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UNCLASSIFIED

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

JAMAICA

PROJECT PAPER

JAMAICA SHELTER SECTOR SUPPORT

AID/LAC/P-165

Loan Number:532-HG-012

UNCLASSIFIED

PDAAC827

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: ____

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: JAMAICA

3. PROJECT NUMBER: 532-HG-012

4. BUREAU/OFFICE: LAC — 05

5. PROJECT TITLE (maximum 40 characters): Jamaica Shelter Sector Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 12 DD 31 YY 87

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 83 B. Quarter 4 C. Final FY 86

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

A. FUNDING SOURCE	FIRST FY 83 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	( )	( )	( )	( )	( )	( )
(Loan) HG*	( )	( )	( )	(40,000)	( )	(40,000)
Other U.S. 1.						
Other U.S. 2.						
Host Country					35,000	35,000
Other Donor(s)						
TOTALS				40,000	35,000	75,000

*non-appropriated

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1)	729		860				25,000		40,000
(2)									
(3)									
(4)									
TOTALS							25,000		40,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 861 867

11. SECONDARY PURPOSE CODE:

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code: BU
B. Amount:

13. PROJECT PURPOSE (maximum 480 characters)

Assist the GOJ in the implementation of its shelter policy thru:
1) Increased private sector production of shelter and related services thru accelerated delivery program;
2) Injection of housing funds into the public and private sector thru reactivation of secondary mortgage market;
3) Expanded public sector institution building.

14. SCHEDULED EVALUATIONS
Interim MM 05 YY 85 MM 04 YY 86 Final MM 12 YY 87

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: [signature]
Title: Director, USAID/Jamaica
Date Signed: MM 09 DD 08 YY 83

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

AID 1330-4 (8-79)

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

PROJECT AUTHORIZATION

PROJECT 532-HG-012

PROVIDED FROM: Housing Guaranty Authority

FOR: The Government of Jamaica

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

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

1. Terms of Guaranty: The loans may extend for a period of up to thirty years (30) from the date of disbursement and may include such terms and conditions as shall be acceptable to A.I.D. The guaranties of the loans shall extend for a period beginning with disbursements of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.

2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.

3. Government of 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 or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guarantied 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 the following terms and conditions as A.I.D. may deem necessary:

Condition Precedent to Seeking a U.S. Investor:

The Borrower shall submit, except as A.I.D. may otherwise agree in writing, in form and substance satisfactory to A.I.D., a Project Delivery Plan for the Accelerated Delivery Projects (Starter Homes) for low income housing units. The Plan will set forth the planned cash flow needs: A.I.D. and GOJ counterpart funds, the roles of the participating institutions, detailed site selections and construction schedules, land acquisition procedures and timetables, specific housing solutions and numbers of plots and units per site, and costs for all elements of each solution.

The Project Delivery Plan should be based upon the A.I.D. approved Program Design Brief as provided by the MOC(H).

Condition Precedent to First Disbursement:

The Borrower shall submit, except as A.I.D. may otherwise agree in writing, in form and substance satisfactory to A.I.D.:

A. a comparative study examining interest rates, other forms of housing subsidies and savings mobilization. The study should examine options for modifying the existing interest rate structure to assure positive real interest rates are attained and make recommendations for targeting low income subsidies and for mobilizing savings;

B. evidence that the JMB is effectively performing its role as described in this Agreement;

C. evidence that the Policy Planning Secretariat in the MOC(H) is operational;

D. evidence that the GOJ has committed and/or budgeted those funds for the HG-011 Project as provided for or as otherwise mutually agreed; and

E. such other documents and representations as A.I.D. may reasonably request.

Condition Precedent to Final Phase I Disbursement

The Borrower shall submit, in form and substance satisfactory to A.I.D., an MOC(H) Plan for expanding private developer participation in low income housing. This plan will outline the existing role of private sector developers in the shelter sector; explore and analyze the potential means

available to expand their participation, e.g., improved design of units, unit cost analyses, joint construction financing, developer marketing of the units; and make recommendations for new MOC(H) guidelines and procedures for private sector development of HG and GOJ financed projects.

Condition Precedent to Disbursement for Reactivating the Secondary Mortgage Market

The Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a plan for the utilization of GOJ counterpart and Housing Guaranty funds. The detailed plan should outline the distribution of resources to the participating institutions, detailed information on the actual mortgages, the pooling mechanism to be used and the criteria established which outline the use of the funds which will be generated. This plan will be reviewed and approved by the LAC Bureau, PRE/H and RHUDO/CAR.

Marshall D. Brown
Acting Assistant Administrator
Bureau for Latin America and the Caribbean

Sept 30, 1983
DATE

Clearances:

PRE/H, JHowley	Signed	Date 9/28/83
PRE/H, HKaufman	Signed	Date 9/27/83
LAC/DR: ILevy		Date 9/29/83
LAC/CAR: RDelaney		Date
GC/LAC: RMeighan	Signed	Date 9/28/83
FM/LMD: HShropshire	Signed	Date 9/28/83
GC/H: MKitay	Signed	Date 9/27/83
PPC/PDPR: PTowsley		Date 9/28/83

JAMAICA SHELTER SECTOR SUPPORT

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I. PROJECT RATIONALE AND DESCRIPTION

A. Project Rationale

1. Summary Project Description

This Project Paper is for a US$40.0 million A.I.D. Housing Guaranty loan (HG-012) which is designed to assist the Government of Jamaica (GOJ) to implement its recently adopted National Housing Policy. The Housing Policy exercise established that housing need clearly outstrips current housing production. The Prime Minister, in a major address, stated that 12,000 units per year would be required over the next 18 years to satisfy demand. U.S.A.I.D./J estimates suggest that over the 1981-85 period, about 13,500 units will be required annually. This is the second A.I.D. project since adoption of the policy and will assist in meeting housing need by expanding the national housing program through accelerated delivery projects and stimulation of the secondary mortgage market. The previous loan of US$15 million (HG-011) concentrated primarily on expanding production and improving project replicability in the public housing sector on urban and rural sites throughout the island. These objectives are being attained through lowering standards, minimizing and targeting subsidies, and improving cost recovery procedures.

Recent experience in the implementation of the HG-011 project and of the Ministry of Construction (Housing) [MOC(H)] in its programs in general, has shown that the public sector is not yet capable of managing the production of the volume of units called for in the national housing program. As such, the MOC(H) and the two limited liability companies which produce housing for it, require technical assistance to streamline their delivery of housing units.

A growing realization of the present limitations of the public sector shelter delivery insitituions has led the GOJ to request A.I.D. assistance in three areas. The first area is the financing and delivery of an accelerated delivery program for low income shelter units. The second area is additional financing for the GOJ's on-going squatter upgrading program. The third area is to provide technical assistance and financing to support the expansion of secondary mortgage market operations of the Jamaica Mortgage Bank (JMB). For the second phase of this program, the GOJ has requested continued support for programs initiated under HG-011 (see Annex D: GOJ Request for Assistance).

This project will also seek to expand the delivery capacity of the public sector housing institutions through greater involvement of the private sector. Initially this will include private sector participation in the design and delivery of units and ultimately during Phase II, in their financing and marketing. Further, it will inject sorely needed funds into the sector by assisting the JMB to reactivate and expand its secondary mortgage market activities. Both of these activities are designed to support the implementation of the National Housing Policy by complementing and firmly establishing those programs begun under HG-011: settlement upgrading, starter homes and credit union mortgage loans.

The project is designed to be authorized in two tranches. The first one, comprised of US$25 million, will finance the implementation of MOC(H) accelerated delivery projects for which planning and design have been completed. It will also develop new, lower cost shelter solutions for the sector as well as finance additional squatter upgrading schemes. In addition, this tranche will stimulate the mobilization of funds for the shelter sector by assisting the JMB to reactivate its secondary mortgage market activities.

Building on the progress made in HG-011, the second tranche of US$15 million will further support low income starter homes, squatter upgrading and credit union mortgage programs. In combination with the Urban Development Project, 532-0090, it will also finance urban infrastructure for low income residential areas. Specifically, the project will be composed of the following components, the first two of which will make up the first tranche:

a. Accelerated Delivery Program - 1500 solutions US$22 million

This component will provide financing for the low income housing solutions in projects designed for rapid development. It contains three elements: Starter Home projects, Build on Own Land (BOL) units, and New Solutions. The first element will provide approximately 700 Starter Homes which will be part of mixed income projects from 120 to 400 units on any one site. Project sites are located in the Kingston Metropolitan Area and in urban areas to the east and west of Kingston. Land has been acquired and site planning and design has been completed for all projects. Eligible beneficiaries will be households earning less than the median income estimated at J$8,400 annually (U.S. $4,720). Beneficiaries will have access to financing from the National Housing Trust or the Caribbean Housing Finance Corporation, the two primary lending institutions participating in the project.

Build on Own Land component will also provide financing for a minimum of 450 core houses (Starter Homes) on individually owned plots throughout the island. This program is designed to increase the provision of housing in rural areas, consolidate peri-urban areas by building on vacant developed land and increase the utilization of small contractors. Since individual families prepare the land and finance lot development costs, unit costs are reduced and affordability increased. The program which was a backlog of approximately 3,000 applicants is the GOJ's major effort in rural housing.

The third element in the Accelerated Delivery Program is a New Solutions program which will design and finance new low cost solutions in Jamaica including approaches such as serviced sites and shell houses. This will be done through a design and marketing competition in which systems and conventional builders will be invited to adapt existing techniques to obtain lower cost units. Units combining high marketability and low cost will be financed by AID in subsequent projects.

b. Squatter Settlement Upgrading (Phase I) - 650 solutions (US$3 million)

The first phase of the Squatter Upgrading Program would upgrade approximately 650 lots, which in terms of 532-HG-011 experience, would equal 4-5 sites.

Assuming a final plot allocation of an average of one household (5 persons) per plot, this Phase I program would benefit approximately 3,250 persons.

This program builds on the successful upgrading experience gained under 532-HG-011. Initially, all selected upgrading areas would be provided with a minimum improvement package including secure land tenure, purchase of presently occupied sites from either private ownership or GOJ ministries, and rationalization of the existing plot layout pattern. The rationalization of the existing plot configuration is a prerequisite to the establishment of tenure and to any subsequent incremental improvements in public services.

c. Secondary Mortgage Market Support

Up to US$3 million of the foregoing components may be disbursed through secondary mortgage market operations of the Jamaica Mortgage Bank (JMB). These funds would be used in combination with resources made available to JMB by the GOJ either from earmarked ESF Counterpart funds or other budget resources. With these resources, JMB will be able to increase its purchase of mortgages and/or participation in mortgage pools from both public and private sector mortgage originators. This will assist a major GOJ housing finance institution, the JMB, to carry out its designated role under the National Housing Policy of reactivating the secondary mortgage market. Depending on availability of mortgages, secondary market operations will be carried out with the CHFC, MOC(H), and the Jamaica Cooperative Credit Union League (JCCUL). Funds realized from the sale of their mortgages will be used by these institutions to originate eligible low income mortgages under the project for those resources originating from HG disbursements.

d. Squatter Upgrading (Phase II) - 650 plots (US$3 million)

This component would continue A.I.D. support to the MOC(H)'s squatter upgrading program in urban and rural areas throughout the island. About 650 households would obtain tenure to their lot and benefit from improved infrastructure.

e. New Schemes - 180 units (US$3 million)

This component would continue the program begun under HG-011 of constructing new units on scattered sites throughout the island based on market analysis of local demand. Approximately 600 units would be financed. This component will continue the initiatives begun in the Accelerated Delivery Program of Phase I of increasing private sector participation in the public sector shelter development program.

f. Urban Infrastructure (US$5 million)

This component would provide planning for and construction of urban infrastructure such as roads, drainage, water supply, and/or solid waste disposal for low income residential areas. Projects will be identified and feasibility studies undertaken as part of the Urban Development Project 532-0090.

g. Credit Union Mortgage Loans - 450 mortgages (US$4 million)

This component would assist in the expansion of a low income mortgage loan program recently begun by member credit unions of the Jamaica Cooperative Credit Union League Limited (JCCUL). Approximately 450 units would be financed.

Summary of Inputs (US$ millions)

	HG	DG	GOJ	TOTAL
Accelerated Delivery Program	22.0	--	16.0	38.0
Squatter Upgrading (Phase I)	3.0	--	1.0	4.0
Squatter Upgrading	3.0	--	1.0	4.0
New Schemes	3.0	--	8.0	11.0
Urban Infrastructure	5.0	--	5.0	10.0
Mortgage Loans	4.0	--	4.0	8.0
Technical Assistance	--	.9	--	.9
TOTAL	40.0	.9	35.0	75.9

2. Relation to Government of Jamaica (GOJ) Housing Policy

The proposed project relates in two ways to the Mission's over-all development strategy. At the macro-economic level, the Housing Guaranty loan provides balance of payments assistance, as the import component of the projects it will support is relatively modest. Therefore, this component of U.S. economic assistance blends with ESF and PL 480 assistance. Accordingly, in the Mission's policy dialogue with the Government, the Housing Guaranty loan is discussed in the context of possible policy that determines whether this general type of assistance provides an increment to the real resources available to support development, or merely replaces real domestic resources which "leak" out of the system due to inappropriate policy. Similarly, discussions dealing with the Housing Guaranty loan in particular, seek to assure that these funds do not work at cross purposes, but rather support the over-all U.S. economic assistance strategy. In terms of their macro-economic implications, therefore, Housing Guaranty, ESF, and PL 480 negotiations are desinged to be mutually reinforcing. This relationship is guarded in developing and negotiating conditions of assistance for each of the three types of assistance agreements.

At the sectoral level, the major purpose of this project is to assist the GOJ in the implementation of its shelter policy. This will be accomplished by providing financing for the programs called for under the policy and providing technical assistance to the institutions that are carrying out the policy. Since 1981 A.I.D. has worked closely with the Ministry of Construction (Housing) in the formulation, discussion and promulgation of the National Housing Policy. With the support of A.I.D. financed technical assistance, a housing policy framework was developed on which the present policy is based.

Subsequently, a policy dialogue between A.I.D. and the GOJ was expanded and led to the formulation of the present shelter policy.

The present policy document, titled "A National Housing Policy for Jamaica" was officially adopted by Cabinet and Parliament in October, 1982. The policy addresses the principal problems in the sector directly and pragmatically. Among its principal objectives are:

- -- definition and development of institutional responsibilities;
- -- institutional coordination;
- -- rationalization of the housing finance system;
- -- housing programs geared to affordability of target income groups;
- -- effective cost recovery to prevent institutional decapitalization;
- -- mobilization of private sector support for the national housing program;
- -- proper utilization of land for housing development;
- -- maintenance and servicing of housing estates;
- -- promotion of home ownership;
- -- creation of viable communities through community development activities.

The GOJ has already taken definitive action to implement many of the policy objectives. The Minister of Construction (Housing) chaired a working group of senior professionals in the sector whose task it was to define the institutional and organizational structure and responsibilities required to rationalize the housing finance system. This group developed a Public Sector Housing Finance Framework which clearly defines the roles and responsibilities of the major institutions in the sector. The Framework, which has been announced in Parliament by the Prime Minister and will be issued as an MOC Ministry Paper, contains the following institutional objectives and responsibilities:

a. To convert the National Housing Trust (NHT) into a mortgage financing and servicing institution to operate on a commercially viable basis in providing mortgages to its contributors;

b. To transform the Jamaica Mortgage Bank (JMB) into a viable financial institution for the purpose of:

   1) mobilizing loan funds, locally and overseas, to finance housing development on a wholesale basis.
   2) providing secondary mortgage facilities.
   3) providing mortgage insurance.

c. To expand the Caribbean Housing Finance Corporation (CHFC) to service the existing mortgage portfolio of the Ministry of Construction (Housing) and to provide mortgage financing to purchasers of houses built by the Ministry who are not financed by the National Housing Trust;

d. To expand the capacity of the Ministry of Construction to build houses by:

1) Insuring an adequate flow of construction finance.
2) Developing adequate systems for the production of low-cost houses.

While the three finance institutions have fully accepted their policy roles and have developed operational plans to carry them out, a substantial amount of institution building is still required. The institutions are also still involved in activities initiated prior to the adoption of the Policy which need to be completed prior to their fully assuming their new roles. The NHT still has monitoring responsibility for several major projects which it financed directly and which are not yet completed and occupied. Due primarily to a lack of funds, the JMB has not been able as yet to fully activate its mortgage insurance and secondary market operations. While the CHFC has geared up to service MOC(H) mortgages, as yet only a few sales documents have been regularized for transfer since CHFC cannot take over the document until it is registered as a mortgage. Thus, while the policy framework and procedures are in place, additional funds and technical assistance are required to enable the systems to operate as designed.

On the production side, the MOC(H) has undertaken a large scale shelter program to meet housing targets of roughly 10,000 units per year. The majority of these units are designed to meet the needs of low income groups in the form of squatter upgrading projects, core-house (starter home) schemes, and the Build-On-Own-Land (BOL) program in which the MOC(H) provides a low cost unit to families throughout the island who own their own land. The squatter upgrading and BOL programs have proved very popular since they entail no displacement of beneficiaries and provide for the beneficiary to acquire legal title to a serviced plot. A.I.D. through its previous two Housing Guaranty Projects (HG-010 and HG-011), has been the major source of external funds for these programs.

3. Relation to U.S.A.I.D./Jamaica CDSS

The FY 1985 U.S.A.I.D./Jamaica CDSS outlines four major development objectives which are directly supported by this shelter sector project:

-- "To assist in the development of public sector institutional capacity to allocate budgetary resources effectively;"

-- "To address specific obstructions to development that are not susceptible to purely private market solutions due to significant external economies or diseconomics;"

-- "To promote specific policy-based equity goals;"

-- "To assist private sector institutions in developing the capability of functioning efficiently in a competitive private market environment."

One of the most significant achievements in the shelter sector during the last two years has been the U.S.A.I.D./GOJ policy dialogue which produced a model housing policy which is now in implementation. This project provides the capital and technical assistance which is required to support and implement this National Housing Policy. The policy framework outlines the public sector institutional roles; rationalizes the construction, finance, policy and program objectives of each institution; and sets the guidelines for the efficient allocation of resources.

U.S.A.I.D.'s goal in the dialogue on housing sector policy was initially assisting the GOJ to establish the institutional framework and over-all goals. This framework is being tested in the implementation of HG-011. As impediments to efficient delivery of shelter are identified in the implementation process, U.S.A.I.D. will work with the GOJ to adjust the framework accordingly. Currently U.S.A.I.D. is assisting the GOJ to accelerate housing production and to reactivate the secondary mortgage market. The longer term policy objective is rationalize and target subsidies to the beneficiaries who do not have the means to pay. A part of this activity will be to identify the best form of subsidy and move towards structural changes as necessary to implement the recommended system. The subsidy analysis would look at the current interest rate structure with the goal of establishing real positive interest rates and market rates for those beneficiaries who are able to pay.

The shelter policy dialogue is consistent with the U.S.A.I.D./Jamaica dialogue being pursued with the Prime Minister and other levels of government. In his keynote speech to the Caribbean Housing and Mortgage Finance Conference, on June 1, 1983, Prime Minister Seaga articulated the major elements of his housing policy (which are consistent with the U.S.A.I.D./Jamaica CDSS): "We have sought to streamline construction activity, the flow of housing financing, the area of mortgage servicing and cost recovery." He stressed the close collaboration between the public and private sectors, the revitalization of the secondary mortgage market, promotion of home ownership and the use of private sector developers in the design and execution of public sector housing projects.

The project promotes the specific policy based goals of producing substantial direct benefits for the urban poor while providing a needed stimulus to the overall economy. The economic benefits include an immediate increase in the availability of foreign exchange, the generation of activity in the construction industry, and the related expansion of construction employment opportunities.

Institution building is a major goal of the CDSS. The institutions in the shelter sector are at differing stages in their ability to design and manage shelter projects. Several have requested assistance in building their capacity to fulfill their roles in the sector: the Jamaica Mortgage Bank (JMB) requires further assistance to reactivate its secondary mortgage market operation, to provide mortgage insurance and to float housing bonds; the MOC(H)'s principal developer, the Estate Development Company Limited (EDCO), has recently been 'spun-off' from the Ministry and established as a limited liability company. It must now organize itself to operate on a businesslike basis, relying on its

fees to cover its operational expenses, overhead and profit; the Jamaica Cooperative Credit Union League Limited (JCCUL) requires assistance in managing and processing an increased volume of mortgages, and its developers require assistance in increasing their delivery capacity.

This project will also be closely coordinated with the U.S.A.I.D. Urban Development Project (532-0090) currently under design. The Urban Development (UD) project will build on the institutional links established through the shelter program with the MOC(H), the Ministry of Construction (Works), the Urban Development Corporation (UDC), the National Planning Agency (NPA), the Jamaica National Investment Promotion Board (JNIP), and the Town Planning Department. A.I.D.'s intervention in Urban Development, as an outgrowth of the Housing Guaranty Program, has been spelled out both in the urban strategy of U.S.A.I.D./Jamaica and in the 1985 CDSS. HG-012 and the UD project are being designed to complement one another.

Other Donors: Presently A.I.D. is the only donor agency providing financing for squatter upgrading projects and core housing. Dutch capital assistance has been terminated. The World Bank has recently completed its sites and services project and is not currently planning another shelter project.

However, other international donors are supporting related urban projects designed to improve urban development conditions in Jamaica. The World Bank, after many years in the shelter sector, is initiating a major bus transportation system and traffic management improvement project for Kingston. U.S.A.I.D. has been collaborating with the Bank on this transport aspect since the Bank has been looking to the Kingston Local Government authority as an implementing agency and A.I.D. is sponsoring a management audit of this authority, the Kingston and St Andrew Corporation (KSAC).

The Inter-American Development Bank (IDB) is in the final planning phase for authorization of a US$20 million loan to support public works projects in small towns throughout the country. The project will finance needed community facilities, e.g. schools, health centers and markets. IDB is also considering loan assistance to the Urban Development Corporation for reconstruction of inner city areas in downtown Kingston.

During the 1960's and 1970's, the United Nations (UN) was involved in providing urban planning assistance in Jamaica. The 1967 and 1978 versions of the National Physical Development Plan were prepared with UN technical help, along with a 1972 regional plan of the Kingston Region. However, little follow-through to implement these plans has taken place.

Recently, UN Habitat has expressed interest in providing regional planning assistance to Jamaica. Habitat's response came initially to the Town Planning Department's request for aid in May Pen. As the result of further requests from the Prime Minister, Habitat is now interested in staffing a multi-faceted regional/local planning program. This staff would develop an up-date of the Kingston regional plan, integrate agricultural with urban planning in the region, and provide detailed development plans for both May Pen and Spanish Town.

U.S.A.I.D. is working with the UN Habitat representative for Jamaica to assure that the planning activities of each agency are coordinated, if and when such a project is actually considered for funding and implementation.

4. Progress of HG-011

In keeping with the A.I.D. shelter sector policy dialogue, the HG-011 Project has focused on a series of policy, institutional and project related objectives which have been implemented at the same time that a major construction program has been undertaken in core housing and squatter upgrading. Progress thus far on the implementation of HG-011 has been excellent.

a. Progress on Policy and Institutional Reforms

The major sectoral policy and institutional changes were initiated as part of the GOJ/A.I.D. policy dialogue which culminated in the adoption of the National Housing Policy in 1982. Since that time, major efforts have focused on assuring that the policy is institutionalized. These include: 1) improved cost recovery and reduced standards so that housing is affordable; 2) clear definition of public sector institutional roles, improved institutional coordination and increased institutional efficiencies; and 3) use of creative financing mechanisms to make shelter solutions more affordable. The following list outlines a few examples of the progress thus far on HG-011 policy and institutional objectives.

-- Improved Cost Recovery and Reduced Standards

The Minister has required that unit costs be calculated by factoring in to the total, all costs associated with the shelter solution. These include, for example, costs for land acquisition for squatter upgrading and provision of off site infrastructure. This methodology is a major improvement over previous cost allocation procedures.

The Bertaud Model for computerized planning and site design has been introduced in the sector to provide an analytical tool to help identify unnecessary site costs so that solutions will be more affordable. Both EDCO and SIHL have computers and are incorporating these innovative programming tools into their planning processes.

Collections procedures have been improved in all public institutions, especially NHT (see Administrative Analysis Annex)

-- Definition of Institutional roles, Institutional Coordination and Increased Institutional Efficiencies

The Shelter Sector Task force has been made permanent, is now operational and has been formally incorporated into EDCO; a new managing director has recently been appointed.

The Minister of Construction has begun to use the powers vested in him under the Housing Act (Act 55 in 1968) to approve plans for squatter upgrading and new scheme sites after notice has been furnished to the Local Authorities. This procedure will facilitate the rapid take over and occupancy of completed projects and minimize delays related to poor institutional coordination between the national and local level.

Closer coordination has been established between the MOC(H) Land Acquisition and the EDCO survey department to identify early-on those privately-owned parcels within Desiginated Upgrading Areas which must be declared and acquired prior to commencement of construction. In addition the land acquisition office has prioritized those sites which must be acquired for HG-011 implementation and has begun to aggressively negotiate their purchase.

EDCO, formerly a division of the MOC(H), has been spun off as a quasi-public authority and now functions as a management consulting agency to the GOJ on a profit/loss management basis and acts as the disbursing agent for the HG loan.

-- Use of Creative Financing Mechanisms

Fixed level mortgage payments have been partially replaced by a series of innovative financing mechanisms which are being designed and used to make squatter upgrading, BOL, core housing, and home improvement loans more affordable to the low income target group.

Graduated Payment Mortgages (GPMs) and Variable Rate Payments have already been used. (For example, over 95 percent of both Seaview Gardens and Catherine Hall, two major new project sites, are being financed through GPMs.

Policy guidance has been developed and procedures established for the shared equity participation mortgages, but they have not yet been formally introduced. At the institutional level, the GOJ is committed to shelter financing reforms such as the reactivation of the secondary mortgage market.

b. <u>Progress on Project Related Components</u>

The US$15 million HG-011 consists of four project components:

Squatter Settlement Upgrading;
New Schemes (provision of core houses on serviced lots);

Build-on-Land (BOL) construction of core houses on individually-owned scattered plots;
Home Improvement/Home Mortgages - provision of home improvement/mortgage loans to JCCUL members.

The Implementation Agreement was signed in January 1983. A first disbursement of US$7.5 million was made in late March 1983 following successful compliance with the Conditions Precedent to first disbursement. Implementation on new schemes and squatter settlement upgrading commenced almost immediately on the basis of previously completed site acquisition, planning and design. Progress to date on the implementation of HG-011 projects is rapid and efficient. By September 30, 1983, the GOJ will have justified eligible expenditures for more than 80 percent of the advance made available at the time of the drawdown from the U.S. investor in March, 1983.

c. Resolution of Issues Affecting Project Implementation

Several issues have been resolved to date which HG-011 A.I.D. resident advisors believe could have had a serious impact on project implementation (see previous section on progress on policy issues). However, some issues also remain to be resolved.

-- Land Acquisition

Sufficient budget funds must be allocated to acquire the remaining HG-011 upgrading sites, and this amount is projected in the financial planning for both projects (see Table V.C.2).

-- Institutional Coordination

Little progress has been made to date on establishing a Policy Planning Secretariat within the MOC(H). The establishment of such a Secretariat is provided for in the housing policy and the HG-011 Implementation Agreement. The A.I.D. resident policy and administration advisor who arrived in Jamaica early September will work on the establishment of this unit. Communication between all involved agencies (including Local Authorities, National Water Commision, Jamaica Public Service, etc.) still has to be improved and, if possible, institutionalized in committee or working group form.

An experienced marketing unit within the Task Force (this function is presently carried out by the Community Services Division (CSD) of the MOC(H)) must be built up or coordinated with the CSD.

-- Finance and Accounting

Traditional methods of accounting and posting in the Finance and Accounting Department of the MOC(H) hinder rapid processing and updating of accounts. A third resident TA advisor will be recruited to modernize and, if possible, computerize the MOC(H) accounts.

A lack of a systematic allocation system from the MOC(H) housing fund hinders short-term financial planning on MOC(H) projects. The specialized TA mentioned above will also attempt to systemize the allocation of receipts from the MOC(H)'s housing fund.

5. Summary of Issues

Following is a summary response to the issues raised by the LAC Bureau in the PID review regarding the implementation of the HG-012 project. (See Annex A, PID approval cable.)

a. Implementation Planning

Four projects have been identified for the Accelerated Delivery Program. These projects were selected primarily because they are almost ready to start. Other selection criteria included preparation, size of Starter-Home component, project location, development costs, and ease of implementation.

The Technical Annex, E.1, describes the projects in detail and contains a table as to their state of readiness. In all four cases, sites have been identified and land has been acquired. In three cases plans and engineering designs have been prepared. In two cases Starter-Home types have been selected and on one site, plans and designs have been approved by the Parish Council, usually a lengthy process. The intensive review of the various projects indicated that those which would lend themselves to turnkey development or sponsor group participation (where the developer or sponsor would be at risk) were in very early stages of development and could not be delivered on a tight time schedule. An accelerated delivery program that can achieve quick disbursement is therefore being prepared and the "turnkey" type activities will be included in Phase II.

One of the four projects is a turnkey situation: this project is being constructed on land owned by the developer; the developer has completed design and has lined up financing for the non-starter home components. The developer will also participate in the marketing of the completed units. Annex F contains an implementation plan for construction activities which could begin on three sites as soon as the PP is authorized.

b. Institutional Capacity

The first tranche of the project is designed to largely by-pass often lengthy public sector design and development procedures. As pointed out by the LAC

Bureau, however, MOC(H) is still involved for project approval, obtaining plan approvals, and disbursement of funds. Section III.A, Implementation Responsibilities, points out the role fo the MOC(H) and of its two principal developers, EDCO and SIHL. Essentially, MOC(H) is retaining the policy and programming role along with site selection, land acquisition and ultimate project approval. EDCO and SIHL will be managing design, tendering and project management. Further, the MOC(H) is transferring most of its estate management role to a marketing task force located in EDCO and is transferring mortgage collections to CHFC. Section V.E, Administrative Analysis, further investigates the Ministry's staffing vis-a-vis its present functions.

This analysis shows that the MOC(H) has adequate capacity to execute, given its reduced role in both Phase I and II of the project. The analysis in Section V.E also shows that there is an excess of low level staff and a shortage of qualified staff in the Ministry. Two A.I.D. financed long term resident advisors are assigned to the Ministry and will be addressing its capacity constraints both in the areas of project execution and administration. A third resident advisor is proposed to assist in improving the effectiveness and efficiency of finance and accounting systems used by implementing agencies.

Section V.E also analyzes EDCO's and SIHL's financial status. SIHL's is found to be sound. EDCO, however, projects a positive cash flow but the underlying construction program which generates its fees requires close monitoring. If the program is delayed, EDCO could be in a deficit cash situation. The A.I.D. long term resident advisor will continue to monitor this potential problem.

c. Financial Issues

In the review of the PID, the Bureau requested intensive review of the interest rate subsidies in the sector. It requested U.S.A.I.D. to GOJ commitment to two principles: 1) that the value of the financial pool available for low income housing would be maintained through mixing HG funds with GOJ budget and/or NHT funds, and 2) that a positive real rate of interest would be sought for borrowers in the highest eligible income category.

The first principle of mixing borrowed and local funds is a basic precept of the project in order to make project benefits affordable to the target population. The financial plan contained in section II.B and Annex E.3 shows the extent to which mixing is required and the timing and sources of funds from the GOJ, the NHT and ESF counterpart equivalent. Regarding the second principle, section V.C, Financial Analysis, contains the summary results of an interest rate analysis in Annex E.3. This analysis illustrates that it is possible to attain positive real interest rates for all eligible income groups over a period of time with adjustable rate mortgages. Higher rates are attained with this option than with graduated payment plans. These analyses provide a basis on which to pursue a more detailed review. Studies will be carried out during Phase I in conjunction with GOJ officials, with a goal of instituting a new system of interest rates. Implementation of a new system will require Cabinet approval.

d. Mortgage Collections

The new housing policy specifies that the MOC(H) transfer its existing mortgages to the CHFC for commercial collection. Section III.A, Institutional Responsibilities, and V.E., Administrative Analyses, show that this is being done. For CHFC to break even, a 73 percent collection rate must be maintained. Hence, this objective will be monitored by the TA team. Section V.E also shows that since early 1982 NHT has been requiring that purchasers service their mortgages by a salary deduction system. Collections have increased substantially since this system was instituted.

e. Secondary Mortgage Market

Another housing policy objective is to build up the JMB such that it becomes a wholesaler of funds to the sector. Annex E.1, Technical, describes the ways in which this can be done. Financing of project components by channeling HG and GOJ funds, including ESF counterpart equivalent, through the JMB will fulfill the goal of increasing JMB's asset base in that it could use these funds to buy mortgages or participations in mortgage pools from MOC(H), CHFC, and the JCCUL. The funds generated from the purchases would be used to originate eligible low income mortgages for those resources originated from the HG disbursement. As stated in section II.A, Cost Estimates, however, this is feasible only if the HG funds are mixed with less costly GOJ resources so that low income mortgages and/or participations purchased by JMB would not have to be discounted.

B. Project Objectives

1. Project Goal

The long term goal of the project is to improve living conditions of low income families by increasing the provision of shelter and related services. This will be achieved through coordination and utilization of public and private sector resources. The achievement of this goal will be measured through an increase in the number and percent of low income households in areas with improved services, secure land tenure, and new and improved houses.

This project will expand on activities financed with HG-010, under which 1,980 plots were upgraded and 2,740 home improvement loans extended; and HG-011 in which 1600 starter homes are being built, approximately 1,800 plots are being upgraded, 1100 houses on beneficiaries land (BOL) being built and 1250 home improvement and/or mortgage loans extended through the Jamaican Cooperative Credit Union League.

These projects are in addition to the operations of the MOC(H) and its two limited liability companies, the Estate Development Company (EDCO) and the Sugar Industry Housing Limited (SIHL). During the implementation period, it is expected that the delivery of A.I.D. sponsored low income shelter units, including squatter upgrading, will double the MOC(H) production on an annual basis.

2. Purpose

The purpose of this project is to assist the GOJ in the implementation of its shelter policy through the following activities:

a. Increased private sector production of shelter and related services through an accelerated delivery program;

b. Injection of housing funds into the public and private sector through reactivation of secondary mortgage market and mortgage insurance operations;

c. Expanded public sector institution building.

Achievement of the project purpose will be indicated by an increase in the number of shelter units delivered by the public sector and an increased use of private builders to expedite the delivery of these units. During Phase II, the program will attempt to attract increased private sector builder risk in terms of equity participation in the projects and responsibility for marketing of units. Movement toward achievement of this activity will begin in the accelerated delivery program during the first tranche and will increase in the second tranche through greater involvement of private developers and sponsoring groups.

Reactivation of secondary mortgage market activities will be evidenced through JMB increasing its amount of mortgages purchases from the portfolios of the MOC(H), CHFC, and the JCCUL. Expanded institution building in the public sector will be indicated by establishment of a secretariat for housing policy and planning in the MOC(H), closer coordination between MOC(H) production of housing and NHT and CHFC long term financing, and a more efficient housing production process from initial land acquisition through to occupation and mortgage registration.

3. Project Outputs

a. Accelerated Delivery Units

The Accelerated Delivery Program will enable the GOJ housing program to deliver an additional 700 starter home units which roughly doubles the GOJ production of these units in GOJ FY 85. The units range from about 250 to 300 square feet and contain one room, a kitchen and bath. An analysis of applications received for these types of units from earlier projects indicates a high level of acceptance of the unit. This component will also finance approximately 450 core houses on individually owned plots mainly located in rural areas. The GOJ's Building on Own Land (BOL) program has recently been reactivated and there is presently a backlog of some 3,000 applicants. In an attempt to lower unit costs, approximately 350 new solutions will also be developed under this component. These will include new approaches such as service sites and shell houses. Units combining high marketability and low cost will be financed with the resources.

b. Secondary Mortgage Market Activity

Reactivation of the JMB's secondary mortgage market is one of the primary goals of the National Housing Policy. It has also been given emphasis by the Prime Minister in public speeches and in establishing the public housing finance framework. Both public and private housing is expected to be stimulated through the purchase of existing mortgages and participations in mortgage pools from the MOC(H), CHFC and the JCCUL. This activity will serve to provide liquidity to the housing sector and expand the asset base of the JMB.

c. Squatter Upgrading

Approximately 1300 plots will be upgraded in Phases I and II of the project, and the beneficiaries provided freehold titles. Standards will be kept very low (see Section II.A.1.2) in order to keep the price of the improvements affordable to the very low income families who live in these settlements. According to existing socio-economic surveys, obtaining freehold tenure is the highest priority among these groups.

d. New Schemes

This component will produce another 180 new home units in the second phase of the project. Planning for the increased involvement and participation of private developers and sponsor groups during Phase II will begin in Phase I of the project.

e. Urban Infrastructure

This component will be designed as part of the urban development project and will take the form of required infrastructure, such as water, sewerage, solid waste disposal, or drainage, as determined by feasibility studies undertaken in conjunction with the development of the urban development project.

f. Credit Union Mortgage Loans

Approximately 450 mortgage loans will be originated by member credit unions of the Jamaica Cooperative Credit Union League (JCCUL). This component will continue to build up the low income mortgage loan program recently initiated by private credit unions.

C. Project Elements

1. Project Inputs

a. Housing Guaranty

The US$40 million will be authorized in two tranches of US$25 million and US$15 million. In the first tranche US$22 million will be provided for the Accelerated Delivery Program and US$3 million for squatter upgrading. In the second tranche US$3 million is budgeted for continuation of squatter upgrading,

US$3 million for new schemes, US$4 million for credit union mortgage loans and US$5 million for urban infrastructure. The budget for the second tranche is subject to modification as the components are defined in greater detail during Phase I.

b. Technical Assistance

There will be three long term resident advisors to assist the MOC(H) and other GOJ institutions in the implementation of the project as well as the overall housing policy. Two advisors are in place in the MOC(H). One, an engineer/planner is working on improved project coordination and delivery procedures, while the second, a housing finance and administration specialist, will be concentrating on institutional development and the overall planning and financial aspects of policy implementation. A third advisor will be recruited, or a local firm utilized, to assist the implementing agencies introduce effective financial management and accounting procedures. The Federal Home Loan Bank Board will continue to provide short term TA to the JMB over a two year period. The sources of funding will be from the U.S.A.I.D./J Mission, HG fee income and other PRE/H grant funds. Mission funds are already programmed as part of 532-0090 development grant for housing and urban development.

c. GOJ Contributions

The GOJ contribution will be US$35 million. This amount is substantially higher than usual government contributions since the funds are to be mixed with HG funds to lower the effective on-lending rate such that project benefits are affordable to the respective target populations. It is anticipated that GOJ will provide a total of the equivalent of US$10 million of ESF counterpart funds to the JMB budget for use in secondary mortgage market activities, along with HG resources of up to $3 million, and as counterpart for the JCCUL mortgage program in Phase II. The GOJ amounts in Table V.C.1 are based on estimates of program capacity in the various components but for the purposes of calculating effective on-lending rates must be considered fungible among the various elements. The GOJ contribution also includes land, in-kind staff, office, logistical support, and MOC(H) mortgages, if required in the secondary mortgage market operations.

2. Project Participants and Responsibilities

The principal institutional participants and their responsibilities may be outlined as follows:

a. Jamaica Mortgage Bank (JMB)

-- Official Borrower and disburser of HG funds;

-- Overall financial coordinator and monitor of funds;

-- Secondary mortgage market operator, buying mortgages or participations in MOC(H), CHFC, JCCUL and/or building society pools;

-- Mortgage insurance operations;

-- Financial liaison with A.I.D.

b. Ministry of Construction (Housing), MOC(H)

-- Overall development coordinator;

-- Selection of projects and sites;

-- Sectoral policy and plan formulation;

-- Major program control and technical liaison with A.I.D.

c. Estate Development Company, Ltd. (EDCO)

-- Planning, design and construction supervision of squatter upgrading and some new schemes;

-- Principal paying agent (with MOC(H) certification) of project funds;

-- Application and mortgage processing, through a Task Force unit, of non-NHT beneficiaries.

d. Sugar Industry Housing Ltd (SIHL)

-- Main implementer of new schemes for the MOC(H);

-- Project manager of most projects in the Accelerated Delivery Program.

e. National Housing Trust (NHT)

-- Major source of housing funds in the sector through an employer (3%), employee (2%) payroll tax;

-- Mortgage lending to project beneficiaries who are NHT contributors.

f. Caribbean Housing Finance Corp. (CHFC)

-- Mortgage lending to project beneficiaries who are non-NHT contributors, i.e. principally those in squatter upgrading schemes.

g. Jamaica Cooperative Credit Union League (JCCUL) and Credit Unions

-- Mortgage lending in the private sector through member credit unions.

h. Jamaica Teachers Association Housing Cooperative (JTAHC)

-- Developer and mortgage lender of houses for cooperative members;

-- Possible project sponsor/developer in phase II of the project.

i. National Water Commission Cooperative Credit Union Ltd

-- Potential developer and mortgage lender for starter homes in phase II of the project.

3. Project Beneficiaries

Beneficiaries will be families whose total household income is at or below the median income level in Jamaica. In September 1983, it was estimated at J$161 per week or J$700 (US$393) per month. Because of the high proportion of female-headed households, it is possible that 30 to 50 percent of the loans will be made to women.

The starter home program offers a first opportunity for recipients to get into the housing market at an affordable price. In surveys done in Catherine Hall (Montego Bay) and Seaview Gardens (Kingston), none of the occupants had previously owned their own unit. The average family of 4 persons, is equally likely to be headed by a man or woman. The vast majority of the new owners are in their twenties and thirties. Most work in sales and service trades, and many families have more than one member working. Almost all beneficiaries plan to complete their homes using their own labor and with the help of families and friends.

Squatter settlement resident wages are well below the median income, averaging $116 a week and less. Families tend to be larger than those in starter home areas, 4 to 5 members, with the bulk of the household heads single or living in common-law partnerships. Unemployment is high, particularly among teenagers and those in their twenties, often reaching well over 40 percent. Less than 15 percent of the housing is judged to be in good condition in most squatter areas, and urban services are usually totally lacking. High priority is placed on legalizing the tenure by the residents and putting in as much basic infrastructure as is affordable to the residents.

Mortgage loans will also be made available through credit unions to their memberships. The income of these groups is generally higher than the country as a whole as all members are salaried. HG loans, therefore, will tend to go to those just entering their profession, be it teachers, or government workers, and to those in the union with the least skills.

a. Spread Effects and the Diffusion of Innovation

The Housing Guaranty Program in Jamaica is not simply a series of projects, but a continuing dialogue with the GOJ to implement a rational housing policy. Within the process, the tenets of replicability through cost recovery, the

formulation and application of affordable solutions, the promotion of self-help schemes and increased participation by the private sector, form the underlying framework for action. This fundamental policy change is what gives the programming its vitality and ensures continued reapplication of the principles through the years.

In August, 1983, Minister of Housing Golding cut the ribbon on a new squatter settlement upgrading program. Before a huge crowd, the Minister publicly warned the residents that this project was not a gift, but a debt which would have to be repaid, so that funds could be used in other projects. He admonished the people to take their responsibilities seriously, and to build on the foundation that the infrastructure offered. He said, "I expect when I come back here in three years time to see new rooms on your houses, new verandahs and new indoor kitchens, and not gullies filled with debris. You must take these basic improvements and view them as a catalyst for community development as well, to improve your lives and to improve your physical environment."

The public has been openly informed that shelter policy changes are in the making and that all the actors involved from government officials, to private builders, to the beneficiaries will be expected to adhere to the new rules. In this way, the spread effects of HG loans should be far-reaching.

Technical assistance is also being provided under the HG-012 loan to assist the MOC(H) to design and implement programs which achieve cost recovery. Excessive housing standards for the entire MOC(H) portfolio are being reappraised to help lower costs and make solutions more affordable. Management assistance is being offered to help the institutions involved to coordinate their actions and streamline their delivery systems. Private sector sponsors are being approached to assume some financial responsibility for the building, promotion and marketing of future projects. These changes are described in detail in other parts of the paper. But this housing policy dialogue clearly illustrates the breadth of the shelter program and its future impact on Jamaicans.

b. Institutional Interface with the Public and Local Organizations

A rigorous community participation and outreach component has been established by the MOC(H) in its Community Development Services (CDS) Department. This department had been in charge of the Ministry's sites and services programs, and now has expanded its responsibilities to include all MOC(H) program activities. A qualified staff of social workers enter a prospective upgrading area at the request of the community. There they talk with the people and local organizations, conduct socio-economic surveys, elicit the community's priorities for improvements and report their findings to the Minister of Housing. Based on consultation with the community and technical staff within the agency, the MOC(H) makes the final decision as to which neighborhoods will be included in the program and what kind of improvements will be made, based on the income levels of the residents. The CDS team then follows the project through to completion, consulting with local groups, explaining the details of the program to each household, and developing house by house payment schedules based on family income.

Credit union personnel perform a similar function for their membership who will become project beneficiaries, through surveys of membership housing preferences, screening for financial eligibility, and selection of final candidates.

Both the National Housing Trust and the Caribbean Housing Finance Corporation have extensive promotional literature and trained personnel to help potential candidates process the required applications.

II. FINANCIAL PLAN AND COST ESTIMATE

A. Financing Plan

1. Phase I

a. Accelerated Delivery Program

One of the major purposes of the Accelerated Delivery Program is rapid disbursement of funds for projects which meet A.I.D. criteria (See Annex E.1 for site selection and design criteria) and which are included in the national housing program. As described in the previous section there are several projects which meet these criteria, for which the land has been acquired, and which have already been planned and designed. Construction will be ready to begin on a minimum of 370 units upon A.I.D. authorization of the first tranche of this project. This initial activity will require approximately J$11.47 million (U.S.$6.44 million). The rest of the projects are presently being modified to improve land - use standards and densities. Assuming timely negotiation of the Implementation Agreement, investor selection and signing of a loan agreement, the first disbursement should occur prior to the end of GOJ FY 84, i.e. March 31, 1984.

b. Secondary Mortgage Market

Funds for JMB secondary mortgage market operations can also be rapidly disbursed under the first tranche. In the initial phase, JMB would purchase mortgage participations from two originators of low income mortgages with a mixture of HG and GOJ resources and middle income market rate mortgages from the private sector building societies with GOJ resources. The CHFC has eligible mortgages which could be established as a pool in which JMB would buy participations. Cash received by CHFC would be used to originate eligible low income mortgages. Existing MOC(H) mortgages which have recently been originated on starter homes in Kingston and Montego Bay are presently being analyzed. The plan is for the MOC(H) to establish a pool of these mortgages. The JMB would then buy a participation in this pool with the resources made available to it under this program. The JMB should be able to buy into these pools at par since its overall cost of funds for secondary market operations would be low as a result of the GOJ contribution. Under this arrangement, the CHFC and the MOC(H) would not have to forego revenue as a result of their mortgages carrying below market interest rates (see Summary Cost Estimate Table II.B.1.).

Table II.B.1 summarizes the project expenditure plan by GOJ fiscal year (April - March 31) and by A.I.D./HG and GOJ funding. Based on the present state of project preparation, it is anticipated that possibly as much as U.S.$10 million may be disbursed for the first two components before the end of the GOJ's present fiscal year (FY 84). A GOJ allocation of the equivalent of U.S.$4 million to the JMB will be required as a precondition to disbursement of the HG funds for secondary market operations. Based on the absorption rate of the first disbursement, the remaining A.I.D./HG funds (U.S.$5 million) should be able to be disbursed in GOJ FY 85 along with required GOJ counterpart funds.

2. Phase II

The authorization of the second tranche of the project will depend on expenditure of funds under HG-011. Thus, the projection of expenditures on the components of the second tranche are estimated to begin in FY 85, principally on squatter upgrading projects, new schemes on scattered sites, and the JCCUL mortgage loan program.

It is expected, however, that mortgage loans by member credit unions of the JCCUL can be drawn down somewhat more quickly given the large back-log of applications for loans and the experience of the credit unions in previous projects. The specific nature of the urban infrastructure component for low income neighborhoods will be defined as part of the development of the Urban Development Project 532-0090. It is expected that by the time the second tranche is ready to be authorized, the definitions of this component as well as the relevant mix of HG and DL funds will have been determined.

3. Sources of Funds

It can be seen in Table (II.B.1) that substantial GOJ funding is called for in the Project. The rationale for these levels of funding is based on the principle that HG funds will be blended with GOJ funds principally from the MOC(H)'s budget and from the NHT's employer/employee salary tax. The blending of funds is necessary to attain rates of interest affordable to the respective target populations since the Borrower, the JMB is obliged to repay the HG loan at its full cost from the U.S. investor. Thus, the GOJ amounts in Table (II.B.1) are based on estimates of program capacity for each component, and as such they should be considered fungible among the various components for the purpose of calculating on lending rates. At this point in project preparation, however, the GOJ contributions for the second tranche, although based on the principles of blending and program capacity, must be considered best estimates and will be firmed up at the time of the Phase II PP amendment.

Table II.B.1

SUMMARY COST ESTIMATES
HG-012

Source of Funding ($000)

Project Components	A.I.D.	GOJ[1]	TOTAL
Phase I			
Accelerated Delivery Program			
- Projects	18300.7	13309.6	31610.3
- Physical Contingencies 2/	1338.0	973.0	2311.0
- Price Escalation 3/	2361.3	1717.4	4078.7
Sub-total	22000.0	16000.0	38000.0
Squatter Settlement Upgrading			
- Project	2350	783	3133
- Physical Contingencies 2/	376	126	502
- Price Escalation 3/	274	71	365
Sub-total	3000	1000	4000
Sub-total (Phase I)	25000	17000	42000
Phase II			
Squatter Settlement Upgrading	2350	783	3133
New Scheme Development	2350	6270	8620
- Physical Contingencies 2/	752	1129	1881
- Price Escalation 3/	548	818	1366
Sub-total	6000	9000	15000
Urban Infrastructure	5000	5000	10000
JCCUL Mortgage Loans (through JMB)	4000	4000	8000
Sub-total (Phase II)	$15000	$18000	$33000
Project Total	$40000	$35000	$75000

1/ Including equivalent of US$10 million ESF counterpart funds.

2/ Physical contingencies for proposed starter solutions are estimated 15% of infrastructure costs and 6% of superstructure costs.

3/ Price escalation is estimated at 10% of total subproject costs.

III. IMPLEMENTATION PLAN

A. Institutional Responsibilities

The institutional responsibilities to implement the project follow those specified in the National Housing Policy and outlined in section I.C.2. Project Participants and Responsibilities. Annex E.5. contains an analysis along administrative and financial lines of each of the institutional participants in the project. Detailed analyses of each institution will therefore not be included in this section (see section V.E. for a summary of Annex E.5.).

One of the major purposes of the Project is to expand the housing delivery system through using public resources to mobilize private sector resources. Thus, while there are already six major institutions in the public housing sector, mobilization of private resources will entail working with several more. Following therefore is a narrative of the role each institution will perform in the implementation of the project from authorization to project completion.

1. Jamaica Mortgage Bank (JMB)

The official Borrower of the HG loan with a Government of Jamaica (GOJ) guaranty will be the JMB. Under the housing policy the JMB has been designated the mobilizer of overseas funds for the sector as well as the wholesaler of funds to primary lending institutions. It also has a mandate to reactivate its secondary mortgage market functions, increase its mortgage insurance operations and float a housing bond issue.

The JMB was the official borrower of previous HG loans (HG's 09, 010 and 011) and has built up relevant experience in borrowing from U.S. investors, complying with conditions precedent to disbursement, administering disbursement of project funds to implementing institutions, maintaining the necessary accounting systems for control and repaying the U.S. investor. In the first tranche of this project, the JMB will disburse HG funds as follows:

- to EDCO for new works under the Accelerated Delivery Program;
- to CHFC and/or the MOC(H) as part of its secondary market activities.

Under the Accelerated Delivery Program, the funds will be utilized with those budgeted by the MOC(H) and any equity from private developers. The NHT will contribute by originating long term mortgages for its beneficiaries in these projects. These takeouts will provide MOC(H) with cash to use in continuing this program. For the secondary mortgage market, HG funds will be used with ESF counterpart equivalent funds and JMB resources to buy mortgages and/or participations in mortgage pools from the MOC(H), and/or CHFC.

In the second tranche of the project, JMB will:

- disburse HG funds to EDCO for the squatter upgrading and new schemes components;

- disburse funds to the JCCUL for low income mortgages originated by private credit unions either directly or through the secondary market mechanism;

- disburse funds to a designated entity, such as the May Pen Development Authority, for urban infrastructure works.

In all three of these components, funds will continue to be blended with those of the GOJ for squatter upgrading and new schemes; with those of the JCCUL, credit unions, NHT and/or ESF counterpart equivalent for credit union mortgages; and with GOJ and the Urban Development 532-0090 DL funds for the infrastructure component.

2. Ministry of Construction (Housing) (MOC(H))

The Housing Section of the Ministry of Construction (MOC) was responsible for the development and official approval of the National Housing Policy. MOC(H) now has the overall responsibility for its implementation. On the housing production side, this takes the form of acting as overall developer for the delivery of low income units under one of its major development programs: new schemes, squatter upgrading, and Build on Own Land (BOL). While the MOC(H) is to function principally as a developer under the housing policy, it uses one of its limited liability companies, EDCO or SIHL to do the actual planning, design, tendering and construction supervision. The Ministry has discontinued its mortgage lending and servicing operations by transfering its portfolio to CHFC for servicing and utilizing either CHFC or the NHT to originate new mortgages on its projects.

In this project, the MOC(H) will continue to implement policy and monitor overall project implementation. It will also continue to select sites, acquire land, monitor project planning and design standards, approve contractors, counter-certify payments to be made by EDCO and manage relations with the primary lenders, NHT and CHFC. Since the Ministry is divesting itself of the long term finance function which includes estate management, and is only doing direct development on the BOL program, it should have adequate capacity to perform its role as defined under this project. In addition, two A.I.D. advisors, an engineer/planner, and a finance/administration specialist are resident in the MOC(H) to assist in the implementation of HGs 011 and 012 as well as the non-physical aspects of the policy implementation. A third advisor or local company with also be hired to undertake institutional financial analysis and accounting.

3. Estate Development Company (EDCO)

The Estate Development Company is a former division of the MOC(H) which was transformed into a limited liability company as of April 1, 1983. The organization, staffing and projected cash flow are contained in Annex E.5. Its major source of income is and will be from fees for its design and construction supervision on projects for the MOC(H). While it has had a difficult start as a limited liability company and has had to reduce staff, projections are for it to have a positive cash flow this fiscal year (see Annex E.5. and section V.E).

Its responsibility in this project will be threefold:

- paying agent for HG funds based on construction certificates;
- planning, design, tendering and construction, supervision of all squatter upgrading schemes;
- planning, design, tendering and construction supervision of several new schemes in both phases I and II.

Although the prognosis for EDCO is to have a positive cash flow, close monitoring by A.I.D. technical assistance advisors will be required to see that it maintains a steady work load and that its staff is kept to a minimum.

4. Sugar Industry Housing Limited. (SIHL)

The SIHL, although a limited liability company under the Ministry of Agriculture, has been working exclusively for the MOC(H) since late 1981. At that time it was charged by the Ministry with the construction management of the construction of 3288 core houses on two World Bank sites and services schemes in Kingston and Montego Bay. The projects were completed on schedule in September 1982, SIHL having rebuilt its management capacity for the task. Due to a contuining lack of funds for sugar worker housing, MOC(H) has continued to use SIHL, in tandem with EDCO, to tender and manage its large new schemes. SIHL, however, does not have a project planning and design capacity. Plans, designs, and costs are submitted by builders for SIHL review. SIHL is responsible for tendering/contract signing, and then manages project implementation.

Under this project, SIHL will manage several of the Accelerated Delivery Projects, certifying construction for payment by EDCO. Annex E.5. describes SIHL's organization, staffing and financing in detail. The company still earns revenue from the former sugar estates it built and therefore has a positive cash flow. It is also computerizing its operations, construction scheduling, and payments projections. The general manager and legal division of the SIHL also played a key role in advertising, marketing and streamlining the mortgage registration process for the 3288 MOC(H) starter homes referred to earlier. These processes formerly undertaken by a temporary marketing task force, have now been institutionalized for all MOC(H) projects in a permanent project marketing group attached to EDCO.

5. The National Housing Trust (NHT)

The NHT is the largest mortgage finance institution in both the public and private housing sectors; accounting for well over half of total mortgage originations in the sector in 1982 (see Annex E.5. and section V.E. for data on the NHT's organization, operations and financing). Contributions are provided by the employer (3 percent) and by the employee (2 percent). Tax receipts have grown from J$54.1 million in 1976, the year of its founding, to J$88.1 million by March 31, 1983 and are estimated to increase to J$116.2 million by

GOJ FY 85/86. By the end of 1982, 9048 contributors had received benefits, of which 5902 received units on new schemes, 1605 received home improvement loans, 1240 received Build on Own Land loans and 301 received financing for open market purchases.

Thus, the NHT has come to play a predominant funding role in the sector. According to the housing policy it is to cease to perform the role of developer, including providing construction financing, which it had done until the adoption of the Policy, and concentrate exclusively on providing and servicing mortgages to its contributors. NHT's principal role in the project will therefore be to provide mortgage financing to beneficiaries who are NHT contributors. Beneficiaries will be selected through a priority entitlement index which accords priority to applicants who are in lower income groups, who are long time contributers, and who purchase Housing Bonds from the JMB. This system replaces a lottery allocation system in which many contributors received benefits soon after joining while other long time contributers never received any.

The NHT will reimburse the MOC(H) in cash for all projects turned over to it for long term financing. The Ministry will use these funds for new construction. A portion, however, will have to be repaid to the JMB to service the HG loan.

