

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**TRINIDAD & TOBAGO**

**NATIONAL SETTLEMENTS PROGRAM SECOND STAGE**

**PHASE ONE**

**(TT-0050)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Jose Mauricio Silva (RE3/SC3) Project Team Leader; Robert D. Daughters (RE3/SC3); Juan Carlos Perez-Segnini (LEG); Brian Martin McNish (COF/CTT); Roger Pipe (Consultant); Jaime Arancibia (Consultant); and Ana Lucía Saettone (RE3/SC3) who was in charge of document production.

## CONTENT

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>I. FRAME OF REFERENCE .....</b>	<b>1</b>
A. Socioeconomic framework.....	1
B. The housing sector.....	2
1. Demand .....	2
2. Supply and financing.....	2
C. The country's sector strategy.....	5
D. The Bank's experience and sector strategy .....	5
E. The program strategy.....	6
<b>II. THE PROGRAM .....</b>	<b>8</b>
A. Objectives.....	8
B. Components.....	8
1. Squatter upgrading (US\$13.5 million ) .....	8
2. Family subsidies for new houses and home improvement (US\$20 million).....	9
3. Sector and institutional development (US\$2.1 million).....	11
4. Program administration (US\$0.8 million).....	12
C. Program beneficiaries.....	12
D. Program benchmarks and triggers.....	12
E. Cost and financing.....	14
<b>III. PROGRAM EXECUTION .....</b>	<b>15</b>
A. The borrower and executing agency.....	15
B. Program organizational structure .....	15
C. Implementation processes .....	17
1. Family subsidies .....	17
2. Squatter upgrading projects.....	21
3. Sector strengthening component .....	21
D. Financial aspects.....	22
E. Procurement of goods and services .....	22
F. Implementation calendar .....	22
1. Current status and start up execution .....	22
2. Disbursement schedule of program.....	22
G. Advance of funds.....	23
H. Program monitoring and evaluation .....	23
1. On-going monitoring and annual review.....	23
2. Reports.....	24
3. Internal controls.....	24

IV.	VIABILITY AND RISKS .....	25
A.	Institutional structure and implementation plan .....	25
B.	Social impact and targeting .....	25
C.	Environmental institutions and impact .....	26
D.	Financial viability .....	27
E.	Program benefits and risks .....	27
1.	Benefits .....	27
2.	Risks .....	28

## ANNEXES

ANNEX I	Logical Framework
ANNEX II	Tentative Procurement Plan
ANNEX III-A	The Housing Subsidy System Steps
ANNEX III-B	The Housing Subsidy System: Beneficiary Cycle
ANNEX IV	Home Improvement Subsidy cycle

## **ABBREVIATIONS**

EMA	Environmental Management Authority
GDP	Gross Domestic Product
GORTT	Government of the Republic of Trinidad and Tobago
HMB	Home Mortgage Bank
ICB	International Competitive Bidding
IDB	Inter-American Development Bank
LSA	Land Settlements Agency
MH	Ministry of Housing
MIS	Management Information System
NGO	Non-Governmental Organization
NHA	National Housing Authority
NSPSS	National Settlements Program Second Stage
PAC	Program Advisory Committee
PCMU	Program Coordinating and Monitoring Unit
PMS	Program Management System
POM	Program Operational Manual
SILWC	Sugar Industry Labor Welfare Committee
SNSP	Second National Settlements Program
TT	Trinidad and Tobago
WASA	Water and Sewerage Authority



# TRINIDAD AND TOBAGO

## IDB LOANS

APPROVED AS OF FEBRUARY 28, 2002

	US\$Thousand	Percent
<b>TOTAL APPROVED</b>	<b>949,184</b>	
DISBURSED	645,700	68.0%
UNDISBURSED BALANCE	303,483	32.0%
CANCELLATIONS	72,609	7.6%
PRINCIPAL COLLECTED	214,846	22.6%
<b>APPROVED BY FUND</b>		
ORDINARY CAPITAL	893,405	94.1%
FUND FOR SPECIAL OPERATIONS	30,607	3.2%
OTHER FUNDS	25,172	2.7%
<b>OUTSTANDING DEBT BALANCE</b>	<b>430,854</b>	
ORDINARY CAPITAL	419,695	97.4%
FUND FOR SPECIAL OPERATIONS	11,159	2.6%
OTHER FUNDS	0	0.0%
<b>APPROVED BY SECTOR</b>		
AGRICULTURE AND FISHERY	55,718	5.9%
INDUSTRY, TOURISM, SCIENCE TECHNOLOGY	5,000	0.5%
ENERGY	228,275	24.0%
TRANSPORTATION AND COMMUNICATIONS	164,779	17.4%
EDUCATION	142,851	15.0%
HEALTH AND SANITATION	142,361	15.0%
ENVIRONMENT	3,385	0.4%
URBAN DEVELOPMENT	91,499	9.6%
SOCIAL INVESTMENT AND MICROENTERPRISE	0	0.0%
REFORM PUBLIC SECTOR MODERNIZATION	74,242	7.8%
EXPORT FINANCING	25,172	2.7%
PREINVESTMENT AND OTHER	15,901	1.7%

\*Net of cancellations with monetary adjustments and export financing loan collections



INTER-AMERICAN DEVELOPMENT BANK  
Regional Operations Support Office  
*Operational Information Unit*

# TRINIDAD AND TOBAGO

## TENTATIVE LENDING PROGRAM

US\$ Millions

<b>2002</b>			
	TT0050	SECOND STAGE SETTLEMENTS PROGRAM	32.0
		TOTAL A	32.0
		TOTAL 2002	32.0
<b>2003</b>			
	TT0048	POTABLE WATER AND SANITATION	44.0
	TT0047	PENSION FUND REFORM	20.0
	TT0035	<b>TOURISM</b> DEVELOPMENT PROGRAM	30.0
	TT0020	AGRICULTURAL INVESTMENT PROGRAM	25.0
		TOTAL A	119.0
		TOTAL 2003	119.0



INTER-AMERICAN DEVELOPMENT BANK  
Regional Operations Support Office  
*Operational Information Unit*

# TRINIDAD AND TOBAGO

## STATUS OF LOANS IN EXECUTION AS FEBRUARY 28, 2002

(Amounts in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROJECTS	AMOUNT APPROVED	AMOUNT DISBURSED	% DISBURSED
Before 1996	4	52,500	28,042	53.41%
1996 - 1997	2	254,000	70,770	27.86%
1998 - 1999	1	105,000	8,023	7.64%
<b>TOTAL</b>	<b>7</b>	<b>\$411,500</b>	<b>\$106,835</b>	<b>25.96%</b>

---

\* Net of Cancellations . Excluding export financing loans.



## NATIONAL SETTLEMENTS PROGRAM SECOND STAGE

(TT-0050)

### EXECUTIVE SUMMARY

<b>Borrower:</b>	Government of the Republic of Trinidad and Tobago (GORTT)				
<b>Guarantor:</b>	Government of the Republic of Trinidad and Tobago (GORTT)				
<b>Executing agency:</b>	Ministry of Housing (MH)				
<b>Amount and</b>			Phase I	Phase II	Total
<b>source:</b>	IDB (OC):	US\$ million	32	48	80
	Local:	US\$ million	8	12	20
	Total:	US\$ million	40	60	100
<b>Financial terms</b>	Amortization Period:			25	years
<b>and conditions:</b>	Grace Period:			3	years
	Disbursement Period:			3	years
	Interest Rate:			variable	
	Supervision and Inspection:			1.00	%
	Credit Fee:			0.75	%
	Currency:		Single currency in US\$		
<b>Objectives:</b>	<p>The general objective of the Second National Settlements Program is to establish a more equitable, transparent and sustainable system of affordable housing. The specific objectives are: (i) to improve housing conditions for low-income groups; (ii) to make public expenditure for housing more efficient and equitable; and (iii) to provide incentives and assist institutions, both public and private, in their transition to new more market-driven roles.</p> <p>Low income housing conditions will be improved both by upgrading the housing and infrastructure conditions of existing low income settlements and increasing the production of new affordable housing stock. To improve the government's efficiency in the sector, the program will assist GORTT to move towards a facilitating-role that encourages the private sector to take the lead in the production of affordable housing. To ensure effectiveness of government interventions, a new targeting mechanism and subsidy system will be introduced. This will require a new way of doing business in the country and to a large extent in the Caribbean -- where the government's role in low income housing has traditionally been limited to costly and ineffective public housing estates and subsidized government lending programs.</p>				

**Multiphase approach**

Owing to its innovative nature and complexity, the program will require more than one execution cycle. Therefore, a multiphase approach is proposed. The main reasons for this are: (i) the program has long term objectives that go beyond a conventional four-year investment horizon; (ii) new systems and procedures need to be set up and tested during a first phase of intervention, particularly as regards the use of housing subsidies, before committing to a larger scale application throughout the country; and (iii) funds for a second phase of physical investments can be more effectively leveraged through the use of triggers in order to achieve the longer term institutional and sectoral development goals of the program.

Accordingly, during the first phase of the program, investment efforts will focus on the settlement upgrading component, where time tested operating systems are already in place. In the area of new housing and home improvement, where new operating procedures and institutional mechanisms need to be created, the first phase of the program will focus principally on start up activities, aimed at setting up the new subsidy systems, and undertaking an initial investment effort for ground testing the new systems. Additionally, subsidies for new homes and home improvement will be commenced. Sector development studies will also be conducted during this phase, aimed at defining policy reform benchmarks to be implemented in the second phase of the program.

Subject to a review of the first phase and a decision on the second phase, the government will move toward full implementation of the program. Similarly, sector policy and development initiatives undertaken during the first phase, addressing innovative policy areas, will be put into practice.

**Description:**

The objectives will be achieved through the implementation of three components: (i) squatter upgrading; (ii) family subsidies for new housing and home improvement; and (iii) sector and institutional development. A summary description of the first phase follows.

**1. Squatter upgrading (US\$13.5 million )**

The squatter upgrading component seeks to improve living conditions and increase the security of tenure for families living in informal housing settlements. It will do so by providing basic services, communal facilities, and formal tenure documents to the families. An estimated 5,400 families will benefit from this component.

## **2. Family subsidies for new housing and home improvement (US\$20 million )**

This component is geared to stimulate markets for the provision of new housing solutions or the improvement of existing houses, to foster greater competition as well as increased cost effectiveness of government spending in the sector. To achieve this, the program will support the introduction and financing of: (i) new demand-side subsidies for low and lower middle income families; and (ii) the creation of more effective socioeconomic targeting mechanisms.

For new housing two eligibility categories and levels of subsidy have been defined. The first one will be targeted to families with annual incomes between US\$2,100 and US\$4,500 (i.e., in the third and fourth decile of income), who purchase homes costing less than US\$13,000. These families will receive a commitment to a grant subsidy of up to US\$6,000. The second category is targeted to families below the median household income (US\$7,500) who purchase homes costing up to US\$16,000. These families will receive a subsidy of up to US\$4,000 each.

In the case of families with incomes below the poverty threshold (US\$3,000 per year), subsidies will also be used to improve existing housing stock. Subsidies for this purpose will be awarded on a matching basis (one dollar of subsidy for each dollar contributed by the beneficiary) up to a maximum amount of US\$2,500.

It is estimated that the program will benefit 3,000 families in new greenfield sites (new housing sub-divisions) and 1,100 families through home improvement grants.

## **3. Sector and institutional development (US\$2.1 million)**

This component will support two main tasks: (i) proposals for modernization of the MH, including a management consultancy to propose institutional changes in accordance with the Ministry's new mandate as a housing facilitator; and (ii) sector development studies and initiatives aimed at addressing strategic sectoral bottlenecks, including the land and housing approval processes; public rental housing, and limited access to credit by low and lower middle income households.

