with associated technical assistance, that will identify and alleviate the policy, regulatory, programmatic and institutional barriers that currently constrain the delivery of such services.

THE PROBLEM

The inadequacy of housing and infrastructure in Jamaica's urban centers has become a problem of critical proportions. Even though household incomes are now increasing, after several years of decline, formidable constraints have prevented the expanded production of decent shelter and services. Now even middle income groups, let alone the poor, find they cannot afford a decent place to live. The social costs of these constraints are evident, particularly in the squalor in which most of the poor must reside. Less readily apparent, but no less important, are their detrimental impacts on national economic development, for example: construction sector employment opportunities foregone, the loss of what is normally one of the most powerful incentives for household savings (the prospect of purchasing a decent home), significant inflation in land and house prices, and chaotic development around the rapidly growing tourist centers that threatens further tourism investment.

The Government of Jamaica [GOJ] estimates that to eliminate inadequate housing, the nation should be producing an average of 15,500 new shelter solutions annually--92% in urban areas, the majority in rapidly growing tourism centers where labor force migration is accumulating in informal settlements--and should be upgrading another 9,700 units per year. Yet during the 1970's the public sector produced only 3,200 units per year; output has declined consistently since then, reaching an average of 1,350 in 1985 and 1986. Private formal sector production of standard units is not adequately measured, but available evidence suggests that this source has provided only a small proportion of the remaining need. For years, the majority of all new households formed have had only two choices: (a) to further overcrowd the existing housing stock; or (b) produce some form of shelter on their own "informally" (i.e., shelter for the most part well below government standards without access to public water supply or sanitation).

STRATEGY

Its realization of the scope of the problem as defined above caused the GOJ in 1987 to substantially reorient its strategy for intervention in the shelter sector. The new strategy is fully consistent with USAID principles and objectives for the sector. A major purpose of this sector lending program is to support implementation of the GOJ's National Shelter Strategy and related initiatives implied by the logic of the strategy.

Main Themes of the National Shelter Strategy. In the past, the GOJ, primarily through its Ministry of Construction (Housing) [MOC(H)], assumed primary responsibility for the direct construction of housing for the poor. In preparing its new strategy, however, it reviewed its output over the 1970-85 period and found that its programs: (1) had contributed only a small fraction of the total housing production that had been needed; (2) entailed high costs; and (3) were not well targeted to the poor (60% of production went to upper-middle and middle-income groups). Facing the future in light of recent cost increases, it recognized that it could not sustain, much less expand, its output through direct construction affordable to the poor except by means of massive and growing subsidies. These are infeasible given the continuing need for restraint in public spending and other urgent claims on the GOJ social budget, most prominently for education and health.

The Government has elected instead to focus its shelter policy on the provision of small development sites to the poor, with the provision of secure tenure and basic infrastructure at modest standards. The construction of housing will be left to the people themselves with the understanding that housing quality will be low initially but will improve over time as household income increases. Research has demonstrated that the informal sector has the capability to provide and incrementally improve shelter in this manner. Therefore, this approach addresses the major deficiencies in informal sector settlements at present: inefficient land use and the lack of basic services, secure tenure, and cost recovery for public investments. Analysis indicates that this approach can meet 1986-2006 production targets with far more modest subsidies.

The GOJ also recognized the need for continuation of the low cost program to upgrade existing informal settlements. More importantly, however, it recognized that government's role in shelter production (even on the more limited basis suggested above) should decline over the long term. Accordingly, it stressed the removal of current barriers to expansion of private sector housing production and financing for low and moderate income groups. Based on this analysis, the new strategy establishes three fundamental themes:

- o That public sector resources will be more clearly targeted to serve the needs of the urban poor.

- o That the focus of government's role in the sector will change from that of direct provider to that of facilitator. This will be achieved by encouraging the expansion of private sector activity (both formal and informal) in shelter development through increased access to services and land and through alleviation of regulatory constraints.
- o That investment priority will be given to the most rapidly growing tourism centers, where lack of housing and support services now make it impossible to accommodate the labor force needed to service further tourism growth.

SECTOR PROGRAM CONCEPT

Through its Housing Guaranty [HG] Program, AID has supported GOJ housing initiatives for many years, most recently (in HG-012) focusing on MOC(H) basic shelter activities and a new program in which mortgage funds are to be on-lent to low-income borrowers through private lending institutions. These efforts have been predominantly "project-oriented": disbursements are tied to the production of, or lending for, individual housing solutions (finished units, serviced sites, or improvement loans, for example).

The National Shelter Strategy emphasizes, however, that this type of production will not be enough. Therefore, a new approach for AID is essential--one which will address the problem on a "sector-wide" basis as does the Strategy. Support for MOC(H) programs (serviced sites and upgrading) will still be needed, but assistance with related services will also be essential. Recent research has shown that low-income Jamaicans regard the lack of water, for example, as having a much more deleterious effect on the quality of their lives than the physical condition of their housing. The approach must also assist GOJ in eliminating the constraints that now prevent the formal private sector from expanding its output to reach lower-income groups and the informal private sector from addressing its own shelter needs more effectively. The approach should lead to the creation of a self-sustaining delivery system for shelter, water, and other urban services that will meet the current and future needs of the urban poor.

This Shelter and Urban Services Policy Program has been designed in response. It will operate as follows:

1. The Program will provide a total of US\$50 million in new borrowing, to be advanced in four annual HG tranches of approximately US\$10 million each. (Approximately \$10 million of the remaining HG authority will be required to cover the capitalization of up to three years' interest on each tranche of the loan, as necessary in response to GOJ's debt servicing burden during a given year of borrowing.) The GOJ will have to:

(a) certify each year that adequate funds are being budgeted to achieve the program targets specified for the coming year; and (b) document and certify as a condition subsequent that it has expended an equivalent amount in local currency (excluding other donor funds) on HG-eligible activities (i.e., shelter and urban service activities serving below-median income households).

2. Each year under the program, the GOJ and AID/J will agree to sectoral and institutional targets for the coming year, and will prepare a detailed work program for the year ahead. Targets will relate to the adoption and implementation of policy changes, strengthening of institutions, improved programming of institutional resources as well as the achievement of specified production levels for key programs.

3. At the end of each year, a review will be conducted to determine whether the previous year's targets were met. If the targets have not been accomplished in full, the joint review will focus attention on the constraints in the system that demand the most attention and determine whether overall progress justifies a new disbursement.

4. A grant of up to US\$3 million from DA with \$1 million in counterpart contributions will be provided for technical assistance to help monitor sectoral developments, carry out short-term pilot projects and studies addressed to critical constraints, and strengthen institutional implementation capacity.

5. Overall program management and coordination will be lodged in the Office of the Prime Minister in the Bureau for Management Support. A Sectoral Coordination Committee will provide substantive guidance and establish high-level working liaison between the different public agencies and private institutions that will be implementing the program. The Committee will be staffed by representatives from shelter institutions. This arrangement carries over to the implementation stage the management structure that produced the Shelter Sector Strategy.

CONSTRAINTS AND POLICY OBJECTIVES--PRIORITIES AND STAGING

Constraints operating in the sector are of two types: (1) those that prevent the expansion of effective public programs (principally, the provision of serviced sites and settlement upgrading by MOC(H) and the provision of water and sewerage on a reasonable cost basis by the National Water Commission [NWC]); and (2) those that prevent appropriate expansion of the private sector role in shelter provision.

This program recognizes that while ultimately more important, eliminating constraints to an expanded private sector role is a difficult task that will take time to accomplish. Some steps toward reform in this direction will be taken in the first years of the

program, based upon lessons learned in part from implementation of the HG-012 Private Sector Program. It is expected that the pace of change toward this objective will intensify in later years.

Constraints inhibiting the re-orientation of public programs will be given higher priority at first because analysis suggests their elimination can yield a larger payoff in shelter supply in a short period of time. On one hand, MOC(H) already has begun to prepare for much greater production of serviced sites and settlement upgrading. For this component, implementation support can help deliver important results at once. On the other hand, as will be discussed in more depth below, capacity and policy problems in the NWC now probably represent the most critical constraints on the shelter delivery system. They warrant the highest priority attention since, unless resolved, they will prevent an adequate response in all other elements of the system, including production by MOC(H). The relative importance of constraints is reflected in the order in which they are presented in the following discussion. Consistent with this strategy, sector program objectives are summarized below:

A. SIGNIFICANTLY EXPAND ACCESS TO WATER AND SEWERAGE ON A BASIS AFFORDABLE TO THE POOR

The most important constraints in this area are the inadequate institutional delivery capacity of NWC (being dealt with in part through programs of other donors); pricing and investment policies that restrict service coverage for the poor; and the wastage of water resources due to inadequate systems maintenance and pirating. Policy objectives are:

1. Enhance water availability to low income settlements by: (a) implementing a policy of providing water connections to households who do not have registered certificates of title but have other reasonable documentation of plot ownership (regularization of land titles will be part of this effort); (b) introducing workable cost recovery solutions that will permit NWC to provide standpipes to communities otherwise without water service; and (c) establishment of a general policy on financing off-site water and other infrastructure investments that will make it feasible to develop sites and services projects without passing on all of the costs of off-site investment to lot buyers.

2. Develop a water production information system and establish a leak detection and repair capacity within NWC. Carry out pilot projects that demonstrate the cost-effectiveness of tighter water management policies.

3. With a view to reducing sanitation costs, conduct research to examine the tradeoffs between extensions of the piped public system, self contained treatment systems for subdivisions, septic tanks, and other techniques for handling wastes at differing

densities and site conditions. Use the results to establish clear policies and standards as a base for future system extensions. Replace the present policy of requiring up-front payment for the full cost of sewer connections with a revolving fund so that households can pay for installation over time and thus afford to use the existing sewer network.

4. Develop a comprehensive three year investment program for water supply and sanitation to coordinate the activities of all agencies (and donors) engaged in this field in Jamaica.

B. SIGNIFICANTLY EXPAND PUBLIC SECTOR DELIVERY OF LAND AND SERVICES AFFORDABLE TO THE POOR

Principal constraints inhibiting the achievement of this goal include past policies which focused on the production of high-cost, unaffordable, completed housing units with deep subsidies; the allocation of a high percentage of all output to middle income groups; the presently inadequate institutional capacity of MOC(H); a shortage of land identified for future serviced site development; and practices that prevent efficient targeting of housing finance assistance to the poor.

Program policy objectives are:

1. Expand public production of serviced sites and settlement upgrading. GOJ targets call for increasing annual production of these units by almost 15 times over 1983-86 baseline production-- partly as a result of reorienting public sector priorities to emphasize less costly units, and partly as a result of greater sectoral investment. These are extremely ambitious goals. Specific targets for this sector program will be worked out with MOC(H) in the process of preparing the program's Implementation Agreement.

2. Design and implement a land inventory system that will permit MOC(H) to quickly identify and comparatively assess a pipeline of potential land parcels for future serviced sites and upgrading projects. Building on existing GOJ practices to regularize land ownership, use this system to develop a priority site acquisition and development program for high growth urban centers.

3. Prepare and implement a plan for more effective targeting of subsidy resources to the poor and overall reduction of per unit subsidies over time. Develop budgetary practices and systems that will account for subsidies explicitly. To expand the resource base, improve collection of debt service payments on existing mortgages.

4. Conduct management analyses to identify key institutional weaknesses in MOC(H) and design and implement programs to address them.

C. SIGNIFICANTLY EXPAND THE ROLE OF THE PRIVATE SECTOR IN SHELTER PROVISION

1. Facilitate Informal Sector Shelter Provision

The informal sector now provides a substantial share of Jamaica's shelter each year, but it does so inefficiently. Predominantly such activities are carried out by individual households without assistance either from government or community based organizations. Major constraints are the lack of institutional infrastructure to provide technical support, as well as access to land, infrastructure, and credit.

The policy objective here is to create an independent network for sharing information on low cost shelter development and initiate other actions that will: encourage non-governmental and community organizations to become involved in providing support for informal sector construction; encourage the formation of new private-sector entities to provide information and technical assistance; facilitate the expansion of small firms in simple construction and materials provision; strengthen low cost credit opportunities; and encourage NGOs (e.g., churches) to make available appropriate unused land parcels for serviced site development.

2. Enhance Land Availability and Reform Land Titling/Transfer Processes

Private developers who would be interested in providing shelter for low income groups are constrained from doing so because they have inadequate information on the availability of suitable sites and because of the high costs associated with land titling and transfer procedures. Policy objectives are:

a. Introduce the private sector to low-income land development by having private firms operate as turnkey developers of sites and services projects.

b. Use the land inventory system recommended above to provide information on the characteristics of available sites to prospective private developers.

c. Analyze the current land titling and transfer processes and implement a plan for reform that will remove present legal/regulatory impediments and provide training and systems support for procedural streamlining.

3. Reform Land Development Standards and Application Processing

The capacity of the Town Planning Department (responsible for administering most of Jamaica's land development regulations) has seriously eroded in recent years. The applications processing

system involves unreasonable delays and uncertainties, and the standards themselves are often unclear and generally require development that is unreasonably costly considering the level of the nation's economy. All of this seriously constrains private incentives for investment in housing for lower income groups.

Policy Objective: Continue AID/J's present program to: (a) rationalize and clarify development standards in a manner that will encourage economically reasonable development; and (b) use computer systems improvements and more aggressive management techniques to reduce delays in applications processing.

4. Expand the Provision of Affordable Credit for Shelter

Consistent with its structural adjustment goals, GOJ monetary policy has kept real interest rates very high. This environment has dampened effective demand for private sector home mortgages. Even in this environment, however, some steps can be taken to expand the provision of affordable credit. Policy objectives include:

a. Evaluate the programs of the National Housing Trust [NHT] and devise and implement initiatives to better target output to low income groups and use NHT programs to increase the depth and breadth of private capital employed in the sector.

b. Continue and expand the "loans to lenders" approach initiated in HG-012 Private Sector in which HG funds are on-lent to private housing credit institutions which in turn initiate mortgages for below median income households.

c. Expand the concept initiated in NHT's mortgage certificate program by which low cost NHT funds are blended with private market rate funds to finance larger mortgages than would normally be permitted by NHT. Move this program down the income scale to draw private mortgage money into lower-income lending.

d. Continue and expand past AID/J supported efforts to enhance the shelter lending capabilities of Jamaica's credit unions.

e. Reevaluate, and revise as appropriate, a number of legal and regulatory barriers in the housing finance system, as spelled out in the Sector Approval Document.

5. Expand the Provision of Rental Housing

The majority of Jamaica's low income urban households now rent housing and it will be appropriate for a very large share to continue to do so in the future even if all of the reforms above are successfully implemented. Yet in recent years (except for the addition of rental rooms to individual houses) the growth of the rental housing stock has been negligible. A stringent rent control law appears to be one barrier to more rental production but there has been little analysis of all constraints operating in this market.

Policy Objective: Conduct a study of the rental housing market, and based on its findings, initiate reforms to remove constraints now inhibiting rental housing production.

FIRST-YEAR PROGRAM

The activities to be undertaken in the first year can be grouped into three categories:

- o Where GOJ already has established policies consistent with the goals of the Sector Program, the Program will devote first-year efforts to achieving significant, measurable progress toward implementation.
- o Where GOJ is weighing alternative policies, or has not settled upon an implementation strategy for reaching a policy goal, the Program will support the design, implementation, and evaluation of pilot studies, whose results will be used to establish general policy.
- o Where GOJ has agreed only on general goals, but does not yet have the information and analysis to make policy choices, the Program will sponsor information collection and assessment, under the Technical Assistance grant.

First-Year Products

First-year products, and the means for measuring their achievement, are spelled out in the body of the document. Among the key products are:

Implementation Products:

- Install 1,200 new water connections for target population.
- Implement new policy relaxing the standard of acceptable documentation of land ownership for water connections.
- Finish 1,500 serviced sites and settlement upgrading units.
- Establish formal policy on financing of off-site infrastructure for serviced site developments, apply policy to Norwood development.

Pilot Projects:

- Approve design, site, and cost recovery plan for pilot project in community standpipe installation.

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Pilot Projects:

- Approve design, site, and cost recovery plan for pilot project in community standpipe installation.

--Approve site and cost-recovery plan for pilot project to use a revolving loan fund to finance household sewer connections.

--Implement a program of leak detection and repair in at least two cities

--Approve design and financing of pilot project to create private sector capacity to detect and repair water leaks beyond metering point.

Studies and Analyses

--Begin preparation of land inventory system.

--Conduct management audit of Ministry of Construction--Housing.

--Convene conference and prepare work plan for creating a network of community-based organizations and non-governmental organizations that will provide support for informal sector land development.

PART 1
ECONOMIC DEVELOPMENT AND POLICY CONTEXT

I. BACKGROUND

A. Jamaica's Economic Performance and Current Development Strategy

In recent years, Jamaica has engineered a remarkable turnaround in its economy by confronting directly the economy's structural weaknesses and tightly managing demand. Demand restraint, in turn, has established the economic context for policy in the Shelter and Urban Services sector.

Economic Performance. At the end of the 1970s, Jamaica was in deep recession. Rising oil prices, weak external demand for traditional exports (dominated by bauxite), an over-valued exchange rate, excessive dependence upon government spending, and domestic production problems (both social and economic) all contributed to an average growth rate of -2.2% over the period 1973-80.

During the first half of the 1980s, the structural groundwork was laid for economic recovery. International competitiveness was strengthened through devaluation of the Jamaican dollar. Emphasis was placed on tourism and export manufacturing as the principal sources for generating growth in foreign exchange. At the same time, public social programs, subsidies, and employment were cut back, providing room for increased private savings and investment. This process was abetted by the privatization of several public enterprises, and the shifting of other production responsibilities from the public to the private sector. A major tax reform was introduced, which lowered marginal tax rates for both individuals and corporations, and abolished many of the previous exemptions from tax liability.

The period of economic deterioration, followed by difficult structural re-adjustment, took its toll on the Jamaican standard of living. By 1985, real GDP stood at only 85% and per capita real GDP at 68% of their 1975 levels.

The extent of structural re-adjustment that has been achieved can be gauged from some illustrative figures on sectoral performance. Receipts from tourism, one of the principal growth centers, rose at an average rate of 13.3% per year from 1980 to 1986, reaching the level of US\$512 million, and overtaking the mining sector as the principal generator of foreign exchange. Manufacturing increased its share of GDP from 16.2% in 1980 to 22.2% in 1986. Employment in the manufacturing sector grew by an average

28x

of 7.0% per year over the period. Exports in the textile and apparel sub-sector alone rose from US\$7 million to US\$87 million. In contrast, government employment fell by 4.7% annually. Mining's share of GDP declined by more than half.

The aggregate payoff to economic re-structuring began to become evident in 1986. In both 1986 and 1987 Jamaica enjoyed strong positive growth; another year of real growth (now estimated at 4%) is projected for 1988. The unemployment rate fell by almost four percentage points over the two years 1986-87, although it has remained in excess of 21%. Progress has been made in narrowing the deficit in the balance of payments current account. Although these improvements are largely attributable to Jamaica's own economic restructuring, recovery has been aided by external events: principally, a drop in the price of oil, easing the balance of payments constraint and allowing less restrictive demand management, and recovery in 1986-88 in world demand for bauxite.

Some of the principal development trends since 1980 are summarized in Table 1.

