

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK**

**SURINAME**

**SECOND LOW INCOME SHELTER PROGRAM**

**(SU-L1015)**

**LOAN PROPOSAL**

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## INDEX

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	2
A.	Background.....	2
B.	Objective, Components and Cost .....	6
C.	Key Results Indicators.....	9
II.	FINANCING STRUCTURE AND MAIN RISKS .....	10
A.	Financing Instruments .....	10
B.	Enviromental and Social Safeguard Risks .....	11
C.	Fiduciary Risk .....	11
D.	Implementation Risk .....	12
E.	Sustainability Risk.....	12
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	13
A.	Summary Implementation Arrangements.....	13
B.	Procurement.....	15
C.	Monitoring, Evaluation, and Auditing.....	15

## ANNEXES

- ANNEX I: Development Effectiveness Matrix (DEM) Summary  
ANNEX II: Results Framework  
ANNEX III: Summary Procurement Table

## ELECTRONIC LINKS

### REQUIRED

1. Annual Operating Plan (AOP)  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1875178>
2. Monitoring & Evaluation Arrangements  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1875183>
3. Environmental and Social Analysis Report (including ESMR)  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1879412>
4. Procurement Plan  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1879496>
5. Safeguard and Screening Form for Screening and Classification of Projects  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1856303>

### OPTIONAL

1. Technical Options and Design  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1875187>  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1879481>
2. LISP II Operations Manual  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1875191>
3. Financial Management/Fiduciary Issues and Control Environment  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1879313>
4. Institutional Analysis/Personnel, Procedures other Aspects of Implementation Capacity (Includes Operating Regulations)  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1875188>
5. Country Strategy for Suriname  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1879420>
6. Loan Proposal for First Low Income Shelter Program (SU0017)  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=422956>
7. Project Completion Report for First Low Income Shelter Program (SU0017)  
<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1879464>

## **ABBREVIATIONS**

CBO	Community Based Organization
CCB/CSU	IDB Country Office of Suriname
LP	Loan Proposal
EA	Environmental Analysis
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
ESG	Environmental Safeguards Unit
FIs	Financial Institutions
GBS	General Bureau of Statistics
GOSU	Government of Suriname
IDB	Inter-American Development Bank
LISP Foundation	Low Income Shelter Program Foundation
LISP I	First Low Income Shelter Program
LISP II	Second Low Income Shelter Program
MIS	Management Information System
NGO	Non-Governmental Organization
OC	Ordinary Capital
PEC	Pilot Evaluation Committee
PIU	Program Implementation Unit
PCR	Project Completion Report
ROGB	Ministry of Spatial Planning, Land and Forest Management
SOZAVO	Minister of Social Affairs and Housing
SRD	Suriname Dollar
TA	Technical Assistance

**PROJECT SUMMARY**  
**SURINAME**  
**SECOND LOW INCOME SHELTER PROGRAM**  
**SU-L1015**

Financial Terms and Conditions			
<b>Borrower:</b> Republic of Suriname  <b>Executing Agency:</b> Ministry of Social Affairs and Housing (SOZAVO), through the Low Income Shelter Program Foundation		<b>Amortization Period:</b>	25 years
		<b>Grace Period:</b>	5 years
		<b>Disbursement Period:</b>	5 years
<b>Source</b>	<b>Amount US\$</b>		
<b>IDB (OC)</b>	15,000,000	<b>Supervision and Inspection Fee:</b>	*
<b>Other/Cofinancing</b>		<b>Interest Rate:</b>	Libor
<b>Local</b>	314,000	<b>Credit Fee:</b>	*
<b>Total</b>	<b>15,314,000</b>	<b>Currency:</b>	<b>US Dollars</b>
Project at a Glance			
<p><b>Project Objective/Description:</b> The program supports the Government of Suriname (GOSU) in its efforts to improve living conditions of low income households.<sup>1</sup> This will be achieved by: (i) facilitating access to new housing solutions (core house or core house plus lot) for beneficiaries that can afford mortgage loans, or by providing funds for housing improvement for those that cannot access mortgage financing; and (ii) testing alternative delivery mechanisms and institutional arrangements to expand the supply of housing solutions affordable to low income groups. To ensure efficiency and transparency, the program will foster participation of the private sector and civil society organizations.</p>			
<p><b>Special Contractual Conditions:</b> Prior to first disbursement: (i) the hiring of the Director, the Technical Manager and the Financial Manager of the Program Implementation Unit (PIU); and (ii) the approval of the Operating Regulations by the Board of the Low Income Shelter Program Foundation (LISP Foundation) and the IDB (§3.11).  Prior to disbursement of subcomponent I and II of Component I: (i) the hiring of the following staff for the PIU: Management Information System Manager, Environmental and Social Specialist, Field Supervisor and four (4) Field Officers; (ii) evidence that the Management Information System to process applications is operational; and (iii) the signing of contracts with Non-Governmental Organizations (NGOs) and Financial Institutions (FIs) (§3.6). Prior to disbursement of subcomponent III of Component I: the signing of contracts between the NGOs and the PIU (§3.6).  Prior to disbursement of Component II: (i) the hiring of the Pilot Manager within the PIU; and (ii) the existence of the Pilot Evaluation Committee to approve pilot projects (§3.10).</p>			
<b>Exceptions to Bank policies:</b> None			
<b>Project Qualifies for:</b> SEQ[X] PTI[X] Sector [ ] Geographic[X] Headcount [ ]			

