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ST. LUCIA LAND USE MANAGEMENT AND POLICY

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PREFACE

This paper reports the results of an assignment undertaken on behalf of the A.I.D. Regional Housing and Urban Development Office for the Caribbean (RHUDO) and Office of Housing and Urban Programs (PRE/H). The fundamental objective of the study was to review St. Lucia's land use management, infrastructure delivery, and policy problems as they relate to the delivery of housing for low-income families, and to recommend alternative land delivery systems to overcome those problems.

Fieldwork was carried out in St. Lucia in May 1988. We acknowledge with gratitude the full cooperation provided by those representatives of the St. Lucia public and private sectors named in Annex 2. Particular thanks go to Mr. Ausbert D'Auvergne, Permanent Secretary of the Ministry of Planning, Personnel, Establishment and Training, and Mr. Adrian Dolcy of the Central Planning Unit.

The authors appreciate the clear and comprehensive direction provided by Mr. George Deikun (RHUDO). The work benefited as well from the guidance of Mr. Howard Sumka (PRE/H) on the issues of sectoral lending policies.

We hope this report will prove a useful focus for discussions between the Government of St. Lucia and AID. The authors are of course soley responsible for the findings and conclusions presented here.

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ST. LUCIA LAND USE MANAGEMENT AND POLICY

I. INTRODUCTION

This report will summarize the major findings of a USAID-financed mission to review the principal issues in land and infrastructure delivery, particularly as they focus on housing provision for low-income families, describe the institutions involved, and suggest requirements for land use management by the Government of St. Lucia (GOSL). It will outline the prerequisite policy, institutional and procedural reforms to build a self-sustaining system for land and infrastructure delivery. Potential USAID responses are also suggested.

Many of the land and infrastructure conditions and issues are well documented and well known to government leaders. The team reviewed recent studies on housing, water supply, sewerage, solid waste, Vieux Fort's special land use problems, overall economic development issues, and population trends. The team was assigned counterparts from the Central Planning Unit (CPU) which arranged meetings with infrastructure supply agencies, the National Development Corporation (NDC), the Urban Development Corporation (UDC), Ministry officials, financial sector institutions, and private developers. Site visits were made to all of St. Lucia's urban centers and the team discussed housing problems with low-income families in Gros-Islet and Vieux Fort.

II. OBJECTIVES

The purpose of the mission is to review St. Lucia's land use management, infrastructure delivery, and policy problems as they relate to the delivery of housing for low-income families, and to recommend alternative land delivery systems to overcome those problems.

Land use management must be viewed in the context of the St. Lucian economy as a whole. The diversification of the St. Lucian economy that is being promoted--from dependency on exportation of raw agricultural commodities to include more value-added activities in the agricultural sector, manufacturing, and tourism--increases pressures on urban land, whether in Vieux Fort, Castries, or smaller towns. This urban environment plays the foremost role in providing easiest and most efficient access to labor, credit, infrastructure services and land for these areas of economic development.

A land use management system consists of the following:

- information on land - its characteristics, ownership, use, and value;
- policies on issues such as cost recovery from land development; low-income family access to land; subsidies or cross-subsidies for finance,

infrastructure, and the land itself; responsibilities of institutions in the land management process;

- land use plans to identify which land should be developed, when, and for which uses;

- delivery mechanisms - the means to deliver land in accordance with plans, and as needed by households, farms and businesses.

Land use management is a process, emanating from national economic policy, that facilitates the provision of land for particular purposes. The process must be institutionalized so that in reflecting public policy, land is made available across sectors--for industrial, tourism, environmental resources, and housing requirements. A functioning land use management system, therefore, will respond to a variety of land needs, only one of which is the provision of serviced land for the housing needs of low-income families.

A land use management system must be self-sustaining. Self-sustaining refers to an ability to satisfy demand for land and infrastructure by all sectors, including public and private interests; mobilizing necessary financial resources and project cost recovery; and functioning, in the long term, without recourse to substantital outside technical and capital assistance.

The clearest, recent evidence that the land delivery system in St. Lucia is not efficient is the rapid growth of squatter settlements, particularly in the Vieux Fort area though as well occuring throughout the island. This phenomenon shows that neither the public nor private formal sector is able to provide serviced, or unserviced, land for low-income groups in areas of high economic activity at affordable prices. This will become an increasingly serious problem as rapid population growth takes place in response to employment opportunities created in areas of high industrial and tourism growth. Another aspect of the land delivery problem that has attracted attention is the low level of infrastructure and service provision in many of the smaller settlements and low-income parts of the larger settlements.

Generally, no public sector institution or private organization is delivering appropriately serviced land to all economic sectors, including housing for lower income families. Nevertheless, the situation is still of manageable proportions and the timing is propitious for government action.

III. ISSUES

The fundamental problem is that there is no land policy in a country that has very little easy-to-develop land, where population pressure is becoming critical in some areas, and where environmental sensitivity to watersheds, drainage, and resource depletion must be considered. Linked to this is the lack of a low-income housing policy, which has resulted in settlement by squatters on land that could possibly be best used for industry or tourism. Billand's report (Vieux Fort Regional Development, The Morton Billand Company, July 1987) suggests a need for 1,500 new housing units per year to make up for the backlog and replacement units, and keep pace with new household

formations. Several serious issues emerge in reviewing the Government's and private sector's ability to respond to these shelter needs.