Table 1
Economic Indicators 1980-1987

Item	1980	1981	1982	1983	1984	1985	1986p	1987e
GDP growth (%)	-5.8	2.5	1.0	2.0	-0.4	-4.6	2.3	4.5
Inflation (CPI %)	28.7	12.7	6.5	11.6	27.8	25.7	15.1	6.7
Unemployment (%)	27.3	25.9	27.6	26.4	25.5	25.0	23.7	21.2
Investment (% GDP)	14.5	18.1	20.0	20.5	21.1	22.2	18.1	18.0
Lending rate (%)	13.0	13.0	13.0	13.0	15.9	21.9	23.0	23.0
US\$ exchange rate	1.78	1.78	1.78	1.93	3.94	5.56	5.48	5.49
Current account (US\$ m)	-166	-337	-380	-355	-291	-296	-118	-175

p: Preliminary
e: Estimate

Source: IMF, International Financial Statistics (1988)
Statistical Institute of Jamaica

Current Development Strategy and Constraints. The Government of Jamaica is committed to continuing a development strategy that builds around the core areas of tourism and export manufacturing.

In the tourism sector, some 7,700 rooms are projected to be added between 1987 and 1990 (an expansion of almost 30% in the number of rooms island-wide). Most of this growth will occur in the tourist centers of Ocho Rios, Negril, and Montego Bay. Estimates for 1986 indicate that over 13,000 full-time jobs exist in the accommodations subsector and another 13,000 full-time equivalent jobs in other tourism-related activities. This implies that about 0.7 jobs will be created per new room built in hotels, villas, and other accommodations.

In manufacturing, the GOJ's strategy of encouraging export growth contrasts radically with the sector's previous focus on import substitution with its heavy reliance on imported inputs and protection from outside competition. The rapid growth of export textile operations is projected to continue in the short-term. Another sub-sector of growing importance is data entry and transmission. The island is an attractive location thanks to a plentiful supply of relatively inexpensive, English-speaking operators who have built a strong reputation for accuracy. The construction of a US\$5 million teleport in Montego Bay is expected to create 4,000 jobs by 1989. The facility will serve US airlines, hotel chains, and credit card companies.

Jamaica's sectoral growth prospects carry strong implications for the future geographic pattern of demand for shelter and basic public services. Both job and population growth will be strongly focused on the three tourism centers, with secondary growth nodes around Kingston and the new Free Zone planned at Hayes in Clarendon. All in all, it is estimated that 93% of net population growth between 1985 and 2000 will occur in urban areas.

Probably the greatest constraint on Jamaica's economic development plans is the availability of capital, both domestic and foreign. Jamaica historically has been unable to generate sufficient national savings to finance its domestic investment. This has periodically led to large binges of borrowing, money creation, and inflation whenever public and private capital spending has picked up. In recent years, in order to restrain capital borrowing, government macroeconomic policy has maintained very high real interest rates. As intended, this policy has dampened many forms of capital investment, especially spending for social functions including public and private investment in housing.

Between 1981 and 1985 foreign savings was able to substitute partially for domestic savings, particularly in financing productive investment. During this period foreign savings averaged 11.1% of GDP. However, capital inflows dried up substantially in 1986-87 (averaging only 0.8% of GDP) due to cutbacks in lending authority

from major donors. Coupled with extremely large foreign debt payment obligations in coming years (see Section II.C below), foreign exchange availability for investment promises to be a critical limitation to Jamaica's development plans. It is currently projected that 1988 will witness a net outflow of foreign exchange.

Social Well-Being Program. The GOJ's current development strategy incorporates one critical change of direction from the earlier years of the present government. The Social Well-Being Program, introduced in April 1988, acknowledges that government cost-cutting and high interest rates, though crucial to restoration of economic stabilization, also "contained to inadequate levels" expenditures on social services, particularly those targeted to lower middle-income groups and the poor.

The GOJ now has assigned development priority to rebuilding and restructuring the capabilities of the social sector, which it defines to include health, education, housing, water and sewerage, and certain other social programs. Financing for this effort is projected to come from the real economic growth that economic adjustment has made possible, as well as from the international community. Government will take the lead in stimulating new social programs through policy and budget changes, but especially in the shelter and urban services sector greater responsibility for financing and carrying out the programs will be shifted to the private sector.

In introducing the Social Well-Being Program, the Government emphasized that the Program is meant not only to soften the impact of economic adjustment on those who must shoulder its costs, but to help ensure social stability, which ultimately is of even greater consequence than economic stabilization.

B. The Role of the Shelter and Urban Services Sector in Jamaica's Development Strategy

Investments and policy changes in the shelter and urban services sector are designed to support Jamaica's overall development strategy in two fundamental ways.

First, the sector is critical to the goals of the Social Well-Being Program. In financial terms, housing, water, and sewerage account for more than 60% of the total projected budget for the entire Social Well-Being Program. A total investment for the sector of J\$2.854 billion is contemplated over the next five years.

Qualitatively, shelter and water services are two of the social goods most highly valued by the population. As the Social Well-Being Program document points out, Jamaica is experiencing a chronic housing shortage. To meet the existing housing deficit and provide for future population growth, an average of some 15,500 new

units and 9,700 upgrades would have to be provided annually for the next 20 years. Instead, average production since 1970 by the formal sector (public and private) has been 3,500 units per year, and in the last few years markedly less. Combined public and formal private sector production averaged only 1,900 units per year in 1985 and 1986. Moreover, the bulk of housing subsidized by the government has gone to families with above-median incomes. A re-structuring of Shelter-sector operations to produce far more housing, targetted more effectively to those of modest means, is one of the underpinnings of the Social Well-Being Program.

Reliable water service is equally basic to the goal of providing adequate services to the urban population. An island-wide 1986 Carl Stone Survey found that 85% of those interviewed in urban areas reported inadequacies in water access, ranging from complete lack of piped water to periodic water shortages. Households in the fastest-growing squatter areas suffer the most severe deficiencies. In Negril, for example, 2,000 persons receive water from a single standpipe, some of them having to carry containers as far as three miles to their homes.

Second, water, sewer, and shelter services have become critical constraints on the GOJ's tourism development strategy. Ocho Rios now faces more than a 50% deficit in water available for distribution relative to demand. Although recent investment in primary water supply for Montego Bay has achieved a potential balance with demand, major distribution networks have yet to be built to bring the water to the locations where the most rapid population growth is occurring. Negril, in addition to inadequate water supply, faces a severe sewage disposal problem which has emerged following rapid, unplanned additions to room capacity. The new rooms being planned for construction in these areas will further exacerbate infrastructure service conditions at a time when Jamaica needs to maintain the flow of foreign exchange and jobs that tourism so far has been able to provide.

The rapid growth of the three major tourism centers since 1982 has brought with it an influx of tourism-related jobs and in-migration of persons to fill these jobs. Housing solutions have lagged far behind the needs posed by population growth. As a result, informal settlements have sprawled over the environs. Sometimes these settlements conflict with planned tourism investments on prime locations; at other times, the informal settlements are located at such a far distance from work sites, without access to water, sewerage and other basic services, that they threaten to become centers of social resentment for workers in the tourist industry, and therefore pose conflict of another type.

In its investment budget, the GOJ has recognized that the growth of tourism now depends critically on expansion of the infrastructure and housing base in tourism centers.

C. Consistency of this Program with AID/J Development Strategy

The recently prepared Jamaica CDSS (March 1988) reiterates the premise of the GOJ that, with the initial phase of the structural adjustment process now in place, priority attention should be given to the social sector. The CDSS establishes as one of the four fundamental goals of AID/J policy a "wider sharing of the benefits of growth" through greater participation in social programs. Under this goal, one of the explicit objectives is to improve shelter conditions for a broad section of the population, by removing constraints on water and sewerage infrastructure, by shifting housing policies to target benefits more effectively on households of below-median income, and by reforming land markets. The CDSS states that housing and urban development is one of three sectors which will receive top priority in AID/J's development strategy (the other two are agriculture and education).

The FY 1989/90 Action Plan gives further specificity to this objective by describing a new Housing Guaranty project, Shelter and Urban Services Policy, which will be designed to help produce a self-sustaining delivery system for shelter, water, and sewerage that meets the needs of the urban poor. This Sector Approval Document is intended to begin implementation of the objectives set forth in the CDSS and Action Plan.

The Program proposed also is consistent with other elements in AID/J's development strategy. A major goal of the Program is to shift the GOJ role in housing from that of "producer" or "provider" of housing to "facilitator" of private sector efforts to meet housing needs. This is consistent with the emphasis AID/J and the Agency generally have placed on strengthening the development role of the private sector, and with AID/J's analysis that the major constraint on a greater private-sector role in the shelter sector is government's pre-emption of so many construction, land development, and financing functions.

To reach a broader segment of the population, housing policy will have to encourage housing solutions that have lower real costs and provide government subsidies that are both more effectively targeted to the poor and of smaller magnitude per household, so that a greater share of the population may participate in them. These objectives are consistent with AID/J's emphasis on finding least-cost solutions that may realistically be replicated in the future, without donor intervention.

The Program also contemplates a five-year commitment to institutional strengthening in key agencies, such as the Ministry of Construction-Housing and the National Water Commission. This is consistent with the priority assigned in the CDSS and Action Plan to the development of human capital. The Program will both upgrade the human capital base of the general population, by providing shelter, access to water, and opportunities for economic participation to many more families, and through its technical assistance component

improve the human capital of the institutions charged with implementing the new sectoral policies.

The Program will directly support AID/J and GOJ efforts to accelerate tourism development. It will assign priority to the infrastructure and shelter investments necessary to house the rapidly growing labor force moving into Jamaica's tourism centers. AID/J studies have identified the inadequacy of supporting infrastructure as one of the most serious constraints on future tourism development.

Finally, the sectoral program's investments in water systems improvements and sanitation will provide more accessible and reliable potable water and waste disposal. This will have a positive impact on reducing waterborne diseases such as gastrointestinal diseases and diarrhea, particularly among children. As such, this Program will promote an AID/J priority in the health sector, as stated in the CDSS, of promoting childhood survival, especially among disadvantaged groups. Increased quantities of potable water will also cut down on diseases resulting from lack of bathing, hand washing, uncleaned cooking utensils and inadequate household cleaning.

The sanitation systems financed under the Program will provide for more healthful disposal of household excreta and stem pollution of urban water-ways vital to tourism development and overall community well-being.

D. Target Population: Benefits and Costs

As is true of all Housing Guaranty programs, this Program will target its benefits to the below median income population. In fact, all elements of the Program are designed to increase the access of these households to adequate shelter and urban services. Some of the sub-programs will deliver products that will be used exclusively by the low-income population (e.g., serviced lots for informal construction). Other sub-programs (e.g., water conservation) will benefit the population generally, but have special importance for the poor through, in this case, lower water tariffs and swifter expansion of water provision to presently unserved areas.

The regulations governing HG programs require that the Program stimulate outputs specifically attributable to below median income households whose value at least equals the loan amount. To meet this standard, program outputs will be allocated among users, based on income levels, and only the portion allocable to below median income households will be counted toward satisfaction of this Program requirement.

This accountability standard helps ensure that the Program will meet its general goal of broadening access among the poor. Because of its sectoral structure, however, the Program also will have the

flexibility of supporting policies that rationalize service delivery for all segments of the population. This feature is critical to program design, since too frequently programs ostensibly designed exclusively for the poor have ended up being captured by middle and upper income groups. If middle income groups are frustrated in their desire to obtain adequate housing, this fact will in itself become the major barrier to provision of decent housing for the poor. In country after country, the greater purchasing power of middle income households has enabled them to usurp shelter solutions intended for the poor when no alternatives were available to them. Fortunately, it should be possible to meet the sectoral needs of middle income groups without subsidy solely by reducing the barriers that now prevent the private market and parastatal enterprises from responding to their needs on a cost recovery basis.

In summary, the Program is designed to increase greatly the sectoral services actually available to below-median-income households. To accomplish this objective, it will support both sub-programs whose outputs directly benefit the poor, and sector-wide reforms that rationalize service delivery for all.

One of the Program goals is to increase the range of cost recovery among beneficiaries for both shelter solutions and water provision. In this sense, the target group will bear a significant part of the Program's costs. However, the lengthy queues of households now awaiting participation in such programs on a cost-recovery basis is persuasive evidence that recipients value program benefits more highly than costs.

II. POLICY, INSTITUTIONAL AND ECONOMIC SETTING OF THE SECTOR PROGRAM

A. Existing GOJ Policies and Programs in the Sector

In recognition of the inadequacy of its existing shelter policy, the GOJ in 1987 substantially reoriented its strategy for intervention in the shelter sector. The new strategy is fully consistent with USAID principles and objectives for the sector, and reflects the policy dialog that RHUDO has conducted with sectoral institutions over the past several years. A primary purpose of this sector lending program is to support implementation of the GOJ's new National Shelter Strategy.

Although GOJ policy in water, sewerage, and other urban services has not been formalized to the same degree, it, too, has begun to be reoriented to reach a larger number of beneficiaries. In this portion of the sector, AID/J will work with sector institutions to both adopt and implement new policies, including support for pilot projects intended to demonstrate the feasibility of new program approaches.

Main Themes of the National Shelter Strategy. In the past, the GOJ, primarily through its Ministry of Construction-Housing [MOC(H)], has assumed primary responsibility for the direct

construction of housing for the poor. In preparing its new strategy, however, it reviewed its output over the 1970-85 period and found that its programs: (1) contributed only a small fraction of the total housing production that had been needed, (2) involved high costs (an average of J\$50,000 per unit in current prices), and (3) were not well targeted to the poor (approximately 60% of government outlay was absorbed in 22 housing schemes which catered to upper-middle and middle-income groups.)

Facing the future in light of recent cost increases, the GOJ recognized that it could not sustain, much less expand, its output through direct construction affordable to the poor, except by means of massive and growing public subsidies. Its analysis indicated that the subsidy required to support 1986-2006 production requirements on this basis would be J\$285 million per year in 1986 dollars. A subsidy of this magnitude clearly is infeasible, given the continuing need for restraint in public spending and other urgent claims on the GOJ social budget, most prominently for education and health.

The National Shelter Strategy endorses an alternative role for government, in which its direct interventions focus on the provision of small sites to the poor, with the provision of secure tenure and infrastructure at modest standards. The construction of shelter would be left to the people themselves, with the understanding that housing quality would be low initially but would improve over time as household incomes increase. Research has demonstrated that the informal sector has the capability to provide and incrementally improve shelter in this manner. Therefore, this policy addresses the major deficiencies in informal sector settlements at present: inefficient land use and lack of basic services, insecure tenure, and lack of significant cost recovery for public support investment. Analysis indicated that this approach could meet 1986-2006 production targets with far more modest public subsidies.

The National Shelter Strategy also recognizes the need to continue and expand the MOC(H) low cost program to upgrade existing informal settlements. More importantly, however, it recognizes that because of inherent constraints, government's role in shelter production (even on the more limited basis outlined above) should decline over the long term. Accordingly, it stresses the removal of current barriers that impede expansion of private sector housing production for low and moderate income groups, and emphasizes new programs of public-private partnership in the shelter sector. Based on this analysis, the new strategy establishes two fundamental themes:

- o Public sector resources will be more clearly targeted to serve the needs of the urban poor.
- o The focus of government's role in the sector will change from that of a direct provider to that of facilitator, encouraging the healthy expansion of private sector activity (both formal and informal) in shelter development.

The strategy's primary goal is to address the housing problems of the poor. It is recognized, however, that the entire sector delivery system needs overhauling. In particular, the public and private housing finance system must guarantee access for middle income households, without capital subsidies that drive up interest costs throughout the financial system and make it more difficult to provide access to capital for the poor.

Water and Sewerage Policies. New policies in this sub-sector are only beginning to be defined and articulated in a manner comparable to that of the National Shelter Strategy.

One step taken by the GOJ has been to separate the development of major new water supply projects from water distribution, maintenance, and minor development schemes. This step was necessitated by the rapid increase in sectoral capital investment (capital expenditures on water supply installation rose from J\$33.4 million in 1982-83 to J\$87 million in 1988-89) and the inability of the existing institutions to execute major projects swiftly. Responsibility for new water supply projects has now been assigned to Caribbean Engineering Corporation Limited, a public company, and responsibility for water distribution to the National Water Commission, recently re-located under the Ministry of Local Government.

Government investment priorities call for continued heavy investment in primary water systems, especially to close water supply gaps in Ocho Rios and Kingston and to provide for future growth in Montego Bay and Negril; as well as greatly increased investment in rehabilitation, replacement, and maintenance of the existing water distribution system and sewage collection and treatment system. Substantial investment in new treatment plants and new sewage collection lines also is scheduled for Kingston and Negril.

The National Water Commission is moving more tentatively toward policies that will increase service availability to the poor. It has relaxed its traditional requirement that residents possess a clear title to their property before a water connection is made. Evidence of payment of tax bills, a lawyer's statement of ownership, or formal community recognition of ownership can now serve in lieu of a clear title. This reform has the potential for facilitating water connections in many informal areas, although the requirement of land ownership, established by the NWC charter, is still a limiting factor in expanding water hook-ups.

The NWC has other programs planned for extending water service to the poor. These include a proposal to install catchment tanks in rural settlements, and a proposal, now under review, to experiment

with cost-recoverable standpipes in squatter areas where the costs of hook-ups or lack of clear ownership militate against individual connections. This would reverse a 1986 GOJ decision to terminate standpipe installation and maintenance, because of the financial losses standpipes historically have produced.

Roads. Government social policy also stresses two other basic services that are not presently part of this sectoral Program design, but may conceivably be incorporated in later years if they warrant attention. One is road restoration. Economic adjustment led to a sharp cutback in spending on road repairs and maintenance, which in turn allowed a serious deterioration of road surfaces in urban areas, as well as inadequate road access to many of the fastest-growing low-income settlements at the periphery of urban centers. The GOJ has announced that revitalization of the country's road network is now a major priority.

Drainage. Siltation of drainage canals poses an increasing threat of flooding to Jamaica's population centers. In recent years, extensive damage has been inflicted by the inadequacy of drainage channels in the face of heavy and prolonged rainfall. Damage has been especially severe for squatter areas that are most exposed to flooding. The GOJ has put together a priority program for urban drainage that would address first the most severe current problems.

B. Investment Resources

Realization of the planned programs in Shelter, Water and Sewerage, and Urban Services will require a major resource reallocation. For Water and Sewerage, most of the capital financing will be a public sector responsibility. Public capital funding for water projects already has risen 165% between 1982/83 and 1987/88 and is scheduled to double again by 1990/91.

In housing, the government's strategy, as noted, calls for reducing the direct public role in housing provision. Accordingly, public sector investment is projected to decline significantly from its 1987/88 level. The majority of housing development funds will come from outside the public budgetary system and be channelled through public and private institutions. The challenge to resource allocation for the public sector will be the adoption of policies that permit and encourage the private sector to assume the financing role that the GOJ projects for it.

It should be noted that the Social Well-Being Program, quite misleadingly, indicates that financing has been arranged for all projected programs in Shelter and Water and Sewerage over the next five years, with the result that there is no financing gap to be filled. For one thing, there is considerable uncertainty over the aggregate availability of capital investment resources. In recent

years, including 1986/87 and 1987/88 government capital budgets have had to be cut back significantly from planned levels. In 1986/87, for example, J\$490 million of the planned J\$818 million in divestment proceeds that were to be used to help fund the capital budget failed to materialize, leading directly to reductions in capital spending. In the Water and Sewerage sub-sector, the Social Well-Being Program counts as "financed" several projects on which financing negotiations with external donors have only begun. Moreover, the budget does not provide for financing of the various programs needed to augment water and sewerage coverage for the poor or to institute a water conservation program, the foci of this Sectoral Policy Program.

With respect to housing, the financing summary shows J\$129 million per annum as "available" for the next five years through the Caribbean Housing Finance Corporation, virtually all of it under HG loans from USAID. However, this amount vastly exceeds the amount already committed under existing HG programs. Even if the new sector loan, proposed here, is approved, there will remain a significant financing gap that must be filled over the five-year period.