**Funding is also included for program administration (US\$0.8 million)**, which covers the cost of the Program Coordinating and Monitoring Unit (PCMU) during the 3 years of program implementation.

**Bank's country  
and sector  
strategy:**

The objectives of the Bank's strategy for Trinidad and Tobago are to assist the authorities to: (i) promote economic growth and diversification; (ii) reduce unemployment and poverty; (iii) undertake reform of the public sector; and (iv) improve natural resource management and environmental protection. The proposed operation is designed to respond to two of these objectives by helping to transform the housing market and modernize the Ministry of Housing, and by focusing on the provision of low-income housing.

During the 1990s GORTT implemented, with Bank assistance, the First National Settlements Program. This program, which was completed in September of this year (2001), successfully achieved its quantitative goals. It also contributed to the development of national policies through the introduction of the concept of squatter upgrading in the country and the production of sector studies. However, it relied principally on direct government provision of new housing through sites and services solutions. It experienced substantial implementation delays at first, as well as problems of targeting. To correct these problems, in 1998 the program was restructured to include more realistic selection criteria and simplified implementation procedures.

The main lessons learned from the first program were: (i) squatter upgrading is an effective shelter solution for part of the country's lower income groups; (ii) provision of new housing solutions directly through the government is inefficient and ineffective, hence the need to redefine the role of government to that of facilitator; and (iii) subsidy and targeting mechanisms in the government's housing programs need to be made more progressive and transparent.

Based on the above experience the program under consideration proposes the following strategic goals for Bank intervention in the sector: (i) to more effectively target low and lower middle income groups -- by expanding investments for squatter upgrading and providing well-targeted, upfront subsidies for the purchase of housing solutions offered by the private providers; (ii) to increase public sector efficiency by moving government away from the direct production of houses and into a facilitator's role; and (iii) to support long term sector and institutional development.

**Environmental/  
social impact:**

The program will be a poverty targeted investment since an estimated 62% of total housing solutions will benefit families below the poverty level. More specifically in the first phase, 100% of beneficiaries of home improvement loans, 80% of beneficiaries of squatters upgrading, and 15% of beneficiaries of new housing

solutions, are expected to have annual family incomes below the poverty level of US\$3,000. This implies that at least 5,870 of the total 9,500 housing solutions will go to the poor.

The principal social impact of the program will be the re-directing of the housing production system in the country to better serve the needs of lower income groups. However, the program will also have positive gender impacts.

Environmentally, the program is expected to have a positive impact, specially through the provision of basic services to squatter settlements. Many of the home improvement loans will also be used for the provision of basic services, the reduction of overcrowding and/or the construction of sanitary facilities.

**Benefits:**

The program will introduce a more efficient and focused national housing production system that better serves the needs of lower income groups. Moreover, it will do so in a fiscally sustainable fashion, without imposing an additional fiscal burden on the country. With approximately the same annual investment budget as in previous years, the Ministry of Housing will be able to benefit an estimated 30% more families than in the past, with substantially more effective low income targeting.

The new system of direct, demand driven subsidies, will allow for greater efficiency in the sector by introducing competition and mobilizing additional private resources, from family savings and commercial bank loans. Funds from these two sources will double those that the government invests in the sector. This will allow for the new government financed housing system to cover approximately 30% of the estimated national demand of 6,000 new housing units annually. The system will also reduce by about 10% the accumulated backlog of families (50,000) living in substandard squatter settlements.

**Risks:**

**Timely response from both public and private institutions.** The program introduces a new way of doing business in the housing sector in the country, demanding new roles from both the public and private sectors. Institutions from these sectors will require time to adjust; leading to the risk of possible implementation delays. To counter this risk, during project preparation extensive consultation and dialogue has taken place to assure the political support and economic interest for this change. The program also includes several activities or mechanisms to assist in this institutional transition, including: a two phase program, an action plan for the implementation and marketing of the subsidy system, intermediation services by Civil Society Organizations and

commercial banks to families seeking housing subsidies, and institutional support to expedite the titling and development approval process. Finally, representatives from the private construction sector will participate in continuing dialogue with the Ministry through the Program Advisory Committee.

**Special contractual clauses:**

**Conditions precedent to first disbursement:**

1. Establishment of a special bank account for the resources of the financing (see paragraph 3.33).
2. Program Coordinator and the Information Technology Coordinator will be appointed (see paragraph 3.4, and 3.42).
3. Final first year work plan produced (see paragraph 3.36).
4. Final text of the Program Operating Manual is fully effective (see paragraph 3.9).

**Poverty-targeting and social equity classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as poverty targeted investment (PTI) (see paragraph 4.5). The borrowing country will be using the 10 percentage points in additional financing (see paragraph 2.24).

**Exceptions to Bank policy:**

None.

**Procurement:**

The procurement of works, goods and consulting services will take place in accordance with Bank policy, as set out in annexes B and C of the loan contract. In the case of civil works for squatter upgrading, given the nature of the works and since the maximum cost of projects in the program does not exceed the limit of US\$1.5 million for mandatory international public bidding, national procurement procedures will be followed (see paragraph 3.35). Consulting services will also be contracted according to Bank procedures. A procurement table is attached as Annex 2.

## **I. FRAME OF REFERENCE**

### **A. Socioeconomic framework**

- 1.1 Trinidad and Tobago is a twin island state. With a population of 1.3 million, it is the second largest English-speaking Caribbean country and the 15<sup>th</sup> most densely populated in the world (253 persons per square kilometer). About 71% of the population live in urban areas, concentrated mainly in the East-West Corridor centered on Port of Spain and, to a lesser extent, in the Western Corridor extending from the south Port of Spain to San Fernando.
- 1.2 Trinidad and Tobago economy has been growing by about 4% per annum for eight consecutive years, driven primarily by significant investment in downstream gas-based industries and associated construction activities. Broadly sound policies and a focused approach to develop a petrochemical industry based on the vast gas reserves attracted significant foreign investment, equivalent to about 9% of GDP annually since 1995. As a result, the liquefied natural gas subsector alone has grown from a zero base to 8% of GDP in 2000 and, with additional planned investment, is expected to reach 16% of a larger GDP by 2003.
- 1.3 The country enjoys investment grade rating for government foreign currency borrowings since late 1999. It has been achieved because successive administrations in Trinidad and Tobago generally sought to have a small fiscal surplus. However, changes in external terms of trade and other factors sometimes made this difficult to achieve. Measured fiscal balance, for example, reached a surplus of over 1% of GDP in 2000 compared with deficits of over 3% in 1998 and 1999 when oil revenues were low because of adverse terms of trade.
- 1.4 The government is now committed to reduce the public sector domestic debt from 60% of GDP in 2000 to 50% by 2004 and measures have been announced for introduction of better debt and fiscal management techniques in order to improve efficiency of revenue collections and expenditures. Moreover, in order to smooth revenue flows, the authorities established a Revenue Stabilization Fund in 2000 to deposit about two-thirds of oil revenue collections in excess of budgeted amount.
- 1.5 With respect to social and governance indicators, Trinidad and Tobago ranks high among middle income countries. In particular, the unemployment rate has continued to fall and has reached about 12% in 2001. However, it remains high among youth and female, particularly among single female-headed households, homeless and substance abusers.
- 1.6 Economic and social gains are expected to continue in the medium term as the country continues to receive foreign investment in the petrochemical sector and the authorities use the resources from the monetized gas to accelerate development of human capital and promote new sources of economic development.

## **B. The housing sector**

### **1. Demand**

- 1.7 The estimated rate of population growth in Trinidad and Tobago is 0.9% per annum, which contributes to an estimated demand of 6,000 new housing units annually, mostly by way of new household formation. An additional 12,000 units are considered necessary to respond to the accumulated backlog due to the doubling up of households.
- 1.8 The rate of economic growth in Trinidad and Tobago has been steadily increasing since 1994 at an average rate of 3.8%. Median annual household income in the country is estimated at US\$7,412 (see Table I-1), barely sufficient to purchase the least cost home currently offered on the formal market for approximately US\$20,000.
- 1.9 Given the high cost of formal housing construction in Trinidad and Tobago, the majority of lower income households have had to rely on costly self-help incremental home construction to solve their shelter needs. This is particularly true of families living below the poverty threshold, currently estimated at US\$3,000 per year. As a result, many households are constantly in need of improving their homes; building new rooms to reduce overcrowding or accommodating the new households that are formed within the family. A traditional consumer preference in the country for relatively large individual lot sizes (average size of 500 square meters) allows, in most cases, for this incremental expansion to take place.
- 1.10 Increasingly, for those families who cannot afford to buy a lot and incrementally build a home, the only solution has become informal land invasion and squatting. In spite of a growing economy, the number of squatter families has increased over the last 15 years to an estimated 50,000, half of them on private land and the other half on public land. Contributing to this phenomenon, in addition to the unaffordability of formal low-income housing, is the inefficient and expensive land registration system that still exists in the country.

### **2. Supply and financing**

#### **a) Private sector**

- 1.11 The supply of new housing units for families above the median income has been well covered by Trinidad and Tobago's private sector. However, as noted above, none of the houses built by private developers are accessible to families below the medium income.
- 1.12 Private developers have not build for the lower half of the market for several reasons: (i) shortage of land; (ii) governmental indirect subsidy programs that discouraged private suppliers; (iii) complicated land sub-division and housing



approval processes; (iv) cultural factors and tradition that imposed relatively high standards; and (v) private sector perception that earnings in this market segment are not attractive enough.

- 1.13 Mortgage finance is generally available from commercial banks, credit unions and approved mortgage companies. Favorable financial sector conditions (stability, high credit rating, the existence of a second mortgage bank, and effective foreclosure procedures), as well as low inflation, make it possible to expand the access of households that hold title to land to mortgage finance. Only full title (including long-term lease) to land is acceptable to the banks for mortgage lending.
- 1.14 Commercial banks are offering mortgage loans at interest rates between 10.5% and 14% and 1 to 15 years, for either home construction or improvement (second mortgage). For home construction, mortgage loans start at US\$25,000. Under these conditions, funds are not affordable by families below the medium income.
- 1.15 Small scale- self-employed or households with irregular incomes do acquire loans from selected credit unions and other micro-finance companies but at higher costs than the banking sector. Personal consumer loans (small amounts, short repayment periods) are used often by those without land title to finance house construction, which is usually done on an incremental basis.
- 1.16 The Home Mortgage Bank (HMB) is a secondary mortgage facility, majority owned by private banks with participation from government. It was established in 1982 to improve mortgage lending in Trinidad and Tobago. It refinances and buys mortgage loans from mortgage lenders, mitigating liquidity constraints and interest-rate risk from lenders. HMB programs are available for loans on properties over US\$24,200.
- 1.17 There are very few pure housing NGOs in the country and all of them are small. There is a history and legal framework for housing cooperatives and NGOs to acquire land, subdivide and construct houses. There are NGOs in the country that may, with the right incentives, play an active role in housing development. During project preparation civil society organizations and stakeholders have been consulted and have expressed their willingness to participate in the proposed program.
- 1.18 There is capacity, as well as sufficient skilled labor and talent, in the private construction sector to meet the additional housing demand generated by the program. Housing construction for middle and low-income groups is generally undertaken by small contractors on individually-owned plots of land.