A. Institutional.

There is a process for determining the most appropriate uses for urban land but no effective mechanism to implement those plans on a comprehensive basis, and particularly as those plans apply to low-income groups. The Central Planning Unit (CPU), for example, is strong on land planning and control, but is not in a position to develop land. The Forest and Lands Department (Ministry of Agriculture, Lands and Fisheries) is able to identify land use issues such as the depletion of the watershed, which will in the long term reduce water supply potential, but is not able to execute measures that will discourage farmers from replacing the high tropical forest with banana plantations. In this instance, there is a conflict between environmental conservation concerns and a national policy to promote banana exports.

At the same time, the provision of water and sewerage is generally following rather than leading growth of settlements. In a functioning land market, this will be reversed. Although this in some ways is a reflection of limited financial and human resources, inter-institutional communication and planning coordination can go a long way to deal with this problem.

A land delivery agency is frequently viewed as operating only with Government or Crown land, which is regarded as free. An agency would be much more effective if it were also able to assemble private land, for which of course it would be obliged to pay the market price. The agency would then service the land and sell it for development, at market prices, and in a commercially viable way. The agency's activities would then not be limited by the location of publically owned land. Almost all the land on the edges of towns, where development will take place, is in fact privately owned. Indeed, excluding the forest reserve, 80 per cent of all land is privately held.

B. Squatting.

The most visable manifestation of St. Lucia's problem is the rapid increase of squatting, which has been suggested to be growing at 70 per cent per annum in Vieux Fort.* The squatting probem arises because there is no ready access to land through a functioning land market. It is symptomatic of the lack of a low-income housing policy and delivery system. There are many hundreds of squatters in the planned tourism and industrial parts of Vieux Fort, on land that is part of NDC's 6,000 acre holdings on GOSL land. In addition, about half the population of the town of Vieux Fort live on "parish" land for which they do not have title. (The Land Registration and Titling Project has successfully

*A profile of conditions in squatter settlements is found in Annex 1.

clarified ownership, but has not provided title to families on squatted land.) There is also some squatting in other towns, but not on as large a scale. It is significant that Vieux Fort, with the highest incidence of squatting on the island, has the highest population growth rate after Gros-Islet.

Squatting mainly takes place on government land. Low-income families are, and will continue to be, attracted to locations where the most rapid economic growth is taking place and they will settle on the land from which they feel they are least likely to be removed. Apparently they cannot afford to buy land in the Vieux Fort area from the private sector.

C. Finance.

Neither private sector developers nor public sector agencies are developing plots or building houses for low-income groups. Households earning in the lowest 60th percentile of income cannot afford to borrow less than the minimum loan amount (EC$40,000) usually made for new home purchase by the St. Lucia Development Bank and the St. Lucia Mortgage Finance Company. According to the UNCHS Robotham report (Outline Housing Policy and Programme Alternatives, Kingesley Robotham, October 1984), only families at the 80th percentile could afford to borrow to build a EC$40,000 house.

Almost everyone interviewed by the team asserted that it would be quite impossible to house low-income families without some kind of government subsidy. Based on experience in other countries, this may well be true for the very poorest families. But it is probably not true for say, families earning in the 40th to 80th percentile of income, earning from about EC$5,800 to EC$24,000. Although it was very difficult to obtain data on how much the poor, particularly the squatters, do spend on shelter, it is clear that their monetary outlay is very small, basically for materials and sometimes the skills of a mason, plumber, and electrician. Most of the labor is provided by family and friends. Such families do not need to borrow many thousands of dollars; they need modest material loans, and of course access to land and appropriate infrastructure.

The constraints to the provision of housing for low-income families are institutional rather than financial. Though there is considerable liquidity in the banking system, the publically owned banks are not making credit available to any but the higher income households. This is true of the St. Lucia Development Bank and the St. Lucia Mortgage Finance Company, which are generally not making loans for housing that is affordable by families below the 80th percentile. As elsewhere in the world, most of the finance for low-cost housing comes from low-income families themselves. The Vieux Fort squatters, for instance, assemble the materials to construct their units over a period of time as they and their families accumulate savings that are surplus to their immediate needs. However, in the case of St. Lucia, private banks are prepared to make the small personal loans that these households need to complete construction. It should be possible for more banks to make

building materials loans to creditworthy low-income families. Experience in developing countries indicates that delinquency rates on such loans have little to do with the income levels of the benficiaries.

D. Standards.

Very often unrealistic standards force serviced land and approved housing (and therefore loans from banks) out of the reach of low-income families. This need not be so in St. Lucia. The CPU and the Development Control Authority (DCA) have a flexible view of planning standards and building codes. In recognition of potential cost savings, they appear to be prepared to adjust them downwards for low-income groups. The cost of attaining hurricane and earthquake structural standards, however, is not thought to be high and should not be compromised.

Standards of minimum plot size may as much as anything be pricing low-income families out of the formal sector market. The CPU has a very realistic and progressive view of this issue; changes in lot, building, and infrastructure standards can reduce unit costs substantially. The CPU would like to see, for instance, smaller lot sizes with opportunities for upward extension, particularly in locations where land prices are high, such as the EC$3-5 per ft^2 land in the suburbs of Castries. And, though the Public Health Act requires that a central sewage system be installed if the plot size is less than the 3,000 ft^2 required for septic tanks, much cheaper "local" systems are in fact in operation in many low-income settlements around the world. Sewage lagoons, for example, may well be appropriate for St. Lucia.