C. Macroeconomic Issues

By some measures, Jamaica's per capita external debt now is the largest in the developing world. The Jamaica CDSS identifies external debt and the resulting high debt service requirements as the "dominant problem" confronting development planning at this juncture. Since the proposed HG sectoral program involves a loan, and additional foreign exchange repayment burdens, the most pressing macroeconomic issue to consider is whether Jamaica is well-advised to assume further indebtedness.

The GOJ has adopted a three-fold strategy for handling its debt: (1) development, with the World Bank, of a management strategy for the current debt stock; (2) re-scheduling of bilateral and commercial debt to lengthen the maturity structure of the debt stock; and (3) promotion of debt-equity swaps with an annual target of US\$40 million in conversions for 1988-90. On this basis, it is projected that the debt/GDP ratio will fall to 70% and the debt service ratio will fall to 20% by 1996.

In the short term, Jamaica's options are limited by the particular characteristics of the debt it has incurred. Of its total debt, 41% is owed to multilateral institutions which do not permit rescheduling. Thus, successful efforts to renegotiate commercial and bilateral (Paris Club) debt are necessary to keep debt service obligations within achievable bounds.

In 1987, the Government rescheduled Paris Club debt due through March 1988 and long-term commercial debt due through March 1990. Despite active rescheduling, actual debt service in 1986 and 1987

exceeded US\$600 million. Debt service for the coming three years will remain very high due to the short-term nature of IMF borrowings; further reschedulings of Paris Club debt (dependent on an agreement with the IMF being in force) certainly will be required through the medium term. To date, however, Jamaica has been able to manage the balance between staying current on its debt obligations and providing adequate foreign exchange to finance investment and expansion of the economy.

In the context of Jamaica's current debt position, the HG loan, although adding to the country's indebtedness, is not as burdensome as it might seem on the surface. The projected interest rate (in the range of 9.25% to 10% for a fixed-rate loan) is not strictly concessional, but is lower than could be obtained on the open market. Further, the term (30 years with 10 years' grace on principal) is much longer than that obtained on average in the 1980s. In addition, it now appears that interest payments for up to the first three years of the loan may be capitalized, meaning that no repayment obligations will be incurred over the next three years, the most burdensome repayment period for the GOJ.

It is estimated that a maximum of half of the local currency equivalent of the foreign exchange generated by the loan should be required for Program use. This estimate is based on macroeconomic data that indicate that imports account directly for about 30% of the value of construction output. If indirect import costs, such as the oil and coal required to fuel the cement plant, are included, this proportion is estimated to rise to approximately 50% for the entire construction sector. However, the specific programs to be supported by the HG loan have the advantage of having import quotients that are below the sector average, given the relatively simple construction methods that will be involved and the move away from house construction toward land development in the shelter sector.

Inflationary Bottlenecks in the Construction Sector. A second potential macroeconomic issue is the emergence of capacity constraints in the construction sector, given the large increase in capital spending that is proposed by the GOJ. These could lead to a resurgence of inflation. However, low levels of investment and the contraction of the economy in the past imply substantial underutilized capacity in the sector. The construction sector is only now returning to previous levels of utilization and has not exhibited 'overheating' as evidenced by rapid price rises. Real wages in the construction sector have fallen by 29% since 1980 and materials prices have moved broadly in line with the general price level. In fact, materials prices track more closely the exchange rate and the CPI than the level of construction activity. Recent

expansions of production capacity in key areas of the construction sector (e.g., cement) further diminish concerns that an increase in capital spending will trigger inflation, at least for the next 2-3 years.

Given Jamaica's very high unemployment rates, unskilled labor is no constraint on sectoral production capacity. On the contrary, construction investment directly supports the priority goal of creating jobs for the economy. However, there is some evidence that difficulties already are being encountered in obtaining skilled construction workers and professional services at current levels of construction activity. These shortages may slow the implementation of projects requiring more sophisticated design or construction methods, but should not hamper informal sector building.

PART 2
SECTOR POLICY PROGRAM

This Section describes the sectoral program that is proposed for financing. It begins by considering the principal constraints to development of an effective delivery system within the Shelter and Urban Services sector. The relative priority of these constraints in the Program is reflected in the order in which they are discussed. This Section then goes on to identify the new policy and programmatic directions that will be supported by the program, evaluates the capacity of key institutions in the sector to implement the program, and assesses the involvement of other donors in light of the sectoral program being proposed.

I. CRITICAL CONSTRAINTS TO SHELTER AND URBAN SERVICES DELIVERY

The "constraints" to effective service delivery for the sector take many different forms. Government commitments to inappropriate policies pose one type of constraint. A shortage of financial resources and lack of institutional capacity to manage programs are other types of constraints, as are bottlenecks in the system which arise because of lack of information or cumbersome administrative procedures. This section addresses policy constraints, constraints in administrative and production systems, and constraints that stem from a lack of analytical understanding of the markets involved. Overall resource limitations on the GOJ were discussed in Part 1; limitations in the implementing capacity of sectoral institutions are discussed in Section III of this Part.

Constraints must be evaluated against the sectoral program objective, which is to produce a self-sustaining delivery system for shelter, water, sewerage and other urban services that will meet the current and future needs of the urban poor. The constraints operating in the sector may be divided into two basic types:

(1) those that prevent the expansion of effective public programs (principally, the provision of serviced sites and settlement upgrading by MOC(H) and the provision of water and sewerage on a reasonable financial basis by the NWC); and (2) those that prevent appropriate expansion of the private sector role in shelter provision and (to a lesser degree) water system maintenance.

This program recognizes that while ultimately more important, eliminating constraints to an expanded private sector role will be a difficult challenge that will take time to accomplish. Important steps toward reform in this direction will be taken in the first years of the program, but the pace of change toward this objective will intensify in later years.

Constraints inhibiting the expansion of effective public programs will be given higher priority at first because analysis

suggests they can yield a larger payoff in shelter supply in a short period of time. The reasons for this conclusion are offered below.

Lack of Sector-Wide Coordination and Information. Before discussing specific constraints, however, we should make clear that the greatest obstacle to an effective sectoral policy program in the shelter and urban services sector in Jamaica is the absence of a sectoral perspective. This is exemplified by the lack of coordination between the many public agencies and private institutions involved in the process of producing shelter and urban services. Until the establishment of the interagency "Focus Committee" that developed the National Shelter Strategy, even key public sector agencies did not hold regular meetings to jointly deliberate policy alternatives or coordinate program actions for the sector as a whole. Unfortunately, since the Strategy has been published, the Focus Committee has ceased regular meetings, and the opportunity it created for sector coordination is in danger of being lost.

There is a parallel lack of data on sectoral outputs. Individual agencies and private sector institutions maintain records on their own program outputs, but nowhere in Jamaica is it possible to find out, for example, total mortgage financing for the sector or total sector production by type of shelter produced or income level of purchaser, even for public agencies. If a citizen or prospective investor wants to better understand the development plans for an individual city, there is no one place he can go to obtain integrated and up to date information on the plans of key government agencies in that city. The information constraint preventing the development (or monitoring) of sector-wide programs must be overcome as surely as specific policy constraints if efficient sectoral development is to take place.

A. Barriers to the Operation of Satisfactory Water and Sanitation Systems on a Basis Affordable to the Poor

1. Public Water Coverage Access to a regular, safe water source is one of the characteristics of shelter most valued by occupants. In a special survey of North Coast squatter settlements, undertaken as part of this Program preparation, respondents ranked water service with secure land tenure as their two most urgent priorities.

Compared to many other nations in the region, Jamaica does not face an especially severe constraint with respect to water distribution. According to the 1982 Census, 87% of households in the Kingston Metropolitan Area have access to both piped water and toilet facilities, although in many cases water is only piped into a communal yard, and 45% of toilets in informal settlements are shared by 16 persons or more. Outside of Kingston, water coverage is lower. Just under a quarter of all dwellings in other urban locations lack piped water on site.

There is reason to believe, moreover, that these 1982 figures understate the severity of today's water problems. The rapid growth of the tourism centers has occurred since that date, producing large numbers of squatter settlements. Because they are not legal owners of their land, squatters cannot receive individual connections from the National Water Commission. Furthermore, the NWC in 1986 took a policy decision to cease all installation and maintenance of stand-pipes. This decision has exacerbated the water supply problems of households that do not have individual connections.

The difficulties of water access in squatter settlements is illustrated by some of the survey findings. In Negril, water must be carried as far as three miles from the standpipe to home, and as many as 2,000 persons are served by a single standpipe. The numbers are so high that there is a constant queue of some 50 persons waiting their turn to fill a container. In Highlight View, near Papine in the Kingston Metropolitan Area, the entire community must obtain water by traversing a precipitous and precarious path down the hillside on a trip lasting anywhere from 20 to 45 minutes. On average, three trips per household per day are made.

Even where households in informal settlements enjoy access to piped water, it most frequently is from pirated sources that create difficulties of their own. Illegal taps into public distribution lines divert an unknown, but presumably large, amount of water for which no payment is received.

2. Pricing Policy for Water Infrastructure and Water Services.

The current tariff structure for water services, and the cost-recovery mechanisms for water infrastructure investment, represent another important constraint on the system. At present, the costs of off-site infrastructure investment (e.g., extension of water trunk lines and installation of major pumping facilities) are borne by developers of new settlements and passed on to homebuyers along with the cost of the local distribution system. For the buyers of homes in up-scale private developments, this practice does not present severe problems, since off-site infrastructure costs tend to be a modest part of the total house cost. Moreover, many of these developments are built on land already serviced by infrastructure networks.

For low-income households, locating on improved sites and expected to erect homes out of their own resources, off-site infrastructure costs can be a major impediment. In the major current sites and services development, it is estimated that off-site infrastructure costs for water alone will approximate J\$2,500 per lot, or some 20% of base cost. Moreover, the MOC(H) forecasts that a large and increasing share of sites and services projects will have to be built in locations that do not have access to major infrastructure systems.

Tariff Policy for Standpipe Consumption. The GOJ currently has

no tariff policy for newly installed standpipes. In the past standpipes were installed and water delivered through them, free of charge. Government estimates of the revenue loss from this practice led to a policy decision in 1986 to halt the installation of new standpipes and to stop maintenance of existing ones. As a result, residents of the fastest-growing informal settlements have encountered great difficulties in obtaining safe water supplies.

The GOJ now has under consideration a policy of installing new standpipes at community request when cost-recovery can be assured. The tariff policy established for standpipe consumption obviously is critical to the economics of this activity.

The NWC tentatively has proposed applying the standard tariff structure to standpipes. This structure is:

First 3,000 gallons - J\$20.00
Next 3,000 gallons - J\$11.75/1000
Next 3,000 gallons - J\$12.69/1000
Next 3,000 gallons - J\$16.20/1000
Next 8,000 gallons - J\$20.17/1000
Next 20,000 gallons - J\$25.00/1000

The increasing-rate structure is intended both to introduce progressivity in charges (so that wealthier households pay more for water) and to encourage water conservation (by making discretionary consumption more expensive). However, for the typical standpipe usage, application of this tariff structure has the perverse effect of thrusting very low-income households into the highest rate category, usually paid only by commercial operations. Standpipe usage would be charged on the basis of total monthly consumption, not use per household. For example, in Highlight View, where standpipe installation now is under discussion, it is estimated that consumption per standpipe will approximate 65,000 gallons per month. If priced according to the standard tariff structure, each participating household would have to pay J\$400 per annum for standpipe access. If households instead were charged at the lowest tariff block (where the volume of consumption per individual household normally would place them) the cost per annum per household would fall to J\$122, making water far more affordable.

3. Leak Detection and Repair. Potable water has become a scarce commodity in Jamaica. The average cost to the NWC of delivering water to consumers exceeds J\$14 per 1,000 gallons. The cost of exploiting new sources of supply and transporting the water to urban settlement--the marginal cost of urban water supply--is still higher. As noted previously, capital outlays for new source development are growing at an extremely rapid rate. In spite of this, shortfalls in water availability leave many communities with seasonal and intermittent shortages.

At the same time, Jamaica is estimated to lose 30% or more of

the potable water it produces through leakage, either from the main distribution system or from household pipes. If water losses could be reduced, the country could meet a significant part of its current shortfall of supply and reduce the capital outlays needed to meet future demand.

Although no studies have been conducted to demonstrate the point, there is a presumption that water can be "produced" more economically by detecting and repairing leaks than by investing in new source projects.

4. Sewerage Coverage. Sewer services are not as urgently demanded by the low-income population as water service, but the lack of sewerage coverage has seriously adverse public health implications. One important obstacle to sewer connections is the initial cost to households of hooking up their housing units to sewer mains, even where these exist. An extreme version of this situation presents itself in several communities in the Kingston Metropolitan Area, where the NWC has installed sewer lines but is unable to operate them because community residents cannot afford the costs of household connections. At present, it is NWC policy to require the full amount of this cost (estimated to average \$J2,500) to be paid up front. If capital could be found to pay for the initial hook-ups, while allowing households to pay back the costs over a three or four year period, use could be made of the existing installed system.

5. Investment Programming. The lack of clear investment programming has become an important constraint to the reorientation of sector programs. At present, NWC does not prepare a realistic three or five year overall investment plan. It does not coordinate with other agencies to prepare a time-phased list of projects that will be carried out in a particular urban area, so that land and shelter investment plans may be coordinated with the installation of water distribution lines. Where other agencies, like the Urban Development Corporation or MOC(H) become involved in water and sewerage investment, there is no sectoral aggregation of investment plans, and little attempt to link investments by one agency in distribution or collection lines with investments by another agency in primary water supply or treatment plants. Successful sectoral development will require much more explicit investment information, first at the agency level, then at the sectoral level.

B. Public Sector Policies That Have Caused Insufficient Production of Land and Services Affordable to the Poor

1. High Unit Costs and an Unaffordable Mix of Outputs. Historically, the GOJ has used its housing resources to produce finished units at relatively high prices, necessitating deep government subsidies to make the units affordable by beneficiaries. This policy, more than any other single factor, has made it

impossible to provide shelter assistance to a large portion of the Jamaican population.

The review conducted by the GOJ as part of the preparation of the National Shelter Sector Strategy found that the average cost per government-supported housing solution, measured in current Jamaican dollars, for units produced between 1970 and 1985 was J\$50,000, and that the average cost of units produced in urban areas was substantially higher than this. By contrast, 20% of the population has an annual income below J\$3,850. For these households it is estimated that the maximum affordable solution, even at subsidized interest rates, would cost about J\$8,000. Another 20% of the population has incomes below J\$14,400, making core units costing J\$36,000 barely affordable at subsidized interest rates.

By producing higher-cost finished units, and providing deep subsidies to the households that occupy them, the GOJ has brought about two undesirable results: First, it has been able to produce very little housing. In 1985 and 1986 the government production system hit bottom, by producing only 1,350 units per year. This is less than one tenth of the estimated annual need for new production.

Second, much of the subsidized housing produced has, in fact, been occupied by middle- and upper-middle-income households. The Shelter Sector Strategy report estimates that at least 60% of total government funding in the last 15 years went to build housing for these income groups, further restricting the availability of shelter for those of moderate incomes.

2. Land for Sites and Services Projects. The MOC(H) believes that it is fast running out of land within present infrastructure service areas that can be developed for low-income shelter projects. The largest-scale sites and services project now planned for development, Norwood in the Montego Bay area, lies at two miles remove from the nearest water trunk line, and will require main installation plus uphill pumping facilities to gain access to piped water.

It is not possible to know for certain whether the lack of serviced land available for sites and services development is an absolute constraint, or an information constraint. The GOJ has no land inventory records of either government-owned lands or lands that could be acquired by government and used for housing purposes. If there is a shortage of land for serviced site development, it is not known whether it is a constraint only on large sites (sufficient for several thousand units) that represent Government's currently preferred development strategy or on smaller sites, as well. Nor have there been studies of the comparative costs of developing smaller sites within infrastructure service areas vs. the costs of developing larger sites outside service areas. What is known is that a very limited supply of land has been identified as available for low-income development, and land supply threatens to become a severe constraint on future development plans.

3. Arrears in Collections. Resources for shelter development have been hampered not only by Government budget restrictions but by the poor collection experience on loans made directly by MOC(H). Before the servicing of these loans was transferred to the Caribbean Housing Finance Corporation [CHFC] the collection rate was less than 30%. Through borrower counseling, a shift to payroll deductions and an organized mortgage administration and collection program, CHFC has increased the collection rate to 50%, but more progress in this direction will clearly be required to attain reasonable cost recovery standards.

C. Inadequate Private Sector Participation in the Production and Financing of Decent Shelter for the Target Population

The formally organized private sector plays almost no role in providing shelter for households in the lower half of Jamaica's income distribution. PIOJ records indicate that formal private-sector production peaked at 3,200 units per year in 1976 and has declined greatly since then. Because of inadequacies in data collection, this series understates actual totals somewhat, but even so it is impossible to escape the conclusion that formal sector output satisfies only a small fraction of total housing needs. The least expensive housing now being produced by private firms costs J\$85,000, well above the maximum amount affordable by a household of median income.

Formal private-sector participation in housing finance has been comparably meager, except for relatively affluent households. The number of mortgages issued by Building Societies, for example, fell by almost 50% between 1983 and 1985. Preliminary figures suggest improvement over the past two years, but lending still falls far below that required for a healthy and responsive market.

There are, of course, broad macroeconomic reasons for the scant participation of the private sector in mortgage lending, especially at the lower end of the market. GOJ monetary policy has kept interest rates artificially high. Although rates have declined, Government Treasury Bills still pay 16-18%. This places an effective floor on rates for other lending. Long-term mortgages are also 18% or higher, implying real rates of interest of roughly 10%. These rates (as intended) have dampened demand.

Furthermore, for the lower 60% of the market, the private sector has to compete with mortgages issued by the National Housing Trust, which are now issued at 6%, 8%, and 10%, depending upon beneficiaries' income levels. Obviously, in this environment subsidized public mortgage lending has displaced private lending. (Funds for the National Housing Trust are provided by forced savings, collected from employee and employer payroll contributions.)

Public sector institutions, however, do not have the human or

financial capital to meet shelter sector needs on their own. The mandatory channeling of savings into a public institution (NHT), which allocates it at below-market rates to selected housing buyers, imposes distortions on the entire capital market. Ways must be found to draw the private sector into housing finance and housing production for the bottom half of the market on more nearly equal terms with government.

1. Lack of Support for Informal Sector Shelter Provision. The private sector is actively engaged in shelter provision, in the sense that individual households in the informal sector often take responsibility for locating sites, acquiring infrastructure services, and building houses, on their own without government intervention, using their own savings. However, studies of the informal settlement process reveal that the Jamaican squatter family acts very much on its own, without the strong community based organizations that characterize informal development in many other countries. The absence of powerful community-based organizations oriented toward shelter development, or a national network of such organizations, is one aspect of the constraint imposed by weak private sector involvement.

Until now, government support for sites and service development--whether in the form of infrastructure investment or financing support--has been available only for government-sponsored and government-produced projects. There has been no attempt to provide support services equally for public and private developers of these projects. Studies of the informal sector indicate that access to minimally serviced land, serviced with water, is the single most important constraint to shelter development by the informal sector.

2. Land Availability and Land Titling. A continued flow of shelter production for the target population depends critically upon the availability of land for private development. Land supply has become a formidable constraint, which manifests itself in two ways:

Information on Land Supply. Lack of easily accessible information about potential sites frustrates the development process for private developers, just as it does for MOC(H). Analysis of the advantages and disadvantages of alternative sites (in relation to costs, current and planned infrastructure coverage, and location relative to planned job expansions) is an essential first step for the private housing provider. At present, the absence of such information significantly hinders developer investment initiatives.