**b) Public sector**

- 1.19 The GORTT has intervened in the housing market through: (i) the direct production of new houses, the construction of which is subcontracted; (ii) the introduction of new shelter solutions, mainly sites and services and squatter upgrading; and (iii) the provision of a variety of subsidies. The GORTT contributes at least 50% of the estimated 4,000 units that are added every year to the net housing stock.
- 1.20 The main types of subsidies have been below-market rent of apartments, loans at subsidized interest rates and below-market sale of public housing. These public subsidies have not reached the intended low-income groups due to lax selection criteria and supply rather than demand-side subsidies, so that assistance has mainly gone to middle and even higher-income groups. Finally, subsidies are neither reaching a substantial proportion of the poor nor are they mobilizing other resources into the sector.
- 1.21 One of the most successful government interventions in the housing market has been the introduction of squatter upgrading programs. They are the cheapest shelter solutions and have been very effective in reaching their target population. To support the upgrading programs, and as part of its commitment to focus more of its efforts on the provision of shelter solutions for the poor, the GORTT created in 1998 the Land Settlements Agency (LSA). The LSA is a semi- autonomous institution in the MH with its own board but its budget coming from MH, which focuses mainly on squatter upgrading programs on public land that existed before 1998.
- 1.22 The State Land Regularization of Tenure Act of 1998 created the LSA and charged it with the upgrading and regularization of property rights in squatter settlements in public land. The law designed 251 squatter settlements in public land as land settlements areas. Squatters settled after that date will not be regularized.
- 1.23 The LSA has completed its first upgrading projects and plans to gradually increase its production to a scale commensurate with the country's needs. It has also introduced a simplified procedure for land regularization in these settlements that provides security of tenure (leasehold) through a three-step process. Only the last of these titles is accepted by the financial institutions as collateral.
- 1.24 In addition to providing new houses and squatter upgrading, the GORTT has for more than 60 years offered public housing rental units for lower income groups. Most of these 6,800 units are quite old and badly maintained, bringing in minimal revenues and representing an economic liability. Most of the rental sites do not provide a good environment for the tenants to live in, some even have serious deficiencies in the provision of basic services, such as water and sewerage. The GORTT loses about US\$3 million each year in these estates (difference between cost of maintenance and cost recovery).

**C. The country's sector strategy**

- 1.25 The GORTT is redefining its role in the sector in general and its shelter policies in particular, with the result that housing policy in Trinidad and Tobago is now at an important juncture. The Ministry of Housing (MH) has stated its desire to be more enabling and less interventionist. Important recent steps in that direction include the redefinition of the role of the National Housing Authority (NHA), an autonomous agency in the MH that was the main producer of new housing units. NHA will focus its future mission on enabling public-private partnerships rather than providing public rental units and subsidized loans. MH has taken the decision of establishing a more transparent and effective targeting mechanism and a demand-based subsidy system.
- 1.26 The MH has started a process of institutional reorganization and strategic planning to adjust itself to these changes. MH and its autonomous agencies (NHA and the Land Settlement Agency - LSA) are preparing an institutional plan to adapt to the new mandates.
- 1.27 The GORTT enacted in 1999 three laws that form the basis for restructuring the land titling process in the country: Registration of Titles to Land Act, Land Adjudication Act and Land Tribunal Act. The process involves several ministries and public agencies; however, to date no national plan has been developed to guide, coordinate and implement these acts and their implementation. The Bank is assisting GORTT with these issues in its agricultural sector technical cooperation.

**D. The Bank's experience and sector strategy**

- 1.28 The objectives of the Bank's strategy for Trinidad and Tobago, contained in the Country Paper that was approved in 1997, are to assist the authorities in: (i) promoting economic growth and diversification; (ii) reducing unemployment and poverty; (iii) undertaking reform of the public sector; and (iv) improving natural resource management and environmental protection. The proposed operation is designed to respond to two of these objectives by helping to modernize the Ministry of Housing, and by focusing on the provision of low-income housing. This project was not included in the operational program that accompanied the 1997 Country Paper; at the request of Government, it is being proposed on the basis of satisfactory progress in the implementation of the Bank's existing project in the sector, particularly the component of squatter upgrading; policy lessons learned from that experience; and the continued need for further assistance in the sector.
- 1.29 During the 1990s the GORTT implemented, with Bank assistance, the First National Settlements Program (1989). The purpose of the program was "to offer affordable housing solutions to the low-income population without incurring heavy public expenditure." For that it proposed to: (i) develop 4,300 site and service shelter solutions and provide 3,000 loans for progressive, owner-managed construction of core housing units on the serviced sites; and (ii) implement

Trinidad and Tobago's first comprehensive program of squatter upgrading, benefiting a total of 2,500 households.

- 1.30 This first stage program, which was completed in September of this year, successfully achieved its quantitative goals. It also contributed to national policies through the introduction of the concept of squatter upgrading in the country and the production of sector studies. However, it experienced delays and problems of targeting in the new sites-and-services developments. To correct these problems, in 1998 the program was restructured to include more realistic selection criteria and simplified implementation procedures.
- 1.31 The main lessons learned from the first program were that: (i) squatter upgrading is an effective and cost-efficient shelter solution for part of the country's lower income groups; (ii) provision of new housing solutions directly through the government is inefficient and ineffective, hence the need to redefine the role of government to that of facilitator; and (iii) subsidy and targeting mechanisms in the government's housing programs need to be made more progressive and transparent.
- 1.32 The first stage Settlements Program demonstrated that public sector capacity is a key constraint on the scope of government action in the sector. Accordingly, the second stage program introduces new procedures and brings the private sector into the housing market, thus reducing the effect of this constraint.
- 1.33 The Bank also supported GORTT in land titling and registration, particularly in rural agricultural areas of the country, through the Investment Sector Loan and the Agriculture Sector Reform Program. Under these loans an automated records management system has been installed; a Unique Parcel Reference Number is under development; and several institutional changes and studies have taken place or are under consideration. Many of these efforts also benefit urban and potentially urban lands.

**E. The program strategy**

- 1.34 Based on the above experience the program under consideration proposes the following strategic goals for Bank intervention in the sector: (i) more effectively target low income groups -- by expanding investments for squatter upgrading and providing well-targeted-upfront subsidies for housing solutions provided directly by the marketplace; ii) increase public sector efficiency by moving government away from the direct production of houses and into a facilitator role; and (iii) support long term sector and institutional development.
- 1.35 Owing to its innovative nature and complexity, the program will require more than one execution cycle, and therefore a multiphase approach is proposed. The main reasons for this are: (i) the program has long term objectives that go beyond a conventional four-year investment horizon; (ii) new systems and procedures need to be set up and tested during a first phase of intervention, particularly as

- regards the use of housing subsidies, before committing to a larger scale application throughout the country; and (iii) funds for a second phase of physical investments can be more effectively leveraged, using triggers, to achieve longer term institutional and sectoral development goals of the program.
- 1.36 Accordingly during the first phase program, investment efforts will focus on the settlement upgrading component, where time tested operating systems are already in place. In the area of new housing and home improvement, where new operating procedures and institutional mechanisms need to be created, the first phase of the program will focus principally on start up activities, aimed at setting up the new subsidy systems, and undertaking an initial investment effort aimed at ground testing the new systems. Additionally, subsidies for new homes and home improvement will be commenced. Sector development studies will also be conducted during this phase, aimed at formulating policy reform action plans in key areas such low income housing credit, urban housing and subdivision standards, and public rental housing.
- 1.37 Subject to a review of the first phase and a decision on the second phase, the government will move toward full implementation of the program. Similarly, sector policy and development initiatives undertaken during the first phase, addressing innovative policy areas, will be fully implemented.
- 1.38 GORTT has asked the Bank for a loan of US\$80 million, which is consistent with the program and the financing required. Given the above rationale and proposed strategy that funding will be done in two stages – the first of US\$32 million and the second for US\$48 million. Phase one is described in this document. The objectives and indicators for both phases are presented in the logical framework (annex I).
- 1.39 During program preparation, agreements were reached with GORTT on benchmarks of the program that would act as triggers for the second phase (see Table II-3). They include: (i) withdrawal of MH from the direct production of housing, except in areas not served by the private sector due to special circumstances such as remote geographical locations or special demand needs; (ii) full implementation of the new subsidy system; (iii) achievement of specified production targets in each component; and (iv) policy reforms based on sector studies have been agreed upon and initiated. Reaching these benchmarks will ensure that the implementation capacity for the second phase of the program is in place.

## **II. THE PROGRAM**

### **A. Objectives**

- 2.1 The objectives of the Second National Settlements Program are: (i) to improve housing conditions for low-income groups; (ii) to make public expenditure for housing more efficient and equitable; and (iii) to provide incentives and assist institutions, both public and private, in their transition to new more market-driven roles.

### **B. Components**

- 2.2 The objectives will be achieved through the implementation of three components: (i) squatter upgrading; (ii) family subsidies for new housing and home improvement; and (iii) sector and institutional development.

#### **1. Squatter upgrading (US\$13.5 million )**

- 2.3 The squatter upgrading component seeks to improve living conditions and regularize the security of tenure for families living in squatter settlements. It will do so by providing basic services, communal facilities, and formal tenure documents to the families.
- 2.4 About 5,400 families living in squatter settlements covered under the 1998 State Land Act No. 25 will benefit from this component. MH has approximately 20,000 applicants for plot regularization. Sites will be selected based on the criteria of: availability of off-site infrastructure, compliance with environmental requirements, legal status of land, number of families on site and community organization. Sites for the first two years of the program, for about 3,600 families, have been identified. Plans and tender documents to upgrade the first 1800 families are ready for tender.
- 2.5 Basic services to be provided will vary among sites depending on which are already available. All upgraded sites will have: water, electricity, waste water disposal either through connections to the public sewerage system or to septic tanks, basic road treatment, drainage and public lighting.
- 2.6 The average cost of an upgraded lot, including land<sup>1</sup>, infrastructure improvements and tenure regularization, is estimated at US\$4,100. MH will charge the beneficiaries not less than US\$ 1,000, over a five year period, for the title to be transferred.

---

<sup>1</sup> 199 year lease

## 2. Family subsidies for new houses and home improvement (US\$20 million)

### a) New housing

- 2.7 To stimulate markets in the provision of new housing solutions or to improve existing ones, greater competition as well as increased cost effectiveness of government spending in the sector will be sought. To achieve this, the program will support the introduction and financing of: (i) new demand-side subsidies for low and lower middle income families; and (ii) the creation of more effective socioeconomic targeting mechanisms.
- 2.8 The main principles that will guide the new housing assistance program are: efficiency, equity, transparency and administrative simplicity. Efficiency will be achieved mainly by introducing competition and stimulating beneficiary contributions; equity, by directing the subsidies to the lower income groups and by decreasing them for households with higher incomes; transparency, by setting clear criteria, publishing them as well as the results of the selection process, and by explicitly accounting for the subsidies in the national budget; and administrative simplicity, by minimizing government's administrative burden, increasing private sector participation and establishing simple and easy to measure selection criteria.
- 2.9 For new housing, two categories of subsidy and housing have been defined for the program, based on the cost of the house and the applicant household's level of income. As noted in Table II-1, households with annual incomes below US\$4,500, who choose to purchase a home costing less than US\$13,000, will be eligible for an upfront subsidy of up to US\$6,000. In this category, households will also be required to contribute a minimum downpayment of US\$650 from savings, and qualify for a commercial bank loan for the balance of the cost of the house (US\$6,350). At current commercial lending rates (10.5%, 15 years), a loan of this amount is considered affordable for households with annual incomes above US\$2,100, i.e., in the third and fourth decile of income.