(\*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

1 For the purposes of this program "low income" is defined as those having a maximum net household income of Suriname Dollar SRD 900-SRD1500 (equivalent to US\$335-US\$555) per month.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background

- 1.1 Since the 1960s, the Government of Suriname (GOSU) has made housing more affordable to the low income population by: (i) building housing units; (ii) divesting serviced lots; and (iii) introducing subsidized housing finance products. The decline in real income in the 1980s, and the difficulties in maintaining and rehabilitating the existing housing stock affected negatively the housing sector. As a consequence, the First Low-Income Shelter Program (LISP I) (SU0017, 1342/OC-SU) was conceived to address the quantitative and qualitative problems of the housing sector in Suriname.<sup>2</sup> LISP I consisted of a combination of up-front subsidies and policy reforms aimed at reactivating low/moderate income housing markets. LISP I objectives were to: (i) improve housing conditions for low income and moderate income households; (ii) engage Suriname's Financial Institutions (FIs), Non-Governmental Organizations (NGOs) and Community Based Organizations (CBOs) to fulfill existing needs; and (iii) make shelter policies and subsidies more efficient, equitable and transparent. LISP I served Suriname's coastal and urban areas, where 85% (or 404,000 people) of the country's population live.<sup>3</sup>
- 1.2 Moreover, with LISP I, the GOSU strengthened its enabler role to foster private sector involvement in providing housing solutions. As a result, private developers, builders and commercial banks expanded their participation in the middle income housing market. This shift lowered public costs of direct housing provision. Over its five years of execution, LISP I benefited a total of 3,725 households (1,208 with new housing and 2,517 with housing improvements).<sup>4</sup>
- 1.3 In spite of the progress, some factors continue to constrain the development of housing in Suriname. They include:
  - a. Lack of a coordinated housing policy.<sup>5</sup> With the exception of LISP I, current housing policy and programs focus primarily on middle and high

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2 In the 1980s, the decline in real income joined with high mortgage interest rates, land market bottlenecks, and high building material costs have made housing unaffordable. Additionally, most households were unable to maintain and rehabilitate their houses. As a consequence, neighborhoods declined along with their housing stock. Mentioned in the loan proposal of LISP I <http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=422956>

3 The current Suriname estimated population is 475,996 people. The average growth rate applied to the 2004 census is 1.11%.

4 Project Completion Report, Low Income Shelter Program (SU0017, 1342/OC-SU) November 2008. <http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1879464>

5 There are at least six relevant actors whose efforts should be coordinated in a national housing policy, in order to diminish the chances for market distortions and the existence of overlapping subsidies. These are: The Ministry of Spatial Planning, Land and Forest Management; The Ministry of Social Affairs and Housing; The Ministry of Agriculture; The Ministry of Public Works; The Ministry of Planning and Development Cooperation; and the Ministry of Regional Development, in charge of all matters related to the interior of the country. The sixth relevant

income groups. The Central Bank supports a program that benefits mainly middle and high income groups through the provision of a 7% interest rate scheme. There is also a program for direct provision of public rental housing, and a Public Housing Development Corporation that targets middle income households. Furthermore, an interest rate subsidy of 5% for low income households (SRD500 and below) was just approved.