Land Titling and Transfer. The inefficiencies of the land titling and land transfer process in Jamaica impose important social and economic costs on the entire sector. One aspect of this problem is the difficulty of acquiring and transferring title even in cases where legal ownership is clear. The time required to obtain clear title under these conditions can range anywhere from a minimum of six months to several years. The problems with this process have

implications for both public and private transactions. For example, if a building society issues a mortgage on a piece of property, then sells the mortgage to the Jamaica National Bank, establishment of title at each stage can require a minimum of six months, leading to a total of 12 months between origination and sale.

MOC(H) has indicated that land assembly for sites and services projects typically takes a minimum of one year, up to four or five years, even when all the parcels are owned by government. Another long delay is required when title is passed to the individual purchaser of a site.

The reasons for this delay are twofold. First, the records of the Land Registry do not permit efficient retrieval and the administrative procedures for handling title search and recordation are sorely inadequate. Second, much of government land never has been surveyed or laid out in identified parcels. As a result, even when the Government wants to convey its own land to purchasers in housing schemes, or to farmers as part of agricultural reform, it must endure lengthy delays while it documents the land in question. If one government ministry wants to purchase land from another ministry, or if there is a transaction involving both government and the private sector, delays become even greater.

The issue of land title is most acute for those properties where occupants do not have clear ownership. The fastest-growing residential areas in Jamaica have been settled by squatters, who do not have, and under current practice cannot easily obtain, clear land title. In other low-income areas, land titles often are unclear or missing. The absence of clear evidence of ownership greatly handicaps occupants. They cannot receive water hook-ups to their sites. They cannot pledge their property as collateral for loans for home improvements or other purposes from regular lenders. Moreover, repeated surveys throughout the developing world, as well as in Jamaica specifically, have indicated that households are reluctant to invest in upgrading their housing units or lot sites without possessing secure land tenure. Squatters must live with the fact that they can be evicted, and this naturally limits their willingness to invest in improvements that will remain with the site.

The MOC(H) does have a settlement upgrading program which confers land title on occupants in settlements selected for government provision of infrastructure and other upgrading facilities. However, this program reaches only a small proportion of the population moving into informal settlements. Over the period 1983-86 an average of 601 households per year participated in government upgrading schemes, and will eventually receive clear title to their land.

3. Land Development Standards and Applications Processing Systems. Unrealistic development standards and cumbersome applications processing frustrate the land development

process in Jamaica. An AID-sponsored audit found that only the top 15% of metropolitan Kingston's income spectrum could afford the most modest home that would meet Town Planning standards. The impact of development standards (for road width, water pipe depth and diameter, lot size, etc.) on the cost of serviced lots is still greater. Moreover, over the period 1981-86 it took an average of 171 days to process a subdivision application. About 20% of the applications initiated over that five year period were still "in process" at the end of it. These delays (and the uncertainties surrounding them) further add to development costs.

In addition to standards that appear to be too exacting for low-income settlements, there are gaps and conflicts in standards adopted by different government agencies involved in land development. Firefighting equipment, for example, has been purchased that works for a standard hydrant pressure, then water mains are installed in low-income settlements that do not deliver water at this pressure. These inconsistencies result from the lack of sectoral coordination across the different agencies involved in land development.

4. Barriers to Private Mortgage Lending. As noted in the introduction to this section, the present interest rate environment substantially dampens incentives to expand private-sector mortgage lending. There are other, more specific constraints to the flow of credit for shelter, however, including: the influence of private credit controls, restrictions against Building Society lending for construction finance or for home improvements on leasehold properties, loan interest and dividend restrictions for credit unions, limitations on the types of loans which the Jamaica Mortgage Bank can insure. As long as private financing must compete with government subsidized lending, alleviating such constraints probably would not have a sizeable effect on private mortgage flows, but they warrant examination in preparation for the ultimate creation of a more efficient housing finance system.

5. Provision of Rental Housing. Most poor families in Jamaica's urban areas are renters. Even with much expanded output of serviced sites for low income ownership there will remain considerable need for rental housing, particularly among low income groups. Yet in the 1980's, except for the informal addition of rental rooms in squatter settlements and other single family developments, it appears that additions to the rental stock have been negligible.

There has been little analysis of why the rental supply is so tightly constrained, although a review in the National Shelter Strategy suggests that the Rent Restriction (Amendment) Act of 1982 may be an important influence. The law was enacted in response to rapid rent escalation that occurred just after 1980. It requires that landlords obtain a Certificate of Assessed Rent prior to

increasing rent for their units. However the Land Valuation Department (responsible for issuing the certificates) does not have the capacity to handle this function. The national strategy states:

"As a result, the assessment process has been lengthy and very few Certificates of Rent Assessment have been issued. The landlords have been the losers, as they have been held to the rent as of July 1980, plus approved increases. This has therefore been a great disincentive to providing upkeep and maintenance of rental units."

II. THE SECTORAL PROGRAM: POLICY DIRECTIONS AND PROGRAM GOALS

Over its five-year lifetime the Sectoral Policy Program is designed to address each of the constraints identified above, and to do so within an integrated sectoral framework.

In launching the Sector Program, the initial steps to be taken fall logically into three categories:

(1) Where GOJ already has established policies consistent with the sectoral priorities set forth in this Program, activities will be devoted from the outset to implementation. This will be most clearly true of the policies adopted in the Shelter Sector Strategy.

(2) Where Government agencies have tentatively adopted new policies or new policy objectives, but have not yet decided upon an implementing strategy, much of the activity in the first two years will be devoted to designing, carrying out, and evaluating pilot projects, then using the pilot project experience to establish general policy guidelines.

(3) Where Government has agreed only upon general goals, but does not have the information and analysis to weigh specific policy alternatives, or where Government agencies and AID/J differ as to policy objectives, initial activity will be devoted to (a) information collection and assessment, and (b) policy dialog, including the identification of data or analyses that might resolve the differences in point of view.

This section discusses the nature of the policies to be followed in responding to the principal sectoral constraints, and identifies indicative targets for achievement over the five-year lifetime of the Program. A more detailed set of outputs and procedures to be followed in Year 1 is specified in Part 3 of this document.

A. Improve the Operation of Water and Sanitation Systems on a Basis Affordable to the Poor

1. Policy Change to Increase Water Supply Coverage. Access to water has been constrained by the policies of NWC which have set high standards of proof of land ownership and reduced the number of public standpipes in service. Though motivated by a need to consolidate the revenue position of the agency, these stringent policies have also had the negative effect of increasing the impetus for illegal connections or other socially costly water supply solutions.

Expansion of primary water supply is being addressed by other donor programs. This program will aim to improve access to public water supplies by the low-income population. To meet this goal, in the short run it will encourage NWC to broaden population coverage by implementing its new policy of accepting a wider range of documentation as proof of ownership preliminary to household hook-up, and by financing a greater number of individual connections.

In the intermediate term, experimentation with non-traditional payment schemes may identify workable cost recovery solutions that allow the re-introduction of standpipes to communities where individual hook-ups are infeasible. These cost recovery schemes may include: community payment of water costs; inclusion of allocated water costs from standpipes in lease/sales agreements for plots in serviced site developments; or establishment of a private custodian who operates a standpipe on behalf of NWC and charges a fee per trip for water consumption.

2. Removal of Water Pricing Bottlenecks. Current pricing policies for both off-site infrastructure provision and water consumption incorporate features which make them onerous to low-income users. In the case of off-site infrastructure, GOJ policy must address how necessary investments can be provided to low-income developments while maintaining lot prices affordable to the target population. Financing at least part of the off-site infrastructure costs for such developments from general revenues may be justified. The use of tax revenues to finance off-site infrastructure for serviced site developments would represent a highly targeted subsidy to the segment of the population most in need of assistance in meeting its shelter needs. If the costs of internal distribution lines were recovered in full from beneficiaries, this would still represent a large improvement in overall cost recovery.

The current structure of water tariffs also needs to be re-considered. If the existing tariff structure is applied to standpipes, households suffering the inconvenience of standpipe consumption will end up paying far more, per unit of water, than households with individual connections. This outcome seems to carry cost-recovery to excessive and inequitable lengths. Collection

experience also indicates that low-income households pay their bills more consistently when monthly water charges are approximately uniform, than when bills fluctuate widely due to variations in consumption (or variations in leakage and metering error). This suggests that for large-scale new developments, in which all housing is approximately the same, it may be administratively prudent to substitute a fixed, uniform charge that in the aggregate covers water supply costs, rather than to attempt to differentiate household consumption through metering.

3. Improve Leak Detection and Repair. Estimates of water loss in NWC's distribution system imply that significant gains in the amount of water available for sale to consumers can be captured through a program of leak detection and repair. Key to establishing the costs and benefits from this kind of program, and therefore deciding whether to generalize pilot programs system-wide, is the creation of a production information system. Once current water production and transmission at key points are accurately measured through bulk metering, a leak eradication program can be implemented and its suitability as a cost-effective means of increasing water supply determined.

The evidence currently available on water lost through leakage (including aerial photographs of marshes and surface ponds fed by leaks from distribution mains) justify short-run attention to bolstering NWC's leak-detection and main repair capacity.

4. Rationalize Sewerage and Sanitation Policies. More study will be required before definite policy targets can be set in this area. First, it will be necessary to analyze options to NWC's present policy of requiring full payment of connection costs up front, including the feasibility of setting up revolving funds that will allow payment over 3-4 years. Second, in light of recent international research on low cost sanitation techniques in differing soil conditions, there should be an analysis of the relative cost effectiveness for different types of developments of extensions to piped public systems, self contained sewerage systems for housing schemes, septic tanks, pit latrines, and other solutions. This should lead to the development of clearer policies and standards that would guide NWC plans for future system installation.

5. Develop a Comprehensive and Coordinated Investment Program for Water Supply and Sanitation. To provide a basis for realistic planning in the sector as a whole, the NWC should take the lead in developing a three-year investment program that covers the prospective activities of all agencies (and donors) in water and sanitation. This job starts with the development of a coherent investment plan by NWC itself. It then can be extended to include investments planned by other agencies. At that point, total investments by urban region can be compared meaningfully with growth projections to determine where the most urgent shortfalls will

emerge. Interagency meetings will be required to co-ordinate infrastructure investment plans with shelter development plans.

B. Significantly Expand Public Sector Delivery of Land and Services Affordable to the Poor

1. Expand Public Production of Serviced Sites and Settlement Upgrading. To bring down the average cost of housing solutions, and to significantly increase the volume of shelter production for lower-income households, it is imperative that the mix of solutions be modified. Low-cost solutions--including serviced sites, build-a-home on own land, and settlement upgrading--need to be expanded, at the expense of more costly finished units. The shift in production mix should be accompanied by a reduction in subsidy rates, since the new shelter mix will be far more affordable by the target population.

This shift in the mix of shelter production is the paramount goal of GOJ and AID/J for the sector. It implies a substantial increase in the total volume of low-income solutions, given the much lower cost per unit of the new strategy.

Table 2
Annual Public Sector Housing Production
(Units or plots completed)

Housing Solution Type	Average Cost (J\$)	Annual Production Base 1983-86	Annual Production Target 1988-91
NEW CONSTRUCTION			
Serviced Sites	14,000	0	4,000
Housing Units			
Core house	36,000	0	500
Starter Home	56,000	2,000	500
Housing Schemes	100,000	559	2,000
Subtotal		<u>2,559</u>	<u>3,000</u>
SETTLEMENT UPGRADING	11,000	601	5,000
TOTAL		3,160	12,000

Table 2 summarizes the types of units now produced by the public sector in Jamaica, their average cost per unit, baseline figures on recent production levels, and current GOJ goals for the future as stated in the Social Well-Being Programme. The goals call

for a very ambitious shift in production mix, as well as an almost quadrupling in total production for the target population. To a very considerable degree, this statement of goals is the product of several years of policy dialog between GOJ and RHUDO over the basic objectives of shelter policy. Now, emphasis needs to be placed on implementation. Specific production targets for the phased achievement of sectoral goals will be written into the Implementation Agreement and revised for subsequent years in the Annual Review Process.

2. Develop a Land Inventory System for MOC(H) Use. Lack of information on potential development sites appears to be the primary barrier to MOC(H) efforts to expand its output of serviced lots. The first task, therefore, is to establish a workable land inventory system. Around the developing world there have been a number of unhappy experiences with automated land information systems, as these tend to escalate rapidly in costs, complexity, and difficulty of data collection, to the point where many have had to be abandoned before yielding any useful application. An incremental system, starting with very simple objectives, to be expanded only if those using it judge it worthwhile, is appropriate for Jamaica. In a first stage, this system would merely organize the information MOC(H) has--or should have--on its own landholdings, by location, parcel size, soil and slope characteristics, and access to roads, water, and other infrastructure. This information would permit the first orderly judgment as to how much of a pipeline for sites and services projects MOC(H) can generate from its own land inventory.

In a second stage, the project would be extended to lands owned by other government agencies. If successful, it could eventually be expanded into a broader land information system, drawing on the extensive land-use descriptors and parcel-organizing system maintained by the Land Valuation department. As MOC(H) develops a functional pipeline of sites and services projects, the system could also keep track of where particular sites stand in the approval and land titling process. However, each step in this process will stand on its own merits, and not require the greater complexity and data coverage of later steps to provide its benefits. As a result of the annual Program review, project development can be stopped at any stage when the practical benefits of the land information system appear to have been exhausted.

3. More Effective Targeting of Subsidies and Collection of Mortgage Payments. It is recognized that, over time, the present extent of subsidy levels in all MOC(H) schemes must decrease. As a part of this program, MOC(H) will develop a phased plan for subsidy reduction with an initial objective of establishing an accounting system that explicitly identifies the extent of subsidies in present operations, by type of solution. Accounting records of this type are essential if MOC(H) is to be able to more effectively target what subsidies are available to the poor. Also, consistent with the objective of using its resources efficiently, CHFC must continue its

effort to further improve the collection rate from existing MOC(H) developments.

C. Establish an Expanded and More Effective Role for the Private Sector (Formal and Informal) in Shelter Delivery

The directions noted above appropriately recast the role of government in the shelter sector toward the provision of land and infrastructure services. Consistent with this change, the primary role in the construction and financing of housing must be played by the private sector. Economic conditions are such that, at least for the short term, formal sector private institutions will not find it easy to substantially expand production affordable to this program's target group. An appropriate strategy in this program component then is:

- o To give immediate emphasis to expanding and improving the quality of informal sector shelter provision;
- o To take steps that will reduce present constraints on the formal sector enabling it to progressively expand its coverage of the income spectrum over time;
- o To look for opportunities for the public and private sectors to collaborate in joint provision of physical shelter or financing for the target population.

1. Facilitate Informal Sector Shelter Provision. For the foreseeable future, the bulk of low-income shelter will be provided by the informal sector. Non-governmental and community-based organizations can help improve the quality and cost-effectiveness of this development. This program will support the strengthening of NGO's and CBO's to take initiatives in shelter upgrading and development at the household and settlement level. This can include such activities as creation of a non-government, non-partisan extension service to provide informal settlements with technical support; use of the extension service to prepare user-friendly guides and provide in-person advice on such topics as land development in informal settlements, building techniques and building materials that can be used effectively by informal sector builders, and recommendations as to where go to get specialized skills (e.g., engineering skills to help resolve drainage problems.)

It may also be possible to involve NGOs in the provision of land for serviced site developments similar to those provided by MOC(H). Churches, for example, often have holdings of vacant land in urban centers that could be utilized for this purpose in collaboration with community groups.

Another objective in this component of the program is to expand the informal sector's access to reasonably priced credit for

shelter, particularly home improvement loans. This will be addressed in part by a continuation and expansion of past AID/J efforts to enhance the shelter lending capabilities of Jamaica's credit unions. In addition, the program will work with NHT to better target its lending to lower income groups. Improved information about lending opportunities will be made available to low income households via the NGO-CBO networks.

2. Improve Land Titling/Transfer Processes. Creating a truly efficient land market is a difficult and lengthy task. Nonetheless, addressing the land constraint is vital to the program objective of increasing formal private-sector involvement and there are steps that could make a difference in the short term.

The program will concentrate on constraints in the land titling and transfer processes. IDB and UN resources have already been allocated to take steps toward improving land titling, although these focus on agricultural land. This sector program will closely coordinate with the IDB/UN activities and be directed to supplementing them with respect to urban lands. The starting point should be a study of the way the system now operates for urban parcels, to determine exactly where the greatest delays and uncertainties occur. The study should also incorporate information on new techniques in titling and transfer that have been successfully applied in other countries with legal traditions similar to those in Jamaica. As an interim measure, a sector-wide program should be designed to permit infrastructure providers and formal sector lenders to accept lesser documentation of ownership than Registered Certificates of Title as a basis for their dealings with occupants of low income settlements.

3. Reform Land Development Standards and Applications Processing. In 1986-87, AID/J supported a project designed to help the Town Planning Department address development standards issues. The project team worked with TPD staff to develop a basic computer tracking system for applications processing and to write a new draft Development Order for metropolitan Kingston that incorporated more flexible standards and special provisions for low income settlements. The latter has been reviewed and, with minor modifications, approved by the Prime Minister.

The project recognized, however, that much more remains to be done. Gaps and conflicts in other laws and regulations pertaining to land development need to be rationalized and a number of "unwritten standards" need to be made explicit. It is particularly important to examine the standards applied by a number of agencies outside TPD that review subdivision applications (e.g., the Ministries of Construction (Works) and Health).

4. Reduce Constraints for Formal Private Sector Institutions in Financing Shelter. As noted earlier, private sector financing institutions have shown themselves reluctant to take on

the risks, and modest profit opportunities, of supporting housing activities at the lower end of the market. Steps will have to be taken to identify more precisely and begin to eliminate those constraints that discourage greater private-sector participation.

Probably the greatest discouragement to private-sector financing comes from the highly subsidized mortgages provided by the National Housing Trust. The specific lending rates in use at NHT were specified at an earlier time, when they did not imply a subsidy relative to market rates of the same magnitude that they do today. In principle, housing finance would be more efficient if public and private suppliers of capital could compete on equal terms when lending to the same income groups for the same type of housing--either at market rates, or at comparably subsidized rates where segments of the housing market are thought to justify a social subsidy.

The overall appropriateness of using payroll taxes to subsidize mortgage lending by a public institution is a very large topic, whose impact extends well beyond the housing sector. As noted below, this is likely to be one of the areas of emphasis in the prospective World Bank shelter sector project. The AID program with NHT will focus on narrower issues, such as finding more effective ways to blend NHT financing with private funds in joint mortgage lending.

The "loans to lenders" approach initiated under HG-012's Private Sector Program will be continued. Loans-to-lenders financing provides funding to private developers and housing credit institutions. Institutions exercise normal lending terms to the borrowers. However, the program provides an incentive to these institutions to service and to gain experience with the lower income market by providing access to capital at interest rates lower than the institution's usual cost of funds. Full lender participation in HG-012 may depend on their assurance that there will be a continuing flow of funds available so that they can justify committing the managerial resources necessary to develop the institutional capacity to service the target population.

Examination of Legal and Regulatory Barriers in Housing Finance. A number of changes to present laws and regulation have been suggested to permit broader coverage by private housing finance institutions. These include: exempting home improvement loans below a certain amount from private credit controls imposed on banks and nearbanks; authorizing building societies to lend on leasehold estates and for construction finance; liberalizing or removing loan interest and dividend restrictions for credit unions. Suggestions have also been made to expand present mortgage insurance coverage to cover land loans, home improvement loans, loans on structures that do not fully comply with building code standards, and loans based on documentation of ownership other than fully registered certificates of title. More complete study of these ideas should be supported

early in this program so that proposals that emerge for legal and regulatory change can be evaluated and enacted, if appropriate, as soon as possible.