6. The Caribbean Housing Finance Corporation (CHFC)

The CHFC will be the mortgage lender in the project primarily for those beneficiaries who are not NHT contributors, i.e. those who are self-employed, as well as those who are qualified but who cannot obtain financing from the NHT. It is expected that most of these will be lower income families in squatter upgrading schemes or in the BOL program. The CHFC is a private company owned equally by the JMB and the Commonwealth Development Corporation (CDC). The GOJ, is in the process of purchasing CDC's equity such that the CHFC will be wholly owned by the GOJ and the JMB. The CHFC has been operating as a private company, however, and had a before tax profit of J$103,878 in 1982.

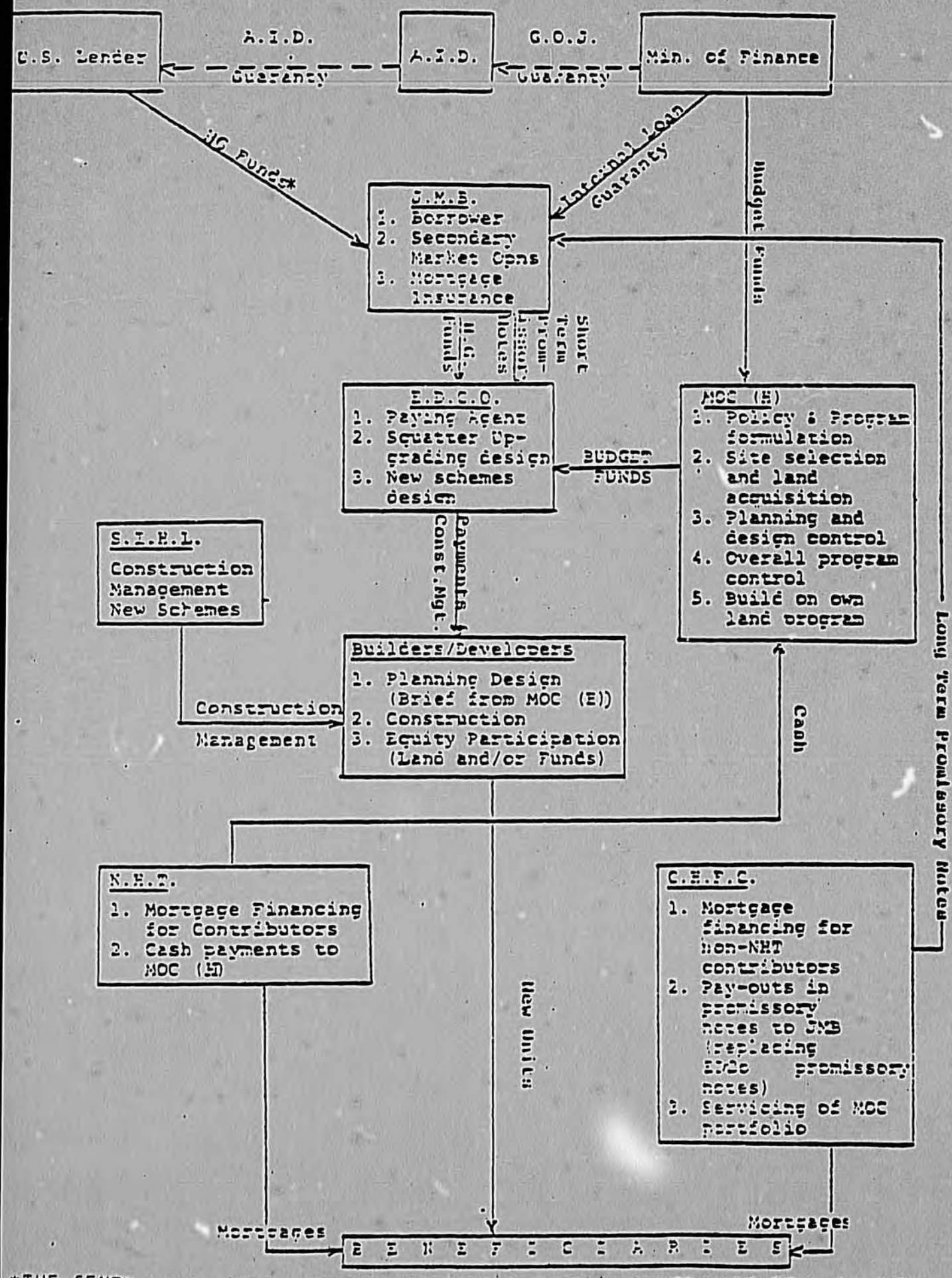
Although the CHFC has originated mortgages with CDC funds, it has recently been performing the primary role of servicing JMB mortgages. Under the housing policy it is also to service the portfolio of the MOC(H). This portfolio, which is in the process of being turned over to the CHFC, consists of old Ministry mortgages (4392), mortgages in HG-010 upgrading schemes (2980), and recently originated mortgages in Kingston and Montego Bay (3148). The fees charged for this servicing will add substantially to CHFC's income. For some of the mortgages originated under the HG-012 project, however, it will have to issue long term promissory notes to the JMB. These notes will replace an equivalent amount of short term notes issued by the MOC(H) to the JMB for construction disbursements. Once JMB secondary mortgage market operations are operational, however, it will also have the cash to originate mortgages on the MOC(H)'s squatter upgrading and Build on Own Land program.

B. Implementation Network

Figure 1 illustrates the flow of funds and institutional responsibilities for the first phase of the project. The squatter upgrading and new schemes in the second phase will be implemented in the same framework. However, the credit union mortgage loan component and the urban infrastructure component will be implemented separately. In the case of the mortgage loans to credit unions, funds will be disbursed from the JMB directly or indirectly using the secondary market mechanism to the JCCUL who will in turn disburse funds to member credit unions based on completed houses which are eligible for funding. The disbursement mechanism, the margins charged by the JCCUL and the credit unions (most likely one percent each), and the beneficiary selection criteria will be similar to the program under HG-011. The system to be utilized will be detailed as part of the PP amendment for authorization of the second tranche. The urban infrastructure component will be designed as part of the Urban Development Loan No. 532-0090. Disbursement of HG funds will therefore be to the agency designated in that loan.

During the first phase of the project, detailed discussions will be held with independent sponsors/developers in order to identify Phase I components that involve greater private sector participation. Discussions are already underway with two groups, the Jamaican Teachers Association Housing Cooperative, and the National Water Commission Credit Union. Both groups have a substantial number of low income members who would be eligible for A.I.D. financed housing (see Annex E.5. for institutional descriptions) and will have land for project sites. Some time will be required, however, to work with these and similar groups to develop projects eligible for A.I.D./HG financing. Once prepared, these projects can be included under the new scheme component in the second tranche.

FLOW OF FUNDS AND RESPONSIBILITIES



*THE CENTRAL BANK WILL ACTUALLY RECEIVE THE US$ AMOUNTS, AND WILL IN TURN [illegible] EQUIVALENT [illegible] TO THE PROJECT ACCOUNT OF THE JMB.

Best Available Document

IV. MONITORING AND EVALUATION PLAN

A. Monitoring and Evaluation

The major objective of project monitoring and evaluation is to provide the required management information needed to improve ongoing project implementation and to assess the impact of the overall project in achieving the project goal. In order to be effective, both a monitoring and evaluation process must be institutionalized within the GOJ and its participating agencies. Moreover, the information requirements must be simple, available and accurate indicators of overall program progress so that the collection and reporting systems do not interfere with project implementation.

1. GOJ Responsibilities

The National Housing Policy articulates the framework for the monitoring and evaluation responsibilities, and data gathering and reporting requirements of each participating institution at the program and policy levels of the GOJ and private sector. Table IV.A.1 outlines the management information and data reporting functions of the GOJ institutions.

The chief monitoring functions for construction are carried out by the MOC(H) with data reporting from EDCO and SIHL. JMB is responsible for reporting on the secondary mortgage market and mortgage status reports from participating institutions such as NHT, CHFC and JCCUL.

The Housing Policy Secretariat will expand its evaluation responsibilities by determining housing needs through its surveys and assessments. It will also serve as the main clearinghouse for evaluation information on the socio-economic status of beneficiaries, residential infrastructure requirements and related shelter financial data.

2. A.I.D. Responsibilities

The Regional Housing and Urban Development Office for the Caribbean (RHUDO) staff will be responsible for implementing and monitoring the Project and carrying out the evaluations and progress status reports. Working in collaboration with resident technical advisors, the MOC(H) has instituted a progress report which fulfills basic requirements for A.I.D. in relation to both construction and disbursements (A.I.D. and GOJ). During the implementation of HG-012 the process and format will be refined and expanded as required.

In addition to the ongoing monitoring functions, A.I.D. will also work with the GOJ to complete several studies which will provide the baseline data for impact evaluation reports in the future. As mentioned, Table IV.A.1 summarizes the monitoring and evaluation functions of A.I.D. and indicates the comparable management information needs of both A.I.D. and the GOJ. This project is designed to provide a major technical assistance component which will assist the GOJ and A.I.D. to further rationalize and develop the management information system for shelter sector activities in Jamaica.

Table IV.A.1

PROJECT RELATED MONITORING AND EVALUATION FUNCTIONS

A.I.D.

A.I.D./Washington, LAC Bureau and PRE/H
- Quarterly Reports

U.S.A.I.D./J Mission Director's and Project Committee Reports and Meetings

RHUDO/CAR
- Project Status Reports
  - Cash Flow and Disbursements
  - Shelter Solutions
  - Design
  - Construction/Sales
  - Mortgages
- Policy and Technical Studies performance of
- Impact Evaluation Data Requirements
- Baseline study on housing need
- Updated shelter sector assessment resolve

Special Project Analyses and
- Interest rate options
- Private sector developers
- Indepth subsidies analysis

Regional Office Management By Objectives Plan
- Annual MBO work planning
- Annual RHUDO Meeting in PRE/H to finalize Objectives,
- Budgets and Staffing Plans

GOJ

Ministry of Construction (Housing)
- National Housing Plan (3 year rolling document)
- Cabinet Meeting Reports
- Construction - Design, Construction/Sales/Mortgages
- Cash Flow/Disbursements (A.I.D./GOJ)

Housing Policy Secretariat
- Socio-economic, physical and financial data base for establishing housing need
- Management data on of housing sector re: policy objectives
- Coordination meetings to institutional bottlenecks
- Monitoring reports on short long term housing plans

JMB
- Finance data for secondary mortgage performance

NHT
- Mortgage status report

CHFC
- Mortgage status report

JCCUL
- Mortgage status report

B. Technical Assistance Plan

The overall technical assistance to the Jamaican shelter and urban development sector includes programmed resources of over US$2 million through FY 86. This grant funding is derived from new and already obligated resources as follows: an existing grant project/contract awarded by competitive bidding in FY 83 to PADCO Inc.; $1.5 million in new grant funding for shelter and urban development; approximately $80,000 in local currency for Jamaican national professionals and technicians; and $200,000 in PRE/H support requested for short term technical assistance and training for the Federal Home Loan Bank Board, PADCO, Inc., and other housing specialists.

For this HG project, $885,000 is required in grant funds already programmed to support HG-012 shelter policy and program initiatives. Three resident advisors and short term technical specialists in policy, finance, financial management and program management will assist the GOJ in the institutional development, finance and administration, program planning and policy implementation.

The following outline briefly describes general technical assistance requirements for the HG-012 supporting grant assistance:

TECHNICAL ASSISTANCE PLAN
Cost: $885,000 grant funds*.

SHELTER POLICY ASSISTANCE
Cost: $370,000

- -- Assistance to the Housing Policy Secretariat on shelter policy and plan formulation and implementation and their relationship to national economic development;
- -- Assemble a data base on existing programs, conduct research and analysis for the development of new programs, liaise with financial and executing agencies, and report to the Minister MOC(H) and/or other policy authorities on program progress;
- -- In depth study of potential policies and program mechanisms for stimulating maximum private sector developer projects to reduce public sector involvement and risk taking while attracting private sector responsibility for both marketing and sales;
- -- Update analysis of subsidies in the sector and options regarding modifications, including interest rate analysis and timetable and options for moving toward market rates;
- -- Updated Jamaica Shelter Sector Assessment, including construction cost stabilization, income analysis of National Housing Trust, and low income potential beneficiaries;
- -- In conjunction with the secretariat, formulate a 3-year rolling national housing plan showing the magnitude of planned projects and costs, their sources of funds and degree of demand being met;

*Includes 532-0090, PRE/H and local currency Trust Fund sources. For detailed budget by type and source, see Estimated Technical Assistance Budget for HG-012.

SHELTER PROGRAM MANAGEMENT ASSISTANCE Cost: $295,000

-- Resource mobilization for the Jamaica Mortgage Bank, including technical assistance for proposed bond issues, further analysis of secondary mortgage market expansion, including both public and private sector generated mortgages, and improvement of institutional management;
-- Management training for the Jamaica Cooperative Credit Union League to improve its advisory services to individual credit unions;
-- Land acquisition and estate management for the Ministry of Construction (Housing) to improve its cost recovery and maximize its efficiency regarding site selection and land management functions;
-- Information systems for use by participating institutions and the Policy Secretariat to develop a management information system to better help key institution decision makers to manage projects, to augment the data processing capacities of the institutions and provide feedback regarding housing production and bottlenecks in the sector planning, construction, marketing and tenuring processes.

TECHNICAL HOUSING AND CONSTRUCTION ASSISTANCE: Cost: $220,000

-- Shelter project planning, implementation and management including construction management, marketing and publicity, cost recovery, site and unit design, credit review and selection procedures, collection and delinquency controls, occupancy standards, regulation and loan programs;
-- Operational procedures for executing the sub-projects of the HG program, trying to incorporate procedures and practices which are of general practical value to the executing agencies;
-- Cost control and cost recovery mechanisms for MOC(H), its parastatals, NHT and implementation of cost and design criteria for private developers;
-- Environmental control technical assistance and studies to assure program design criteria are implemented. In addition, if any environmental problems are encountered during site selection, e.g., water contamination, studies will be carried out to assure other alternatives to septic tanks are investigated.
-- In service and short term training for shelter professionals.

The detailed urban development technical assistance requirements will be fully addressed in the complementary Urban Development Project now in the planning and design phase. The objectives of each project will require close coordination of technical assistance inputs and the Regional Housing and Urban Development Office in Kingston will be responsible for the project management and technical assistance schedule for both programs.

ESTIMATED TECHNICAL ASSISTANCE BUDGET
FOR HG-012
By Type and Funding Source

TYPE	Amount ($000)	Funding Source
U.S. Technical Assistance		
Contractual Resident Advisors (5 person years)*	$350	532-0090
PSC Financial Management Advisor (2.5 person years)	150	532-0090
	100	PRE/H**
Short term technical assistance	125	532-0090
	120	PRE/H**
Institutional Development: T.A. to JMB (FHLBB) (12.5 person months over 2 years)	(100)	
Program Management Information System (4 person months)	(30)	532-0090
Policy Studies and Analyses	(115)	532-0090
Land Acquisition (2 PMs)	(15)	
Interest Rate Analysis & Subsidies (4.5 PMs)	(35)	
Private Sector Development Options (4 PMs)	(30)	
Updated Shelter Assessment(2 PMs)	(15)	
Evaluation of HG-011	(20)	
Local Contract Advisors Long and Short Term Program Management Advisors Construction Supervision Project Implementation and Monitoring	(40)	Trust Fund (Local Currency)
TOTAL	$885,000	

* Additional funding required for PADCO contract to fully fund two resident advisors for two and a half years (PADCO contract available upon request).

** If available.

Summary Technical Assistance Plan
By Funding Source

532-0090	US$625,000
PRE/H	US$220,000
Trust Fund (equivalent US)	US$ 40,000
Total	US$885,000

C. Evaluation Plan and Progress Indicators

Under the proposed project, the first evaluation will be the progress evaluation on HG-011 as a requirement for initiating the second tranche of HG-012. This evaluation will take place in the second quarter FY 84. The next evaluation is expected for June/July, 1984 but no later than September with yearly evaluations thereafter until the completion of the project.

The evaluation plan will be based upon a thorough analysis of progress on project outputs, effectiveness of the monitoring process including data collection and reporting and a realistic assessment of progress on policy reforms. Recommendations will focus on modifications in and conditions for project disbursements, if necessary, policy initiatives which might foster increased cost recovery and efficiency objectives and additional technical assistance needed for institution building purposes.

Each evaluation will highlight the status on a series of progress indicators, which will be refined and updated as the shelter sector monitoring system is developed. These indicators include both policy and program benchmarks which should be useful in assessing progress in the sector and providing recommendations for improvements in project implementation and disbursement of funds. These progress indicators are:

1. Project funding (A.I.D. and GOJ)

This indicator should provide a simple status report which includes a narrative and set of tables on project disbursements for each HG-012 project output and specific information on construction projects supported by both A.I.D. and the GOJ. Included in the GOJ contribution will be a progress report on the use of ESF counterpart equivalents for operationalizing the secondary mortgage market. The accompanying tables, as provided quarterly under the monitoring system described above, should include comparable data over time and planned future project disbursements. A simple description of delays and problems with recommendations for alleviating the bottlenecks should be included.

2. Policy Reforms: Housing Policy Secretariat, Interest Rate Options, Subsidies and Expansion of Private Sector Developer Participation.

This indicator focuses on progress in instituting policy reforms. One element will be a status report on the operations of the Housing Policy Secretariat including indications of improved coordination among participating institutions and collection and analysis of baseline data on housing need, income levels and land availability for impact assessment. The second element will be an update on the interest rate options study and analysis of subsidies and progress on institutionalizing the report's recommendations. The third element focuses on the Ministry's overall plan to encourage increased private sector developer participation in low income housing.

3. Management Information System

This progress indicator highlights the development of the coordinated management information system which provides key decision makers with data within and among the participating institutions.

V. PROJECT ANALYSES

A. Technical

1. Phase I

a. Accelerated Delivery Projects

The Phase I Accelerated Delivery Program will assist the MOC(H) by financing US$22 million (J$39.2 million) of low income housing solutions in projects designed for rapid development. It contains three elements: Starter Home projects, Build on Own Land (BOL) units and new low income shelter solutions.

The first element will provide approximately 700 Starter-Home solutions in 3 or 4 projects located along the Kingston/May Pen corridor and in other rapidly urbanizing parts of the island. Typically, these will be mixed income projects which include starter home as well as 2-bedroom Home-at-Last units.

The Starter-Home is the generic name of an expandable 250 to 300 square foot studio unit. Since different developers will execute Phase I Accelerated Delivery projects, the specifics of individual design, and therefore costs, will vary slightly. Table V.A.1 (see next page) provides an illustrative cost breakdown for one Starter-Home unit which will be constructed on at least one of the sites analyzed in the Technical Annex. Total cost including land, on- and off-site infrastructure, and superstructure totals J$30,000 (US$16,855).

Projects for Phase I Accelerated Delivery will be selected so that construction can begin as soon as possible following project authorization. Reimbursement to the MOC(H) for completed work in place would take place following authorization of Phase I. Four illustrative projects have been identified, discussed with the Minister of Construction and analyzed for illustrative purposes in Technical Annex E.4. Final composition of projects to be financed in this component may vary from that shown in this PP should technical difficulties arise on any of these sites. However, any project substituted would meet the design criteria established as a result of the analysis of the four projects presented here.

All four projects illustrated in the Technical Annex are at a sufficiently advanced stage of project development to allow for rapid project implementation. All four project sites have been identified and raw land acquired. Final site planning and engineering designs are complete for three of the four projects. Site plans and designs are presently being reviewed by the resident TA team to ensure that optimal land use is obtained from the four sites.

One of the four projects is a true turnkey project where the private developer will provide the land, undertake all planning, design and construction management, provide a portion of the interim construction financing, and assist in the marketing of completed units. Technical Annex E proposes terms and conditions which will be applied to the accelerated delivery projects which will be undertaken by private developers for U.S.A.I.D./MOC(H).

Table V.A.1

ILLUSTRATIVE COST BREAKDOWN - KIW STARTER-HOME
SEPTEMBER 1983

1.	Land Average lot size - 2450 sq. ft (35'x70') @ J$0.40/sq. ft.		J$ 980
2.	Infrastructure		
	- Preliminaries (site clearance, general filling and compaction, site office, etc)	J$ 600	
	- Civil Works (roads, water, waste disposal)	6,400	
	- Off-site Works (water supply, storage tanks, treatment facilities, etc)	1,250	
	- Contingencies (15% of on-site plus off-site works)	1,150	9,400
3.	Superstructure (12'x24' KIW unit)		
	- Preliminaries	1,600	
	- Lot Preparation	800	
	- Foundation	1,750	
	- KIW Kit (ex-factory including J$400 for transportation)	5,500	
	- Erection (incl. plumbing and electrical installation)	5,700	
	- Contingencies	1,000	16,350
	Sub-total		$26,730
4.	Contingencies (for possible price escalation - 12% of subtotal)		3,270
	TOTAL		J$30,000 (US$16,855)

The second element under the Accelerated Delivery Program is the Build on Own Land (BOL) program. This component will provide financing for a minimum of 450 core houses on individually owned plots throughout the island. The BOL program is designed to increase the provision of housing in rural areas, consolidate peri-urban areas by building on vacant developed land and increase the utilization of small contractors. Since individual families prepare the land and finance lot development costs, unit costs are reduced and affordability increased. The program which was a backlog of approximately 3,000 applicants is the GOJ's major effort in rural housing.

The BOL program is a continuation of the previous BOL/Owner-Occupier program which served low income families who owned their own plots primarily in rural areas. Due to the breakdown of the previous post-and-panel construction system, however, the program has been non-operational since 1980. Recently a new construction process has been instituted (see Technical Annex) and the application process for the units has been reopened. The application and allocation process essentially consists of interested families filling out application forms at MOC(H) Parish offices. These forms are then sent to the Ministry in Kingston where they are processed and relevant items such as the applicant's income, family income, downpayment the applicant can make,and the type of title or land documents available are listed. Since there is no eligibility based on income, evidence of title (registered, common law, will/deed of gift, diagram and receipt from previous owner, and/or tax receipts) becomes a primary factor in eligilibity. Eligible applicants are then allocated units by Parish on a first come, first served basis. Eligible MOC(H) applications since January 1, 1983 (approximately 800) have been reviewed by the TA team for conformity to the AID median income criteria and some 500 were found to be earning less than the household median income of J$8400/US$4720 per year. Thus, this element will also be ready for rapid start-up upon authorization of the first tranche.

The third element in the Accelerated Delivery Program is a New Solutions program. Presently the MOC(H) produces two basic shelter types to meet program objectives:

- Starter-Home - an expandable studio unit of approximately 250 to 300 square feet containing one all-purpose room with separate bath and kitchen on a fully serviced lot.

- Home-at-Last - an expandable 2-bedroom unit of approximately 575 square feet containing a living/dining area with separate bath and kitchen on a fully-serviced lot.

At present costs, the Starter Home is affordable only by families earning above the 47th percentile with level mortgage payments. While affordability is increased by the use of Graduated Payment Mortgages (GPM's) (see Table V.D.2.), both the GOJ and AID agree that new shelter solutions more affordable to lower income families must be developed. At the same time competition among Jamaica's industrialized systems builders must be increased.

This project element will therefore develop new approaches such as shell houses and serviced sites. While sites and services schemes have not proved too popular in the Kingston metropolitian area due to the previous violence and lack of security for building materials, it is felt that projects which are well located in secondary cities would be rapidly consolidated. Further, to introduce new building concepts, a design and marketing competition will be undertaken in which systems and conventional builders will be invited to adapt existing techniques to obtain lower cost units. Model units will be visited by the public in order to ascertain acceptability and affordability. Units combining high marketability and low cost will be financed by AID in subsequent projects. Several large developers have already designed experimental low cost units. Thus, activity can begin on this element simultaneously with the Starter Home and Build on Own Land programs as soon as the first tranche is authorized.

b. Squatter Settlement Upgrading

U.S.A.I.D. financing (US$3 million) for the Phase I Squatter Upgrading program would upgrade approximately 650 lots which in terms of HG-011 experience, would equal 3-4 sites. It is expected that the number of lots per site could vary from less than 100 to as many as 300-400. Assuming a final plot allocation of an average of one household per plot, this sub-project would benefit approximately 3,250 persons (5 persons per household).

This sub-project builds on the successful upgrading experience presently being gained under HG-011. Initially, all selected upgrading areas would be provided with a minimum improvement package including secure land tenure, purchase of presently occupied sites from either private ownership or GOJ ministries, and rationalization of the existing plot layout pattern. The rationalization of the existing plot configuration is a prerequisite to the establishment of tenure and to any subsequent incremental improvement in public services.

Rationalization or legalization/regularization of the selected upgrading areas would include the legal requisites and surveys required for individual plot purchases from either the GOJ or private owners; the actual plot purchase by the sub-project's beneficiaries; and the regularization of the existing site layout. This regularization program would include the following components:

1. a more equitable distribution of the total residential area among existing residents;

2. a definition and pegging of the new plot boundaries;

3. road/footpath alignment and reservation to provide minimum access to and circulation within the area;

4. set back or relocation of plot fences in accordance with road reservations and new property lines;

5. removal and reconstruction of dwelling units presently located within road reservations or on a neighbor's property;

6. relocation of any public services or other obstructions located within road reservations.

In addition, the sub-project would offer the option to extend basic urban services, such as roads, storm drainage, water supply and sewerage, either separately or in combination, to the selected upgrading areas. It is expected that most of these basic services would not be implemented at the same time in every settlement because of affordability constraints and/or resident's perceived priorities exclude the simultaneous acquisition of all basic services, or because the settlement has already been supplied with one or more of the services.

As a general guide to future, more fully-developed project design, and as an illustrative indication of the type of upgrading options which could be combined with the minimum legalization/regularization package, Table V.A.2 (see next page) costs these options which have proved to be of greatest importance in the HG-011 squatter settlement areas. Technical Annex E.1 provides more detailed information on this project component.

c. Secondary Mortgage Market Operations

A.I.D. has provided substantial on-going technical assistance for the development of the GOJ housing policy. One of the GOJ/A.I.D. policy objectives was the institutional development goal of reactivating the secondary mortgage market. Once the policy was developed, A.I.D. agreed to provide JMB with technical assistance to activate the secondary market. The Federal Home Loan Bank Board (FHLBB), which regulates U.S. federally insured savings and loans, was asked to provide Technical Assistance using its experience to establish programs for the JMB, making maximum use of private financial institutions and public sector funds.

One of the primary areas of concern for both the GOJ and A.I.D. is JMB's substantial under-capitalization (J$8 million) for effective participation in the secondary market. JMB has begun to modify its programs but additional capital is a prerequisite to its ability to successfully carry out its role under the policy. This loan would therefore disburse up to $3 million and the GOJ would provide the equivalent of U.S.$10 million in ESF counterpart funds in order to reactivate the secondary mortgage market.

The GOJ and A.I.D. have tentatively agreed to prioritize $10 million in ESF counterpart funds for blending with HG funds. The mixing of GOJ and HG funds will provide JMB a pool of resources with an average cost of funds low enough to allow it to purchase public sector mortgages and/or participations at par. The income stream to the mortgage originators can therefore be maintained at the same time that JMB's cost of funds is covered. The infusion of GOJ resources will also partially achieve GOJ capitalization of JMB called for under the Housing Policy.

Table V.A.2

AVERAGE PER LOT UPGRADING OPTIONS
SEPTEMBER 1983

	Estimated September 1983 Cost 1/ (J$)
Option 1	
Minimum upgrading package -- legalization/regularization (including land purchase of average lot size of 35' x 70' (2450 sq.ft) @ $1.00/sq.ft.	$3,500
Option 2	
Option 1 plus improved average 15' wide road network (incl. minimal storm drainage) of 9' base course with double surface dresing, curb, no sidewalks	6,400 2/
Option 3	
Option 2 plus 51mm PVC pressure pipe with standpipes serving 30-40 families ea.	6,575
Option 4	
Option 3 plus 14'x18' 4-stall W.C. and shower sanitary block with absorption pit.	6,875
Option 5	
Option 2 plus 100mm PVC reticulation network with individual lateral water connections	8,000
Option 6	
Fully upgraded site (Option 4 plus 200mm PVC plastic pipe collection network with industrial lateral sewerage connection	9,950

1/ Includes 15 percent contingencies on all civil work (water supply, etc.)

2/ Includes $600 in preliminary costs to cover new contractor insurance requirements, site offices, provision of water supply and sanitary conveniences for laborers, and $100 for minimal storm drainage costs, and $300 for retaining walls and guard rails.

Structuring a pool of mortgages with JMB purchasing a participation interest has the advantage of: using the funds effectively for low income housing; involving the JMB in a secondary market transaction; avoiding the large up-front expense involved in a sale on a discounted basis; leveraging A.I.D.'s funds so that substantially more funds can be channelled to low income housing by recycling the loan proceeds; avoiding the adverse impact of using JMB's limited capital; and, providing a way for the government to match the A.I.D. funds without incurring additional expenses while bolstering the JMB's financial position.

2. Phase II: Squatter Settlement Upgrading and New Scheme Development

a. Squatter Settlement Upgrading - Phase II

This component is the same as that described in Phase I but due to lengthy implementation schedules another US$3 million has been allocated to Phase II of the project. It is therefore expected that an additional 650 lots containing some 3,250 persons would be upgraded in Phase II.

b. New Scheme Development

Phase II will provide US$3 million which will finance approximately 180 additional low income housing solutions (land, infrastructure, and superstructure) on scattered sites located throughout the island.

New Scheme development as presently financed by U.S.A.I.D. under HG-011 includes the construction of Starter Home units on fully-developed sites owned by the MOC(H). EDCO is presently the Ministry's consultant for this work. It provides fully planned and designed projects which are contracted to private builders for construction and monitors the construction through its network of site managers.

Depending on the progress in the development of new solutions, however, successfuly designs would be used in Phase II schemes. Based on Phase I experience, increased private developer involvement would also be sought.

c. Urban Infrastructure

The design of this component will be undertaken as part of the preparation for the Urban Development Project, 532-0090. The project or sub-projects to be contained in the component will be defined by the urban development PP team. Feasibility studies as to the costs, economic impact, rate of return and required blending of HG and DL funds will be carried out as a part of the design project.

Presently, two types of projects are under consideration. Both are being examined in the context of the urban development project's focus on May Pen, a growing secondary city of approximately 38,000, 40 miles to the west of Kingston. The first is improvement to the May Pen water supply.

While basic supply from ground water and river sources is adequate to meet foreseeable needs, problems occur in water distribution due to leakage, low pressure in some areas and gaps in the service network. Approximately US$1.5 million would be provided under this loan to improve the distribution system and to extend service to low income residential and commercial/industrial users. The second sub-project being considered is sewage disposal. May Pen has no central sewer system. Individual septic tanks and absorption pits handle disposal for most homes and businesses. While these are satisfactory in dry periods, when rainfall is heavy, they overflow, posing serious community health hazards. A collection system is not only necessary to alleviate present conditions, but will be even more urgently required as development begins to take place.

A Wastewater Management Study including a sewage collection and treatment plan for May Pen, was prepared in 1980, but has not been funded to date. The first phase of that plan, serving the commercial core and adjacent residential areas, is being considered for funding under this loan. US$3.5 million is being reserved for this component. Detailed review of the 1980 study will be required during project preparation phase to ensure that project beneficiaries will be able to afford the water and sewer charges. A.I.D. technical assistance to the National Water Commission (NWC) is determining the future base for raising rates to economic levels.

d. Jamaica Cooperative Credit Union League (JCCUL)

The JCCUL was created in 1943 to encourage the development of the credit union movement in Jamaica. It provides technical advisory services to its member organizations and has previously participated in HG projects financing both home improvement and mortgage loans.

There are presently a total of 96 credit unions with a total membership of 269,000 drawn from all sectors and income levels of the population. The League will complete a formal income survey of its members this year, but current estimates suggest that approximately 60 percent of the members qualify under A.I.D.'s 1983 income limit of J$8,400. Therefore, the League and its members are in a unique position to reach the target group with home financing through private institutional offices throughout the island.

The final project design will be submitted with the PP amendment for the second phase. However, it is anticipated that the funds will be used for the following low-income shelter projects which are similar to activities funded by previous HG projects:

-- Build on own land - new construction where mortgagers already own their own land;

-- Mortgage financing for the purchase of existing residences;

-- Sponsoring the construction of small projects for groups of credit union members throughout the island.

The HG funding will be provided in the second tranche in combination with GOJ counterpart funds provided to JMB to buy existing JCCUL mortgages. This will provide capital for the League to support the low income housing efforts of participating credit union members. As part of the second tranche PP revision, an analysis of existing JCCUL mortgages will be made.

Nevertheless, preliminary review of the portfolio and operations of the League suggest that the mortgages will be a major additional asset for JMB secondary market operations.

During the first phase, technical assistance will be provided to the JCCUL in their already ongoing efforts to improve the management information system for the member credit unions; to expand their in-service training activities in accounting, financial management and collections; and to develop their community extension activities to relate to indigenous efforts in squatter upgrading areas. This should promote more widespread use of credit union facilities by the low income target population.

B. Economic

1. Current Economic Situation

The dependence and sensitivity of the Jamaican economy to external economic conditions, especially those in the United States, is readily seen in the country's economic results for 1982. The economic recovery that began in 1981 definitely stalled in 1982. When 1981 and 1982 are taken together, the growth of production barely matched the growth of population. The unemployment rate fell back to its 1980 level of 27 percent. Export expansion has lagged and the monetary and fiscal discipline that characterized 1981 has been relaxed. One of the few bright spots is that inflation fell from 12.6 percent to 6.9 percent. According to estimates by U.S.A.I.D./Jamaica, the recovery program is two years behind schedule.

External factors, particularly the decline in the world market demand for bauxite and alumina, eliminated the expected steady growth of export earnings through the period of the original economic recovery program and beyond. Bauxite and alumina exports were estimated to reach U.S.$2.6 billion from 1981 through 1983, accounting for 70 percent of projected commodity exports, and 49 percent of projected commodity imports. The following table shows the actual results for 1981 and 1982 vs projected export growth from 1981 through 1983.

Table V.B.1

Growth of Export Earnings

	1981		1982		1983
	Projected	Actual	Projected	Actual	Projected
	(Percentage Change From Previous Year)				
Total goods	16.8%	1.2%	12.7%	-25.7%	13.3%
Bauxite and Alumina	15.4	3.3	9.0	-26.5	11.8
Sugar	25.9	-15.0	26.0	2.6	9.8
Banana	75.0	-58.7	33.8	86.1	17.4
Other	14.7	-4.1	20.0	17.1	19.7

Source: U.S.A.I.D./J from Bank of Jamaica

Preliminary estimates show 1982 bauxite and alumina exports to have reached only US$482.4 million, 56 percent of the projected level on which the program was based. Since net foreign exchange earnings from bauxite and alumina represented 7 percent of GDP in 1982, it is clear that the decline of demand from industrial countries for bauxite and alumina constituted a severe shock to the Jamaican economy.

Following bauxite and alumina in importance as a foreign exchange earner, is tourism. The rebound of the tourist sector has mitigated to some degree the impact of the bauxite/alumina contraction. Foreign exchange earnings from this sector have in fact exceeded the levels anticipated in the economic recovery program. For 1982, net foreign travel earnings are estimated at US$343 million, which, at the official rate of exchange is 11 percent of GDP.

Foreign assistance has also flowed into Jamaica at an extraordinary rate in the past two years, US$594 million in GOJ FY1983/84 and has absorbed much of the shock of the depressed conditions in the bauxite/alumina market. Nevertheless, foreign assistance was anticipated in preparing the projections. Thus 1982 saw a significant shortage of foreign exchange resources relative to levels of the recovery program's performance targets.

Given the GOJ's policy of adhering to a fixed, over-valued exchange rate for most transactions, and the import levels projected as essential to the economic recovery program, demand for foreign exchange has become most severe during 1983. According to U.S.A.I.D./Jamaica, it has been the government's attempts to deal with this short term reality that have been seen as departures from the longer term policies directed toward private sector led, export-oriented, and long-term growth. The focus of policy, therefore, changed during 1982 and 1983 from one of managing on-track, positive real growth to one of managing serious short-falls of foreign exchange.

2. External Debt and Debt Service

Until implementation by the Government on January 10, 1983, of the export incentives scheme, including the broadening and institutionalization of the parallel foreign exchange market, no significant policy measures were directed toward the attraction of additional foreign exchange inflows. The implementation of the export incentives scheme represented a major qualitative change in public policy in the foreign sector. It provided significant incentives to exporters and U.S.A.I.D./J estimates it is attracting approximately US$8 million per week into the commercial banks. Only non-traditional exporters have significant access to its incentives which includes only about 7 percent of estimated 1983/84 merchandise exports. Some of this represents funds that would otherwise have flowed into the Bank of Jamaica and hence to the official foreign exchange budget. Nevertheless, it is clear that some of these inflows have come into the banking system from the "street" market, and some undoubtedly represent net increments to foreign exchange.

The Bank of Jamaica's liquid gross international assets were a mere US$7.1 million in March 1981, and total international assets were only $73.6 million (less than 3 weeks merchandise imports at 1981 import rates). By March 1982 liquid assets had risen to $76.7 million and total assets to $126.8 million (just over 4 weeks of 1982 imports). Present estimates for March 1983, for liquid and total assets are respectively $111.6 million and $166.1 million (6 weeks of 1983 imports). Table V.B.2 shows figures for international resources since 1972.

Table V.B.2

International Reserves
1972 - 1983
(US$ Million)

	International Reserves	Weeks of Imports a)
1972	160	9
1974	190	8
1976	32	1
1978	59	2
1980	105	3
1982	127	4
1983 (March, est)	166	6

a) Figures rounded to nearest full week.
Source: World Debt Tables, World Bank.

Near-term foreign liabilities have, however, also increased in the past year, rising from $600 million in March 1982 to $684 million in March 1983. This debt, along with newly acquired long-term debt of the government, will impose an increasing debt service burden in the years ahead.

The following table shows actual and projected debt service:

Table V.B.3

DEBT SERVICE AND BALANCE OF PAYMENTS
(Millions of U.S. Dollars)

	Actual		Est.	Projected		
	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86
A) Debt Service	215	335	357	420	521	591
B) Exports	917	924	804	968	1036	1326
i) Mdse	1010	887	737	915	952	1223
ii) Services (Net)	-93	37	67	53	84	103
C) Debt Service Ratio (%) A) divided by B)	23.4	36.3	44.4	43.4	50.3	44.4
D) Bauxite/Alumina Exports	784.5	768.8	493.6	622.7	608.8	809.2
(Percent change)		-20.0	-35.8	26.2	-2.2	32.9
E) Non-Trad. Exports	138.1	156.2	170.0	200.0	236.0	278.0
(Percent change)		13.1	8.8	17.6	18.0	17.8

Source: U.S.A.I.D./J.

It can be seen from the Table that debt service payments to exports of goods and services (including tourism but net of payments to airlines) is estimated to be 44.4 percent for 1982/83; is projected to be roughly the same (43.4%) in 1983/84, and to peak at 50.3 percent in 1984/85. The high debt service ratios are partially due to conservative estimates for bauxite/alumina exports which are projected to only regain 1980/81 levels in 1985/86. By this time it is also hoped that the stimulation of non-traditional exports will have approximately doubled from 1980/81 and decrease reliance on bauxite/alumina.

3. Impact of HG Loan

Although Jamaica's debt service burden will be substantial in the coming years, the positive effects of a HG loan at this time outweigh the negative effects of an increase in the debt service. Assuming HG terms of 12 percent for 30 years

with a ten year grace period on the repayment of principal, interest payments on the first tranche of US$25 million would only add 0.60 of one percent to projected debt service in 1983/84 and approximately 0.20 percent to the debt service ratio.

The usefulness of a HG loan to the GOJ at this time, however, will be substantial. The untied foreign exchange will not only assist the government in refinancing some of its short term debt to the more manageable maturities obtainable under HG loans, it will also help the government retire US$24 million in arrears by the end of CY 1983. This should significantly improve the credit rating of the government. HG terms of approximately 12 percent for 30 years with a 10 year grace on repayment of principal also compare favorably with the average terms of all government creditors in 1981, i.e. 9.7 percent for 15 years with a 5 year grace period (source: World Debt Tables, World Bank).

Foreign exchange from the HG loan can also be used with A.I.D. ESF funds for strategic imports required for the development of the non-traditional exports called for in the GOJ's export oriented growth strategy. Moreover, in spite of the GOJ's debt service burden, there are presently no plans by the government nor the international lending community for an overall debt rescheduling. Government is planning to reschedule approximately US$100 million of commercial debt.

The HG loan, however, will not run counter to IMF budget restrictions (see Financial Analysis for details of HG disbursements). Thus, as HG funds are a major source of both construction and long-term financing, the A.I.D./HG program is playing a major role in restructuring the sector to implement the new housing policy.

4. Economic Impact of Project

In periods of economic decline the housing sector is usually the first to suffer, incurring massive lay-offs in labor, declines in production of building materials, and often the failure of under-capitalizated construction firms. Conversely, the housing sector is often a leader when an economy begins to recover and pent up demand for housing manifests itself in the market. The latter role is more the case in Jamaica. From December 1980 to December 1982, investment in construction and development grew by 156 percent to US$183.4 million[1/]; employment in construction grew by 31 percent (from 25,400 to 33,250) or 4.4 percent of the labor force; imports of building materials rose by 51 percent; and mortgage loans by building societies increased from 1820 to 2211 (21 percent) from 1981 to 1982[2/].

1/ Jamaican Social and Economic Survey, 1982.
2/ Building Societies Association of Jamaica.

After substantial growth in 1981 and 1982, the housing sector is now suffering from high interest rates, rising costs of building materials and labor, and a shortage of foreign exchange. A US$40 million HG loan which encourages private builders and stimulates the sector through direct investment and secondary mortgage market activities will therefore have significant economic benefits. Although housing investment has a high capital output ratio, output as measured in rental terms usually understates total economic benefits. It has been shown that housing has strong, positive, backward linkages (to construction and building materials industries) as well as forward linkages (to fixtures, furniture and appliance industries).

In this project, the units built will help several thousand Jamaican families achieve home-ownership goals. This housing policy specifies freehold tenure versus the previous leasehold system. Thus, even squatter families will be receiving titles to their plots. This granting of secure tenure has created in Jamaica, as well as in many other developing countries, significant personal investments by families in improving their houses, plots and neighborhoods. Most of this investment is informal and therefore is not recorded in the national accounts. Further, given the cost recovery mechanisms in the project, i.e. through salary deductions (NHT) and bank transfers (CHFC), and the minimization and targeting of subsidies to low income groups, the project is highly replicable. Based on A.I.D.'s support for early core housing and squatter upgrading schemes, the MOC(H) is now carrying out programs throughout the island with substantial amounts of its own funds.

Given the separation and specialization of institutional roles specified in the housing policy, both A.I.D. and GOJ funds should be able to be used more efficiently. During the economic recession in the late 1970's, overhead and staff were trimmed substantially at institutions such as the NHT, the JMB and the SIHL. With technical assistance fostering in the institutional development of EDCO, MOC(H), and JMB, in addition to the improved systems of project development and cost recovery, recurrent costs should decline and the total sector should become more efficient over the life of the project.

5. HG Debt Service Performance

As discussed in the preceeding analysis, the GOJ is faced with a sizeable debt service burden and is having difficulty meeting current payments. The GOJ is currently in arrears only one HG repayment. Any new HG project will therefore require special financing arrangements to minimize additional burden on the GOJ and the risk of interruptions of debt service payments under the HG. These arrangements will be incorporated into the terms for the borrowing by the GOJ from U.S. investors.

Terms such as these have been used in the recent Costa Rica HG Program. Moreover, the RHUDO and Mission economic officer will continue to monitor the debt service capacity and the debt service issue will be reviewed in the evaluation activities on HG-011 and formalized in the project paper amendment for second phase authorization.

The Office of Housing and Mission have thoroughly analyzed the debt service capacity of the GOJ and they concluded there is a risk of interruption of HG payments; but that this risk is most severe during the next three years. Furthermore, this risk can be eliminated through appropriate structuring of the loan and the institutional and development goals of the project justify proceding with the loan.

C. FINANCIAL

1. Financial Arrangements

a. Background

The financial framework for the HG-012 will be basically similar to that established for HG-011. Financial arrangements in HG-011 are based on provisions in the new housing policy which are contained in a public housing finance framework. This framework was developed in 1982 by a committee composed of the managing directors of all housing finance institutions in the public sector. The committee, which reported to the Minister of Construction (Housing), assigned specific responsibilities to each institution. These responsibilities subsequently became a part of the official National Housing Policy (see Annex E.3 for specific institutional responsibilities). HG-012 funds will therefore follow the institutional responsibilities and flow of funds as set forth in the policy. Annex E.3 and section II.B, Implementation Network, contain sectoral and project specific flows of funds, respectively.

b. Construction Finance

Funds for the construction of the Accelerated Delivery Program in the first tranche of the loan, as well as those for new and squatter upgrading schemes in the second tranche, will be disbursed by the JMB to EDCO. EDCO will issue promissory notes to JMB for the loan funds received. Under the Memorandum and Articles of Association incorporating the company, EDCO is authorized to borrow in this manner and this includes the power to issue and/or assign promissory notes. The Ministry of Finance will guarantee the JMB against payments default by EDCO. All payment certificates and voucher expenditures prepared by EDCO will be examined and certified by MOC(H) and then passed to JMB who will reimburse EDCO. Separate accounts will be maintained by EDCO for the project. These accounts will also be audited by MOC(H).

It is envisaged that A.I.D. HG funds will be used in combination with MOC(H) funds for project construction. These latter funds carry a lower "cost" than HG funds and will be blended with HG funds such that the effective cost of funds for any one project will be less than the mortgage interest rates charged beneficiaries under the housing finance framework.

c. Mortgage Finance

According to the housing policy, the two agencies responsible for long term housing finance are the NHT and the CHFC. These two institutions will provide

mortgage finance to project beneficiaries of the accelerated delivery program, squatter upgrading and new schemes sub-projects. In the case where beneficiaries are NHT contributors, the NHT will originate the mortgages, reimbursing the MOC(H) for the units.

Where beneficiaries are not NHT contributors, the CHFC will originate mortgages. Due to a present shortage of funds and the desire by the GOJ to build up the institution as a mortgage financer, the CHFC will issue promissory notes to the JMB, replacing an amount similar in value of the notes issued by EDCO. CHFC will service the mortgages over the life of the promissory notes. Since the revenue from the CHFC notes will not be enough to fully repay the JMB, the required amount of short term EDCO notes will have to be converted to middle or long term notes to be repaid by the MOC(H) from the budget and/or from the proceeds of sales of projects to the NHT. In the case of the JCCUL mortgage loan program, the JCCUL will originate long term loans to eligible credit union members.

d. GOJ Contributions

Given GOJ budget constraints, realistic levels of GOJ counterpart contributions had to be determined. Further, since there will be an overlap with HG-011 funding, required GOJ contributions to both projects have been considered.

Table V.C.1 and V.C.2 are based on projected disbursements for HGs 011 and 012 as well as the latest (August 1983) estimates by the Bureau of Management Support in the Prime Minister's Office as to sources of funds in the sector. Table V.C.1 further assumes the availability of U.S.A.I.D./J ESF counterpart equivalent for use in reactivating JMB's secondary mortgage market as well as buying mortgage loans from the JCCUL. These US$10 million in ESF counterpart equivalent will therefore lighten the burden on the GOJ budget while supporting an important private market activity.

Table V.C.1 shows that funds for the Accelerated Delivery Program will be disbursed beginning in GOJ FY 1984, i.e. before March 31, 1984, along with a total US$4 million for the first phase of squatter upgrading. Funds for the second tranche will be disbursed in mid FY 85 based on the progress of HG-011 programs. The rates and amounts of disbursements for the second tranche are illustrative and have been based on what is felt to be the absorptive capacity of the executing institutions according to experience in the HG-011 projects.

TABLE V.C.1

HG-012: PROJECTION OF EXPENDITURES BY GOJ FISCAL YEAR (US$1000s)

Project Components	Total Cost	AID/HG	GOJ	FY 84 AID/HG	FY 84 GOJ	FY 85 AID/HG	FY 85 GOJ	FY 86 AID/HG	FY 86 GOJ	FY 87 AID/HG	FY 87 GOJ
1. Accelerated Delivery Program	20,000	12,000	8,000	7,000	--	5,000	8,000	--	--	--	--
2. Secondary Mortgage Market	11,000	3,000	8,000	3,000	5,000		3,000	--	--	--	--
3. Urban Infrastructure	10,000	5,000	5,000	--	--	--	--	2,000	1,000	3,000	4,000
4. Squatter Upgrading	8,000	6,000	2,000	--	--	2,000	--	2,000	1,000	2,000	1,000
5. New Schemes	18,000	10,000	8,000	--	--	2,000	--	3,000	3,000	5,000	5,000
6. Mortgage Loans	8,000	4,000	4,000	--	--	2,000	2,000	2,000	2,000	--	--
Totals	75,000	40,000	35,000	10,000	5,000	11,000	13,000	9,000	7,000	10,000	10,000

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Table V.C.2 projects the expenditures for HGs-011 and 012 by source of funds. It can be seen from the table that the largest expenditure of GOJ funds is required in FY 85. Since most of the MOC(H) budget will be taken up by HG-011 counterpart expenditures in that year, part of the counterpart (US$8 million) for HG-012 will come from either NHT loans or NHT purchase of MOC(H) projects. ESF counterpart funds also lighten the budget load in FY 85 and FY 86 and perhaps more could be applied for in FY 85 if necessary. GOJ requirements in FY 86 and FY 87 should be well within the MOC(H) budget in those years.

Table V.C.2

PROJECTION OF EXPENDITURES FOR HGs 011 AND 012 BY SOURCE
(Millions of US$)

	FY 84[a]	FY 85	FY 86	FY 87	Total
1. HG-011					
AID					
HG	4.5	3.0	--	--	7.5[b]
GOJ					
MOC(H)	13.0	19.7	--	--	32.7
NHT	--	7.3	--	--	7.3
Sub-Total HG-011	17.5	30.0	--	--	47.5
2. HG-012					
AID					
HG	10.0	11.0	9.0	10.0	40.0
ESF	4.0	4.0	2.0	--	10.0
GOJ					
MOC(H)	--	--	5.0	10.0	15.0
NHT	--	8.0	--	--	8.0
JMB	1.0	1.0	--	--	2.0
Sub-Total HG-012	15.0	24.0	16.0	20.0	75.0
TOTAL	32.5	54.0	16.0	20.0	122.5

a) GOJ Fiscal Year
b) US$7.5 million disbursed in FY 83

2. Interest Rate Analysis

According to the Public Housing Finance Framework contained in the National Housing Policy, interest rates in the public sector are to be structured on a basis which allows lower rates to be applied to lower income groups. Based on this principle, a three-tier rate structure based on weekly beneficiary incomes was adopted by GOJ for its programs and is being applied as follows:

Family Income of Beneficiary		Interest Rate & Term
Income less than J$100(US$56)/week	-	6% for 30 years
Income from J$100(US$56)/week to J$200(US$112)/week	-	8% for 80 years
Income over J$200(US$112)/week 1/	-	10% for 30 years

This interest rate structure replaces a system of lower interest rates combined with capital subsidies of up to 20 percent which were applied on all M.O.C.(H) housing in the previous administration. As a part of the formulation of the National Housing Policy, A.I.D. established a dialogue with the housing institutions with the view of moving the rate structure toward market levels. While the resulting rates are less than the free market rate of 14 percent currently charged by the Building Societies, they are significantly higher than the previously heavily subsidized rates. Comparing the previous and present rate structures, the average yield has increased from 7.3 percent to 8.1 percent (see Annex E.3 for table).

To its credit the GOJ has also moved toward full capital cost recovery and, in order to maintain affordability, has introduced concepts such as the graduated payment mortgage (GPM), a shared equity loan in which the GOJ retains a portion of the equity to be paid off by the beneficiary in later years, and a separate, staggered payment for land costs. As a result of the progressive shift to the parallel market of all building materials, including gasoline, as well as a labor wage increase award of 35 percent in January 1983, it is estimated that construction costs will increase by 35 to 45 percent by the end of 1983 (see Annex E.1: Technical Analysis). Thus, in order to maintain target group affordability, it is expected that the progressive financing mechanisms already introduced by the GOJ with A.I.D. assistance will be more widely applied in HG-012.

While it is evident that the very low standard units are affordable by below median income families (see affordability analysis in Section V.D), the progressive elimination of interest rate subsidies for those who can afford a higher rate is to the obvious benefit of the Jamaican economy. To

1/ The maximum NHT loan under this category is for beneficiaries earning less than J$300 per week. The Public Housing Finance Framework, however, does not specify this limit.

this end, A.I.D. plans to pursue several options for raising public sector interest rates both for those who presently can afford higher rates and as incomes in general increase. A separate study on this topic will be undertaken during Phase I of the project, the results of which, with GOJ concurrence should be implemented in Phase II. The options which will be pursued are:

1. An accelerating interest rate under which the burden of proof would be on the beneficiary; without such proof, the beneficiary would be automatically liable for the higher rate.

2. An increased use of GPM's which would amortize more than the original capital thus increasing the effective interest rate.

3. A combination of the shared equity concept with the two foregoing options for special use for lower income groups.

A preliminary analysis of the first two options has been undertaken in Annex E.3.B.

This analysis illustrates that interest rates can be gradually raised, i.e. one percent per year, starting from the 6, 8, and 10 percent framework such that effective rates over the life of the mortgage are increased to 10.5 percent, 11.9 percent, and 12.9 percent, respectively. Given an inflation rate of 6.9 percent in 1982 and 7.3 percent projected for 1983, all these rates would be positive real rates especially for those in the higher eligible income bracket. The monthly payment increases amount to roughly seven percent per year which should not impose an undue burden on beneficiaries.

The graduated payment plan option, which is already in use in Jamaica2/, was also investigated. Mortgage rates, however, could only be raised two percentage points when initial payments similar to those of NHT were graduated throughout the life of the mortgage (30 years) at rates of 6, 7 and 8 percent per year for mortgages with 6, 8 and 10 percent interest rates, respectively. Although the foregoing options, and perhaps others, will be studied in great depth during Phase I of the project, it seems that the first option holds greater potential for raising real rates without creating undue burdens on mortgagers.

D. Social Summary

1. Population Growth and Urbanization

From 1970 to 1982, the population of Jamaica increased 11.8 percent, a rate of 1.04 percent per annum. The greatest growth was experienced in two

2/ Roughly 95 percent, or 2990, of new starter home mortgagers are opting for the plan and the NHT has introduced the concept to make its benefits more affordable.

areas, Montego Bay on the north coast and in a belt west of the Kingston Metropolitan Area (KMA), extending from Portmore to Mandeville.

The former (Portmore) is a major area of growth which is technically outside of the KMA, but is actually just a few minutes away from Kingston. Therefore, surprisingly from the technical analyses the KMA population remained relatively stable during this period and urbanization appears to be decentralizing away from the primary city. In reality, a major part of the "metropolitan" growth is over the parish line, yet clearly related to the KMA. The KMA even without Portmore still accounts for 51 percent of the total urban population. The five ranking secondary cities hold 29 percent of this same group (versus 18 percent in 1970). In all, urban areas grew at a rate of 1.76 percent per annum since 1970, and account for 45.5 percent of the island's total population of approximately 2.1 million. The serious problem of population growth has outstripped the economic capacity of urban centers to provide basic affordable shelter, infrastructure and employment for their residents.

2. The Need for Housing and Community Upgrading

The need for new housing includes a series of components: new housing to meet the demand for a growing population; housing to replace obsolete, deteriorated units; and additional units required to alleviate overcrowding. While detailed figures on the state of the present housing stock and supporting infrastructure will not be available for another year, it has been estimated that the demand for housing in all three categories mentioned exceeds 13,000 units a year. On average, the public and private sector combined produced no more than 4,000 units a year in the last decade. Further, as the population grows at an increasing rate, the housing deficits become larger every year.

Information on the condition of infrastructure is not yet available for all areas, but can be deduced from recent surveys in squatter settlement areas. Squatter settlements in Jamaica are rarely new. Many are 10 to 20 years old; some have been occupied for over 30 years. Almost no squatter settlements have paved roads or drainage. Sewerage disposal is by pit latrine in over 80 percent of the rural areas and 22 to 60 percent of the urban areas (depending on the particular site). Water is supplied by communal tap in almost half the squatter areas. Electricity is supplied to less than half the homes in rural areas and 60 percent to 70 percent of squatter sites in urban areas. While overall conditions are almost certainly better outside squatter settlements, this study presumes that infrastructure deficiencies do occur elsewhere as well.

3. Effective Demand for Housing (Income and Affordability)

Household Income

For the purposes of designing the physical sub-projects of HG-012, it is of prime importance to have access to a reliable estimate of urban median household income. Unfortunately, a statistically valid survey of household income has not been undertaken in Jamaica since 1968. The PP team, however, was able to estimate median household income from the National Housing Trust

sample survey of its contributor population. The contributor population of the NHT has been used as a proxy to estimate the urban median income for wage and salary workers who reside in urban areas. These data also compared favorable with other less comprehensive wage surveys. Household income was calculated from contributor income by assuming that an average household contains 1.38 wage earners (Department of Statistics data source) and that an additional 20 percent of household income accrues from informal sources and foreign remittances (as estimated by World Bank sources). The resultant incomes were updated to September 1983 on the basis of 10 percent annual increments in income. Table V.D.1 shows the resultant income distribution with J$8,400 (US$4,720), the estimated median.

Affordability Analysis

-- Accelerated Delivery Projects

The present affordability analysis is calculated based on GOJ's Housing Finance Framework (interest rates of 6, 8, and 10 percent for 30 years based on household incomes of less than J$100, J$100-200, and greater than J$200, respectively. Table V.D.2 analyzes the affordability of the illustrative J$30,000 Starter-Home solution (see Annex E.1) for both level and graduated monthly payments.

The table clearly shows that the recent Joint Labor Council wage award and the placing of building materials on the parallel market (see Annex E.1 for an analysis of this topic) has greatly reduced the opportunity for a below median income household to purchase even the most minimal core housing with a level payment amortization plan. Even allowing 30 percent of income for debt amortization, the illustrative Starter-Home is barely affordable below the median income.