**Table II-1**  
**Subsidy levels and financing packages for new housing**  
(Amounts in US\$)

Target group		Financing Packages							
		Category 1				Category 2			
Annual household income	Income deciles	Maximum Home Value*	Subsidy up to	Min. savings	Loan	Maximum Home Value*	Subsidy up to	Min. savings	Loan
2,100 - 4,500	3 and 4	13,000	6,000	650	6,350				
4,500 - 7,400	4 and 5					16,000	4,000	800	11,200

\* Maximum home value limits in Tobago are set 10% higher, due to increased construction costs

- 2.10 The second category corresponds to households with annual incomes below US\$7,400, who purchase new housing units costing between US\$13,000 and \$16,000. Units in this category will be eligible for a subsidy of US\$4,000 per family. After deducting a minimum savings requirement of US\$800, families who opt for this category will need a loan of US\$11,200, considered affordable to families earning between US\$4,500 and \$7,400 per year, i.e., in the fourth and fifth deciles of income.
- 2.11 Given that Trinidad and Tobago's housing market currently does not produce formal housing below US\$20,000, it is expected that – during the first few years of the program – suppliers will tend to favor the products in category 2, given their greater familiarity with this segment of the market. Accordingly, for Phase I program targets within category 1 have been conservatively projected at only 450 subsidies, or 15% of total Phase I subsidies for new housing for families with annual incomes below US\$3,000. Over time, as the producers and financiers gain confidence in the marketability of lower-cost units, demand for category 1 solutions is expected to rise proportionately. This shift will be supported by the substantial financial incentives built into category 1: absolute subsidy levels in this category are 50% higher than in category two; furthermore, subsidy-to-loan ratios (of great interest to potential loan providers) are more than twice as high in category one. Accordingly, at the outset of Phase II, program targets for category 1 and 2 subsidies will be reviewed and revised, based on the market response encountered during Phase I.

#### **b) Home improvement**

- 2.12 In addition to new housing, subsidies will also be used in the program to improve existing housing stock. Subsidies for this purpose will be awarded to households below the poverty level<sup>2</sup> of US\$3,000 on a matching basis (one dollar of subsidy for each dollar contributed by the beneficiary), up to a maximum amount of US\$2,500.
- 2.13 Civil Society organizations, such as NGOs, cooperatives, credit unions, may assist home improvement applicants through a package service plan that includes: preparation of a simple construction plan and budget estimate, assistance in applying for loans, identification of small contractors, and supervision of works. Selected competitively through formal requests for proposals (RFPs), these institutions will be paid a flat service fee for each household approved for program subsidies.

---

<sup>2</sup> Currently estimated at US\$3,000 per year. Verification of poverty status of beneficiaries, however, will rely not only on income declarations by applicants, but also on indicators of basic living conditions, as identified through field surveys by NGO intermediaries.



### 3. Sector and institutional development (US\$2.1 million)

- 2.14 The sector development component will support activities that: (i) contribute to the modernization of the MH; and (ii) assist public and private institutions to make the transition to a demand driven housing system and adapt to their new roles. To implement those tasks this component will finance technical assistance, equipment and studies.
- 2.15 **Technical assistance** will include: (i) the institutional analysis, change management and institutional strengthening of the MH; (ii) the development of a Project Management Software (PMS); and (iii) an accelerated land and housing approval process unit.
- 2.16 Technical assistance for the **institutional analysis and change management** of the MH will assist the Ministry to identify and implement institutional changes that will allow it to best carry out a newly defined mandate. This process will involve an international management consulting firm with proven capacity in this area.
- 2.17 The program will also finance **an accelerated land and housing approval processing unit**. At present, land and housing approval process is unusually long, and has been identified as a serious impediment to achieving program objectives. Therefore, individuals will be assigned to work with Town and Country Planning, the Environmental Management Agency and the Water and Sewerage Agency to help them in the approval process of the program's housing projects. The program will finance the following personnel along with the *per diems* for these individuals to undertake site visits as required: (i) Town and Country Planning: 1 Senior Planner and 1 Development Control Inspector; (ii) the Environmental Management Agency: 1 Technical Officer and 1 Clerk; (iii) two technical officers, one in the Lands and Surveys Department and one in the Register General Office; and (iv) the Water and Sewerage Agency: 2 Technical Officers. The experience gained through the work of these experts will be analyzed, discussed and fed back into the respective agencies in order to achieve the goal of the accelerated unit – to reduce the approval process (from land identification to housing completion) from a current average of over two years to twelve months or less.
- 2.18 **A project management software** will be developed to allow the monitoring of each and every individual housing solution implemented by the MH. The essential modules of the software will be developed during the first year of the program.
- 2.19 **Equipment** to be financed under the program includes a local area network and computer equipment within the Ministry to link the operating units with the PCMU, and provide external access to financial institutions and other stakeholders via the internet.
- 2.20 **Sector studies and related workshops** will contribute to the development of the sector by analyzing and developing appropriate response in the following: (i) measures to increase access to lower income groups to home financing,

including assessment of the current obstacles faced by women and specific measures to address them; (ii) redefinition of urban housing and subdivision standards and regulations; (iii) based on a pre-feasibility study carried out during project preparation, prepare an investment project for converting public rental housing into owner occupied units; (iv) housing demand study including geographical and ethnographic factors, (v) streamlining of local governments processes for development approval and urban environmental service delivery; and (vi) monitoring the impact of the program on the supply side of the housing market.

#### **4. Program administration (US\$0.8 million)**

- 2.21 This component includes the cost of the Program Coordinating and Monitoring Unit (PCMU) during the 3 years of program implementation.

#### **C. Program beneficiaries**

- 2.22 It is estimated that the program will benefit 9,500 families, 57% (5,400 families) in the squatter upgrading component, 31% (3000 families) in new housing (greenfield sites), and 12% (1,100 families) through home improvement loans. Table II-2 shows the projected number of families per component and per year.

**Table II-2**  
**Number of beneficiary families**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Total</b>
Squatter upgrade	1,800	1,800	1,800	<b>5,400</b>
New greenfields	0	1,200	1,800	<b>3,000</b>
Home improvement	0	400	700	<b>1,100</b>
<b>Total Families</b>	<b>1,800</b>	<b>3,400</b>	<b>4,300</b>	<b>9,500</b>

#### **D. Program benchmarks and triggers**

- 2.23 Table II-3 presents the program's principal mid-term benchmarks for Phase I, as well as triggers for the second phase of the program. In order to ensure continuity between Phases I and II, the triggers have been defined as the expected outputs of the program by the end of the 30<sup>th</sup> month (six months before completion of phase 1). The means for verification of these benchmarks are detailed in the program's logical framework (see Annex I).

**Table II-3**  
**Benchmarks for Mid-Term Review and Triggers for Second Phase**

<b>Key Objectives</b>	<b>Midterm review benchmarks (Month 18)</b>	<b>Triggers for Second Phase (Month 30)</b>
Restructuring of government role in housing sector	<ul style="list-style-type: none"> <li>• Official GORTT policy announcing withdrawal of MH from direct production of housing, except in areas not served by the private sector due to special circumstances, such as remote geographical areas or special demand needs.</li> <li>• Official GORTT policy announcing end of MH and its subsidiary agencies NHA and LSA, credit programs</li> <li>• MH Strategic Plan approved and announced</li> </ul>	<ul style="list-style-type: none"> <li>• No budgetary resources, in MH and its subsidiary agencies, spent on direct production of housing during previous year, except in areas not served by the private sector due to special circumstances, such as remote geographical areas or special demand needs</li> <li>• No new housing loans, in MH and its subsidiary agencies NHA and LSA, approved during previous year</li> </ul>
Implementation of new housing subsidy system	<ul style="list-style-type: none"> <li>• Subsidy system for new housing and home improvement is fully operational</li> </ul>	<ul style="list-style-type: none"> <li>• 3,000 subsidies approved for new housing and home improvement, including a minimum of 450 new housing subsidies for families with incomes below US\$3,000 poverty level</li> </ul>
Upgrading of squatter settlements	<ul style="list-style-type: none"> <li>• final designs and studies completed for 5,400 squatter upgraded lots</li> <li>• 1,800 squatter lots upgraded</li> </ul>	<ul style="list-style-type: none"> <li>• 5,400 lots upgraded, or in process of being upgraded</li> </ul>
Housing credit for low income households	<ul style="list-style-type: none"> <li>• Action Plan to increase housing credit for low income families, approved by GORTT</li> </ul>	<ul style="list-style-type: none"> <li>• First year targets of Action Plan implemented</li> </ul>
Streamlining of development approval process	<ul style="list-style-type: none"> <li>• Accelerated Land and Housing Approval Unit instituted</li> <li>• Action Plan to accelerate local housing and subdivision approval processes, approved by GORTT</li> </ul>	<ul style="list-style-type: none"> <li>• First year targets of Action Plan implemented</li> </ul>
Affordable housing and subdivision standards	<ul style="list-style-type: none"> <li>• New, more affordable, urban housing and subdivision standards adopted by GORTT</li> </ul>	
Conversion of public rental housing estates	<ul style="list-style-type: none"> <li>• Pilot project formulated for conversion of public rental housing</li> <li>• Follow up Action Plan approved by GORTT</li> </ul>	<ul style="list-style-type: none"> <li>• First year targets of Action Plan implemented</li> </ul>

**E. Cost and financing**

- 2.24 Total program cost is estimated at US\$40 million. Given that the program is poverty target, IDB will finance 80% of total investment, equal to US\$32 million. Table II-4 shows program cost per component and source of funding.

**Table II-4**  
**Project Cost by Investment Category and Source of Funds**  
**(Amount in US\$ thousands)**

	<b>IDB</b>	<b>GORTT</b>	<b>TOTAL</b>	<b>%</b>
<b>1. Squatter upgrading</b>				
a) Works	11,000	2,500	13,500	33.7
<b>2. Family subsidies for new houses and home improvement</b>				
a) New housing	14,500	1,800	16,300	40.7
b) Home improvement subsidies	3,700	0	3,700	9.2
<b>3. Sector and institutional development</b>				
a) Consultants	1,310	300	1,610	4.0
b) Computer equipment and software	500	0	500	1.3
<b>4. Program administration</b>				
a) PCMU personnel	670	30	700	1.8
b) Administrative costs	0	70	70	0.2
<b>5. Financial costs</b>				
a) Interest	0	2,800	2,800	7.0
b) Inspection and supervision	320	0	320	0.8
c) Credit commission	0	500	500	1.3
<b>TOTAL</b>	<b>32,000</b>	<b>8,000</b>	<b>40,000</b>	<b>100.0</b>

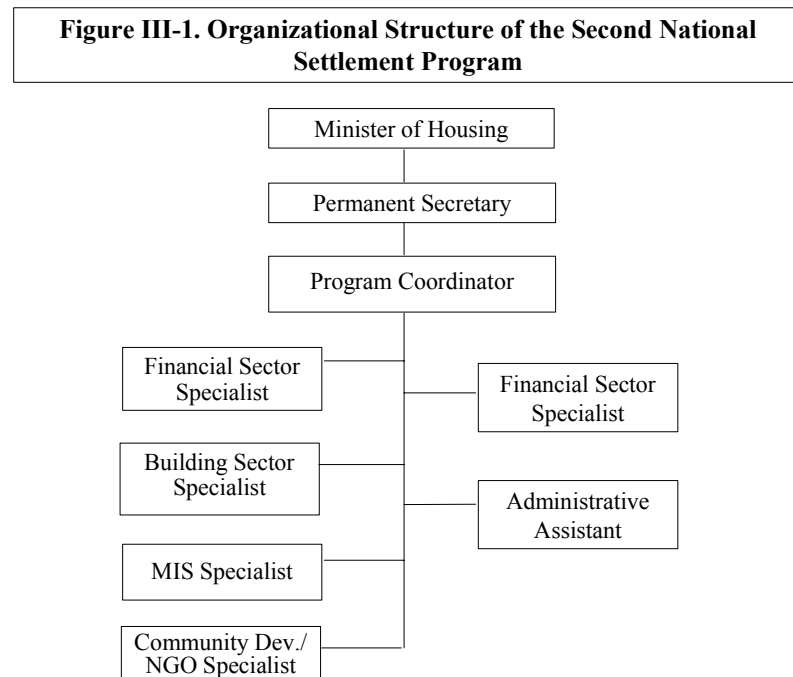
### III. PROGRAM EXECUTION

#### A. The borrower and executing agency

- 3.1 The borrower for this operation will be the Government of the Republic of Trinidad and Tobago. The program will be executed by the Ministry of Housing over a period of three years. The MH will assign responsibility for program coordination, monitoring and financial administration to a streamlined Program Coordination and Monitoring Unit (PCMU), specially created within the Ministry for this purpose. The PCMU duties will include the planning, coordination, and monitoring of all aspects of program implementation as well as report preparation, procurement, disbursement of program resources, and interface with the Bank and GORTT government officials. The PCMU will ensure that all aspects of Program's Operating Manual (POM) are duly adhered to.