5. Reduce Constraints on Rental Housing Production. The goal of this component of the program is to establish conditions that will support a healthy expansion of the rental housing stock and provide appropriate incentives for continued maintenance and effective property management.

The one segment of the rental stock that does seem to be expanding is rental rooms within or attached to single family housing. This trend is fully consistent with the overall goals of the sector program and should be supported. Doing so will entail examination of current regulations, and making such modifications as needed to ensure that this sort of development is not inhibited.

With regard to the rest of the rental market, not enough is known to permit the specification of more definite policy targets at this time. A first priority will be to prepare a study of the rental housing market and the constraints that inhibit its performance, including recommended actions to reduce those constraints over the remainder of the program.

6. Opportunities for Public-Private Collaboration. Having the private sector replace or compete directly with public sector institutions is a major step that often meets with institutional and ideological resistance. An intermediate step is to seek out opportunities for joint provision of services or financing. Three such opportunities exist in the Jamaica shelter sector and will be encouraged under the Program.

Expanded Use of the Turnkey Approach. MOC(H) already is making use of the turnkey approach in which private developers build houses or develop sites under contract to a public institution which purchases them for re-sale to end-users. Given the constraints on MOC(H)'s own internal capacity, this is an important vehicle for expanding output. So far, however, the Ministry's turnkey efforts have focused solely on construction of 2-bedroom and starter home units. An objective of the Sector Program is to move turnkey operations down the income scale, so that private developers do the road, water, and other installation necessary to produce serviced sites.

Joint Mortgage Financing. It is unrealistic to expect the private sector to try to compete with public, below-market mortgage lending to the target population. One way to augment the flow of private capital into the housing sector, and to channel some of that flow to below median income households, is through joint public-private mortgage lending. The National Housing Trust recently has introduced a Mortgage Certificate Program. Under this program, eligible borrowers can blend below-market NHT funds with

market-rate funds from the building societies or other private lenders to finance larger mortgages than normally would be available. The present scheme is structured to be attractive mostly to borrowers at or above the median income. However, the same principles could easily be applied to lower-income borrowers, making it possible to stretch out publicly subsidized funds to a greater degree while encouraging entry of private lenders into the market. An evaluation of the current program from an administrative perspective is needed, followed by a marketing campaign to expand it, incorporating whatever program modifications are found necessary to reach households of lower incomes.

Establishment of a Private-Sector Leak Detection and Repair Industry.

The National Water Commission judges that it will only be able to train and staff leak detection and repair units that can attend to the publicly owned portions of the distribution system--the distribution lines before they reach the consumer's meter. However, a large part of the system's water loss occurs after the metering point. These leaks also produce a good deal of tension between the NWC and its customers, since the water lost shows up in customer bills but is not "consumed" by the user. NWC has proposed to import leak detection equipment, then sell it on a time arrangement to approved plumbing or other private-sector firms, whom they would train in its use. Then, when consumers complain to NWC about leaks beyond the metering point, or about extreme increases in water bills that are likely to be attributable to leaks, NWC would refer them to these firms to locate and repair the leakage.

Development of private sector capacity in this segment of the water sub-sector could lead to future opportunities for NWC to contract out for such services for the public distribution network. Instrumentation maintenance and testing also offers such possibilities if local, private capabilities can be fostered.

III. INSTITUTIONAL CAPABILITY FOR IMPLEMENTATION

The GOJ's ability to implement the new policy directions described above will depend on the capacity of its institutions in the shelter and urban services sector. On one hand, Jamaica possesses a broad array of institutions experienced in playing most of the roles required. On the other, these institutions have internal capacity limitations that must be addressed if successful program implementation is to be achieved. Lack of implementing capacity is, in fact, one of the sector's pre-eminent constraints, and much of the Program's implementation effort will be devoted to institutional strengthening.

A. The Ministry of Construction (Housing) and Supporting Institutions

Jamaica's first Ministry of Housing was created in 1955. As it has evolved into its present form it has retained the primary responsibility for implementing and coordinating GOJ housing programs.

Earlier in this decade, Public Service salary limitations made it progressively more difficult for the Ministry to recruit and retain top professionals in technical fields. In part, this problem was resolved by the creation of the Estates Development Company (EDCO) in 1982. With less severe constraints on compensation, this Government-owned corporation has been handling much of the project design and implementation work for MOC(H). After MOC(H) has identified a site and drawn up broad development guidelines, EDCO is typically responsible for surveys, planning and design, contractor procurement, and construction monitoring. In an expanded program, however, MOC(H) would not simply rely on an expansion of these functions through EDCO. A larger share of this work could be done under contract with private firms and through other agencies that have capacity in this regard (e.g., Sugar Industries Housing Ltd., National Housing Corporation), with EDCO retaining a central technical control and monitoring function.

MOC(H) itself remains beset with staffing deficiencies in most of the functions it must perform. The primary need is for improvement of staff quality (which can be addressed through skills training and the introduction of more efficient operating systems), rather than for expansion of present staffing levels. The most vital institutional constraints to be addressed are deficiencies in top management (policy development, strategic planning, monitoring, and control), but there are problems as well in financial management, legal services (particularly those related to land titling), and the management and maintenance of completed projects.

In addition, MOC(H) now lacks the capacity to perform one important new function implied by the National Shelter Strategy: that related to facilitating informal sector production through work with NGOs and CBOs. Establishing this capacity will require an expansion of its community services staff as well as new forms of training and systems support.

The Caribbean Housing Finance Corporation (CHFC) functions as a mortgage servicer on MOC(H) housing schemes. It is the official borrower of the HG-012 private and public sector loans. Its present staff of 50 appears sufficient to handle its present functions and, over the past few years, CHFC has demonstrated the capacity to adapt and improve its operations in response to changing requirements.

B. National Water Commission

Over the past few years, NWC has been identified by both donors and GOJ as a 'weak' institution. Donors have found the Commission to be slow in carrying out projects and policy reforms. GOJ has gone so far as to assign major water supply development to a new, publicly owned entity (Caribbean Engineering Consolidated Limited) because of NWC's poor past performance.

There are, however, special circumstances that have complicated NWC's operations. In 1985, local water authorities were added to the Commission's mandate. Integration of their responsibilities into NWC has proved to be a major management task and is not yet complete. This adjustment occurred concurrently with fundamental reforms initiated under the World Bank assistance program; these included reducing staff and putting the water agency on a stronger cost-recovery regime. Higher tariffs led to more vocal consumer complaints. Finally, budget restrictions from the structural adjustment program have constrained NWC's ability to address historical and emerging deficits in water supply coverage. Thus, while improvement in the operation of the Commission is necessary (and is slowly coming about), the problems with NWC are not fully internal to the institution itself.

The Commission's current cost recovery policies are very stringent and are aimed at cutting most types of subsidy from NWC's operations. Though necessary, this stance has hampered the agency's ability to deliver water to increasing numbers of low-income households and settlements. This in turn generates pressure on the Board to grant relief from NWC's policies on a case-by-case basis, and has led to a multiplication of special exceptions rather than the development of better-targeted general policies. Delegation of management responsibilities also has been hampered by the frequent exceptions made to regular policy.

In its commercial functions, the Commission has not yet made the transition to a demand-responsive, consumer-oriented entity from its previous role as a supply-oriented water provider. Responses to billing/meter errors or interruptions in service are slow. There have been difficulties in the introduction of the new computerized billing system.

Finally, like other public sector institutions, NWC is constrained by the low levels of compensation it is allowed to offer. In areas of finance and management, skilled staff have strong incentives to move to the private sector. In technical areas, like engineering, NWC is in direct competition with CECL and other engineering firms for skilled personnel. This creates a situation in which many key technical places are either unfilled or filled by recent graduates with little or no field experience.

C. The National Housing Trust

Financed by a compulsory payroll tax, the NHT is Jamaica's largest mortgagee and its third largest financial institution in terms of its asset base. It has a staff of 450 responsible for originating and servicing mortgages for its contributors (including some of the mortgages on MOC(H) units as well as on its own schemes). Its operations include: a build-on-own land program; home improvement lending; an open-market program (where contributors purchase finished homes on the open market); and the previously described mortgage certificate program.

NHT appears adequately staffed to handle its present operations and in recent years has evidenced the capacity to develop and implement new programs. Management and systems improvements would be of benefit, but they are not as urgently needed as those required for MOC(H) for example.

D. Private Housing Finance Institutions

For a country its size, Jamaica has a surprisingly complete institutional infrastructure in housing finance. Private mortgage lenders include building societies, commercial banks, life insurance companies, trust companies, and merchant banks. Regulatory and other constraints identified earlier now prevent these institutions from playing as large a role as they could, but there appear to be no major internal barriers to their capacity expansion. Efficiency improvements are no doubt warranted in a number of cases, but these are likely to occur in an increasingly competitive environment and need not be a direct concern of this program.

From the standpoint of housing finance, the only private sector institutions that have clear capacity limitations are Jamaica's credit unions. Considering their purpose and structure, these institutions are not likely to become major mortgage lending institutions, but since they already have established linkages to the target group for this program, expanding their capacity to lend for shelter (predominantly through home improvement loans) merits serious consideration. The program should probably consider a selective approach, seeking capacity improvements in a few credit unions already evidencing the most potential in this regard.

E. The Town Planning Department

The Town Planning Department has the primary responsibility for enforcing and administering land development regulations in Jamaica as well as preparing physical development plans for regions and urban areas. Its capacity has seriously eroded during the 1980s. Its processing of development applications is slow and inconsistent, and the Department has lost virtually all of its capability to

develop new plans and policies. A 1987 audit stressed that the lack of effective management systems was the central problem. Hiring of new staff in a few key areas, and introduction of personal computers, will be required but an increase from the present staff complement of 82 to about 100 (well below former staffing levels) should be sufficient to handle expected workloads.

F. The Urban Development Corporation

UDC is a parastatal created in 1968 to plan and execute development projects in Jamaica's cities and towns. Its projects have ranged from the implementation of major tourist developments to the placement of infrastructure improvements. At present it is the agency responsible for the Government's priority factory space expansion program. It has also been responsible for a number of housing projects but, consistent with the new strategy, an increasing portion of its shelter portfolio now involves serviced site development for low income groups. UDC has had a generally good track record for project delivery--perhaps the best in Jamaica for its top priority projects--but it now is executing so many different projects that its capacity is stretched to the limit. This sector program does not envision a major expansion of UDC activities in shelter delivery, but UDC will play an important role in the interagency group that will guide program development.

G. Land Titles Office

The Titles Office is a Central Government institution set up to administer the Registration of Titles Act. For parcels of land already registered under this Act the Titles Office has indicated that the provision of splinter titles for subdivisions is not a lengthy process.

If land is not registered, it is necessary to apply to bring the land under the Act. This process normally takes 5 1/2 - 6 months, when there is clear and uncontested ownership. There is an initial three week period to advertise the intent to register the land. There is then a required mandatory period of 7 weeks under the Act to allow for any objections. The actual processing and registration of title takes a further three months or longer. Most delays occur at the third step and in the Titles Office, a result of a high turnover of staff and the time it takes to train new staff. When, as frequently occurs, there is no clear record of ownership of a parcel, or when (as is very often the case in informally settled areas) there are multiple and conflicting claims to ownership, a resolution of title can require several years, if resolution is reached at all. The delays and uncertainties in the system thus are partly a product of institutional capacity and partly a product of the laws and legal practices regarding land ownership.

IV. CONSISTENCY OF PROGRAM WITH OTHER DONOR INVOLVEMENT

Other donor activity in the shelter and urban services sector during the 1980s has been modest, but promises to become more extensive. Most donors' efforts have been project-oriented and aimed at particular, critical situations, such as the deteriorating infrastructure conditions of the tourist centers. With the exception of the World Bank's institutional support program with NWC, policy dialogue on the methods for delivering shelter and services has not formed a large part of donor participation to date.

Shelter Policy and Programs. Although the Jamaican Shelter Strategy has been warmly received, USAID is the only donor currently involved with the provision of housing or support of housing institutions. The World Bank has begun investigations for a shelter sector loan which would also involve policy dialogue. There are indications that besides supporting the GOJ's proposed shift in the mix and volume of housing solutions the Bank intends to focus on housing finance and the role of NHT. The Bank and GOJ are expected to sign a Project Preparation Facility agreement in the relatively near future. Project preparation (projected to extend into the first quarter of 1989) would include several targeted policy and analytical studies on key constraints and issues in the shelter sector. These might reasonably cover some of the same topics identified for first and second year analyses in this Program, or, at a minimum, generate studies highly complementary to this Program's efforts.

AID/J clearly should give top priority to making its Program goals as consistent as possible with the goals the Bank will include in its sector program, and to setting mutually consistent policy agendas. All contacts with the Bank have been open and supportive of this type of donor cooperation.

Apart from the need to develop a shelter delivery system that produces a high volume of low-cost solutions, the major donors have identified land titling as a significant bottleneck. IDB is currently funding a land titling project with the Ministry of Agriculture to expedite the provision of title under the GOJ land settlement program and eventually develop a large-scale land information system. Though this program deals exclusively with agricultural land, much of the work being done will have applications in the shelter sector.

Basic Services. Donor activity in water and sewerage services has followed two major lines: (1) the World Bank's policy reform/technical assistance program with NWC, and (2) project-type programs to develop and expand water and sewer facilities. This second class of programs includes financing from IDB, CDB, Japan, the EEC, and Italy.

The World Bank program with the NWC is intended, through

technical assistance, purchase of equipment, and selected capital investments, to strengthen the financial/commercial, institutional, and operational capacity of the agency. NWC's agreement with the Bank calls for the Commission to cover from its own revenues its costs of operation plus a gradually increasing share of capital costs (reaching 30% by 1990.) With early Bank efforts focusing on revenue enhancement, NWC has been largely successful to date in meeting these targets. Future efforts, possibly under a follow-on project, are likely to focus on improvements to commercial operations (customer service) and financial control.

Other donors have confined their activities to individual water supply projects. IDB is funding an expansion of the Mandeville water system by the NWC. Delays and lack of counterpart funding have pushed the completion time for this project from 4 to 12 years. The Government of Japan has been a major funding source for two major water supply projects in Montego Bay. The EEC has agreed in principle to fund water and sewerage improvements in Negril and sewerage improvements in Ocho Rios at a total cost of US\$25 million. In the cases of these three major tourist centers, improvements are being directed at servicing tourism demand. Distribution needs for the new settlements springing up in these areas have not yet been addressed.

In rural areas, the Government of Italy plans to finance water supply upgrades and pump replacements in 5 towns. In more remote areas, the Caribbean Development Bank is being asked to partially fund a project to restore and upgrade 300 catchment tank facilities in 11 parishes.

In general, donor 'project' activities have been reactive in nature, responding to water supply deficits or deteriorating system conditions. No programs are being supported by donors which attempt to link the development of land and housing sites with the provision of water and other basic services.

Donor support of sewerage services also has focused on project-oriented programs. The World Bank is sponsoring expanded infrastructure in the Kingston Metropolitan Area, with the aim of increasing sewerage coverage from 36% to 47%. However, this program only shortens the queue of established areas waiting for service. In Montego Bay, CIDA is assisting in a study for the expansion and upgrading of sewerage facilities to meet current and future demand. CDB is financing treatment facilities for a new hotel complex in Negril. These programs are meant to address the inadequacy of sewerage service to hotels and to reduce pollution in beach areas, not the problems of servicing new residential settlements.

V. WOMEN IN DEVELOPMENT

Female-headed households form a disproportionately large share

of the residents living in informal and low-income settlements in Jamaica. Sectoral policies designed to open up shelter possibilities for the target income group will tend to benefit female-headed households, simply because of their statistical importance in the target group. This, in turn, will free the women heading these family units to take a more active role in income-earning activities. Surveys repeatedly have shown that women in general, but especially women that are heads of households, will use breathing room gained from an income windfall or from lower-cost or more secure housing arrangements to expand the time and resources spent in income-generating activities.

In addition, from the data now available it appears that women are over-represented in certain pockets of the low-income housing market. For example, they are significantly more likely to be renters as opposed to owner-occupants or occupants of squatter housing. As this market segmentation is understood better, through the Program's analytical studies, policies can be designed that meet the special requirements of female-headed households.

The best statistical information on women's role in the informal housing sector comes from a study of informal settlements in the greater Kingston area, commissioned by AID/J. This study reveals that 41% of the sample households were female-headed. Female-headed households had lower average incomes, more dependents per earner, lower overall assets or savings, but nonetheless paid more for housing than other households in the same settlements (largely because of the greater frequency of renting). These findings imply that re-targeting shelter programs to the special needs of the lowest-income groups will bring benefits to many women.

Homes and "yards" in these communities were used as much for income production as for shelter, serving to store goods for higglers, to rent out an extra room or sleeping space, or to keep goats or do repair work. Whether these income-generating opportunities are significantly curtailed in rental housing is not known, but is obviously pertinent in deciding whether to encourage or discourage rental units as a shelter solution, especially for female-headed households.

Jamaican society does not assign to women the task of carrying water as predominantly as many other societies do. The few surveys that exist indicate that children do most of the fetching of water when there is no on-site hook-up. Nonetheless, a policy of more nearly universal provision of water to settled communities offers special opportunities for women to take leadership roles in development. For example, in other countries when communities have had to organize to request communal standpipes, operate and maintain them, and provide for cost recovery through community cost-sharing, women very frequently have led these community organizations, often assuming local civic leadership for the first time.

PART 3 PROGRAM IMPLEMENTATION

This Program represents the first proposal within Jamaica and the LAC Bureau to use a Housing Guaranty loan to support a sectoral policy program. The proposed implementation procedures therefore break new ground, and need to be spelled out with clarity so as to avoid misunderstanding among the implementing parties.

This section first lays out the general approach to implementation, giving emphasis to what will be distinctive about the substance and procedures of Program management. It then identifies the implementing roles of different institutions. Later sections provide detail on the content of the first-year program agenda and the technical assistance that will be used to support the Program, under a separate grant.

I. OVERALL IMPLEMENTATION PLAN

Part 2 of this document summarized the content and focus of the Sector Program over its five-year lifetime. The breadth of the program presented there obviously is greater than can be addressed in any single year. The first practical question for implementation, then, is how the work program and policy agenda for each year will be determined.

The implementation plan calls for annual formulation of a work plan, plus output and policy targets for the year, through negotiation between AID/J and RHUDO, on the one hand, and GOJ implementing agencies and the Office of the Prime Minister, on the other. Disbursement of each annual tranche of the HG loan will be tied to agreement regarding the next year's work plan as well as satisfactory progress toward completion of the work plan set for the current year. Satisfactory progress toward attainment of outputs for any given year will be monitored to provide indicative evidence of performance in implementing policy and related changes. It is, however, the satisfactory performance on attaining policy and related objectives which will be the basis for approval of annual HG disbursements.

In the first year of the Program, the agreement with respect to the work plan and output and policy targets will be incorporated in the Implementation Agreement. Upon its signing, the GOJ will become eligible to borrow the first approximately \$10 million tranche of the HG loan. In succeeding years, a joint Annual Review Process (described below) will both assess performance under the existing agreement and establish the work plan and output and policy targets for the next year. It is projected that the \$50 million program will be advanced in five annual tranches. The amounts of each tranche may be adjusted upward or downward, based on sectoral and GOJ performance in achieving Program goals, or subsequent tranches may be eliminated altogether, if significant Program progress is not made. Level of authorizations and disbursements for each tranche will also be affected by capitalization of interest provisions which are described more fully in a subsequent section of this paper.

Annual disbursements also will depend upon there being general authority to make further HG loans of the amounts indicated.