Application of a graduated payment mortgage greatly improves the Starter-Home affordability. A GPM based on the same interest rate structure and debt service ratio makes the unit affordable down to the 24th percentile.

-- Squatter Settlement Upgrading

The goal of the squatter upgrading component is to serve as many residents as possible who currently live within designated Squatter Areas. In order to best approximate existing repayment capacity in the squatter areas, the MOC(H) income distribution for a sample of HG-011 squatter settlement residents (Table V.D.3) is used in the present analysis.

Table V.D.1

ESTIMATED WEEKLY HOUSEHOLD INCOME DISTRIBUTION
FOR NATIONAL HOUSING TRUST CONTRIBUTORS 1/

SEPTEMBER 1983

Income Range (J$)	Percent of Total	Cumulative Percent of Total
Under 80	18.2	18.2
80 -119	16.4	34.6
120-159	15.0	49.6
160-279	27.8	77.4
280-439	12.8	90.2
440 and over	9.8	100.0
	100.0	--
	Median Income	J$161

1/ NHT weekly contributor wage incomes (registered at time of inscription in the program) were updated assuming 10 percent yearly growth and were adjusted to approximate total household income by assuming 1.38 wage earners per household and an additional 20 percent of household income accruing from informal sources and foreign remittances. On that basis, estimated median household income for September, 1983 equals $161 per week.

Source: PADCO update of November, 1981, Contributor Distribution, NHT.

Table V.D.2.

AFFORDABILITY ANALYSIS OF ILLUSTRATIVE SHELTER UNIT
SEPTEMBER 1983

ITEM	LEVEL MONTHLY PAYMENT	GRADUATED MONTHLY PAYMENT
1. Unit cost of proposed starter-home solution	J$ 30,000	J$ 30,000
2. Year 1 monthly payment for interest rates of 6, 8 and 10 percent for 30 years (J$)	179 219 261	114 134 149 1/
3. Required weekly incomes assuming 30 percent of income spent on repaying starter-home cost (for 6, 8 and 10 percent interest rate)	149 183 218	95 112 124
4. Target percentile served assuming 30 percent of income spent on repaying starter-home costs for 6, 8 and 10 percent interest rate (%) 2/	47th, 59th, 67th	24th, 32nd, 38th

1/ 6% - 10% increasing payment for 6 years
8% - 10% increasing payment for 7 years
10%- 10% increasing payment for 9 years.

2/ Based on projected September 1983 household income distribution for NHT contributors.

Table V.D.3

COMPOSITE HOUSEHOLD WEEKLY INCOME DISTRIBUTION
FOR A SAMPLE OF HG-011 SQUATTER SETTLEMENT RESIDENTS 1/

SEPTEMBER 1983

Income Range	Number of Households	Percent of Total	Cumulative Percent of Total
Under 40	111	15.2	15.2
40 - 79	131	18.0	33.2
80 - 119	134	18.4	51.6
120 - 159	112	15.3	66.9
160 - 199	56	7.7	74.6
200 and over	185	25.4	100.0
	729	100.0	--

1/ Median Household Income Equals $116 for this composite distribution

Source: PADCO Consolidation of MOC(H) Community Services Division Sample Surveys in McKoy Lands, 10-14 Whitehall Avenue, Back Bush and Black Ants Lane squatter areas.

Table V.D.4

SUMMARY AFFORDABILITY ANALYSIS FOR PROPOSED HG-012 SQUATTER IMPROVEMENT OPTIONS[1]
SEPTEMBER 1983

Upgrading Option	Unit Cost Recoverable From Beneficiary(J$)	Monthly Payment for Interest Rates of 6, 8 and 10 Percent						Target Percentile Reached Assuming 15 Percent of Income Spent on Repaying Upgrading Costs(%)					
		Level Payment			GPM [2]			Level Payment			GPM [2]		
		6%	8%	10%	6%	8%	10%	6%	8%	10%	6%	8%	10%
1. Legalization/ Regularization (incl land purchase)	3,500	21	26	30	13	16	17	13	17	20	8	10	11
2. Option 1 plus improved roads.	6,400	38	47	56	24	28	32	26	33	39	15	18	21
3. Option 2 plus standpipes serving 30-40 families.	6,575	39	48	57	25	29	33	27	34	40	16	19	22
4. Option 3 plus 4-stall sanitary block	6,875	41	50	60	26	31	34	28	35	43	17	21	23
5. Option 2 plus individual water connection.	8,000	48	58	70	30	36	40	34	41	51	20	24	28
6. Fully upgraded site (option 5 plus individual sewerage connection)	9,950	59	73	87	38	44	49	42	52	61	26	30	35

1/ Based on projected September, 1983 household income distribution for a sample of squatter settlements.

2/ 6% - 10% increasing payment for 6 years
8% - 10% increasing payment for 7 years
10%- 10% increasing payment for 9 years.

Table V.D.4 (which summarizes the more detailed analysis of Annex E.1) analyzes the six upgrading options on the basis of the Housing Finance Framework described in the first part of this section. It presents affordability from both the level and graduate payment standpoint. The final set of columns on the right side of the table indicates the target percentile served assuming a household spends 15 percent of monthly income to amortize upgrading costs.

The results for a level payment amortization plan are not encouraging. Option 5 (J$8,000 legalization/regularization plus improved roads/footpaths with individual water connection) which has proved the most often selected upgrading option to date in HG-011 only reaches down to the 34th percentile at a 6 percent interest rate. Applying a GPM improves affordability greatly. With a GPM, Option 5's affordability threshold is lowered to the 20th percentile assuming 15 percent of income spent on amortization costs and a 6 percent interest rate.

In summary, the results of the affordability analysis strongly suggest that some type of non-level payment financing plan is required to effectively serve below median income target groups for both Accelerated Delivery Program and Squatter Settlement Upgrading projects.

4. Socio-Cultural Feasibility and Community Participation

It is the dream of all Jamaicans to own their own home and land. The demand for upgrading in squatter areas far outstrips the financial capability of the program to meet all requests. Build on Own Land schemes also enjoy immense popularity. Starter homes have proven especially popular in Catherine Hall. The need for home ownership is compelling, and people seem to be willing to settle for something less than their dream of a completed two-bedroom house when realistic options based on affordability are offered.

The A.I.D. shelter sector program is clearly not simply a collection of projects, but a coordinated series of program and policy reforms within the nationally adopted housing policy framework. The policy and its implications have become the touchstone for public action, and its ramifications are being discussed openly in public forums, with private sector developers, and the participating institutions. In short, the effort has become a national one, whose chief proponents are in a position to calibrate the program to the needs and financial capabilities of their constituents.

In large part, the program is based on an aggressive community participation component in which social workers from the Ministry of Construction (Housing)'s Community Development Services Department meet regularly with neighborhood residents to assess their needs, complete surveys, elicit priorities for action, and follow through with detailed affordability studies and explanation of the program as implementation begins. A sizeable percentage of project beneficiaries are women, up to 50 percent and more in some projects, because of the large number of female headed households in the median income and below target group. Women headed households are also responsible for completing starter homes, which they do most often through their own efforts, and with the

help of family and friends. A smaller proportion of starter home beneficiaries actually turn to a professional builder and then only for the most technical tasks.

5. Improvement in the Quality of Life

The obvious benefits of the program are: decent shelter, convenient water supply, sanitary disposal systems, and improved roads and drainage systems which facilitate communication and eliminate unhealthy conditions of standing water. In addition, the land entitlement program gives many beneficiaries a real stake in their own future for the first time. The combination of home ownership, simple shelter and/or basic infrastructure provided by the HG program often provides the needed catalyst which stimulates the target group beneficiaries over time to improve their homes, their communities and the quality of their urban environment.

E. Administrative Analysis

Annex E.4 contains data on the organization, management, staffing and financial aspects of each institution involved in the project, while Section III.A, Implementation Responsibilities, describes the roles and responsibilities the institution will have in executing the project. This section will, therefore, synthesize the data found in Annex E.4 in order that an appreciation can be gained of the experience and capacity each institution has in carrying out its project role. The institutions will be treated in the sequence of project implementation, i.e. from borrowing the HG loan through construction to mortgage finance and unit occupation. Since an urban project involving both the public and private sectors is by nature complicated, six institutions are involved in the first phase as follows:

- Jamaica Mortgage Bank - JMB
- Ministry of Construction (Housing) - MOC(H)
- Estate Development Company - EDCO
- Sugar Industry Housing Ltd. - SIHL
- National Housing Trust - NHT
- Caribbean Housing Finance Corp. - CHFC

1. Jamaica Mortgage Bank - JMB

The Jamaica Mortgage Bank, the official Borrower, was incorporated on June 15, 1973, by the Jamaica Mortgage Bank Act and is wholly owned by the Government of Jamaica.

By virtue of the JMB's Act, the Bank may:

- Lend money on mortgages and carry out any other transactions involving mortgages;

- Lend money on security to be used for the construction of premises for private residential purposes or of a commercial or industrial nature;

- Guarantee loans from private investment sources for building development;
- Sell investments of whatever kind belonging to the Bank, as and when appropriate; and
- Provide mortgage insurance.

a. Management

The Management of the Bank consists of a Board of Directors which meets on a monthly basis. The daily administration of the Bank is delegated to the Managing Director who is assisted by three Department Heads with responsibility for: (1) Finance, Administration and Personnel; (2) Mortgage Operations; and (3) Planning and Development (see organization chart in Annex E.5). Over the past 10 years the JMB has recruited good top level staff, most of whom have remained with the institution.

Under the new housing policy, the Bank will not be engaged in interim financing and the provision of construction or mortgage loans. The JMB, is therefore in the process of revitalizing its secondary market operations. Since it will be buying participations in mortgage portfolios, it will not be the owner of the mortgages. It will therefore not be receiving servicing reports and/or arrears returns as in the past. The staff freed up from these operations will be transferred to the Mortgage Operations where they will administer a housing bond issue due to be brought to market in September. The bond issue, which has been in the planning stage for over a year, has two objectives: (1) to raise funds for the Bank's secondary mortgage market operations; and (2) to attempt to capture some of the refunds due to contributors from the NHT beginning in 1984. To achieve the latter purpose, the Bond is tied to the NHT's priority entitlement index for benefits, i.e, the more bonds people buy, the more points they acquire toward a benefit. The provision of mortgage insurance for public sector houses will also remain a major function of the JMB.

b. Financial

Funding for the Jamaica Mortgage Bank comes from capital injection by the GOJ and loans. Of the Company's liabilities of J$137 million outstanding as of December 31, 1982, J$66.8 million was foreign and J$70.2 million local (see Balance Sheet, Annex E.5).

The Bank has incurred foreign exchange losses on its foreign debts totalling J$42 million of which J$19 million has been charged to its operating expenses and is responsible for the accumulated deficit of J$15.7 million on its Profit and Loss Account. The balance of J$23 million recorded on the Balance Sheet is to be written off over the lifetime of the indebtedness on an annual basis. Since the Bank has been indemnified by the Government of Jamaica with respect to exchange losses on foreign borrowings, the J$15.7 million should most likely be recorded as an account payable from the Government of Jamaica and not a charge against the Bank's Profit and Loss Account. This would improve its financial standing.

The projection for exchange losses in 1983 is J$8.7 million and is due to the fact that a loan balance of US$6.5 million falls due in 1983. According to Bank officials, the entire exchange loss with respect to this loan will be written off during the financial year. The operating losses for 1980, 1981 and 1982 were partly the result of high interest rates on the two Euro-dollar loans, 20.25 percent in December, 1981. The average rate of interest on these two loans stood at 16 percent as of December 31, 1982. The mortgages financed by these two loans, however, are fixed at 14 percent.

The long term viability of the Bank will depend on its ability to make a profit. A most serious consideration in this regard is the effect of further devaluation of the Jamaican dollar. The MOF has, however, agreed to cover JMB's losses due to devaluation. The restructuring exercise to settle outstanding accounts with the GOJ and the MOC(H) is due to take place and should assist in improving the Bank's performance and Balance Sheet. Assuming this restructuring occurs, profits of J$1.2 million and J$2.5 million are projected for 1984 and 1985, respectively (see Profit and Loss Statement, Annex E.4).

2. Ministry of Construction (Housing) - MOC(H)

a. Organization

The MOC(H) continues to be the focal point of housing activity in the public sector and to an increasing extent in the private sector. It not only has developed and promulgated the national housing policy, it is also responsible for implementing it. As such it formulates the various shelter programs, approves site and contractor selection, monitors construction disbursements and generally sees that funds are available for the overall program. These activities are in line with its housing policy role. As prescribed in the policy, it is to concentrate on program and project development, expanding its capacity to produce homes for low income families at reasonable prices. It has discontinued its mortgage lending and servicing operations and is in the process of transferring its existing mortgages to the CHFC. The objectives in this move are two-fold: (1) to reduce subsidies inherent in heavy payments arrears and defaults, and (2) to concentrate on improving efficiency in low income housing production.

Thus, the MOC(H) will be phasing out two of its major roles: estate management, which has concentrated on collections, and construction, which has usually resulted in major delays in production. As can be seen from Table V.E.4, however, these two divisions remain by far the largest in the Ministry. While there are 92 and 35 vacancies in Construction and Estate Management, respectively, plans are to cut back the divisions even more. This, however, will be difficult for civil servants since they will either have to be retired or transferred elsewhere in the government. The table also shows a Planning and Design Division. This division has been assigned to EDCO but is officially still a part of the staff of the MOC(H)1/. However, a core staff will remain to do design

1/ The administrative work for the transfer should be complete by the end of this year.

for the Ministry's BOL program. Overall it can be seen from the tablethat 25 percent of the posts in the Ministry are vacant, while 24 percent are filled by temporary employees, including the Community Services Division, which is still not an official division.

The MOC(H) is in the typical situation of a government ministry: it is over-staffed with low level clerical personnel hired for special projects and never let go, and under-staffed with qualified personnel due to low salaries and lack of prestige. Under the housing policy, MOC(H)'s goal is to cut down to roughly 200 personnel. It is not known whether this can be achieved, but resident technical assistance will be working with the Minister to attain some reduction in staff while improving operations.

b. Finance

As a government ministry, the MOC(H) receives funds from the GOJ budget (Consolidated fund). Based on the Housing Act, however, it also receives capital recoveries from its previous projects (Housing Fund). Allocations from the budget, therefore, make up the difference between what is required for the fiscal year and what is expected from the Housing Fund. Hence, the total 1983/84 budget was J$58.6 million (US$33 million) of which J$32.1 million was projected from the Housing Fund and J$26.5 million from the Consolidated Fund. The latter, however, has been cut by J$11.5 million while J$12 million is committed to on-going projects. Thus, a net amount of J$35.1 million is available for new projects. This amount has been taken into account in Table V.C.2, Sources of Funds, for the HG project. A large portion of this amount (J$26.6 million) is to come from the sale of units primarily to the NHT. This compares very favorably with receipts of only J$500,000 in 1982/83. This large scale increase in project sales is in accordance with MOC(H) and NHT policy roles. The two institutions are presently working out arrangements whereby the MOC(H) would receive a fixed amount each month against sales of existing and future projects. This steady cash flow would greatly assist the MOC(H) in planning projects, scheduling construction, and paying contractors.

Table V.E.1

	POSTS ON ESTABLISHMENT	POSTS FILLED BY PERMANENT EMPLOYEES[1/]	%	VACANT POSTS FILLED BY TEMP. EMPLOYEES	%	VACANT POSTS	%
Administrative Support Services	67	57 (8)	85.1	6	9.0	4	5.9
Finance & Accounts	56	36 (7)	64.3	5	8.9	15	26.8
Internal Audit	16	12 (4)	75.0	2	12.5	2	12.5
Planning & Design	46	24 (6)	52.2	1	2.2	21	45.6
Construction & Tech. Services[2/]	305	164 (15)	53.8	49	16.1	92	30.1
Legal Services	32	23 (3)	71.9	1	3.1	8	25.0
Estate Management	105	44 (12)	41.9	26	24.8	35	33.3
Community Services[3/]	92	10[4/] (5)	10.9	81	88.0	1	1.1
TOTALS	719	370 (60)	51.5	171	23.8	178	24.7

1/ Includes acting officers ( ).
2/ Workshop and stores included in total figure.
3/ Not an approved division of the Ministry so is a special program. All posts are temporary until approved.
4/ Officers on transfer from MOC(H).

3. Estate Development Company Ltd

a) Organization

The Estate Development Company Limited (EDCO), came into existence as a legal entity on July 1, 1982. The Company evolved from the Estate Development Division, Ministry of Construction (Housing) which was formerly known as Sites and Services Division, Ministry of Construction (Housing). The main objective of the Estate Development Company Limited is to operate as a private wholly owned government entity (parastatal) to provide professional consultant and project management services to the MOC(H) at a discounted rate. As such, EDCO is the main construction implementing agency of the MOC(H) in squatter settlement upgrading and low income housing.

All policy decisions of the company are made by the Board of Directors, whose decisions may be influenced by the Minister, MOC(H), as he is the major shareholder of the Company. The Company is headed by the Managing Director who is assisted by Directors in charge of Finance and Administration, Professional, and Technical Departments. These Directors are assisted by managers of specific areas, who ensure that directives and functions are effectively implemented so that organizational goals and objectives are achieved. Staffing in terms of planning, designing, financial control, administration, implementation and monitoring of the physical progress of the projects are adequately in place, except for a few vacant positions (see organizational chart - Annex E.5).

b) Finance

The Company receives its income from fees earned from consultant and project management services. EDCO earns a total of 16.5 percent as fees on the actual cost of services rendered, broken down as follows: (1) planning and design - 7.5 percent; (2) construction management - 7 percent; and (3) prechecked plans - 2 percent. Currently the major part of EDCO's income is derived from project design and management of the Squatter Settlement Upgrading Program. EDCO is now gearing itself to function more as a normal private company, securing construction contracts on the open market and from other GOJ ministries. The priority responsibility for the squatter upgrading program and the other aspects of MOC(H) construction, however, will continue to dominate EDCO's production schedule for the forseeable future.

Annex E.5 contains a projected cash flow through March, 1984. Although the beginning cash balance is a mere J$5,864 in July, 1983, EDCO projects a positive cash flow through the end of this GOJ fiscal year. This positive cash flow, however, depends on MOC(H) projects, most of which are presently HG-011 financed. One of the Accelerated Delivery Projects in HG-012 is also EDCO supervised and all the squatter upgrading schemes in Phase II will be designed and managed by EDCO. A.I.D. resident TA in the MOC(H) is working closely with EDCO to streamline its planning and design procedures and EDCO has done several construction cash flows to ascertain its future viability. EDCO has already cut back on personnel and will have to do so further if the present construction program is delayed.

4. Sugar Industry Housing Limited (SIHL)

a. Organization

SIHL was incorporated in 1975 to act principally as a developer of housing for sugar workers. By 1980, it had served approximately 3,000 sugar workers families through its programs for building schemes (2000); building on own land (300); home improvement (500); and obtaining registered titles (200). The principal source of finance for the Company's housing development was the NHT. In 1979, however, SIHL was forced to reduce staff from 90 to 35 and cut expenses to a minimum. The ensuing combination of low volume, fixed overhead expenses, high inflation and a limited effective demand for its product resulted in operating losses and the need to reassess the Company's role in the sector. The GOJ required institutions capable of managing large scale housing developments and in 1981 the Company offered its services to the MOC(H). SIHL is thus one of the two major project managers for MOC(H) new construction activity.

The Company formally reports to the Minister of Agriculture through the Chairman of the Board of Directors. These Directors are drawn from the major respresentatives of the Sugar Industry Authority and other Board members are included for their technical contributions. The Managing Director reports formally each month to the Minister of Construction regarding progress on projects. While the Board is responsible for policy, and to review the Company's operations, management of day-to-day operations is entrusted to the Managing Director (see Organization Chart in Annex E.5).

SIHL is capable of undertaking the entire range of functions of housing development. However, its present focus is upon the following programs:

- -- Management of housing projects for the Ministry of Construction.
- -- Obtaining registered titles for the Ministry of Construction for Starter-Home schemes.
- -- Maintenance of projects previously completed but not yet handed over to the Parish Councils.
- -- Collection of funds from Sugar Industry beneficiaries and maintaning mortgages for these beneficiaries with the NHT.
- -- Maintaining a legal and community relations service for Sugar Industry beneficiaries.

The management of projects is the responsibility of the Managing Director and through him, the Director of Projects. Projects are grouped under project managers who have responsibility for all aspects of projects which are assigned to them. Detailed monitoring of each project is placed in the hands of site managers who report to the project managers.

b. Finance

Annex E.5 contains up-dated cash flows, profit and loss statement and balance sheet as of December 31, 1982. The cash flow shows that the Company had negative balances through June of 1983 (except for one month, May) but projects a positive cash flow through March of 1984. Beginning in July, the major source of revenue is from MOC(H) managed schemes.

Projected revenue is based on projects for which work is in progress and projects which are planned for construction in the immediate future. Thus, as with EDCO, if the Ministry's construction program is delayed, SIHL could quickly incur a negative cash flow.

As the more complete information in Annex E.5 shows, however, SIHL is a well managed institution based on modular project management teams. It earned a profit of J$68,218 (US$38,324) in 1982. It has also computerized its operations and plans to invest an additional US$50,000 in a six user, multi-task processor capable of handling terminals.

5. National Housing Trust (NHT)

The NHT was established in 1976 and is based on the concept of a joint employer/employee salary tax fund for housing. Employers contribute 3 percent of their wage bill and employees 2 percent. If an NHT benefit is not received, the employees contribution is refunded at 3 percent interest beginning seven years after their enrollment. The first refunds are due to begin in 1984. According to the housing policy, the NHT's major role will be to provide and service mortgages to its contributors for public or private housing. This is distinct from its former role as developer and provider of interim finance. Based on its contributions the NHT will therefore be the major financier of low income housing in the sector.

a. Operations

Since 1976 contributions have increased by 134 percent. They were J$88 million as of March 31, 1983 and are projected to increase to J$96 million in 1983/84 and J$116 million by 1985/86 (see cash flow in Annex E.5). After expenses and disbursements for on-going projects, it is expected that J$61.5 million (US$34.6 million) and J$173 million (US$97 million) will be available for loans to beneficiaries in 1984/85 and 1985/86, respectively. These figures have been taken into account in the analysis of GOJ funds in Section V.C (see Table V.C.2).

Tables V.E.2 and V.E.3 summarize the number of mortgages by benefit type and income group awarded by the Trust up to December 31, 1982. The vast majority of benefits have been for housing in new projects (5902) versus home improvement loans (1605) and Build on Land (BOL) (1240). Significantly, approximately 77 percent of these benefits were awarded to those earning less than the median income[1/]. Targets for 1983/84 are to complete another 3,360 new units and 1419 BOL and home improvement loans. As of December, 1982, the value of the mortgage portfolio was J$184 million (US$103.4 million) and is projected to increase to J$350 million (US$197 million) by the end of 1983. Mortgage collections which have been a problem in the past have also improved due to the reorganization of the mortgage operations department and the placing of all new accounts beginning in 1982 on the salary deduction system. Table V.E.4 summarizes the mortgage collection data.

1/ Figures in Table V.E.3 have to be up-dated as they are recorded at the time of application. J$115 per week was the estimated median income in 1981 versus J$160 in 1983.

Table V.E.2

Breakdown of Mortgages by Benefit Type 1976-82

Benefit Type	No.	Amount (J$M)	%
New Scheme	5,902	133.5	79.9
Open Market	301	22.1	13.2
Home Improvement	1,605	6.1	3.7
Build On Land	1,240	5.4	3.2
TOTAL	9,048	167.1	100.0

Table V.E.3

Breakdown of Mortgages by Income Group 1976- 1982

	Totals	Value (J$M)	%
Weekly Income up to - $25	128	0.5	0.3
$25 - $40	921	9.1	5.4
$40 - $60	2,348	31.0	18.6
$60 - $115	3,574	67.1	40.2
$115 - $150	1,160	29.1	17.4
Over $150	917	30.3	18.1
TOTAL	9,048	167.1	100.0

Table V.E.4

	1981	1982	%	Projected 83	%
Staff Complement	10	15	.50	16	.06
Mortgage Portfolio	J$142m	J$184m	.30	$350	.90
Collection	4.4m	7.6m	.73	14.4m	.90
No. of Accounts Serviced	7805	9048	.16	13600	.50
No. of Accounts Paid by Salary Deductions	80	3000	--	7000	--
Total Assets	J$308m	J$393m		J$495m	

b. Finance and Investment

The Finance Department of the Trust has been re-organized and strengthened with a financial control unit established to control and reconcile the accounting function in each operating division, Contributions, Projects and Mortgages. Considerable progress has been made in bringing the accounts current, with monthly in-house financial statements now being issued within thirty days of the end of each month. Audited accounts for the years 1979/80 and 1980/81 have been completed and the 1981/82 audit is now in progress. This is scheduled to be completed by September 1983 with the 1982/83 accounts targeted for completion by December 1983.

Annex E.5 contains NHT balance sheets, cash flow, and profit and loss statements projected to 1985/86. Of note is that the Trust has progressed from a loss position of J$1.25 million (US$.7million) in 1977 to a profit of J$14.43 million (US$8.1 million) in 1983. This has been mainly due to the efforts the Trust has made in enforcing compliances (contributions) by employers, taking rigorous action to enforce collections and reduce arrears, reviewing projects more strictly as to their marketability, and investing surpluses to earn high rates of return. Profits are therefore projected to increase to J$19.5 million (US$11 million) and J$26.25 million (US$14.8 million) in 1983/84 and 1984/85, respectively.

6. Caribbean Housing Finance Corporation (CHFC)

a. Organization

The Caribbean Housing Finance Corporation is a private company incorporated under the Laws of Jamaica and is owned equally by the Jamaica Mortgage Bank and Commonwealth Development Corporation (CDC). Jamaica Mortgage Bank gave notice to CDC of their intention to acquire their interest in the Company effective January 1, 1983. CDC has agreed to dispose of their interest on condition that the GOJ guarantees the repayment of CDC's loan to the CHFC. The Government has agreed in principle and the paperwork to give the guarantee is to go before Parliament shortly.

The business of the Company is controlled by a four-member Board of Directors. The Chairman of the Board of Directors is also Chairman of the Board of Directors of the Jamaica Mortgage Bank. Reporting directly to the General Manager with delegated responsibility for their portfolio are a Mortgage Administration Manager, Insurance and Data Processing Administrator, and Company Secretary/Financial Manager.

The Company's mortgage and financial systems are computerized and processing is presently being performed by a Computer Service Bureau. An in-house computer has been acquired and installed and programming is presently at an advanced stage of development. January 1, 1984 is the targeted changeover date. The Company operates a main payments collection hall in Kingston and an island payments network through the service of two commercial banks and the Postal Service. As of December 31, 1982, the Company had accumulated unappropriated

profits of J$209,902 versus J$177,064 in December, 1981. Gross fixed assets of J$421,335 and net at J$282,535 was therefore partly financed by short term loans. The extent of the Company's under-capitalization was reflected in current liabilities exceeding current assets by J$101,897, a position which the JMB has been requested to make good. Thus, as of June, 1983, J$163,700 due to JMB as fee reduction is reported as a deferred liability and as of June 30, 1983, current assets exceed current liability by J$124,608. Long term liabilities of J$8,738,935 as reported on December 31, 1982, are secured in mortgages of J$8,768,499.

Projections for 1983 have been made on the assumption that approximately 11,000 new mortgages from the MOC(H) are to be administered on a phased basis with a fee structure of approximately 1 percent of the mortgage asset portfolio. Based on the aforementioned assumptions, a profit before tax of J$103,878 has been projected for 1983.

b. Financial Status

The income of the Company is obtained from the following sources:

- A margin between borrowing and lending rates ranging from 0.5 percent to 1.5 percent;
- Management Fees obtained for the performance of administrative and collection services on behalf of mortgees and property developers;
- Other revenues for various mortgage-related service concessions;
- Short Term Investments - income derived from short term investment portfolio management.

Expenses are chiefly related to:

- Losses on foreign exchange - CDC loans are demoninated in foreign currency sterling, thus any shift in rates between the period of mortgage collection and the period of loan payment becomes an expense for the Company;
- Salaries and related employees benefits;
- Data processing/machine rental and maintenance;
- Office rental and maintenance;
- Stationery/receipting and postage.

Overall mortgage portfolio delinquency as of December, 1982, was 8 percent of annual collections due.

F. Environmental

The construction activities envisaged under Phases I and II of HG-012 will necessitate some alteration to the existing physical environment. Since the sites identified for Phase I Accelerated Delivery projects are strictly illustrative at this stage, the significance of any environmental consequences cannot be specifically assessed at this time. The Initial Environmental Examination submitted with the PID recommended deferral of a threshold decision pending preparation of criteria which would provide safeguards against negative impacts on the environment. Such criteria were developed during the intensive review and are included in Technical Annex E.1. Compliance will be required as a condition to disbursement for each sub-project and will be verified as a part of each sub-project review. Based on the development and establishment of such criteria, an amendment to the Initial Environmental Examination recommends a negative threshold decision (see Annex G).

VI. CONDITIONS PRECEDENT TO DISBURSEMENT

Based on the analyses of the Program and to influence the actions of the GOJ, a series of conditions will be made as part of this loan authorization.

Condition Precedent to Seeking a U.S. Investor:

The Borrower shall submit, except as A.I.D. may otherwise agree in writing, in form and substance satisfactory to A.I.D., a Project Delivery Plan for the Accelerated Delivery Projects. The Plan will set forth the planned cash flow needs; A.I.D. and GOJ counterpart funds ; the roles of the participating institutions; detailed site selections and construction schedules; land acquisition procedures and timetables; specific housing solutions and numbers of units per site (Starter Homes); costs for all elements of the solution.

The Project Delivery Plan should be based upon the A.I.D. approved Program Design Brief as provided by the MOC(H).

Condition Precedent to First Disbursement:

The Borrower shall submit, except as A.I.D. may otherwise agree in writing, in form and substance satisfactory to A.I.D., a comparative study examining interest rate, other forms of housing subsidies and savings mobilization. The study should examine options for modifying the existing interest rate structure to assure positive real interest rates are attained and recommendations for targeting low income subsidies and for mobilizing savings are made.

Condition Precedent to Disbursement for Reactivating the Secondary Mortgage Market (US$3 million - Phase I)

The Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a plan for the utilization of GOJ counterpart funds and $3 million Housing Guaranty funds. The detailed plan should outline the distribution of resources to the participating institutions, including detailed information on the actual mortgages, the pooling mechanism to be used and the criteria established which outline the use of the funds which will be generated.

Condition Precedent to Final Phase I Disbursement

The Borrower shall submit, in form and substance satisfactory to A.I.D., an MOC(H) Plan for expanding private developer participation in low income housing. This plan will outline the existing role of private sector developers in the shelter sector, explore and analyze the potential means available to expand their participation, e.g., improved design of units, unit cost analyses, joint construction financing, developer marketing of the units, and make recommendations for new MOC(H) guidelines and procedures for private sector development of HG and GOJ financed projects.

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1/ UNCLASSIFIED STATE 242061/01

ACTION: AID7 INFO: AMB DCM RF/10

VZCZCAGO897
PP RUEHAG
DE RUEHC #2061/01 2372022
ZNR UUUUU ZZH
P 251828Z AUG 83
FM SECSTATE WASHDC
TO AMEMBASSY KINGSTON PRIORITY 9531
BT
UNCLAS STATE 242061

ACTION TAKEN

25-AUG-83
OR: 21:03
CN: 49812
CHRG: AID
DIST: AID

AIDAC

E.O. 12356: N/A
SUBJECT: DAEC REVIEW OF HG-012 PID

1. FUNDING LEVEL. BUREAU REVIEWED SUBJECT PROPOSAL AT DAEC MEETING ON AUGUST 3 APPROVING PID AND AUTHORIZING INTENSIVE REVIEW AND PP PREPARATION. BUREAU ALSO APPROVED IN PRINCIPLE PROPOSED FUNDING LEVEL OF DOLS 40 MILLION ALTHOUGH IT CONCURRED WITH MISSION PROPOSAL TO AUTHORIZE FUNDING IN TWO SEPARATE TRANCHES. THE BUREAU IS PREPARED TO CONSIDER AUTHORIZATION OF THE FIRST TRANCHE AS SOON AS A PP CAN BE PREPARED. CONSIDERATION OF FUNDING FOR SECOND TRANCHE, HOWEVER, WOULD BE DEFERRED UNTIL FUNDS UNDER ON-GOING HG-011 ARE LARGELY DISBURSED (I.E., PROBABLY IN FY 84). APPROVAL IN PRINCIPLE OF TOTAL PROGRAM LEVEL SHOULD AFFORD MISSION SERIOUS OPPORTUNITY TO MAKE SUBSTANTIAL PROGRESS ON OUTSTANDING POLICY ISSUES PERTAINING TO THE PROJECT, ESPECIALLY THOSE CITED IN PARAGRAPH 5 BELOW.

DATE 8/26
RHUD
8/31

2. PP CONTENT. IT WAS AGREED THAT THE MISSION WOULD PREPARE, FOR THE FIRST TRANCHE, A PP PROVIDING BACKGROUND INFORMATION AND RATIONALE FOR TOTAL PROGRAM, BUT WOULD INCLUDE ONLY GENERAL DESCRIPTION OF COMPONENTS TO BE FUNDED UNDER THE SECOND TRANCHE. THESE COMPONENTS WOULD BE MORE FULLY DESCRIBED, TOGETHER WITH RELEVANT ANALYSES, IN A SEPARATE PP AMENDMENT. THESE ANALYSES SHOULD, ABOVE ALL, INCLUDE AN EVALUATION, TO BE CONDUCTED WITH THE HELP OF AID OR CONTRACTOR PERSONNEL FROM OUTSIDE RHUDO/CAR, OF THE EXPERIENCE AND PROGRESS UNDER HG-011.

3. IMPLEMENTATION PLANNING. DETAILED PLANNING OF PROJECT ACTIVITIES SHOULD BE COMPLETED AS PART OF PP PREPARATION, SO THAT CONSTRUCTION ACTIVITIES CAN BEGIN AS SOON AS POSSIBLE FOLLOWING AUTHORIZATION OF FIRST TRANCHE. THE PP SHOULD PROVIDE AN IMPLEMENTATION SCHEDULE OF ALL PROJECT ACTIVITIES, SPECIFYING TIME NEEDED FOR SUCH CRITICAL EVENTS AS LAND ACQUISITION, ETC. ALL CRITERIA FOR SELECTING ACTIVITIES TO BE INCLUDED IN EACH COMPONENT SHOULD BE SPECIFIED IN THE PP, INCLUDING, WHERE POSSIBLE, DETAILS OF ANY SPECIFIC SUB-PROJECTS WHICH HAVE ALREADY BEEN NEGOTIATED FOR FUNDING UNDER THE TURN-KEY STARTER HOME COMPONENT.

4. INSTITUTIONAL CAPACITY. WHILE THE MISSION HAS

MINIMIZED RELIANCE ON MOC(H) IN IMPLEMENTING THE FIRST TRANCHE BY RELYING PRIMARILY ON PRIVATE DEVELOPERS, THERE COULD NEVERTHELESS BE SUBSTANTIAL RESPONSIBILITIES INVOLVED INVOLVED IN MOC(H)'S REVIEW AND APPROVAL ROLE. CONCERN WAS EXPRESSED DURING THE PID REVIEW THAT MOC(H)'S ROLE IN PROJECT IMPLEMENTATION BE STRUCTURED TO AVOID STRAINING MOC(H) CAPACITY AND/OR CREATING CUMBERSOME ADMINISTRATIVE PROCEDURES. TECHNICAL ASSISTANCE MAY BE BUILT INTO THE PROJECT AS NEEDED TO OVERSEE THAT MOC(H) SUCCESSFULLY SHIFTS FROM ITS TRADITIONAL EXECUTING ROLE TO ONE OF REVIEW/APPROVAL AS CONCEIVED IN THE PID. THE PP SHOULD ALSO PROVIDE DETAILED INFORMATION, PARTICULARLY WITH REGARD TO THEIR FINANCIAL STATUS, OF EDCO AND SIHL, WHICH WILL HAVE IMPORTANT EXECUTING FUNCTIONS IN THE PROGRAM.

5. FINANCIAL ISSUES. THE DAEC DISCUSSED IN DETAIL THE EXISTING FINANCIAL POLICIES IN THE HOUSING SECTOR, EXPRESSING CONCERN OVER THE REMAINING SUBSIDY ELEMENT BUILT INTO THE INTEREST RATES OFFERED BY PUBLIC HOUSING AGENCIES. IT WAS AGREED THAT THIS AREA WOULD BE CAREFULLY EXAMINED DURING THE INTENSIVE REVIEW, AND THAT THE MISSION SHOULD SEEK, AT A MINIMUM, GOJ COMMITMENT TO TWO PRINCIPLES: FIRST, THAT IT WOULD MAINTAIN THE VALUE OF THE POOL OF FINANCIAL RESOURCES NOW AVAILABLE FOR LOW-INCOME HOUSING; TO THE EXTENT THAT INTEREST RATES WERE FIXED AT BELOW-MARKET RATES, THIS OBJECTIVE WOULD BE MET BY MIXING BORROWED FUNDS WITH THOSE OF THE NHT AND GOJ BUDGET; AND SECOND, THAT THE GOJ WOULD AIM AT A POSITIVE REAL RATE OF INTEREST FOR BORROWERS IN THE HIGHEST ELIGIBLE INCOME CATEGORY.

6. BEYOND THESE GENERAL PRINCIPLES, THE MISSION SHOULD EXPLORE THE POSSIBILITY OF INCREASING INTEREST RATES IN ORDER TO REDUCE THE GAP BETWEEN PUBLIC RATES AND THOSE AVAILABLE FROM PRIVATE LENDERS. SINCE THE PROGRESSIVE SHIFT TO THE PARALLEL MARKET FOR FOREIGN EXCHANGE HAS HAD AN IMPORTANT IMPACT ON HOUSING COSTS, THE EXTENT TO WHICH INTEREST RATES COULD BE INCREASED WITHOUT PRICING THE TARGET GROUP OUT OF THE PROGRAM MUST BE CAREFULLY ANALYZED. THE MISSION SHOULD EXPLORE A RANGE OF OPTIONS, INCLUDING, BUT NOT LIMITED TO THE FOLLOWING: (A) MOVING TO TWO-TIER RATE STRUCTURE, WITH THE UPPER TIER SET AT NEAR-MARKET RATES SUBJECT TO BORROWER'S ABILITY TO PAY; (B) INCREASING RATES IN COMBINATION WITH ADOPTING A GRADUATED PAYMENT MORTGAGE, PERMITTING A GRADUAL ESCALATION OF MONTHLY PAYMENTS OVER THE LIFE OF THE LOAN; AND (C) ADOPTING AN ADJUSTABLE RATE MORTGAGE PERMITTING

RATES TO RISE WITH INFLATION RATES. THE NEED FOR INDEXING MORTGAGE RATES SHOULD BE CONSIDERED IN THE LIGHT OF THE ACTUAL RECORD ON DOMESTIC INFLATION OVER A 6-12 MONTH PERIOD, USING WAGE RATES AS THE RELEVANT INDICATOR.

7. CONCERNING MORTGAGE COLLECTIONS, THE MISSION SHOULD ADOPT A FIRM POSITION VIS A VIS THE GOJ'S INTENTION TO IMPROVE COLLECTION PERFORMANCE; IT WAS SUGGESTED THAT IT WOULD BE HELPFUL TO SPECIFY, WITH THE GOJ, CONCRETE COLLECTION TARGETS WHICH WOULD BE A MEASURE OF SUCCESS IN IMPLEMENTING NEW COLLECTION PROCEDURES. THE PP SHOULD PROVIDE AN UP-DATE ON STATUS OF COLLECTIONS, AND AN EVALUATION OF COLLECTION EXPERIENCE UNDER HG-011 SHOULD BE INCLUDED IN THE PP AMENDMENT.

8. SECONDARY MORTGAGE MARKET. THIS COMPONENT WAS NOT ADEQUATELY ADDRESSED IN THE PID AND NEEDS TO BE FULLY DESCRIBED IN THE PP. IN PARTICULAR, THE PP SHOULD PROVIDE THE RATIONALE FOR UTILIZING AID RESOURCES FOR THIS ACTIVITY, OUTLINING HOW IT FITS INTO THE COUNTRY'S STRATEGY FOR SAVINGS MOBILIZATION AND HOW IT WILL CONTRIBUTE TOWARDS GOJ'S INSTITUTIONAL AND FINANCIAL GOALS IN PROVIDING LOW-INCOME HOUSING. DAM

BT
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ANNEX A

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

Life of Project:
From FY83 to FY87
Total U.S. Funding: $40m
Date Prepared: Aug 29, 1983

Project Title & Number: JAMAICA SHELTER SECTOR SUPPORT 532-HG-012

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: (A-1) Improve living conditions of low income families by increasing the provision of shelter and related services through coordination and utilization of public and private sector resources.	Measures of Goal Achievement: (A-2) Increase in number and percent of low income households in areas with improved services, land tenure, and new and improved houses. By the end of 1987, the annual production of low income shelter solutions should reach 5,000.	(A-3) Records - Ministry of Construction(H) and Planning. Project monitoring & evaluation by RHUDO & borrower. Periodic reports from participating agencies.	Assumptions for achieving goal targets: (A-4) Continued GOJ commitment to shelter for the poor as a major government priority. Completed project outputs are replicable of GOJ.
Project Purpose: (B-1) Assist the GOJ in the implementation of its shelter policy thru: 1. Increased private sector production of shelter & related services through accelerated delivery program. 2. Injection of housing funds into the public and private sector through reactivation of secondary mortgage market and mortgage insurance operations. 3. Expanded public sector institution building.	Conditions that will indicate purpose has been achieved: End of project status (B-2). 1. Overall increase in private sector activity (contracts, units produced, investments made) in low cost shelter and specific increase in private sector equity participation and marketing. 2. a) increased level of mortgages purchased by JMB. b) volume of insurance issued. 3. a) Secretariat in place for policy coordination; closer coordination between MOC(H) production and NHT and CHFC long term financing; streamlined production process. b) reduced time required to move from site selection to land acquisition to occupancy.	(B-3) RHUDO monitoring and project evaluation. Periodic reports from participating institutions, including quarterly reporting on cash flows/disbursements, by type of program.	Assumptions for achieving purpose: (B-4) GOJ and private contractors continue to support accelerated delivery and GOJ develops their plan for expanded private sector approaches to equity participation and marketing. GOJ institutions effectively coordinate working relationships for shelter sector activities. GOJ support continues for t.a. on secondary market operations.
Project Outputs: (C-1) Substantial additions & improvements to low income housing stock. 1. Accelerated Delivery Program. 2. Secondary Mortgage Market. 3. Squatter Upgrading. 4. New Schemes (Core Houses) 5. Home Mortgage Loans. 6. Urban Infrastructure.	Magnitude of Outputs: (C-2) 1500 1. units produced. 2. Approximately 300 mortgages purchased. 3. 1300 plots upgraded and 1300 households receive tenure and improved infrastructure. 4. 600 units (second tranche). 5. 450 JCCUL mortgage loans (second tranche) 6. 8,000 beneficiaries of improved infrastructure (second tranche).	(C-3) RHUDO monitoring and evaluation. GOJ and Credit Union reporting. Technical Advisors reports.	Assumptions for achieving outputs: (C-4) 1. Affordable design criteria are used; compliance with criteria and beneficiary selection is efficient and well coordinated. 2. T.A. continues for JMB Government support for project continues. 3. Land acquisition and land tenuring process is accelerated. 4. Satisfactory progress has been made on HG-011 activities
Project Inputs: (D-1) 1. HG loan 2. Local Investment GOJ Counterpart Project FSF Counterpart Equivalents 3. Technical Assistance	Implementation Target (Type & Quantity) (D-2) 1. U.S. $40 million (HG loan). 2. U.S. $885,000 (grant) 3. U.S. $35 million GOJ counterpart funds (includes $10m projected ESF counterpart funds) 4. Long term & short term technical assistance.	(D-3) Disbursement records. RHUDO monitoring JCCUL reporting CHFC reporting	Assumptions for providing inputs (D-4) 1. U.S. investor interest exists. 2. U.S. housing technicians selected and available. 3. GOJ counterpart funds made available as budgeted. 4. Grant funds available on a timely basis. 5. Project FSF Counterpart Equivalents made available for reactivation of secondary mortgage market

THE HOUSING GUARANTY PROGRAM

STATUTORY CHECKLIST

NAME OF COUNTRY

PROJECT NO. -HG-

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? YES

Section 222(b)

Will the proposed guaranty result in activities which emphasize:

(1) projects providing improved home sites to poor families on which to build shelter and related services; or — NO

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

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

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

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

(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

A-9

MINISTRY OF CONSTRUCTION (HOUSING)

P.O. BOX 397,

KINGSTON 10,

JAMAICA

ANY REPLY OR FURTHER REFERENCE TO THIS COMMUNICATION SHOULD BE ADDRESSED TO THE PERMANENT SECRETARY AND THE FOLLOWING REFERENCE QUOTED.

No. HM/U 6

July 21, 1983

Mr. Lewis Reade,
Director,
US/AID Mission to Jamaica,
c/o American Embassy,
2 Oxford Road,
Kingston 5.

Dear Mr. Reade,

You are aware of the efforts which have been made by the Government with the assistance of US-AID to develop and implement a national housing programme. I now wish to formally request the US-AID initiate development of a new Housing Guaranty programme. In keeping with our discussions regarding the structure of such a programme, we project that approximately US$40 million would be required over the next few years. The Government will be seeking to devote substantial resources to the activities to be undertaken under this programme.

We propose to utilize a significant portion of the resources in the development and implementation of turnkey projects. These will be designed to bring the private sector more fully into the Government's housing delivery programme and, by so doing, to expand our capacity to complete housing units. We also contemplate devoting some of these early resources to finance urban infrastructure in May Pen in conjuntion with the overall development project currently under discussion between the Government and US-AID, as well as, for large planned developments in the Kingston metropolitan area. Some of these resources would also be made available to the Jamaica Mortgage Bank for the revitalization of the secondary mortgage market. It is proposed that the Jamaica Mortgage Bank be designated the official borrower under the new programme.

By early 1985, we will have drawn down most of the resources available to us under the HG-011 programme. We would seek to allocate approximately $20 million of this new request for continuation of HG-011 activities in the areas of settlement upgrading, new housing schemes, build-on own-land and home improvement loans.

[illegible] understand that you are prepared for detailed project development [illegible] [illegible] with you in working out the project details.

Yours [illegible],

(Bruce Golding)
Minister of Construction

Best Available Document

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I. TECHNICAL

a. Phase 1: Accelerated Delivery Program

1. Background

Increasing the efficiency and supply of affordable shelter to low income households is the central element of the MOC(H)'s housing policy. In practical production terms, this objective translates into the two MOC(H) housing solutions - the Accelerated Delivery Program of Starter Homes in the first tranche of HG-012 and the Squatter Upgrading Program in the second tranche.

-Starter-Homes is an expandable studio unit of approximately 300 square feet containing one large all-purpose room with separate bath and kitchen on a fully-serviced lot.

The first tranche of HG-012 will assist the MOC(H) to accelerate its delivery of Starter-Home units by financing US$12 million (approximately J$21.4 million) of this type. This would finance approximately 700 Starter-Home solutions in four projects located along the Kingston-May Pen corridor and in the parish of St Thomas.

U.S.A.I.D./J is working closely with the MOC(H) to accelerate shelter production in order to meet current unsatisfied demand. The MOC(H), through two public corporations will structure its programs to encourage, private sector participation and initiative as a means to accelerate the delivery of low income housing.

- SIHL manages projects which are planned, designed and constructed by private developers on MOC(H) land.

- EDCO - provides fully planned and designed projects on MOC(H) land to private contractors who construct with EDCO support.

In addition to meeting all established A.I.D. site affordability and design criteria for project selection, a key element in the selection of the four projects proposed for the first tranche accelerated delivery component is that site acquisition, project planning and design have progressed to such a stage that construction can begin rapidly. This factor will permit rapid disbursement and draw down following authorization of the first tranche.

2. Description of the Accelerated Delivery Projects (ADP)

The four projects proposed for the US$12 million first tranche of HG-012 represent the PP team's best current judgement as to those projects which meet U.S.A.I.D. program criteria, and at the same time, are at a sufficiently advanced stage of project development to allow for rapid project implementation.

Project (Total No. of Units on site)	Developer	No. of Starter-Home Units	Total Unit Cost (J$)1/	Total Project Cost (J$M)
1. Old Harbour Bay (221)	SIHL	221	30,800	6.81
2. Friendship Meadows (450)	Private	150	32,500	4.88
3. Yallahs (436)	SIHL	200	30,000	6.00
4. Toby Abbot (633)	EDCO	125	30,400	3.80
		696		J$21.49 (US$12M)

1/ Includes land, infrastructure and Starter-Home unit costs.

a. Review of Current Status of Four Projects (ADP)

The following table reviews each project's current status from the viewpoint of the key elements of the development cycle.

Table E.1.1

Project	Site Identification	Land Acquisition	Site Plan & Design	Sub-division & Civil Works Approval	Starter Home type Selected	Tendering/ Contract Signed
1. Old Harbour Bay	X1/	X	X		X	
2. Friendship Meadows	X	X	"See next section"	X		
3. Yallahs	X	X	X		X	
4. Toby Abbot	X	X	X			

1/ "X" means process completed.

The table clearly indicates that all projects are nearing the initial point for project implementation, i.e., tendering/contract signing. The table does raise one note of concern, however, since subdivision and civil works approval still must be obtained on three of the four projects. The MOC(H) currently overcomes this potential bottleneck to project implementation through the use of the Housing Act (Act 55 of 1968) which gives the Minister of Construction under section 8, the power to approve any housing scheme subject to having previously met a series of pre-conditions.

b. Review of Land Use Planning and Infrastructure Standards

As indicated above, the four proposed projects are well advanced in project preparation. An analysis (Table E.1.2) of the projects has been done in order to compare these projects with the proposed standards of the design brief. (For a detailed description of the design brief see Section 1.A.8.) Not all the current proposed land utilization and infrastructure services presently meet the new USAID criteria, but they will be brought into compliance prior to implementation. The following summarizes the land use standards to be applied for Accelerated Delivery Projects.

Table E.1.2

SELECTED DATA FOR HG 012 PROJECT SITES

	LAND UTILIZATION (%)											
	RESIDENTIAL	CIRCULATION	COMMUNITY FACILITIES	PARKS & OPEN SPACE	OTHER	AREA OF SITE (ACRES)	NO. OF LOTS	LOTS/ACRE	AVERAGE LOT SIZE(SQ.FT.)	NO. OF STARTER-HOME LOTS	% OF TOTAL LOTS	STARTER-HOME LOT SIZE
OLD HARBOUR BAY	48.8	22.0	-1/	18.8	10.4 2/	25.5	221	8.67	2,450.7	221	100	2,450.7
FRIENDSHIP MEADOWS (PHASE II)	65.9	24.6	-3/	8.6	0.9 4/	35.8	273	7.69	3,768.3	150	55	2,825.8
YALLAHS	51.3	18.3	5.7	20.6	4.1 2/	66.8	441	6.60	3,383.8	200	45	2,404.1
TOBY ABBOT	57.8	12.0	6.8	20.3	3.1(2)	115.8	618	5.34	4,722.6	150	24	-(5)

(1) A sports field and community center is located to the site.
(2) Sewage treatment facility.
(3) Community facilities including schools and commercial sites are part of the adjacent Phase I development.
(4) Well and pump site.
(5) Part of the site be redesigned to provide smaller lots for Starter-Homes.

1) **Residential**

The percentage of land devoted to residential use is lower than the design standards for two of the four projects (Old Harbour Bay 48.8%, Yallahs 51.3%). The problem in both cases results from an excessive amount of open space. Site design modifications prior to tendering and contract signing will increase residential use to approximately 55 - 60% of the site.

The number of lots per acre is low in all cases, ranging from 5.34 to 8.67. This low figure is compounded by the fact that all projects (except Old Harbour Bay) contain a substantial amount of larger lots reserved for 2 -BR units not financed by USAID. The density of lots would be improved if residential land use is increased. Efforts will be made to reduce the sizes of lots (and thereby the costs). The PP design team is working with the developer of the Friendship Meadows project and proposals have been made which would reduce the average lot from 5,838 sq. ft. in the first phase to 3,768 sq. ft. in the second phase. The average size of a Start-A-Home lot would be 2,825 sq. ft. Similar efforts will be made to create some smaller lots for the Toby Abbot project.

2) **Circulation**

The amount of the site reserved for circulation meets the design criteria for all projects. Friendship Meadows has the highest percentage (24.6%) because most streets in the project have a 40 ft. R.O.W. instead of the 30 ft. which is used in the other projects. The roads in all projects will be paved and will have concrete curbs and channels for drainage.

3) **Community Facilities**

The provision of a limited amount of space is made for community facilities in the proposed projects. In fact, two projects (Old Harbour Bay and Friendship Meadows) have no space allocated since needed community facilities are located on adjacent land.

4) **Parks and Open Space**

The main problem with the site plans (except for Friendship Meadows) is that too much land is reserved for open space. The Old Harbour Bay and Yallahs sites have 12.5 and 14.0 percent, respectively, of the total area allocated to unusable small parcels of land distributed throughout the site. The TA team will work with the project designers to incorporate as much of this land as possible into residential use thus increasing residential density and providing for maintenance by individual property owners.

5) **Infrastructure Services**

The proposed services meet the criteria of the Design Brief. Water supply in all projects will be by individual house connections. Each property will also be connected to a piped sewer system with treatment facilities.

c. Illustrative Design for Starter-Home Unit (ADP)

The Starter-Home is the generic name of an expandable studio unit of approximately 300 square feet containing one large all-purpose room with separate kitchen and bath.

Since three different developers will execute the four proposed projects under a first tranche of HG-012, the specifics of individual Starter-Home designs, and therefore costs, will vary slightly. As an illustrative exercise, the Starter-Home unit proposed for the Old Harbour Bay project will be examined in greater detail.

The Starter-Home which will be erected at the Old Harbour Bay site is marketed as the KIW Affordable Housing System. It will be erected by the developer selected for this project.

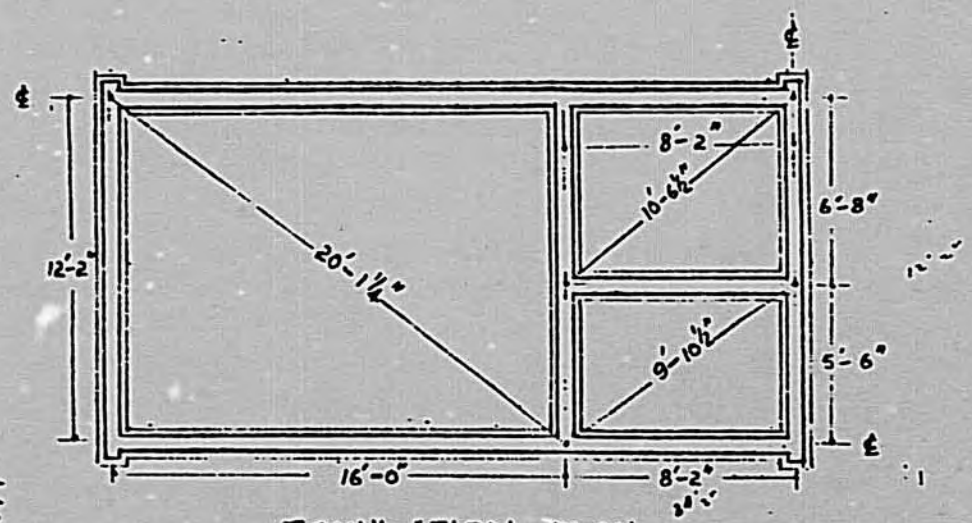
The KIW Starter-Home unit measures - 12'2" by 24'2" on centerline (approximately 294 square feet). (See foundation and elevation plans). It consists of 23 wall panels constructed of steel angles and covered with a heavy-gauge wire mesh. During erection, the panels are bolted together. The entire steel frame is then encased in several hand-applied applications of concrete. Generally concrete is applied in either two or three coats consisting of a base coat and a finish coat. The framing for the roof is also of steel, and contains four basic components: a roof truss, a gable-end truss, C-purlins and braces. The roof is covered with galvanized sheets. The unit includs complete electrical and plumbing installations.

The KIW unit is easy to erect requiring no heavy equipment nor specialized labor force. The entire unit can be erected and finished in less than a month. It is easily expandable into a 24'2" by 24'4" two-bedroom unit (see floor plan).

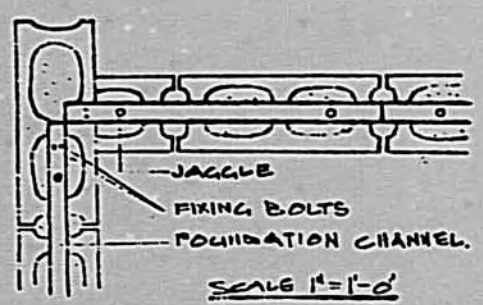
d. Illustrative Costing for Starter-Home Unit (ADP)

Since the four proposed projects will all have slightly different land, site development and superstructure costs, this section will offer an illustrative costing exercise which synthesizes costs from several EDCO infrastructure projects recently prepared for tender and three ongoing MOC(H) projects which are utilizing the KIW unit.

Table E.1.3 summarizes an illustrative cost breakdown for a KIW Starter-Home unit sited on a fully developed 2450 square foot lot. Total cost including land, infrastructure and superstructure is J$30,000 (US$16,900).