#### B. Program organizational structure

- 3.2 The program organizational structure centers upon a streamlined Program Coordination and Monitoring Unit (PCMU) (Figure III-1). The PCMU will be directly or indirectly responsible for implementation of all program components. For the squatter upgrading component direct responsibility will fall on the Land Settlement Agency, under coordination of the PCMU. In the case of other two components, the PCMU will be directly responsible for implementation, supported by outside consultants and ad hoc work teams drawn from existing MH staff.



- 3.3 Day-to-day administration of the program will be delegated to the Program Coordinator of the PCMU, who will be engaged and report to the Permanent Secretary of the MH. The unit will comprise a: (i) **Program Coordinator/Public Sector Specialist** responsible for overall coordination of the program activities as well as liaising with government and public sector stakeholder institutions; (ii) **Financial Sector Specialist** responsible for liaising with and help defining and develop appropriate mechanisms and modalities for financial institutions that participate in the program through the provision of mortgage and home improvement financing; (iii) **Building Sector Specialist** responsible for developing mechanisms for involving private sector developers and contractors in providing low income housing solutions based on market-driven incentives, as well as monitoring the physical implementation of housing solutions provided under the program; (iv) **Civil Society/Community Development Specialist**, responsible for overseeing the sector strengthening activities aimed at Civil Society Institutions involved in the low-income housing sector, as well as monitoring and identifying ways to improve the response of low-income clients to the program; (v) **Management Information Systems Specialist** responsible for supervising the development of the project management system, and ensuring the adequacy, accuracy and timeliness of program information flows; (vi) **Financial Administrator** who will be responsible for the financial administration of the program as well as monitoring all procurement; and (vii) **Administrative Assistant/Secretary**. The PCMU will be operational for both phases of the program; at the end of the second phase it will dissolve.
- 3.4 The Program Coordinator, and the Financial Administrator will be engaged by the Permanent Secretary of the MH subject to IDB's no-objection. **The Program Coordinator will be appointed, as a condition prior to first disbursement.**
- 3.5 The responsibilities of the PCMU will include: (i) coordination and monitoring of all program activities; (ii) procurement of goods and services in accordance with the Bank's requirements; (iii) establishment and implementation of a sound financial reporting and accounting system; (iv) preparation of financial and implementation reports on program advance to the Bank and the MH, including the semiannual revolving fund status; (v) preparation of financial justification for drawn-down requests from the program Special Account; (vi) maintaining an adequate disbursements support documentation filing system; (vii) preparation of the program's financial statements and facilitate their timely audit; (viii) supervision of contracts under the Sector Strengthening component of the program; (ix) liaison with Bank, MH officials in regard to program execution; (x) liaise with financial sector and building sector stakeholders to develop instruments and procedures to facilitate and encourage the participation of both sectors in the provision of low-income housing solutions; and (xi) liaise with other stakeholders as required to disseminate wide-based understanding of program goals and objectives and to resolve operational issues that may arise.
- 3.6 The MH will put mechanisms in place to provide program oversight and facilitate stakeholder consultation and operational coordination:

**a) Program Advisory Committee**

- 3.7 Private sector stakeholder consultation will be facilitated through the creation of a Program Advisory Committee (PAC) comprising one financial sector representative, one representative of the building and construction industry, and one citizen group representative. The PAC will meet on a quarterly basis with the Project Management Team.

**C. Implementation processes**

- 3.8 The MH will be responsible for overall implementation of the program over the three-year period. The Ministry's role will focus on the identification of eligible persons for subsidy. The private sector will provide low-income housing solutions, except in areas not served by the private sector due to special circumstances such as remote geographical locations or special demand needs. MH will be directly responsible for the squatter upgrading and sector strengthening components.
- 3.9 Program execution will adhere, for the squatter upgrading and family subsidies components, to the Program Operating Manual (POM). It will include the operating regulations and procedures for each component. A preliminary version of the POM is in the project files. This draft will be discussed within the MH and approved by the Minister. **A final version will be presented to the Bank by the MH as a condition precedent to first disbursement.**

**1. Family subsidies**

- 3.10 For the implementation of this component the PCMU will be directly responsible for its coordination and monitoring, liaison with institutions from private sector to facilitate and encourage their participation, the setting up and operation of the subsidy system, assuring the provision of land, facilitating the land subdivision and housing approval, and assuring quality control on the units produced by the private sector. For all these activities, which will be regulated in the POM, the PCMU will be supported by outside consultants and ad hoc work teams drawn from existing MH staff.
- 3.11 The Program Operating Manual (POM) will include for this component, among others a description of the following: (i) the subsidy certificate, its categories and maximum amounts; (ii) the family contribution; (iii) operational procedures to apply and obtain the subsidy; (iv) ranking criteria; (v) beneficiary selection process; (vi) private sector participation process; and (vii) special considerations, punishments and prohibitions.
- 3.12 The Ministry has recently initiated a process of institutional reorganization, a process to be supported by the program. Until this reorganization process is complete, four operational teams will be formed within the MH to undertake specific activities related to the project cycle: a Land Identification team, a Legal

& Titling team, a Land and Housing Approval Process Expediting team, and a Technical Supervision team. These teams will operate within the existing organizational structure, drawing primarily upon the Ministry's existing capacity and combining individuals from one or more existing units or divisions to work on project-specific activities. Ministry personnel will be assigned to work on the program operational teams on a full-time, dedicated basis. It is expected that these teams will become part of the new and permanent structure of the MH.

- 3.13 Program implementation will also involve significant private sector participation. Private developers and contractors will execute all works under the new greenfields and home improvement components, with home mortgage and home improvement financing provided by approved financial institutions. Civil Society Organizations involved in low-income housing may act as facilitators to assist low-income clients in various activities associated with the project cycle for the home improvement component (see annexes III and IV).

**a) New housing component**

- 3.14 Under the New Greenfield component of the program, an up-front housing subsidy will be provided to eligible applicants selected through a transparent and automatic prioritization process. The subsidy will complement the individual's personal savings and a home mortgage loan provided by a financial institution at commercial rates of interest. The program will only subsidize the purchase of housing solutions valued at TT\$100,000 (approximately US\$16,500) or lower, including land, infrastructure and house. In order to be financially eligible, applicants must open a savings account in a participating financial institution and meet the minimum savings requirements specified in the Program Operations Manual. In addition, applicants must be eligible to receive a pre-approved mortgage loan equal to the value of the housing solution less the combined value of the personal savings plus housing subsidy.
- 3.15 To receive a subsidy the applicant(s) must: (i) be a citizen of Trinidad and Tobago; (ii) not currently own a home; (iii) not have received a house or a lot from GORTT or a subsidy from the system; (iv) have deposited the minimum savings requirement in a financial intermediary institution or own the land where the house would be built; (v) select a site that complies with national rules and regulations for urban subdivisions; and (vi) sign an affidavit that annual family income is less than US\$3000 (for US\$6,000 subsidy) or US\$7500 (for US\$4,000 subsidy). Ranking will take place among those who comply with the above criteria prioritizing: longer time in the system.
- 3.16 The project cycle for new greenfield projects consists of two parallel streams: a demand-side stream which creates a pool of clients with effective demand for low-income housing solutions and a supply-side stream in which new state or private lands are made available and then developed by the private-sector for low income residential housing.



- 3.17 The MH will identify persons eligible for a subsidy. The **demand-side stream** begins when individuals submit a short application form to a participating financial institution. Financial institutions will receive a flat rate fee to provide program information to prospective clients, process applications, verify the applicant's financial eligibility and ensure that the additional eligibility criteria specified in the Program Operations Manual are satisfied. A Management Information System (MIS), to be developed during the first year of the program, will allow financial institutions (such as banks and credit unions) to directly input applicant information via the Internet into the program database.
- 3.18 Eligible applicants will be ranked according to the procedures and prioritization criteria described in the Program Operations manual and summarized in 3.12 above. The ranking criteria will be programmed into the MIS and applicants will be prioritized automatically by the system. Transparency of the selection process will be facilitated by publishing the list of eligible applicants with the eligibility criteria. Upon completion of this review, the selected applicants become program clients for new housing solutions. As program clients, they will receive a subsidy certificate towards the purchase of a home (the steps involved in the project cycle are presented in Annexes III-A and III-B).
- 3.19 The Financial Sector Specialist, Civil Society/Community Development Specialist and the MIS Specialist of the PCMU will provide oversight of the demand-side stream processes. The Financial Specialist will liaise with financial institutions and monitor client portfolios via the program MIS; while the Community Development Specialist will liaise with client groups to monitor the relationship between prospective low-income clients and participating financial institutions. The MIS Specialist will ensure the integrity of the program information system and databases.
- 3.20 The **supply-side stream** begins with the identification stage, comprising identification and surveying of new state lands for residential development, and legal titling of those lands (in Trinidad and Tobago 52% of all lands are public), as well as the identification of privately held land made available for low-income housing by private developers. For public land the operational units within the MH will be responsible for this stage of the project cycle. GORTT will be responsible for the identification, site inspection, and surveying of suitable land. State lands that have been identified and regularized for low-income residential development will be offered for lease to private developers and contractors through public tender. Land earmarked for low-income residential housing may be bundled with higher-income residential or commercial properties to enhance the attractiveness of the package to potential developers and contractors and to encourage integrated planning solutions.
- 3.21 **Marketing.** Contractors and developers who have been awarded through tendering, the right to develop state lands for low-income residential housing, or want to develop their own, will be responsible for and assume the financial risks associated with the development and marketing of the new houses.

- 3.22 **Construction and Supervision.** The construction stage of the new greenfields projects will be executed by private sector developers and contractors. Technical oversight and quality control will be the responsibility of the MH technical supervision team.