- b. Limited access to land, titling and registry: Significant constraints characterize the land market and land management policies. These include: a lack of legal and fiscal incentives for absentee land-owners to sell or develop their vacant urban land; a deficient land registry system for urban areas; and weak property ownership mechanisms with at least 15% of the population without a clear title of their land.<sup>6</sup>
- c. Shortage of available urban land at affordable prices in major cities: The GOSU, either at the Central or Municipal levels, owns 98% of Suriname's land, but it cannot supply developed land in major cities. This problem is particularly serious in Paramaribo, the capital of Suriname. As a result, it has become increasingly costly to obtain land for developing housing projects.
- d. Limited access to housing finance: There is no well-functioning housing finance scheme that includes affordable products to the majority of the population in Suriname. FIs have a conservative lending policy, and the bulk of financing is provided to high and high/middle income families, which represent only 20% of the population.<sup>7</sup> Some credit unions and a small number of NGOs provide limited resources to low income groups.
- e. Absence of large scale housing developments for lower income groups: Suriname's housing industry concentrates its production on the middle and upper income population. This concentration is caused by the lack of affordable urban land and financing for both developers and buyers. Lower income groups build by self help or hire small constructors in individual lots. These practices result in higher construction costs and varying quality standards. Lack of housing development is exacerbated in

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actor is the Central Bank, which has the capacity to establish subsidy schemes by means of allowing the reduction of reserve requirements for banks interested in lending for housing.

6 Census 2004 (GBS). Housing Market Assessment commissioned by the IADB, prepared by Felipe Morris, page 14. <http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1875187>. "Property ownership is encumbered by an inadequate and out-of-date system of title registration. Clear title to property is not easily discernible and thousands of titles remain backlogged in a system that has poor record keeping procedures. There are two related issues: (i), the government should plan for the provision of urban land on a timely and transparent fashion, and (ii) it should improve the procedures and the issuance of affidavit granting title over government land to purchasers of property from third parties that had those rights and to inheritors. As a result of long delays (between two to five years) to obtain this certification, many properties cannot receive a "clean title" from the public registry", cited in the Doing Business Report 2008 of the World Bank that places Suriname 136th among 178 countries in terms of property registration.

7 The provision of funds to lower income households in Suriname is very limited. There are various reasons: lower income households may not be able to afford housing at market rates of interest and current house prices, their incomes may not be stable or documented, or their past credit histories may be poor. The risks of providing finance to these households are often seen as too high for private sector lenders to profitably participate.

the city of Paramaribo due to the steady stream of people moving to the city from rural areas.<sup>8</sup> These problems call for the development of new forms of government support to house the poor.

- 1.4 In the current context, those who cannot afford a new house, have to either live with relatives, build a house in their relative's lot, or occupy a vacant lot. This situation leads to: (i) low housing quality; (ii) overcrowding; and (iii) costly maintenance (as a large proportion of Suriname's housing stock is built from wood).<sup>9</sup>
- 1.5 LISP I intended to address some of the above mentioned issues by promoting a series of reforms beyond the scope of the Ministry of Social Affairs and Housing (SOZAVO), including to: (i) streamline and extend the land divestiture process; (ii) improve the timing and efficiency of the titling and registration office; (iii) homogenize public subsidies to the housing sector to guarantee a targeted and efficient use of public funds; and (iv) develop a single, coordinated national housing policy, shared by all relevant actors. However, these reforms were not fully carried out, mainly due to a lack of inter-ministerial coordination. This coordination is a pre-requisite to reduce the risk of market distortions and of overlapping subsidies.
- 1.6 **Problem Addressed.** The Second Low Income Shelter Program (LISP II) will address two key problems: (i) quality of the housing stock; and (ii) lack of affordable housing solutions on the market for low income groups. It will do so by supporting SOZAVO in its coordination efforts and in addressing the problems of low income groups that are within its area of responsibility.
- 1.7 **The Government's Sector Strategy.** The country's strategy for the sector has been stated in the Multi-Annual Program Plan for Housing 2005-2009. The GOSU intends to: (i) improve overall coordination; (ii) strengthen SOZAVO in its capacity to provide housing solutions to low income groups; and (iii) improve the provision of suitable land for housing.
- 1.8 **The Bank's Country and Sector Strategy.** The Country Strategy for Suriname for 2007-2010 supports Suriname's efforts to modernize and transform the economy through private sector-led growth, public sector efficiency, and social integration. Thus, the strategy<sup>10</sup> has three pillars: (i) promoting private sector development; (ii) modernizing the public sector; and (iii) integrating and sustaining the development of the interior.<sup>11</sup> This program is consistent with such strategy. It improves the subsidy system through public-private collaboration, and proposes pilots to encourage new

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8 "Available data shows that since 1978 the poverty rate increased from 33% to 53% in 2000." IDB Country Strategy with Suriname (2007-2010), GN-2459. <http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1879420>

9 Habitat for Humanity. [http://www.habitatforhumanity.org.uk/wh\\_e\\_latn\\_sur.htm](http://www.habitatforhumanity.org.uk/wh_e_latn_sur.htm)

10 Suriname Country Strategy (2007-2010), GN-2459.

11 The interior refers to the non coastal areas of the country. The interior represents 80% of Suriname's territory, but it holds 15% of the population (around 60,000 people). It is characterized by small villages and tribal communities who live along rivers.



ways of reaching the poor. The program will also provide housing solutions adapted to the needs of households in the interior of Suriname.