E. Cost Recovery.

The common but mistaken view is that substantial subsidies will be required to be responsive to families of low-incomes. The Water and Sewerage Authority (WASA), for example, is apparently a financially viable organization; its rates are structured to cover its operations costs as well as depreciation and interest. It is able to do this without subsidies while still providing water at affordable prices to all income groups.

Unfortunately, the view prevails that the Government should give land free of charge to whichever organization is responsible for land delivery and that it in turn should not include the value of that land in the price paid by the beneficiary. Such a practice will lead to uneconomic, low density development, waste an increasingly scarce resource, make it difficult to judge the best uses for land in particular locations, and eliminate a source of revenue for the Government or the land delivery agency. Land is a resource, has a cost and value, and beneficiaries should pay its opportunity cost. To price some land at zero is to distort the land market. One of the requisites of an effective land delivery system is a smoothly functioning land market.

In addition, it is important to note that the successful Land Titling and Registry Project provides the public sector with an opportunity to recover service costs through property taxation and transfer taxes.

F. Land Tenure.

An important requirement of an effective land market is clear title to land parcels. In most countries, the lack of such title is a major impediment to land assembly. Fortunately, as a result of the Land Registration and Titling Project, there is a very high standard of clear land title for almost every parcel of land in St. Lucia. It should therefore not be difficult to assemble land for low-income housing or any other land use.

To address these issues, a land delivery agency is needed--one that will operate in an economically and financially viable manner and focus on implementing land use plans now being prepared by the CPU for St. Lucia's urban centers. Institutional options will be discussed in the next section.

IV. INSTITUTIONS

A number of institutions are responsible for various aspects of land management: NDC, UDC, CPU, the Ministry of Communications and Works, and the Ministry of Agriculture, Lands and Fisheries. A number of others have important supporting roles: private and parastatal financial institutions, private developers, and the Land Registry.

A. Land Development. There are two government-created organizations expressly established to provide and develop land for specific purposes. Their work is in theory facilitated by the Land Registry.

1. National Development Corporation (NDC). NDC was set up as a public corporation in 1971 with four main responsibilities: investment promotion and industrial development; construction of industrial estates, including factory shells; managing land vested in the corporation; being the venture arm of government--all its business interests are vested in NDC. All NDC's directors are from the private sector.

Land management has been NDC's most difficult problem in recent years. NDC has about 6,000 acres of land, some now occupied by squatters. Until 1984, NDC was the development control authority for that land; CPU now has that responsibility. The corporation would like to clear the squatters from its valuable industrial and tourist land in Vieux Fort. It has obtained legal injunctions against 30 families. It would prefer to relocate rather than remove or even legalize these families and is therefore prepared to undertake a sites and services project in Vieux Fort. The total cost of preparing about 150 plots is estimated to be EC$900,000.

NDC believes that it would require a 60 per cent subsidy from government to do this.

NDC does not want to be active in sites and services on a long term basis. It would prefer to concentrate on its industrial development responsibilities. NDC is subsidized at EC$50,000 per month, which is not enough to cover its costs. Its factory shells are offered at much less than private sector prices.

2. Urban Development Corporation (UDC). UDC was set up as a public corporation in 1971 and was highly active only in its first three years. After many years of management problems and minimal activity, it is now being revived. The corporation has a new chairman, and professional staff support from UN Volunteers. It is now recruiting for positions of general manager, project manager, and financial controller.

About 630 acres was originally vested in UDC. It also bought some additional land. Most of its activities were in the Castries area--Morne, Entrepot and Sans Souci. In some instances, the UDC sold land at only the cost of servicing the land; in other instances, land was sold at less than its market value. The UDC has accumulated a deficit of EC$1,700,000, and has been put in a position of selling some of its land in order raise operating capital. Although the UDC has made some important progress in controling its finances--it has paid off many small debts and collected some outstanding debts from land sales--it still owes EC$2 million to the National Insurance Fund.

There is a general perception that UDC has been poorly managed. There were only seven meetings of the Board in the past 17 years. (Its seven-member board of directors now meets monthly.) The main beneficiaries of its activities have been middle-income families. However, not only is there now a clear determination to revive UDC but it already has the legal authority, if not yet the human and financial resources, to be the land delivery agency the could address the issues discussed above. Its enabling legislation is as valid now as it was at its inception. Although it is a public corporation, it could be expected to operate as a commercial enterprise--undertaking investment planning, operating on a cost recovery basis, and of course making profits to reinvest--since all its directors and its chairman are from the private sector.

3. Land Registry. The USAID supported Land Registration and Titling Project has been a great success, and is in fact regarded as a model project by other donors. Very few developing countries have established title to almost all parcels of land registered. This will help the land delivery agency assemble parcels of land for development. It will also facilitate the development of a land market that properly prices land and helps to determine economically optimum uses.

B. Policy and Plan Preparation. GOSL agencies are preparing plans for land development. The preparation of the master plan for Vieux Fort is the most prominant example. That plan will confront the problem of the town divided by the international airport and will reflect land requirements for industrial, tourism, commercial, government, and housing uses.