FOUNDATION PLAN
SCALE 3/16"=1'-0"



SCALE 1"=1'-0"

- NOTE : DIMENSIONS ASSUME STANDARD C' BLOCKS OF 5½" x 15½" WITH ½" AVERAGE SPACE BETWEEN BLOCKS
- ALL DIMENSIONS ARE ON ℄

KIW - SYSTEM.				
DRAWING FOR MINI CUISSAS				
TYPE	SHEET NO	SCALE	DATE	DRAWN B.
"C"	3C			

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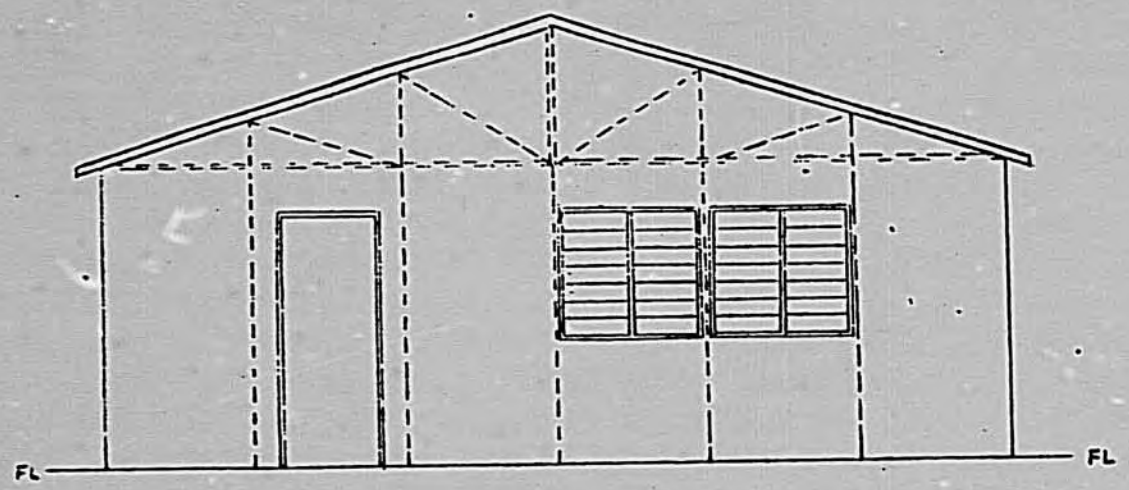
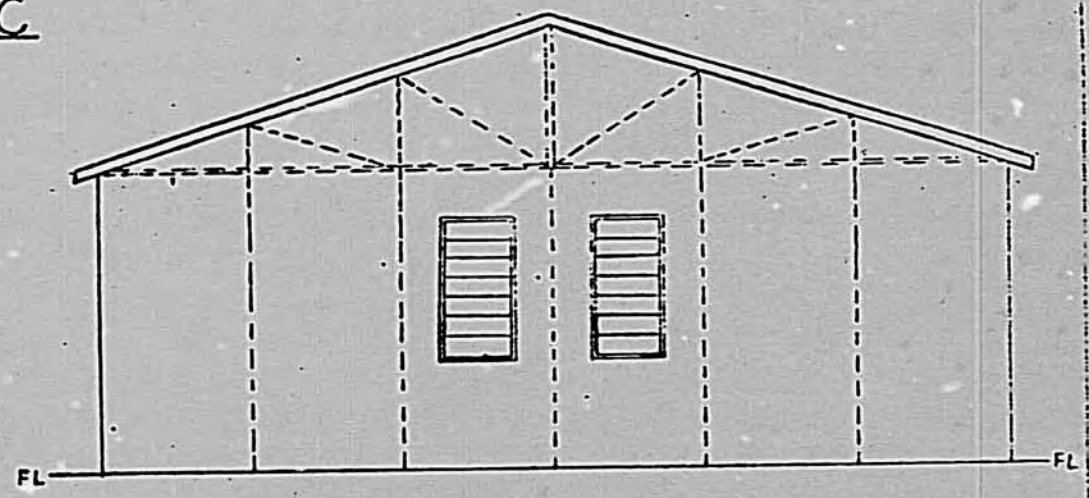


ELEVATION ON ARROW C
SEE SHEET 5C

MINI - CRISSAS

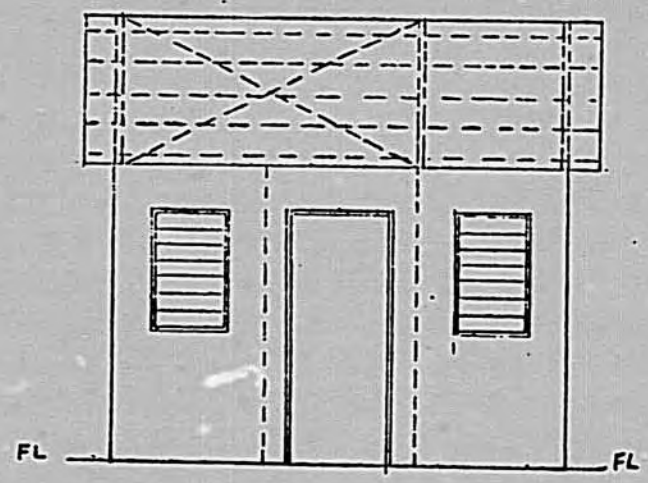


ELEVATION ON ARROW A
SEE SHEET 5C

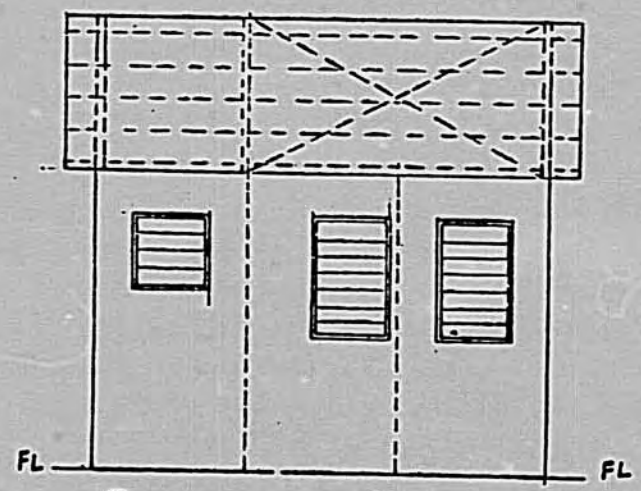
DRAWN BY: P.A.B.	SHEET 7C OF 8C	SCALE: 1/4" : 1'
		DATE: 26.4.83

A-17

MINI-CRISSAS



ELEVATION ON ARROW B
SEE SHEET 5C

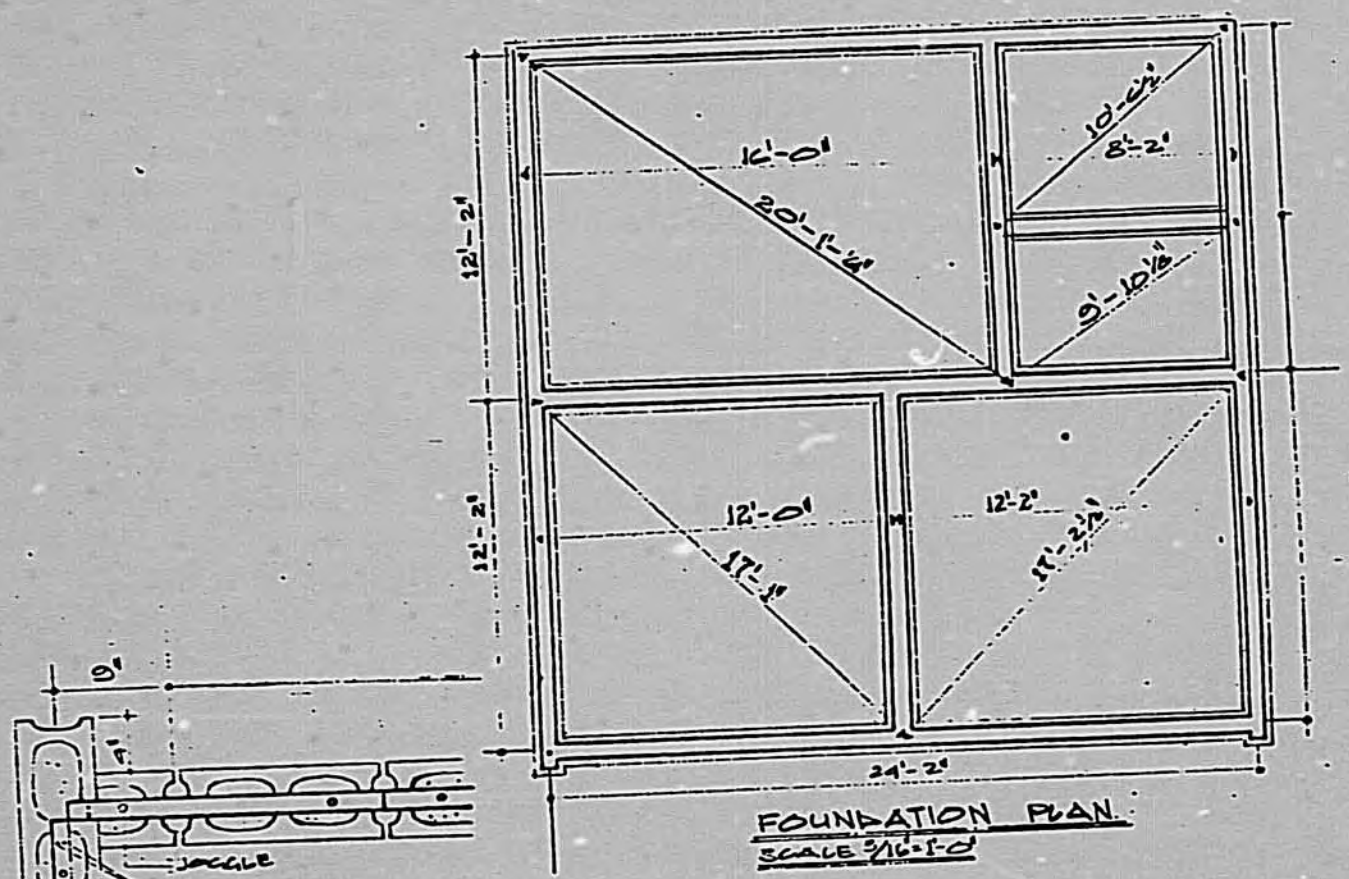


ELEVATION ON ARROW E
SEE SHEET 5C

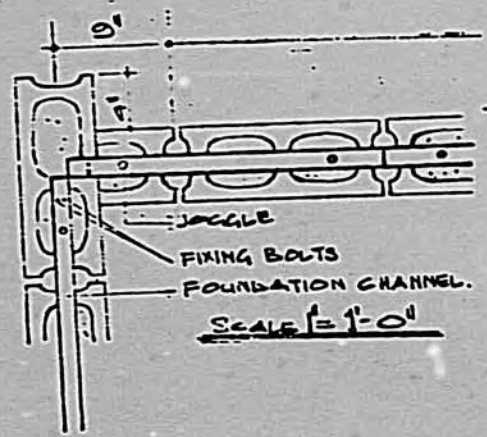
DRAWN BY: P.A.B
SHEET 8C OF 8C
DATE: 27.4.83
SCALE: 1/4" : 1'

A-18

67



FOUNDATION PLAN.
SCALE 3/16"=1'-0"



SCALE 1"=1'-0"

- NOTE: DIMENSIONS ASSUME STANDARD 6" BLOCKS OF 5 1/2" x 15 1/2" WITH 1/8" AVERAGE SPACE BETWEEN BLOCKS.
- ALL DIMENSIONS ARE ON ℄.

KIW - SYSTEM.

DRAWING FOR GRISSAS

TYPE	SHEET Nº	SCALE	DATE	DRAWN BY
'B'	3B			

A-19

98

Table E.1.3

STARTER HOME DEVELOPMENT COSTS
SEPTEMBER 1983

-- Land (35' x 70') 2450 ft. squared @ J$0.40/sq ft.		J$ 980
-- Infrastructure		
Preliminaries (site clearance, general fitting and compaction, site office, end of project bonus, etc.	$600	
Roadways (including minimum required storm drains, retaining walls, and guard costs)	$2300	
Water supply (incl. individual lateral connections)	$1400	
Sewage Disposal (incl. individual lateral connection, but not off-site treatment works)	$2700	
Off-site Works (water supply, storage tanks, treatment facilities, etc.)	$1250	
Contingencies (15% of on-site plus off-site civil works)	$1150	
Subtotal - infrastructure		J$9400
Subtotal (land plus infrastructure)		J$10380
Infrastructure for construction of KIW Start-A-Home 12'x24' unit		
Preliminaries (performance bond, insurance, end of project bonus, etc.)	$1600	
Lot Preparation (strip top soil for house spot, excavate high spots, remove surplus excavated materials, approved quality marl fill)	$ 800	
Foundation (excavation, concrete block work, reinforcement, backfill)	$1750	
KIW Kit (ex-factory incl. $400 for transportation)	$5500	

Erection (erect pre-fab system incl. concreting of wire mesh panels, concrete floor, roof frame and covering)	$4500	
Plumbing and Electrical Installation (labor and materials)	$1200	
Contingencies	$1000	
Sub Total	$16350	J$16,400
Final Sub-total		J$26,800
-- Contingencies (possible price escalation - 12% of final sub-total)		3,200
TOTAL		J$30,000

3. Rising Construction Costs: Wage and Parallel Market Effects

The cost of construction has risen substantially since January 1983, and all indications are that costs will continue to rise through the end of the year. This rise can be attributed to two factors, one realitively easy to measure, the other much more difficult.

- New wage agreement of the Joint Industrial Council (JIC) introduced in January 1983 (but retroactive to August 1982) allowing an immediate 35 percent increase to construction workers;

- Building materials being placed on the parallel market (approximately US$2.70 vs. US$1.78 to the J$) in January 1983 with gasoline following in June.

The labor component of most developer-built housing accounts for approximately 30-40 percent of total construction cost. Applying the 35 percent JIC wage award (it is generally agreed that most construction workers have, in fact, received this increase) to the range of labor component percentages, yields on overall increase in labor costs on the order of 10-14 percent.

Calculating the effects of placing building materials and gasoline on the parallel market is much more difficult. As mentioned above, these shifts have come in two stages. All building materials were placed on the parallel market in January 1983. It will be assumed for the purpose of this analysis that the effects of shifting the purchase of building materials to the parallel market have already rippled through the local economy by July/August. A developer provided the PP team with his best estimate of the cost implications of this first shift (see Tables E.1.4) for the typical MOC(H) Starter-Home unit. The Table shows that the cost increases between January and July/August registered approximately 10 - 15 percent.

While the second shift of gasoline to the parallel market was announced in June, the impart on building material and transportation costs has not yet been fully realized. Certain items (such as reinforcement) are still at their old prices, but are not available on the local market, i.e., suppliers are waiting for a price increase from the Prices Commission. However, best estimates at this time suggest that this second shift will add an additional 15 percent to construction costs by the end of the year.

In summary, it can be estimated that the incremental effects of the three measures introduced since January 1 will produce an overall increase in the cost of construction of between 35 and 45 percent by the end of 1983.

Table E.1.4

EFFECTS OF PURCHASING BUILDING MATERIALS ON PARALLEL MARKET
MINISTRY OF CONSTRUCTION (HOUSING)

243 SQ. FT. STARTER-HOME UNIT

	Unit Price 1-1-83(J$)	Amount (J$)	% Increase (J$)
Preliminaries	1,650.00	--	--
Materials:			
1. Concrete	2,855.00	888.00	31
2. Reinforcement	339.89	25.26	7
3. Cement	111.65	27.72	25
4. Aggregate	801.00	124.00	15
5. Wall Render	122.30	19.75	16
6. Doors & Accessories	229.52	77.09	34
7. Windows	508.11	101.65	20
8. Sanitary	1,140.31	228.38	20
9. Electrical	390.75	112.07	20
10. Paint	281.70	56.34	29
11. Fuel, Industrial gases and oil	232.72	87.36	38
	7,012.94	1,747.62	25
Labor (incl. labor award)	5,775.00	--	--
Overhead & profit	2,062.06	--	--
	16,500.00	1,747.62	

1-1-83	16,500.00
8-31-83	18,247.62
Increase	1,747.62
% Change	10.6

4. Design Brief for Accelerated Delivery Program

a. Purpose of Brief

This brief is to serve as a guide to organizations and developers preparing plans for housing projects to be financed through the Housing Guaranty (HG) Loan Program. Since plans must be approved by MOC(H) and the USAID Resident Advisor, it is important that the designers of projects have a clear understanding of the criteria on which projects will be reviewed.

Since projects or portions which are financed by USAID must serve families who earn below the median income, the standards outlined are intended to set basic levels of land use and amenities which will meet the needs of but still be affordable to the intended beneficiaries. It is not the intention of this brief to dictate set solutions or to limit the role of the designer. It is hoped that imaginative proposals will be developed in response to the needs of low income families. The final criteria by which proposals will be judged is the affordability by the target population.

The guidelines do not replace or supersede other development guidelines presently in use in Jamaica, but are intended to give additional direction relating to low income developments. Planners should also be familiar with A Manual for Development published by the Town Planning Department, 2a Manhattan Road, Kingston 5 and the regulations of the Ministry of Health and Environmental Control and the National Water Commission. The Manual for Development contains in sections 4.52 to 4.55 regulations dealing with housing for low income families in special areas involving urban renewal, sites and services and upgrading which indicates that "Local Planning Authorities may be more flexible in their assessment of projects, with regards to minimum standards." It also states that "flexibility is needed to allow for an incremental approach in achieving minimum standards." The main areas which lend themselves to such an approach are roads and footpaths, amenity areas, and methods of sewage disposal.

There are two types of standards which influence the final cost of the project and which will be discussed in the brief: land use standards and infrastructure standards. The standards are interrelated and those established for one area will influence what standards will be required for other areas. The criteria by which housing projects will be evaluated for HG funding are summarized in Table E.1.5 .

TABLE E.1.5

PROPOSED LAND USE STANDARDS

TYPE OF PROJECT	LOT/ACRE	AVERAGE LOT SIZE(SQ.FT.)	LAND UTILIZATION(%) RESIDENTIAL	CIRCULATION	COMMUNAL
Low density (Septic Systems)	7	3,700-4,300	60-70	10-20	10-20
High density (Sewer System)	10-19	1,500-2,500	55-65	15-25	10-20

b. Land Use Standards

Land use standards indicate how the site is divided between the various functions which are assigned to it. The land use breakdown is determined by both financial and planning considerations such as the cost of the land, the income level of the target population, the density of surrounding development, the type of sanitation system and the topography of the site. Table E.1.6 shows the average land use of 5 sites and services projects financed by the World Bank and 5 projects recently designed by Estate Development Company (EDCO). It can be noted that the World Bank sponsored projects have a much lower percentage of land devoted to residential use and therefore a higher percentage devoted to communal land and circulation. Even though 23% less land is used for housing in the World Bank projects, because of the smaller lot sizes the average number of lots per acre (17.45) is 173% higher than the 6.39 lots per acre of the Estate Development Company projects. (Table E.1.6). It is evident that no single set of standards will work for all situations, but that each project must be designed and evaluated on its own merits. Therefore the guidelines which follow give a range of acceptable values for each type of land use.

1) Residential

- Percentage of total site. The area devoted to residential use should be between 55% and 70% of the site. The larger the lots (lower density) the higher the percentage (60-70%) of land which should be devoted to residential use. With small lots (and higher density) more circulation and commerical space is required to meet the needs of residents, thus reducing the percentage (55-65%) of residential land.

- Lot Size. The main determinant of lot size in most cases will be the type of sewer system serving the development. On-site individual treatment using septic systems and soakage pits requires larger lots than are needed if a piped sewer system and treatment facility is used. Table E.1.7 illustrates the range of lot sizes and densities for both types of sanitation systems. Regulations permit a density of 7 lots per acre for developments using individual treatment. This results in lots of 3,700 sq.ft. to 4,300 sq.ft. This is one of the areas where greater flexibility on the part of reviewing authorities in reducing lot sites could reduce project costs.

Because of the high cost of piped sewers and treatment plants, it is important to maximize densities in order to reduce the per unit costs. Plot sizes of 1,500 to 2,500 sq.ft. are recommended for sewered developments depending on such factors as the cost of land and development, proximity to urban centers and topography of the site. The above lot sizes are smaller than the minimum sizes recommended by the Town Planning department and would thus require special approval by reviewing authorities.

Lot size and the resulting density are important factors in determining the per unit cost of a development and should be carefully studied to assure that the target population can purchase a lot and starter home which will meet their needs. Assistance is available through MOC(H) to analyse project feasibility using computer programs.

The proportion and orientation of a lot can also influence the cost of development. The short dimension of the lot should be oriented toward the street. The ratio of the length of the lot to the width should be between 1.5 and 2.5 in most situations (Table E.1.7). It is important that smaller plots be regular in shape to assure maximum useability of the limited space.

2) Circulation

- Percentage of total site. The amount of the site required for circulation should be between 10% and 25% again depending on the size of the plots and width of road reserves. Larger plots should require no more than 20% for circulation while the figure can increase to as high as 25% for developments with lots of ground 1,500 Sq. Ft.

- Design Standards. Since few families within the target income group own automobiles, the size of road reserves can usually be kept to a minimum. In most cases, service roads (30 ft. reserve, 20 ft. carriageway) will be adequate. Pedestrian ways can also be considered to further reduce costs of access.

Roads should be planned so that they serve lots on both sides thus distributing the high costs of circulation space among twice as many families. Single loaded streets will be approved only for special site situations.

3) Public Facilities and Open Space

- Percentage of total site. The amount of land needed for communal uses is probably the most difficult to accurately establish. For low income projects between 10% and 20% of the site should be reserved for community facilities and open space.

- Design Standards. There are few guidelines available for determining needs for communal land. Each site must be evaluated in relation to the anticipated population and adjacent facilities with capacity to serve project residents. The Town Planning Department manual indicates that a minimum of 1 acre of communal space should be provided for each 40 lots in a development. It is felt that in many cases, particularly in higher density neighborhoods, this would result in excessive amounts of land being reserved for communal uses. Table E.1.8 indicates that all sample projects with the exception of Toby Abbot Pen actually have smaller amounts of communal space (in some cases) by as much as 50% - 70%. It should be noted that as much as 50% of the site would be needed to meet the Town Planning Department requirements in the higher density projects.

An important element of the World Bank financed projects was to provide a comprehensive package of community facilities as part of the residential development. An average of 26.7% of these sites was used for community facilities as compared to 17.7% of the EOCO projects. In March, 1983 only 3 of the 29 facilities constructed were actually being used. The rest were either empty and vandalised or only partially completed in fear of vandalism. At that time, the Ministries who will eventually take over the facilities had insufficient funds to open and operate them. Therefore, project developers should evaluate community needs and meet with appropriate officials to discuss these needs and to coordinate activities so that a smooth transition can be made once facilities are completed. Proposals should contain details as to how communal space will be developed, used and maintained. If future use is proposed for a site, then an interim solution for its use or upkeep is needed.

The normal services required for residential areas are: educational, commercial, parks, open space and other government services such as health clinics and community centers. The needs for each development will depend on its size and location and must be determined as part of the planning process. Land planned for communal facilities should not be left over spaces which are not suitable for development, but should be an integral part of the site plan. A few larger parcels are also more usable than several small sites.

c. Infrastructure Standards

The detailed technical aspects of infrastructures systems will not be covered here. It is the responsibility of the developer to review his plans with the appropriate authorities of the National Water Commision, the Ministry of Health & Environmental Control, the Ministry of Construction and other agencies to ensure that regulations are met and that the systems are environmentally sound. The Ministry of Construction (Housing) will assist the developer in appealing requirements which they feel are too strict and thus affect the feasibility of the project.

Basic services must be provided to create a safe and environmentally acceptable neighborhood in which to live, but beyond this, the goal is to provide as high a level of services as is affordable by the target population. If by careful planning and design improved levels of service can be provided so much the better. A short discussion of each of the major systems follows which will look at possible levels of service and incremental upgrading over time.

1) Potable Water

Obviously an adequate supply of safe water is necessary for a residential development. The most desirable source is from an existing municipal system but if this is not available then other sources such as wells or springs can be investigated.

The question then becomes what is the appropriate level of service. The ultimate goal is to have an individual connection to a sanitary core and if possible this should be provided with the initial construction of the project.

If this level of service is too expensive, a possible interim solution is to install the main lines (approximately sized for individual connections) of the distribution system and conveniently located public standpipes. Thus families will have access to water until they have the funds to install an individual connection.

2) Sanitation

The earlier discussions of land use indicate that the type of sanitation system has provided a major influence on the design and density of a project and should therefore be resolved early in the design process. The most desirable solution is to provide a piped sewer system which connects to an existing municipal system with treatment, but this will not be possible in most cases particularly in smaller towns and rural areas. Where there is no existing system the main options are:

- a piped sewer system with treatment using a package sewerage plant or stabilization ponds;
- individual on-site treatment using septic systems and absorption pits or tile fields.

The first option is expensive and also requires close coordination and review by the National Water Commission and the Ministry of Health and Environmental Control. A certain economy of scale as well as density in the range of 15 - 20 units per acre will help to keep costs down by distributing them among as many families as possible.

As mentioned earlier the regulations of the Town Planning Department limit the density of development using on-site disposal to 7 lots per acre (lot size 3,700 to 4,300 sq. ft.). Experience in other countries indicate that septic systems can work adequately with lots which are between 2,700 and 3,000 sq. ft. depending on satisfactory soil and site conditions. Variance should be requested when site investigation indicate that there will be no environmental problems with densities greater than 7 units per acre.

The regulations also limit the maximum population which can be served by septic systems in a development to 300 persons or 50 to 60 units depending on average family size. This could limit the number of low-income families which could be served, and is another area where the Ministry of Construction (Housing) would support the developer in a request for greater flexibility on the part of reviewing officials.

3) Circulation

Standards for estate roads established by the Town Planning Department are shown in Table E.1.9. As mentioned earlier it is felt that service roads are adequate for most situations in low income projects. The use of pedestrian paths with rights-of-way of 10 to 15 ft. are encouraged to reduce the area and cost of circulation space.

Roads are one area which lend themselves well to incremental improvement, thus project planners should consider lower levels of finish and design which will provide adequate access initially but can be upgraded in successive phases over time as the neighborhood improves.

A storm drainage system designed as part of the circulation system should eliminate flooding or the accumulation of water within the project area. A surface drainage system as basic as graded channels (where slopes do not create an erosion problem) can adequately serve the neighborhood in the initial phases. The system can be upgraded with the road system.

d) Submissions

Submissions to MOC(H) and USAID shall be made at the completion of the preliminary design and shall include but not be limited to the following:

- Plans
  - o Location Plan
  - o Subdivision Plan
  - o Utility Plans for the following where applicable
    - Potable Water Supply
    - Sewer System
    - Electricity Supply
    - Roads & Drainage
  - o Typical house plans & details
- Written Project Description
  - o Landuse by area and percentage
  - o Number and sizes of lots

- o Density (lots/acre)
- o Description of uses and program for communal land
- o Description of systems

- Cost estimate and affordability analysis.

Table E.1.6

LAND UTILIZATION AS PERCENTAGE OF TOTAL LAND AREA
SITES AND SERVICES PROJECTS BY THE WORLD BANK

PROJECT	RESIDENTIAL	CIRCULATION	COMMUNITY FACILITIES	PARKS & OPEN SPACE	OTHER
Catherine Hall	41.0	35.0	6.7	17.3	-
De La Vega	50.4	24.7	11.7	13.2	-
Hunts Bay I	48.7	27.0	13.7	10.6	-
Hunts Bay II	34.5	23.0	24.9	9.6	8.01(1)
Nannyville	47.0	14.5	19.8	5.9	12.8(1)
AVERAGE	44.3	24.8	15.4	11.3	-

STARTER HOME PROJECTS DESIGNED BY EDCO

PROJECT	RESIDENTIAL	CIRCULATION	COMMUNITY FACILITIES	PARKS & OPEN SPACE	OTHER
Bellevue	72.2	15.7	-	12.1	-
Llandillo	66.0	15.2	17.6	1.2	-
Seaward Pen	72.9	16.5	9.4	1.2	-
Toby Abbot Pen	57.8	12.0	6.8	20.3	3.1(2)
Tredegar Park	68.6	11.3	4.5	15.6	-
AVERAGE	67.5	14.1	7.6	10.1	-

(1) Industry
(2) Sewer Plant

Table E.1.7

PHYSICAL CHARACTERISTICS OF LOTS
SITES & SERVICES PROJECTS FINANCED BY THE WORLD BANK

PROJECT	ACRES	NUMBER OF LOTS	LOTS/ACRE	AVERAGE LOT SIZE	TYPICAL LOT DIMENSIONS	RATIO LENGTH/WIDTH
Catherine Hall	49.0	828	16.9	1,057.6	42' x 25'	1.68
De La Vega	27.4	586	21.4	1,026.5	42' x 25'	1.68
Hunts Bay I	51.4	1,076	20.9	1,013.7	42' x 24'	1.75
Hunts Bay II	120.6	1,784	14.8	1,015.6	42' x 24'	1.75
Nannyville	22.8	459	20.1	1,017.6	42' x 24'	1.75
Total	271.2	4,733	17.45			

STARTER HOME PROJECTS DESIGNED BY EDCO

PROJECT	ACRES	NUMBER OF LOTS	LOTS/ACRE	AVERAGE LOT SIZE	TYPICAL LOT DIMENSIONS	RATIO LENGTH/WIDTH
Bellevue	32.2	225	7.0	4,501.5	100' x 40'	2.50
Llandillo	26.2	226	8.6	3,325.7	100' x 35'	2.86
Seaward Pen	5.1	76	14.9	2,121.8	50' x 30'	1.67
Toby Abbot Pen	115.8	618	5.3	4,722.6	100' x 40'	2.50
Tredegar Park	16.2	104	6.4	4,654.7	100' x 40'	2.50
Total	195.5	1,249	6.39			

Table E.1.8

COMMUNAL LAND IN RESIDENTIAL DEVELOPMENTS

SITES & SERVICES PROJECTS FINANCED BY WORLD BANK

PROJECT	NUMBER OF LOTS	REQUIRED COMMUNAL LAND @ 1 ACRE/40 UNITS	% OF TOTAL SITE	ACTUAL COMMMUNAL LAND	% DIFFERENCE BETWEEN REQUIRED & ACTUAL
Catherine Hall	828	901,692	42.2	512,640	-43.1
De La Vega	586	638,154	53.4	297,306	-53.4
Hunts Bay I	1,076	1,171,764	52.3	544,320	-53.5
Hunts Bay II	1,784	1,942,776	37.0	1,811,940	- 6.7
Nannyville	459	499,851	50.3	255,458	-48.9

STARTER HOME PROJECT DESIGNED BY EDCO

PROJECT	NUMBER OF LOTS	REQUIRED COMMUNAL LAND @ 1 ACRE/40 UNITS	% OF TOTAL SITE	ACTUAL COMMUNAL LAND	% DIFFERENCE BETWEEN REQUIRED & ACTUAL
Bellevue	225	245,025	17.5	169,503	-30.8
Llandillo	226	246,114	21.6	148,703	-39.6
Seaward Pen	76	82,764	37.4	23,305	-71.8
Toby Abbot Pen	618	673,002	13.3	1,303,642	+93.7
Tredegar Park	104	113,256	16.0	110,316	-2.6

5. Preliminary Guidelines for Privately Developed Accelerated Delivery Projects for U.S.A.I.D./MOC(H)

The following terms and conditions are preliminary guidelines for formulating Accelerated Delivery Projects which will be packaged and implemented by private developers for U.S.A.I.D./MOC(H) under HG-012. Preliminary guidelines will be formalized during the initial stages of HG-012 project implementation.

-- Private developers will submit to both the MOC(H) and U.S.A.I.D. pre-feasibility shelter development packages (including proof of unencumbered land title) for initial review and comment.

-- Contingent on successful initial negotiations, both the MOC(H) and U.S.A.I.D. will draft Letters of Commitment to the private developer authorizing him/her to proceed with project development on the basis of an understanding concerning project mix between Starter-Home and 2-bedroom units, preliminary unit cost estimates for selected housing types, and utilization of the project design brief developed by the PP team.

-- During project planning and design, private developers will furnish to U.S.A.I.D. and the MOC(H) sufficient evidence to suggest the existence of a ready market for the proposed project.

-- U.S.A.I.D. or its representatives will participate in all meetings to review the progress of project planning and design. U.S.A.I.D. and the MOC(H) will notify the developer in writing of final approval of all site planning and engineering designs.

-- The proposed project must meet the requirements of the relevant planning authorities. Approvals required from these authorities must be presented to the MOC(H) and U.S.A.I.D. prior to the commencement of construction.

-- Private developers will provide all or the largest portion of interim construction financing.

-- The MOC(H), or its appointed representatives, will have the authority to monitor and inspect the construction of all units to satisfy itself that all units are being constructed according to approved specifications.

-- Private developers will supply to the MOC(H) and U.S.A.I.D. confirmation from all relevant authorities that all roads, open space, sewage plants, etc. will be taken over by the responsible authority on completion of the project.

-- MOC(H) will coordinate with the relevant authority prior to the commencement of construction to ensure that completed projects will be supplied with water, sewage treatment and electricity.

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-- Payment for individual completed units will be made when they are ready for occupancy and the MOC(H) has received and approved the following documents:

- Certificate of Title to the appropriate lot;
- Property Identification Certificate provided by a commissioned land surveyor of the lands described in each Certificate of Title;
- Certificate of Completion provided by MOC(H) quantity surveyor.

-- Private developers and/or the NHT/CHFC will market the completed units to qualified purchasers through NHT or CHFC selection criteria.

-- NHT or CHFC will take out the private developer for long-term mortgage financing.

B. Phase I: Squatter Settlement Upgrading

This sub-project builds on the successful upgrading experience presently being gained under HG-011. Initially, all selected upgrading areas would be provided with a minimum improvement package including secure land tenure, purchase of presently occupied sites from either private ownership or GOJ ministries, and rationalization of the existing plot layout pattern. The rationalization of the existing plot configuration is a prerequisite to the establishment of tenure and to any subsequent incremental improvement in public services.

Rationalization or legalization/regularization of the selected upgrading areas would include the legal requisites and surveys required for individual plot purchases from either the GOJ or private owners; the actual plot purchase by the sub-project's beneficiaries; and the regularization of the existing site layout. This regularization program would include the following components:

1. a more equitable distribution of the total residential area between existing residents;

2. a pegging of the new plot boundaries;

3. road/footpath alignment and reservation to provide minimum access to and circulation within the area;

4. set back or relocation of plot fences in accordance with road reservations and new property lines;

5. removal and reconstruction of dwelling units presently located within road reservations or on a neighbor's property;

6. relocation of any public services or other obstructions located within road reservations.

In addition, the sub-project would offer the option to extend basic urban services, such as roads, storm drainage, water supply and sewerage, either

separately or in combination, to the selected upgrading areas. It is expected that most of these basic services would not be implemented at the same time in every settlement because of affordability constraints and/or the resident's perceived priorities exclude the simultaneous acquisition of all basic services, or because the settlement has already been supplied with one or more of the services.

U.S.A.I.D. financing for the Phase II Squatter Upgrading program would upgrade over 1,300 lots which, in terms of HG-011 experience, would equal 7-8 sites. It is expected, however, that the number of lots per site could vary from below 100 to as high as 300-400. Assuming a final allocation of roughly one household per lot (which is not the case before regularization), this sub-project would benefit approximately 6,500 persons (5 persons per household).

As a general guide to future, more fully-developed project design, and as an indication of the type of upgrading options which would be combined with the minimum legalization/regularization package, Table E.1.12 describes the various upgrading components. Table E.1.13 costs these components for typical 100 foot sections of roadway. Finally, Table E.1.14 combines and costs (September, 1983) and the various upgrading components into those options which have proven to be of greatest need to low income settlement residents.

New Scheme Development

New Scheme development as presently financed by U.S.A.I.D. under HG-011 encompasses the construction of Starter Home units on fully-developed sites owned by the MOC(H). EDCO is presently the Ministry's consultant for this work. It provides fully-planned and designed projects which are contracted to private builders for construction. EDCO monitors the construction through its network of site managers.

Depending on the progress of the program to accelerate shelter production as outlined in Phase I of HG-012, it is possible that a portion of Phase II financing for New Schemes could be undertaken by a similar arrangement.

It is, however, planned to increase the involvement of private developers in Phase II. To this end discussions have already begun with several private sponsor/developers who would purchase land, participate with their own equity, and market the units to their clientele. The U.S.A.I.D. mission plans to pursue these activities for possible inclusion in Phase II of the project.

HG-012 will provide US$10million which would finance approximately 600 Starter Home solutions (land, infrastructure, and superstructure) on scattered sites located throughout the island. Site planning, Starter-Home unit design, and illustrative costing as of September, 1983 would be similar to those analyses presented in the Phase I section for Accelerated Delivery projects.

Table E.1.12

COMPONENTS FOR SQUATTER UPGRADING LEGALIZATION/ REGULARIZATION -- MINIMUM UPGRADING PROGRAM

A. Minimum Site Development

1. Legal procedures and surveys required to either purchase site from GOJ or private owner.

2. Land purchase.

3. Regularization of upgrading area plot layout: define new road/footpath alignment; set back individual plot fences; peg property boundaries; remove/reconstruct dwelling units presently located on road reservations or neighbor's property; relocate public services or any other obstacles located in road reservations.

B. Optional Site Improvements

1. Roads/Footpaths -- grade and consolidate sub-grade to receive base course; spread and consolidate 9" base course to fall and cross falls; double surface dressing including coat and tack (curbs but no sidewalks); road/footpath network would include minimum required storm drains and retaining walls.

2. Water Supply -- individual plot connection or standpipes.

   All sites choosing a water supply option would be provided with a distribution system of suitable size (31 or 100 mm PVC pipe) to serve the entire upgrading area. Depending on expressed needs and/or affordability considerations, an upgrading area could opt for either of the following:

   a) individual plot connection: 1/2" or 1" PVC pipes and the necessary fittings for lateral connection

   b) standpipe: PVC pipe and simple reinforced concrete standpipe with faucet to serve 30-40 families.

3. Sewage -- individual plot connection to water-borne system or depending on affordability densities and soil conditions, a sanitary block (4-stall w.c. and shower) with absorption pit.

Table E.1.13

RATES ON UPGRADING WORKS
SEPTEMBER 1983

ITEM	DESCRIPTION	QTY	UNIT	RATE	J$ ¢
	ROADWAYS 20' x 100' Long				
1.	Setting out of roadways	222	Y.S.	2.25	449.50
2.	Excavate or fill to sub-grade for road formation and cartaway	143	Y.C.	8.50	1,215.50
3.	Grade and consolidate sub-grade to receive base course	222	Y.S.	1.25	277.50
4.	Spread and consolidate 9" base course to falls and cross falls	56	Y.C.	18.00	1,008.00
5.	Supply and lay concrete kerbs including excavation and casting of footing	200	Y.R.	22.00	4,400.00
6.	Double surfacing dressing including prime coat and tack	222	Y.S.	10.00	2,220.00
7.	Cleaning of work area		L.S.		150.00
					J$9,770.50
	ROADWAYS 10'0" x 100' Long				
1.	Setting out of roadways	111	Y.S.	2.25	249.75
2.	Excavate or fill to sub-grade for road formation and cartaway	74	Y.C.	8.50	629.00
3.	Grade and consolidate sub-grade to receive base course	111	Y.S.	1.25	138.75
4.	Spread and consolidate 9" base course to falls and cross falls	29	Y.C.	18.00	522.00
5.	Supply and lay concrete kerbs including excavation and casting of footing	200	Y.R.	22.00	4,400.00
6.	Double surfacing and dressing including prime coat and tack	111	Y.S.	10.00	1,110.00
7.	Cleaning of work area		L.S.		150.00
					J$7,199.50

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RATES ON UPGRADING WORKS
SEPTEMBER 1983
(Continued)

ITEM	DESCRIPTION	QTY	UNIT	RATE	J$ ¢
	ROADWAYS 15'0" x 100'0" Long				
1.	Setting out of roadways	167	Y.S.	2.25	375.75
2.	Excavate or fill to subgrade for road formation and cartaway	111	Y.C.	8.50	943.50
3.	Grade and consolidate subgrade to receive base course	167	Y.S.	1.25	208.75
4.	Spread and consolidate 9" base course to falls and cross falls	42	Y.C.	18.00	756.00
5.	Supply and lay concrete kerbs including excavation and casting of footing	200	Y.R.	22.00	4,400.00
6.	Double surfacing dressing including prime coat and tack	167	Y.S.	10.00	1,670.00
7.	Cleaning of work area		L.S.		150.00
					J$8,504.00
	WATER SUPPLY				
1.	Setting out of waterlines	34	Y.R.	2.30	78.20
2.	Excavation of trenches	25	Y.C.	9.00	225.00
3.	Supply and lay 100mm PVC pipes bedded in sand (incl. thrust blocks, NWC valve boxes, and fittings)	100	F.R.	44.00	4,400.00
4.	Aproved backfill material compacted in layers	15	Y.C.	20.00	300.00
5.	Supply PVC pipes and the necessary fittings for lateral connection	5	N.O.	400.00	2,000.00
6.	Testing and sterilization of lines		L.S.		25.00
7.	Cleaning of work area		L.S.		30.00
					J$7,058.20

*Quantity based on trench 100' long x 2'0" wide x Ave. 3'0" deep.

RATES ON UPGRADING WORKS
SEPTEMBER 1983
(Continued)

ITEM	DESCRIPTION	QTY	UNIT	RATE	J$ ¢
	SEWER (not incl. treatment facilities)				
1.	Setting out of sewer mains	34	Y.R.	2.30	78.20
2.	Excavation of trench for 200m sewer pipes	25	Y.R.	12.00	300.00
3.	Supply and lay 200mm sewer pipes bedded in sand (incl. all fittings and manholes)	100	Y.C.	63.00	6,300.00
4.	Approved backfill material compacted in layers	15	Y.C.	20.00	300.00
5.	Excavation of trench for 100mm laterals	22	Y.R.	6.50	143.00
6.	Supply of PVC pipes for lateral connections bedded in sand (fittings inc. under 200mm heading)	5	N.O.	500.00	2,500.00
7.	Testing of sewer mains		L.S.		25.00
8.	Cleaning of work area		L.S.		30.00
					J$9,676.20

*Quantity based on trench 100'0" long x 2'0" wide x Avg. 3'0"

Source: Estate Development Company Ltd. (EDCO) of MOC(H)

Table E.1.14

AVERAGE PER LOT UPGRADING OPTIONS
SEPTEMBER 1983

	Estimated September 1983 Cost 1/ (J$)
Option 1	
Minimum upgrading package -- legalization/regularization (including land purchase of average lot size of 35' x 70' (3500 sq.ft) @ $1.00/sq.ft.	$3,500.00
Option 2	
Option 1 plus improved average 15' wide road network (incl. minimal storm drainage) of 9' base course with double surface dressing, curb no sidewalk	6,400 2/
Option 3	
Option 2 plus 51mm PVC pressure pipe with standpipes serving 30-40 families ea.	6,575
Option 4	
Option 2 plus 100mm PVC water reticulation network with individual lateral connections	8,000
Option 5	
Option 3 plus 14'x18' 4-stall W.C. and shower/sanitary block with absorption pit.	6,875
Option 6	
Fully upgraded site (Option 4 plus 200mm PVC plastic pipe sewage collection network with industrial lateral connection	9,950

1/ Includes 15 percent contingencies on all civil work (water supply, etc.)

2/ Includes $600 in preliminary costs to cover new contractor insurance requirements, site offices, provision of water supply and sanitary conveniences for laborers, and $100 for minimal storm drainage costs, and $300 for retaining walls and guard rails.

C. PHASE I: BUILD-ON-OWN-LAND [BOL] PROGRAM

1. Introduction

The Build-On-Own Land (BOL) program is designed to play the following role within the recently adapted National Housing Policy:

- increase the provision of housing in rural areas through the construction of Starter-Home units on individually owned, scattered sites;
- increase the affordability of Starter-Homes by eliminating or reducing lot development costs;
- consolidate existing urban areas by constructing on developed land already available;
- improve the capacity/capability of small contractors.

2. Technical Specifications

Under USAID financed HG - 011, the BOL program utilized an expandable Starter-Home unit of approximately 300 square feet containing one all purpose room with separate kitchen and bath. The Starter-Home used in the BOL program is marketed as the KIW Affordable Housing System. It is erected by small contractors who are contracted and monitored by the appropriate Ministry of Construction (Housing) parish office.

The KIW Starter-Home measures - 12'2" by 24'2" on centerline (approximately 294 square feet). (See foundation and elevation plans). It consists of 23 wall panels constructed of steel angles and covered with a heavy gauge wire mesh. During erection, the panels are bolted together. The entire steel frame is then encased in several hand-applied applications of concrete. Generally concrete is applied in either two or three coats consisting of a base coat and a finish coat. The framing for the roof is also of steel, sand contains four basic components: a roof truss, a gable-end truss, C-purlins and braces. The roof is covered with galvanized sheets. The unit includes complete electrical and plumbing installations.

The KIW unit is easy to erect requiring no heavy equipment nor specialized labor force. The entire unit can be erected and finished in less than a month. It is easily expandable into a 24'2" by 24'4" two-bedroom unit (see floor plan).

3. Cost Estimates

The following table summarizes an illustrative cost breakdown for the KIW Starter-Home BOL unit:

Superstructure Costs (KIW Starter-Home 12'x24' unit)

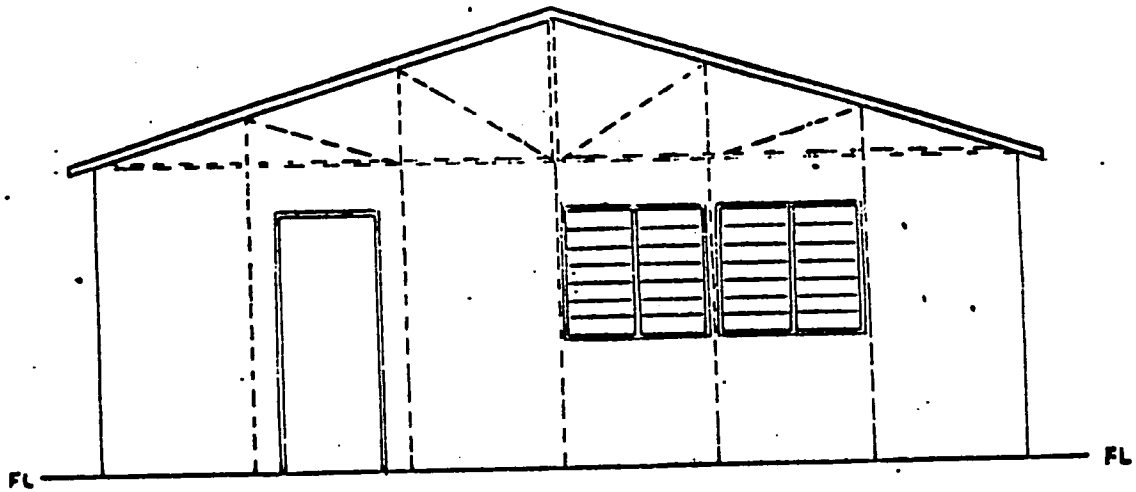
Preliminaries (material storage, liability insurance, general site clean up)	J$640
Lot Preparation (strip top soil for house spot, excavate high spots, remove surplus excavated materials, fill with approved quality marl) To be provided by beneficiary.	0
Foundation (excavation, concrete block work, reinforcement, backfill)	1750
KIW Kit (ex-factory incl. J$400 for transportation)	5500
Erection (erect pre-fab system incl. concreting of wire mesh panels, concrete floor, roof frame and covering, doors and windows)	4500
Plumbing and Electrical Installation (incl. labor and materials)	1200
Physical Contingencies	1000
Contingencies (12% for possible price escalation)	1750
Total	J$16,340 (US$8,180)

4. Sales and Marketing Plan

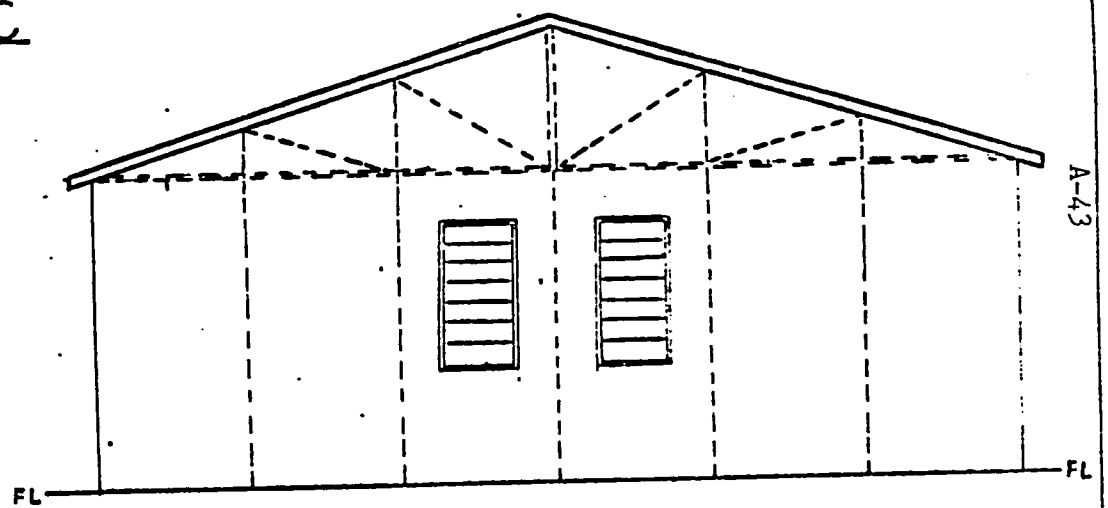
The Ministry of Construction (Housing)'s Build on Own Land program is a continuation of the previous BOL/Owner-Occupier program which served low income families who owned their own plots primarily in rural areas. Due to the breakdown of the previous post - and - panel construction system, however, the program has been non-operational since 1980.

Recently a new construction process based on the KIW system (see Technical Section for description) has been instituted and the application process for the units has been reopened. The application and allocation process essentially consists of interested families filling out MOC(H) application forms at MOC(H) Parish offices. These forms are then sent to the Ministry in Kingston where they are processed and relevant items such as the applicant's income, family income, downpayment the applicant can make, and the type of title or land documents available are listed. Since there is no eligibility based on income, evidence of title (registered, common law, will/deed of gift, diagram and receipt from previous owner, and/or tax receipts) becomes a primary factor in eligibility. Eligible applicants are then allocated units by Parish on the first come, first served basis.

Since the program has only recently been reactivated, there were 2,315 applicants outstanding as of December 31, 1982. Since then 811 additional applications have been received. Since A.I.D.s primary criterion of eligibility is household income below the medium (J$8,150 per year as of July 1983), the available lists of applicants have been reviewed through August 31, 1983, five hundred and six (506) families were found to be earning less than the household median income. The 506 eligible applicants will therefore be further processed regarding cost of houses to be built, and evidence of clear and unencumbered title or that steps are being taken to acquire such title.



ELEVATION ON ARROW C
SEE SHEET 5C



ELEVATION ON ARROW A
SEE SHEET 5C

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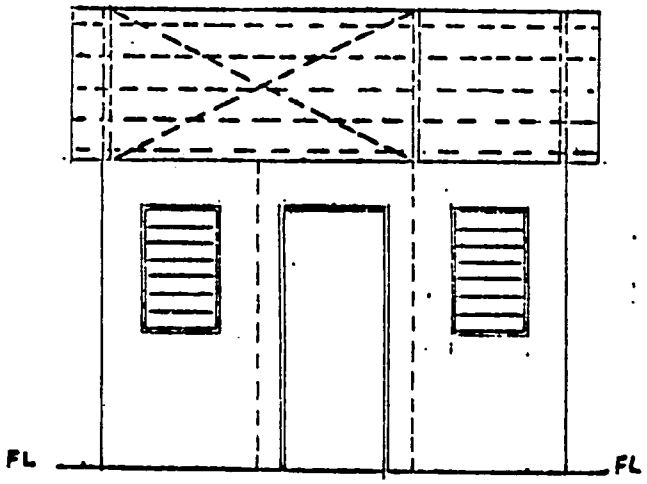
MINI-CRISSAS



ELEVATION ON ARROW B
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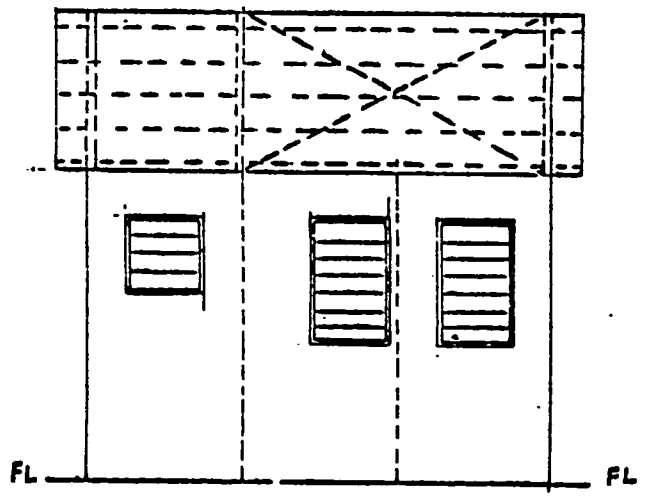

ELEVATION ON ARROW E
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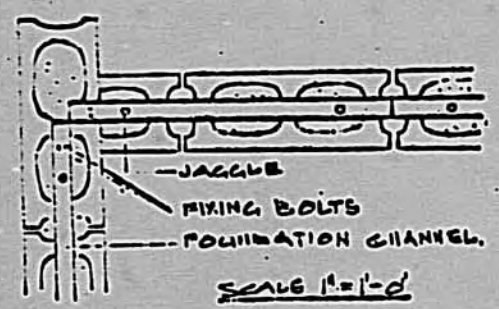

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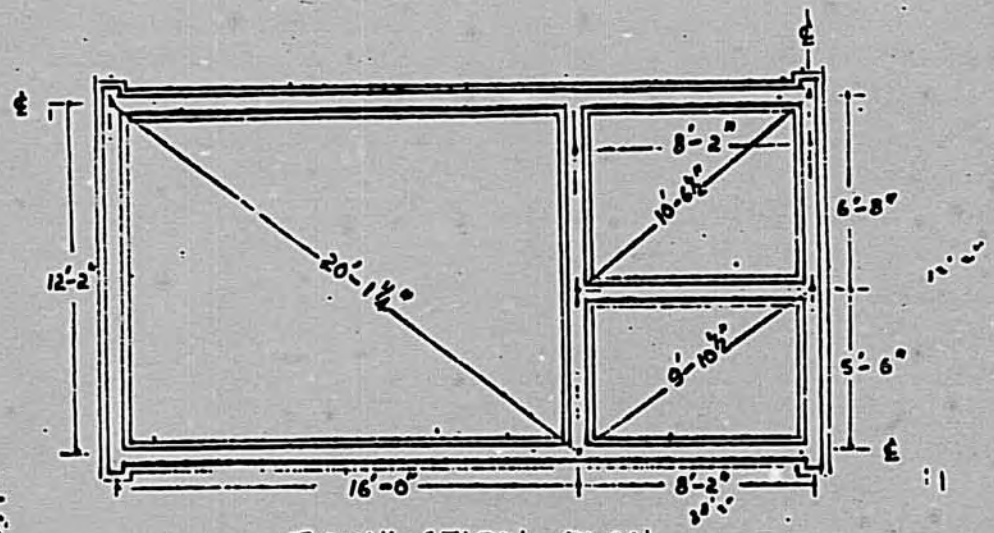

FOUNDATION PLAN
SCALE 3/16" = 1'-0"

- NOTE : DIMENSIONS ASSUME STANDARD 6" BLOCKS OF 5½" × 15¾" WITH ½" AVERAGE SPACE BETWEEN BLOCKS
- ALL DIMENSIONS ARE ON ℄

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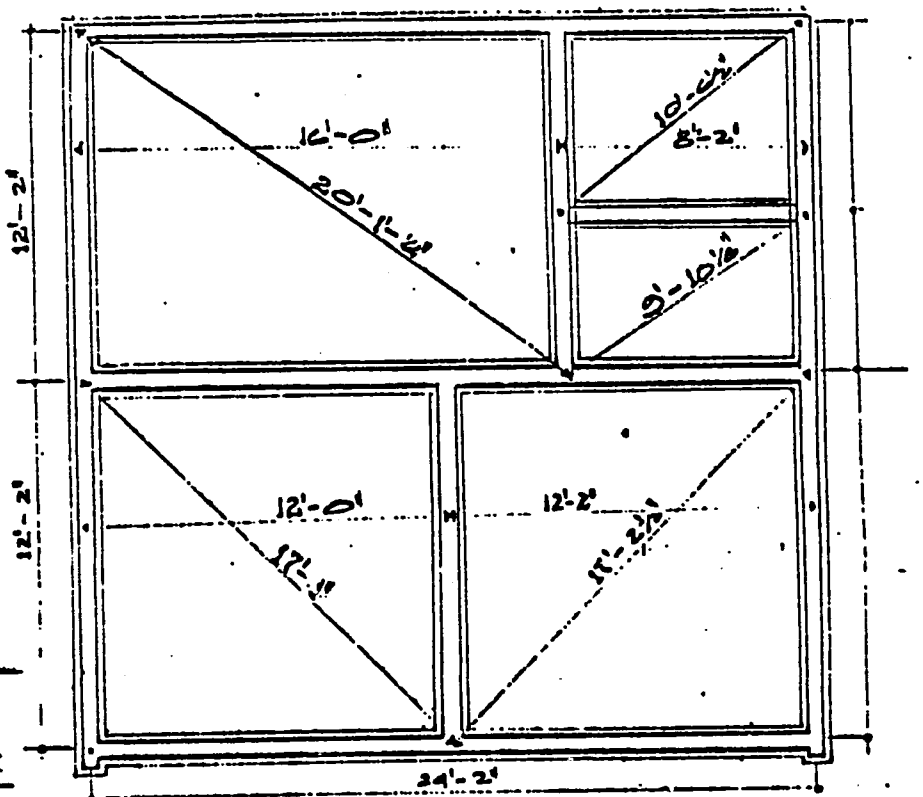

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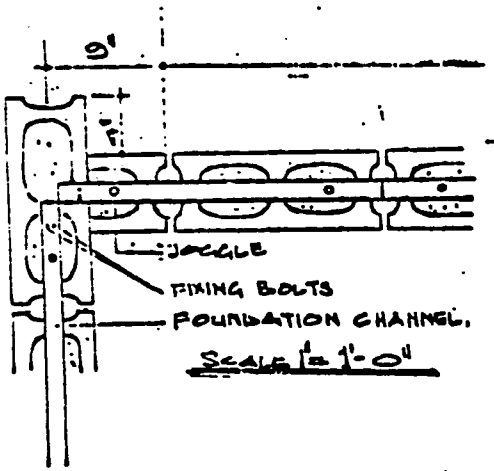

SCALE 1" = 1'-0"

- NOTE : DIMENSIONS ASSUME STANDARD 6" BLOCKS. OF 5 1/2" x 15 1/2" WITH 1/2" AVERAGE SPACE BETWEEN BLOCKS.
- ALL DIMENSIONS ARE ON ℄.