**b) Home improvements**

- 3.23 Under the Home Improvement Component of the program eligible homeowners will receive a matching-fund subsidy for home improvement, up to a total subsidy value of US\$2,500. The procedures and regulations governing this component are detailed in the Program Operating Manual. Subsidies for this purpose will be awarded on a matching basis (one dollar of subsidy for each dollar contributed by the beneficiary) up to a maximum amount of US\$2,500. The conditions to receive this subsidy are that: (i) family proves ownership either by legal title or right of occupancy; (ii) property is located in approved building areas; (iii) applicant(s) is a citizen of Trinidad and Tobago and has not received house or subsidy from GORTT; (iv) applicant has funding to complete the improvement of cost of improvement; (v) applicants have an annual family income less than US\$3000; and (vi) property is not in state land.
- 3.24 The project cycle for the home improvement component consists of the following stages: (i) Identification and preparation; (ii) Verification and Savings; (iii) Prioritization and Selection; (iv) Tendering and Contracting; (v) Construction and Supervision; and (vi) Project Completion.
- 3.25 In the **identification stage**, applicants will apply through an approved financial institution for a housing improvement subsidy. The MH will identify persons eligible for a subsidy. Approved Civil Society Organizations, who will be selected competitively through formal request for proposals (RFPs), will provide outreach at the community level to assist low-income clients to identify and prepare home improvement projects as well to liaise with approved financial institutions if needed. In the **verification and savings stage**, Civil Society Organizations will verify the eligibility of applicants, while financial institutions will indicate when minimum savings requirements are fulfilled. Financial institutions will be responsible for processing applications for home improvement subsidies and for administering home improvement subsidies transferred under the program to a restricted earnings account established in the financial institution in the name of the client. **Selection** of applicants will be done by the MH and will follow the procedures previously described for the new greenfields component. **Contracts** will be between the client and the contractor. **Supervision** will be performed by eligible Civil Society Organizations with the support and monitoring of the Technical Supervision team of the PCMU. Civil Society Organizations will approve payments to contractors based upon satisfactory site visits. The home improvement project cycle is detailed in annex IV and the Program Operating Manual.

## 2. Squatter upgrading projects

- 3.26 Coordination and monitoring of the Squatter Upgrading component will be the responsibility of LSA with the support of the PCMU's Building Sector Specialist. The activities that will be financed under the program include land titling and the provision of basic infrastructure and communal facilities.
- 3.27 The POM includes for this component, among others, the description of the following: (i) site selection and eligibility criteria; (ii) services to be provided and design criteria and procedures; (iii) procedures for tendering, contracting and supervision of construction works; (iv) community involvement process; and (v) process for granting security of tenure and land titling.
- 3.28 Land titling will be the responsibility of the Legal & Titling operational team. The execution of physical works, including planning and construction, will be carried out by private companies sub-contracted by MH. Quality control and supervision of works will be the responsibility of the Ministry's Technical Supervision team.
- 3.29 Project cycle for squatter settlement upgrading starts with **site selection**. Only sites that existed before 1998 and thus, are under the State Land Regularization of Tenure Act (1998), will benefit from this component. Sites occupied after that year will not be upgraded. Sites under that Act will be selected, as they became available when they have complied with the requirements of having off site infrastructure, environmental regulations, and legal status cleared and having an organized community.
- 3.30 Once a site has been selected LSA or SILWC will contact the community and start **preparing plans and obtaining the necessary permits** for that site to be upgraded. The MH will sub contract with a private company, through national competitive bidding, the **construction** works.
- 3.31 Simultaneously with the above the corresponding agency will start the process of providing **security of tenure** to the families. This process is done in three steps. First a Certificate of Comfort, is awarded; through it GORTT recognizes that the family lives in that plot. Second, when plans are approved and boundaries have been clearly established, a Deed off Lease is given; and finally, when the family pays in full the legal title charges a 199-year lease hold is awarded.

## 3. Sector strengthening component

- 3.32 Implementation of the activities of the sector strengthening component will be coordinated and supervised by the PCMU. The Program Coordinator will assign coordination/supervision responsibility to a PCMU specialist according to the nature of the activity.

## **D. Financial aspects**

- 3.33 Program finances will be administered under a Special Account established in the Central Bank of Trinidad and Tobago, in the name of the NSPSS. **The establishment of the Special Accounts is a condition prior to first disbursement.**
- 3.34 Housing subsidies financed by the program will be administered through eligible financial institutions in accordance with the procedures described in the Program Operating Manual. IDB and GORTT funds for the subsidies will go into the special program accounts. When a family is awarded a subsidy, a certificate to the value of the subsidy will be issued which will be redeemed by the financial institution at the point of purchase.

## **E. Procurement of goods and services**

- 3.35 The acquisition of goods and related services and contracting of civil works financed by the loan will be subject to the procedures stated in Annex B of the loan contract. International public bidding is mandatory for acquisition of goods and related services that exceed US\$250,000 and US\$1.5 million for civil works. Given the characteristics of the program, international competitive bidding will be required only for the acquisition of computer equipment and software. All procurement under the set limits will be done following procedures previously agreed with the Government. Procurement of consulting services will be done according to regular Bank procedures as stated in Annex C of the Loan Contract. These procurement guidelines are part of the Operational Manual. Annex 2 presents a tentative Procurement Plan.

## **F. Implementation calendar**

### **1. Current status and start up execution**

- 3.36 A preliminary work plan for first year of execution of the program has been formulated. In the case of the squatter upgrading component, sites have been identified for the first two years of the projected investment stream. Corresponding tender documents have been prepared for the first year of this stream. For the new housing subsidy system, operating manual have been formulated, on the basis of which an operating system will be put in place during the program's first year of execution. Draft terms of reference have been formulated for the sector development component. **A final version of the first year work plan will be prepared as a condition prior to first disbursement.**

### **2. Disbursement schedule of program**

- 3.37 The disbursement period for the program is three years. The request for the final disbursement must be presented to the Bank no later than 30 days before the end

of the program. The following table contains a projection of the annual disbursement by financier during the program.

<b>Table III-1</b> <b>Annual Disbursement Schedule by Financier</b> <b>(in US\$ million)</b>				
<b>Source</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Total</b>
IDB	5.1	11.8	15.1	32.0
GORTT	1.4	2.6	4.0	8.0
<b>Total</b>	<b>6.5</b>	<b>14.4</b>	<b>19.1</b>	<b>40.0</b>
<b>% Year</b>	<b>16%</b>	<b>36%</b>	<b>48%</b>	<b>100%</b>

#### **G. Advance of funds**

- 3.38 It is recommended that the special account be established as a revolving fund, with an advance equal to 5% of the Bank loan, equivalent to \$1.6 million. The PCMU will prepare and submit to the Bank, within a period of sixty (60) days after the closing of each semester, a semi-annual report showing the use of the loan's funds as of June 30 and December 31.

#### **H. Program monitoring and evaluation**

##### **1. On-going monitoring and annual review**

- 3.39 The Ministry will be in charge of monitoring the performance and progress of program execution. This will be done through periodic evaluations of the program and its impact, including six-month progress reports and two program performance reviews -- on the 18<sup>th</sup> and 30<sup>th</sup> month. The first review will be the basis for a midterm evaluation of program benchmarks. The second review, in turn, will be used to verify compliance with agreed upon triggers for phase 2. Both these reviews will be conducted by independent evaluators and their results will be shared and reviewed by the Program Advisory Committee, as well as the Bank and the Ministry for planning of future actions.
- 3.40 The Bank and the Ministry will carry out annual reviews of program execution. The review will consist of an assessment of the overall program execution during the previous year, including a comparison of specific program achievements with the indicators in the logical framework, an evaluation of the effectiveness of program management, a review of stakeholder participation and perceptions, a comparison of actual versus planned disbursement, the identification of issues affecting program execution and of solutions or adjustments required for the upcoming year to ensure efficient implementation.
- 3.41 During the execution of the loan, the MH will present to the Bank the program's yearly financial statements audited by a firm of independent auditors acceptable to the Auditor General and the Bank according with previously agreed terms of

reference. They will be presented to the Bank within 120 days of the closing date of each fiscal year.

- 3.42 A central aspect of program monitoring will be the Project Management System. The system will allow tracking of the project cycle of all housing solutions financed by the program. The system and the database including the baseline will be developed during the first year of the program. The system will include a local area network, connecting the PCMU, the operational units within the MH and external users such as financial institutions participating in the program. To support this local area network and provide the Ministry with system support, an Information Technology Unit must be established consisting of an IT Coordinator, a system administrator and a network administrator. **The appointment of the IT Coordinator is a condition prior to first disbursement.** An ex-post evaluation will take place only after full implementation of both phases.
- 3.43 The Computerized Project Management Monitoring System will include a database of qualified builders and contractors. This database will be managed by the Building Sector specialist and will include a history of the firm or individual's experience under the program. Monitoring and supervision of the building process at the level of individual homes will enable monitoring of the quality of the work performed. Only developers and contractors with satisfactory housing experience will be invited to participate in future bidding events. Developers and contractors with an unsatisfactory history will not be eligible to participate in the program.

## **2. Reports**

- 3.44 Reports on the execution of the project will be provided, within sixty (60) days following the end of each calendar semester or with such other period as the parties may agree, prepared in accordance with the relevant rules agreed to with the Bank.

## **3. Internal controls**

- 3.45 The Financial Administrator will provide basic financial and procurement follow-up as well as monitoring of the performance of service contracts executed with program funds. Procurement follow-up will be the responsibility of the Program Coordinator, who will ensure that Operating Regulations are adhered to and that the Operating Regulations are updated periodically as required.

## **IV. VIABILITY AND RISKS**

### **A. Institutional structure and implementation plan**

- 4.1 The MH is currently in the process of initiating a fundamental shift in its operating paradigm, moving away from the role of direct supplier of low-income housing solutions to that of facilitator, regulator and supervisor of the housing sector. The program is a catalyst to this change and is designed to consolidate the transition and strengthen the Ministry's institutional capacity to fulfill its new role. Within this framework, responsibility for physical execution of works is devolved to the private sector. The Ministry's responsibility for overall program implementation will be enhanced by the creation of special teams to identify new land for residential housing in conjunction with and subject to the approval of the land use planning authority. This will assist in expediting the currently lengthy approval process for land and housing.
- 4.2 The Ministry's capacity for monitoring project cycles and supervising works will be enhanced by the introduction of a customized project management system (PMS). The MH will identify the persons eligible for a subsidy. Financial institutions will play a key role in processing applicants to the housing and home improvement subsidies and determining the applicants financial eligibility.
- 4.3 The organizational restructuring of the Ministry will be supported by the program through technical assistance in strategic planning, institutional analysis and change management.
- 4.4 The program is designed in two phases. The first phase focuses on the upgrading of squatters, institutional and sector strengthening, implementation of the subsidy system for new homes and home improvement and establishing systems that will help facilitate the execution of the second phase. The squatter upgrading component uses existing institutional arrangements and processes for its implementation.

### **B. Social impact and targeting**

- 4.5 The program will be a poverty targeted investment since an estimated 62% of total housing solutions will benefit families below the poverty level. More specifically, 100% of beneficiaries of home improvement loans, 80% of beneficiaries of squatter upgrading investments, and 15% of beneficiaries of new housing solutions, are expected to have annual family incomes below the poverty level of US\$3,000. This implies that, during Phase I of the program, at least 5,870 of the total 9,500 housing solutions will go to the poor.
- 4.6 The principal social impact of the program will be the re-directing of the housing production system in the country to better serve the needs of lower income groups. The selection criteria for housing and home improvement subsidies will include gender considerations.