GOSL policy frequently evolves on an ad hoc basis when plans are developed in response to urgent problems or available opportunities. Such is the case of Vieux Fort where policies will emerge regarding the value of NDC land, squatter upgrading, serviced sites for housing, etc. The current system develops physical plans outside of a policy framework and with an institutional base too weak to be self-sustaining. Nevertheless, the planning mechanisms are in place in St. Lucia so that, with effective institutional coordination, sectoral policies (e.g., industry, tourism, infrastructure) could well be reflected in land use planning and development controls.

1. Central Planning Unit (CPU). The CPU is responsible for the preparation of land use plans and, through its subordinate entity, the DCA, development control. At the moment it is focusing on the preparation of plans for the two urban areas of most rapid population growth, Vieux Fort and Gros-Islet. CPU has implementation experience: it was responsible for the execution of the Micoud sewerage project and it was responsible for the relocation of the low-income residents of the area on which the new Government buildings have been constructed in Castries. It did so because the Government thought that no other institution could do the job quickly enough. Nevertheless, it is generally more prudent to separate planning and execution responsibilities. Indeed, as the economic and physical planning arm of the government, the CPU is not the appropriate body to be responsible for the implementation of land servicing, infrastructure development, or low-income housing projects on a long term basis. CPU is fully occupied doing a very important and effective job of land use planning and development control.

2. Forest and Lands Department, Ministry of Agriculture, Lands and Fisheries. This department is responsible for advising the government on the protection of government land--Crown Lands, Forest Reserves, and Queen's Chain. The Forest Reserves are generally well protected and managed. The use of Crown Lands, however, is apparently not well managed, and subject to rather arbitrary leasing for agricultural use that adversly affects the island's vital watershed areas. Perhaps two percent of high forest land is lost annually to banana cultivation. The lack of effective coordination among the several bodies involved in land management has hindered the reconciliation among the priority uses of land for watershed, agriculture, government services, industry, and housing. In this context, the Forest and Lands Department has proposed a Crown Land Policy, now being reviewed by Cabinet. In addition, an Environmental Commission has recently been approved, and the creation of a Land Resource Commission is now being considered by

the Government. These measures will contribute to an understanding and actions necessary to manage land use throughout the island.

3. Ministry of Communications, Works and Transport. This Ministry's relation to land delivery is in its responsibility to build and maintain roads, culverts, drains, and bridges. It is not generally involved in land preparation for housing, but it is able, in fact, to do just that--preparing land and providing supervision for road and drainage construction. For these purposes, the Ministry coordinates its work with the land use planning and control done by the CPU.

C. Financial Institutions. Finance for land purchase and construction, small and large, for housing and other purposes, is provided by public and private institutions. These institutions are generally liquid, reflecting a large pool of domestic resources not frequently common in developing countries. In fact, this very resource availability substantiates the case that it is not financing, but rather institutional capacity to deliver land and services that should be the focus of a sectorally-oriented shelter development program. The lending practices of the private institutions are more flexible than perhaps realized, so that general credit-worthiness as well as collateral is considered in lending decisions. Parastatal financial institutions, however, are in a more difficult situation. Several institutions interviewed made the point that repayments of debts to government institutions are not generally regarded by the population as serious obligations.

1. St. Lucia Development Bank. The Development Bank, established in 1981, uses counterpart funds, from the National Insurance Fund, for example, to match loans from institutions such as the Caribbean Development Bank. It has combined the functions of lending for housing, small industry and other uses previously carried out by separate institutions. The Bank seeks to operate as a viable financial institution at the same time that it recognizes its obligations to lend to low-income families which are generally, and probably wrongly, regarded as poor credit risks. It currently has EC$15 million in outstanding housing loans, more than half of its entire portfolio. The Bank has attempted to mix its housing loans among all income groups to decrease its risk. Its housing financing is done generally on an individual basis, rather than for a geographically specific project. Loans range from EC$40,000 to EC$150,000. In the Bank's last fiscal year, it made 88 housing loans totaling EC$4.3 million, an average of nearly EC$49,000.

2. St. Lucia Mortgage Finance Company (SMFC). The SMFC, owned 51% by private interests and 49% by the Government, makes loans to buy, build, extend, and complete homes. It makes loans as low as EC$15,000 so that with common self-help construction, a house may be worth EC$25,000. The SMFC is in a relatively liquid condition and is able to make about 50 to 100 of these kinds of loans per year. It has proposed a cross-subsidy scheme in which it would charge different interest rates on loans based on family incomes. The SMFC

believes that homeowners and contractors are able to build for themselves if given developed sites. The SMFC is also able to provide long term financing committments to developers who are subdividing land and building houses.

3. Bank of Nova Scotia. The Bank of Nova Scotia, a commercial bank with offices in Castries and Vieux Fort, has made several hundred small (EC$5,000-10,000) consumer type loans to low-income families for home construction and extensions. Such loans are made based on the individual's employment and credit record, rather than any secured property; in fact, many of these loans are being made to families who have built small houses on government (NDC) land. Loan disbursments are frequently made directly to the materials provider and are based on construction progress of the home. Terms are 11% interest for three years for loans up to EC$50,000. While the Bank of Nova Scotia may be an exception to commercial bank lending practices, its policy suggests that small loans for housing purposes to low-income families are sound financial investments. It recognizes the repayment ability and extensive market demand by this segment of the population.