KIW - SYSTEM.				
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d. Secondary Market Program

1. Background

The Jamaica Mortgage Bank(JMB) initiated operation in June, 1973 with assets and liabilities taken over by virtue of Section 22 of the Jamaica Mortgage Bank Act from the predecessor institution, the Jamaica Mortgage Bank Limited, a company formed under the Companies Act with the Government of Jamaica as the principal shareholder.

JMB was originally capitalized by contributions made from the U.S.A.I.D., Commonwealth Development Corporation(CDC) and equity from the GOJ. The Bank assumed funding from the Jamaica Mortgage Bank Limited including $10 million loan from U.S.A.I.D.

As of March 1983, JMB has J$6,909,225 in unpaid principal balance in its secondary market operation representing 571 loans. Its primary portfolio had an unpaid belance of J$79,213,309 representing 7,126 loans.

The JMB secondary market originally became inactive in 1977 due to the excessive liquidity of primary lenders resulting from the economic decline and two currency devaluations. By 1981, there were few houses for sale, thus there was no necessity on the part of financial institutions to sell mortgages to JMB. However, as the economy changed the private sector again became involved in the building construction industry. The Building Societies which were the primary private sector mortgage originators began to experience liquidity problems and the new government sought to rationalize the role of the country's housing institutions.

2. The JMB And Its Secondary Market Role

The GOJ in 1982 issued a national housing policy for Jamaica. The policy paper indicated that the overlap of functions and lack of coordination between housing agencies had resulted in an inefficient use of resources and the inability of the public housing sector to identify and pursue a

consistent set of objectives. JMB, according to the framework, had been providing interim financing and private mortgages rather than ensuring a steady flow of funds to the housing sector through institutional loans and secondary market operations. The framework states that JMB will:

-- Discontine its primary mortgage and interim finance activities and will concentrate on:

mobilizing loan funds from local and overseas sources to be deployed on a wholesale basis to primary mortgage institutions to facilitate new housing construction;

secondary market operations geared to ensure a steady flow of funds into housing construction;

providing mortgage insurance coverage to facilitate higher levels of investment by private sector institutions in housing development;

issuing Housing bonds aimed at absorbing refundable NHT contributions, mobilizing additional savings and increasing the supply funds for housing investment.

A.I.D. provided substantial on-going technical assistance for the development of the housing policy. Once the policy was developed, A.I.D. agreed to provide JMB with technical assistance to activate the secondary market and to adapt current U.S. practices to the Jamaican context. The Federal Home Loan Bank Board (FHLBB), which regulates U.S. federally insured savings and loans, was asked to use its experience in establishing leveraging programs, making maximum use of private financial institutions and public sector funds.

One of the primary areas of concern is JMB' substantial lack of capital for effective participation in the secondary market. JMB with technical assistance has begun to modify its programs but additional capital is a prerequisite. This loan would assist the JMB by providing $3 million for secondary market activities under HG-012.

The MOC(H) is to divest itself of its mortgage portfolio as much as possible. However, its portfolio consists primarily of installment purchase contracts. Mortgages are currently being originated on two projects and some installment contracts are being converted to mortgages. It appears that the mortgages being originated will be primarily graduated payment mortgages (GPMs).

GPMs are a new instrument in the Jamaica housing market, and there is no repayment history. There is thus some reason to believe incomes may not keep pace with the graduation scheme. In addition, given the housing selection process, people tend to view housing as a right and therefore elect the option which makes it affordable, sometimes without consideration of future consequences. JMB, however, cannot serve below median income households directly with funds which are borrowed at 12 percent from A.I.D. because of affordability. Therefore, there has to be a discount or concession built into the program.

The mortgages could either be pooled with JMB purchasing a participation interest or JMB could purchase the whole mortgage. Purchasing the whole mortgage would require a sale on a discounted basis to raise the yield in order to cover JMB's cost of funds. The size of this discount would be approximately 30-32 percent of the total principal balance outstanding of the loans which could be purchased with the HG-012 funds. In addition, purchasing whole mortgages creates a greater investment risk for JMB in the case of delinquency or default since they own the entire mortgage.

Structuring a pool of mortgages with JMB purchasing a participation interest has the advantages of: using the funds effectively for low income housing; involving the JMB in a secondary market transaction; avoiding the large up-front expense involved in a sale on a discounted basis; leveraging A.I.D.'s funds so that substantially more funds can be channelled to low income housing by recycling the loan proceeds; avoiding the adverse impact of using JMB's limited capital; and, providing a way for the government to match the A.I.D. funds without incurring additional expenses while bolstering the JMB's financial position.

3. Options and Program Alternatives for the Secondary Mortgage Market

a. Background

The HG-012 PID Approval Guidance cable and DAEC Review outlined the need for a full description of the options for implementing the secondary mortgage operations in Jamaica. Section II.A.b and the supporting Institutional, Administrative sections and annexes outline the overall feasibility, purpose and structure of the proposed secondary market operations.

This discussion will provide the technical analysis of the secondary market focusing on the use of the minimal $3 million HG funding. A condition precedent to disbursement of these funds ($3m) will be a final GOJ plan for the reactivation of the secondary mortgage market using HG and GOJ funds.

b. Overview

This section presents three options regarding the program alternatives to support the revitalization of the secondary mortgage market in Jamaica. There are two potential funding sources to support the Jamaica Mortgage Bank (JMB): HG-012 loan funds available at the prevailing market rate; or, GOJ counterpart funds including which may be available at a lower rate. Because the availability of any ESF loan funds is still not completely certain, the options presented herein focus exclusively on the use of HG-012 funds.

The three options presented are:

-- JMB purchases MOC(H) loans valued at J$5.1 million with either fixed or graduated payment amortization plans.

-- JMB purchases loans valued at J$5.1 million from CHFC's portfolio ranging from 7.5 to 12 percent.

-- JMB purchases loans valued at J$5.1 million from its Sellers/Servicer group on the condition that all proceeds be used by the Sellers to originate new loans which conform to JMB's regular purchase requirements.

The alternatives are presented from most favored (#1) to least favored (#3) due to the restriction that all HG loan funds must benefit households below the borrowing country's median income. All the alternatives assume that the minimum required yield for JMB is 14.00. This yield should assure that JMB can repay the loan without burdening its very limited resources.

Two separate considerations have joined to restrict the program options to those presented and result in the substantial costs shown. These restrictions are: the statutory requirement that housing guarantee loan funds must be used to benefit families below a country's median income; and, the prevailing rate on HG loans and the related fees require a minimum yield of 14.00 on the loan proceeds to assure the repayment of the debt. Should either of these constraints be removed by substituting ESF counterpart or any other source of funding, substantial reductions in the costs shown below would result and enhance the ability of the secondary market to deliver subsidized housing finance.

All the dollar values herein for pricing and structure of loan purchases by JMB are in Jamaican Dollars based on US$3 million being converted to J$5.1 million.

Option 1

a. JMB purchases from MOC(H) interests in 25 years loans, with fixed rates and level payments valued at J$5.1 million.

Terms of Pool Purchase

Loan Rate	Required Yield	Price	Cost
10%	14.00	75.49	24.51

Pool Characteristics

	Whole Loans	Percent Participation Sold to JMB (%)			
		70	80	90	95
No. of Loans Required (avg. loan amount = J$17,000)	300.0	429.0	377.0	335.0	316.0
Vol. of loans (J$million)	5.1	7.3	6.4	5.7	5.4

Analysis

The price to sell a 10% loan which runs the full 25 year term is 75.49. The cost to MOC(H) for the sale will be 24.51 per $100 of loan interest sold (100-75.49 = 24.51). The cost of a traditional whole loan sale will cost j44,167 per J$17,000 loan (17,000 x .2451 = $4,167. An up-front, one time payment of this discount would be accomplished by JMB remitting only $75.49 per $100 of loan interest purchased.1/

Two alternatives exist to reduce the size of this up-front cost per loan. The first is a participation sale. In short, the Seller forgoes the interest income on its retained share of a pool of loans. The Buyer's receipt of this additional interest income boosts the overall return on its share of the pool. Two considerations to remember in structuring participation are: a participation sale requires more loans in the pool than a whole loan sale; the larger the interest the Seller retain in a pool, the more loans must be in the pool.

1/ Experience indicates that repayments result in a higher yield. Thus, where prepayment is anticipated, the resulting lower price gives the Seller a higher cost. The latest prepayment experience shown in financial tables for a 25 year loan is the 16th year. The price and cost for prepayment in the 16th year are 76.45 and 23.55, respectively.

Adjustments to price and cost where prepayments are anticipated closer to maturity (e.g. prepayment in the 18th year) can be developed. For planning purposes, interpolating the price for the desired period between the prices to term and the latest prepayment calculated could provide sufficiently accurate figures.

In the alternative, the MOC(H) could agree to pay over the life of the loans the difference between the level of the monthly payment required to provide a 10 percent return (i.e., that paid by the individual borrowers) and the level required to provide a 14 percent return (i.e., that required by JMB). The following shows the amount of this payment.

Loan Payments for a $17,000 Loan

Description	Monthly	Annually	Over 25 Years
@ 14%	204.64	2,455.67	61,392
@ 10%	154.48	1,853.76	46,344
Required Contribution/Loan	50.16	601.91	15,048

b. JMB purchases a pool of fixed rate, graduated payment mortgages (GPMs)

Analysis

A GPM sale is more expensive. This increased cost is due to the deferral of a portion of the payments otherwise required to amortize fully a loan. This results in a loss in the present value of the amount deferred.

If GPMs are used, the exact price can be determined once the specific loans are selected. To project for planning purposes the range of costs of a GPM with no prepayments, the known prices for level payment loan with comparable terms should be lowered 1.1 to 2.25 to provide increases in yield (e.g., 75.49 - 1.1 to 2.25 = GPM price).

The estimates are based on the limited experience in the U.S. with loans having a 5 year graduation period which requires a 25-30 basis point yield premium for GPMs over a comparable FRLP loan. There is no comparable experience with the graduation periods or payment increases of the large magnitude which MOC(H) is considering.

Thus, the price may well be substantially lower and the cost substantially higher than the preliminary estimated 1 - 2.25 range for price reductions. We are arranging for a computerized evaluation of the MOC(H)'s GPM plan.

Option 2

The cost to CHFC as Seller of loans valued at J$5.1 million can vary considerably given the range of rates on the loans selected for in the pool (see Chart 1).

Chart 1

CHFC Portfolio Profile

Loan Rates	Term	Amount (J$)	Share of Pool (%)	Interest Income	Share of Income(%)
7.5	20	1,141,303	13	85,598	10.0
8.5	20	609,591	7	51,815	6.0
9.5	25	2,122,489	24	201,637	23.5
10.0	25	3,425,484	39	342,548	39.9
12.0	20	1,469,639	17	176,356	20.6
Total		8,768,499	100%	857,954	100%

Two considerations which must be balanced in selecting the loans to be sold in whole or in part to JMB are that the value of both the cash flow and cost of discounts for each group of loans will vary according to the rate of the loan interest sold. Chart 2 shows these costs as a price per $100 sold. Chart 3 calculates the actual cost for selling all loans for each block of loans by rate. Although in these prices require some further refinement to adjust for the remaining life of the loans on each rate group, the difference will not significantly affect the price.

Chart 2

Price/Cost Per Loan

Rate	Term	Price2/			Cost2/		
(%)	(Yrs)	25 Yrs.	16 Yrs.	14 Yrs.	25 Yrs.	16 Yrs.	14 Yrs
7.6	20	64.78	--	65.85	32.22	--	34.15
8.5	20	69.79	--	70.74	30.21	--	29.26
9.5	25	72.58	73.64	--	27.42	26.36	--
10.0	25	75.49	76.45	--	24.51	23.55	--
12.0	20	88.55	--	88.96	11.45	--	11.04

2/ The 14th year is latest time for which prepayment is calculated for a 20 year loan. see footnote 1 regarding price calculations for prepayments closer to maturity, i.e., later than the 14th year.

Chart 3

Price/Cost By Rate Group

Rate (%)	Amount (J$)	Cost at Sale (J$)	Price/Amt. Paid (J$)
7.5	1,141,303	401,966	739,336
8.5	609,591	184,157	425,434
9.5	2,122,489	581,987	1,540,503
10.0	3,425,484	839,586	2,585,898
12.0	1,469,639	168,273	1,301,365
Total	8,768,499	2,175,969	6,592,536

Analysis:

The costs of structuring any loan sale will fall within the range established by two pools made up of the lowest and the highest rate loans available. As shown below, Pool 1 is the low rate alternative. This pool includes all 7.5% and 9.5% loans and a share of the 10% loans so the total present value of loans bought equals J$5.1 million. Conversely, Pool 2 is the highest rate alternative and includes all 12% and 10% rate loans and the number of 9.5% loans necessary for the value of loans purchased to equal J$5.1 million.

	Loan Rates Included	Cost	Value (J$ in Millions)
Pool 1	7.5, 8.5, 9.5, 10	1,831,383	5.1
Pool 2	12, 10, 9.5	1,466,019	5.1
Difference		365,364	

The difference in cost of J$365,364 in selling these pools reflects the larger present value of the higher rate loans. Although Pool 2 provides the lower possible cost, it leaves CHFC as the Seller with lower yielding loans. Thus, it is clear that, in developing and selecting any option between these two extremes, A.I.D. will have to balance the need to reduce costs with that of leaving CHFC with an acceptable portfolio yield. The yield on the portfolio after the sale will be determined by the rates on the new loans funded by proceeds of the sale, on the loan interests not sold, and the reinvestment rate on all loan payments received.

Option 3

JMB could use the loan funds to purchase loan interests from its Seller/Servicer Group. In order for any loan to be eligible for purchase with these funds, we suggest that the Sellers be required to agree to use the proceeds to originate new loans which would conform to JMB's regular purchase requirements. Additional requirements could be developed to target the new loans.

The cost of this option is difficult to project since it will depend on the terms of the loans sold and the minimum required yield which JMB sets. However, under this option, JMB at least initially incur a cost for which it should be reimbursed. This cost will result from the need for JMB to encourage sales by establishing a required yield on the loans it buys that is sufficiently below the current level of mortgage rates. This will permit Sellers to lock in a positive spread between the yield on loans sold and that on the new originations.

By so doing, JMB effectively would pay a premium or extra cost. That cost is equal to the difference between the yield at which it buys loans and the 14.00 yield necessary to meet the HG-012 debt service.

For example, if JMB purchased loans with a 12% rate, a 25 year-term, and which do not prepay, the price should be 87.49 to provide a 14.00 yield. To pay a lender par (i.e., 100% of the face amount) for such loans represents an overpayment equal to 12.51 (100 - 87.49 = 12.51) on each loan. The following lists the prices required for a 25 year loan at the following interest rates to yield 14.00.

Rate	7.5	8.5	9.5	10.0	10.5	11.0
Price	61.39	64.12	66.89	72.58	78.44	81.42
Rate	11.5	12.0	12.5	13.0	13.5	14.0
Price	84.44	87.49	90.58	93.69	93.83	100

Thus, to purchase J$5.1 million of 13% rate loans, JMB would require delivery of loans with a face value of $5.44 million (e.g., 5.1 million divided by .9369 = 5.44)

2. FINANCIAL

A. Financial Arrangements

The financial framework for the HG-012 is similar to that established for HG-011. Financial arrangements in HG-011, in turn, are based on provisions in the new housing policy which are contained in a public housing finance framework. This framework was developed in 1982 by a high level committee composed of the managing directors of all housing finance institutions in the public sector. The committee, which reported to the Minister of Construction (Housing), assigned specific responsibilities to each institution. Those responsibilities subsequently became a part of the official National Housing Policy.

1. National Housing Trust:

The National Housing Trust will concentrate exclusively on providing and servicing primary mortgages to its contributors who purchase houses built by either the public or private sector. It will therefore cease to perform the role of a developer and will discontinue the practice of providing interim financing.

In its lending policies, the National Housing Trust will:

- -- provide mortgages to qualified contributors on a basis which reflects their income distribution;
- -- select beneficiaries on the basis of a priority entitlement index;
- -- structure its lending rates on a basis which allows lower interest rates to be applied to lower income groups;
- -- provide take-out mortgage commitments to private developers of approved projects.

2. Jamaica Mortgage Bank:

The Jamaica Mortgage Bank will discontinue its primary mortgage and interim finance activities and will concentrate on:-

- -- mobilizing loan funds from local and overseas sources to be deployed on a wholesale basis to primary mortgage institutions to facilitate new housing construction;
- -- secondary market operations geared to ensure a continuous flow of funds into housing construction;
- -- providing mortgage insurance coverage to facilitate higher levels of investment by private sector institutions in housing development;
- -- issuing Housing Bonds aimed at absorbing refundable NHT contributions, mobilising additional savings and increasing the supply of funds for housing investment.

3. Caribbean Housing Finance Corporation:

The Caribbean Housing Finance Corporation will be responsible for:

- providing and servicing mortgages to qualified persons who purchase houses built by the Ministry of Construction;
- servicing the existing mortgage portfolio of the Ministry of Construction.

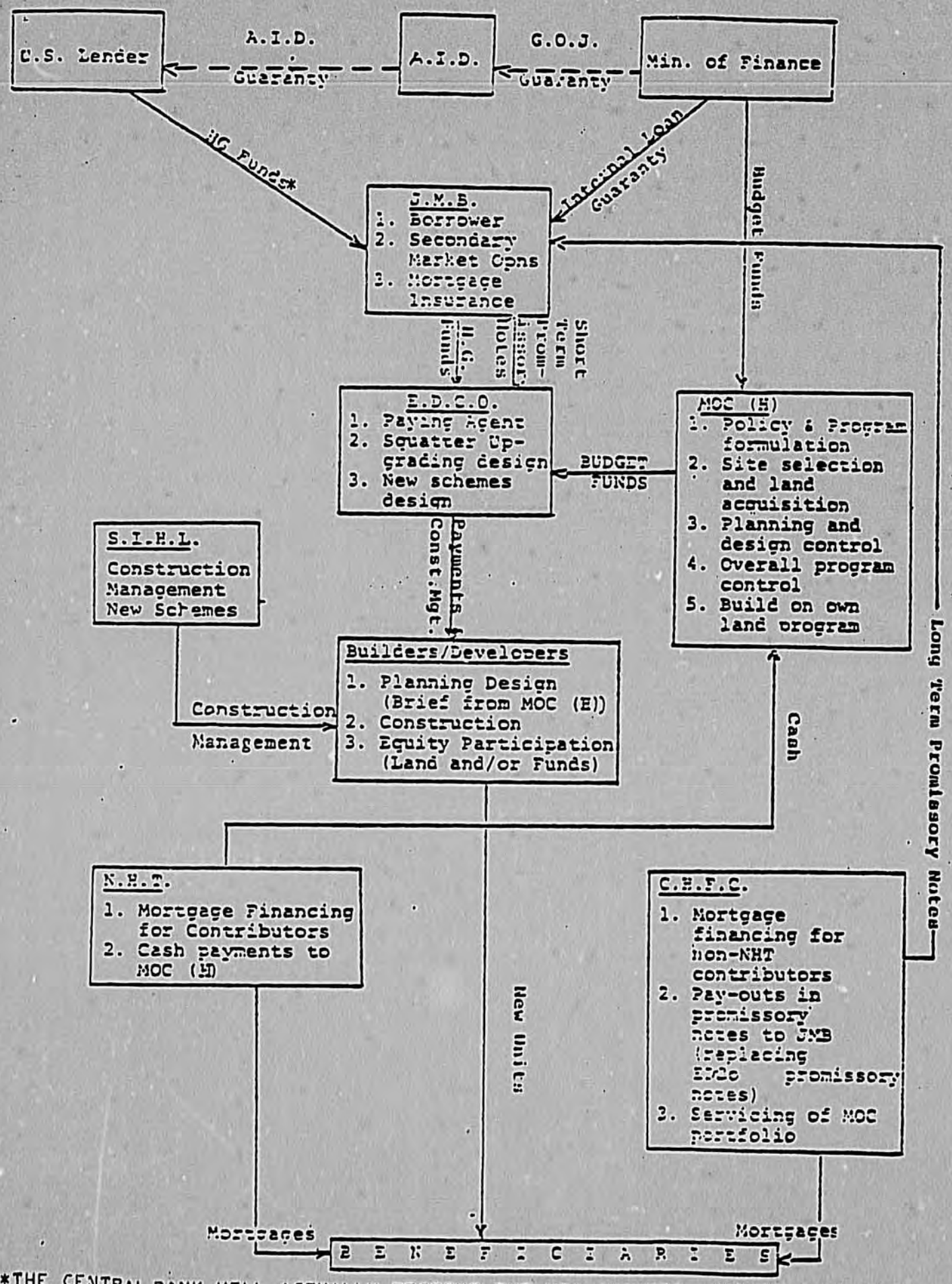
The flow of funds within the public housing sector and the relationships between the various agencies and institutions are illustrated in the following chart. HG-012 funds will be used in this context.

Construction Finance

Funds for the construction of the accelerated delivery program in the first tranche of the loan, as well as those for new and squatter upgrading schemes in the second tranche, will be disbursed by the JMB to EDCO. EDCO will issue promissory notes to JMB for the loan funds received. Under the Memorandum and Articles of Association incorporating the company, EDCO is authorized to borrow in this manner and this includes the power to issue and/or assign promissory notes. The Ministry of Finance will guarantee the JMB against payments default by EDCO. All payment certificates and voucher expenditures prepared by EDCO will be examined and certified by MOC(H) and then passed to JMB who will reimburse EDCO. Separate accounts will be maintained by EDCO for the project. These accounts will also be audited by MOC(H).

A.I.D.-HG funds will be used in combination with MOC(H) budget funds and, if necessary, loans from the NHT to the MOC(H) for project construction. Budget and NHT funds will be at lower interest rates than HG funds and will be blended with HG funds so that effective rate in any one project will be less than the mortgage rates charged under the housing finance framework.

FLOW OF FUNDS AND RESPONSIBILITIES



*THE CENTRAL BANK WILL ACTUALLY RECEIVE THE US$ AMOUNTS, AND WILL IN TURN DEPOSIT EQUIVALENT J$ TO THE PROJECT ACCOUNT OF THE JMB.

Mortgage Finance

According to the housing policy, the two agencies responsible for long term housing finance are the NHT and the CHFC. These two institutions will provide mortgage financing to project beneficiaries of the accelerated delivery program, squatter upgrading and new schemes sub-projects. In the case where beneficiaries are NHT contributors, the NHT will originate the mortgages, reimbursing the MOC(H) for the units.

Where beneficiaries are not NHT contributors, the CHFC will originate mortgages. Due to a present shortage of funds and the desire by the GOJ to build up the institution as a mortgage financer, the CHFC will issue promissory notes to the JMB, replacing an amount similar in value to the notes issued by EDCO. CHFC will service the mortgages over the life of the promissory notes. Since the revenue from the CHFC notes will not be enough to fully repay the JMB, the required amount of short term EDCO notes will have to be converted to middle or long term notes to be repaid by the MOC(H) from the budget and/or from the proceeds of sales of projects to the NHT. In the case of the JCCUL mortgage loan program, the JCCUL will originate long term loans to eligible credit union members.

GOJ Contributions

Given GOJ budget constraints as well as IMF imposed overall budget ceilings, the realistic levels of GOJ counterpart contributions had to be determined. Further, since there will be some overlap with HG-011 funding, required GOJ contributions to both projects have been considered.

Table E.2.1 and E.2.2 are based on projected disbursements for HGs 011 and 012 as well as the latest (August 1983) estimates by the Bureau of Management Support in the Prime Minister's Office as to sources of funds in the sector. Table E.2.1 assumes the availability of ESF counterpart funds for use in reactivating JMB's secondary mortgage market as well as buying mortgage loans from the JCCUL. These equivalent US$10 million in ESF counterpart funds will therefore lighten the burden on the GOJ budget while supporting an important private market activity.

Table E.2.1 shows that funds for the Accelerated Delivery Program will be disbursed in the first two years of the project along with a total US$11 million for the secondary mortgage market operation. Funds for the second tranche will be disbursed in mid GOJ FY 85 based on progress of HG-011 programs. The rates and amounts of disbursements for the second tranche have been based on what is felt to be the absorption capacity of the executing institutions according to experience in the HG-011 projects. Thus far, squatter upgrading programs have been slower to implement than the Starter-Homes due to the length of time required to acquire land and to educate the community regarding the overall program, financing and cost recovery elements.

Table E.2.2 projects the expenditures for HGs 011 and 012 by sources of funds. It can be seen from the table, that the largest expenditures of GOJ funds is required in FY 85. Since most of the MOC(H) budget will be taken up by HG-011 counterpart expenditures in that year, part of the counterpart (US$8 million) for HG-012 will have to come from either NHT loans or purchase of MOC(H) projects. ESF counterpart also lighten the budget load in FY 84 and FY 85 and perhaps more could be applied for in those years if necessary. GOJ requirements in FY 86 and FY 87 should be well within the MOC(H) budget in those years.

TABLE E.C.1

HG-012: PROJECTION OF EXPENDITURES BY GOJ FISCAL YEAR (US$1000s)

Project Components	Total Cost	AID/HG	GOJ	FY 84 AID/HG	FY 84 GOJ	FY 85 AID/HG	FY 85 GOJ	FY 86 AID/HG	FY 86 GOJ	FY 87 AID/HG	FY 87 GOJ
1. Accelerated Delivery Program	20,000	12,000	8,000	7,000	--	5,000	8,000	--	--	--	--
2. Secondary Mortgage Market	11,000	3,000	8,000	3,000	5,000		3,000	--	--	--	--
3. Urban Infrastructure	10,000	5,000	5,000	--	--	--	--	2,000	1,000	3,000	4,000
4. Squatter Upgrading	8,000	6,000	2,000	--	--	2,000	--	2,000	1,000	2,000	1,000
5. New Schemes	18,000	10,000	8,000	--	--	2,000	--	3,000	3,000	5,000	5,000
6. Mortgage Loans	8,000	4,000	4,000	--	--	2,000	2,000	2,000	2,000	--	--
Totals	75,000	40,000	35,000	10,000	5,000	11,000	13,000	9,000	7,000	10,000	10,000

Table E.2.2

PROJECTION OF EXPENDITURES FOR HGs 011 AND 012 BY SOURCE
(Millions of US$)

	FY 84a)	FY 85	FY 86	FY 87	Total
1. HG-011					
AID					
HG	4.5	3.0	--	--	7.5b)
GOJ					
MOC(H)	13.0	19.7	--	--	32.7
NHT	--	7.3	--	--	7.3
Sub-Total HG-011	17.5	30.0	--	--	47.5
2. HG-012					
AID					
HG	10.0	11.0	9.0	10.0	40.0
ESF	4.0	4.0	2.0	--	10.0
GOJ					
MOC(H)	--	--	5.0	10.0	15.0
NHT	--	8.0	--	--	8.0
JMB	1.0	1.0	--	--	2.0
Sub-Total HG-012	15.0	24.0	16.0	20.0	75.0
TOTAL	32.5	54.0	16.0	20.0	122.5

a) GOJ Fiscal Year
b) US$7.5 million disbursed in FY 83

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B. Interest Rate Analysis

According to the Public Housing Finance Framework contained in the National Housing Policy, interest rates in the public sector are to be structured on a basis which allows lower rates to be applied to lower income groups. Using this principle, a three-tier rate structure based on weekly beneficiary incomes has been applied as follows:

Family Income of Beneficiary		Interest Rates Term
Income less than J$100(US$56)/week	-	6% for 30 years
Income from J$100(US$56)/week to J$200(US$112)/week	-	8% for 80 years
Income over J$200(US$112)/week	-	10% for 30 years

These interest subsidies replace capital subsidies of up to 20 percent which were applied on all MOC(H) housing in the previous administration. As a part of the formulation of the National Housing Policy, AID established a dialogue with the housing institutions with the view of moving the rate structure toward market levels. While the resulting rates are less than the free market rate of 14 percent charged by the Building Societies, they are significantly higher than the previously heavily subsidized rates. Table E.2.3 shows the previous and present rate structure versus eligible incomes. It can be seen that the average yield increased from 7.3 percent to 8.1 percent under the new rate structure.

To its credit the GOJ has also moved toward full capital cost recovery and, in order to maintain affordability, has introduced concepts such as the graduated payment mortgage (GPM), a shared equity loan in which the GOJ retains a portion of the equity to be paid off by the beneficiary in later years, and a separate, staggered payment for land costs. Given the progressive shift to the parallel market of all building materials, including gasoline, as well as a labor award of 35 percent in January 1983, it is estimated that construction costs will increase by 35 to 45 percent by the end of 1983 (see Annex E.1: Technical Analysis). Thus, in order to maintain target group affordability, it is expected that the financing mechanisms already introduced by the GOJ with AID assistance will be more widely applied in HG-012.

This prognosis is readily apparent from the affordability tables contained in Annex E.4 and section V.C. of the Project Paper. It can be seen that based on a level mortgage payment for a J$30,000 Starter Home package, only a 6 percent mortgage with the family using 30 percent of income for the monthly payments is affordable by the target population. Once a graduated payment plan is introduced, however, families earning less than the median income can afford the J$30,000 package at rates of 6%, 8% or 10% using 25 percent of income and at 6% using 20 percent of income. These figures are from the graduated payment plans presently being used by the NHT. They were introduced with AID assistance in order to maintain the affordability of NHT benefits.

Table E.2.3

NATIONAL HOUSING TRUST
COMPARATIVE INTEREST RATE

INCOME (WEEKLY) $	PREVIOUS INTEREST RATE %	PRESENT INTEREST RATE %
20 - 39	4	6
40 - 49	5	6
50 - 59	6	6
60 - 69	7	6
70 - 100	8	6
101-200	8	8
200+	8	10
AVERAGE YIELD	7.3%	8.1%

While it is evident that the very low standard units are barely affordable by below median income families, the progressive elimination of interest rate subsidies for those who can afford a higher rate is to the obvious benefit of the economy as a whole. To this end, A.I.D. plans to pursue several options for raising public sector interest rates both for those who presently can afford higher rates and as incomes in general increase. A separate study on this topic will be undertaken during Phase I of the project, the results of which, with GOJ concurrence, could be implemented in Phase II. The options which will be pursued are:

1. An adjustable interest rate under which the beneficiary would have to prove that his salary had not increased making him liable for the higher rate.

2. An increased use of GPM's which would amortize more than the original capital thus increasing the effective interest rate.

3. A combination of the shared equity concept with the two foregoing options for special use for lower income groups.

These options have already been discussed with the GOJ, option 1 having the most positive response.

1. Adjustable Interest Rate Mortgage. Based on existing costs and interest rates, a preliminary analysis has been carried out for option 1 and is shown in Tables E.2.4 to 6. The tables illustrate the payment movements of beneficiaries of a fully serviced plot (either in a squatter upgrading or sites and services scheme), a Starter Home, and a two bedroom 'Home at Last', the latter two after a 10 percent downpayment. The tables assume that the mortgage rate increases one percent every two years unless the beneficiary can show that his salary increased less than, say, civil servant salaries. (There is no wage and salary index as yet in Jamaica.) The interest rate levels off at what would be the prevailing market rate, in this case 14 percent. Of course, if market rates fell, the beneficiary should have the option to take a decreased rate.

Each of the tables show that the average annual increase in payments is approximately 7 percent. This is about the same as the annual increase in the consumer price index in 1982 (6.9 percent) but less than that in previous years.

The most significant aspect of the tables, however, is the fact that the effective rate runs from 10.5 percent to 12.9 percent. Both in 1982 and thus far in 1983, this would have been a positive real rate of interest, especially for borrowers in the highest eligible income or 10 percent category.

Table E.2.4

ADJUSTABLE INTEREST RATE MORTGAGE - 6 PERCENT

Principal	Interest Rate (%)	Monthly Payment	Duration (Years)	Outstanding Balance	Percent Increase in Payment (%)
10,000	6	60	2	9747	--
9747	7	65	2	9542	8.3
9542	8	70	2	9376	7.7
9376	9	75	2	9241	7.1
9241	10	81	2	9133	8.0
9133	11	87	2	9046	7.4
9046	12	93	2	8977	6.9
8977	13	99	2	8921	6.5
8921	14[a)]	106[b)]	14	-0-	--

a) Effective rate of interest over life of mortgage = 10.5 percent.
b) Level payment for remaining 14 years.

Table E.2.5

ADJUSTABLE INTEREST RATE MORTGAGE - 8 PERCENT

(1) Principal	(2) Interest Rate(%)	(3) Monthly Payment (8%/30yr)	(4) Duration Years	(5) Outstanding Balance	(6) Percent Increase in Payment (3)
27,000	8	198	2	26,530	--
26,530	9	213	2	26,151	7.6
26,151	10	229	2	25,844	7.5
25,844	11	246	2	25,599	7.4
25,599	12	263	2	25,401	6.9
25,401	13	281	2	25,243	6.8
25,243	14[a]	299[b]	18	-0-	--

a) Effective interest rate over life of mortgage = 11.86 percent.
b) Level payment for remaining 18 years.

Table E.2.6

ADJUSTABLE INTEREST RATE MORTGAGE - 10 PERCENT

Principal	Interest Rate (%)	Monthly Payment	Duration Years	Outstanding Balance	Percent Increase in Payment
36,000	10	316	2	35,579	--
35,579	11	339	2	35,240	7.3
35,240	12	362	2	34,968	6.8
34,968	13	387	2	34,750	6.9
34,750	14[a]	412[b]	2	-0-	6.5

a) Effective rate of interest over life of mortgage = 12.91 percent.
b) Level payment for remaining 22 years.

2. Graduated Payment Mortgages. As seen in the project affordability section V.C, graduated payment plans are already in wide use in Jamaica. The NHT has begun to use them for all its beneficiary programs, and in the recent MOC(H) Starter Home schemes in Kingston (Seaview Gardens) and Montego Bay (Catherine Hall) about 95 percent of the beneficiaries are opting for a graduated payment vs. level payment plans. GPM's, however, have two major drawbacks: (1) interest in the early years is deferred adversely affecting institutional cash flows; and (2) mortgage payments actually rise for the first several years as deferred interest is capitalized creating adverse psychological effects on beneficiaries.

Attached are the GPM tables presently being used by the NHT (Tables E.2.7 to 9). The rates of increase, length of time of increase, etc. were chosen to minimize: starting income for given loan levels, amount and number of years of deferred interest, and number of years of rising mortgage payment. During Phase I of the project, investigation will be made as to the feasibility of lengthening the period of increase and reducing the rate of increase. For example, by way of illustration, if a GPM had an escalation over the life of the mortgage, the following interest rates would be obtained for a J$30,000 Starter Home and based on the same initial payments in the NHT tables.

Principal	NHT Rate(%)	Initial Payment (J$)	Rate of Increase (%/yr)	Period of Increase (years)	Mortgage Rate (%)
30,000	6	116	6	30	8
30,000	8	133	7	30	10
30,000	10	151	8	30	12

It can be seen from the table that in order to move interest rates up two percentage points, payments would have to be raised by 6 to 8 percent over the life of the mortgage. It may be difficult to obtain these rates of increase over such a period since many beneficiaries would not want to be locked in for so long, being uncertain as to future salary levels. Variations on this option for higher eligible income categories will, however, be pursued during Phase I.

3. Shared Equity. In the case of low income groups, it is the MOC(H)'s intention to take an equity position in the ownership of the land and, if necessary, part of the unit. The beneficiary would be able to buy out the Ministry at any time at the market value of the Ministry's share, or, upon sale, be required to repay the market value of the share. If no sale occurs, the beneficiary would be required to begin repaying the Ministry for the appreciated value of the share after a certain period of time. Unlike many subsidy schemes, equity sharing would permit the MOC(H) to recapture its contribution at its appreciated value. This is in comparison to the mortgagee position which is limited to the original loan amount.

While this option may not be necessary for higher eligible income groups, it could allow somewhat higher interest rates to be charged to lower income groups on that portion of the unit being paid off by them. The difficulty would be to gauge the future income stream of the family versus the likely appreciation in property values. The shared equity concept has not been officially implemented as yet and requires more study as to the affordabilities for various target populations as well as their desire to be co-owners, with Government, of their unit.

GRADUATED PAYMENT SCHEDULE

PRINCIPAL :-$ 10000
INTEREST RATE :- 6%
OF YEARS :- 30YRS
INCREASE IN PYMT:- 10%
OF YEARS :- 6YRS

		PRINCIPAL	INTEREST	BALANCE	TOTAL PAYMENT
YEAR	1	-143.20	600.00	10143.20	456.
YEAR	2	-106.11	608.59	10249.31	502.
YEAR	3	-62.23	614.96	10311.54	552.
YEAR	4	-10.69	618.69	10322.23	608.
YEAR	5	49.47	619.33	10272.77	668.
YEAR	6	119.31	616.37	10153.45	735.
YEAR	7	200.04	609.21	9953.41	809.
YEAR	8	212.04	597.20	9741.37	809.
YEAR	9	224.77	584.48	9516.60	809.
YEAR	10	238.25	571.00	9278.35	809.
YEAR	11	252.55	556.70	9025.80	809.
YEAR	12	267.70	541.55	8758.10	809.
YEAR	13	283.76	525.49	8474.33	809.
YEAR	14	300.79	508.46	8173.54	809.
YEAR	15	318.84	490.41	7854.71	809.
YEAR	16	337.97	471.28	7516.74	809.
YEAR	17	358.24	451.00	7158.50	809.
YEAR	18	379.74	429.51	6778.76	809.
YEAR	19	402.52	406.73	6376.23	809.2
YEAR	20	426.68	382.57	5949.56	809.2
YEAR	21	452.28	356.97	5497.28	809.2
YEAR	22	479.41	329.84	5017.87	809.2
YEAR	23	508.18	301.07	4509.69	809.2
YEAR	24	538.67	270.58	3971.03	809.2
YEAR	25	570.99	238.26	3400.04	809.2
YEAR	26	605.25	204.00	2794.79	809.2
YEAR	27	641.56	167.69	2153.23	809.2
YEAR	28	680.06	129.19	1473.18	809.2
YEAR	29	720.86	88.39	752.32	809.2
YEAR	30	752.32	45.14	0.00	797.46
		10000.00	12934.68		22934.68

PRINCIPAL :-$ 10000
INTEREST RATE :- 8%
OF YEARS :- 30YRS
INCREASE IN PYMT:- 10%
OF YEARS :- 7YRS

		PRINCIPAL	INTEREST	BALANCE	TOTAL PAYMENT
YEAR	1	-263.60	800.00	10263.60	536.40
YEAR	2	-231.05	821.09	10494.65	590.04
YEAR	3	-190.53	839.57	10685.18	649.04
YEAR	4	-140.87	854.81	10826.04	713.95
YEAR	5	-80.74	866.08	10906.78	785.34
YEAR	6	-8.66	872.54	10915.45	863.88
YEAR	7	77.03	873.24	10838.42	950.27
YEAR	8	178.22	867.07	10660.20	1045.29
YEAR	9	192.48	852.82	10467.72	1045.29
YEAR	10	207.87	837.42	10259.85	1045.29
YEAR	11	224.50	820.79	10035.34	1045.29
YEAR	12	242.46	802.83	9792.88	1045.29
YEAR	13	261.86	783.43	9531.02	1045.29
YEAR	14	282.81	762.48	9248.21	1045.29
YEAR	15	305.44	739.86	8942.77	1045.29
YEAR	16	329.87	715.42	8612.90	1045.29
YEAR	17	356.26	689.03	8256.64	1045.29
YEAR	18	384.76	660.53	7871.88	1045.29
YEAR	19	415.54	629.75	7456.34	1045.29
YEAR	20	448.78	596.51	7007.56	1045.29
YEAR	21	484.69	560.60	6522.87	1045.29
YEAR	22	523.46	521.83	5999.41	1045.29
YEAR	23	565.34	479.95	5434.07	1045.29
YEAR	24	610.57	434.73	4823.50	1045.29
YEAR	25	659.41	385.88	4164.09	1045.29
YEAR	26	712.16	333.13	3451.93	1045.29
YEAR	27	769.14	276.15	2682.79	1045.29
YEAR	28	830.67	214.62	1852.12	1045.29
YEAR	29	897.12	148.17	955.00	1045.29
YEAR	30	955.00	76.40	0.00	1031.40
		10000.00	19116.74		29116.74

1.49

GRADUATED PAYMENT SCHEDULE

PRINCIPAL :-$ 10000
INTEREST RATE :- 10%
OF YEARS :- 30YRS
INCREASE IN PYMT:- 10%
OF YEARS :- 9YRS

		PRINCIPAL	INTEREST	BALANCE	TOTAL PAYMENT
YEAR	1	-405.83	1000.00	10405.83	594.17
YEAR	2	-387.00	1040.58	10792.83	653.59
YEAR	3	-360.34	1079.28	11153.16	718.95
YEAR	4	-324.48	1115.32	11477.64	790.84
YEAR	5	-277.84	1147.76	11755.48	869.92
YEAR	6	-218.63	1175.55	11974.11	956.92
YEAR	7	-144.80	1197.41	12118.91	1052.61
YEAR	8	-54.02	1211.89	12172.93	1157.87
YEAR	9	56.36	1217.29	12116.57	1273.66
YEAR	10	189.36	1211.66	11927.21	1401.02
YEAR	11	208.30	1192.72	11718.91	1401.02
YEAR	12	229.13	1171.89	11489.77	1401.02
YEAR	13	252.04	1148.98	11237.73	1401.02
YEAR	14	277.25	1123.77	10960.48	1401.02
YEAR	15	304.97	1096.05	10655.51	1401.02
YEAR	16	335.47	1065.55	10320.04	1401.02
YEAR	17	369.02	1032.00	9951.02	1401.02
YEAR	18	405.92	995.10	9545.10	1401.02
YEAR	19	446.51	954.51	9098.59	1401.02
YEAR	20	491.16	909.86	8607.42	1401.02
YEAR	21	540.28	860.74	8067.14	1401.02
YEAR	22	594.31	806.71	7472.84	1401.02
YEAR	23	653.74	747.28	6819.10	1401.02
YEAR	24	719.11	681.91	6099.99	1401.02
YEAR	25	791.02	610.00	5308.96	1401.02
YEAR	26	870.13	530.90	4438.84	1401.02
YEAR	27	957.14	443.88	3481.70	1401.02
YEAR	28	1052.85	348.17	2428.85	1401.02
YEAR	29	1158.14	242.88	1270.71	1401.02
YEAR	30	1270.71	127.07	0.00	1397.78
		10000.00	27486.74		37486.74

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3. Social Soundness Analysis

A. Socio-Cultural Feasibility

Minister of Construction Bruce Golding notes in the introduction to the 1982 Jamaica National Housing Policy that, "Inadequate housing is one of the most critical problems facing Jamaica ... Any attempt to increase the provision of houses to the level required must address the problems which have plagued the housing sector. These include the scarcity of long-term financing, the resultant low levels of investment in housing, the massive increases in building costs and the lack of 'fit' between the cost of various housing solutions and the levels of affordability of target income groups."

This section will address the final issues raised, the cost of solutions and levels of affordability proposed under HG-012. The section begins with a qualitative assessment of people's preference in housing solutions, presents socio-economic profiles of specific sub-groups, and concludes with an income and affordability analysis.

Background: Housing Preferences

Pre-1980 housing solutions tended to concentrate on two-bedroom block and steel completed homes, middle and high rise apartment complexes for the low and middle income, and self-help sites and service programs leased to lower income tenants. Under the present administration the emphasis has shifted. In the self-help sites and services program, effort has concentrated on legalizing land tenure and improving cost recovery. In two cases, Catherine Hall and Hunts Bay, now called Seaview Gardens, the decision was made to convert the sites and services scheme to a starter home program because of difficulties in marketing and problems with cost recovery. The critical sites and services schemes were initiated on lands which were leased to tenants. The tenant beneficiaries regarded the infrastructure improvements as a gift, and were recalcitrant about making payments. Under the present administration and with the present HG loans, conversion of the lands to free hold status, whereby the tenants become owners of the land, has become high priority. With secure land tenure, the beneficiaries feel a real stake in their property and are willing to pay for the improvements.

The land conversion process is not a simple one. It involves negotiation with the original owner for the purchase of the land at a reasonable market price and resale and conveyance of the acquired land to the former tenant. Technical assistance for HG loans is being made available to the Ministry of Construction to help with land entitlement.

Starter homes are now system units constructed of poured molded concrete or spray on concrete, which have proved to be cost effective and acceptable to the target group. A portion of the starter home units in Seaview Gardens have been reserved for fishermen, relocating them from the causeway.

Squatter settlements upgrading continues as under the previous administration. In these communities emphasis is placed on putting in basic infrastructure -- roads, drainage, water, sewage disposal (usually absorption pits), and electricity. Because of cost, not all improvements are made simultaneously in all squatter communities. Rather, priorities for scheduling are determined jointly by the community itself through surveys and with the help of cost estimates and affordability studies undertaken by the MOC(H).

New schemes and build on your own land (BOL) offer completed studio and two-bedroom units to the lower and middle class. There is no doubt that these units are the most popular with Jamaicans irrespective of their ability to sustain the downpayment and mortgage burden that such an option demands. Representatives of the National Housing Trust, the Caribbean Housing Finance Corporation, the Task Force on sites and services and starter homes and private credit unions affirm that it is the dream of all Jamaicans to own their own home, and that the quality of the home should be at the highest level. However, as in other countries, Jamaicans aspire to a level of living they cannot afford, and substantial effort must be expended in educating people regarding their realistic housing options given their financial circumstances.

The need for such work is borne out by a recent market survey done in conjunction with the Succaba Pen squatter upgrading area. 1/ The study placed a survey advertisement in the Daily Gleaner, the island's principal paper, requesting information on preference for alternative shelter solutions, name, address, age, occupation, monthly income, desired downpayment and monthly shelter payment levels. Preference for shelter options were as follows:

67% (649 cases) - Home At Last (completed 2-bedroom units)
19% (181 cases) - Start A Home (basic core unit)
14% (138 cases) - Serviced Land.

The financial elements of the survey confirm the market mentality of the respondents and the value placed on shelter. The downpayments which the respondents suggested they were willing to make were commensurate with the cost of the shelter solution selected. Overall, 24% indicated downpayments greater than J$2,000. In the case of the Home At Last, this would suggest seven percent (7%) or better on the selling price and in the Start A Home a minimum of ten percent (10%). The general tendency was for amounts of J$1,000 - J$3,000 for those solutions offering a living unit and $500 and $1,000 for the Serviced Land. It should be noted that no supporting documentation was requested to substantiate the actual availability of funds.

1/ Market Study: Succaba Pen, Cooperative Housing Foundation, financed by U.S.A.I.D. Office of Housing & Urban Programs and the Ministry of Construction (Housing), Jamaica, August 1983.

However, when asked to express the amount respondents would be willing to dedicate to debt service for the acquisition of the preferred solution, no more than four percent (4%) of all respondents could support the actual Home At Last debt service; an estimated 14% could carry the Start A Home costs; even for the Serviced Land with the lowest charges, at best some 25-30% could pay sufficient amounts to repay that debt. "In fact, only when we consider the Serviced Land do we see any meaningful relationship between the willingness to pay and real debt service ... The respondents do not exhibit a strong propensity to dedicate the necessary resources to satisfy debt service for shelter."2/

A negative affordability picture emerges when monthly income and expressed preferences are compared. Two affordability charts are presented by the study, one taking into account monthly income only; the other adding downpayments into the calculation. In the first instance, only 18.9% of those who selected the Home At Last solution could afford it; 33% of those selecting the Start A Home option could support their choice; 63.7% of those choosing the serviced lot option could back up their preference, yet this must be qualified based on the small sample of 183 respondents and 88 having eligible incomes.

When monthly incomes are taken with downpayments provided by the respondents a slightly improved situation emerges: 28.2% can afford the Home At Last option, 45% the Start A Home; and 69% the Serviced Land. (See Table 1).

The study concluded "If nothing else, the survey suggests that in terms of housing, Jamaicans cannot afford what they want and do not want what they can afford. This statement represents the challenge before the Ministry. As a first step, the Ministry must begin to educate the Jamaican housing market that the economic realities dictate that less house, if not simply land, are the only options before them. This objective is in concert with the current policies of the Government. It must now be put to the public. This will require continued outreach and explanations of the situation and alternatives. Along these same lines Goverment must continue to review its own operations and product line to ensure that maximum shelter is created for the minimum dollar." 3/

Socio-Economic Profiles

Three differing populations are examined in this section: squatter settlement residents in five areas; beneficiaries of Start A Home units in Catherine Hall and Seaview Gardens; and National Housing Trust recipients of Home At Last units.

2/ Ibid., p.5.

3/ Ibid., p.9

Squatter Settlement Residents

The Community Services Division of the MOC (Housing) produced a series of socio-economic surveys in 1982 and 1983. The five communities presented here are New Market Oval, a rural settlement in Westmoreland; Rose Heights, a rural community in the urban setting of Montego Bay, and three urban settlements in and around Kingston: Ambrook Lane/Tarrant Drive, Whitehall, and Omara Road. The detailed survey may be seen in Table E.4.2. The population of all settlements is very young, with 45% of the population 19 years of age and younger. Female-headed households are common, ranging from 29% in the rural settings to a high of 62% in the Kingston Omara Road community. There is a high preponderance of single headed households and common-law partners. One-third and fewer of the work force are employed on a full-time basis. Housing tends to be small, one and two rooms, of which approximately 40% are over-crowded using a definition of occupancy greater than two persons per room.

Median household incomes range from $72-$102 a week, with half to two-thirds of expenses required for food, and significant amounts dedicated to paying hire purchase (installment) charges. As might be expected, almost all those who are working are employed in low-paying jobs: sales and service work, manual laborers and unskilled trades.

The availability of services varies significantly between the rural and urban communities. In the rural areas surveyed, piped water, flush toilets and electricity are far less common than the urban settlements. Even so there are significant deficits within the urban setting. The condition of housing was uniformly inadequate in all areas; major construction materials are plain board walls (lacking an overlay of masonry) and zinc roofs. When asked to identify the three most important needs of the community, responses vary according to settlement. Ranking of needs was as follows: in New Market Oval -- housing, roads, lights; in Rose Heights -- employment, housing, water; in Ambrook Lane/Tarrant Drive -- roads, water and lights; in Whitehall -- water, roads and housing; in Omara Road -- roads, employment and housing. Employment is clearly a critical priority problem that has not been fully addressed. Of those who are unemployed over 40% are between the ages of 15 and 24.

Due to the generally depressed state of these settlements and the lack of financial resources, the present government seems headed on the right course in emphasizing infrastructure improvements in these areas. The generation of employment opportunities, especially geared for the younger population, would also seem warranted.

Table E.3.1

AFFORDABILITY USING SHELTER PREFERENCE BASED ON
(A) MONTHLY INCOME ONLY AND (B) MONTHLY INCOME AND DOWNPAYMENT 1

Location	Total	No.	%	No.	%	No	%	No.	%	No.	%	No.	%
PRIMARY MARKET AREA													
Succaba Pen	40	1	(2.5)	2	(5.0)	5	(12.5)	5	(12.5)	4	(10.0)	4	(10.0)
Old Harbour	233	30	(12.8)	52	(22.3)	17	(7.3)	21	(9.0)	22	(9.4)	23	(9.8)
Spanish Town	79	6	(7.5)	13	(16.4)	5	(6.3)	8	(10.1)	8	(10.1)	9	(11.3)
St Catherine	112	15	(13.4)	18	(16.0)	9	(8.0)	12	(10.7)	6	(5.3)	8	(7.1)
SECONDARY MARKET AREA													
Portmore	36	6	(16.6)	8	(22.2)	3	(8.3)	5	(13.8)	4	(11.1)	4	(11.1)
Kingston	390	55	(14.1)	77	(19.7)	16	(4.1)	23	(5.9)	28	(7.1)	32	(8.2)
Clarendon	34	4	(11.7)	4	(11.7)	--	--	--	--	10	(29.4)	10	(29.4)
OTHER	44	6	(13.6)	9	(20.4)	5	(11.3)	9	(18.1)	6	(13.6)	6	(13.6)
TOTAL	968	123	(18.9%)	183	(28.19%)	60	(33.0%)	82	(45.0%)	88	(63.7%)	96	(69.0%)

(A) 271 or 27% can afford their choice of shelter with monthly income.
(B) 361 or 37% can afford their choice of shelter based on monthly income and downpayment.

AFFORDABILITY BASED ON (A) MONTHLY INCOME AND
(B) MONTHLY INCOME AND DOWNPAYMENT (ADJUSTED MONTHLY INCOME)
WITH NO REFERENCE TO PREFERENCE OF HOUSING SOLUTION: AND BY LOCATION

Location	Total	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
PRIMARY MARKET AREA													
Succaba Pen	40	3	(7.5)	4	(10.0)	8	(20.0)	15	(37.5)	17	(42.9)	19	(47.5)
Old Harbour	233	46	(19.7)	61	(26.1)	95	(40.7)	113	(48.4)	136	(58.3)	152	(65.2)
Spanish Town	79	11	(13.9)	18	(22.0)	42	(53.1)	52	(65.8)	67	(84.8)	68	(86.0)
St Catherine	112	18	(16.0)	20	(17.8)	56	(50.0)	72	(64.2)	89	(79.4)	96	(85.7)
SECONDARY MARKET AREA													
Portmore	36	8	(22.2)	11	(30.5)	24	(66.6)	28	(77.7)	31	(86.1)	32	(88.8)
Kingston	390	68	(17.4)	91	(23.3)	189	(48.4)	242	(62.0)	296	(75.8)	329	(84.3)
Clarendon	341	7	(20.5)	8	(23.5)	20	(58.8)	24	(70.5)	29	(85.2)	32	(94.1)
OTHER	44	10	(22.7)	14	(31.8)	25		33		30	(68.1)	41	(93.1)
TOTAL	968	171	(17.6%)	227	(23.4%)	459	(47.4%)	579	(59.8%)	695	(71.8%)	769	(79.4%)

1/ Source: "Market Study: Succaba Pen", Cooperative Housing Foundation, August 1983.

Table E.1.2

SOCIO-ECONOMIC SURVEY OF FIVE SQUATTER SETTLEMENTS 1/

	New Market Oval Westmoreland 1982/83 Survey Rural Settlement/ Rural Parish	Rose Heights Montego Bay 1983 Survey Rural Settlement/ Urban Parish	Ambrook Lane/Tarrant Dr. Kingston 1983 Survey Urban Settlement/ Urban Parish	Whitehall Kingston 1983 Survey Urban setlmt/ Urban Parish	Omara Road Kingston 1983 Survey Urban settlemt/ Urban Parish
Population and Households					
Households surveyed	61	128	86	121	29
Population in hh's	278	609	338	612	131
Persons/household	4.5	4.78	3.93	5.1	4.52
Age Structure	%	%	%	%	%
0-4	16.3	12.7	9.9	10.7	12.2
5-9	14.1	13.0	12.0	9.9	11.4
10-14	11.9	13.0	10.5	12.9	16.0
15-19	11.9	16.5	14.4	16.6	14.5
20-64	27.8	43.8	46.9	47.6	42.8
65+	18	1.0	6.3	2.3	3.1
Male Heads of Households	57.4	71.1	64.0	66.6	38.0
Marital Status					
Married	19.7	26.6	14.0	39.7	24.1
Common-Law	21.3	28.1	40.7	26.5	17.2
Single	52.5	45.0	45.4	33.1	58.7
Widowed	6.6	—	0	0.8	—

1/ Commodity Service Department, Ministry of Construction (Housing), 1982 and 1983.