- 1.9 **Activities of other agencies.** Upon its independence in 1975, Suriname signed a development cooperation treaty with the Netherlands known as the Dutch Treaty Funds. Through the Funds, the Dutch have allocated €18.3 million to the housing sector for the period of 2005-2009. Projects in execution include: (i) strengthening the capacity of the Department of Public Housing; (ii) developing a Land Information System within the Ministry of Spatial Planning, Land and Forest Management (ROGB); and (iii) encouraging private sector involvement in the social housing sector through a pilot project.<sup>12</sup>
- 1.10 **Program Strategy.** LISP II builds upon the results of LISP I, as reported in its mid-term evaluation, the Project Completion Report (PCR), and a Housing Market Assessment. These reports indicate that families in the bottom 40% of the income distribution are underserved by public housing programs. To tackle this, LISP II will focus on targeting the poorest four deciles of the income distribution (see graph 1.1).<sup>13</sup> The specific targeting goals are spelled out below.
- 1.11 For the first and second lowest income deciles, the program will increase supply of affordable housing solutions by testing housing programs and institutional arrangements to address their housing needs. For the third and fourth lowest income deciles, the program will boost demand for housing solutions by providing an upfront subsidy that will increase the purchasing capacity of low income households. The subsidy amount is calculated so that in addition to their own savings, beneficiaries will be able to obtain mortgage financing to acquire a housing solution.<sup>14</sup> Families with proof of ownership of their land and with no access to credit could also apply for a subsidy for housing improvement and extension, thus contributing to diminish the significant qualitative housing deficit affecting low income households.<sup>15</sup>
- 1.12 Based on this strategy, program design focuses on: (i) complementing other existing programs; and (ii) promoting sustainable housing solutions adapted to the socioeconomic conditions of targeted beneficiaries. The added value of the program is to expand the scope of the current national housing policy in providing housing solutions for the population with the lowest income, and hence, ensure that all income levels are reached.

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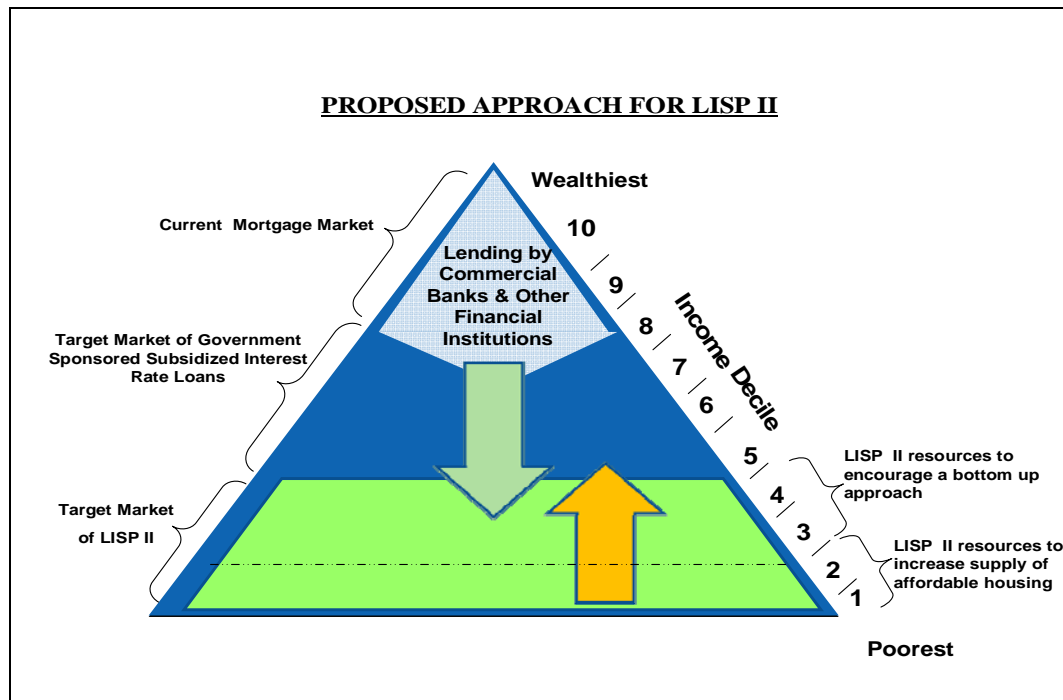
12 The project has been structured along the lines of a land development corporation, and it is known by the name of Richelieu.

13 It is expected that the 7% interest rate continues attending to middle income groups. Also, in view of the recently created 5% interest rate program to attend to low income groups (from SRD 500 to SRD 1,200), LISP II's Operational Regulations will forbid access to both subsidies in conjunction with the program's subsidies.