A. GOJ Management Organization and Flow of Funds

Management Organization. Overall program management and co-ordination will be lodged in the Bureau of Management Support [BMS] (part of the Office of the Prime Minister). BMS coordinates the GOJ capital investment budget with line agencies and donors and also functions as a program management office for projects of national importance. This office will have responsibility for ensuring that the implementing agencies give priority to achieving Program targets, for overseeing the work of the Sectoral Coordinating Committee (see below), and for verifying that central government budget allocations are sufficient to finance the activities covered in the work program. The Planning Institute of Jamaica will have responsibility for technical monitoring of outputs on behalf of GOJ.

A Sectoral Coordination Committee, including at a minimum representatives of the Ministry of Construction-Housing, National Water Commission, National Housing Trust, Town Planning Department, Building Societies and other private financing institutions, and Non-Governmental Organizations serving the sector will be established to give substantive guidance to the policy program, and to establish high-level working liaisons between the different public agencies and private-sector organizations that will be implementing it. The Sectoral Coordination Committee, as proposed, is a modestly expanded version of the Focus Committee that coordinated preparation of the Jamaica Shelter Sector Strategy. It thus continues what was a highly successful effort at policy cooperation into the implementation phase. The Committee will be staffed by a high-level representative of MOC(H), the same staffing model that was used for the Focus Committee.

Budget Resource Agreements. Because of the Program's novel structure, the allocation of budget resources that will be followed requires careful definition.

Meeting the Program targets clearly will require substantial budget resources, and in most cases will require that more resources be devoted to each of the priority programs than currently are being spent for them. Both the implementing institutions and RHUDO/AID/J will need the certainty that the budget resources necessary to carry out the programs will in fact be provided.

The implementation plan calls for identifying each year, as part of the work plan preparation, the budget resources that will be necessary to carry out the agreed-to work program. Budget estimates

will be prepared for each major activity. These budgets will be incorporated in the first year in the Implementation Agreement, and in subsequent years in the Annual Work Plan. The GOJ will verify that this level of resources will be provided to support each activity in question.

Outputs and Benchmarks. This document has provided an indicative description of the types of outputs that are expected to be produced under the Program as a whole. Each year's Work Plan will specify in detail the products (physical outputs, studies, or policy or regulatory changes) that are to be delivered during the next year. When an activity is expected to be completed during the year, the output will be specified as a final product. When an activity is expected to require more than one year to complete, an end-of-project goal will be specified, as well as specific, measurable benchmarks toward achieving this goal that should be reached in the coming year. The purpose of this specificity is to allow the Mission and GOJ to measure performance objectively.

Section II of this Part, entitled First Year Program, illustrates concretely the type of outputs and benchmarks that will be built into the Annual Work Plan.

Annual Review Process. It is reasonable to anticipate that over the five-year lifetime of the Program sectoral objectives will change somewhat--as a result of changed economic circumstances, changed political environment, new understanding acquired through the Program's analytical studies, and because of many other factors. As part of the Annual Review Process, scheduled to take place in September of each year, all parties will assess accomplishments under the Program to date as well as the principal constraints impeding further advances, and enter into a policy and implementation dialog as to the proper priorities for the Program in the coming year. In some cases, this process may lead to a change in Program emphasis, as well as specification of the next year's work plan.

It is also reasonable to anticipate that during the five years of the Program not every benchmark will be met 100% in every year. In this event, participants in the Annual Review Process will determine the extent of the performance shortfall, the reasons for its occurrence, and the corrective steps that need to be taken. Based on this review, AID/J will decide whether planned loan disbursements should continue, or if the shortfall is serious enough to reduce the next loan tranche or eliminate it altogether.

Finally, it is probable that GOJ performance will exceed some of the annual benchmarks that are established. Such "extra" performance will be weighed against any shortfalls elsewhere in deciding upon Program continuation. Significantly faster than anticipated progress toward achieving Sector goals may lead to

increased annual loan disbursements, if this is desired by the GOJ and consistent with outstanding HG authorization levels.

B. HG Certification

In addition to the output and resource allocation requirements specified in the Annual Work Plan, GOJ will be obligated to document and certify that it has spent an amount in local currency at least equivalent to the amount of the loan on HG eligible shelter and urban services activities, affordable by families with incomes below the median (this amount must be net of funds from other international donors or from other Housing Guaranty loans that are spent on the same activities). Eligible activities will be agreed to and pre-qualified during the development of the Implementation Agreement and later annual reviews. It is expected that they will include activities such as the following:

Shelter and Land

Outputs provided directly to target group households, whether by the public sector or private sector where expenditures can be attributed from the GOJ budget, such as:

- o Serviced site production;
- o Urban upgrading;
- o Other activities of the type approved under prior HGs.

Urban Services

- o Standpipes, water connections, and other services provided directly to target group households;
- o A share of the cost of primary infrastructure (e.g., water and sewerage treatment plants, main trunk distributors and collectors, main roads, etc.) proportionate to the share of the benefits provided for target group households;
- o A share of the cost of infrastructure management, maintenance, and repair proportionate to the share of the benefits received by target group households.

Such expenditures will be documented through government reports and spot checks throughout the program period and certified annually. It must be emphasized that in the first year or two of Program operation, certifiable expenditures are not expected to equal the local currency equivalent of the dollar loan amounts, as many of the policy, regulatory, and other reforms will require some time to produce tangible outputs. After the program period, at a date to be specified, final documentation and certification must cover eligible expenditures at least equal to the local currency equivalent of the full amount of HG funds disbursed.

Certification requirements are subject to annual review as is the measurement of overall policy performance. However, due consideration needs to be given to the fact that there will be some lag time before certain construction activities are completed and can be submitted for certification. Therefore, at the time of the final program review before the last advance of funds, the GOJ and AID will reach agreement on the completion of all eligible activities to take place by the HG Project Activity Completion Date. This understanding will be included in the final Annual Work Plan.

Program outputs will be valued at an amount at least equal to the local currency equivalent of the dollar resources in the following ways. For budgeting purposes, planned outputs will be valued at average cost based on the previous year's experience with adjustment for inflation. For certification purposes, the outputs will be valued at actual cost.

Flow of Funds. It is currently anticipated that funds will be borrowed by the Government of Jamaica through the Ministry of Finance or Bank of Jamaica and become part of the GOJ budget. Local currency program implementation costs will be provided, as required, to the implementing agencies according to the budget allocation process described above.

C. Loan Disbursement

The HG funds made available under this Program are scheduled for disbursement over a five-year period. It is anticipated that the funds will be advanced at a rate of approximately \$10 million per year, starting at the end of fiscal 1988, then continuing during the first quarter of fiscal years 1990 through 1993. (This timing allows for the annual review process to feed into the GOJ budget preparation cycle). The rate of disbursement could vary based on the performance of the GOJ in implementing the Program. At this stage, two possibilities are being considered for the HG borrowing procedure: (1) a separate bidding for each disbursement, and (2) selection, through appropriate tendering and negotiation, of a single lender for all tranches. In either arrangement, following the annual review process, AID would give written consent to the GOJ to proceed with each borrowing of funds. An analysis of the appropriateness of the GOJ incurring additional debt will have to be conducted for each borrowing of HG funds before final approval to proceed is granted.

In order to reduce the initial debt burden of a HG loan, it is proposed that at least the initial two tranches of HG funds be lent with a grace period of three years on interest, in addition to the usual grace period of 10 years on principal. As described in Part 1, Section II.C, the debt repayment obligations of Jamaica are especially acute over the next three years, and GOJ policy is to try to stretch repayments beyond this period. In addition, the country

risk assessment completed by PPC/EA for Jamaica concludes that there is a relatively high probability that a HG loan on normal terms would be subject to rescheduling during these three years. PPC therefore recommends, as well, a three-year grace period on interest payments. Capitalization of interest will be employed as necessary in response to the GOJ's debt servicing burden at the time of specific borrowings.

Interest payments foregone will be capitalized into the outstanding loan amount. Cash flow projections, based on current rates of interest on variable-rate HG loans, indicate that the capitalization of three years' interest will add approximately 25% to the principal balance by the end of the third year (see Table 3). Annual interest payments for the next seven years would increase by the same proportion. Capitalization of interest on a fixed-rate loan at current available rates (10%) would add approximately \$2.993 million to the principal balance by the end of the third year. The amount of the first interest payment in this case would be about \$655,000.

Table 3
Illustrative Statement of Loan Capitalization
(US\$10 million tranche)

Period	Adjusted* Rate	Capitalized Interest	New Principal Balance
07/88-12/88	7.35%	\$370,521	\$10,370,521
01/89-06/89	7.60	375,847	10,746,368
07/89-12/89	7.85	394,645	11,141,013
01/90-06/90	8.10	400,574	11,541,587
07/90-12/90	8.35	419,781	11,961,368
01/91-06/91	8.60	425,301	12,386,669
Total Capitalized Interest			\$ 2,386,669
First Interest Payment Due			\$ 552,615

* Projection assumes an 85 basis point premium charged by investors and a 25 basis point increase in the underlying interest rate in each 6-month period.

HG authorization levels will have to be high enough to cover the maximum outstanding balance resulting from interest capitalization. That is, if Jamaica borrows US\$10 million in the first tranche, under the above scenarios the authorization level would have to be approximately US\$12.5 million or US\$13.0 million, respectively.

D. Annual Review Process

A central feature of the sector lending Program will be the annual review process. The annual review process will be conducted each September, prior to formulation of the GOJ budget, and conclude with a series of critical decisions on the coming year's program and on the level of additional resources that should be applied to institutions working in the sector. It is anticipated that the review process will consist of a series of meetings with implementing line agencies, private sector institutions, and others under the auspices of the Office of the Prime Minister and the Sectoral Coordination Committee. It will:

- o Review progress in carrying out the specific policy, programmatic, and institutional objectives for the past year, in relation to the overall goals of the Program;
- o Review overall performance in the sector against public and private sector quantitative targets set for the year;
- o Review the findings of various studies and evaluations carried out as part of the prior year work plan;
- o Establish overall policy, programmatic, and institutional objectives for the coming year;
- o Establish quantitative objectives for outputs for the coming year;
- o Establish a work plan and sub-program budgets for the coming year;
- o Review the resources necessary for the sector to carry out its objectives under the Program, establish what additional resources must be applied to each institution, and specify how these resources will be delivered;
- o Review the technical assistance provided under the grant project and establish priorities for use of technical assistance funds for the coming year.

The objectives for the coming year, the output targets, and the work plan will be approved in the field. RHUDO will draft a yearly summary of sector performance following the annual review process. Based on the conclusions of the review and other factors that may apply, AID/J and RHUDO will recommend to AID/W the amount of HG funds that should be borrowed in the coming year and any further conditionality that should apply.

The key working document and monitoring tool will be the work plan. This plan will establish a schedule for specific tasks for the coming year to achieve the objectives and outputs established for that year. This plan will also be used as a tracking document for AID and GOU to monitor progress regularly throughout the year.

E. Coordination of the Sector Policy Program with Existing HG 012

Within the shelter sub-sector, HG-013 will incorporate many of the programmatic goals of the existing HG-012. The HG-012 Basic Shelter and Private Sector Programs are fully programmed for implementation of specific project activities over the next 12 to 18 months. Both of these projects are consistent with the planned shift in shelter mix under the Sectoral Program, and will expand the experience base of both the public and private sectors with low cost shelter development. The sectoral program will build upon the lessons learned from implementation of these programs. It is expected that at some point between Years 2 and 3 of the Sector Program, HG-013 will become a major source of funding for the types of projects now being financed under HG-012: minimal serviced sites, neighborhood upgrading, on-lending to private financial institutions (credit unions, commercial banks, private developers) for shelter development.

The thrust of the Basic Shelter component of HG-012, being implemented through the Ministry of Construction (Housing), is to encourage provision of low-cost and innovative shelter solutions. Specifically, the Basic Shelter Program calls for development of: (1) substantially reduced standards for urban upgrading; (2) the Ministry's first programs in minimal serviced site development to address low income populations which normally would be left to squatting in rapidly growing urban areas; (3) conversion of low cost, public, rental housing into sales to expand the private property ownership base; and (4) with assistance from RHUDO, preparation of guidelines for how the public sector can begin to facilitate the construction capacity existing within the informal sector.

The HG-012 Private Sector Program provides access to lower cost capital for private developer construction of low cost shelter solutions suitable for low income groups. It provides a first time experience for most developers to produce these products while taking on full risk of repayment.

II. FIRST YEAR PROGRAM

The intended operation of the Program can best be illustrated by a preliminary version of the First Year Work Plan. The final version of the Work Plan will be negotiated with the GOJ and included in the Implementation Agreement. Some very important specifics have yet to be finalized--including exact sub-program budgets and intermediate delivery dates during the first year. Nonetheless, the program outlined below conveys the first-year priorities and the types of benchmarks that will be used to measure performance.

General Strategy. Activities to be undertaken in the first year can be grouped into three categories:

- o Where GOJ already has established policies consistent with the goals of the Sector Program, the Program will require significant, measurable progress toward implementation.
- o Where GOJ is weighing alternative policies, or has not settled upon an implementation strategy for reaching a policy goal, the Program will support the design, implementation, and evaluation of pilot studies, whose results will be used to establish general policy.
- o Where GOJ has agreed only on general goals, but does not yet have the information and analysis to make policy choices, the Program will sponsor information collection

and assessment. In many cases, this effort also will set up permanent data systems for continuing use.

The First Year Work Plan has been designed to produce a mix of immediately usable, tangible outputs, as well as pilot projects and studies that will prepare the way for future policy design. The Work Plan does not insist on any specific policy changes to be made by the GOJ in the first year, because the Government's new Shelter Sector Strategy incorporates all of the major policy shifts that AID/J and RHUDDO have been advocating for the past several years. The priority agenda now is to implement these changes efficiently, while preparing for a second generation of policy reform that can begin in Year 2 of the Program. In several cases, it will also be necessary to formalize and disseminate policies that have been adopted in principle.

Two other general considerations have gone into the First Year Work Plan. One is the desire to begin program collaboration with key sectoral institutions as soon as possible. In some respects, it might be more efficient to work with the institutions consecutively. However, the ability to establish a sector-wide perspective by linking together different institutions requires at least some collaboration with each in Year 1.

In addition, the First Year Work Plan has been designed to mix new program outputs with management/institutional reforms intended to deliver current programs with greater cost effectiveness. This emphasis reflects the conviction that two sectoral goals are equally important: a shift in outputs to better match the needs of the target population, and increased efficiency in service delivery, management, and cost recovery, so that sectoral costs can be kept under control.

In the summary below, the First Year Work Plan is organized in the same manner that was used in earlier sections to discuss the principal constraints on the Shelter and Urban Services sector and to describe the overall Program structure.

A. Improve Operations of the Water and Sanitation Systems on a Basis Affordable to the Poor

1. Water Provision. (a) The National Water Commission will install new water connections for at least 1,200 shelter units among the target population. This target compares with a total connection rate of about 2,400 units per year in recent years. This constitutes an increase from approximately 30% of new connections to low income groups to a new minimum of 50%.

(b) For individual water connections under acceptable cost-recovery schemes, NWC will formalize and disseminate its policy relaxing the required standard of acceptable documentation of land ownership.

2. Communal Water System Pilot Projects. NWC will approve communal water system pilot projects in selected communities

now without water service. For each project this will include approval of a cost-recovery and water pricing plan, approval of the number and type of outlets to be installed, preparation of cost estimates for all installation, and signing of an agreement regarding installation, cost-recovery and maintenance with the pilot community or with the individuals to be responsible for operation of the system. NWC will prepare a timetable for system installations, and will prepare a plan for monitoring the pilot projects addressing all areas of concern identified by the NWC Board of Directors.

3. Sewerage Connections. NWC will prepare a method and plan that can be used to finance individual hook-ups to existing sewage collection systems on a cost-recovery basis. The plan will include estimation of the capital costs and description of the operating procedures for using this fund to finance hook-ups in at least one community where collection lines have been installed but households have not connected to them because of cost limitations. An operating plan and timetable for signing financial agreements and completing household installations will be prepared.

4. Cost Recovery Policy for Off-Site Infrastructure. NWC and MOC(H) will enter into a written agreement as to how water is to be provided to the Norwood serviced site development, and how the off-site costs of water provision will be financed. This agreement will be intended to serve as a precedent for similar financing of off-site water costs in other serviced site developments.

5. Leak Detection and Maintenance. (a) NWC will implement a program of leak detection and repair on the public water distribution network in at least two of Jamaica's principal urban areas. In addition, bulk meters will be installed at relevant facilities to measure water savings resulting from the leak eradication program. The cost of increasing available water through the program will be evaluated and compared with recent costs for expanding water production.

(b) A pilot project to facilitate the development of leak detection capacity in the private sector will be implemented. NWC will lease equipment to private sector entities to carry out leak detection and repair beyond metering points for NWC customers.

B. Significantly Expand Public Sector Delivery of Land and Services Affordable to the Poor

1. Expand Public Production of Serviced Sites and Settlement Upgrading. The public agencies involved in provision of serviced sites and settlement upgrading--principally MOC(H) and UDC--will finish at least 1,500 such units.

This compares with an average combined production during the base period, 1983-86, of 600 units per year.

2. Develop a Land Inventory System for MOC(H) Use. MOC(H) will begin development of the land inventory system described in Part 2, Section II.A.2. During the first year it will prepare a report summarizing the type of record-keeping now in use for MOC(H)-owned land, and the procedures followed when MOC(H) acquires land from other public agencies or from private owners. It will summarize, insofar as is possible from existing records, MOC(H)'s current land holdings, by location, use, and other characteristics. It will prepare recommendations for introducing a new land inventory system, and a timetable for accomplishing key steps.

3. Management Analysis of Institutional Capacity at MOC(H). A management analysis of MOC(H)'s institutional capacity for implementing the various programs and policies contained in the Shelter Sector Strategy and in this Sectoral Program will be carried out. Based on this analysis, MOC(H) will prepare a priority agenda for technical assistance, training, and equipment support to strengthen its implementation capabilities and to help it structure its operations to achieve its ambitious targets.

4. More Effectively Target Housing Finance Subsidies. MOCH and NHT will participate in a study of the magnitude and distribution by income group of the subsidies implicit in their present mortgage assistance programs. Based on this study, approaches to more effectively deliver housing finance assistance to low-income households will be recommended.

C. Expand the Role of the Private Sector (Formal and Informal) in Shelter and Urban Services Delivery

1. Facilitate Informal Sector Shelter Provision. The Sector Coordinating Committee will prepare a plan for strengthening CBO and NGO involvement in informal sector construction and settlement upgrading, and for strengthening the community outreach capacity of MOC(H), NWC, and other public agencies. In preparing this plan, it will meet with community groups in informal settlements to obtain their judgments as to the most cost-effective types of external support that can be rendered, and the most burdensome constraints imposed by current public-sector regulation of informal sector construction and development.

2. Find Opportunities for Public-Private Collaboration in Shelter Provision

MOC(H) will identify private firms that it has worked with to produce finished turnkey housing. It will obtain from these firms an indication of their interest in producing serviced sites on a turnkey basis and the conditions required for such participation. A

report will be prepared on the feasibility of using the private sector to develop serviced sites.

The above Work Plan is intended to be indicative. If the GOJ believes that it is more urgent to commence implementation of other aspects of the Sectoral Program described in Part 2, Section II, some substitution of first-year products can be negotiated prior to signing of the Implementation Agreement.

III. TECHNICAL ASSISTANCE AND EVALUATION

Technical assistance will be provided to the Program through a US\$3 million Development Assistance grant, plus \$1 million in counterpart funding. Its purpose is threefold: to help ensure timely implementation of the agreed-upon changes in sectoral policy, to help institutions identify and deal with critical bottlenecks in the shelter and urban services delivery system as these arise, and to assess the impact of the Program upon sectoral practices and GOJ development objectives.