**C. Environmental institutions and impact**

- 4.7 The National Physical Development Plan and its Macro Planning Framework (1988) provide the spatial framework for the urban development of areas and regions around the country. They ensure that new developments only take place in areas where their natural, cultural and historical values can be conserved and enhanced. The Environmental Management Authority (EMA) is responsible for the enforcement of the laws and regulations for environmental management; and for issuing certificates of environmental clearance to new development projects.
- 4.8 The Water and Sewerage Authority (WASA) is responsible for ensuring the supply of water and disposal/treatment of sewerage not deposited in septic tanks. Solid waste collection and disposal is under the responsibility of local governments. Only a small percentage of the sewerage under the responsibility of WASA is treated. Almost all solid waste is collected and disposed of in open air sites.
- 4.9 During project preparation an environmental impact assessment was conducted (in program files). It indicates that the program is expected to have a positive impact in the environment mainly because of the provision of basic services to the squatter settlements that now do not have them. Many of the home improvement loans will also be used for the provision of basic services, reduce overcrowding or the construction of toilet facilities.
- 4.10 National and local environmental protection regulations pertaining to land use and location, subdivision developments and construction quality – are defined in the Town and Country Planning Act of 1960 (Ch. 35:01) (last amended in 1980); enforcement of these regulations is the responsibility of the Town and Country Planning Division of the Ministry of Planning and Development. In addition, the recently created Environmental Management Authority (EMA) is responsible for issuing certificates of environmental clearance to new urban development projects, as well as designating and protecting environmentally sensitive areas. An assessment of the procedures used by both institutions indicates that the enforcement of environmental regulations pertaining to both institutions is satisfactory. No resettlement is expected during the life of the project.
- 4.11 New housing developments are also required to have the approval of the Water and Sewage Authority (WASA), to ensure adequate water supply and sewage treatment. Local government are responsible for solid waste collection and disposal. Other sewage and solid waste collection services in the country are generally good; however, final disposal and treatment of both is frequently deficient. The government is aware of this deficiency and is looking into ways to improve final treatment. The program's operating manual will include minimum standards for final treatment and disposal of sanitary wastes. Compliance with these standards will be monitored by the program's management system. Specifically, data gathered and assessed, as part of the annual evaluation of the



program together with the Draft Physical Planning Standards will inform the program's mid term evaluation.

**D. Financial viability**

- 4.12 The program is considered financially viable for several reasons. First, program funding requirements have been kept within the current budget constraints of MH (see next paragraph). Second, for GORTT the adoption of an up-front housing subsidy will reduce its average per capita subsidy outlay compared to the current system of interest rate subsidies, resulting in a large number of beneficiaries per subsidy dollar. Third, program implementation will mobilize additional resources into the housing sector from family savings and commercial bank loans. Fourth, as the Ministry ceases to be a direct provider of housing solutions, its overall operating expenses will fall. Finally, at a macro level, the up-front housing subsidy system will permit more accurate budgetary planning, thus increasing the prospects for financial sustainability of housing subsidy programs in the future.
- 4.13 Budgetarily, moreover, the program is considered feasible and, in the long term, sustainable. During the last five years, total budgetary expenditures by MH have averaged US\$24.6 million per year, including US\$11.8 million for recurrent obligations and US\$12.7 million for capital investments. The latter is clearly sufficient to cover the counterpart funding requirements for the program, which are projected to peak at US\$4 million during the third year. In the longer run, after loan funds from the Bank are disbursed, MH intends to sustain funding levels of the program's principal lines of activity at the same level currently projected for the operation – \$11-12 million per year. This will be accomplished by gradually realigning the capital investment budget of MH, starting with the current fiscal year, exclusively along the lines of the program's activity areas. This will permit MH in the future to channel its entire capital budget towards the new squatter upgrading and low income housing subsidy mechanisms created by the program. Moreover, it should be noted, MH funds for capital investment are expected to increase in future years as a result of savings in recurrent expenses that the Ministry will obtain as it changes its role from that of a producer to one of a facilitator.

**E. Program benefits and risks**

**1. Benefits**

- 4.14 The program will introduce a more efficient and focused national housing production system that better serves the needs of lower income groups. Moreover, it will do so in a fiscally sustainable fashion, without imposing an additional fiscal burden on the country. With approximately the same annual investment budget as in previous years, the Ministry of Housing will be able to benefit an estimated 30% more families than in the past, with substantially more effective low income targeting.

- 4.15 The new system of direct, demand driven subsidies, will allow for greater efficiency in the sector by introducing competition and mobilizing additional private resources, from family savings and commercial bank loans. Funds from these two sources will double those that the government invests in the sector. This will allow for the new government financed housing system to cover approximately 30% of the estimated national demand of 6,000 new housing units annually. The system will also reduce by about 10% the accumulated backlog of families (50,000) living in substandard squatter settlements.
- 4.16 The program will introduce and consolidate a new institutional structure in both the private and public sectors that will strengthen the role of the MH as a facilitator and that of the private sector as provider of affordable housing solutions. Construction companies and first tier financial intermediaries have agreed to attend a lower segment of the market than they have in the past; similarly the country's second tier Home Mortgage Bank == has also expressed an interest in serving this new segment of the housing market.

## **2. Risks**

- 4.17 **Adequate response from both public and private institutions.** The program introduces a new way of doing business in the housing sector in the country, demanding new roles from both the public and private sectors. Institutions from these sectors will require time to adjust; leading to the risk of possible implementation delays. To counter this risk, during project preparation extensive consultation and dialogue has taken place to assure the political support and economic interest for this change. Also, the program includes several activities or mechanisms to assist in this institutional transition, including: a two phase program, an action plan for the implementation and marketing of the subsidy system, intermediation services by NGOs and commercial banks to families seeking housing subsidies, and institutional support to expedite the titling and development approval process. Finally, to permit timely feedback, representatives from the private construction sector will participate in continuing dialogue with the Ministry through the Program Advisory Committee.

<b>LOGICAL-FRAMEWORK</b> <b>NATIONAL SETTLEMENTS PROGRAM SECOND STAGE- (TT-0050)</b>			
<b>NARRATIVE SUMMARY</b>	<b>VERIFIABLE INDICATORS</b>	<b>MEANS OF VERIFICATION</b>	<b>KEY ASSUMPTIONS</b>
<u>Goal</u>  To establish a more equitable, transparent and sustainable system of affordable housing.	<ul style="list-style-type: none"> <li>90% of beneficiaries are families with incomes below median household income, and at least 50% of beneficiaries have incomes below the official poverty threshold of country</li> <li>90% of government resources for new housing subsidies are upfront, with clearly communicated rules and selection results.</li> <li>Capital investment budget allocation to MH averages at least US\$12 million per year.</li> </ul>	<ul style="list-style-type: none"> <li>National statistics.</li> <li>Program statistics on beneficiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Adequate and timely response both from public and private sector institutions.</li> <li>GORTT continues to support sector reform.</li> </ul>
<u>Purpose</u>  To improve housing conditions for low income groups.  To make public expenditures for housing more efficient and equitable.  To expand private sector activity in the affordable housing market.	<ul style="list-style-type: none"> <li>7,200 families in squatter settlements have been upgraded.</li> <li>10,700 subsidies for new housing have been awarded</li> <li>3,200 subsidies for home improvement have been awarded</li> <li>New housing solutions are being produced by private sector actors and are affordable to families above the second decile of income</li> <li>New subsidy system has been implemented and accepted by all key actors in the sector.</li> </ul>	<ul style="list-style-type: none"> <li>MH and Chamber of Commerce statistics.</li> <li>Statistics from subsidy system.</li> <li>Public policies.</li> <li>MH and construction industry annual reports.</li> </ul>	<ul style="list-style-type: none"> <li>Availability of private funds to complement public sector inputs.</li> <li>Clients willing to save and invest.</li> <li>MH accepts and adapts itself to changes.</li> <li>National budget (PSIP) funding available for the program.</li> </ul>

COMPONENT	PHASE ONE	PHASE TWO	MEANS OF VERIFICATION	ASSUMPTIONS
<u>Products</u> <ul style="list-style-type: none"> <li><u>Upgrading of Informal housing.</u></li> <li><u>Family subsidies.</u></li> </ul> <p>New housing</p> <p>Home improvement</p> <ul style="list-style-type: none"> <li><u>Sector Development.</u></li> </ul>	<ul style="list-style-type: none"> <li>5,400 families living in squatter settlements have been upgraded.</li> <li>Subsidy system is fully operational.</li> <li>3,000 subsidies for new houses have been disbursed through the new system including a minimum of 450 for families with incomes below the poverty level.</li> <li>1,100 subsidies for home improvement disbursed.</li> <li>Action plan to increase housing credit for low income families approved by GORTT.</li> <li>New more affordable, urban housing and subdivision standards adopted by GORTT.</li> <li>Pilot project for public rental conversion has been formulated and follow up action plan approved by GORTT.</li> </ul>	<ul style="list-style-type: none"> <li>1,800 families living in squatter settlements have been upgraded.</li> <li>7,700 subsidies for new houses have been disbursed.</li> <li>2,100 subsidies for home improvement have been disbursed.</li> <li>Action plan to increase housing credit for low income groups implemented.</li> <li>Action plan for conversion of public rental housing implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Program reports, including mid term evaluation.</li> <li>National housing statistics.</li> <li>MH annual reports.</li> <li>Agreements between Bank and GORTT reached at the end of first phase.</li> <li>Financial institutions annual reports.</li> <li>Land sub division and housing standards.</li> <li>Project for public rental housing conversion proposal.</li> </ul>	<ul style="list-style-type: none"> <li>Adequate budget allocations are made.</li> <li>Institutional commitment from MH.</li> <li>Agreements are reached between Bank and GORTT to move into phase II.</li> </ul>

	<ul style="list-style-type: none"> <li>• Accelerated land and housing processing unit is fully operational.</li> <li>• Action plan to accelerate local housing and subdivision standards adopted by GORTT.</li> <li>• MH Strategic Plan approved and announced.</li> <li>• Official GORTT policy stating withdrawal of MH from direct production of housing announced.</li> <li>• Official GORTT policy stating end of MH credit programs announced.</li> </ul>	<ul style="list-style-type: none"> <li>• Processes to register land titles and new housing have been simplified and require less than a year's time.</li> <li>• MH Strategic Plan implemented.</li> <li>• No budgetary resources, in MH and its subsidiary agencies, spent on direct production of housing during phase two.</li> <li>• No new housing loans, in MH and its subsidiary agencies, approved during phase two.</li> </ul>	<ul style="list-style-type: none"> <li>• Land titling and registration regulations.</li> <li>• MH Strategic Plan.</li> <li>• MH annual reports, budgets and financial statements.</li> <li>• MH annual reports, budgets and financial statements.</li> </ul>	
--	---	--	--	--