14 The mortgage for the program will be at market rates.

15 It is expected that only people in the 3rd and 4th lowest income deciles will own a plot of land.

**Graph 1.1: Proposed Approach for LISP II**



**B. Objective, Components and Cost**

- 1.13 **Program Objective.** The program supports the GOSU in its efforts to improve the living conditions of low income households.<sup>16</sup>
- 1.14 The program will have three components.
- 1.15 **Component I. Consolidation of the Subsidy Model (US\$9,383,000).** It will assist low income households to access a new housing solution or improve an existing one by providing a single upfront subsidy of US\$3,000.<sup>17</sup> This component will have three subcomponents.
- 1.16 Subcomponent I. Consolidation of the Subsidy Model in Coastal and Urban Areas: LISP II will incorporate lessons from LISP I to improve the outreach, allocation, execution and supervision of the subsidy, and to establish new institutional arrangements. Specifically, it will improve its targeting strategy and subsidy systems by: (i) including a proxy means test methodology to assess beneficiary income, and improve the accuracy of the self reporting method used in LISP I; (ii) streamlining program parameters with a single fixed subsidy amount and a clear cut net income rate of SRD900 per

<sup>16</sup> For the purposes of this program, low income is defined as those having a maximum net household income of SRD900-SRD1500 (equivalent to US\$335-US\$555) per month.

<sup>17</sup> For an explanation on the Affordability Analysis made to calculate subsidy parameters, see the electronic link under Technical Options and Design.

household;<sup>18</sup> (iii) establishing a maximum cost of US\$10,000 for the new core housing solution;<sup>19</sup> and (iv) providing a priority menu for home improvement and expansion works.

- 1.17 In addition, subcomponent I will increase the capacity to allocate subsidies and speed up completion time<sup>20</sup> of the improvement or new housing solution, by: (i) developing a software-based system to handle applications, approvals, and disbursements (the Management Information System), simplifying the need for paperwork and reducing delays; (ii) improving the selection process of NGOs and their technical assistance skills (¶1.21 and ¶3.5); (iii) signing results-based contracts with NGOs and FIs; and (iv) strengthening the Program Implementation Unit (PIU) to oversee construction processes and prevent completion delays.
- 1.18 Subcomponent II. Geographic Extension of the Subsidy to Suriname's Interior: LISP II will continue to cover Suriname's interior, based on a successful pilot developed during LISP I. Subsidy parameters and amount, and maximum cost of the housing solution will be the same as subcomponent I (¶1.16). A different delivery model will be used to reflect specific geographical and cultural characteristics of beneficiary communities (¶3.5).
- 1.19 In Suriname's interior, (i) personal loans will be accepted to complement the subsidy, as a proxy to the mortgage loans provided in other areas;<sup>21</sup> and (ii) due to long distances and high costs of transportation to the interior, the program will only accept group applications, for which details are described in the operating regulations of the program.
- 1.20 The US\$15 million program will benefit a minimum of 3,000 low income households, both along the coast and in Suriname's interior. The distribution of subsidies will be based on demand. However, according to the experience of LISP I and the current demand in housing, it is expected that approximately 1,000 subsidies will be allocated for the construction of new core houses and about 2,000 subsidies will be awarded for home improvement and/or rehabilitation. It is expected that 10% of subsidies will be allocated to the interior.

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18 LISP I had a net income value of SRD1,200 to qualify for the subsidy. With this income LISP I included middle income groups. With a top income of SRD900-SRD1500, depending on family size, LISP II will not target middle income groups.

19 LISP I program standards allowed for beneficiaries to build a 80sqm, fully serviced house, on a 300-400 square meter plot. For those beneficiaries applying for a new housing solution, LISP II proposes a core house approach, which allows for extensions in time. This is an appropriate approach to reach lower income beneficiaries since setting a maximum cost of eligible houses ensures that public funds assist households in acquiring a minimum cost housing solution. The price ceiling also supports accurate targeting, since it discourages higher income households from applying. The core house is defined as a 40sqm unit with a sanitary block (septic tank, toilet, shower and a multi purpose sink), concrete or wood for the outer walls, and floor on concrete slab, basic doors, windows, electrical wiring and water connections. Water connections can be substituted by other methods of water collection, when the water connection option is not available. NOTE: The US\$10,000 threshold will be indexed with increases in the cost of building materials and/or in case of sufficient evidence of the lack of such a house in the market.

20 In LISP I completion time proved to be delayed due to the lack of support at the beginning and at the end with adequate supervision systems.