Because technical assistance resources are severely limited, it is critical that the Program, wherever possible, take advantage of related technical assistance that is being offered by other donors or by AID under other projects. Linkages will be established with the IDB land titling project, with the World Bank program of institutional strengthening for NWC, with AID's programs of institutional assistance for MOC(H) and Town Planning, and with the World Bank's prospective program of shelter sector support.

The technical assistance planned under the Program will include: (1) monitoring and management support; (2) help in carrying out well-defined field projects and studies; and (3) collaboration in institutional strengthening, including training programs in the United States and Jamaica. In addition, a mid-term and final program evaluation will be conducted.

The Technical Assistance (TA) Plan embraces a general strategy of having US and Jamaican institutions work as partners whenever possible. This strategy has the obvious advantages of increasing familiarity with service delivery institutions and lowering average TA costs, as compared to predominant reliance on US-based technical assistance. More importantly, it should help strengthen the sector by building up institutional and technical capacity within Jamaica but outside of government service delivery organizations. Such capacity can increase the chances of sustaining a consistent policy direction during the inevitable re-shufflings of agency roles resulting from political changes.

A. Monitoring and Management Support

Critical to the success of the sectoral program is careful monitoring of progress in each of the implementing institutions, and in the sector as a whole. The Planning Institute of Jamaica [PIOJ], in collaboration with participating agencies and BMS, will document achievement of the physical outputs and policy changes identified as products in each year's work plan. However, the monitoring system will have to identify at an early stage any new constraints that have emerged to hamper implementation, any special needs for technical assistance or management strengthening, and, in particular, any conflicts or incompatibilities between different sectoral institutions. Given the large number of institutions involved in the sector, and the diverse programs to be undertaken by each, it is proposed to retain a separate monitoring and management support contractor who would:

- o Help design the reporting and monitoring system for individual institutions, and collaborate with PIOJ in carrying out regular monitoring.
- o Design a system for aggregating institution by institution reports into a meaningful summary of sector activity, including such items as the sectoral mix of shelter production by shelter type and cost, and aggregate trends in mortgage finance (net interest rates and subsidies to different types of borrowers, lending volume by beneficiary group etc.) for the entire sector, and for the public and private sub-sectors. This system also will be used to measure progress toward the Program's sectoral objectives.
- o Assist in coordinating implementation efforts between agencies, particularly by identifying and aiding in the resolution of conflicts between agencies or identifying critical gaps not being filled by any agency.
- o Provide liaison between the several sectoral agencies and USAID. An important aspect of this task will be to set up the Annual Review Process in collaboration with AID/J, sectoral agencies, PIOJ, SCC, and OPM.
- o Regularly assess emerging technical assistance needs or needs for specialized studies or evaluations, and help identify Jamaican private-sector firms or individuals who can meet these needs, either on their own or in collaboration with TA from the United States.

It is proposed that a competitive contract for the lifetime of the Program be awarded for monitoring and management support. The contract would be set up so that it could serve, as well, as a vehicle for hiring other, specialized TA needed to carry out short-term studies.

B. Field Projects and Studies

This work involves the completion of well-defined individual tasks to be assigned by AID in partnership with the implementing agencies. Tasks will be performed by a Jamaican consultant or firm, a U.S. consultant or firm, or by the two groups in collaboration. Although it would be simplest at the outset to deliver short-term TA to specific agencies, the Program's sectoral goals will best be met by always working jointly with the different key institutions involved in a particular task area. For example, in assessing the possibility of lowering site development standards for minimally serviced lots, it is critical that MOC(H), NWC, Town Planning Department, and the private architects' association and private developers work out and accept common guidelines, based on common analysis of cost impacts and risks. Thus any TA would work with this group of institutions. This will require setting up inter-agency and private sector groups as counterparts for each technical assistance task. Although such a process can be time-consuming, AID/J already has demonstrated through its technical assistance on development standards that such groups can be established and function successfully, and that their existence greatly speeds acceptance and implementation of technical assistance recommendations.

This technical assistance will be weighted toward the first two years of the sectoral Program. During this period, pilot studies for future sector-wide application will be carried out, as will analytical and management studies designed to identify key bottlenecks in the delivery system.

Among the specific tasks to be performed are:

Improving Land Titling Processes The objective of this task is to significantly expedite the process of obtaining and conveying titles to land, both in public sector settlement programs and in private market transactions. An assessment of the weaknesses of the present titling system must first be conducted. Then, a judgment must be made as to how far upgrading of urban land titling can draw directly on the IDB-financed project for improving titling of rural lands conveyed under agrarian reform. A modest amount of Technical Assistance can be provided under the Program to address specific key constraints to the land titling process, but thorough institutional reform may require additional technical assistance resources from other donors.

Improving Land Development Standards and Development Applications Processing Systems. A second phase of the AID/J Town Planning Project (funded under Grant No. 532-0117.02) is expected to be initiated shortly and should achieve most of the objectives for analyzing the feasibility and benefits of lowering site development standards, as well as providing for implementation of modified standards and procedures for shortening the process of approval for

development applications. This project already has set up the high-level inter-agency and private sector policy panel that will serve as a model for other technical assistance efforts.

Development of a Land Inventory System. This TA will work with MOC(H) and other government agencies (particularly the Land Valuation Department and infrastructure providing agencies) to begin construction of the land inventory system called for in Part 2. The exact nature of the TA will depend on the priority set of needs identified by MOC(H) in its first-year assessment.

Study of Constraints in the Rental Housing Market. Although the rental housing market obviously is of paramount importance to the target population, very little is known about its operation or the current constraints it faces. This task will involve analysis of the laws, regulations, and agency procedures related to the development and operation of rental housing. It will include research on the economics of rental market activity including identification of the type of housing being rented to the target group, the impact of rent controls, and investor characteristics and motivations. The work will assess various options for improving operations of the residential rental market (including, modification of current rent control laws).

Establishing Agenda for Improvements to the Private Housing Finance System. The GOJ is now discussing a potential loan with the World Bank which may focus associated technical assistance on the housing finance system. If this loan is approved, it would provide a good basis for specializing the technical assistance of the respective donors, leaving most of the housing finance assistance to the Bank, which has established an excellent track record in this field. In the short run, a focused analysis of the interaction between mortgage financing provided by the National Housing Trust and that provided by the private sector warrants priority. Such a study would seek to identify the policy measures and legal and regulatory restrictions that inhibit a greater role for the private sector in housing finance, with recommendations as to a policy agenda for change.

Water Production Monitoring. Technical assistance in the water service delivery sub-sector lends itself to more immediate implementation. This task will establish baseline information that will allow NWC to manage its distribution system; carry out pilot studies as to the effectiveness of leak detection, repairs and other conservation strategies; and track the amount of water for which no revenue is received through standpipe usage, illegal connections, and other activities of priority policy concern. The technical assistance will assist NWC in setting up a system of bulk metering for all production outlets entering the distribution system and for routinely using this information for system management.

Leak Detection/Maintenance Procedures. This task will assist

in NWC's short-term program for detection of major leaks and their repair in the principal urban areas, as well as lay the groundwork for a longer-term program to establish the routine capacity within NWC to carry out leak detection and repair work. TA would consist of: training of 2 or 3 additional leak detection teams (NWC now has one); provision of leak detection equipment, assistance in installing a work order tracking system to monitor maintenance and repair effectiveness; and assistance in conducting the economic studies necessary to determine the cost effectiveness of leak detection/repair activities.

Pricing and Demand Studies. The purpose of this component is to determine a tariff structure and set of installation fees that can make water consumption affordable for all households, while not weakening the financial position of NWC. Among the priority items for technical assistance are the analysis necessary for determining a new policy toward standpipe provision and pricing; the pricing and method of cost recovery for off-site infrastructure serving sites and services developments; and new pricing and collection methods that can improve collections experience in large-scale, low-income developments.

Environmental Guidelines. It will be important to develop environmental guidelines for incorporation into policy reform in the areas of water, sewerage, and informal settlement development. External assistance to the Sectoral Coordination Committee and individual agencies is contemplated in this area to: work with appropriate Jamaican institutions to strengthen their capacity to handle and conduct environmental assessments; review institutional capabilities that can provide the mitigating measures necessary; and review and recommend procedures to give the appropriate institutions the authority to take these actions, as necessary.

C. Institutional Strengthening

There are five critical "institutions" in need of strengthening in the sector, although not all of them will demand technical assistance resources from the Program. These are:

Ministry of Construction (Housing). The programs required to implement the policy agenda under the sector Program call for a reorientation of the efforts of MOC(H). Technical assistance, both short-term (as described above) and long-term, will be required over the life of the Program to bring about this restructuring. Institutional strengthening will focus on implementing the changes suggested by sector studies described above through training of staff and coordination of Ministry activities.

National Water Commission. As noted in the section on institutional capacity, NWC is widely regarded as a "weak" institution, but one that occupies a critical role in the sector. The World Bank currently has a large program of institutional strengthening with NWC. This program has begun on the side of

financial policies and financial management, and is proceeding to improvement of billing and commercial operations. It seems undesirable for AID/J to enter these areas, in potential conflict with the World Bank. Therefore, the Program will concentrate on developing long-term capacity in those areas of specific interest to program implementation. These include production monitoring, leak detection, repair and maintenance, capital budgeting and programming, cost-recovery policies, and other policies relating to service delivery in low-income settlements. Institutional aid to NWC is planned to consist of 6 person-years of professional-level assistance (over Years 1-3 of the Program) and introduction of personal computers to operations and maintenance. The rest of the personnel needs will have to be met by NWC itself, through its sectoral commitment to upgrading in connection with the Program.

Town Planning Department. This department stands badly in need of personnel strengthening and introduction of personal computer systems. However, these needs can be met under the separate AID grant-assistance program.

Community-Based Organizations, Non-Governmental Organizations and Community Outreach Activities of Service-Delivery Agencies.

If shelter and urban services are to be re-targeted effectively on the needs of low-income and informal sector residents, there will have to be much greater institutional responsiveness to these communities. In part this will require strengthening (or creating) a capacity for community outreach within MOC(H) and NWC. This in turn is partly a matter of creating permanent offices within the organizations to interact with these constituents, and partly a matter of producing specific, useful products with and for them. These products might include manuals describing safe construction methods and economic materials for building in informal settlements; guidelines as to how to organize for community standpipe service and how to approach NWC for standpipe extension, etc.

The other requirement for institutional strengthening is the network of community-based organizations and non-governmental organizations itself. This network currently is very weak. Unlike many other countries in the region, Jamaica has no organizations designed to lobby for the interests of informal settlements in mortgage financing, land titling, or water provision, and no history of organized self-help as to how settlements can work most effectively within the existing political and programmatic framework.

Technical assistance on this front logically would start with two or more conferences convening those CBOs, NGOs, and agency representatives that have been involved in key Program areas to try to develop consensus on how public sector institutions can work more effectively with this constituency. Follow-up (Jamaican) TA will be needed to help strengthen both sides of the institutional interaction.

National Housing Trust and Private Financial Institutions. As indicated in the section assessing institutional capabilities, NHT is a relatively strong institution. It is not proposed as a recipient of institutional assistance under this Program. It is probable, moreover, that a World Bank sector assistance project will involve institutional collaboration with NHT. The Program proposes to leave to the competitive market the strengthening of private financial institutions.

D. Illustrative Budget and Timetable

The accompanying tables provide illustrative detail on the budget and timetable for technical assistance. These figures represent the current best estimate of TA needs for the Program and, of course, are subject to revision as the Program evolves. The cost estimates are based on the following assumptions:

1. Monitoring Support and Management
US/Joint venture contractor: US\$120,000 per year for 5 years (7 person-months/year @ US\$17,000/month)
2. Field Projects and Studies
16 tasks (average of 4 person-months/task) at US\$75,000 per task.
3. Institutional Strengthening
MOC(H): 12 person-years in Years 3-5 of Program;
NWC: 6 person-years in Years 1-3 of Program;
Community programs: 5 person-months of external support,
plus 3 person-years of local support and
institutional back-up
4. Evaluation
One mid-term and one final evaluation.

IV. AID MANAGEMENT OF THE PROGRAM

The Program will be managed by the Regional Housing and Urban Development Office (RHUDO) for the Caribbean, with support from an AID/J project committee. Overall policy and programmatic guidance will be provided by the Jamaica mission. The RHUDO Office is well-positioned to carry out the Program due to its overall knowledge of the sector and existing working relationships with the key implementing institutions, as a result of nearly 20 years of experience implementing HG and DA projects. The RHUDO office is currently staffed with three direct hires, two U.S. PSC's and one FN PSC.

Table 4
Summary Cost Estimate and Financial Plan
For Technical Assistance (US\$000)

Source	AID		Host Country		Total
	FX	LC	FX	LC	
Monitoring & Management Support	600	0	0	200	800
Short-Term Field Projects & Studies	800	200	0	333	1,333
Technical Personnel for MOC(H)	0	300	0	100	400
Technical Personnel for NWC	0	270	0	90	360
Support for CBO & NGO Network	50	150	0	67	267
Training	280	32	0	104	416
Evaluation/Audit	175	0	0	58	233
Inflation	[Incorporated in Above Estimates at 5% per annum for FX and 10% per annum for local currency]				
Contingency @ 5%	95	48	0	48	191
TOTAL	2,000	1,000	0	1,000	4,000

Table 5
Projection of Technical Assistance Expenditures
By U.S. Fiscal Year (US\$000)

Element	AID FX	1989 AID LC	Host* LC	AID FX	1990 AID LC	Host* LC	AID FX	1991 AID LC	Host* LC	AID FX	1992 AID LC	Host* LC	AID FX	1993 AID LC	Host* LC
Monitoring & Management Support	150	0	50	112	0	37	112	0	37	113	0	38	113	0	38
Short-Term Field Projects & Studies	250	50	100	250	60	103	250	40	63	100	30	43	50	20	23
Technical Personnel for MOC(H)	0	0	0	0	0	0	0	95	32	0	100	33	0	105	35
Technical Personnel for NWC	0	85	28	0	90	30	0	95	32	0	0	0	0	0	0
Support for CBO & NGO Network	25	40	22	25	40	22	0	30	10	0	20	7	0	20	7
Equipment & Training	110	10	40	110	10	40	60	12	24	0	0	0	0	0	0
Evaluation/Audit	0	0	0	0	0	0	75	0	25	0	0	0	100	0	33
Contingency @ 5%	27	9	12	25	10	12	20	14	11	10	8	6	13	7	7
TOTAL	562	194	252	522	210	244	417	286	234	223	158	127	276	152	143
AID Totals		756			732			703			381			428	

*There are no HC FX expenditures

Table 6
Methods of Implementation and Financing
AID-Financed Technical Assistance (US\$000)

Method of Implementation	Method of Financing	Approximate Amount
AID Institutional Contracts*	Direct Payment	2,000
Host Country PSCs	HC Reimbursement	700
AID Commodity Purchase Order	Direct Payment	300

* Separate Contracts for:

Monitoring & Management Support & Short-Term Projects	(1,700)
Mid-term Evaluation	(75)
Final Evaluation/Audit	(100)
CBO/NGO Networking	(125)

ANNEX 1

BACKGROUND DOCUMENTATION

The Sector Approval Document for this Program encompasses the analyses, findings and recommendations of a range of studies undertaken by USAID, World Bank and the Government of Jamaica including:

Management Audit of the Kingston-St. Andrews Town Planning Department

Low Cost Housing Informal Sector Study

AID/J Private Sector Strategy

Review of the Jamaican Health Sector

Presentations to the Prime Minister's Task Force on Housing Finance of 1985

Project Evaluations of 532-HG-010, 532-HG-011 and 532-0067 Low Cost Shelter Development Technical Assistance Project

Engineering and Operational Assessment of the National Water Commission

- 12 -

ANNEX II PROJECT DESIGN SUMMARY LOGICAL FRAMEWORK

Project Title and Number:
Jamaica Shelter and Urban Services
Policy Program - 532-HG-013

Life of Project:
From FY88 to FY93
Total US Funding: \$50.0 m
Date Prepared: 06/29/88

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goals: Promote wider sharing of benefits of economic growth to the poor through broader availability of affordable shelter and services	Measures of Achievement: Increase in number of low-income households with stable tenure and basic services	Project monitoring by PIOJ/borrower and RNUDO Records and reports from participating agencies	Continued GOJ commitment to shelter and services provision to poor as outlined in Shelter Strategy and Social Well-Being Program
Project Purpose: Develop a self-sustaining delivery system for shelter and services through: 1. Expansion of water and sewer services on a basis affordable to the poor 2. Expansion of public sector delivery of land and shelter affordable to the poor 3. Expansion of the role of the private sector in provision of low-cost shelter	End of Project Status: 1. a) Increase in low-income MMC customers b) Affordable services on cost-recovery basis in place 2. Greater number and share of public sector shelter provision to low-cost solutions (serviced sites and upgrades) 3. a) Private developments of low-cost shelter (with public sector) b) NGO/CBO participation in shelter developments	Annual reviews by SCC/PMO and RNUDO Regular monitoring reports and summaries by PIOJ/MSMC; RNUDO follow-up	MMC is amenable to policy changes within refined cost-recovery regime GOJ desires to shift focus of public sector shelter provision as described in Social Well-Being Program GOJ agencies will coordinate activities in shelter sector under SCC guidance Private sector interest in participating in provision of low-cost shelter exists
Project Outputs: 1. Eased MMC requirements for water/sewer connection (documentation, off-site infrastructure, connection fees) under cost-recovery regime 2. Active communal water system service from MMC 3. Reduced water losses in MMC production/distribution 4. Expanded public production of low-cost shelter solutions 5. More efficient public sector delivery of land and shelter to the poor 6. Greater public/private collaboration in shelter provision 7. More efficient informal sector shelter provision	Output Measures: 1. a) Publication of revised MMC standards for customer documentation (Y1) b) Off-site cost agreement between MMC and MOC(M) signed (Y1), policy set and implemented c) Establish revolving fund to finance MMC hook-ups (Y1 pilot program) 2. Pilot programs to develop cost recovery scheme (Y1), policy adopted and implemented 3. a) Leak detection pilot program in MMC (Y1), production monitoring and leak detection program operational b) Private leak detection pilot project (Y1), private leak detection capacity developed 4. 1,500 low-cost solutions (serviced sites and upgrades) (Y1), output to rise over loan period 5. a) Management audit of MOC(M) completed (Y1), agenda from audit carried to completion b) Land information system for MOC(M) designed (Y1); LIS operational and processing time reduced c) Study of subsidies under present public mortgage programs (Y1) 6. Conditions for private sector development of low-cost shelter identified (Y1), public/private projects completed 7. Plan for increasing NGO/CBO participation in shelter development (Y1), pilot projects complete and program operational	Regular monitoring and summary reports by PIOJ/MSMC Reports and records of participating agencies Technical assistance reports and evaluations	Given policy changes, MMC can develop capacity required to implement new policy Workable cost-recovery schemes for communal water systems can be designed In near term, substantial cost savings are available to MMC through leak detection and repair Private sector entities will undertake to provide leak detection and repair services Adequate feasible sites can be identified Private sector developers will participate in low-cost shelter provision under feasible conditions CBOs/NGOs are willing to play more active role in shelter development and provision
Project Inputs: 1. MC loan 2. Technical assistance a) DA grant b) GOJ contribution	US\$50 million US\$3 million US\$1 million Monitoring and management support short-term studies and institutional strengthening	Disbursement records Disbursement records RNUDO monitoring	US investor interest exists Grant funds available on a timely basis GOJ counterpart funds made available as budgeted

Best Available Document



MINISTRY OF FINANCE AND PLANNING
30 NATIONAL HEROES CIRCLE,
P.O. BOX 512,
KINGSTON,
JAMAICA

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

Telephone No. 82-26600-14

30th June, 1988

925/06

Mr Bill Joslin
Director
United States Agency for International Development
Mission to Jamaica
6 Oxford Road
Kingston 5

Dear Sir,

I am acknowledging on behalf of the Honourable Prime Minister and Minister of Finance letter of the 27th May, 1988, about the proposed HS-013 Loan Programme. I am also in receipt of a copy of Mr Lane Smith's letter to the Honourable Bruce Golding, Minister of Construction (Housing), conveying US AID/Jamaica's interest in making up to US \$50.0 million in Housing Guarantee Loans available to the Government to support the development of a self-sustaining shelter and urban services delivery system.