4. Credit Unions. Credit unions in St. Lucia play an important savings and loan function for persons with regular employment in many sectors. There are 15 credit unions operating, each for a separate labor sector of the economy. The St. Lucia Civil Service Cooperative Credit Union is the largest with about 2,000 members. Its membership comes from employees of most statutory bodies, and includes all income levels of those employees. It has made many loans for housing purposes--land purchase, home construction, materials purchase, home improvements and extensions. Although its maximum loan amount is EC$40,000, it regularly makes loans of EC$5,000-15,000 for home construction and EC$1,000-5,000 for land purchase to its lowest-income members.

D. Infrastructure.

Water and Sewerage Authority (WASA). As suggested earlier, WASA is a relatively self-sustaining public utility, meeting its operations and maintenance obligations from user charges. In fact, user charges are sufficient to pay its debt servicing for international borrowings (from the Caribbean Development Bank) for the installation of new facilities; this is sound public utility practice. Its tariffs, set by the public utilities commission, are island-wide and based on consumption.

WASA needs to be closely involved with the long range planning process of the CPU, so that it can prepare long range investment plans on a sound basis.

Although WASA builds most of the island's systems, it is possible for a developer to build a system to WASA's standards and turn it over to WASA for operation. WASA is apparently open to ideas of reducing non-engineering standards for low-cost developments. Since package sewerage plants present management problems, WASA might seek improved centralized

systems and septic tanks, provide standpipes at each lot (leaving the owner to make the connections to the house when he is able to afford it), and consider sewage lagoons.

E. Private Developers.

The few private developers in St. Lucia are generally building for a middle and high-income market. One that is building for probably the lowest-income market is currently building 40 units on UDC land near Gros-Islet. These are, in fact, not low-cost units: 5,000 ft^2 lots, fully serviced, that will sell for a minimum of EC$75,000. (According to Billand's report, households earning below the 40th percentile can afford units of about EC$12,000; the 41st to 60th percentile up to EC$20,000, and the 60th to the 80th percentile up to EC$50,000.)

Another developer has extensive plans to manufacture and market a prepared housing kit, which is intended for construction by the owner with friends, under minimal supervision of the developer. These units would be priced from EC$18,000 to EC$35,000, but would not include land or infrastructure. (If successful, these completed, serviced units could cost EC$30,000 to EC$47,000, prices affordable to the 60th to 80th percentile.)

Support for improvements to the housing industry can go a long way to improve the capacity and interest of developers to build for low-income groups. Improvements are needed, for instance, in construction management, skills training, and materials research. Construction costs for completed units can be reduced from the current EC$70/$ft^2$ to as low as EC$60/$ft^2$. Sites and service projects, of course, can be provided for significantly less. Some developers recognize the large demand for affordable housing, and hence the potential profits they can earn. They contend that if the government confines its role to land assembler and planner, they are prepared to carry out low-income housing projects and sites and services projects.

V. REQUIREMENTS FOR LAND USE MANAGEMENT AND POLICY

There are several elements essential to sound land use management that makes land available for development by and for low-income families for housing they can afford. Many of these elements are in place in St. Lucia, some with serious weaknesses, but others with strengths that should be recognized. The required elements can be prioritized as follows:

A. Land use management depends on an island-wide **land policy** that reflects the limited availablity of land for development and agricultural purposes. The resources and information already exist in the CPU and the Ministry of Agriculture, Lands and Fisheries. The development and establishment of a land policy is constrained by the weak communication and coordination between these agencies.

A land policy agenda along the following lines should be considered:

- An institution should be identified that will be responsible for facilitating the delivery of land in accordance with the needs of all income groups and economic activities.

- Land use plans (growth control) should be prepared for the main urban centers. Development controls (growth management) should be strengthened.

- Public and private authorities should buy and sell land at market value. There should be no overall subsidies for land, or services. However, cross subsidies from high-income households or businesses to low-income households may help to solve the affordability problems.

- State-owned (or partly owned) finance institutions should be required to pay more attention to the needs of lower income groups. These groups may not be able to meet the collateral standards currently demanded by the institutions, but it should nevertheless be possible to design financially viable programs, such as for building materials loans.

- A land development agency should operate as a private sector entity, with decisions based on real costs and actual values.

- Consideration should be given to requiring private developers of land acquired by the land delivery agency to allocate some of that land to low-cost housing, with cross subsidies from the higher to lower income groups for the land and appropriate services.

- Planning and infrastructure agencies should be flexible on land development and building standards. The potential for cost savings can be achieved by changing unneeded and unrealistic standards, such as for lot sizes, rights-of-way, and water provision.

- Planning agencies should pay more attention to the financial and economic feasibility of their plans. They should collaborate closely with financial institutions and the land delivery agency. Particular attention should be paid to the consequences of locating the poor on land that they can afford. Since such land is not likely to be centrally located, it raises issues of access to jobs and public transportation.

B. Land use management requires a **land development agency**, with a focus on low-income residential needs, and responsibility to identify land for such purposes, to facilitate the private development of low-cost units, and to prepare serviced sites for sale to low-income families. A system for urban land delivery is linked to the capacity for providing access to water, drainage, and appropriate sanitary infrastructure, though these services can be provided at minimal acceptable levels in the near term, and upgraded progressively to increasingly higher standards as resources are available. This function is not presently being carried out by any institution.