21 Since it is not possible to use land as a collateral for a mortgage or loan financing, and many households in the interior work in the informal sector, banks will not make mortgage loans to these households.

- 1.21 Subcomponent III. Strengthening NGOs participation: LISP I engaged NGOs to participate in the program, but performance varied. Therefore, to encourage program sustainability, LISP II will strengthen NGO participation by: (i) establishing a results-based contract between the PIU and each NGO, with clearly outlined responsibilities and goals; and (ii) strengthening NGOs technical assistance skills in building techniques, standards, and financial advisory services, so that they can better advise beneficiaries on the solution to pursue. It is expected that with this support, applications filed for the program will be better suited to clients' characteristics and needs, besides being more expeditiously approved by the PIU.
- 1.22 **Component II. Pilots for Low Income Housing (US\$3,775, 000).** The pilots will explore options to provide residential land and/or a housing solution at prices that are affordable to low income households. They will test alternative delivery mechanisms and institutional arrangements to expand the supply of low-cost housing solutions. Key characteristics of the pilots include: (i) addressing some of the constraints of low income families in accessing housing services (land, credit, materials, technical assistance for building, etc.); (ii) encouraging the testing of a variety of solutions; and (iii) having a potential for replication and scaling up. An indicative menu of the pilots is included on table 1.2. Actual proposals will be defined after a detailed technical and institutional analysis (¶3.7 and ¶3.8).

**Table 1.2: Indicative Menu of the Pilots**

Issue Addressed	Pilot Type	Solutions/Options
Lack of supply of affordable service lots for housing	New, affordable serviced lots	Acquire existing lots in mixed income developments and sell them to low income households
		Develop serviced macro lots for mixed income housing development, sell the land to developers or organized groups for development with a percentage of low income housing
		Support ownership of land by organized groups to provide infrastructure and build core units
	Densification of existing serviced lots	Support ownership of land by low income households to subdivide the lots for a second house
Limited financial products and services for low income households	Financing for incremental housing construction	Support the opening of a micro finance window for the 5% housing lending mechanism
		Guarantee fund for multipurpose micro financing, including housing

Issue Addressed	Pilot Type	Solutions/Options
		Guarantee fund for affordable housing developers
Limited housing models, materials and processes for low income housing	Promotion of new designs for affordable housing	Build houses in innovative projects selected through a competition for innovative designs for affordable housing
	Technical assistance (TA) for incremental (builders)	Set a TA fund to partially subsidize TA for self builders
	TA to clarify titling issues	Set a partial TA fund to support those owners with title issues

- 1.23 Program partners for the pilots can range from private contractors and developers, to NGOs and FIs willing to expand their services to support low income groups. Pilots will also include the participation of public sector partners, such as SOZAVO and/or the Ministry of Spatial Planning (ROGB).
- 1.24 Pilots will be developed at the feasibility stage with program funds, with a pool of resources reserved for their implementation. However, if the technical and financial studies are not favorable, or if there is no clear interest in developing these pilots, the pool of funds will be transferred to component I. The program expects to finance the execution of two to six pilots, depending on costs.
- 1.25 **Component III. Institutional Strengthening of the PIU (US\$1,927,000).** This component supports the operation, training and equipment needs of the PIU. Training includes: (i) Management Information System (MIS) usage and reporting for monitoring purposes, and for supporting SOZAVO'S sector information needs; (ii) application of program environmental and social standards; and (iii) management planning and monitoring to strengthen PIU's ability to prepare and implement detailed annual work plans, to manage consultants and to comply with procurement procedures.

### C. Key Results Indicators

- 1.26 The program focuses on improving the living conditions of the lowest four deciles of the population through providing affordable housing or improvements. The program will be successful if: (i) about 60% of housing solutions provided by the program reach the third and fourth lowest income deciles; (ii) about 40% of housing solutions provided by the program reach the first and second lowest income deciles; and (iii) at least one of the pilots is replicated without program funds up to the last year of program execution.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing Instruments

- 2.1 **Cost and Financing.** The GOSU requested an investment loan with sovereign guarantee of US\$15 million. The financial resources will come from the Ordinary Capital (OC) of the IDB. The breakdown of the program costs is given in the following table:

**Table 2.1: Estimate and Breakdown of Program Costs (in US\$)**

PROGRAM COMPONENTS	IDB	LOCAL	TOTAL	%
<b>Component I. Consolidation of the subsidy model</b>	<b>9,383,000</b>		<b>9,383,000</b>	<b>62</b>
Subcomponent I. Subsidies to Coastal and urban areas			<b>8,700,000</b>	<b>58</b>
New Core House	2,700,000		2,700,000	18
House Improvement and Extension	6,000,000		6,000,000	40
Subcomponent II. Subsidies to the Interior			<b>300,000</b>	<b>2</b>
New Core House	300,000		300,000	2
Subcomponent III. Institutional Strengthening of Program Partners			<b>383,000</b>	<b>2</b>
Training to NGOs	23,000		23,000	0
NGO's and IFIs Services	360,000		360,000	2
<b>Component II. Pilot Development</b>	<b>3,775,000</b>		<b>3,775,000</b>	<b>25</b>
Pilot Design and related investments	3,375,000		3,375,000	22
Execution/Monitoring	400,000		400,000	3
<b>Component III. Strengthening of LISP Foundation and Program Management</b>	<b>1,613,000</b>		<b>1,927,000</b>	<b>12</b>
Staff	1,310,000	314,000	1,624,000	11
Equipment	30,000		30,000	0
Training to the PIU	23,000		23,000	0
Program Administration	225,000		225,000	1
Program promotion and outreach	25,000		25,000	0
<b>Contingency</b>	<b>29,000</b>		<b>29,000</b>	<b>0</b>
<b>Evaluation and Auditing</b>	<b>200,000</b>		<b>200,000</b>	<b>1</b>
<b>TOTAL</b>	<b>15,000,000</b>	<b>314,000</b>	<b>15,314,000</b>	<b>100</b>

- 2.2 **Disbursement Timetable.** The disbursement period for the program is five years. The following table contains a projection of the annual disbursements for IDB funds.

**Table 2.2: Disbursements Schedule (in US\$ Thousands)**

<b>Bank</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
<b>Total</b>	0	3,750	3,000	3,750	3,750	750	15,000
<b>% Year</b>		25	20	25	25	5	100

- 2.3 Up to US\$60,000 of the financing may be used to reimburse expenditures incurred between October 26, 2009 and the date of loan approval by the Board for: (i) hardware upgrading; (ii) design of environmental and construction training; and (iii) design of communication and outreach campaigns.

## **B. Enviromental and Social Safeguard Risks**

- 2.4 The program will have a net positive social and environmental impact as it will: (i) improve housing conditions for low-income people; (ii) promote a small scale construction market; (iii) develop house construction technology appropriate to local conditions; and (iv) strengthen NGOs capacity building to work with various ethnic groups.
- 2.5 The IDB toolkit classification of the program is B. As such, the proposed Environmental and Social Strategy (ESS) of the operation involves the preparation of an Environmental Analysis (EA). The EA identified the environmental and social impacts and the necessary management and mitigation measures for the projects to be supported by LISP II. It also defined the minimum environmental standards that beneficiaries' lots should meet to be eligible for a subsidy, all in accordance with national legislation and the IDB policies.
- 2.6 The principal recommendations of the EA were to include: (i) mechanisms to ensure the enforcement of social and environmental guidelines for the design and execution phases; (ii) impact mitigation and enhancement measures; (iii) the monitoring and supervision of the social and environmental performances of program activities; and (iv) training to PIU staff and NGOs to sensitize them on the benefits of a sound social and environmental management of LISP II. These recommendations will be implemented and enforced by the hiring of a social and environmental specialist in the PIU. Semi-annual progress reports will be prepared for program supervision.

## **C. Fiduciary Risk**

- 2.7 The procurement capacity of the PIU was assessed. The analysis qualified PIU's capacity as "low". PIU staff will be trained in the IDB procurement processes and procedures. This will also entail training in the preparation of annual operation plans, semi-annual reports and their respective procurement

plans. The IDB Country Office of Suriname (CCB/CSU) will organize the training of PIU staff as soon as they are recruited.

- 2.8 A financial and institutional analysis of the PIU to execute the program was conducted as part of program preparation. The analysis qualified this capacity as “average”. Moreover, during execution of the LISP I, the PIU had an effective financial management system and qualified and capable staff in place to manage program funds.
- 2.9 The fiduciary risk currently identified in the LISP II is the lack of familiarity of the staff with the new MIS to support effective program administration, monitoring, and evaluation. In addition, there has not been a permanent program manager during the design and preparation of LISP II, and a new PIU management has been recruited with no background knowledge of supervision of Bank financed operations. These factors could have a negative impact on the fiduciary capacity of the PIU.
- 2.10 To mitigate these risks, the IDB will allocate program funds to: (i) strengthen the MIS and train the staff on its use and application; and (ii) strengthen the institutional capacity of program partners and the PIU through specific training on environmental, managerial and operational issues. The new PIU team to implement LISP II will also receive training to understand the underlying principles behind project design, and how it is integrated with other national programs. In order to develop and maintain an effective fiduciary environment, specialists in financial management and procurement (CCB/CSU) will conduct inspection visits regularly to analyze the financial management and procurement capacity of the PIU.