On behalf of the Government of Jamaica I hereby request that US AID kindly effect a Housing Guarantee Loan Programme of up to US \$50.0 million with a five year duration of approximately US \$10.0 million per annum. I also request that this programme be supported by a grant of up to US \$3.0 million for technical assistance to strengthen institutional capacity to implement the Programme. It would also be appreciated if the financing could be effected on a direct basis to the Government and that flexibility be permitted in the use of both foreign currency and the local currency generation therefrom for priority purposes within its budget.

It is recognised that the purpose of the Programme is to eliminate policy and procedural constraints in the shelter delivery system and that it is intended to support those policies and practices of the Government that enhance the development of a broad mix of housing solutions and basic services, including potable water, drainage and electricity for low-income persons and that each year US AID and the Government will agree sectoral targets for the coming year and review performance in regard to the previous year's sectoral goals and targets. The Programme should thus assist in supporting the broad goal of a self-sustaining shelter delivery system and strengthen implementation of the National Shelter Sector Strategy and the policies and practices of those organisations involved in the provision of shelter and services.

We do look forward to your assistance in regard to the above Housing Guarantee Loan Programme request.

Your faithfully,


H W Milner
Financial Secretary

ACTION: AID-5 INFO: AMB DCM ECON POL

VZCZCKG0271

24-JUN-88

TOR: 12:32

PP RUEHKG

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CHRG: AID

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DIST: AID

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ADD:

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TO AMEMBASSY KINGSTON PRIORITY 6876

BT

UNCLAS STATE 203278

AIBAC

E.O. 12356:6: N/A

TAGS:

SUBJECT: JAMAICA SHELTER AND URBAN SERVICE POLICY
PROGRAM (532-HG-013; 532-1049) SECTOR CONCEPT PAPER
(SCP) REVIEW

REFS: (A) KINGSTON 5013 (B) STATE 176528

1. THE SUBJECT PROGRAM SECTOR CONCEPT PAPER (SCP) HAS BEEN REVIEWED AND APPROVED. THE MISSION MAY PROCEED TO DEVELOP THE SECTOR APPROVAL DOCUMENT (SAD) FOR THE PROPOSED PROGRAM IN ACCORDANCE WITH GUIDANCE PROVIDED IN REF B, TAKING INTO ACCOUNT SPECIFIC AREAS REQUIRING ELABORATION AS INDICATED BELOW.

2. THE POLICY COMPONENT

THE SCP PROPOSES USING HOUSING GUARANTEE RESOURCES TO LEVER POLICY, REGULATORY, AND INSTITUTIONAL REFORMS THAT LEAD TO INCREASED ACCESS BY THE URBAN POOR TO SERVICED LAND, POTABLE WATER, SEWERAGE, AND CONSTRUCTION CREDIT IN A COST-RECOVERABLE, SELFSUSTAINING WAY. THE GOALS AND, IN PARTICULAR, THE BENCHMARKS IDENTIFIED IN THE SCP SHOULD BE CONSIDERABLY EXPANDED UPON IN THE SAD. IT IS NOT CLEAR FROM THE SCP WHAT ARE THE FULL EXTENT OF THE POLICY AND REGULATORY CONSTRAINTS AND THEIR RELATIVE IMPORTANCE FOR EFFECTIVE OPERATIONS IN THE SECTOR. PLEASE NOTE THAT GUIDANCE PROVIDED IN REF B, PARA 4B, STATES THE NEED FOR RANKING OF CONSTRAINTS IN ORDER OF IMPORTANCE. MOREOVER, THE MISSION'S PROPOSED CONDITIONALITY AND DISBURSEMENT STRATEGY TO BE INCLUDED IN THE SAD SHOULD REFLECT THE STRATEGIC IMPORTANCE OF THESE CONSTRAINTS AND THEIR ELIMINATION FOR THE ACHIEVEMENT OF PROGRAM GOALS. BENCHMARKS SHOULD BE EXPRESSED IN TERMS WHICH WOULD ALLOW THE MISSION TO SET SPECIFIC TARGETS FOR MEASURING PERFORMANCE.

3. THE TECHNICAL ASSISTANCE COMPONENT

AS NOTED IN REF B, A DETAILED TECHNICAL ASSISTANCE PLAN SHOULD BE INCLUDED IN THE SAD.

4. THE GRACE PERIOD ON INTEREST PROVISION

UNCLASSIFIED STATE 203278

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THE COUNTRY RISK ASSESSMENT COMPLETED BY PPC/EA FOR JAMAICA CONCLUDES THAT WHILE COUNTRY CONDITIONS PROVIDE A REASONABLE ASSURANCE OF REPAYMENT OVER THE TYPICAL LOAN TERMS OF A HIG, THERE IS A RELATIVELY HIGH PROBABILITY THAT THE LOAN WILL BE SUBJECT TO RESCHEDULING OVER THE NEXT THREE YEARS. UNDER TH CIRCUMSTANCES, PPC RECOMMENDS THAT EITHER PROVISIONS FOR CAPITALIZATION OF INTEREST WITHIN THE FIRST THREE YEARS OF T GRACE PERIOD BE INCLUDED IN THE HIG LOAN OR THE LOAN SHOULD POSTPONED. TO ADDRESS THESE CONCERNS, THE MISSION SHOULD INCLUDE IN THE SAD AN ANALYSIS OF THE IMPACT OF THE CAPITALIZATION ON THE PROGRAM. cont

5. ENVIRONMENTAL DETERMINATION

AN ENVIRONMENTAL DETERMINATION SHOULD BE INCLUDED IN THE SAD CONSISTENT WITH POLICIES AND PROCEDURES APPLYING TO ESF CASH TRANSFER PROGRAMS AND PAAD DOCUMENTATION FOR THOSE PROGRAMS. THE MISSION SHOULD INCORPORATE ENVIRONMENTAL CONSIDERATIONS INTO THE DESIGN OF THE SUBJECT SAD. SHORTTERM TA SHOULD BE CONSIDERED TO ASSIST IN DEVELOPMENT OF ENVIRONMENTAL GUIDELI. TO BE INCORPORATED INTO POLICY REFORM IN THE AREAS OF WATER, SEWERAGE AND SHELTER SERVICES,

6. SAD REVIEW AND APPROVAL

PER REF. (B), THE SAD WILL BE AUTHORIZED BY THE ADMINISTRATO PLEASE FORWARD THE PROGRAM DOCUMENT TO A.I.D./W AT LEAST TWO WEEKS PRIOR TO THE PLANNED REVIEW ISSUES MEETING. TWO WEEKS THE MINIMUM TIME NEEDED TO PERMIT TIMELY DUPLICATION AND DISTRIBUTION OF THE DOCUMENT FOR A COMPREHENSIVE REVIEW.

SEULTZ

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ENVIRONMENTAL DETERMINATION

A. Project Location: Jamaica
Project Title: (a) Shelter and Urban Services Policy Program 532-HG-013
(b) Technical Support for Shelter and Urban Services Policies Program 532-0149
Funding (LOP): US\$ 50 million Housing Guarantee
US\$ 3 million DA
Life of Project: 5 years (1988-1993);
Mission Determination: CATEGORICAL EXCLUSION
Prepared by : Charles R. Mathews, Mission Environmental Officer

Charles Mathews

Date: July 21, 1988

B. Activity Description

The proposed project consists of a \$50 million HG sectoral loan and up to \$3 million grant for technical assistance to the Government of Jamaica to support the development of a self-sustaining system to deliver affordable shelter and related urban services for lower income families, and to implement the National Shelter Strategy. In order to reach this goal, AID will support the Government of Jamaica in re-orienting its policies, procedures, programs, and institutions involved to more closely focus on the provision of serviced land, the upgrading of slum areas through provision of infrastructure, and the overall facilitation of private investment in the sector for production and long-term financing of shelter. These objectives are embodied in the 1987 National Shelter Strategy.

As a sector loan, US dollars will be disbursed to the GOJ based on agreed policy-related improvements in the sector. These will be established yearly in consultation between AID and GOJ. Neither the US dollars nor any local currency generated by those dollars will be tracked.

The genesis of this project is in the recognition by AID and the GOJ that current approaches in the shelter sector will not alleviate the demand for affordable shelter for the urban poor of Jamaica. As a result of the deficiencies in the system for the delivery of shelter and urban services, the cities of Jamaica are beset by proliferating slums, characterized by inadequate access to water and sanitation, environmental degradation resulting from poor sanitation and development at densities and in locations unsuitable for habitation, inefficient use of scarce land resources on the island, and public health problems. A further

effect of the inability of the market to respond to shelter demand is overcrowding of the existing housing stock, which results in overloading and breakdown of the infrastructure. A further complication of this pattern of development is that individuals, deprived of essential services, especially water supply, make illegal connections to the system, jeopardizing this essential service.

The Government response, supported by past HG loans, has been to upgrade slum areas by providing adequate infrastructure and reducing the density where necessary, and providing land title to spur more permanent and sanitation investments in the property by the resident. It has also invested in servicing raw land with water, sewerage, roads and drainage for sale of individual plots to those who otherwise would be squatting on public and private land, with all the concomitant problems noted above. This planned Program will strengthen these Government initiatives through a sectoral lending approach.

Also supported by this Program will be policy and programmatic initiatives by the National Water Commission to provide potable water at sustainable costs through the use of low-cost technologies (e.g. standpipes) and innovative cost recovery mechanisms to ensure replicability of solutions. Another area will be better management and maintenance of the extensive water infrastructure investment to increase overall operating efficiency, decrease water losses, and reduce the cost to the rate payer. These will all serve to preserve a natural resource while making it more accessible to the public.

The Program will support the overall enhancement of the role of the private sector in shelter production and long-term financing, through the elimination or modification of Government regulations and procedures that currently constrain the private sector, and through new approaches to encourage and direct private investment toward the lower income market. The result will be more rapid expansion of the housing stock as an alternative settlement pattern to the further proliferation of slum areas.

A sample list of the types of investments that could be expected from this sectoral Program follows:

- Extension of water and sewerage service to underserved areas.
- Servicing of raw land for privately-funded shelter development.

- Standpipe construction.
- Water leak detection devices, meters and other equipment to better manage water use.
- Private investment in shelter, especially for the lower income market.

All of these investments will lead to an improvement in the environment, through improvement of environmentally hazardous slums, deterrence of further slum proliferation through the provision of alternative environmentally sound shelter, and improvements in efficiency in the use of essential resources, most notably land and water.

AID/RHUDO has been involved for a number of years through HG and DA projects with the key institutions involved with the provision, financing, and regulation of shelter. The design standards applied in construction to prevent pollution of groundwater, deleterious runoff, and protection of streams and floodplains in new developments are considered adequate. Jamaica has strict site development standards, and the compliance among A&E firms and local developers is high. New developments are approved by a Town Planning Department after adequate review by an environmental division in the Ministry of Health. In the case of upgrading, design is typically done by the Government with qualified professionals following appropriate design standards. In these projects, a marked environmental improvement results due to improved drainage and sanitation. The design standards applied by the National Water Commission in extending systems are considered adequate. (Development of new water sources is not envisioned as a result of this program; on the contrary, improvements in water management, which will be part of the overall policy "agenda" for the Program, will reduce or delay the need for development of new sources).

The grant project to support the HG sector Program will be used for long and short term TA, studies, training, and a limited number of commodities associated with the management tasks of the public bodies involved (e.g. computers). The grant will accommodate funding for technical expertise, local or U.S., to supplement existing staff of the institutions involved. Specifically, TA will be provided to review current legislation and procedures relevant to mitigation of potential environmental consequences. Technical assistance will also be directed to appropriate Jamaican institutions to strengthen their capacity to undertake environmental assessment and design mitigation measures.

C. Discussion

The proposed project is sectoral in nature with the objective of influencing changes in policy, procedures, programs and institutions. Such objective does not require, prior to approval of financing or prior to implementation of specific activities, knowledge of or control over, the details of the specific activities that may have an effect on the physical and natural environment for which financing is provided by AID. The proposed project therefore qualifies for a categorical exclusion.

While it is not anticipated that at any time during project implementation, that review or approval of project activity will become subject to control of AID, except to the possible extent that policy improvements pursuant to project objectives will be the subject of yearly consultations, we are mindful that there will be construction activity which has potential for temporary adverse environmental impact. It is therefore planned that the initial and subsequent yearly consultations include an agenda item to deal with the necessity to be aware of potential harm to the environment and to incorporate protective or mitigating measures in the designs and implementation of such construction activity.

Considering the above and the criteria in Section 216.2 (c) (1) (ii) and (3) of AID's Environmental Procedures, the proposed project is determined to qualify for a Categorical Exclusion and is an action for which an Initial Environmental Examination is generally not required.

This statement is submitted for Bureau Environmental review in accordance with Section 216.2 (3) of AID's Environmental Procedures.

D. Approval

Approved: TR Tiff

Date: 7/22/88

Disapproved: _____
Thomas R. Tiff,
Acting Mission Director

Clearance:
RHUO:LSmith LS
ADDIR:PCrowe PC

0211V

THE HOUSING GUARANTY PROGRAM

APPENDIX 5A

STATUTORY CHECKLIST

NAME OF COUNTRY

PROJECT NO. 532-HG-013

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

A. General Criteria Under HG Statutory Authority.

Section 221(a)

Will the proposed project meet the following criteria.

(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 policy; and,

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 effective 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 \$1,718,000,000?

NO

Will the guaranty be issued prior to September 30, 1984?
1988

YES

100x

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
- (2) projects comprised of expandable core shelter units on serviced sites; or
- (3) slum upgrading projects designed to conserve and improve existing shelter; or
- (4) shelter projects for low-income people designed for demonstration or institution building; or
- (5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor?

YES

YES

YES

YES

YES

Section 222(c)

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

YES

Section 223(a)

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

YES

Section 223(f)

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

YES

Section 223(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 ninety percent (90%) of the face value of the proposed guaranty will be for housing suitable for families 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

(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 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 General Foreign Assistance Act Authority.

Section 620/620A

(a) 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

102+

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(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

TECHNICAL SUPPORT FOR SHELTER AND URBAN

SERVICES POLICY PROGRAM

STATUTORY CHECKLIST

3M (2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:
B.1. applies to all projects funded with Development Assistance loans, and
B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT? Yes, in November, 1987 Jamaica FY88
Yes

A. GENERAL CRITERIA FOR PROJECT

1. FY 1985 Continuing Resolution Sec. 525; FAA Sec. 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

Congress has been notified in accordance with routine A.I.D. procedures

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

N/A

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is necessary within Jamaica.

4. FAA Sec. 611(b); FY 1985 N/A
Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No, although it will complement other development activities in Jamaica by other donors, including the IBRD, IDB and UNDP.
7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. The project will facilitate maximum use of private sector institutions and individual initiative to increase availability of shelter and related urban services among the poor. Among key initiatives to be promoted by the project include: private developer construction of serviced home sites and low cost dwelling units; home improvement and mortgage lending by credit unions, cooperatives and banks; and dwelling unit construction and services improvement by community-based and non-governmental organizations including the informal sector.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
- The project will encourage U.S. private trade through importation of required materials to support infrastructure improvements and housing construction. Private U.S. contractors will furnish part of the technical assistance requirements of the project.
9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
- The GOJ is required under the project to provide counterpart contributions in cash and/or in kind to achieve purposes of the project.
- The U.S. has no foreign owned currencies.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- No
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- Yes
12. FY 1985 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
- N/A

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests? Yes
N/A
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? N/A
15. FY 1985 Continuing Resolution Sec. 536. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? No
16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? Technical assistance and short-term training in the U.S. are the main components identifiable for these kinds of enterprises, colleges, etc., although these activities will rely heavily on assistance from Jamaican professionals. Assistance from expatriates will be necessary. US\$1,625,000 has been reserved for TA for this purpose.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance
Project Criteria

- a. FAA Sec. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

The project goal is to promote a self-sustained system for the delivery of improvements in the living conditions of the poor through the provision of shelter, water, sewerage and other services for shelter development. The TA will support institutions in their provision of the necessary technical and services inputs (land and infrastructure) to permit low income populations and the informal and formal private sectors to function more efficiently in shelter construction. The project will promote use of more affordable and appropriate standards and technologies to enhance accessibility to private home ownership and related services by low income groups. The project will promote appropriate capital inputs for land improvement, services delivery and construction credit on a nation-wide basis.

The project will promote cooperation between public and formal sector institutions and community-based non-governmental and informal sector organizations. The objective will be to strengthen their capacity to provide a context to capitalize self-help and lower cost solutions to shelter delivery.

Women will directly benefit from increased access to affordable, healthful shelter and urban services.

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? Yes
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Yes
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? Yes
- e. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? Yes. The project will promote the development of self-sustaining systems for land, water, sewerage and other services delivery. These services are vital to maintaining and increasing productivity and sustained economic growth.

- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?
- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

Yes. The project will strengthen both public and private institutions' capacity to deliver urban services and shelter affordable by the poor. The project will directly support 532-HG-013 which will require certification by the GOJ that program outputs are affordable to families with incomes below the median for Jamaica (low income).

The project will increase availability of low cost privately owned serviced land and shelter by low income groups. Jamaican expertise will be used to the maximum extent possible as TA. Training in technical and managerial skills to build self-sustainable institutions and delivery systems is a major objective. Government cooperation with informal and community-based organizations will be promoted to enhance participation by low income groups in public sector decision-making processes.

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N/A

 2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

 3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

 4. Will arrangements preclude use of financing:
 - a. FAA Sec. 104(f); FY 1985 Continuing Resolution Sec. 527. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo Yes
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sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

- b. FAA Sec. 488. To reimburse persons, in the form of cash payments, whose illicit drug crops are eradicated? Yes
- c. FAA Sec. 620(g). To compensate owners for expropriated nationalized property? Yes
- d. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes
- e. FAA Sec. 662. For CIA activities? Yes
- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes
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- g. FY 1985 Continuing Resolution, Sec. 503.
To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel? Yes
- h. FY 1985 Continuing Resolution, Sec. 505.
To pay U.N. assessments, arrearages or dues? Yes
- i. FY 1985 Continuing Resolution, Sec. 506.
To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)? Yes
- j. FY 1985 Continuing Resolution, Sec. 510.
To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields? Yes
- k. FY 1985 Continuing Resolution, Sec. 511.
Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? No
- l. FY 1985 Continuing Resolution, Sec. 516.
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? No

2. Development Assistance Project
Criteria (Loans Only)

a. FAA Sec. 122(b). Information an conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. N/A

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? N/A

3. Economic Support Fund Project
Criteria N/A

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the FAA?

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

c. ISDCA of 1985 Sec. 207. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified

that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

3M (3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes, through normal AID procedures.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? Yes, except for some TA contracted locally in Jamaica.
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? Jamaica does not so discriminate.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries? N/A
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes
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8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes
9. FY 1985 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? It will so provide.

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)? N/A