	New Market Oval Westmoreland 1982/83 Survey Rural Settlement/ Rural Parish		Rose Heights Montego Bay 1983 Survey Rural Settlement/ Urban Parish		Ambrook Lane/Tarrant Dr. Kingston 1983 Survey Urban Settlement/ Urban Parish		Whitehall Kingston 1983 Survey Urban Setlmt/ Urban Parish		Omara Road Kingston 1983 Survey Urban Settlemt/ Urban Parish	
Employment Status - Entire Workforce										
Full-time	26.3		33.5		35.8		31.1		33.3	
Part-time	10.2		12.5		8.0		17.6		15.2	
Self-employed	18.3		12.9		8.6		8.1		13.6	
Unemployed	44.5		40.8		47.1		43.2		37.9	
Not Available	.7		.3		.5		0		0	
Youth Unemployment										
15-19 years	19.7		17.8		Not available		19.9		16.0	
20-24 years	32.8		32.7		Not available		21.4		24.0	
Weekly Income (In J$)	Head HH	Total HH	Head HH	Total HH	Head HH	Total HH	Head HH	Total HH	Head HH	Total HH
0-19	13.3	5.0	12.4	6.4	26.3	11.1	16.2	.8	8.0	0.0
20-39	25.0	20.0	11.6	7.1	8.8	8.6	9.0	8.6	20.0	16.0
40-59	8.3	11.7	14.1	11.9	22.5	12.4	17.1	12.4	16.0	8.0
60-79	10.0	10.0	13.2	17.5	7.5	8.6	9.0	7.1	20.0	16.0
80-99	8.3	5.0	9.9	7.9	13.8	14.8	13.5	12.4	4.0	8.0
100-119	13.3	13.3	14.1	7.1	11.3	9.9	11.7	7.1	16.0	16.0
120-139	1.7	1.7	5.0	7.9	2.5	12.4	5.4	5.3	8.0	12.0
140-159	10.0	10.0	5.8	7.1	5.0	9.9	8.1	8.9	4.0	4.0
160-179	1.7	5.0	3.3	4.8	0	1.2	0.9	2.7	0	12.0
180-199	0	3.3	3.3	4.0	0	2.5	0.9	8.0	0	0
200+	8.3	15.0	7.4	18.3	2.5	8.6	8.1	24.8	4.0	8.0
Median	$66.80	$93.20	$78.30	$97.97	$53.24	$72.57	$57.11	$97.18	$66.00	$102.38
Numbers of Rooms/House										
1 room	31.2		28.1		55.1			25.6	34.5	
2 rooms	26.2		40.6		25.6			34.7	31.0	
3 rooms	21.3		22.7		10.3			25.6	20.6	
4+ rooms	21.3		8.6		9.0			24.1	13.9	
Overcrowded (more than 2 persons per room)	38		44		40			44	41	

	New Market Oval Westmoreland 1982/83 Survey Rural Settlement/ Rural Parish	Rose Heights Montego Bay 1983 Survey Rural Settlement/ Urban Parish	Ambrook Lane/Tarrant Dr. Kingston 1983 Survey Urban Settlement/ Urban Parish	Whitehall Kingston 1983 Survey Urban Setlmt/ Urban Parish	Omara Road Kingston 1983 Survey Urban Settlemt/ Urban Parish
Average Weekly Expenses					
Food	$48.50	$58.50	Not Available	$61.10	$55.00
Rent	11.00	7.70	"	19.90	5.90
Lease	—	—	"	—	3.00
Light	11.00	12.00	"	11.00	9.70
Water	5.50	3.00	"	5.12	5.00
Hire purchase (installment)	15.30	12.40	"	13.15	20.75
Transport	15.00	18.70	"	4.30	14.45
Miscellaneous	15.00	13.30	"	—	25.00
Average Total HH	$103.00	$122.70	"	$125.70	$104.80
Average HH Head	$89.00	$97.50	"	$98.50	$81.90
Occupation of HH Head	%	%	%	%	%
Manual Workers	9.8	3.9	6.1	17.5	0
Service Workers	11.5	15.6	14.6	12.6	13.7
Sales	21.3	16.4	9.8	8.7	9.1
Clerical	0	1.6	4.9	1.9	4.6
Professional	8.2	0.8	6.1	3.9	0
Domestic	11.5	13.3	11.0	8.8	31.8
Construction	8.2	15.6	13.4	22.3	0
Craft, Farmer, Fisherman	14.70	7.1	0	2.9	0
Skilled trade	9.7	3.1	14.6	13.5	36.3
Other	3.2	1.6	3.6	5.8	4.5
Unknown	3.3	21.0	15.9	2.1	1.0
Water Availability					
Standpipe	50.8	74.2	19.8	41.6	41.4
Private water to yard	41.0	16.4	76.7	45.5	10.3
Other	8.2	9.4	3.5	12.9	41.4
Tank	—	—	—	—	6.9

	New Market Oval Westmoreland 1982/83 Survey Rural Settlement/ Rural Parish	Rose Heights Montego Bay 1983 Survey Rural Settlement/ Urban Parish	Ambrook Lane/Tarrant Dr. Kingston 1983 Survey Urban Settlement/ Urban Parish	Whitehall Kingston 1983 Survey Urban Setlmt/ Urban Parish	Cmara Road Kingston 1983 Survey Urban Settlemt/ Urban Parish
Toilet Facilities					
Pit Latrine	80.3	81.3	22.1	59.5	97.0
Flush Toilet	6.6	13.3	70.9	38.8	3.0
None	8.2	1.6	3.5	1.7	—
Other	4.9	3.9	3.5	—	—
Shared facilities	39.3	18.8	NA	NA	NA
Electricity	45.9	46.1	58.1	71.7	48.3
Others use kerosene lamps					
Kitchen Location					
Inside	23	50.8	40.7	67.8	65.5
Outside	75.4	36.7	44.2	28.1	34.5
None	1.6	12.5	15.1	4.1	0
House Tenure					
Rent[a]	24.6	13.3	68.6	27.3	42.9
Own[b]	55.8	85.1	26.7	70.3	53.8
Rent free[c]	16.4	1.6	4.7	2.5	0
Not available	3.2	0	0	0	3.6

a) When you rent the house you rent the land as well
b) Generally people who own the house in these communities squat on the land.
c) Unknown whether occupants rent or squat on the land

	New Market Oval Westmoreland 1982/83 Survey Rural Settlement/ Rural Parish	Rose Heights Montego Bay 1983 Survey Rural Settlement/ Urban Parish	Ambrook Lane/Tarrant Dr. Kingston 1983 Survey Urban Settlement/ Urban Parish	Whitehall Kingston 1983 Survey Urban Setlmt/ Urban Parish	Omara Road Kingston 1983 Survey Urban Settlemt/ Urban Parish
Condition of House					
Good	6.6	15.6	NA	13.2	6.9
Fair	31.2	38.3	NA	45.5	48.3
Poor	62.3	46.1	NA	41.3	44.8
Needs of Community (3 most important)					
Water	10.4	28.9 (2)	18.6 (3)	26.8 (1)	29.4 (1)
Light	13.1 (3)	28.9 (2)	6.2	14.1 (4)	8.2
Road	16.4 (2)	29.7 (1)	21.1 (2)	25.1 (2)	23.5 (2)
Employment	12.0 (4)	3.2	8.6	3.5	4.7
Housing	19.7	5.8 (3)	30.1	20.5 (3)	23.5 (2)
School	2.2	0.3	0	0	0
Community Centre	5.5	—	15.3 (3)	0	10.73
Other	20.7	2.9	—	10.0	—

Catherine Hall and Seaview Gardens

A random sample was taken of the beneficiaries of starter homes in Catherine Hall (Montego Bay) and Seaview Gardens (Kingston). Initial interviewing was done by the Ministry of Construction (Housing) and then the Caribbean Housing Finance Corporation (CHFC). These samples are based on the CHFC follow up interviews. Minimum salary requirements to apply for starter housing are $110/week total household income. Minimum downpayment on the units is $500. Mortgages start at $101 per month for a single owner, $104 for joint tenancy and will be escalated 7.5% per annum. In addition, beneficiaries must pay one year's premium in advance for mortgage, life and peril insurance ($117) and a $20 processing fee.

Catherine Hall and Seaview Gardens are mixed-income schemes in which HG money is funding loans to those at the lower end of the income curve. For this reason the income profiles are slightly higher than with other solutions. The advantage of this approach is that it allows for cross subsidy of infrastructure costs.

The sample taken of beneficiaries in these two communities (30 profiles in Catherine Hall and 50 in Seaview Gardens) was limited, and must be qualified as being representative of trends rather than scientifically accurate. In both projects, women-headed households account for 50% of the total, mirroring the generally matriarchal structure of Jamaica as a whole. Seventy percent and more of the homeowners are less than 40 years old, and most are single or living in common-law arrangements with their partner.

Unlike a great proportion of Jamaican society, almost all are regularly employed, generally in sales and service trades or as skilled laborers. From two-thirds to three-quarters of the population had previously been renting their homes, or living with relatives. No one had previously owned their home. Most families contemplate completing their homes using a combination of techniques: through their own labor, the help of family and friends, only hiring a professional builder when absolutely necessary. Less than ten percent envisaged completing their home all at one time. The median number of people occupying the house is three in Catherine Hall and 4 in Seaview Gardens.

Median monthly incomes of the beneficiaries are higher than those found in the general population: head of household income is greater than J$600 in Seaview Gardens, J$700 in Catherine Hall. Total household income exceeds J$700 in Seaview Gardens and J$900 in Catherine Hall.

Table E.3.2

SOCIO-ECONOMIC SURVEY[1]

	Seaview Gardens Start-A-Home		Catherine Hall Start-A-Home	
	Total	%	Total	%
Sex of Household Head				
Male	25	50	15	50
Female	25	50	15	50
Age of Household Head				
29 and less	17	34	8	27
30-39	25	50	13	43
40-49	7	14	8	27
50+	1	2	1	3
Marital Status				
Married	12	24	8	27
Divorced	1	2	0	0
Separated	3	6	1	3
Living with partner	14	28	8	27
Single	19	38	13	43
Widowed	1	2	--	--
Are you regulary employed?				
If yes:				
52 weeks	49	98	29	97
26 weeks	1	2	1	3
None	--	--	--	--
Occupation				
Clerical	5	10	7	23
Sales	13	26	6	20
Services	5	10	5	17
Domestic	4	8	--	--
Government employee	4	8	3	10
Teacher	3	6	1	3
Skilled Trade	10	20	8	27
Accountant	1	2	--	--
Business owner	2	4	--	--
Factory worker	3	6	--	--

1/ Caribbean Housing Finance Corporation Surveys, 1982 and 1983.

	Senview Gardens Start-A-Home		Catherine Hall Start-A-Home	
	Total	%	Total	%
Tenure of house in now				
Rent it	38	76	26	67
Own it	0	0	--	--
Employer provided	1	2	--	--
Live with relative	10	20	4	34
Squatter	1	2	--	--
How Do You Plan to Complete House				
Working by Self	17		3	
With Family	18		12	
Help from Others	18		7	
Hire a Builder	22		10	
Will you Complete Your House				
In stages	46	92	27	90
All at once	4	8	2	7
How Many Persons Will Live With You				
None	4	8	1	3
1	2	4	5	17
2	9	18	10	33
3	14	28	8	27
4	9	18	4	13
5	8	16	1	3
6+	4	8	1	3
Do You Plan To Buy House As				
Single Owner	35	70	26	87
Joint Tenant	15	30	4	13
What Can You Afford As Downpayment				
$500	37	74	18	60
$1000	3	6	5	17
$1500	2	4	1	3
Other, specify:				
$800	--	--	1	3
$700	--	--	2	79
$620	--	--	3	10
Not available	8	16	--	--

	Seaview Gardens Start-A-Home		Catherine Hall Start-A-Home	
	Total	%	Total	%
Monthly Income				
Less than $400	4	8	4	13
$400-$499	7	14	6	20
$500-$599	2	4	4	13
$600-$699	11	22	6	20
$700-$799	5	10	3	10
$800-$899	9	18	3	10
Over $900	11	22	--	--
Does Someone Else Contribute To Your Home				
Yes	33	66	21	70
No	17	34	9	30
If yes, how much monthly				
Less than $100	4	8	--	--
$100-$199	6	12	2	--
$200-$299	10	20	2	--
$300-$399	3	6	3	--
$400-$499	3	6	6	--
$500+	6	12	8	--
Not available	1	2		
Total Household Income				
Less than $400	1	2		
Less than $500	2	4	2	7
$500-$599	1	2	5	17
$600-$699	8	16	--	--
$700-$799	8	16	3	10
$800-$899	6	12	4	13
$900-$999	8	16	5	17
$1000+	16	32	11	37
How Much Do You Now Pay in Rental/Lease				
0	12	24	4	13
$1-$50	13	26	10	33
$51-$100	13	26	11	37
$101-$150	8	16	4	13
$151-$200	2	4	--	--
$201+	2	4	1	3

	Seaview Gardens Start-A-Home		Catherine Hall Start-A-Home	
	Total	%	Total	%
Will You Have Downpayment, Closing Costs Required				
Yes	50	100	30	100
No	--	--	--	--
Will You Have Money for Development of House/Lot				
Yes	46	92	26	87
No	4	8	4	13

B. Profile of Beneficiaries of National Housing Trust Schemes[1/]

In July and August 1979, the National Trust did a survey of 375 beneficiaries living in 11 new housing schemes in 8 parishes. The schemes included fully finished two-bedroom units. In general the survey found that the socio-economic condition of residents was comparable to that of other workers in the economy. Average family size was 4, with 38 percent of beneficiaries belonging to larger households than that.

Households are comprised of fairly young adults; 75 percent of all beneficiaries and their spouses were below age 35. Most residents were employed, possibly due to the substantial number of people employed in the public sector (66.9%). Other employment included commerce (16.3%), manufacturing (9.7%) and tourism (7.1%). While the survey indicates that 70 percent of all beneficiaries were living as couples, 41 percent state that their household status is "single". It is possible that common-law partners are fairly common.

Median weekly household income was $84.94 ($125.31 projected in September 1983, assuming a 10% per annum growth rate). Median weekly household income was $109.79 ($161.97 in September 1983).

The percentage of income spent in various categories was as follows:

Food and drink	45.4%
Transport	10.0%
Furnishing	5.1%
Utilities	4.8%
Mortgage	13.8%
Other expenses	16.6%
Savings	6.3%

Rent as a percentage of expenditure in previous accommodations had accounted for 6.4% of monthly budget.

1/ From Report on 1979 Survey Programme, Evaluation of National Housing Trust Beneficiaries, Research Department, National Housing Trust, February 1980.

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4. Administrative/Institutional

a. Background

The National Housing Policy articulates as the GOJ priority shelter policy objective the definition and development of shelter institutional responsibilities. Since one of the major policy objectives of this project is to assist the GOJ in further rationalizing shelter institutional roles and responsibilities, the PP administrative/ institutional analysis provides the basis for future technical assistance and institutional development studies and analyses. (For further details see also Section IV Monitoring and Evaluation Plan).

The administrative analysis annex in this PP is primarily an updated report on the shelter institutions whose organization, management and staffing strengths and weaknesses are well known to both GOJ officials and AID technical staff and advisors. Moreover, the GOJ National Housing Policy provides the GOJ framework for capitalizing on the strengths of each institution. This project is designed to assist the GOJ in moving toward the consolidation of institutional responsibilities based upon the GOJ's own "administrative analysis" exercise.

b. Institutions

This annex provides an updated descriptive analysis of the participating institutions in HG-012 and includes the legal and financial status of the organization, its management including institutional experience and capability in the sector and a brief description of the adequacy, both in number and quality, of the staff.

The institutions included are: the Jamaica Mortage Bank, the HG loan borrower, Estate Development Company, Ltd. (EDCo), Sugar Industry Housing, Ltd. (SIHL), National Housing Trust (NHT), Caribbean Housing Finance Corporation (CHFC) and Jamaica Cooperative Credit Union League (JCCUL) and Jamaica Teachers' Association Housing Cooperative Limited. The last organization is an example of the potential sponsoring agency for a private developer project in which the development and marketing risks would be assumed by a private, not public institution.

1. JAMAICA MORTGAGE BANK

The Jamaica Mortgage Bank was incorporated on June 15, 1973, by the Jamaica Mortgage Bank Act of Parliament No. 16 of 1973, and is wholly owned by the GOJ.

By virtue of the JMB's Act of 1973, the Bank may:

-- Lend money on mortgages and carry out any other transaction involving mortgages;
-- Lend money on security to be used for the construction of premises for private residential purposes or of a commercial or industrial nature;
-- Guarantee loans from private investment sources for building development;
-- Sell investments of whatever kind belonging to the Bank, as and when appropriate; and
5. Provide mortgage insurance.

Funding for the Jamaica Mortgage Bank comes from capital injection by the GOJ and loans. Of the Company's liabilities of J$137 million outstanding as at December 31, 1982, J$66.8 million was foreign and J$70.2 million local.

The Bank has incurred foreign exchange losses on its foreign debts totalling J$42 million of which J$19 million has been charged to its operating expenses and is responsible for the accumulated deficit of J$15.7 million on its Profit and Loss Account. The balance of J$23 million recorded on the Balance Sheet is to be written off over the lifetime of the indebtedness on an annual basis. Since the Bank has been indeminified by the Government of Jamaica with respect to exchange losses on foreign borrowings, the J$15.7 million should most likely be recorded as a payable from the Government of Jamaica and not a charge against the Bank's Profit and Loss account. This would improve its financial standing.

The projection for exchange losses in 1983 is J$8.7 million and is due to the fact that a loan balance of US$6.5 million falls due in 1983. The entire exchange loss with respect to this loan will be written off during the financial year.

The operating losses for 1980, 1981 and 1982 were partly the result of high interest rates on the two Euro-dollar loans. In July 1979, the average rate on both loans was 12.5 percent. By January 1980, it was increased to 16.65 percent and climbed to 20.25 percent by December 1981. The average rate of interest on these two loans has been declining since december 1981 and stood at 16 percent as of december 31, 1982. The mortgages financed by these two loans, however, were fixed at 14 percent.

The long term viability of the Bank will depend on its ability to make a profit. A most serious consideration in this regard is the effect of further devaluation of the Jamaican Dollar. A restructuring exercise to settle outstanding accounts with the GOJ and the MOC(H), and new capital injections, will assist in improving the Bank's performance and Balance Sheet.

JAMAICA MORTGAGE BANK

BALANCE SHEET

ASSETS	1980	1981	1982	Projected 1983	Proj. 1984	Proj. 1985
Loans	116,279	123,821	125,554	151,860	172,640	192,090
Investments	3,024	3,023	4,199	16,140	20,670	30,960
Accounts Receivable	4,387	4,190	5,969	9,090	11,160	12,410
Cash	18,512	12,912	11,907	500	500	500
Fixed Assets	710	706	743	750	750	750
Long Term Receivables	5,224	5,225	2,135	--	--	--
Deferred Exchange Losses	31,2110	27,101	23,218	14,450	14,020	13,590
TOTAL ASSETS	179,346	176,978	173,725	192,790	219,740	250,300
LIABILITIES						
Loans & Advances	168,475	158,977	152,382	176,920	202,650	230,730
Bank Overdraft	75	--	--	--	--	--
Accounts Payable	6,992	9,569	10,333	11,800	11,800	11,800
Equity - Capital	8,700	17,960	25,300	25,300	25,300	
Reserves	1,890	1,684	1,472	1,590	1,590	
Accumulated Deficit	(6,786)	(11,212)	(15,762)	(22,820)	(21,600)	(19,120
TOTAL LIABILITIES	179,346	176,978	173,725	192,790	219,740	250,300
Current Assets/Current Lia.	3.6:1	3.0:1		3.4:1	1.6:1	1.5:1
2.2:1						
Equity	3,804	8,432	11,010	4,070	5,290	7,770
Working Capital	18,623	13,502	15,480	9,930	10,530	25,070
Equity/Total Debt	1:46	1:20	1:15	1:46	1:40	1:31
Net Income/Equity	--	--	--	9.6%	22.9%	32.0%
Earning/Assets	--	--	--	0.2%	0.6%	1.0%
Revenue/Assets	7.7%	9.5%	9.8%	9.6%	9.2%	8.9%
Net Income to Revenue	--	--	--	2.1%	6%	11.1%

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JAMAICA MORTGAGE BANK

PROFIT AND LOSS

INCOME	1980	1981	1982	Projected 1983	Proj. 1984	Proj. 1985
Interest on Loans/Mortgs.	11,905	13,646	13,830	15,830	17,200	18,740
Other Income	2,019	3,104	3,094	2,640	3,070	3,670
TOTAL INCOME	13,924	16,750	16,942	18,470	20,270	22,410
EXPENSES						
Interest on Loans & Advances	13,373	16,196	15,531	15,320	15,680	16,140
Service Fees	693	778	730	1,290	1,250	1,150
Operating Expenses	1,012	1,151	1,318	1,470	1,700	2,200
TOTAL EXPENSES	15,078	16,196	17579	18,080	18,630	19490
Profit/(Loss)	(1,154)	(1,375)	(637)	390	1,640	2,920
Foreign Exchange Losses	(3,217)	(3,257)	(3,278)	(8,700)	(430)	(430
Adjustments	1,267	206	(636)	--	--	--
NET PROFIT/(LOSS)	(3,104	(4,426)	(4,551)	(8,310)	1,210	2,490

DETAILS OF JAMAICA MORTGAGE BANK'S PORTFOLIO

PRIMARY MARKET OPERATIONS

AS AT 31ST MARCH, 1983

Interest Rate	Servicer/Scheme	No. of Loans	Unpaid Principal Balance	Origination Date	Maturity Date	Average Remaining Term	Original Term
			$				
	Caribbean Housing Finance Corp.						
12%	Bayfarm Villas	93	1,241,258	August 1978	August 2003	245 months	300 months
14%	Braeton	906	11,296,517	March 1976	March 1996	156 "	240 "
14%	Cooreville Gardens	593	12,619,236	July 1978	July 1998	184 "	240 "
14%	Fairy Hill	96	1,064,952	Dec. 1977	Dec. 1997	177 "	240 "
13%	Garveymeade	394	7,664,377	March 1976	March 1996	156 "	240 "
13%	Passage Fort	955	9,076,270	April 1975	April 1995	145 "	240 "
7.41 - 9%	Waterford	3,585	31,389,176	March 1976	March 2001	216 "	300 "
14%	**Mutual Housing Services/Westport**	122	1,575,163	March 1977	March 1997	168 "	240 "
	Workers Bank Trust						
14%	Hague	18	177,522	Dec. 1976	Dec. 2001	225 "	300 "
14%	Orchard	22	261,650	Feb. 1977	Feb. 2002	227 "	300 "
14%	Pitfour	50	594,087	Jan. 1977	Jan. 2002	226 "	300 "
14%	Mansfield Park	55	526,761	Feb. 1977	Feb. 1997	167 "	240 "
	Jamaica National Building Society						
8.75%	Catherine Hall	237	1,726,340	Jan. 1976	Jan. 1996	154 "	240 "
	Total	7,126	79,213,309				

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JAMAICA MORTGAGE BANK

SECONDARY MARKET FUND

DRAFT

SUBJECT TO FINALISATION

Balance Sheet
31st December 1982

	Notes	1982	1981
ASSETS			
Loans and mortgages (secured)	4	6,894,487	6,886,064
Other investments	5	4,199,330	3,023,255
Accounts receivable and prepaid expenses	6	894,010	596,098
Deposits	7	1,000,000	-
Due from general reserve fund		3,617,605	5,888,361
		16,605,432	16,393,778
DEFERRED EXCHANGE LOSSES	10	7,205,281	7,953,167
		J$23,810,713	24,346,945
LIABILITIES			
Loans and advances	11	14,904,647	15,873,622
Accounts payable and accrued charges	12	171,164	260,510
		15,075,811	16,134,132
SHAREHOLDERS' EQUITY			
Share capital	13	3,500,000	3,500,000
Contingency reserve	14	662,663	662,663
Reserve for currency exchange fluctuations	15	94,160	306,309
Accumulated profit		4,478,079	3,743,841
		8,734,902	8,212,813
		J$23,810,713	24,346,945

The accompanying notes form an integral part of the financial statements.

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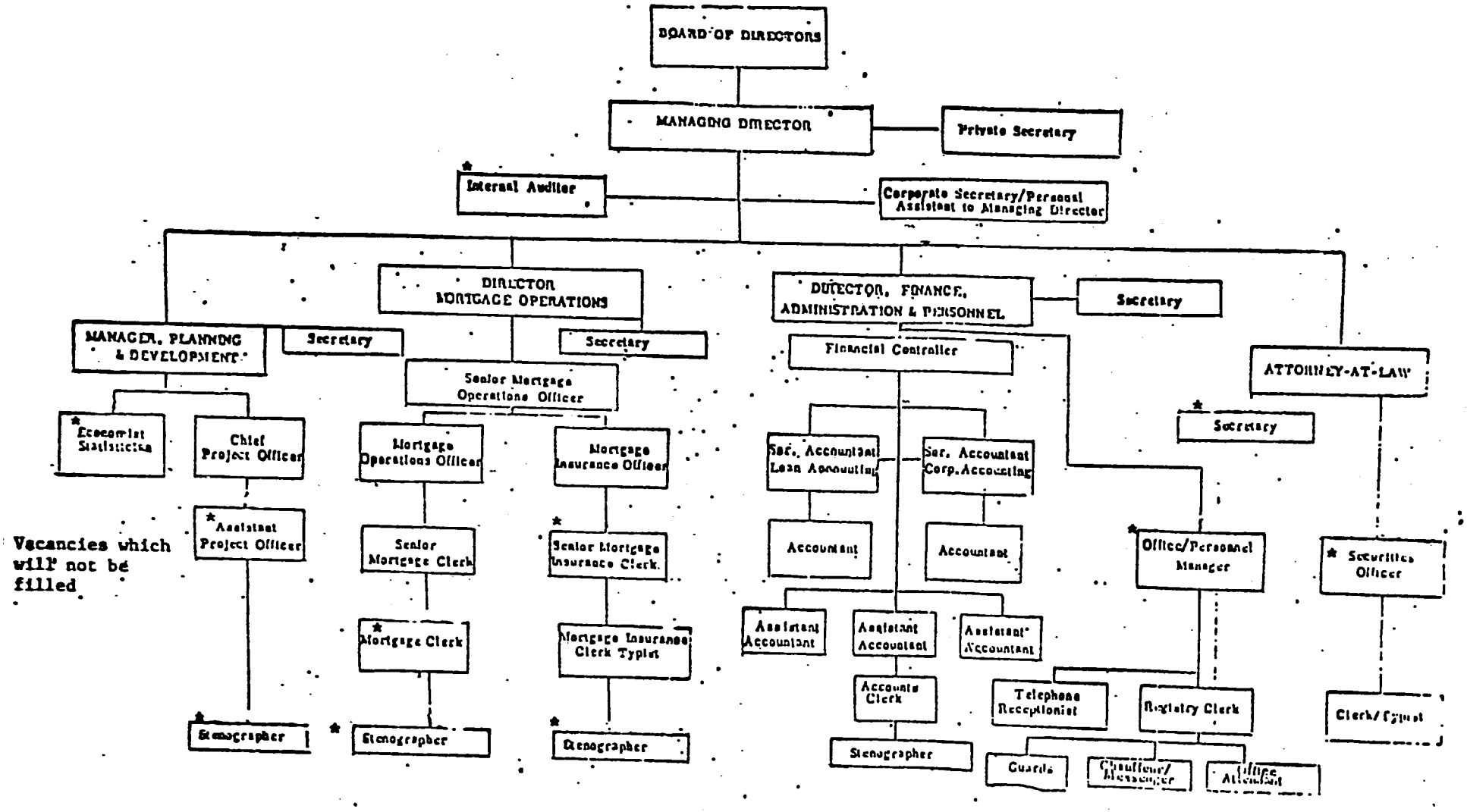
JAMAICA MORTGAGE BANK

ORGANIZATION CHART



Vacancies which will not be filled

2) CARIBBEAN HOUSING FINANCE CORPORATION (CHFC)

The Caribbean Housing Finance Corporation is a private company incorporated under the laws of Jamaica and is owned equally by the JMB and Commonwealth Development Corporation (CDC). JMB gave notice to Commonwealth Development Corp. of their intention to acquire their interest in the Company effective January 1, 1983, and CDC agreed to dispose of their interest accordingly and in keeping with the terms of an existing cooperation agreement which provides for JMB to acquire CDC's interest on condition that the Government of Jamaica guarantees the repayment of CDC's loan to the Company. The Government has agreed in principle and the paperwork to give the guarantee, is to go before Parliament shortly.

The business of the Company is controlled by a four member Board of Directors. The Chairman of the Board of Directors is also Chairman of the Board of Directors of the Jamaica Mortgage Bank.

Board Meetings are held at least once per quarter and management reports are submitted to Board members by the General Manager every two months. The Board of Directors have the authority to commit the funds of the Company and to authorise their disbursement of all such funds. The Board of Directors delegates the routine management to the General Manager within specific terms of reference.

Staffing

Reporting directly to the General Manager with delegated responsibility for their portfolio are the following:

-- Mortgage Administration Manager -

The position is directly supported by an assistant mortgage administrator, a registrar and an arrears supervisor. The function of the section is complemented by a team of three Mortgage Administration officers, four Registry officers and seven Arrears officers.

The delegated responsibilities of the section includes ensuring:

- That the prospective mortgagors are interviewed to determine their ability to assume and discharge mortgage obligations;
- That amortization plans to fit mortgagors capability are provided;
- That proper registration of mortgages and adequate protection of mortgagees interest are achieved;
- That mortgagees interest in all transaction related to the mortgage, are coordinated and protected;
- That individual files on each mortgagor are properly maintained and all documents related to mortgage transaction are adequately stamped, signed and witnessed;

- That the preparation, registration of mortgage discharge and release of titles are properly coordinated;
- That arrears position and related measures to monitor and control it within tolerable limits, are properly coordinated and maintained;

-- Insurance and Data Processing Administrator -

The Company's mortgage and financial systems is computerized and processing is presently being performed by a Computer Service Bureau. An inhouse computer has been acquired and installed and programming is presently at an advanced stage of development. January 1, 1984 is the targeted changeover date. The programming is being done by the Computer Service Bureau, that presently does the processing. They will be contracted to perform program support service. The data processing administrator will manage the operations and is supported by a team of two data officers, soon to be increased to three.

-- Company Secretary/Financial Manager -

The delegated responsibilities of the section includes:
All company secretarial duties;
All financial mortgage, and general accounting functions of the Company.
The position is supported by:
a) Two accountants - one a graduate of the University of the West Indies, with a B.Sc (Management Studies) and the other an accounting graduate of the College of Arts Science and Technology;
b) One junior accountant, four accounting clerks and ten teller/cashiers.

The Company operates a main mortgage payment collection hall in Kingston and an all-island collection network through the service of Bank of Commerce, National Commercial Bank Limited, and the Postal Service.

Financial Status

The income of the Company is obtained from the following sources:

- A small margin enjoyed between borrowing and lending rates - in most cases borrowing and lending rates are similar. A margin is enjoyed on only three loans and the margins range from 0.5 percent, 0.75 percent to 1.5 percent.
- Management Fees - obtained for the performance of administrative services, principally on behalf of mortgagees and property developers.
- Other Revenues - charges for various mortgage related service concessions.
- Short Term Investments - income derived from astute short term investment portfolio management, e.g., placement of funds collected monthly, but the payment is not due until quarterly or annually.

The expenses are chiefly related to:

- Losses on foreign exchange - Loans are denominated in foreign currency sterling, thus any shift in rates between the period of mortgage collection and the period of loan payment becomes an expense for the Company. The size of the sterling loan has decreased significantly, thereby substantially reducing the risk of this exposure;
- Salaries and related employees benefits;
- Data processing/machine rental and maintenance;
- Office rental and maintenance;
- Stationery/receipting and postage.

According to the terms of the cooperation agreement which defined the relationship between the joint owners of the Company, any annual profit or loss was to be shared according to prescribed formula. In the case of a profit, the distribution took the form of additional interest on loans and fee reduction for the other. For the years 1980, 1981 and 1982, the respective profit distribution was J$116,459; J$146,960; and J$242,810.

Balance Sheet

Overall mortgage portfolio delinquency as of December 1982, expressed as percentage of annual collections due was approximately 8%.

As of December 31, 1982, the Company had accumulated unappropriated profits of J$209,902 and the share capital was $300/December 1981 unappropriated profit was J$177,064. Gross fixed assets of J$421,335 and net at J$282,535, was therefore partly financed by short term loans.

The extent of the Company's under-capitalization was reflected in current liabilities exceeding current assets by J$101,897, a position which the current proposed owners (JMB) have been requested to and have agreed in principle to make good. Thus as of June, 1983, J$163,700 due to JMB as fee reduction is reported as a deferred liability and as of June 30, 1983, current assets exceed current liability by J$124,608.

Long term liabilities of J$8,738,935 as reported on December 31, 1982, is well secured in mortgages of J$8,768,499.

Projections

Projections for 1983 have been made on the assumption that approximately 11,000 new mortgages are to be administered on a phased basis, with a fee structure of approximately 1 percent of the mortgage asset portfolio to be administered. Based on the aforementioned assumptions, a profit before tax of J$103,878 has been projected. A comparison between income and balance sheet items for the past three years as an indicator of future trends are as follows:

	80	81	82
Net Income/Equity	37%	46%	79%
Earnings before Tax/Total Assets	1%	1%	2%
Revenue/Total Assets	16%	16%	18%

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3) ESTATE DEVELOPMENT COMPANY LTD (EDCO)

Organization

The Estate Development Company Limited (EDCO), a subsidiary of National Development Agency Limited, came into existence as a legal entity on July 1, 1982. EDCO's authorized and issued share capital is 200 shares at $1.00 each, 199 of which are owned by the Minister of Construction (Housing) and one share is owned by the National Development Agency (NDA).

This Company evolved from the merger of an existing subsidiary of N.D.A., the H.S.D., and the Estate Development Division, Ministry of Construction (Housing) which was formerly known as Sites & Services Division, Ministry of Construction (Housing). The Estate Development Division, M.O.C.(H) existed from April 1 - June 30, 1982, until its merger.

The main objective of EDCO is to operate as a private wholly owned government entity (parastatal) to provide professional consultant and project management services for the MOC(H), their main client, at a discounted rate. This is part of the whole strategy to provide affordable housing for low-income families. As such, EDCO is the main construction implementing agency of the MOC(H) in Squatter Settlement Upgrading and low-income housing generally in Jamaica.

Financial Status

The Company receives its income from fees earned to provide consultant and project management services.

EDCO earns a total of 16.5% as fees on the actual cost of services rendered. This is broken down as follows:

1.	Planning and Design	7.5%
2.	Construction Management	7%
3.	Prechecked Plans	2%
		16.5%

EDCO, through its Board of Directors, has full control of its resources including disbursement of funds. Currently the major part of EDCO's income is derived from project design and management of the HG funded Squatter Settlement Upgrading Program. If this program were not in place, EDCO would implement other projects from the Ministry and other agencies, although at present, it would be difficult. However, EDCO is gearing itself to function as a private company, securing more construction contracts on the open market.

Management

The Company's mode of operation is governed by its Articles of Association and Memorandum of Agreement. All policy decisions of the Company are made by the Board of Directors, whose decisions may be influenced by the Minister of M.O.C.(H). as he is the major shareholder of the Company. This is not undesirable or atypical, since EDCO is set up by the Minister primarily to operate prominently in support of the GOJ

housing program. The Managing Director of EDCO is empowered to make the necessary executive and technical decisions for the daily administration of the Company. This authority is mandated by the Board of Directors of which he is a member. The Company has a centralized management system where all major decisions in relationship to policy matters emanate from the Managing Director; but department managers have autonomy to operate within their departmental framework. The Company is headed by the Managing Director who is assisted by Directors in charge of Finance & Administration, Professional and Technical Departments. These Directors are assisted by managers of specific areas, who are to ensure that directives and functions are effectively implemented so that organizational goals and objectives are achieved.

The appointed Directors of the Company are experienced and qualified professionals with vast experience in planning, designing, project management and implementation. This factor plus the Managing Director's broad development experience and qualifications give EDCO a sound management base.

Staffing

Staffing in terms of planning, designing, financial control, administration, implementation and monitoring of the physical progress of the projects along with the provision of financial data are adequately in place, except for a few vacant positions, (see organizational chart attached).

Technical Section

The Technical Section has a Chief Technical Director who is assisted by Directors of other departments such as Engineering, Architectural, Surveying and Quantity Surveying.

The Professional Services provided by these departments are as follows:

- Land Surveying and Levelling
- Title Preparation and Registration
- Planning, Designing and Drawing
- Engineering, Designing, Calculation and Drawing
- Preparation of Estimates for Projects
- Preparation of Contract Documents
- Tendering of Contracts
- Supervision of Construction Work on Projects
- Verification of Contractors Certificates

The new Land and Services Department of EDCO is set up to function specifically in Land Acquisition and in seeing to the provision of services to lots in addition to preparing and executing agreements and contracts.

Finance Department

The provision and maintenance of proper and up-to-date accounting records and periodic project financial reports are the responsibility of the Financial Controller.

A special team of four led by an experienced Assistant Financial Controller has responsibility for maintaining accounting records and the provision of timely project financial reports. All members of the team are experienced in project accounting. Staff turnover in this Company is at a very low level based on many factors which are as follows:

- fairly good physical condition at the work place
- good general manager and staff relationship
- private sector levels of remuneration
- good staff benefits
- strong leadership stretching across the departments
- challenging project design and implementation projects for low income housing and squatter upgrading

Jobs from the H.E.A.R.T. Program, the Ministry of Youth & Community Development and other Ministries are but the beginning to the widening scope of EDCO's capabilities. It is important to note that EDCO has been a designated borrower under the HG 011 program and will continue under HG-012. The priority responsibility for the Squatter Upgrading Program and other aspects of M.O.C.(H) constructing will continue to dominate EDCO's production schedule for the near future.

Financial Ratios

The following ratios are computed from the unaudited Financial Statements and are subject to change:

- Current Ratio 33:1
- Acid Test 23:1
- Working Capital ($1,583,135.00)
- Capital Turnover 50:1

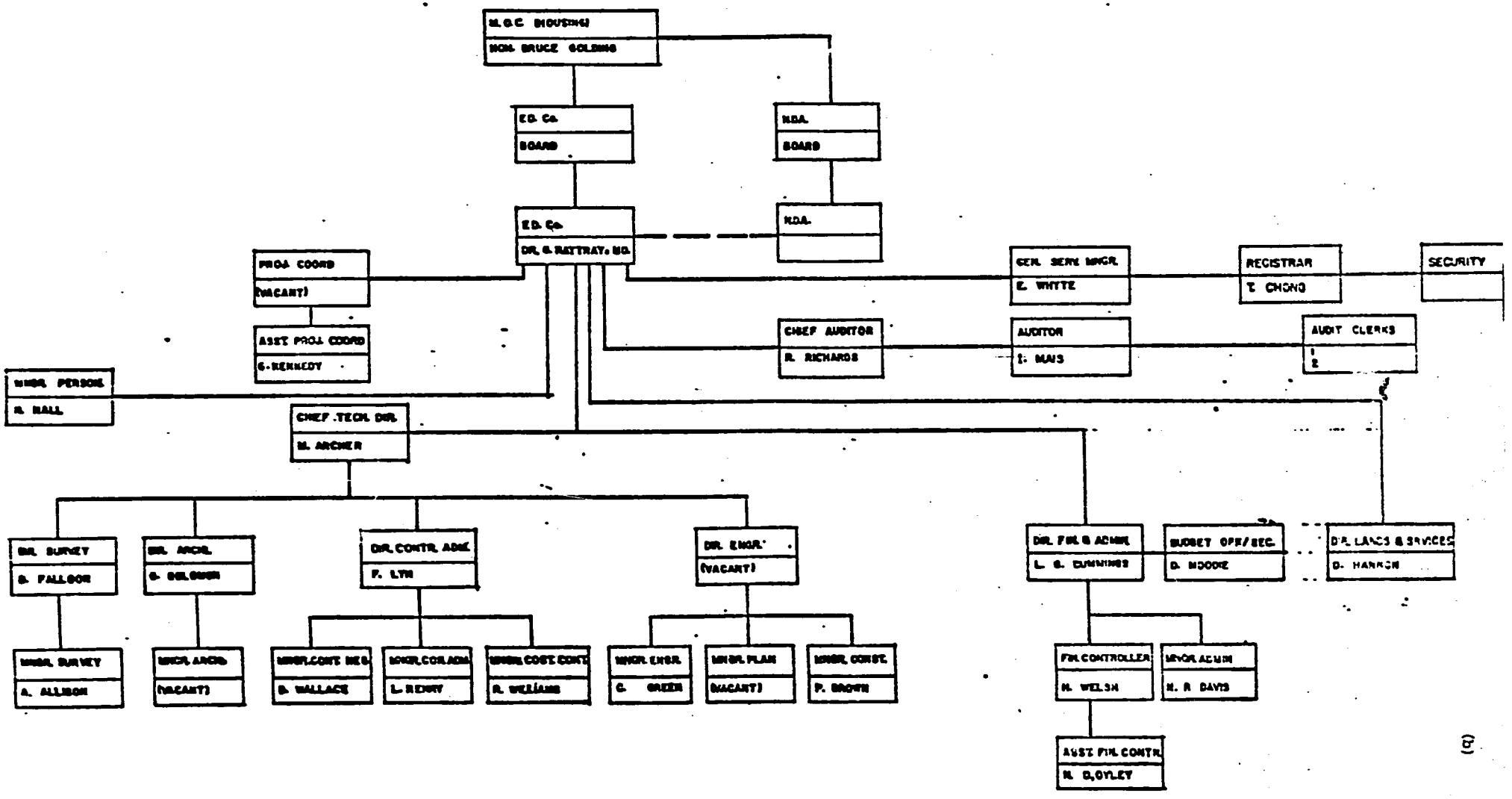
The above unfavourable ratios are due to EDCO's lack of start up funding at its inception, partly because of the Ministry's financial constraints. However, with the general knowledge that contracts with the Ministry of Construction (Housing) and other Ministries are guaranteed, EDCO's viability in the long run is secure.

ESTATE DEVELOPMENT COMPANY LTD

PROJECTED CASH FLOW STATEMENT APRIL 1983 - MARCH 1984

	ACTUAL APR-JUNE	ACTUAL JULY	AUGUST	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH
Opening Cash Balance	81,950	5,864	37,964	178,313	242,313	377,313	369,313	384,313	262,313	181,313
RECEIPTS										
FEES	311,724	151,561	-	278,000	318,000	270,000	289,000	141,000	187,000	148,000
Accounts Receivable	593,593	30,000	438,349	84,000	100,000	-	-	-	-	-
Staff Loan Recoveries	10,475	6,113	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Investment Interest	1,381	914	-	-	-	-	-	-	-	-
Investment	-	100,000	-	-	-	-	-	-	-	-
Miscellaneous	7,319	15,887	-	-	-	-	-	-	-	-
TOTAL CASH AVAILABLE	1,006,442	310,339	478,313	542,313	662,313	649,313	660,313	527,313	451,313	331,313
LESS EXPENDITURES										
Administrative Expenses	893,634	249,839	260,000	260,000	260,000	260,000	261,000	260,000	260,000	265,000
Accounts Payable	106,944	22,536	40,000	40,000	25,000	20,000	15,000	5,000	10,000	25,000
CLOSING CASH BALANCE	5,864	37,964	178,313	242,313	377,313	369,313	384,313	262,313	181,313	41,313

ESTATE DEVELOPMENT COMPANY



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4) SUGAR INDUSTRY HOUSING LIMITED (SIHL)

Background

Sugar Industry Housing Limited (SIHL), was incorporated in 1975 to act principally as a developer of housing for sugar workers. It developed rapidly and by 1977 had the capacity to develop housing efficiently at a rate approaching 1000 per annum. By 1980, it had served approximately 3000 sugar workers families through its program for building schemes (2000); building on own land (300); home improvement (500), and obtaining registered titles (200).

The principal source of finance for the Company's housing development was the National Housing Trust (NHT). SIHL's existence was precarious, however, since the NHT is committed to distribute its funds proportionately among all worker groups, although SIHL obtained an early preponderance of NHT's disbursements between 1976 and 1978. Consequently, the NHT was unable to commit new funds to SIHL and has financed no new project since 1979. This resulted in near disaster for the Company which was forced to cut back its staff and had to institute many initiatives to cut expenses to a minimum. The combination of low volume, fixed overhead expenses, high inflation and a limited effective demand for its product resulted in operating losses and the need to re-assess the Company's organizational structure.

SIHL's Board of Directors perceived that the Government still had an acute need for institutions capable of managing large housing development programs efficiently and thus decided in 1981 to offer its services to the Ministry of Construction (Housing), [MOC(H)]. Fees thus earned would be used to fund the ailing sugar workers projects.

The Company's first project was the Start-A-Home, a project comprising the conversion of 3154 World Bank financed sites into shell houses for which there was a great demand. The challenge was to complete in just under a year, 60 percent of a World Bank funded project which had started in 1973/74 and by 1981, seven years after commencement, was only 40 percent complete. Despite many difficulties, the challenge was met and has laid the foundation for the confidence entrusted by the Ministry of Construction, in nominating this agency as one of the project managers for its new construction activity.

Legal Status

Sugar Industry Housing Ltd is a Government owned Limited Liability Development Company, whose Articles of Association give it powers to act in the area of development, management, investment, borrowing and lending.

Organizational Structure

The Company formally reports to the Minister of Agriculture through the Chairman of the Board of Directors. These Directors are drawn from the major representatives of the Sugar Industry Authority and other Board members are included for their technical contributions. The Managing

Director reports formally each month to the Minister of Construction regarding progress on projects. While the Board is responsible for policy, and to review the Company's operations, management of day-to-day operations is entrusted to the Managing Director (see organizational chart).

SIHL is capable of undertaking the entire range of housing development functions. However, its present focus is upon the following programs:

- -- Management of housing projects for the Ministry of Construction.
- -- Obtaining registered titles for the Ministry of Construction.
- -- Maintenance of projects previously completed but not yet handed over to the Parish Councils.
- -- Collection of funds from Sugar Industry beneficiaries and maintaining mortgages for these beneficiaries with the NHT.
- -- Maintaining a legal and community relations service for Sugar Industry beneficiaries.

The management of projects centers on the Managing Director and through him, the Director of Projects. Projects are grouped under project managers who have responsibility for all aspects of projects which are assigned to them. Detailed monitoring of each project is placed in the hands of site managers who report to the project managers. These relationships are supported by a reporting system which reviews on site operations daily, report to SIHL management every two weeks, meets formally with contractors monthly and reports to the Minister of Construction monthly. Legal authority to undertake projects is outlined in the contract signed between SIHL and the Ministry of Construction (Housing) referred previously, and the designation of SIHL as architect/project managers, under the contract between the Ministry of Construction (Housing) and each contractor.

Qualifications of Senior Professionals

Managing Director:	Diploma Management Studies: 15 years work experience, 10 of which have been at senior management level including: Managing Director of SIHL for the last six years.
Director of Projects:	Civil Engineering; Diploma Construction Engineering; 14 years work experience in the field of construction engineering. Appointed Director of Projects 1981.
Financial Controller:	Management: Chartered Accountant; 25 years work experience in the field of finance. Joined SIHL 1981.
Senior Legal Officer:	Lawyer: 20 years work experience in the legal profession. Joined SIHL as Senior Legal Officer. She also performs the duties of Company Secretary.

SUGAR INDUSTRY HOUSING LTD.

CASH FLOW FOR PERIOD JANUARY 1, 1983 - MARCH 31, 1984.

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	[illegible]	[illegible]
[illegible] Brought Forward		-271	-150601	-75153	1090	-13245	240704	277720	345652	303505	346966	190565	268304	243961	226744	[illegible]
[illegible] Sites & Services					103120	449432										
[illegible]							268905	339506	236778	343386	294200	375299	253306	[illegible]	[illegible]	[illegible]
[illegible] Payments																
Principal & Interest	268445	93322	358874	365822	248829	129000	100000	100000	100000	100000	130000	135000	275000	[illegible]	[illegible]	[illegible]
Service Rental & Services	4638	4800	4800	4800	4800	4800	4800	4800								
Tax Force Advances	52000	50000	50000	50000												[illegible]
RECEIPTS	315253	147859	263081	344677	357847	569995	614417	722034	682430	746891	771166	700864	796350	[illegible]	[illegible]	[illegible]
[illegible] RE OUTFLOWS																
[illegible]																
Salaries & Relations	185357	112614	189208	133839	189389	126116	126116	126116	126116	126116	126116	126116	145873	[illegible]	[illegible]	[illegible]
Administrative Expenses	54602	54602	44679	64971	66222	74809	51110	53610	54610	52110	63110	83756	63110	63110	63110	[illegible]
[illegible]	44667	21274	46274	20490	18549	42185										
Project Maintenance	25100	14884	30520	31100	21195	17135	25360	27000	26500	30000	30000	30000	30000	30000	[illegible]	[illegible]
Insurance	[illegible]	21875	13762	7238	11455	7288	1475	16512	8993	8993	128669	10482	9543	[illegible]	[illegible]	[illegible]
[illegible]	242216	224449	264451	265710	306810	267453	204061	224038	216219	217219	347895	249954	247693	263010	[illegible]	[illegible]
[illegible]																
Principal & Interest to NHT	56618	56618	56618	56618	56618	56618	127386	127386	127386	127386	127386	127386	127386	[illegible]	[illegible]	[illegible]
Overdraft	16326	17143	17000	20997	6543	5000	5000	5000	5000	5000	5000	5000	2000	[illegible]	[illegible]	[illegible]
Bank Charges	364	250	165	272	321	220	250	320	320	320	320	320	320	[illegible]	[illegible]	[illegible]
[illegible]	73308	74011	73783	77877	63482	61838	132636	132706	132706	132706	132706	132706	129706	[illegible]	[illegible]	[illegible]
[illegible] EXPENDITURE								19638	30000	50000	100000	50000	175000	160000	50000	[illegible]
[illegible] EXPENDITURE	315524	298460	338234	343587	370292	329291	336697	376382	378925	399925	580601	432560	552389	553524	[illegible]	[illegible]
[illegible]	-271	-150601	-75153	1090	-13245	240704	277720	345652	303505	346966	190565	268304	243961	226744	[illegible]	[illegible]

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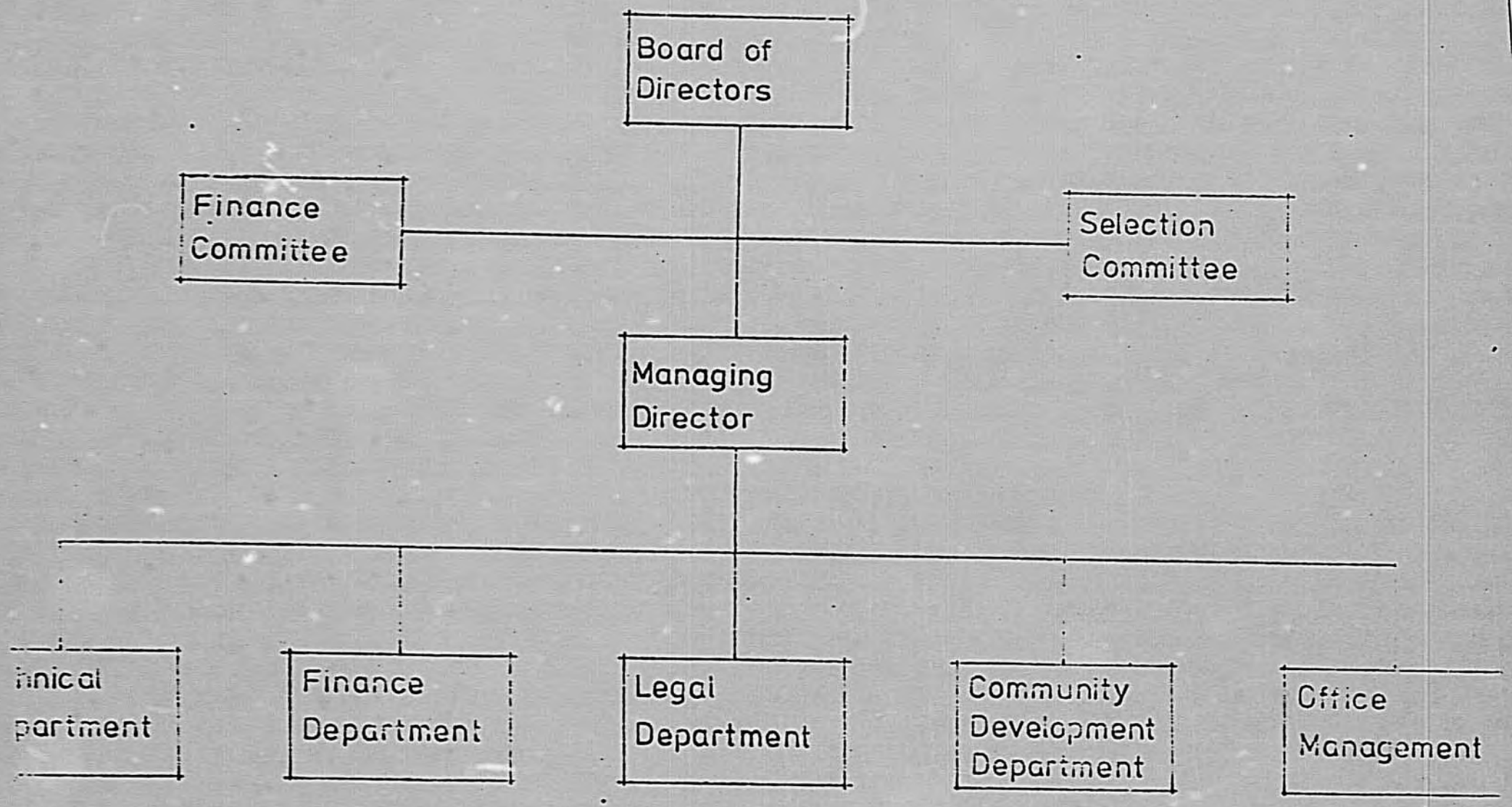

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gar Industry Housing Limited

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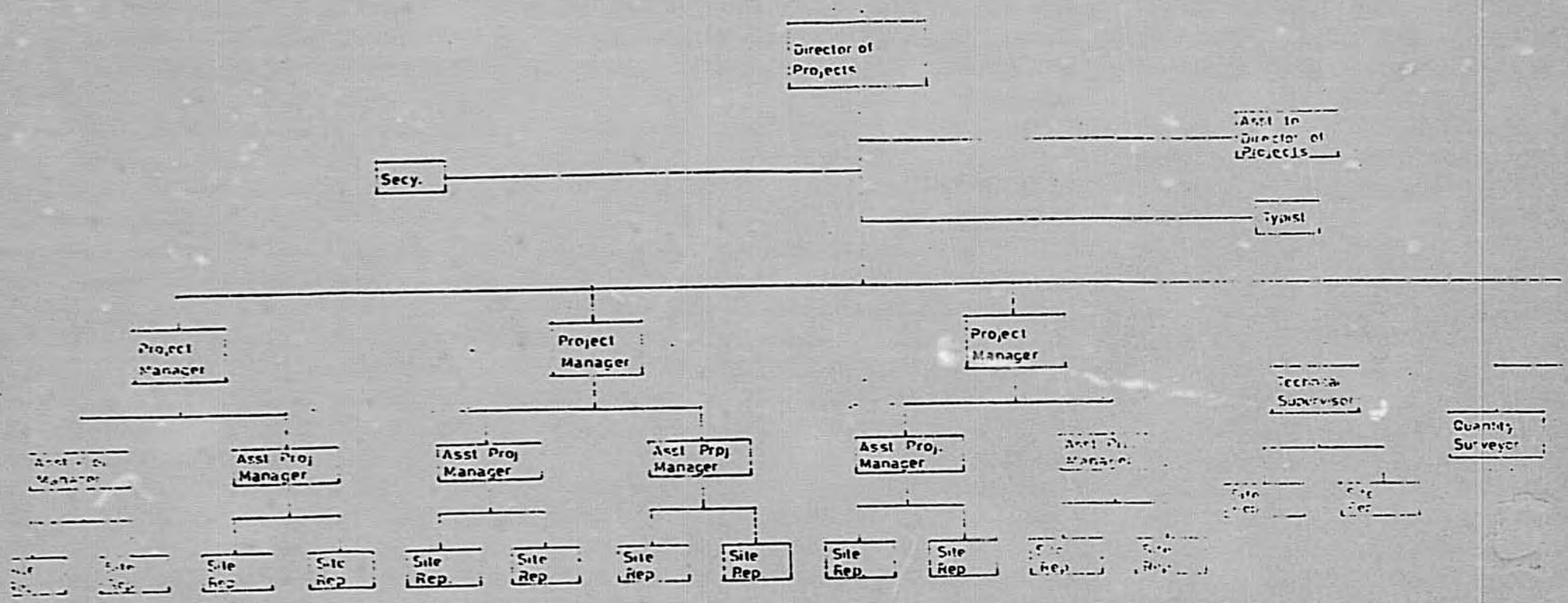

Sugar Industry Housing Limited (Technical Department) August

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Community Relations Manager:	Six years work experience. Joined SIHL in 1978. Appointed Community Relations Manager 1980.
Office Manager:	Diploma Housing Management; 45 years work experience. 38 years work experience in Housing Sector. Joined SIHL 1975.

5) NATIONAL HOUSING TRUST

Organization

Based on a concept of a joint employer/employee tax fund for housing, the NHT was established in 1976. In addition to being the principle source of concessionary funds in the shelter sector, the newly reorganized NHT represents the efforts of the Seaga Government to make public institutions more efficient and well managed. The attached table reflects the NHT's increasing concern with allocation of benefits and mortgage servicing. Improved collections has been a major goal of the organization.

Collections

Collections have increased by 134% from its inception in 1976. $84m was collected in 1982 and rose to $90m in 1983. (GOJ FY 83). The dramatic increase of $19m in 1981 over the 1980 figure was achieved by setting up a Compliance Department and using a Task Force of fifteen temporary collectors. In December 1982, an organisation and methods study was completed which recommended that a Contributions Division be set up with three areas, Compliance, Contributions Accounting and Cash Grants (Refunds). The repayment of 1986 employee contributions is due from January 1984 and all systems and personnel will be in place so that this target can be met. Measures are currently underway to bring up to date the accounting for contributions by receiving and reconciling outstanding annual returns; a permanent work force of 30 persons now maintains collections, ensures compliance, keeps accounts current and from 1984 onwards, refunds yearly employee contributions. Refunds from employees contributions totals $14m for 1984 which has been set aside in a trust fund and is included in the cash flow projections.

Housing Projects

As at December 1982, there were 9,048 mortgage loans representing completed scheme units together with BOL/HI benefits. The tables attached show starts and completions 1977 - 1982 with projections for 1983. The target for 1983/84 is to complete 3,360 scheme units and 1,419 BOL/HI units. further 1,000 new BOL/HI benefits will be awarded in the period.

In October 1982 the National Housing Policy was introduced with the NHT's role being defined primarily as a mortgage finance institution. The Trust would therefore no longer be engaged in interim financing and the attendant monitoring of projects, when the schemes currently being financed were completed. Furthermore, the Trust's BOL programmer would be discontinued as of March 1983, with this function being taken over by the Ministry of Construction.

However, in discussions with the Ministry of Construction, it was agreed that in order to help meet the national target, both institutions would continue their own programs on a mutually co-operative basis. Therefore, the current staff level for the BOL/HI programmer has been maintained.

An organizational chart is attached.

Finance and Investments

Finance

The Finance Department of the Trust has been re-organised and strengthened with a financial control unit established to control and reconcile the accounting functions in each operating division, Contributions, Projects and Mortgages. Considerable progress has been made in bringing the accounts current, with monthly in-house financial statements now being issued within thirty days of the end of each month.