The question of what institution should carry out these functions is complex, and involves political issues beyond the scope of this report. Nevertheless, the UDC is clearly the institution charged with just this responsibily under its enabling legislation. A new institution is probably not required, nor is some combination of existing institutions necessarily needed. Planning should probably remain with the CPU, execution perhaps with the UDC. It is clear, however, that alrhough the UDC has the proper enabling legislation, its current weakness in management, technical capacity, and financial accountability prevent it from assuming this role now.

In its early years, UDC was relatively successful. It can be revitalized through a number of measures. The UDC could benefit from management assistance and staff training, land policy directives from the government, sound financial accounting, and an invigorated board. Staff could be lent by the CPU and other institutions. The UDC would need financial managers, controllers, economists, planners, engineers, sociologists, and private sector experience.

C. The **private sector** plays a vital role in a land use management system. The private sector--self-help or contractors--can build the actual housing and may install the on-site infrastructure too. (Small contractors will encourage the growth of small scale enterprises.) UDC may, as in the past, contract out land development activities in many instances, but always retain the land assembly function, and the monitoring of execution, if not the project management itself. A revolving fund for land purchase and development purposes could be established.

Private developers, under the guidance of CPU plans, can and do provide upper-income residential land development, also a component of the land use management process.

D. There is a need for comprehensive **land use plans** for urban areas in a land use management system. As described earlier, the CPU is quite capably preparing such plans. The CPU has begun with areas of highest population pressure, the northwest and the south. These plans will identify land where development of various types should take place. The

CPU should coordinate with the land development agency in the implementation of these plans.

E. Land use management requires **development controls.** The DCA, as described earlier, has that clear responsibility. Development controls, a negative instrument, will become less important as more land is made available for development.

F. There is a need for an **industrial land execution agency.** This is the function of the NDC, also described earlier. This agency should work closely with the land development agency, guided by the CPU's land use plans. A first step may be to legitimize the informal settlements now on NDC land.

G. **Mortgage Credit** for the low-income family as well as **construction financing** for private developers are essential to land use management. Without these, neither the family nor the developer can build. This is apparently available from private and quasi-public financial institutions, sometimes under suprisingly affordable terms and conditions.

VI. POSSIBLE USAID RESPONSES

A. Sectoral Approach to Land and Infrastructure Delivery.

Any USAID technical or capital assistance to St. Lucia should be provided in the context of a continuing policy dialogue that focuses on specific strengths and weaknesses in current land and infrastructure delivery systems and the guiding government policy. Funds can be disbursed based on agreed policy and institutional changes made by the GOSL which support the establishment of a self-sustaining system of land and infrastructure provision. In this respect, a USAID loan, and even grant-funded technical assistance, should be designed so as to eliminate current obstacles in these delivery systems, rather than to finance specific projects. A sectoral approach seeks to affect equilibrium in the markets and stability of delivery institutions and, as such, impacts on all sectors and income groups. However, USAID's assistance would be targeted to how that assistance responds to the needs of low-income families. Fieldwork suggests that some of the following ideas could be the focus of a USAID/GOSL dialogue.

1. Policies.

Appropriate policies can be effective if programmatic decisions are based on housing solutions that are affordable to the target group of low-income families. Although several policies will address the needs of all income groups, in the end a self-sustaining system cannot be achieved unless it is able to provide equilibrium in the markets for a variety of public and private uses, including for low-income groups and others. USAID assistance in this report is

focused on how this broader system can specifically respond to low-income shelter needs through the delivery of serviced land.

Policies that should be considered in St. Lucia include, among others, those that improve institutional capacity (the composition of boards, information exchange, staff recruitment and training); land resources (relecting needs and land values, natural resources, environmental conditions); finance (selected and economically considered subsidies; cost recovery (including for Crown land vested to the UDC, lending terms and conditions); construction industry (building and development standards impacting on costs, contractor competition).

2. Institutional Development.

The consequence of the ambiguous delegation of implementation responsibilities, directions, and resources in St. Lucia is that land and services are not being delivered. The need for clear roles and institutional coordination is obvious; USAID assistance can be predicated on evidence of GOSL establishing mechanisms for such action. Importantly, of course, attention must be paid to UDC, providing it with proper professional and financial resources. Consideration must also be given to medium and long term investment planning of WASA to assure that it leads rather than follows growth.

3. Squatter Settlements.

The government should recognize that the informal, self-help means by which these families now provide their own shelter are not only perfectly legitimate, but represent substantial investment and probably their only financial equity. Facilitating this process by rationalizing land use, providing services, and legalizing tenure--rather than discouraging it at high political risk and social disruption--should become GOSL policy.

Public services that are already provided could be improved (e.g., public washing facilities); new services could be provided (e.g., streets). The areas could be subdivided, the new construction made orderly. These upgrading actions, of course, must take place in the context of lot sales with tenure granted to the families. There is every indication that these families are willing to purchase the lots if offered affordable terms.