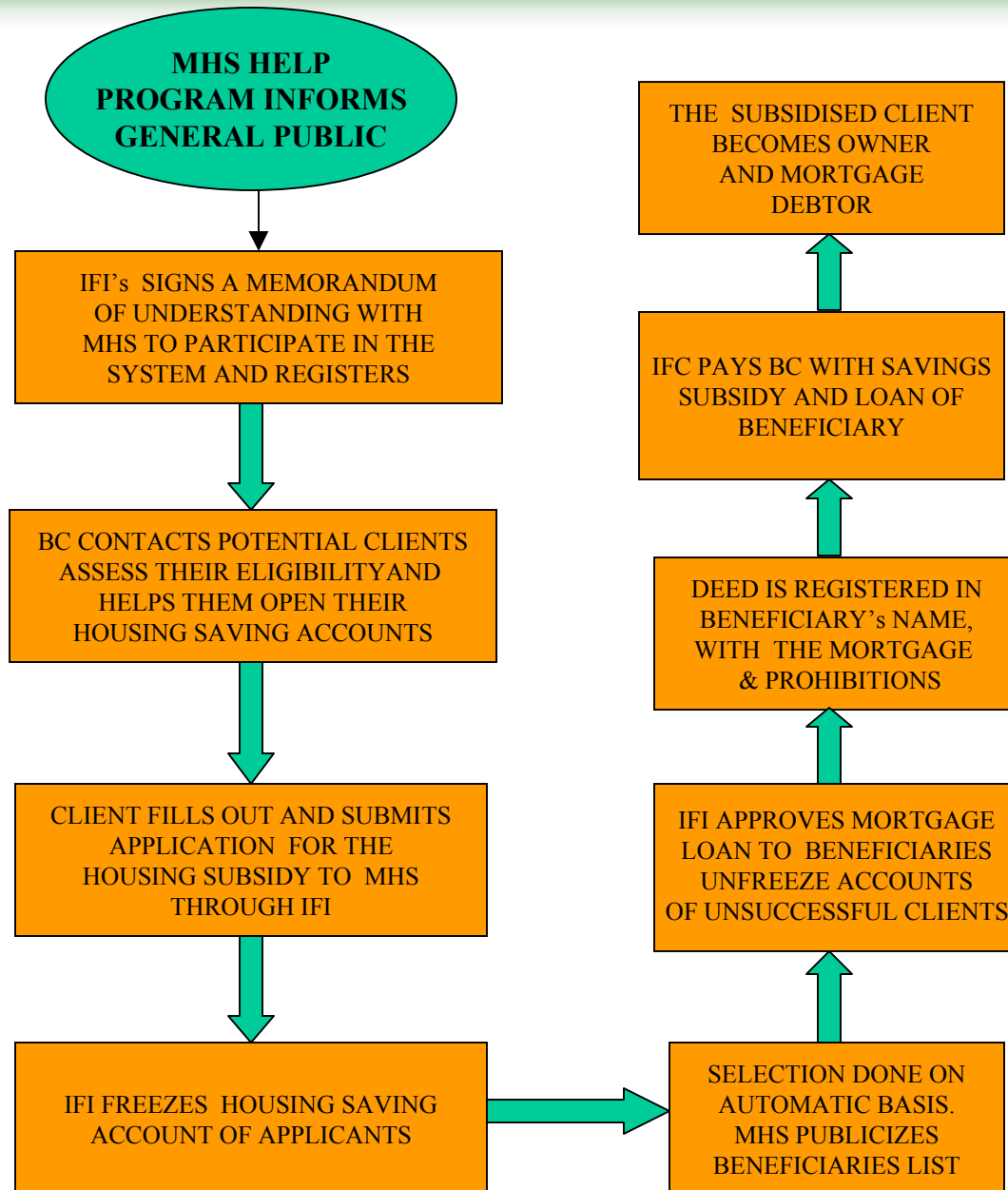
**TRINIDAD AND TOBAGO**  
**NATIONAL SETTLEMENTS PROGRAM SECOND STAGE**  
**TT-0050**  
**TENTATIVE PROCUREMENT PLAN**

	<b>Amount US\$million</b>	<b>Financing by Bank %</b>	<b>Method</b>	<b>Prequalifi- cation</b>	<b>Dates</b>
<b>A. Services</b>					
PCMU personnel	0.70	100%	NCB	No	Y1/Q1
Senior Policy Advisor	0.12	100%	NCB	No	Y1/Q1
Institutional Analysis & Change Management	0.15	100%	ICB	No	Y1/Q2
Sector studies & workshops (7 separate contracts)	0.57	100%	NCB	No	Y1/Q2
Manuals	0.07	100%	NCB	No	Y1/Q2
Land & Housing Approval Team	0.40	0%	NCB	No	Y1/Q1
<b>B. Civil Works</b>					
Squatter upgrading infrastructure ( 25 separate contracts)	13.50	100%	NCB	No	Year 1 - 3
<b>C. Goods</b>					
Computer equipment and software	0.50	100%	ICB	No	Y1/Q1
Office Equipment	0.10	100%	NCB	No	Y1/Q1

NBC: National competitive bidding  
 ICB: International competitive bidding  
 Y/Q: Year / Quarter

# THE HOUSING SUBSIDY SYSTEM STEPS

Annex III-A



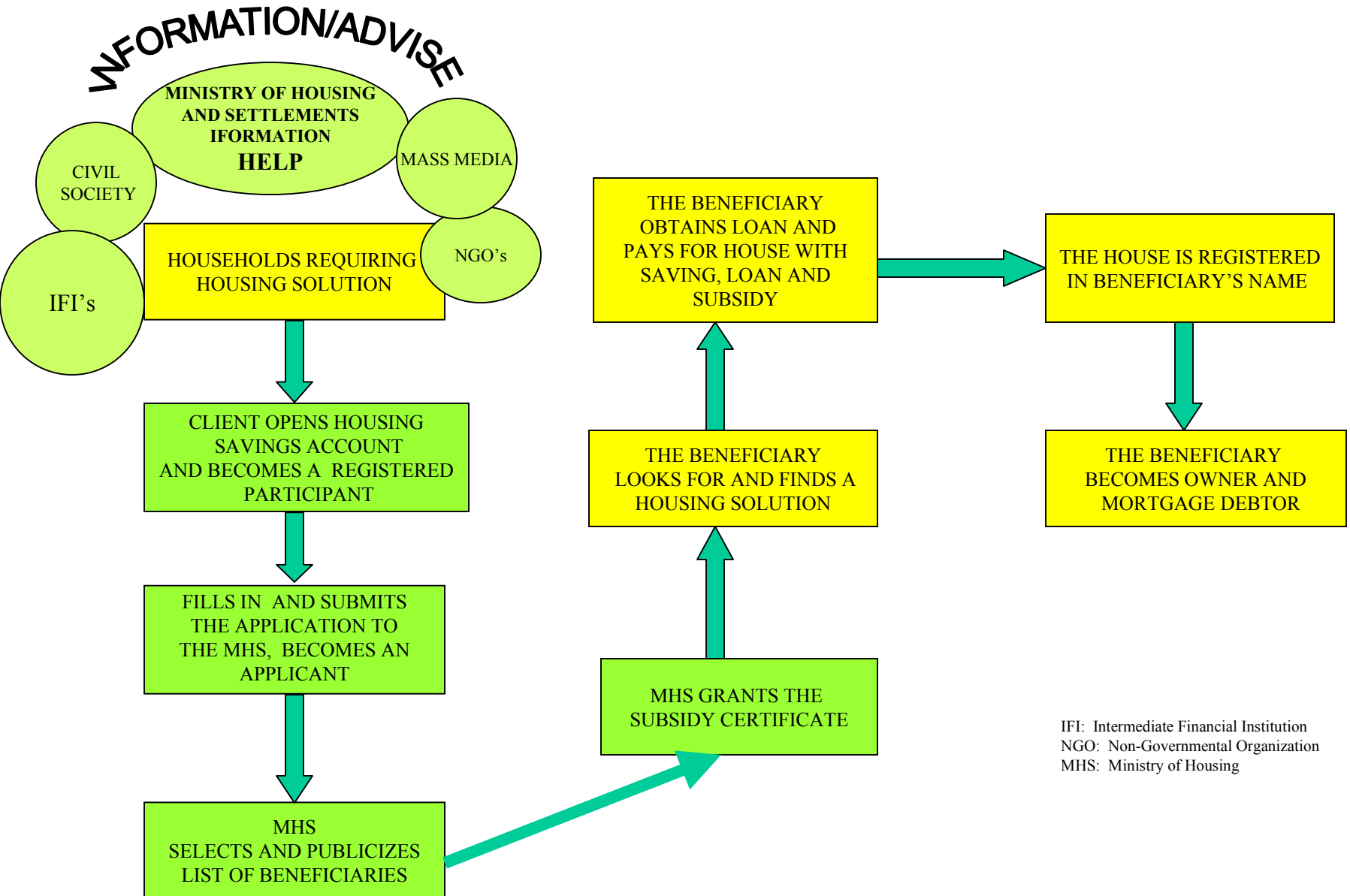
IFI: Intermediary Financial Institutions

BC: Building Company

MHS: Ministry of Housing

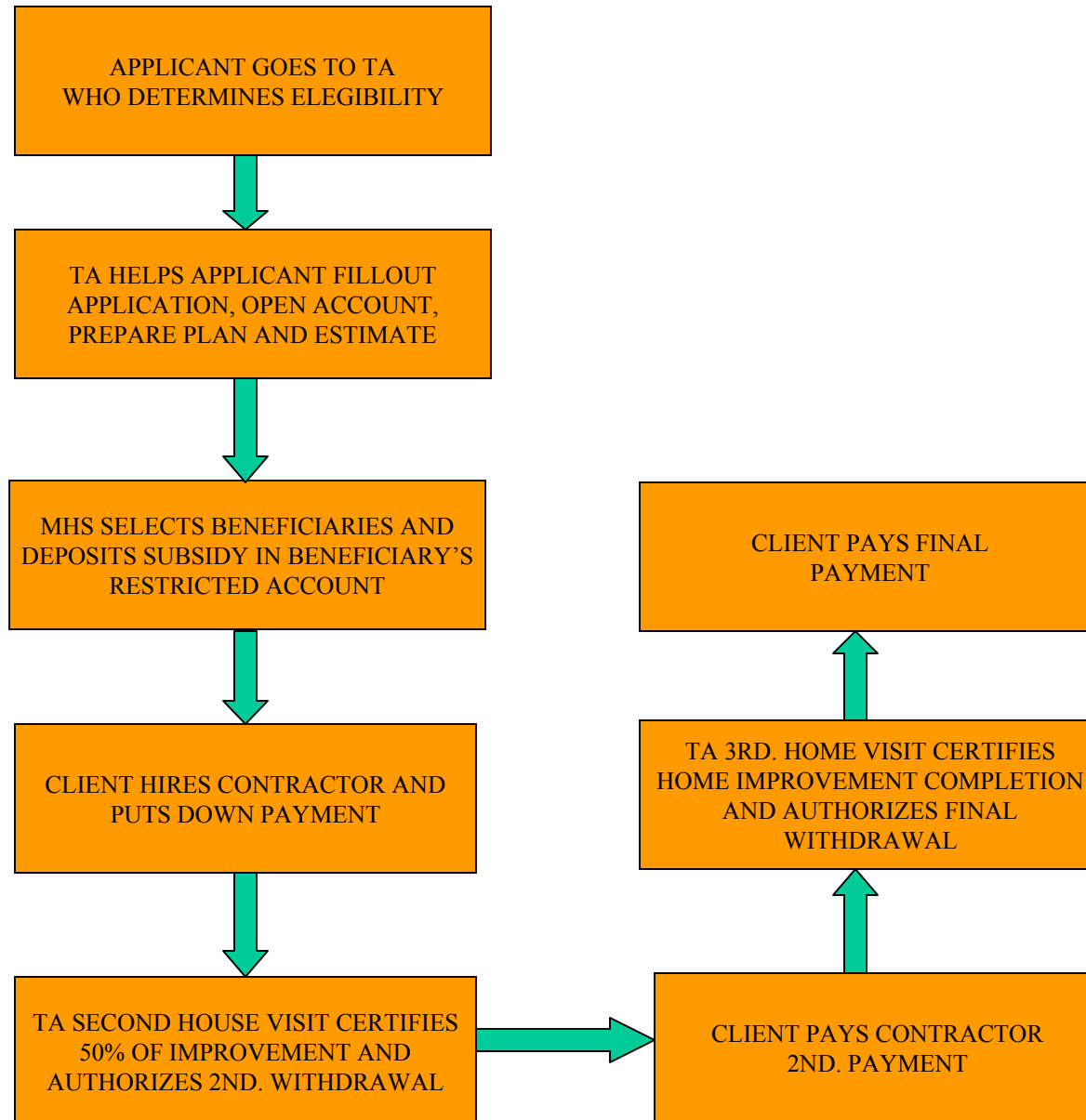
# THE HOUSING SUBSIDY SYSTEM: BENEFICIARY CYCLE

Annex III-B





# HOME IMPROVEMENT SUBSIDY CYCLE



TA: Technical Advisors