Audited Accounts for the years 1979/1980 and 1980/1981 have been completed and the 1981/1982 audit is now in progress. This is scheduled to be completed by September 1983 with the 1982/1983 accounts targeted for completion by December 1983.

Planning and Data Processing

Data Processing

Up to 1980, processing was largely done by a service bureau. A computer was obtained in 1979 and initial emphasis was placed on the selection system. A detailed study of all computer based systems was carried out in early 1981, and the decision was taken to bring all processing in-house in order to achieve better control and more up-to-date and accurate information. This included the establishment of in-house key punching facilities. Most of the systems are now current and work continues in modifying and enhancing programs. In October 1982, new computer equipment was installed which improved both the storage and processing capability. Plans for the future include the acquisition of terminals for on line data correction and reporting, in particular for qualification and selection of benefits and refunding of contributions to employees commencing January 1984. In addition, the accounting system is fully computerised.

Human Resources Development (H.R.D.)

When the Housing Policy was introduced in October 1982, the organization structure was reviewed to reflect this change, by phasing out Research, Community Development and eventually Projects departments, strengthening Contributions, Finance and Data Processing, and re-deploying staff more effectively particularly in the Mortgage Division.

SUMMARY OF NHT'S ORGANIZATION AND MANAGEMENT IMPROVEMENTS

Previous Level of Non-Earning High Risk Assets

This was due mainly to the poor servicing of the mortgage portfolio so that as of October 1981, 41.4% of the accounts were six-months or over in arrears; in December 1982 this dropped to 31.8%.

Three strategies accounted for this improvement: the division was reorganised on a functional basis; servicing was removed from the external bureau to NHT's data center and over the period, 3,000 accounts were placed on salary deduction.

OTHER KEY MORTGAGE DATA - MORTGAGE COLLECTION DEPARTMENT

	1981	1982	%	PROJECTED'83	%
STAFF COMPLEMENT	10	15	.50	16	.06
MORTGAGE PORTFOLIO	$142M	$184M	.30	$350	.90
COLLECTION	$4.4M	$7.6M	.73	$14.4M	.90
NO. OF ACCOUNTS SERVICED	7805	9048	.16	13600	.50
NO. OF ACCOUNTS PAID BY SALARY DEDUCTIONS	80	3000	-	7000	-
TOTAL ASSETS	$308M	$393M		$495M	

PREVIOUS PRECARIOUS PROFITABILITY

Calculated on a cash basis, the NHT has shown excellent income growth.

	1979	1980	1981	1982	1982Est
NET INCOME (LOSS)($MS)					
CASH BASIS	(6.9)	(5.4)	(8.1)	(5.6)	(1.6)

LIMITED CASH AVAILABILITY FOR NEW PROJECTS

Cash available for new projects ($Mo)

	1979	1980	1981	1982	1983
AVAILABLE CASH	($7.4M)	($18.7M)	$2.47M	$31.4M	$41.8M

OPERATING COSTS AS A % OF TOTAL ASSETS

1979	1980	1981	1982	1983 Est.
2.7%	2.7%	2.6%	2.3%	1.7%

Medium term target set by the Auditors was 2.0%.

1977 - 1983

(In millions of dollars)

	1977 (15 mths)	1978	1979	1980	1981	1982	1983
	$	$	$	$	$	$	$
REVENUE							
Interest on							
Loans to beneficiaries	-	-	1.56	3.82	6.61	9.79	10.90
Investments	-	-	4.90	3.30	2.79	4.39	7.51
Finance for house construction	-	-	4.96	8.26	10.54	12.71	15.05
Other	-	-	-	-	-	.04	-
Sub-total	1.94	6.12	11.42	15.38	19.94	26.13	33.46
Service charge	-	-	.82	.48	.83	.51	1.27
Penalties	.04	.97	1.08	.63	-	-	.69
Miscellaneous	-	-	.03	.03	.05	.10	.09
TOTAL REVENUE	1.98	7.09	13.35	16.52	20.82	27.04	35.42
EXPENSES							
Salaries & allowances	.66	1.45	2.77	3.03	4.34	5.86	6.33
Staff Benefits	-	-	-	-	-	.14	.15
Staff Training	-	-	-	-	-	.04	.07
Travelling & M&E expenses	.03	.09	.22	.22	.32	.56	.53
Data Processing	.01	.06	.13	.27	.16	.33	.52
Printing & Stationery	.05	.12	.25	.24	.30	.16	.19
Electricity & Telephone	.04	.08	.13	.17	.20	.22	.22
Equipment rental	.01	.01	.01	.16	.23	.03	.04
Office rental & maintenance	.06	.11	.38	.48	.41	.93	.95
Office security	-	.01	.09	.01	.01	.09	.08
Advertising & P.R.	.12	.06	.23	.47	.24	.23	.27
Consultancy & Professional Fees	.01	.04	.04	.12	.45	.11	.09
Audit Fees	.04	.09	.11	.12	-	.10	.14
Bank charges	-	-	-	-	-	.06	.04
Entertainment	-	.03	.02	.03	.04	.05	.01
Board Expenses	-	-	-	-	-	.08	.09
Miscellaneous	.01	.01	.03	.16	.55	.08	.05
Bad Debts	-	-	-	.03	-	-	-
Deferred expenses written off	.08	.10	.10	.12	.04	-	-
TOTAL EXPENSES	1.06	2.26	4.51	5.63	7.29	9.08	9.55
Profit before capital costs	.92	4.83	8.84	10.89	13.53	17.96	25.87
Cost of capital							
Bonus - Employers	-	-	-	-	-	3.58	3.10
Bonus - Employees	-	-	-	-	-	3.02	4.30
C.C.P. Loan	-	-	-	-	-	-	.08
	2.11	4.95	7.18	5.22	6.10	6.60	7.58
Profit after capital costs	(1.19)	(.12)	1.66	5.67	7.43	11.36	17.93
Provisions							
Fixed Assets	.01	.03	.08	.12	.15	.34	.36
Mortgages	.01	.06	.32	1.09	1.02	.88	1.00
Projects	-	-	.75	3.54	4.33	2.00	2.00
Uncovered contributions	.05	.05	.06	.31	.70	.11	.20
	.07	.14	1.21	5.06	6.20	3.33	3.56
NET PROFIT/LOSS	(1.25)	(.26)	.45	.61	1.23	8.03	14.43

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NATIONAL HOUSING TRUST
REVENUE AND EXPENDITURE
ACTUAL 1981/82 & 1982/83
PROJECTED 1983/84 & 1984/85

(In Millions of Dollars)

	1981/82 Actual	1982/83 Original Budget	1982-31.3.83 Sept. '82 Estimate	1982-31.3.83 Actual	1982-31.3.83 Change	1983/84 Sept. '82 Estimate	1983/84 Current Estimated Budget	1983/84 Change	1984/85 Sept. '82 Estimate	1984/85 Current Estimated Budget	1984/85 Change
	$	$	$	$	$	$	$	$	$	$	$
INCOME											
Interest on											
Loans to beneficiaries	9.29	16.85	10.35	10.90	.55	24.38	17.31	(7.07)	33.96	34.33	.37
Investments	4.39	4.85	7.04	7.51	.47	5.09	8.15	3.06	7.68	6.68	(1.00)
Finance for house construction	12.71	9.36	12.91	15.05	2.14	8.60	12.44	3.84	4.59	6.49	1.90
Other	.04	-	.31	-	(.31)	.54	.29	(.25)	.65	.21	(.44)
Sub-total	26.43	31.06	30.61	33.46	2.85	38.61	38.19	(.42)	46.55	47.71	1.16
Service Charge	.51	4.50	3.23	1.27	(1.96)	2.92	6.82	3.90	3.35	5.82	2.47
Penalties	-	.60	.10	.60	.50	.10	.60	.50	.10	.60	.50
Miscellaneous	.10		.17	.09	(.08)	.17	.09	(.08)	.17	.09	(.08)
TOTAL INCOME	27.04	36.16	34.11	35.42	1.31	41.80	45.70	3.90	50.21	54.22	4.01
EXPENSES											
Salaries & all manpower	5.86	6.39	6.36	6.33	(.03)	7.00	7.050	.10	7.70	7.83	.13
Staff training	.14	.18	.14	.15	.01	.15	.400	.39	.17	.50	.33
Staff housing	.04	.10	.05	.07	.02	.05	.050	.03	.05	.05	.03
Travelling & Mtc. expenses	.56	.63	.57	.53	(.04)	.63	.590	.01	.70	.70	-
Data processing	.33	.55	.40	.52	.12	.44	.650	.21	.48	.71	.23
Printing & stationery	.10	.20	.20	.19	(.01)	.22	.235	.09	.24	.33	.09
Electricity & Telephone	.22	.28	.25	.22	(.03)	.27	.250	(.02)	.30	.28	(.02)
Equipment rental	.03	.02	.04	.04	-	.05	.030	(.02)	.05	.03	(.02)
Office rental & maintenance	.93	.98	.98	.96	(.02)	1.08	.950	(.13)	1.19	.48	(.71)
Office security	.09	.09	.08	.08	-	.09	.090	-	.10	.10	-
Advertising & P.R.	.23	.28	.20	.27	.07	.22	.275	.13	.24	.30	.06
Conferences & professional	.10	.20	.11	.09	(.02)	.12	.030	.09	.13	.15	.02
Audit fees	.13	.11	.15	.14	(.01)	.15	.150	-	.15	.15	-
Bank & collection charges	.06	.08	.06	.08	(.02)	.07	.080	.01	.08	.09	.01
Entertainment	.06	.15	.05	.04	(.01)	.05	.050	(.01)	.05	.05	-
Transport services	.05	.09	.05	.09	.04	.06	.090	.03	.07	.10	.03
Brochures & Publications	.03	.05	.01	.02	.01	.01	.015	.01	.01	.02	.01
Miscellaneous	.05	.05	.06	.03	(.03)	.07	.050	(.02)	.08	.06	(.02)
TOTAL EXPENSES	9.08	10.34	9.75	9.85	.09	10.74	10.905	.73	11.53	12.05	.52
[illegible]				10.34			12.20			13.04	
Profit before capital costs	17.96	25.82	24.35	25.57	1.22	31.06	34.795	3.17	37.45	41.17	3.72
Capital costs											
Bonus to employees	3.58	4.71	3.02	3.10	.08	3.02	3.10	.08	3.02	3.10	.08
C.P.F. Fund	-	-	-	.08	.08	-	.48	.48	-	.48	.48
Trust to Employees	3.02	3.02	4.15	4.40	.25	5.21	5.22	.01	5.95	6.27	.32
	6.60	7.73	7.17	7.58	.41	8.23	8.80	.57	8.97	10.00	1.03
Profit after capital costs	11.36	18.09	17.18	17.99	.81	22.83	25.935	3.60	28.48	31.17	2.69
Expenses											
Depreciation of fixed assets	.34	.40	1.13	.36	(.77)	1.43	.410	(1.02)	1.53	.51	(1.02)
Depreciation of office building	-	-	-	-	-	-	-	-	.35	.31	(.04)
Loss on disposal	.88	3.11	7.47	1.00	(6.47)	4.99	4.220	(.77)	6.21	3.83	(2.38)
Depreciated contributions	.11	.22	.15	.20	.05	.15	.775	.62	.15	.77	.62
Loss on projects	2.00	2.25	.50	2.00	1.50	.50	1.000	.50	.10	.50	.40
	3.33	5.58	9.25	3.56	(5.69)	7.07	6.405	(.67)	8.34	5.92	(2.42)
Net profit before taxes (surplus)	8.03	12.51	7.93	14.43	6.50	15.76	19.530	3.77	21.00	26.25	5.25

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NATIONAL HOUSING TRUST
BETWEEN 1983 - 1984
PROJECTED BALANCE SHEET
(In Thousands of Dollars)

	1982/83 $	1983/84 $	1984/85 $	1985/86 $
ASSETS				
Current Assets				
Cash	1,044	2,803	2,400	2,100
Short Term Investments	26,636	39,000	91,500	203,000
Contributions receivable	680	-	-	-
Interest & Other receivables	2,845	2,000	2,000	2,000
Penalties receivable	1,309	500	500	500
	32,564	44,303	96,400	207,600
Long Term Assets				
Long Term Investments	53,777	46,215	45,215	44,215
Finance for house constr.	155,488	72,135	-	-
Office building & land	9,675	16,914	16,914	16,914
Inventory of unoccupied units	13,778	7,500	1,000	1,000
Loans to beneficiaries	230,744	416,946	562,406	582,706
	463,462	559,710	625,535	643,835
Other Assets				
Fixed Assets	906	2,500	2,700	3,200
Inventory - stationery & materials	361	225	225	225
Prepaid & deferred expenses	2,212	1,290	1,290	1,290
	3,479	4,015	4,215	4,715
TOTAL ASSETS	499,505	608,028	726,150	857,150
LIABILITIES				
Current Liabilities				
Accounts payable & accruals	455	1,000	1,000	1,000
Bonus payable to employers	10,393	3,567	3,090	3,090
	10,878	4,567	4,090	4,090
Long Term Liabilities				
Bonus to employees	18,650	22,655	24,085	26,085
Employees contributions	174,169	206,772	232,572	258,272
Employers contributions	103,189	103,189	103,189	103,189
C.D.B. loan	4,747	8,925	8,925	8,925
	300,755	341,571	368,771	396,471
Equity				
Provision for unremitted contributions	864	1,582	2,481	2,681
Non-refundable contribs.	160,126	215,330	278,730	348,430
Surplus from operations	26,882	44,978	72,078	105,478
	187,872	261,890	353,289	456,589
TOTAL LIABILITIES	499,505	608,028	726,150	857,150

NATIONAL HOUSING TRUST
BUDGET 1983/1984
NOTES TO THE ACCOUNTS
MARCH 1983
(In thousands of dollars)

	March 1983 $	March 1982 $
1. Long Term Investments		
Building Research Institute	562	-
Jamaica Mortgage Bank	4,000	5,000
Locally Registered Stock	49,215	20,114
Flood Special Projects	-	2,679
	53,777	27,793
2 Finance for house construction		
Interim Finance	132,013	141,493
Interest on Interim Finance	34,222	28,588
	166,235	170,081
Less:		
Contingency for loss on projects	(10,747)	(8,747)
	155,488	161,334
3. Loans to beneficiaries		
Mortgage loans	190,747	131,413
S.I.H.L.	34,806	11,465
J.T.A.	8,232	966
	233,785	143,844
Less:		
Mortgage loss provision	(3,041)	(2,043)
	230,744	141,801
4. Contributions		
Employee	174,169	135,551
Employer	103,189	103,189
Non-refundable	160,126	107,847
	437,484	346,587

NATIONAL HOUSING TRUST
BUDGET 1983/1984
THREE YEAR PROJECTED CASH FLOW
(In millions of dollars)

	1983/84	1984/85	1985/86
	$	$	$
RECEIPTS			
Contributions	96.0	105.6	116.2
Mortgage repayment	16.7	27.5	34.7
Interest on investment	9.8	12.2	20.2
Repayment of interim finance	9.0	1.0	-
Loan from C.D.B.	4.5	-	-
Repayment of L.R.S.	-	15.0	-
Repayment of J.M.B. Loan	1.0	1.0	1.0
TOTAL RECEIPTS	137.0	162.3	172.1
DISBURSEMENTS			
Major projects	80.6	40.2	-
BOL & HI benefits	12.0	15.0	15.0
Employer bonus	5.2	2.6	2.6
Operating & capital expenses	14.9	16.0	17.6
Office building	7.4	-	-
Staff mortgages	2.8	-	-
Refund of employee contributions	5.5	20.7	25.7
Sub-total Disbursements	128.4	94.5	60.9
Balance after disbursements	8.6	67.8	111.2
TOTAL DISBURSEMENTS	137.0	162.3	172.1
Summary of Cash & Investments			
Cash	2.8	2.4	2.1
Reserves - Short term deposits	24.0	30.0	20.0
Local Registered Stock	61.2	45.2	44.2
Available for loans to beneficiaries	-	61.5	173.0
	88.0	139.1	249.3

NATIONAL HOUSING TRUST
FINANCIAL ANALYSIS FOR 1981/1982

Indicator	1982 Computation ($'000)	Statistic	1981 Computation ($'000)	Statistic
1. Current Ratio	$54,000 / $16,000	3.37:1	$39,000 / $15,000	2.6:1
2. Acid Test Ratio	As above			
3. Working Capital	$54,000 - $16,000 = $38,000	-	$39,000 - $15,000 = $24,000	-
4. Rate of return	(A) $5,000 / $99,000	5%	$ 1,000 / $53,000	1%
	(B) $5,000 / $7,000	71%	$ 1,000 / $ 2,000	50%
5. Productivity of Assets	$5,000 / $385,000	1.3%	$1,000 / $298,000	.33%
6. Capital Turnover	(A) $31,000 / $385,000	8.05%	$23,000 / $298,000	7.71%
	(B) $123,000 / $385,000	31.94%	$116,000 / $298,000	38.92%

NOTE

The above computation is based on the latest available draft of Audited Financial statements for 1981-1982.

Rate of Turnover - In computation 4(B) non-refundable employer contributions were excluded from equity.

Capital Turnover - In computation 6(B) non-refundable employer contributions are treated as Revenue.

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STAFFING & COSTS BY DIVISION
[illegible]
[illegible]

#3

	1980/81		1981/82		1982/83		1983/84	
	#	$	#	$	#	$	#	$
1. CORPORATE								
M.D's Office	1		1		4		4	
Internal Audit	5		6		5		5	
Legal	6		6		7		7	
TOTAL	14	.336	17	.482	16	.504	16	.550
2. PLANNING & D.P.								
Director's Off.	2		3		3		3	
Data Processing	17		13		14		21	
Planning	-		-		2		2	
O & M	-		-		1		1	
Public Ed.	6		9		6		6	
Research	10		8		-		-	
TOTAL	35	.591	34	.724	26	.729	34	.850
3. H.R.D.								
Director's Office	-		2		4		4	
Personnel	6		8		5		4	
Training	2		2		2		2	
Library	2		2		1		1	
Office Management	14		14		14		14	
TOTAL	26	.336	28	.407	26	.562	25	.570
4. OPERATIONS								
4.1 Dep.M.D. &								
Investments	5		4		4		4	
Fin. Contr'l.	13		14		19		19	
TOTAL	18	.304	18	.484	23	.600	23	.650
4.2 Contributions								
Dir. Off	-		-		2		5	
Collections	4		12		11		27	
Contrib.A/c	7		12		31		19	
Cash Grants	-		-		14		11	
TOTAL	11	.187	24	.392	58	.561	62	1.030
4.3 Mtge. Ops.								
Dir. Off & Allocations	11		10		5		6	
Mtge. Supervision & Acca.	12		13		19		19	
Mtge. Collec. & Processing	21		24		31		37	
Conveyancing	18		17		14		15	
Reg. Offices	47		50		49		49	
Comm. Dev.	8		8		-		-	
TOTAL	117	1.975	122	2.495	118	2.506	126	2.600
4.4 Projects								
Dir.&Mgr.Prj.	9		9		6		9	
Minor Proj.	20		18		18		18	
Proj. Lending	7		5		4		4	
TOTAL	36	.608	32	.802	28	.868	31	.880
GRAND TOTAL	257	4.340	275	.586	296	6.330	317	7.140

(Inc. 47 Temp.)

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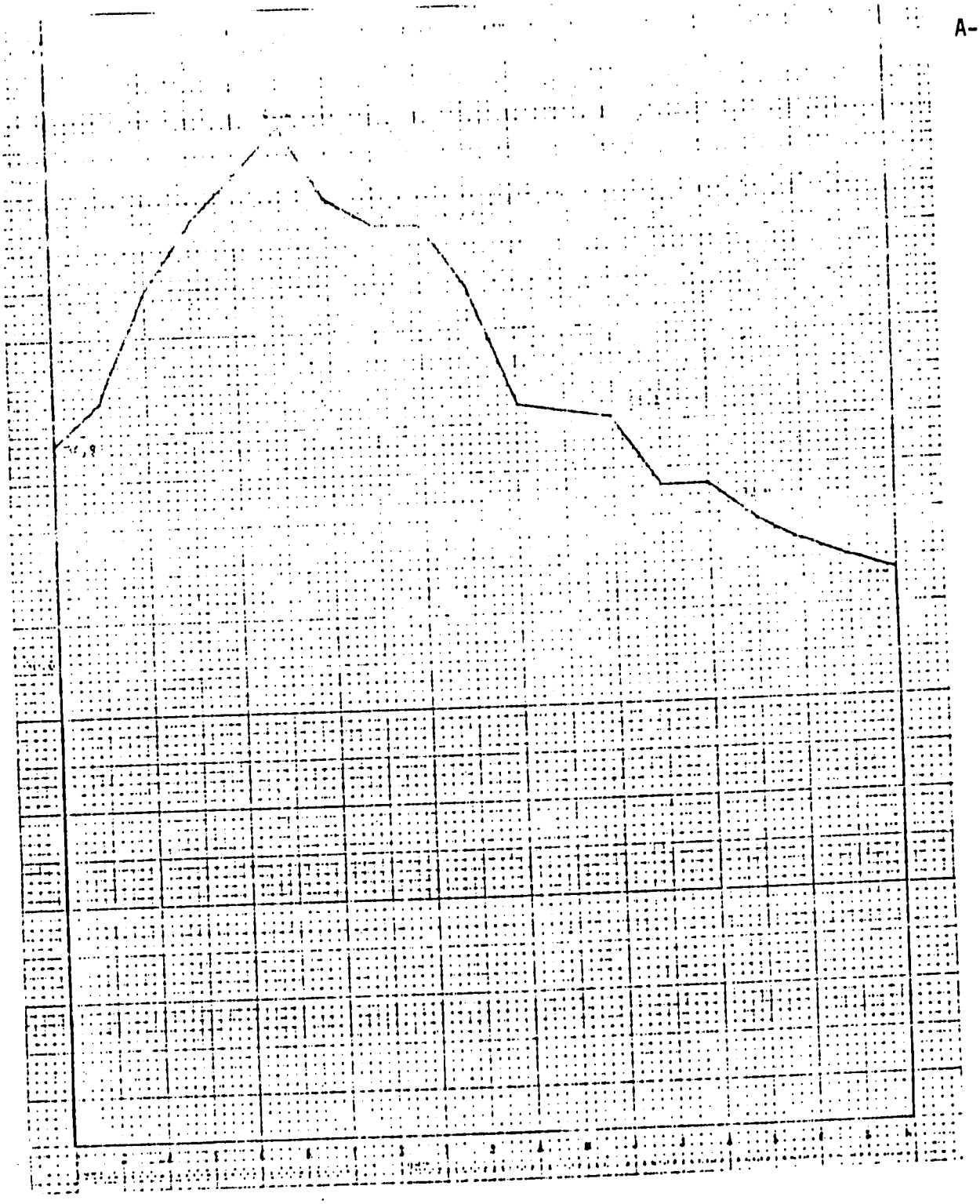

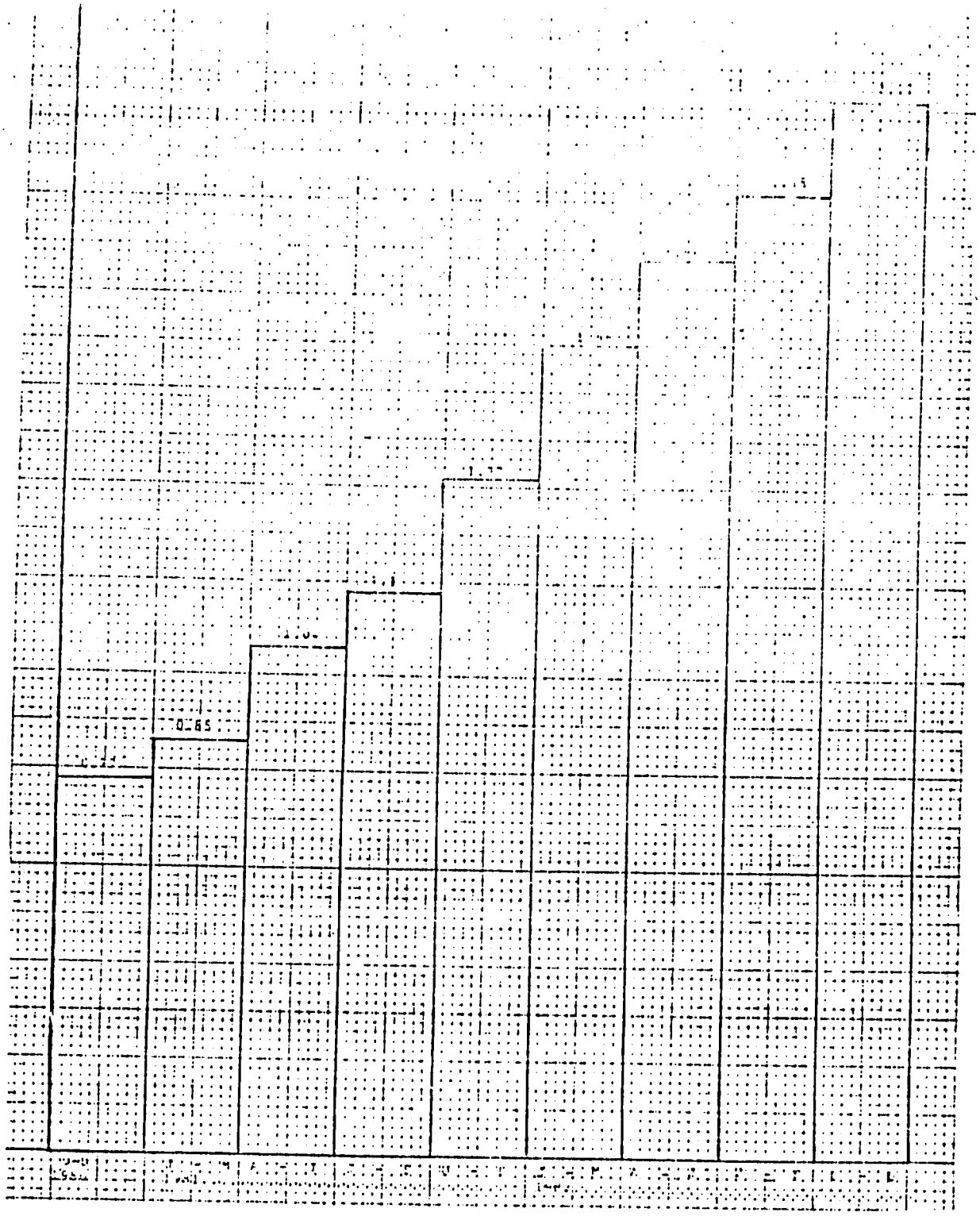
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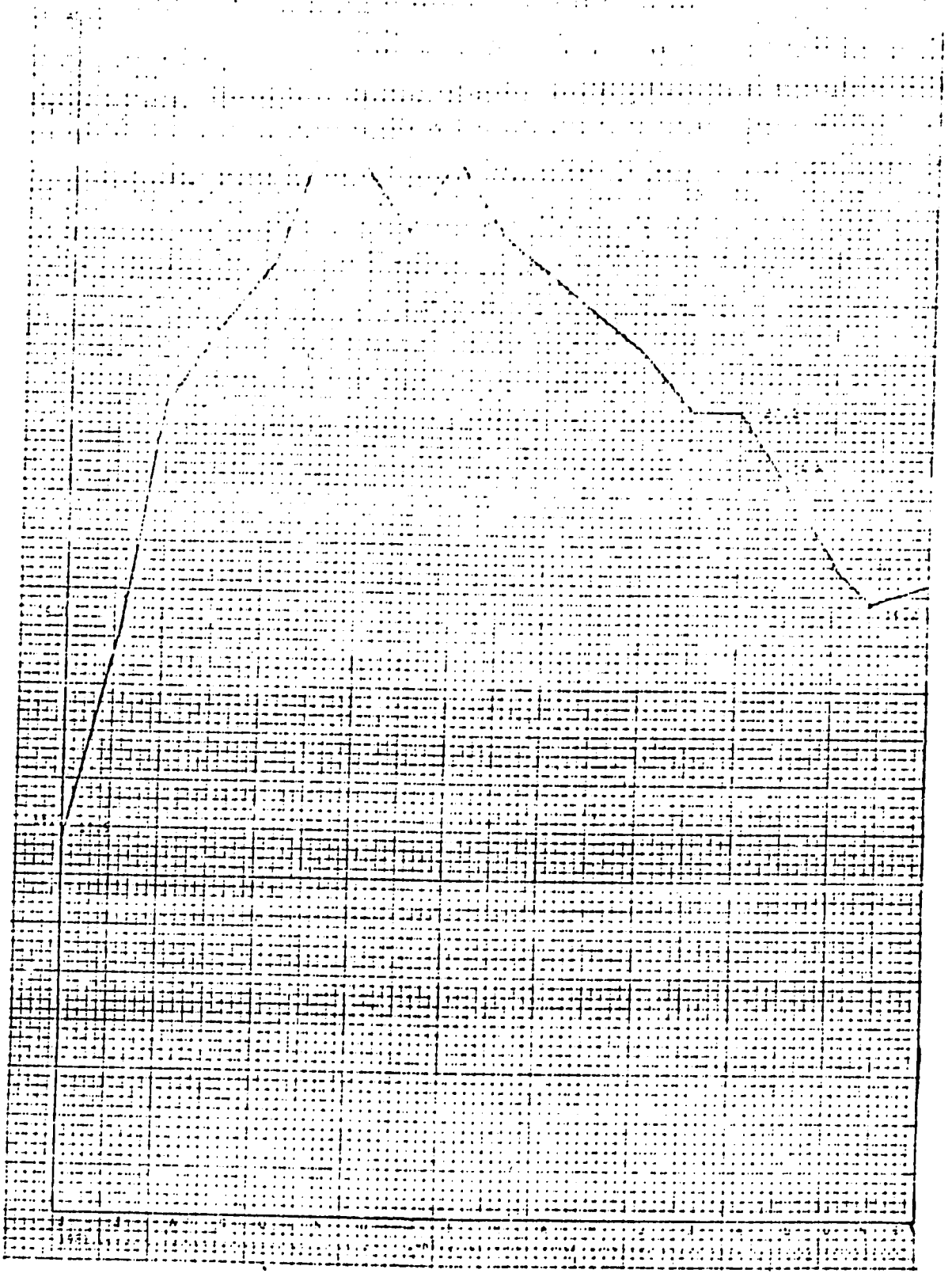

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NATIONAL HOUSING TRUST
AS AT 1 APRIL 1984
THREE YEAR PROJECTED CASH FLOW
(In millions of dollars)

	1983/84	1984/85	1985/86
	$	$	$
RECEIPTS			
Contributions	96.0	105.6	116.2
Mortgage repayment	16.7	27.5	34.7
Interest on investment	9.8	12.2	20.2
Repayment of interim finance	9.0	1.0	-
Loan from C.D.B.	4.5	-	-
Repayment of L.R.S.	-	15.0	-
Repayment of J.M.B. Loan	1.0	1.0	1.0
TOTAL RECEIPTS	137.0	162.3	172.1
DISBURSEMENTS			
Major projects	80.6	40.2	-
BOL & HI benefits	12.0	15.0	15.0
Employer bonus	5.2	2.6	2.6
Operating & capital expenses	14.9	16.0	17.6
Office building	7.4	-	-
Staff mortgages	2.8	-	-
Refund of employee contributions	5.5	20.7	25.7
Sub-total Disbursements	128.4	94.5	60.9
Balance after disbursements	8.6	67.8	111.2
TOTAL DISBURSEMENTS	137.0	162.3	172.1
Summary of Cash & Investments			
Cash	2.8	2.4	2.1
Reserves - Short term deposits	24.0	30.0	20.0
Local Registered Stock	61.2	45.2	44.2
Available for loans to beneficiaries	-	61.5	173.0
	88.0	139.1	249.3

NATIONAL HOUSING TRUST
FINANCIAL ANALYSIS FOR 1981/1982

Indicator	1982 Computation ($'000)	Statistic	1981 Computation ($'000)	Statistic
1. Current Ratio	$54,000 / $16,000	3.37:1	$39,000 / $15,000	2.6:1
2. Acid Test Ratio	As above			
3. Working Capital	$54,000 - $16,000 = $38,000	-	$39,000 - $15,000 = $24,000	-
4. Rate of return	(A) $5,000 / $99,000	5%	$ 1,000 / $53,000	1%
	(B) $5,000 / $7,000	71%	$ 1,000 / $ 2,000	50%
5. Productivity of Assets	$5,000 / $385,000	1.3%	$1,000 / $298,000	.33%
6. Capital Turnover	(A) $31,000 / $385,000	8.05%	$23,000 / $298,000	7.71%
	(B) $123,000 / $385,000	31.94%	$116,000 / $298,000	38.92%

NOTE

The above computation is based on the latest available draft of Audited Financial statements for 1981-1982.

Rate of Turnover - In computation 4(B) non-refundable employer contributions were excluded from equity.

Capital Turnover - In computation 6(B) non-refundable employer contributions are treated as Revenue.

6) JAMAICA COOPERATIVE CREDIT UNION LEAGUE (JCCUL)

Background

The Jamaica Cooperative Credit Union League (JCCUL) was established in 1943 to encourage the development of the credit union movement in Jamaica. The League provides advisory and technical services to its member credit unions and cooperative societies such as:

- The operation of a deposit and loan system which provides loans to member societies when they are in need.
- The maintenance of a stabilization fund to safeguard members' investments.
- Training for credit union employees and officers.
- Management, accounting and printing services.
- Supervision of the operations of the CUNA Mutual Insurance Society, which provides credit union members with insurance protection on their savings and loans and life insurance.
- Assist in the organization and establishment of new cooperative societies.
- Representation and lobbying at the governmental level for benefits to credit union members.
- Represent the credit union movement at international forums.
- Operation of a central mortgage fund.
- Channels funds from the National Development Bank for on-lending to credit union members.

There are presently a total of 96 credit unions throughout the island with a total membership of 269,000 drawn from all sectors and income levels of the population. Each parish has credit union offices to provide easy access to their membership. In St Mary, for example, there are 6 offices - Annotto Bay, Port Maria, Highgate, Islington, Belfield and Pembroke Hall.

In St Ann there are 6 offices - St Ann's Bay, Discovery Bay, Claremont, Bamboo, Ocho Rios, Brown's Town. It is proposed to establish offices in Moneague and Alexandria.

Financial Status

In 1976 a mortgage fund was established in recognition of the need of credit union members for low cost mortgage financing and the contribution that adequate housing makes to social stability. Each credit union is expected to contribute at least 5 percent of its net increases in share capital monthly. Interest is paid on these deposits at 7 percent thus

enabling mortgages to be granted at the low rate of 11 percent. This enables members who would not normally qualify for a mortgage loan from the conventional mortgage institutions, to acquire a home.

Loans are granted under the following conditions:

-- Applications must be submitted through the applicant's credit union who must certify the person's credit worthiness and need.

-- This must be the applicant's first house or, if they presently own one, they are in the process of selling it and acquiring another.

-- The house must remain owner occupied during the period of the loan.

-- The mortgage must be a first mortgage and on registered title.

-- Maximum loan granted is 90 percent of the property value or J$30,000, whichever is less.

-- Loans are granted for a maximum of 20 years.

-- Applicant must be a member of a contributing credit union for at least one year and have saved a minimum of $100 in shares.

The League does not currently provide construction financing but will provide a guarantee for mortgage financing to lending institutions. This, in many cases, is done by the credit unions or commercial banks.

The League will also utilize HG and NHT funds for the following shelter solutions:

-- Framing for new construction where mortgagors already own their own land (Build on Own Land).

-- Mortgage financing for the purchase of existing residences.

-- Sponsoring the construction and development of housing units for credit union members in small pocket projects at various locations throughout the island.

Staff and Training

The JCCUL has a multi-disciplinary staff to provide technical services to their credit union members. In addition, a series of professional and in-service training programs have been provided on a routine basis. The League does not currently possess all the technical and professional staff required for project development. However, additional services will be contracted through agencies such as the Jamaica Teachers Housing Cooperative Limited and Mutual Housing Services. Both organizations work under similar operational procedures as does the Credit Union League and have already established a track record in housing development.

The following tables provide both the actual audited financial statements and the projected 1983/84 Income and Expenses Budget. The tables also show the increase in overall savings.

In addition to the Housing Guaranty assistance and the proposed program with NHT, the JCCUL is participating in a retail credit program provided by the National Development Bank to assist small business people to engage in productive enterprises or expand existing businesses. A similar possibility is also being explored with the Agricultural Credit Bank.

Although the complete data on income of the membership is not currently available, a study is being conducted throughout the system and will be available by the end of 1983. However, a conservative estimate of the staff suggests that approximately 55 percent of the members would qualify under HG income requirements. Another indication of income levels of beneficiaries may be the median amount of savings per member, which is less than $200.

JAMAICA COOPERATIVE CREDIT UNION LEAGUE LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1982

SETS	NOTES		1982 $	1981 $
xed Assets at cost				
Less Accumulated Depr.	1 & 2		1,185,574	1,090,010
VESTMENTS - at cost	3		3,387,435	911,742
AN RECEIVABLE - Long - Medium Term	4		13,764,085	12,392,495
			18,337,094	14,394,247
ENT ASSETS				
Stock of Stationery		57,175		58,256
Receivables	5	2,598,589		2,421,532
Cash & Bank Balances		746,436		680,790
		3,402,200		3,160,578
SS CURRENT LIABILITIES				
Deposits	6	2,482,359		2,334,359
Payables	7	902,186		663,430
		3,384,545	17,655	2,997,789
			18,354,749	14,557,036
ANS PAYABLE				
Long & Medium Term	8		16,983,051	13,444,026
			1,371,698	1,113,010
INANCED BY				
Shares			19,474	18,427
Accumulated Shareholders Fund	9		995,687	836,996
Accumulated Surplus			356,537	257,587
			1,371,698	1,113,010

BEHALF OF THE BOARD OF DIRECTORS

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JAMAICA COOPERATIVE CREDIT UNION LEAGUE LIMITED

SCHEDULE OF INCOME AND EXPENSES FOR

THE YEAR ENDED 31ST. DECEMBER, 1982

	1982 $	1981 $
INCOME		
League Fees	584,920	513,277
Interest on Loans	395,179	312,280
Other Income	272,380	246,176
	1,252,479	1,071,733
LESS EXPENSES		
Administration	694,750	550,960
Affiliation	98,860	67,276
Establishment	25,530	23,874
Financial	343,813	318,359
	1,162,953	960,469
Surplus/(Deficit) - General	89,526	111,264
Add Surplus/(Deficit) - Other	35,733	37,412
	125,259	148,676
Less Transfer to statutory reserve	(25,052)	(29,735)
	100,207	118,941
Add Prior Year Adjustments	2,760	15,743
	102,967	134,684
Add Balance b/f	257,587	126,946
	360,554	261,630
Less Appropriations	(4,017)	(4,043)
	356,537	257,587

JAMAICA COOPERATIVE CREDIT UNION LEAGUE LIMITED

INCOME & EXPENSES BUDGET 1983 & 1984

INCOME	Approved Budget 1982 $	Actual 1982 $	Revised Budget 1983 $	Proposed Budget 1984 $
Members dues	110,500	110,007	125,000	140,000
1½% G.I. League Fees	475,000	474,913	550,000	660,000
Interest on loans	400,000	395,179	480,000	576,000
Investment income	20,000	99,654	60,000	50,000
Service Fees	130,000	137,693	150,000	170,000
Surplus/(Deficit) -				
i) Property Operations	13,225	32,070	60,700	93,100
ii) Caribbean Village	7,400	3,663	11,200	15,100
iii) Stationery	6,000	3,062	6,000	6,000
Miscellaneous	14,000	31,971	-	-
	1,176,125	1,288,212	1,442,900	1,710,200
LESS EXPENSES				
Administration	402,900	406,730	453,300	535,900
Affiliation	100,600	98,860	81,600	82,800
Establishment	25,300	25,530	26,800	30,800
Financial	333,200	343,813	267,700	441,150
Research & Development	133,000	96,135	187,800	206,000
Communications	76,800	77,294	131,700	148,800
Field Operations	107,000	114,591	159,300	173,900
	1,178,800	1,162,953	1,308,200	1,619,350
Surplus/(Deficit)	(2,675)	125,259	134,700	90,850

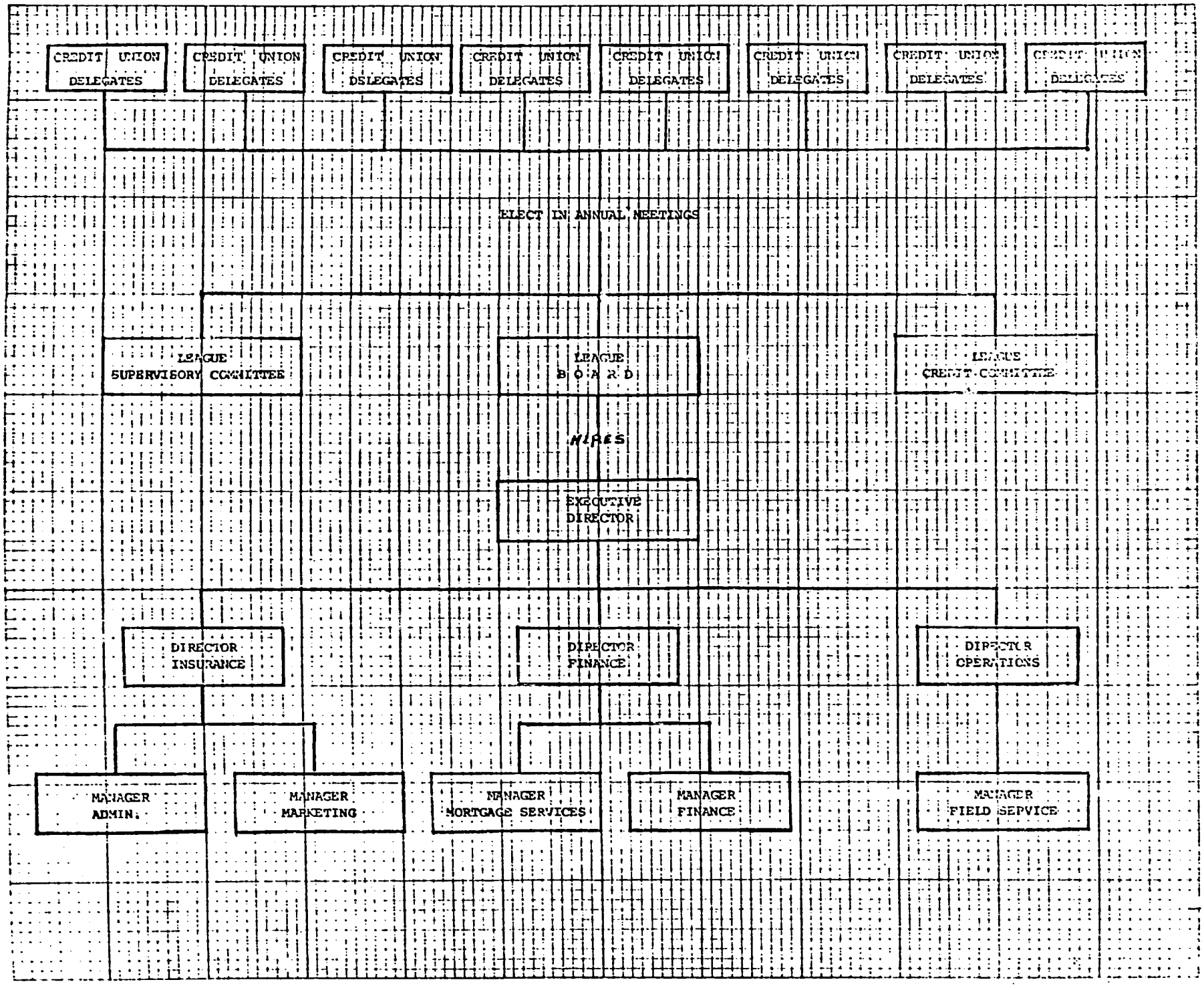
NOTES

1. League Fees:-

a) Members Dues - Provisions based on estimated membership of 250,000 at the end of 1982 and 280,000 at the end of 1983.

b) 2.5% Gross income - Provisions based on assumed 15% growth in credit unions' business in 1983 over 1982 and 20% in 1984 over 1983. The short-fall in actual compared with budget for 1982 resulted from up-to-date audits not coming in as anticipated. At the end of 1982 no more than 63 of 96 credit unions had had their 1981 audits completed.

ORGANIZATIONAL CHART OF JCCUL



MEMBERSHIP AND SAVINGS GROWTH IN CREDIT UNIONS

BY PARISH - 1981 & 1982

PARISHES	MEMBERSHIP				SAVINGS			
	AT 31/12/81*	AT 31/12/82+	INCREASE		AT 31/12/81*	AT 31/12/82+	INCREASE (DECREASE)	
ST. CATHERINE	17,341	19,379	2,038	11.75	10,729,752	12,208,762	1,479,010	13.78
CLARENDON	11,470	12,545	1,075	9.37	7,857,130	8,231,884	374,754	4.77
MANCHESTER	9,342	11,926	2.584	27.66	7,729,691	9,534,527	1,804,836	23.35
ST. ELIZABETH	3,929	4,778	849	21.61	5,054,058	4,282.417	(771,641)	(15,27)
WESTMORELAND	6,773	7,842	1,069	15.78	4,828.825	5,759,759	930,934	19.28
HANOVER	1,399	1,568	169	12.08	380,304	493,128	112,824	29.67
ST. JAMES	16,809	17,669	860	5.12	9,585,675	11,045,937	1,460,262	15.23
TRELAWNY	6,789	7,682	893	13.15	3,187,408	3,504,792	317,384	9.96
ST. ANN	13,337	16,038	2,701	20.25	8,371,447	9,692,611	1,321,164	15.78
ST. MARY	8,513	9,884	1,371	16.10	3,643,400	4,352,126	708,726	19.45
PORTLAND	4,955	5,847	892	18.00	1,750,450	2,047,593	297,143	16.98
ST. THOMAS	4,266	4,725	459	10.76	1,635,868	1,825,479	189,611	11.59
SUB-TOTAL	104,923	119,883	14,960	14.26	64,754,008	72,979,015	8,225,007	12.70
CORPORATE AREA	116,696	132,226	15,530	13.31	118,939,788	142,827,581	23,887,793	20.08
TOTAL JAMAICA	221,619	252,109	30,490	13.76	183,693,796	215,806,959	32,112,800	17.48

* REVISED FIGURES + PRELIMINARY FIGURES

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SAVINGS AND LOANS OF CREDIT UNIONS
BY PARISHES 31 DECEMBER 1982

PARISH	MEMBERSHIP	SAVINGS	LOANS	LOANS/ SAVINGS RATIO
St. Catherine	19,379	12,208,762	11,498,100	94.18
Clarendon	12,545	8,231,884	8,560,524	103.99
Manchester	11,926	9,534,527	10,326,702	108.31
St. Elizabeth	4,778	4,282,417	4,486,257	104.76
Westmoreland	7,842	5,759,759	4,566,612	79.28
Hanover	1,568	493,128	474,403	96.20
St. James	17,669	11,045,937	10,443,197	94.54
Trelawny	7,682	3,504,792	3,297,594	94.09
St. Ann	16,038	9,692,611	8,171,522	84.31
St. Mary	9,884	4,352,126	4,518,649	103.83
Portland	5,847	2,047,593	2,693,518	131.55
St. Thomas	4,725	1,825,479	1,672,087	91.60
Sub-total	119,883	72,979,015	70,709,165	96.89
Corporate Area	132,226	142,827,581	143,546,411	100.50
Total-Jamaica	252,109	215,806,596	213,255,576	99.28

6. JAMAICA TEACHERS' ASSOCIATION HOUSING COOPERATIVE LIMITED

Background

The concept of an organized institution to assist members of the Jamaica Teachers' Association in owning a house was motivated by:

- the inability of teachers' incomes to meet the qualifications required by commercial institutions for mortgage financing;
- the potentially strong financial support of the group as a cooperative;
- the housing needs of the members which could be satisfied only by an organization tailored specifically to meet such requirements;
- the Teachers' Savings & Loan Plan which generated 75% of the funds required to construct the Jamaica Teachers' Association office building.

Legal Status

Arising from the above, the Cooperative was legally registered August 14, 1976, under the Cooperative Acts and Regulations 1950, after satisfying the requirements established by the Cooperative Department of the GOJ.

The Jamaica Teachers' Association Housing Cooperative has since complied with all the regulations and has submitted annually its returns to the Registrar of Cooperatives.

Objectives

The objectives of the Cooperative are:

1. To provide mortgage financing for its members in owning a house,
2. To motivate teachers to work cooperatively,
3. To educate teachers about their long and short term financial objectives and to utilize the facilities of the Cooperative in achieving such objectives.

Organizational Structure

The Cooperative is not a government institution and acts independently, having its legal status under the Cooperative Acts & Regulations. Policies and decisions of the Cooperative are directed by an independent Board of Directors, elected by the shareholders, and these Directors report annually to the shareholders on:-

Management & organization
Financial status of the Cooperative
Programs for housing development
Future plans and targets

The Board is not a sub-agency of any other institution, and thus has the ability to execute expeditiously contracts and other transactions.

Management & Staff

Under the directive of the General Manager, who is the technical advisor to the Board, the staff executes the decisions of the Board. Through regular senior and middle management meetings, authority is delegated with the accompanying responsibilities. The flow of communication downward and upward is through departmental, middle and senior management, and staff meetings.

The staff consists of:

General Manager - B.Sc. Management Studies (U.W.I.)
Diploma (Estate Management and Property Development, University of Miami)

Assistant General Manager - Graduate - Appointment to be filled

Mortgage Manager - B.A. (U.W.I.)
Computer Programmer

Systems/Marketing Manager - B.Sc. Management Studies (U.W.I.)
Currently pursuing Diploma in Marketing and Production, College of Arts, Science & Technology (C.A.S.T.)

Accountant - B.Sc. Accounting (U.W.I.) Chartered Accounting

Mortgage Officer- Business Administration Course completed at C.A.S.T.

Assistant Accountants (2), Accounting Clerks (3), Supervisor, and Promotion Officer.

Complementing the above staff are the following professionals, whose services are contracted as required: architect, quanitity surveyor, civil engineer, and valuator, all professionally trained.

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External Auditors - Touche, Ross, Thorburn & Company.

The Cooperative functions as follows:

INPUT	ADMINISTRATION	OUTPUT
SHARES		
SAVINGS	[COOPERATIVE]	LOANS
INVESTMENTS		
LOANS	Purchase; Build on Lot; Home Improvement (Renovate & Expand); Refinancing	Scheme

INCOME BRACKET OF (TEACHERS) SAVERS

Income - 1983-1984

Category				No. of Savers	%
Pretrained	$ 7,640	-	8,480	1,800	20
Trained	$10,860	-	12,840	6,198	69
Vice Principals	$12,260	-	14,420	400	4
Principals	$13,570	-	18,000	600	7
Principals	$18,000	-	24,000	2	-
				9,000	100

The above figures are taken from the recently approved pay plan for teachers 1983 - 1985.

Of the Pretrained Group, the following is applicable:

Income	Sole Income Earner	Av. No. in Household	Age Range
7640-8480	400	6	3-70 years

Income	Joint Income Earner	Av. No. in Household	Age Range
7640-8480	1,400	8	2-75 years

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Financial

The Cooperative is not profit oriented, but primarily provides a service to its members. Hence, the elimination of such costs as:

- Service charge or finders' fees
- Reduced interest lending rate - currently at 13% and 11%, where the commercial market is at 14% and 15%
- Reduced professional fees - average 15% less
- Interview penalty and late fees
- Interest is calculated on the monthly reducing balance.