The assertion that the poor cannot afford to buy serviced land from the private sector suggests that they are trying to buy land that is more valuable for alternative uses (e.g., high-income housing, industry, or commerce) and/or that the land concerned has been serviced to too high a standard. In either case, the land is not affordable to low-income households. Perhaps the best response to this is to provide low-income households with unserviced land on suitable inexpensive sites. The land delivery agency would acquire the land and lay out the road and drainage network (and possibly, prepare gravel roads). The site plan would account for future land

requirements for services. Water and other services would follow once household densities are high enough to facilitate the achievement of cost recovery.*

4. Intermediary Institutions.

Community based organizations such as churches, cooperatives, and credit unions should be identified and encouraged to provide assistance to families in dealing with the government. Such groups might be considered to administer a materials loan fund program and play intermediary roles to formal sector financial institutions.

5. Subsidies.

In order to promote a financially self-sufficient housing sector for the long term, subsidies should be kept to a minimum. Although some subsidies may be required, they should be carefully targeted and calculated, and their economic costs analyzed. Total infrastructure and shelter development costs, particularly for land, should be recovered as much as possible, so as not to deplete the already limited resources.

6. Developer Competition.

In St. Lucia one apparent cause of high development costs, as well as inefficiency, is the lack of a clear competitive process in the awarding of contracts. The GOSL should seek ways to encourage the kind of competitive bidding process that contributes to reasonable and realistic costings.

7. Tax Incentives.

The GOSL has provided income tax incentives to encourage developers to build housing. This program should be expanded, with specific

*The Government of Jamaica is currently moving into this type of shelter development for low-income groups in response to the enormous pressures for land in urban centers on the North Coast, the center of the booming tourism business. To overcome squatter development for instance, work is currently proceeding in Montego Bay on minimal sites and services as a way to provide lots for rapidly growing urban populations. The program includes staking out lots, providing access to titles, installing standpipes for potable water, and laying out unpaved road rights-of-way. Lots are being sold at market value and because of the relatively low level of standards, they are affordable down to the 20th percentile of household income. The concept is that the settlement provides ample room for self-help improvements and can be upgraded as more resources become available. The Government of Jamaica is also putting in place a system for small loans so that individuals who acquire lots can accelerate the dwelling construction process. Consideration is being given to developing a portfolio of pre-approved building plans which purchasers of serviced sites can use to guide improvement of the lots in a harmonious fashion.

consideration to those developers building homes and developing sites for low-income families. Indeed, this is an example of an appropriate subsidy, beneficial to the private sector that targets its efforts to the national need for affordable housing.

B. USAID Assistance.

In the context of a continual dialogue on sectoral issues, USAID, or other donors, could provide technical and capital support and training to assist the Government of St. Lucia in land use managment and policy. Such assistance would contribute to sector-wide policy formulation, institutional strengthening, and sound and effective operational procedures.

1. Technical assistance.

a. Institutional Coordination and Policy Development.

One first step would be the convening of a day long workshop, at which each institution involved would be represented. The lack of coordination and even information exchange was a point frequently made in discussions. Such a session would include Ministries, statutory bodies, private financial institutions, and private developers. Working from an agenda that includes national land policy, national housing policy, land management and cost issues, construction costs, financing, and squatter upgrading, it would be an important opportunity for each actor to hear how the issues are perceived by others, and begin a process that, in the long run, should increase government resolve and institutional clarity. One specific consequence of the workshop could be recommendations for a land and infrastructure policy agenda. The analysis and dialogue could be promoted through the RHUDO's regional newsletter.

b. UDC Management.

As suggested earlier, the UDC has the potential to be the key land assembly and development facilitating institution: it has the appropriate enabling lesiglation, is in a position to become financially solvent, and is building a staff. It does, however, require management assistance.

A management audit could be undertaken with the objective of establishing the UDC as a financially sound, commercial venture. It could lay out staffing needs and responsibilities. It could identify the training in land assembly, valuation, and execution that is needed. When appropriate staff is in place, such assistance can be enhanced by study trips to effective urban development agencies in the Caribbean, notably Jamaica's UDC and Ministry of Construction (Housing).

c. Land Planning.

The CPU and the Ministry of Agriculture, Lands and Fisheries, working together, could benefit in assistance in national land use planning that reflects national economic policy. It is here that watershed protection must be considered.

d. Financial Resources.

Financial institutions in St. Lucia are generally liquid. This is evidenced by at least one commercial bank which is making loans to low-income families for housing construction and improvement purposes. This in turn suggests a certain confidence in the ability of low-income families to repay such loans. Credit unions as well, with their broad-based membership, make small land purchase and home improvement loans. In fact, because of the liquidity in the system and demonstrated willingness to lend, the need for a land and infrastructure delivery system rather than any new financial resources is substantiated. The views and policies of the private and public financial institutions are important to understand and would be a useful small study USAID could support. It would also be important to understand the National Insurance Fund. By all accounts, it is well endowed and could possibly play a much more significant role in national housing finance. In this context, is there a role for the Ministry that regulates this fund, namely Health and Housing (and Labor, Information, and Broadcasting)?

e. Land Market and Affordability Analysis.

The UDC must be in a position to estimate the benefits it is creating when it assembles and services land. A study should be undertaken to understand the actual market value of land in different locations, both serviced and unserviced, informal and formal. The demand for land should be understood with a view of its value as enhanced by services at a variety of standards and costs.

There is an evident lack of information about how and at what cost low-income families, whether squatters or not, provide their own shelter. How much are they now spending on shelter? It is important to understand their income levels, their willingness to pay, and their desire to own in order to determine just what they can in fact afford to pay for housing. This kind of affordability analysis is the key to planning and designing projects and programs that will meet their needs in an economic way. Surveys that would gather this information have apparently already been designed by CPU staff.