Present Status - Based on the unaudited statements as of December 1982:

Share Capital	=	$ 352,740
Assets	=	16,[illegible]3,330
Mortgage Portfolio	=	13,000,000
No of Mortgages	=	550
Average Loan Balance	=	23,636.36

The total number of mortgages are:

- Build on own lot	= 396 or 72%
- Outright purchase - open market	= 121 or 22%
- Home improvement loans	= 33 or 6%

INCOME BRACKET OF BENEFICIARIES

Category	Income Range	#	%
Pretrained	$ 7640 - 8480	137	25
Trained	$10860 - 12840	295	54
Vice Principals	$12260 - 14420	63	11
Principals	$13500 - 18000	55	10
Principals	$18000 - 24000	-	-
		550	100

BALANCE SHEET RATIOS

1. Current Ratio = $\frac{C.A.}{C/A}$ = $\frac{2805130}{1627870}$ = 2.58%

2. Acid Test or Liquidity Ratio = $\frac{\text{Inventory}}{C/L}$ = $\frac{1627870}{1063890}$ = 1.53%

3. Working Capital - (C/A - C/L) = $2805130 - 1086390 = $1718740

4. $\frac{\text{Current Liabilities}}{\text{Total Assets}}$ = $\frac{1086390}{16933330}$ = 6.42%

5. Rate of Return:

   $\frac{\text{Net Income}}{\text{Equity}}$ = $\frac{48990}{352740}$ = 13.89%

6. Productivity of Assets:

   $\frac{\text{Earnings before Interest \& Taxes}}{\text{Total Assets}}$ = $\frac{1136140 \times 100}{16933330}$ = 6.71%

7. Captial Turnover:

   $\frac{\text{Revenue}}{\text{Total Assets}}$ = $\frac{1665620 \times 100}{16933330}$ = 9.84%

PROJECT GROWTH:

Project growth for 1984 includes -

	1983	1984	Percentage increase (decrease)
Membership	9300	11160	20
Savings	9000000	13000000	44
Share Capital	400000	500000	25
Mortgages	650	800	23
Mortgage Loans	18000000	21000000	33.33
Assets	23000000	30000000	30

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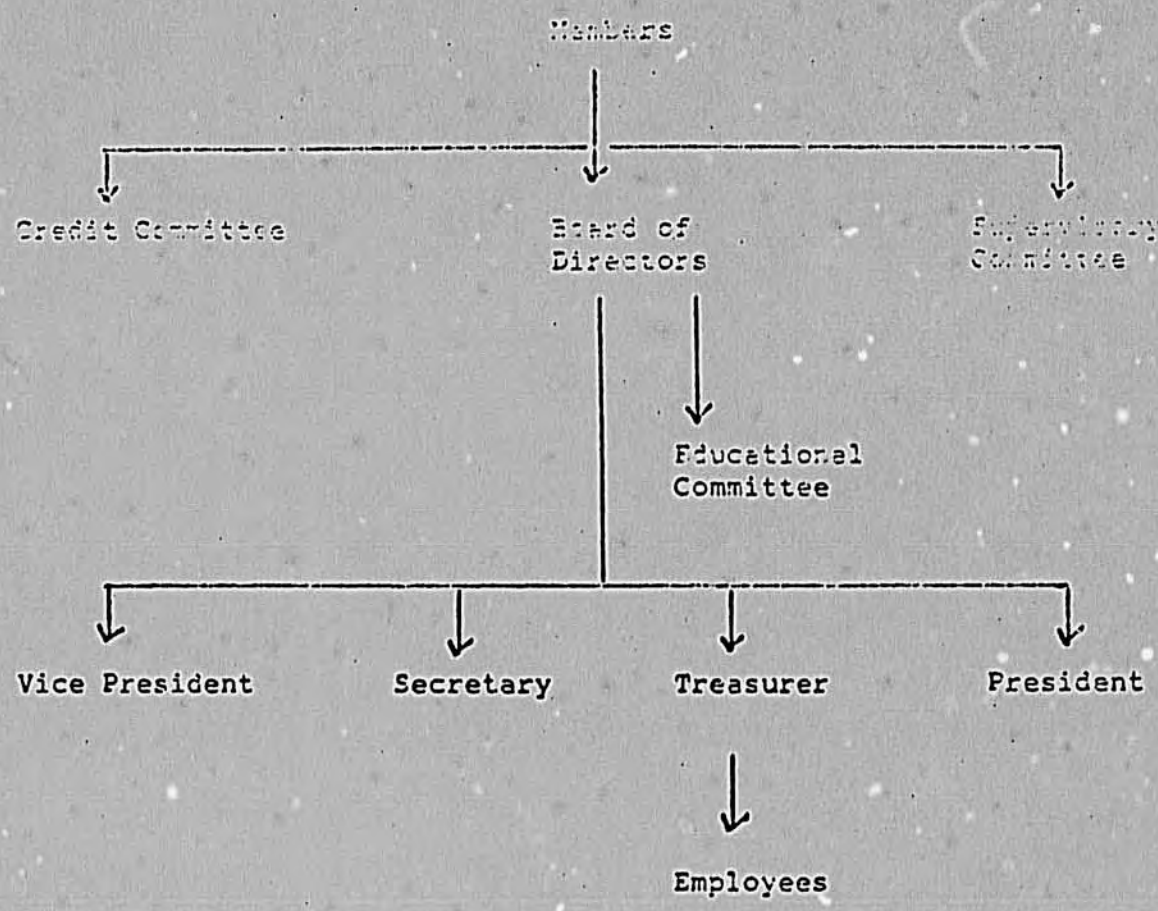


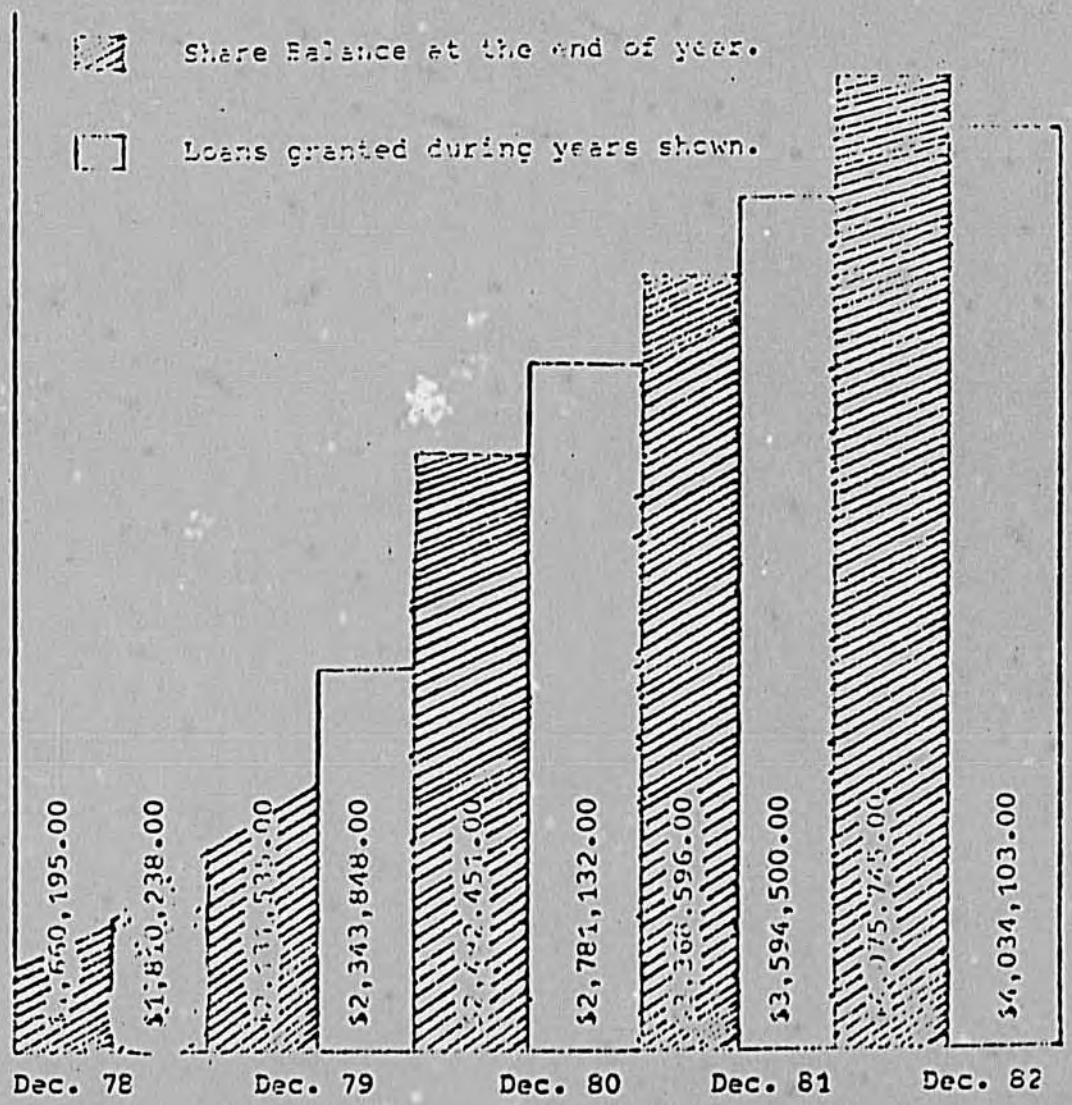
Staffing

1) Manager
2) Data Processing Supervisor
3) Accountant
4) Accounting Clerk
5) Loans Officer
6) Loans Interviewer
7) Processing Clerk
8) Office Attendant

Financial Projections

Income	Actual 1982	Proposed 1983
Interest on Loans	$441,915.00	$490,000.00
Interest on J.C.C.U.L.	4,672.49	5,000.00
Interest on V.M.B.S.	741.66	850.00
Interest on Royal Bank Saving	72.72	80.00
Property Rental	5,520.00	1,750.00
Interest on Mortgage Fund	6,847.86	8,000.00
Rule & Pass Books	53.00	80.00
Entrance Fees	8.00	20.00
Miscellaneous Income	220.96	300.00
N.C.B. Saving	2,668.90	3,000.00
N.C.B. Fixed Deposits		21,000.00
		$530,080.00
Less Expenses		
Administrative	$166,998.45	181,202.00
Affiliation	29,383.38	26,377.00
Financial	6,274.73	7,500.00
Establishment	4,615.35	6,000.00
Depreciation	4,000.00	4,500.00
Members Security Cost	110,303.53	146,000.00
		$371,579.00
Excess of Income		158,501.00
Less Statutory Reserve 20%		31,700.00
Undistributed Surplus		$126,801.00

Growth Of The Credit Union

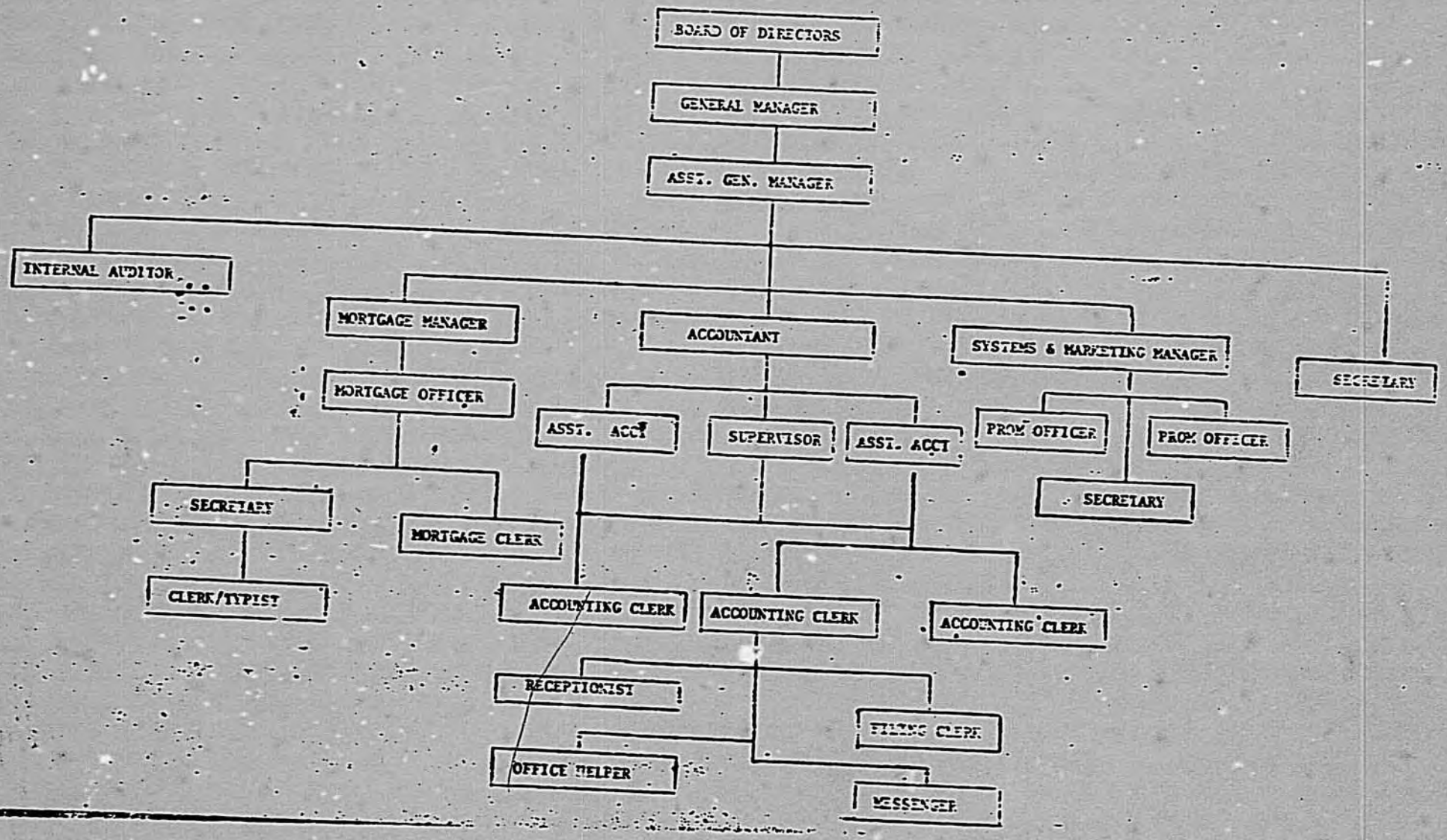


1) Total Membership 1449.

2) Total members income within $8,300.00 per year - 401.

ORGANIZATIONAL CHART

JTA HOUSING COOPERATIVE LIMITED



NATIONAL HOUSING TRUST
BUDGET 1983 - 1987
PROJECTED BALANCE SHEET
(In Thousands of Dollars)

	1982/83 $	1983/84 $	1984/85 $	1985/86 $
ASSETS				
Current Assets				
Cash	1,044	2,803	2,400	2,100
Short Term Investments	26,686	39,000	91,500	203,000
Contributions receivable	680	-	-	-
Interest & Other receivables	2,845	2,000	2,000	2,000
Penalties receivable	1,309	500	500	500
	32,564	44,303	96,400	207,600
Long Term Assets				
Long Term investments	53,777	46,215	45,215	44,215
Finance for house constr.	155,488	72,135	-	-
Office building & land	9,675	16,914	16,914	16,914
Inventory of unoccupied units	13,778	7,500	1,000	1,000
Loans to beneficiaries	230,744	416,946	562,406	582,706
	463,462	559,710	625,535	643,835
Other Assets				
Fixed Assets	906	2,500	2,700	3,200
Inventory - stationery & materials	361	225	225	225
Prepaid & deferred expenses	2,212	1,290	1,290	1,290
	3,479	4,015	4,215	4,715
TOTAL ASSETS	499,505	608,028	726,150	857,150
LIABILITIES				
Current Liabilities				
Accounts payable & accruals	455	1,000	1,000	1,000
Bonus payable to employers	10,393	3,567	3,090	3,090
	10,878	4,567	4,090	4,090
Long Term Liabilities				
Bonus to employees	18,650	22,655	24,085	26,085
Employees contributions	174,169	206,772	232,572	258,272
Employers contributions	103,189	103,189	103,189	103,189
C.D.B. Loan	4,747	8,925	8,925	8,925
	300,755	341,571	368,771	396,471
Equity				
Provision for unremitted contributions	864	1,582	2,481	2,681
Non-refundable contribs.	160,126	215,830	278,730	348,430
Surplus from operations	26,882	44,978	72,078	105,478
	187,872	261,890	353,289	456,589
TOTAL LIABILITIES	499,505	608,028	726,150	857,150

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5. Housing Sector Background

a. Population Growth and Urbanization

Between April 1970, when the first census was taken on the island, and June 1982, the date of the latest census[1/], the population in Jamaica increased 11.8 percent, at a rate of 1.04 percent per annum. The fastest growth occured in St Catherine (4.6% per annum), where the Portmore development is located, and in the parish of St James (1.89% per annum), around Montego Bay. The joint parishes of Kingston and St Andrew experienced very modest growth (.25% per annum) in their total population but in fact have been losing urban inhabitants. While these parishes still dominate in terms of the absolute number of people living within them, their share of the total has been decreasing. In 1970 they held 29.6 percent of the total population, in 1982, 27 percent of the total. For a full comparison of population growth by parish between 1970 and 1982 (See Table E.5.1).

The number and percentage of people living in urban areas increased significantly between the two censuses. According to the preliminary figures, over 950,000 out of a total population of approximately 2.1 million, or 45.5 percent, lived in urban settings (see Table E.5.2). The urban growth rate has been 1.76 per annum since 1970, in contrast with the overall figure of 1.04 quoted above. In 1970, urban population accounted for 41.7 percent of the total; in 1960, 30 percent; in 1943, 22 percent.

Growth in the major cities has two components, increasing density within the city limits and annexation of lands on the periphery. Table E.5.3, Urban Population Growth: 1970 to 1982, displays the growth pattern in 1982 within the boundaries defined by the 1970 census and within newly defined boundaries due to annexation. The fastest growing cities with significant population levels are Montego Bay and Port Antonio on the north coast, and five major inland southern towns, located on the principal road leading west from Kingston: Portmore, Spanish Town, Old Harbour, May Pen and Mandeville.

The increasing decentralization of population out of Kingston and concommitant growing importance of secondary cities may be seen in Table E.5.4.

1/ 1982 results are preliminary, awaiting further refinement. The source for census figures is Population Census 1982, Preliminary Report, Population Census Office, Department of Statistics, Kingston, Jamaica, February 1983.

Best Available Document

Table E.5.1

Population by Parish
1970 and 1982 1/

PARISH	Total Population 1970	Total Population 1982	Numerical Change	Percentage Change	Average Annual Rate of Growth 1970-1982 2/
Kingston/ St Andrew	547,700	565,487	17,787	.03	0.25
St Thomas	70,200	76,347	6,147	8.76	0.69
Portland	67,900	70,787	2,887	4.25	0.34
St Mary	99,500	101,442	1,942	1.95	0.16
St Ann	120,500	132,475	11,975	9.94	0.78
Trelawny	61,200	65,038	3,838	6.27	0.50
St James	102,300	127,994	25,694	25.12	1.89
Hanover	58,600	60420	1,820	3.11	.25
Westmoreland	113,200	116,163	2,963	2.62	.20
St Elizabeth	125,900	132,353	6,453	5.13	.41
Manchester	123,000	136,517	13,517	10.99	.86
Clarendon	175,500	194,885	19,385	11.05	.86
St Catherine	182,900	315,970	133,070	72.76	4.60
Total Population	1848,500	2095,878	247,378	11.8	1.04

1/ PADCO elaboration of Table 2, "Population by Parish 1982 and 1970, Population Census 1982, Preliminary Report", Population Census Office, Department of Statistics, Kingston, Jamaica, February 1983.

2/ Internal calculated between April 1970 and June 1982, i.e. at 12.167 years

Table E.5.2

Urban Population by Parish
as Percentage of Total Population,
1970 and 1982

Parish	1970 Total Population	1970 Urban Population	1970 % Urban	1982 Total Population	1982 Urban Population	1982 % Urban
Kingston/ St Andrew	547,700	506,200	92.4	565,487	494,227	87.4
St Thomas	70,200	11,630	16.6	76,347	12,741	16.7
Portland	67,900	13,685	20.2	70,787	20,792	29.4
St Mary	99,500	15,090	15.2	101,442	17,849	17.6
St Ann	120,500	21,891	18.2	132,475	21,482	16.2
Trelawny	61,200	3,900	6.4	65,038	5,514	8.5
St James	102,300	45,249	44.2	127,994	62,191	48.6
Hanover	58,600	3,800	6.5	60,420	5,685	9.4
Westmoreland	113,200	12,000	1.1	116,163	14,336	12.3
St Elizabeth	125,900	5,150	4.1	132,353	9,385	7.1
Manchester	123,000	24,576	20.0	136,517	43,599	31.9
Clarendon	175,500	38,484	21.9	194,885	52,268	26.8
St Catherine	182,900	69,130	37.8	315,970	192,582	60.9
TOTAL	1,848,500	770,785	41.7	2,095,878	952,651	45.5

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Table E.6.3

Urban Population Growth
1970 - 1982[1]

Major Towns by Parish	1970 Urban Population	1982 Urban Population Within Boundaries Defined by 1970 Census	1970-1982% Average Annual Growth Rate w/in Same Boundaries[2]	1982 Urban Population Within Newly Defined Boundaries	1970-1982% Average Annual Growth Rate W/In Newly Defined Bounds.[2]
KINGSTON/ ST ANDREW	506,200	493,156	0.21	494,227	-0.20
Kingston Metro area	506,200	493,156	-0.21	494,227	-0.20
ST THOMAS	11,630	11,828	0.14	12,741	0.75
Morant Bay	7,800	7,519	0.30	7,417	-.41
Port Morant	2,229	2,731	1.68	2,913	2.22
Bath	1,601	1,578	-0.12	2,411	3.42
PORTLAND	13,685	14,657	.57	20,792	3.50
Port Antonio	10,400	11,119	.55	17.201	4.22
Buff Bay	3,285	3,538	.61	3,591	.74
ST MARY	15,090	17,561	1.25	17,849	1.39
Port Maria	5,100	6,416	1.91	7,251	2.93
Highgate	5,635	6,180	.76	5,077	-0.85
Annotto Bay	4,355	4,965	1.09	1.97	

1/ PADCO elaboration of Table 6 "Population in Selected Areas 1982 and 1970", Population Census 1982, Preliminary Report, Population Census Office, Department of Statistics, Kingston, Jamaica, February 1983.

2/ Interval calculated between April 1970 and June 1982, i.e. at 12.167 years.

Major Towns by Parish	1970 Urban Population	1982 Urban Population Within Boundaries Defined by 1970 Census	1970-1982% Average Annual Growth Rate w/in Same Boundaries 2/	1982 Urban Population Within Newly Defined Boundaries	1970-1982% Average Annual Growth Rate W/In Newly Defined Bounds. 2/
ST ANN	21,891	20,641	-0.48	21,482	-0.16
St Ann's Bay	7,300	7,271	-0.03	7,480	0.20
Ocho Rios	6,900	5,477	-0.89	6,094	-1.02
Brown's Town	5,479	5,953	.68	5,941	0.67
Claremont	2,212	1,940	-1.07	1,967	-0.96
TRELAWNY	3,900	3,359	-1.22	5,514	2.89
Falmouth	3,900	3,359	-1.22	5,514	2.89
ST JAMES	45,249	58,398	2.12	62,191	2.65
Montego Bay	42,800	55,825	2.21	59,614	2.76
Cambridge	2,449	2,573	.41	2,577	0.42
HANOVER	3,800	4,319	1.06	5,685	3.37
Lucea	3,800	4,319	1.06	5,685	3.37
WESTMORELAND	12,000	11,822	-0.12	14,336	1.47
Sav-la-Mar	12,000	11,822	-0.12	14,336	1.47
ST ELIZABETH	5,150	6,650	2.12	9,385	5.06
Black River	3,100	3,338	.61	3,577	1.18
Santa Cruz	2,050	3,312	4.02	5,808	8.94
MANCHESTER	24,578	30,065	1.67	43,599	4.82
Mandeville	13,100	16,944	2.14	30,485	7.19
Christiana	7,344	8,320	1.03	7,677	0.37
Spalding	311	391	1.90	529	4.46
Porus	3,821	4,410	1.19	4,908	2.03

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Major Towns by Parish	1970 Urban Population	1982 Urban Population Within Boundaries Defined by 1970 Census	1970-1982% Average Annual Growth Rate w/in Same Boundaries 2/	1982 Urban Population Within Newly Defined Boundaries	1970-1982% Average Annual Growth Rate W/in Newly Defined Bounds. 2/
CLARENDON	38,484	47,667	1.77	52,268	2.55
May Pen	26,200	34,138	2.20	37,682	3.03
Chapelton	4,163	4,680	.97	5,042	1.59
Lionel Town	3,262	3,996	1.68	4,658	2.97
Frankfield	2,958	2,939	-0.05	2,972	0.04
Spalding	1,901	1,914	0.06	1,914	0.06
ST CATHERINE	69,130	145,237	6.29	192,582	8.79
Spanish Town	41,600	59,313	2.96	81,416	5.07
Linstead	5,996	7,577	1.94	8,972	3.37
Bog Walk	5,577	7,811	2.81	8,283	3.[illegible]
Ewarton	4,247	5,887	2.72	8,467	5.[illegible]
Old Harbour	5,097	9,684	5.42	13,234	8.[illegible]
Old Harbour Bay	4,416	5,230	1.40	5,234	1.41
Portmore	2,197	49,735	29.23	66,976	32.43
TOTAL URBAN	770,785	865,360	0.96	952,651	1.76

Table E.5.4

Percentage Share of Urban and Total Population, Kingston and Five Ranking Secondary Cities, 1970 and 1982

1970 Ranked Cities	1970 Urban Population	1970 % Urban Pop.	1970 % Total Urban Pop.	1982 Ranked Cities	1982 Urban Population	1982 % Urban Pop.	1982 % Tot. Pop.
1. Kingston Metro. Area	506,200	65.7	27.4	Kingston 1.Metro. Area	494,227	51.0	23.6
2. Montego Bay	42,800	5.6	2.3	2.Spanish Town	81,416	8.5	3.9
3. Spanish Town	41,600	5.4	2.3	3.Portmore	66,976	7.0	3.2
4. May Pen	26,200	3.4	1.4	4.Montegy Bay	59,614	6.3	2.8
5. Mandeville	13,100	1.7	.7	5.May Pen	37,682	4.0	1.8
6. Savanna-la-Mar	12,000	1.6	.6	6.Mandeville	30,485	3.2	1.5
Total Secondary Cities	135,700	17.6	7.3		276,173	29.0	13.2

2. Housing Conditions

Detailed knowledge about the condition of housing in Jamaica will not be available for at least another year, until a proposed Census of Housing Units is completed by the Department of Statistics. In the meantime, an on-site survey of units in almost any community on the island, and in the flatlands of Kingston and St Andrew reveals widespread deterioration of the housing stock .

1982 and 1983 studies of housing conditions in squatter areas put the percentages of homes in good condition at 6 percent to no more than 16 percent of the total; those in fair condition from 31 percent to 48 percent; and in poor condition (not able to be rehabilitated) from 41 percent to 62 percent. From one-quarter to one-third of the units are overcrowded, using a standard of over 2 persons per room. Even within the urban areas over half of the houses in squatter areas get their water supply from a common water tap. Sewage disposal is almost always by pit latrine in rural areas (over 80 percent of the time) and is not uncommon in urban settings (from 22 percent to 50 percent). Electricity is available to less than half the homes in rural areas, and 60 to 70 percent of urban households. Kerosene lamps are used as the main source of light when electricity is not available. Kitchens are frequently located outside the house, in the yard, in half to three-quarters of the cases in rural areas; one-quarter to half the cases in urban areas.

In almost all squatter settlements roads are unpaved and ungraded and drainage systems are non-existent. The lack of such systems proves very difficult during the rainy season, where standing water pools and becomes a breeding ground for insects.

The Census of Housing Units will be able to identify the condition of structures using, when appropriate, the age of a building and its construction materials as a proxy. Lack of infrastructure will be identified, as will overcrowded units through cross tabulations of number of rooms with numbers of people. When the number and types of units are counted, and compared with population growth, it will be possible to identify the backlog in housing construction as well.

3. Projection of Housing Needs

The table presented below (Table E.[illegible].5.) is an update of the table "Projected Housing requirements 1981-2000" published in A National Housing Policy for Jamaica, Ministry of Construction, October 1982. The demand for new housing is affected by three factors:

a) Population increase;

b) An existing backlog of over-crowded units;

c) The need to replace obsolete dwellings.

Table E.5.6. is based on the continuation of the one percent per annum growth rate experienced between 1970 and 1982, which figure only became available in February, 1985. The MOC(H) table had been based on an average population increase of 1.5 percent per annum.

The existing backlog was identified by the MOC(H) as being 55,000, calculated by assuming an ideal average household size as 4.0 persons, each household occupying one dwelling, and noting the difference between the current 4.45 persons per dwelling and the desired standard. A more conventional standard for over-crowding may be obtained by comparing the number of rooms in a dwelling to the number of occupants, with more than two persons per room taken as an indicator of over-crowding. Since this statistic will not be available in Jamaica for another year, this study will accept the former standard as a given. However, this study suggests that the more conventional standard be used to recalculate over-crowding once the data is known.

Similarly, the need for replacement of obsolete dwellings is not known. The MOC(H) adopts a United Nations Department of Economic and Social Affairs standard of 1 percent of existing housing stock in need of replacement per annum. It is our best judgement that the actual figure in need of replacement in Jamaica may be higher, but lacking any confirming data, at this stage we will use the standard suggested.

What all this indicates is a possible under-estimation of housing need as calculated in Table E.5 if our assumptions on over-crowding and totally deteriorated stock are proven correct.

Table E.5.5.

PROJECTED HOUSING REQUIREMENTS
(1981-2000)

	1981-85	1986-90	1991-95	1996-2000
Beginning Population 1/	2,186	22,975	24,147	25,379
Population Increase 2/	111,508	117,196	123,174	129,457
Beginning Housing Stock 3/	491,228	547,290	606,617	669,460
New Houses (Population Increase)	27,877	29,299	30,794	32,364
New Houses (Backlog) 4/	13,825	13,825	13,825	13,825
New Houses (Replacement) 5/	25,682	28,583	31,655	34,911
Total New Housing Required	67,384	71,707	76,274	81,100
Housing Stock End of Period	532,930	590,414	651,236	715,649
Average Annual Requirement	13,477	14,341	15,255	16,220
Population at End of Period	22,975	24,147	25,379	26,675

1/ Population, in thousands, as of December 31, 1980, as supplied by the Department of Statistics and the Immigration Department, to the National Planning Agency. The beginning population figure for these housing tables is taken as 2,186,100 on December 31, 1980, as supplied by the Department of Statistics and Immigration Department to the National Planning Agency. A more current provisional population figure of 2,095,878 as of June 8, 1982 has also been published by the Population Census Office. The latter, lower figure, is used as the baseline for more detailed population studies. Quoting the Population Census 1982, Preliminary Report, "The results are derived from a manual count of the population and are, accordingly, very provisional since checks to ensure internal consistency of the data have not all been completed..." Given the option of using either statistics as a base for the housing component of the study, we have chosen to use the figure cited by the National Planning Agency.

2/ Assumes a continuation of the 1 percent per annum growth rate experienced between 1970 and 1982.

3/ Beginning housing stock as defined in A National Housing Policy for Jamaica, Ministry of Construction, October 15, 1982.

4/ Elimination of backlog by year 2,000.

5/ Replacement of obsolete housing at 1 percent per annum.

As may be seen in the table, annual average production rates to fulfill the demands for new housing will increase regularly every five years, starting from a low point of approximately 13,500 units per annum from 1981 to 1985, and reaching a high point of almost 16,250 units per annum by the end of the decade. Total housing requirements over the twenty year period amount to 296,465 units, which equals 60 percent of all the housing stock found in Jamaica in 1981. As the Ministry of Construction has emphasized, with the National Housing policy, "While this level of supply may not be initially obtainable, these figures illustrate the magnitude of the housing problem and provide the background against which a national housing policy must be formulated and pursued."1/

The past performance of the housing sector must be evaluated in light of current and projected needs. This picture is not an encouraging one. Between 1972 and 1981, a total of approximately 40,250 new housing units were constructed representing an average annual rate of production of just over 4,000 units. Of this number, approximately 75 percent were constructed by the public sector and 25 percent by the private sector. Table 6 sets out the achievements in the area of new housing construction for the period 1972-1982.

1/ A National Housing Plan for Jamaica, Ministry of Construction, Kingston, Jamaica, October 15, 1982, p. 6.

Table E.5.6.

TOTAL NUMBER OF HOUSING UNITS COMPLETED
(1972-1982)

Year	Public Sector	Private Sector	Total
1972	1,585	322	1,907
1973	2,843	90	2,933
1974	1,621	64	1,685
1975	3,075	614	3,689
1976	4,638	3,214	7,852
1977	4,384	2,453	6,837
1978	4,601	275	4,876
1979	3,653	1,320	4,973
1980	1,959	1,284	3,243
1981	1,785	466	2,251
1982	N.A.	N.A.	N.A.

Total (1972-1981) = 40,246

Annual Average Production (1972-1981) = 4,025

F. Implementation Schedule

It is anticipated that Phase I Accelerated Delivery projects will be disbursed over a 24-month period. It is expected that an Implementation Agreement will be negotiated in October-November, 1983 with a Loan Agreement anticipated by December 1983 - January 1984.

Table F.1 presents an Implementation Schedule of key project development activities leading up to commencement of construction. The table shows that such critical events as site identification and land acquisition have already been completed. It would not be useful at this stage to try and schedule project activities which will run concurrent with construction. These activities can be programmed once ground is broken.

Table F.1

IMPLEMENTATION SCHEDULE

Third Quarter CY 1983

1 Approval of $40 million Project Paper.

2. Site identification completed for Phase I Accelerated Delivery Projects.

3. Land acquired for Phase I projects.

Fourth Quarter CY 1983

1. Policy/Institutional Resident TA advisor arrives.

2. Signing of Implementation Agreement by A.I.D. and the Borrower.

3. Review and modification to site planning and engineering design on selected Phase I projects.

4. Sub-division/engineering design approval by relevant local authorities on selected Phase I projects.

5. Commence contract negotiations for Phase I projects.

First Quarter CY 1984

1. Completion of Project Delivery Plan and Agreements with participating institutions.

2. Negotiations and signing of Loan Agreement between U.S. Lender and the Borrower.

3. U.S. Lender disburses authorized amount to Borrower.

4. Contract negotiations finalized for Phase I projects.

5. Construction contracts signed and construction begins on Phase I projects.

6. Procedures put in place to start up JMB secondary market activities.

7. Financial Analyst Resident TA advisor is contracted.

Second and Third Quarter CY 1984

1. Continuation of Phase I construction and JMB secondary market activities.

2. Advances replenished as disbursed.

3. Project Evaluation of HG-011 as prerequisite to more detailed, fully developed Phase II Project design.

Fourth Quarter CY 1984

1. Continuation of Phase I construction and JMB secondary market activities.

2. Initial planning and design commences for Phase II project components (New Scheme Development, Squatter Upgrading, JCCUL, etc.).

3. Approval of Phase II project preparation procedures.

1985-1986-1987 Ongoing Activities

1. Sub-project implementation continues for Phase I.

2. Sub-project implementation commences for Phase II.

3. A.I.D. quarterly review.

Table F.2

IMPLEMENTATION SCHEDULE

		1983				1984							1985			
	ACTIVITY	S	O	N	D	J	F	M	A	M	J	J	//	O	N	D
1.	PP Approval	XX														
2.	SHC Identification (completed 8-83)															
3.	Land acquisition (completed 8-83)															
4.	Review and modification to site planning and engineering designs.	XXXXX														
5.	Sub-division approval by relevant authorities	XXXXXXXXXX														
6.	Contract Negotiations (2 projects)		XXXXXXX													
7.	Contract Negotiations (2 projects)			XXX												
8.	Construction (2 projects)				XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX											
9.	Construction (2 projects)					XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX										

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C. AMENDMENT TO INITIAL ENVIRONMENTAL EXAMINATION

A. Project Location: Jamaica
Project Title : Housing Guranty Program (HG-012)
Funding (LOP) : U.S. $40 million Guaranty
Life of Project : Three years, 9/83-
IEE Prepared by : Charles R. Mathews
USAID/J Environmental Officer
Date : 8/26/83

Recommendation : A negative threshold decision is recommended.

Mission Director's Concurrence:

Lewis P. Reade, Director, USAID/J

B. The Project

The proposed USAID US$40 million Housing Guaranty program (HG-012) has the following components:

- Accelerated Delivery Program units;
- Provision of infrastructure to support future urban development;
- Reactivation of the Jamaica Mortgage Bank's (JMB) secondary mortgage market;
- Upgrading of urban and rural squatter areas;
- Construction of new schemes island-wide under ongoing Ministry of Construction (Housing) MOC(H) Starter-home program;
- Expansion of the Jamaican Cooperative Credit Union League's (JCCUL) low income mortgage and home improvement program.

The proposed loan is designed to assist the Government of Jamaica implement its recently adopted National Housing Policy (October 1982). It will build on a previous loan (HG-011) of US$15 million which is presently serving as a catalyst to move the public housing sector away from the use of heavy subsidies and high standards to one of reduced subsidies and more affordable standards. In this context, shelter projects are being designed to be affordable by families below the urban median income. Full cost recovery mechanisms have also been installed.

The JMB, the Borrower for HG-010 and HG-011, will be the official Borrower. As in the previous loans, the MOC (H) will coordinate project development through two limited public companies, Estate Development Company Ltd. (EDCO) and Sugar Industry Housing Ltd. (SIHL).

C. Discussion

The objective of the proposed HG program is to increase the provision of shelter and related services to low income families and improve living conditions in existing squatter settlements. The construction activities

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anticipated under the Program will necessitate some alteration to the existing physical environment. The accelerated delivery projects will likely be located in existing urban environments of the Kingston metropolitan area and thus depend on existing infrastructure and services trunk lines. The squatter upgrading and new schemes will take place throughout the island. General areas of project activities are therefore identified and it can be stated, in general terms, what the environmental consequences of the proposed actions might be. However, until the Program is further developed and specific sites of the proposed activities identified, the significance of any environmental consequences cannot be specifically assessed. The accompanying Impact Identification and Evaluation Form indicates impact evaluation in general terms. In view of the nature of the Program wherein specific sites will not be fully identified until after the Program is underway, it is appropriate to condition planning and implementation activities that may have significant harmful environmental consequences upon criteria which will protect the environment and mitigate any harmful impacts.

The IEE submitted with the PID recommended deferral of a threshold decision pending development of criteria for carrying out Program activities that may have a harmful effect on the human environment. Such criteria were developed during preparation of the Project Paper and are included (see Annex 1.A.4, Design Brief).

Subproject review for approval will analyze compliance with the conditions imposed by this criteria and where specific circumstances of development actions indicate that further investigation may be needed to determine environmental consequences, technical assistance to carry out such investigation has been provided for in the Program budget.

IMPACT IDENTIFICATION AND EVALUATION FORM

Impact Areas and Sub-Areas	Impact Identification and Evaluation
A. LAND USE	
1. Changing the character of the land through:	
a. Increasing the population-----	L
b. Extracting natural resources--	N
c. Land clearing----------	M
d. Changing soil character-------	N

2.	Altering natural defenses--------	L
3.	Foreclosing important uses-------	N
4.	Jeopardizing man or his works----	N
5.	Other factors	
	_____	_____

B. WATER QUALITY

1.	Physical state of water----------	L
2.	Chemical and biological states---	N
3.	Ecological balance----------	U
4.	Other factors	
	_____	_____

C. ATMOSPHERIC

1.	Air additives----------	L
2.	Air pollution----------	L
3.	Noise pollution----------	N
4.	Other factors	
	_____	_____

D. NATURAL RESOURCES

1.	Diversion, altered use of water-	N
2.	Irreversible, inefficient commitments----------	N
3.	Other factors	
	_____	_____

E. CULTURAL

1.	Altering physical symbols-------	U
2.	Dilution of cultural traditions-	U
3.	Other factors	
	_____	_____

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F. SOCIO-ECONOMIC

1.	Changes in economic/employment patterns----------	L
2.	Changes in population----------	L
3.	Changes in cultural patterns----	U
4.	Other factors	
	_____	_____

G. HEALTH

1.	Changing a natural environment---	L
2.	Eliminating an ecosystem element	U
3.	Other factors	
	_____	_____

H. GENERAL

1.	International impacts----------	N
2.	Controversial impacts----------	N
3.	Larger program impacts----------	N
4.	Other factors	
	_____	_____

I. OTHER POSSIBLE IMPACTS (not listed above)

_____ _____

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

H. TECHNICAL ASSISTANCE PLAN

SCOPES OF WORK

The attached scopes of work provide additional background information which support the institutional technical assistance already programmed from PADCO (through a competitive bidding procedure) and the Federal Home Loan Bank Board, through a PRE/H contract.

D. Scope of Work

The Contractor shall provide services as follows:

I. Long-term Resident Adviser/Technician (20 person months)

A housing generalist, with a minimum 6 years overseas experience with low income shelter development in at least two developing countries, will have specific training and/or experience in the general area of low income shelter planning and development, with specific expertise and demonstrated practical experience in at least two of the following areas: institutional development, low income shelter and site design, construction management, cost recovery or project planning.

Specifically the adviser will:

a. become familiar with those current GOJ shelter policies, legislation, organization, institutions and procedures relevant to the shelter sector;

b. assist in and oversee HG project planning, implementation and management including construction management, marketing and publicity, cost recovery, site and unit design, credit review and selection procedures, collection and delinqency controls, occupancy standards, regulation and loan programs;

c. assist in setting up operational procedures for executing the sub-projects of the HG program, trying to incorporate procedures and practices which are of general practical value to the executing agencies;

d. generally assist the MOC in implementing its housing policy by participating in the analysis of managerial, financial and technical functions and processes within existing and proposed shelter institutions in order to elaborate procedural and organizational modifications which might improve their efficiency and effectiveness;

e. assist the MOC on identifying, defining and providing on a timely basis such short-term technical assistance and training inputs that are required to sustain and support this scope of work;

f. assist the MOC and RHO in defining other short-term technical assistance or studies which are germane to the improvement of low cost shelter delivery and housing finance systems but which require supplementary financing and/or are clearly in addition to this scope of work;

g. assist the MOC and RHO in defining and planning in-service and short-term training efforts aimed at improving overall shelter sector performance;

h. assist in the preparation and coordination of all documentation required for loan closings and USAID reporting requirments;

i. assist in the provision of infrastructure development, including relevant design standards and mechanisms to better coordinate the activities of agencies responsible for the provision and maintenance of infrastructure for low income housing.

II. Short-term Technical Assistance (10-person months)

Approximately 10 person-months of short-term technical assistance will be financed in support of and to sustain the resident adviser's tasks as generally described above. These short-term support consultancies will be specifically and jointly identified and defined by the resident technician and the MOC in consultation with the RHO. In each instance, the resident adviser and his firm or the USAID through the RHO will provide in timely fashion technical experts with clearly demonstrated expertise in the field of low cost shelter. The following list illustrates the scope of possible short term technical assistance assignments:

a. development of a planning policy secretariat within the MOC capable of:

(1) developing a socio-economic, physical and financial data base on existing programs;

(2) conducting socio-economic research and analysis for the development of new programs:

(3) liaising with financial and executing agencies in the budgeting and implementation of plans and projects

(4) reporting to the Housing Policy Authority and the Housing Co-ordinating Committee on the progress of housing programs;

(5) developing a 3-year rolling National Housing Plan

b. assitance in the establishment of an effective evaluation and monitoring system;

c. assistance with the institutional realignment within the sector;

d. assistance with the reorganization and consolidation of the MOC shelter development units;

Scope of Work Contd.

e. assistance on development of appropriate and cost effective design standards;

f. assistance on construction and project management;

g. assistance in the mobilization and management of housing finance;

h. assistance in the design and implementation of in-service and short-term training efforts aimed at improving overall shelter performance.

III. Contract Reporting

The resident adviser/technician will submit quarterly brief reports in a format mutually acceptable to all parties, to the MOC and the RHO. These reports, inter alia, report progress of the technical assistance contract and those government institutions whose capabilities are to be improved. Two (2) copies of each report shall be provided to the MOC and RHO within ten (10) days of the close of each calendar quarter.

Low Cost Shelter Development

532-0067

1. Background

The contract for technical assistance to the GOJ to improve the planning, coordination and project delivery capacities of selected public and private sector shelter institutions was awarded to Planning and Development Collaborative Inc. (PADCO) for $453,646 for the period November 22, 1982 - July 30, 1985. Both short and long term resident advisor services are currently provided under the contract. The amended scope provides for the necessary technical, shelter and urban services required to carry out the expanded USAID shelter program. This will include assisting in carrying out the GOJ sector policy development, planning, and programming in an effective and efficient manner.

2. Senior Resident Advisor (24 person months)

A Senior Housing Generalist with a minimum of six years of experience in development of institutions to provide low income shelter in several countries will be contracted for two years to assist the GOJ in the institutional development, finance and administration, program planning, and policy implementation aspects of the existing scope of work as follows:

A. Assist in and oversee HG program planning, implementation and management including marketing and publicity, cost recovery, credit review and selection procedures, collection and delinquency controls, and loan program administration;

B. Assist the MOC(H) in the implementation of its housing policy as follows:

1) Analysis of managerial and financial procedures within existing institutions with a view to improving their efficiency and effectiveness;

2) The development of a shelter policy and planning secretariat within the MOC(H) which would: assemble a data base on existing programs, conduct research and analysis for the development of new programs, liaise with financial and executing agencies, and report to the Minister MOC(H) and/or other policy authorities on program progress;

3) In conjunction with the secretariat, formulate a 3-year rolling national housing plan showing the magnitude of planned projects and costs, their sources of funds and the degree of demand being met;

C. Analysis and recommendations regarding any institutional realignment within the sector, including the reorganization and/or consolidation of the MOC(H) shelter development units;

D. Assistance in the mobilization and management of housing finance, including assistance to the JCCUL in the initiation and operation of their Home Improvement and Mortgage Loan program;

E. Assistance in the establishment of an evaluation and monitoring system;

F. Assistance in the design and implementation of in-service and short-term training efforts for shelter sector professionals; and

G. In addition to the foregoing responsibilities in the shelter sector, the resident advisor will also assist RHUDO/CAR in the following areas:

1) The development and application of an urban investment strategy which would prioritize and order USAID and, to the extent possible, GOJ investment in urban areas;

2) Other assistance as necessary to RHUDO/CAR in the development of urban projects; and

3) Assistance to RHUDO/CAR, as requested, in the policy, finance and administration aspects of HG loan development in other countries of the RHUDO/CAR region.

Budget

Field Salaries	$117,000
Overhead	112,000
Allowances	85,000
Travel, Transportation, per diem	30,500
Other direct costs (includes Defence Base Act)	2,500
Total Estimated Cost	$347,000
Fixed Fee	29,495
Total Estimated Cost plus Fixed Fee	$376,495

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SCOPE OF WORK

Financial Manager/Analyst and Accounting Specialist

A financial management specialist with 5 years overseas employment and particular experience with housing institutions, both governmental and private, is required to assist the public sector institutions participating in the National Housing Financial Framework to organize and analyze their individual and interrelated financial management systems. Working with the two resident advisors specializing in housing policy and technical construction and program management, the financial analyst will focus on the comprehensive shelter financial system, specifically at a program operational level, and assist the institutions to become financially sound, well managed, operational units within the housing sector.

At present, each institution has a clearly defined set of responsibilities and roles, particularly in relation to their internal and intra-agency financial responsibilities. The advisor will work with each institution in developing their particular management information and accounting system which can also interface with the related institutions to improve decision-making throughout the sector.

Specifically the advisor will:

1. Review, organize and streamline existing accounting and financial management information systems in and among institutions;

2. Develop working relationships with key accounting staff and provide continuing education programs as required to assure adequate records are maintained. The records should include adequate cost accounting, reasonable cash flow requirements, and shelter sector financial management data required for institutional Boards and GOJ policy makers.

3. Work with the Secretariat and the Housing Task Force to develop a rational set of financial reporting requirements to assure informational exchange among institutions and to the P.M.'s office.

4. Work with the JCCUL and member credit unions to systematically organize the application, mortgage processing and collections system. Design a training program with JCCUL on financial management for use with the member unions.

Cont'd...2

5. Make recommendations to the Minister of Construction and his program directors regarding internal auditing procedures, collections systems, cost recovery techniques and unit pricing.

6. Work with other housing advisors regarding policy and program reforms which would enhance institutional financial self-sufficiency and improve financial management.

To be effective, the advisor should be contracted for a period of not less than two years and be supported, as required, with short term assistance in specialized areas such as computerized accounting and financial data management systems, training experts in housing finance (at the operational, not policy level), and management audit specialists, if required, for specific institutional problems.

Production of Assistance

To accomplish the goals of the new Jamaica Housing Policy, the Jamaica Mortgage Bank (JMB) will require technical assistance in the following areas: strategic planning, corporate financing, marketing, and operations.

Task	Duties	Man Weeks	Personnel Primary Responsibility	Personnel Support	FY 85 Schedule (Months)
Strategic Planning	To identify the specific steps which need to be taken to establish the framework and the support system for a secondary market entity to operate efficiently and profitably. This will require a clear definition of the individual roles of each of the government agencies, the potential overlap, if any, and an assessment of the capacities of each.	1	OCI		Oct.-Mar.

Task	Duties	Man Weeks	Personnel Primary Responsibility	Support	FY 84 Schedule (Months)
Operations	The following revisions will be made to the programs to purchase mortgages;	4	OCI	FHLMC Mortgage Operations; Corp. Planning & Development	
	(1) Participation Interests				Oct.-Dec.
	a) develop the program outline and policy issues for consideration by the Board to decide whether to implement such a program;				
	b) design the policies and procedures to implement the program; oversee the revisions of the seller/servicer guides and development of forms and operation procedures.				

Task	Duties	Man Weeks	Personnel Primary Responsibility	Support	FY 84 Schedule (Months)
Operations (cont'd)	c) obtain Board approval and implement program				
	(2) Prior approval procedures: develop a system under which JMB can preapprove loans that will be submitted for sale to them.	1		FHLMC Mortgage Operations	Nov.-Feb.
	(3) Direct research and develop recommendations on feasibility of developing a program to purchase second mortgage loans.	1	OCI	FHLMC Corporate Planning & Development	Jan.-June
	(4) Reporting and Audit Procedures a) use the participation program as a model to develop streamline remittance, delinquency, and accounting reporting both from Seller/ Servicers and within the Bank itself for all programs;	8	OCI	FHLMC Control Internal Audit; Accounting Mtg. Opns.	Oct.-Feb.

Task	Duties	Man Weeks	Personnel Primary Responsibility	Personnel Support	FY 84 Schedule (Months)
Operations (cont'd)	b) to automate all reporting systems;		OCI	Consultant; FHLMC Corporate Information Resources; Internal Audit	
	c) investigate the feasibility of establishing an affiliated or independent service bureau to provide automated reporting systems to the Bank, Seller/Servicers, and other financial institutions. This service should provide the following reports; o financial statement items o management reports o analysis of cash flows o participation accounting system o streamlined whole loan accounting system o mortgage-backed instruments/investor reporting		OCI	Consultant	

Task	Duties	Man Weeks	Personnel Primary Responsibility	Personnel Support	FY 84 Schedule (Months)
Corporate Financing	(1) Design and initiate a system for asset/liability management which; a) identifies any current mismatches in maturities or interest rates; b) considers how to restructure the portfolio and debt to eliminate mismatches	1	OCI	FHLBB OPER; FHLMC Treasury Department	Oct. - Mar.
	(2) Investigate alternatives of raising additional capital; a) preferred stock b) common stock c) general obligation bonds d) mortgage-backed bonds or securities e) debentures		OCI	FHLMC Treasury Dept., Capital Market Op'ns.	Dec.-Mar.

Task	Duties	Man Weeks	Personnel Primary Responsibility	Support	FY 84 Schedule (Months)
Corporate Financing (cont'd)	(3) Develop recommendations to sell instruments to fund current and anticipated operations.			FHLMC Corporate Planning	Apr.-Sept

	Duties	Man Weeks	Personnel Primary Responsibility	Support	FY 84 Schedule (Months)
ah arketing	(1) Design marketing program for participations which focuses separately on; a) policy and strategy; b) operations	4	OCI	FHLMC Mortgage Marketing	Oct.-June
	(2) Marketing duties - advise industry of other changes in JMB procedures; a) Those known presently (Administered Pricing Reporting, Remittance Procedures, etc.) b) Those to be developed.	1	OCI	FHLMC Mortgage Marketing	Oct.-Sept.

SEP 29 1982

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Dwight Johnson

SUBJECT: Authorization of the Jamaica Urban and Rural Shelter Improvement HG Program (532-HG-012)

Problem: Your signature is required on the attached Guaranty Authorization (Tab A) to authorize a Housing Guaranty (HG) for the Government of Jamaica in the amount of $25 million for FY 1983.

Discussion: The project is the first phase of a $40 million housing sector program of which $25 million would be authorized in FY 1983. The second phase of $15 million would be authorized following an indepth evaluation of HG-011, authorized September 28, 1981, and a review of progress under the first phase of HG-012. A Project Paper supplement would also be submitted for review prior to Phase II authorization.

The purpose of the new project (HG-012) is to assist the Government of Jamaica (GOJ) to implement its recently adopted National Housing Policy. This will be accomplished by providing financing for the programs called for under the policy and providing technical assistance to the institutions that are carrying out the policy. Since 1981 A.I.D. has worked closely with the Ministry of Construction (Housing) in the formulation, discussion and promulgation of the National Housing Policy. With the support of A.I.D. - financed technical assistance, a housing policy framework was developed on which the present policy is based. Subsequently, a policy dialogue between A.I.D. and the GOJ was expanded and led to the formulation of the present shelter policy.

The present policy document, titled "A National Housing Policy for Jamaica" was officially adopted by Cabinet and Parliament in October, 1982. The policy addresses the principal problems in the sector directly and pragmatically.

The GOJ has already taken definitive action to implement many of the policy objectives, as follows:

-- institutional roles and responsibilities have been further defined in the Cabinet and Parliament approved Public Sector Housing Finance Framework and each institution is carrying out a prescribed development plan;

-- the housing finance system has been significantly improved with the Jamaica Mortgage Bank (JMB) concentrating on secondary market activities and mortgage insurance, the National Housing Trust (NHA) and the Caribbean Housing Finance Corporation (CHFC) concentrating on mortgage financing, and the Ministry of Construction (Housing) (MOC(H)) concentrating on project development, a uniform interest rate structure has also been applied in the public sector;

-- all public housing programs are being designed based on affordability criteria of the various target populatons;

-- improved cost recovery has become a major objective for all programs and is being attained through salary deductions, bank transfers and increased collections staff;

-- private sector support for the national housing program is being mobilized through credit union involvement and the increased participation of private developers;

-- home ownership is being promoted through the official adoption of freehold tenure;

-- projects are being transformed into viable communities through increased community development efforts in education and self-help projects.

On the production side, the MOC(H) has undertaken a large scale shelter program to meet housing targets of approximately 10,000 units per year. The majority of these units are designed to meet the needs of low income groups in the form of squatter upgrading projects, core-house (Starter Home) schemes, and the Build-On-Own-Land (BOL) program in which the MOC(H) provides a low cost unit to families throughout the island who own their own land. The squatter upgrading and BOL programs have proved very popular since they entail no displacement of beneficiaries and provide for the beneficiary to acquire legal title to a serviced plot. A.I.D. through its previous two Housing Guaranty Projects (HG-010 and HG-011), has been the major source of external funds for these programs.

The previous loan of $15 million (HG-011) concentrated primarily on expanding production and improving project replicability in the public housing sector. These objectives are being attained through lowering standards, minimizing and targeting subsidies, and improving cost recovery procedures.

This project (HG-012) promotes the specific policy based goals of producing substantial direct benefits for the urban poor while providing a needed stimulus to the overall economy. The economic benefits include an immediate increase in the availability of foreign exchange, the generation of activity in the construction industry, and the related expansion of construction employment opportunities.

Achievement of the project purpose will be indicated by an increase in the number of shelter solutions delivered by the public sector and an increased use of private builders to expedite the delivery of low income units. These solutions are: Squatter Upgrading including potable water, drainage, and electricity; Starter Homes which are approximately 300 square feet core units; Build on Own Land which are simple core homes constructed on individually owned land; and New Solutions which are other low cost shelter units such as serviced sites and shell houses.

Project Components

Accelerated Delivery Program (1500 solutions - $22 million HG funds)

This component will provide financing for low income housing solutions in projects designed for rapid development. It contains three elements: Starter Home projects (approximately $12 million), Build on Own Land (BOL) units (approximately $5 million) and New Solutions (approximately $5 million). The first element will provide approximately 700 Starter Homes which will be part of mixed income projects from 120 to 400 units on any one site. Project sites are located in the Kingston Metropolitan Area and in urban areas to the east and west of Kingston. Land has been acquired and site planning and design has been completed for all projects. Eligible beneficaries will be households earning less than the median income estimated at J$8,400 annually (U.S. $4,720). Beneficiaries will have access to financing from the National Housing Trust or the Caribbean Housing Finance Corporation, the two primary lending institutions participating in the project.

The Build on Own Land element will provide financing for a minimum of 450 core houses (Starter Homes) on individually owned plots thoughout the island. This program is designed to increase the provision of housing in rural areas, consolidate peri-urban areas by building on vacant developed land and increase the utilization of small contractors. Since individual families prepare the land and finance lot development costs, unit costs are reduced and affordability increased. The program which has a backlog of approximately 3000 applicants is the GOJ's major effort in rural housing.

The third element in the Accelerated Delivery Program is a New Solutions program which will design and finance new low cost solutions in Jamaica including approaches such as serviced sites and shell houses. This will be done through a design and marketing competition in which systems and conventional builders will be invited to adapt existing techniques to obtain lower cost units. Model units will be on view for the public in order to ascertain acceptability and affordability. Units combining high marketability and low cost will be financed by AID in subsequent projects.

It is further proposed that this HG support the reactivation of JMB's secondary mortgage marketing function, by channelling $3 million of the Accelerated Delivery Program through the JMB as part of its secondary market operations. This component wil be undertaken only if and when the details of secondary market operations have been presented to and approved by LAC/W.

Squatter Settlement Upgrading (Phase I - 650 solutions - $3 million)

The first phase of the Squatter Upgrading Program would upgrade approximately 650 lots, which in terms of HG-011 experience, would equal 4-5 sites. Assuming a final plot allocation of an average of one household (5 persons) per plot, this Phase I program would benefit approximately 3,250 persons.

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This program builds on the successful upgrading experience gained under HG-011. Initially, all selected upgrading areas would be provided with a minimum improvement package including secure land tenure, purchase of presently occupied sites from either private ownership or GOJ ministries, and rationalization of the existing plot layout pattern. The rationalization of the existing plot configuration is a prerequisite to the establishment of tenure and to any subsequent incremental improvement in public services.

As presently contemplated, Phase II of the $40 million HG Program will expand this successful program with another 650 solutions, provide financing for urban infrastructure in conjunction with the Urban Development Project (532-0090), provide mortgage loans through the Jamaican Cooperation Credit Union League (JCCUL) and continue support for reactivation of the secondary mortgage market. The project would be developed in detail at a later date. As mentioned, this phase would be authorized after an in depth evaluation and PP supplement review by the DAEC.

The LAC Bureau's Development Assistance Executive Committee reviewed the project on September 26, 1983. Several major issues were discussed. It was decided that the scope of the project should be expanded in the FY 1983 authorization to provide flexibility in the timing and mix of activities and especially to include other lower cost solutions. It was therefore recommended that that authorization be increased to $25 million from the originally proposed $15 million. The second issue focused on the secondary mortgage market component. After lengthy discussion, it was agreed that too little was known now as to how such a market would function, and therefore any disbursements in support of such an activity could be made only upon development of such details, as a condition precedent to disbursement, to the satisfaction of the LAC Bureau, PRE/H and RHUDO/CAR. In addition, it was agreed that the conditions precedent to final disbursement for HG-011 would be included as a condition to the first disbursement under HG-012. All other issues discussed had been incorporated in the proposed conditions precedent for the loan.

The Loan Agreement must be signed no later than 18 months after the date of the Authorization, although such period may be extended by the AA/LAC to permit additional time to sign the Loan Agreement if circumstances so warrant.

The Initial Environmental Examination for the project has been completed and a negative determination was approved by the Mission on August 26, 1983. According to Delegation of Authority No. 88 dated November 4, 1970, you are authorized to approve the Housing Guaranty.

Justification to Congress: Funding for this project is included in FY 1983 funding authorization for the Housing Guaranty Program; funding for the $665,000 grant has been included in the FY 1984 Congressional Presentation, as part of the grant project for Urban Development (532-0090).

Recommendation: That by signing the attached Guaranty Authorization you authorize a guaranty for $25 million in FY 1983.

Attachments:

TAB A - Guaranty Authorization
TAB B - Project Paper, Conditions Precedent and AID/GOJ Expenditure Tables

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

PROJECT AUTHORIZATION

PROJECT 532-HG-012

PROVIDED FROM: Housing Guaranty Authority

FOR: The Government of Jamaica

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

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

1. Terms of Guaranty: The loans may extend for a period of up to thirty years (30) from the date of disbursement and may include such terms and conditions as shall be acceptable to A.I.D. The guaranties of the loans shall extend for a period beginning with disbursements of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.

2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.

3. Government of 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 or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.

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

Condition Precedent to Seeking a U.S. Investor:

The Borrower shall submit, except as A.I.D. may otherwise agree in writing, in form and substance satisfactory to A.I.D., a Project Delivery Plan for the Accelerated Delivery Projects (Starter Homes) for low income housing units. The Plan will set forth the planned cash flow needs: A.I.D. and GOJ counterpart funds, the roles of the participating institutions, detailed site selections and construction schedules, land acquisition procedures and timetables, specific housing solutions and numbers of plots and units per site, and costs for all elements of each solution.

The Project Delivery Plan should be based upon the A.I.D. approved Program Design Brief as provided by the MOC(H).

Condition Precedent to First Disbursement:

The Borrower shall submit, except as A.I.D. may otherwise agree in writing, in form and substance satisfactory to A.I.D.:

A. a comparative study examining interest rates, other forms of housing subsidies and savings mobilization. The study should examine options for modifying the existing interest rate structure to assure positive real interest rates are attained and make recommendations for targeting low income subsidies and for mobilizing savings;

B. evidence that the JMB is effectively performing its role as described in this Agreement;

C. evidence that the Policy Planning Secretariat in the MOC(H) is operational;

D. evidence that the GOJ has committed and/or budgeted those funds for the HG-011 Project as provided for or as otherwise mutually agreed; and

E. such other documents and representations as A.I.D. may reasonably request.

Condition Precedent to Final Phase I Disbursement

The Borrower shall submit, in form and substance satisfactory to A.I.D., an MOC(H) Plan for expanding private developer participation in low income housing. This plan will outline the existing role of private sector developers in the shelter sector; explore and analyze the potential means

available to expand their participation, e.g., improved design of units, unit cost analyses, joint construction financing, developer marketing of the units; and make recommendations for new MOC(H) guidelines and procedures for private sector development of HG and GOJ financed projects.

Condition Precedent to Disbursement for Reactivating the Secondary Mortgage Market

The Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a plan for the utilization of GOJ counterpart and Housing Guaranty funds. The detailed plan should outline the distribution of resources to the participating institutions, detailed information on the actual mortgages, the pooling mechanism to be used and the criteria established which outline the use of the funds which will be generated. This plan will be reviewed and approved by the LAC Bureau, PRE/H and RHUDO/CAR.

Marshall D. Brown
Acting Assistant Administrator
Bureau for Latin America and the Caribbean

Sept 30, 1983
DATE

Clearances:

PRE/H, JHowley	Signed	Date 9/28/83
PRE/H, HKaufman	Signed	Date 9/27/83
LAC/DR: ILevy		Date 9/29/83
LAC/CAR: RDelaney		Date
GC/LAC: RMeighan	Signed	Date 9/28/83
FM/LMD: HShropshire	Signed	Date 9/28/83
GC/H: MKitay	Signed	Date 9/27/83
PPC/PDPR: PTowsley		Date 9/28/83