2. Capital Assistance.

a. A revolving capital investment fund for land purchase and servicing could be established. It could be set up in a financially viable UDC, operating under conditions of full cost recovery from beneficiary families under affordable financial terms. It could make use of schemes such as cross-subsidies and graduated payments in order to enhance affordability and cost recovery.

b. A special buildings materials loan fund for low-income groups could be established. It could be channeled through a bank with many branches, or credit unions, or a combination of financial institutions with access throughout the country.

3. Training.

a. USAID could make available training opportunities to help achieve the objectives identified above. The range of training options includes short-term courses in the U.S. or a third country, as well as on-the-job training at the institutions in St. Lucia.

b. Short term apprenticeships with appropriately targeted developers in the U.S. might be helpful for St. Lucian private sector developers.

ANNEX 1: Profile of a St. Lucia Squatter Settlement

As is true in most squatter settlements throughout the world, individuals and families relocate to such areas because of the perceived improvement to their living conditions and employment opportunities. If a new location offers them better access to jobs, or relieves them from a high rental burden, it is an appealing prospect. These are clearly important reasons for the increase in squatter settlements in St. Lucia. The situation for these families is of course exacerbated by the lack of opportunity to purchase land for building or a completed house.

Squatters in St. Lucia have quite knowingly chosen government land to move to. They believe the risk of being removed or relocated is not great, and as each day passes they are more convinced of this. They chose their sites for varying, but sound reasons, particularly in areas not yet dense, where the selection of sites is greatest. One will chose a site because it is a slightly higher elevation, offering a better view and breezes. Another will chose a site based on potential access by tourists to his craft workshop and store that his home will include. Another will want to be closer to the public water supply.

Families will plan for the move--accumulating scrap or new materials as they can, some for many years knowing they will build one day. Wood may be secured, for instance, from friends who work at a box factory. As in most countries, once begun, actual construction of a basic structure is rapid. The family will be assisted in construction by extended family and friends, an informal system called cou de main. A basic 10 by 16 foot structure is built, usually of wood with a tin roof, on a raised platform of wood or blocks. The single room will be partitioned into two, one in which the family sleeps, the other for kitchen and living. Furniture comes later. Such a home may cost about EC$1,000 in cash outlay.

One family may be supported by the income earned as a town street cleaner, another by selling crafts to tourists. Besides their own resources, a family may seek a loan from a financial institution, even a commercial bank. If their credit record is good, regardless of the fact that they do not own the land, they may get a EC$5,000 loan for the purchase of materials to further expand and improve the home.

The growing area of a squatter settlement may well already have accessable public services--a public facility with toilets, shower, and washing equipment, a waste bin for garbage and trash disposal, metered electricity to the home. There are pigs, goats, and chickens being raised, as well as small gardens and fruit trees being tended. Plot and house layout are unplanned and inefficient; a stream serving as an open sewer runs through the area.

Homes in these areas are in fact an improvement over the family's previous living conditions. They are not built for resale nor rental income, nor are they sold or rented in the early years of the settlement.

ANNEX 2: Persons Contacted

Hon. John Compton, Prime Minister

Ausbert d'Auvergne, Permanent Secretary, Ministry of Planning, Personnel, Establishment and Training

Adrian Dolcy, Central Planning Unit

Jawed Ali Khan, UN Planner, Central Planning Unit

Marcia Jules, Sociologist, Central Planning Unit

Joseph Alexander, Permanent Secretary, Ministry of Communication, Works and Transport

John M. Calixte, General Manager, The Water and Sewerage Authority

Gabriel Charles, Chief Forest and Lands Officer, Ministry of Agriculture, Lands and Fisheries

Alan Chambers, Project Manager, CIDA Forest Management and Conservation Project

Victor Morris, Castries Town Clerk

R.B. Daniel Girard, Deputy Managing Director, St. Lucia Development Bank

Rupert Orlando Martyr, Chief Executive, St. Lucia Mortgage Finance Company

Cromwell Goodridge, General Manager, National Development Corporation

Peter Philip, Chairman, Urban Development Corporation

Karl Mikulasek, Acting General Manager, Urban Development Corporation

Mahmoud Faraj, Urban Development Corporation

Lester D. Martyr, Chief Surveyor and Registrar of Lands

Paul Hippolyte, Paul Hippolyte Associates

Kerwin Jn Baptiste, Manager, The Bank of Nova Scotia, Vieux Fort

J. Gregory George, Managing Director, Build-It Ltd.

Renee Edwards, General Manager, St. Lucia Civil Service Cooperative Credit Union

Rejean Bondu, President, Les Maisons de Pieces Bondu Inc.

Gilland Adjodha, Director, Bondu Caribbean Housing Ltd.

Marcel Albert, Director, Bonre Terre Property Ltd.

Lane Smith, Director, USAID Regional Housing and Urban Development Office for the Caribbean (RHUDO/CAR)

George Deikun, RHUDO/CAR

Al Bisset, Deputy Director, USAID Regional Development Office/Caribbean (RDO/C)

David Mutchler, Program Officer, RDO/C

Roy Grohs, Program Economist, RDO/C

ANNEX 3: Documents Reviewed

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