#### **D. Implementation Risk**

- 2.11 Implementation risk is related to the capacity of the PIU to implement the program, and to the strategic choice to work in partnership with NGOs and FIs. A specific risk related to the above is the capacity of each actor to deliver its products on time to comply with the project cycle. The recruiting and training efforts along with preparatory meetings should mitigate these risks. Additionally, program monitoring will include constant fine-tuning of the project cycle to strengthen and improve the subsidy system.

#### **E. Sustainability Risk**

- 2.12 The long term impact of the program on the housing sector in Suriname depends on: (i) the capacity to develop pilots that are replicable without program intervention; and (ii) the sustainability of the subsidy system. With respect to the first issue, the program will include activities to strengthen the institutional arrangements for further implementation of the pilots. With respect to the second issue, the subsidy system will need future financing, for which the government must allocate public resources to ensure its long term



sustainability. In addition, the government must facilitate the flow of long term funds that sustain the mortgage market; and strengthen the institutional capacity of the PIU and its permanence within the SOZAVO. The program includes various activities of institutional strengthening to mitigate these risks.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Summary Implementation Arrangements**

- 3.1 The Republic of Suriname will be the borrower. The Executing Agency will be SOZAVO, through the LISP Foundation. The LISP Foundation was created to be the PIU of LISP I. It is responsible for all aspects of project execution, including coordination with the IDB, the disbursement and the financial reporting on the use of program funds. It is governed by a Board of Directors, headed by the Chairman, who is accountable to the Minister of Social Affairs and Housing. For monitoring purposes, the Chairman and Management of the PIU will maintain the Minister of Social Affairs and Housing and the Acting Secretary of the Housing Department informed of program execution, as described in the operating regulations. The Foundation is comprised of representatives of the main stakeholders of the program, namely: three members from GOSU, one from a participating lender, one from a participating contractor, one from a partner NGO, and one that is acceptable to all of the above.
- 3.2 The GOSU will transfer the proceeds of the loan to the LISP Foundation. A PIU located in the LISP Foundation will have responsibility for management, including the monitoring and controlling of all program activities and for coordinating the multiple actors, to ensure it is executed within the proposed timeframe and in accordance with the operating regulations. The program includes the financing of PIU staff.
- 3.3 **Component I.** The program will be executed in partnership with NGOs and FIs. For each partnership a contract will be signed, detailing the specific services to be provided, and the expected compensation for each service. A template of those contracts is included in the draft operating regulations.
- 3.4 The roles of the actors are summarized in the following table, according to the project cycle.

**Table 3.1: Summary of the Implementation Arrangements**

Stage in Project Cycle	Service to Provide	Actor
Promotion and Outreach	Outreach	NGOs and PIU
Application	Assistance	NGOs
Application	Approval	PIU
Implementation	Supervision	FIs for new houses PIU for improvement and extensions NGOs in the Interior
	Monitoring	PIU in coastal and urban areas NGOs in the Interior

- 3.5 The delivery model for Suriname's interior will include the following features that are different from the delivery model for the urban coastal and rural areas. NGOs will: (i) provide services in organizing the group application at the village level; (ii) provide project supervision services;<sup>22</sup> and (iii) coordinate the bulk purchase and transportation of building materials. Individuals may not own land. In the event that a loan is required (in addition to the subsidy and the household savings) to finance a housing solution, most applicants will need to obtain a loan guarantee.<sup>23</sup> Details are further developed in the operating regulations.
- 3.6 **Conditions prior to the disbursement of IDB resources for the financing of the activities referred to in subcomponent I and II of component I are: (i) the hiring of the following staff for the PIU: Management Information System Manager, Environmental and Social Specialist, Field Supervisor and four (4) Field Officers; (ii) evidence that the Management Information System to process applications is operational; and (iii) the signing of contracts with NGOs and FIs. The condition prior to the disbursement of IDB resources for financing of the activities referred to in subcomponent III of component I is the signing of the contracts between the NGOs and the PIU.**
- 3.7 **Component II.** The PIU will be directly responsible for the pilots. A specialist (Pilot Manager) will be hired to run the program within the PIU. The Pilot Manager will report to the PIU Director and will be responsible for: (i) surveying possible partners and stakeholders; (ii) submitting a proposal of institutional partners; (ii) preparing the terms of reference of feasibility

22 The PIU will undertake a limited number of monitoring visits to ensure that LISP II procedures are adhered to and that projects are constructed in accordance with technical and environmental guidelines.

23 During phase one of LISP I, Godo Foundation and some NGOs themselves provided loan guarantees, which made it possible for LISP beneficiaries to obtain personal loans that were used to finance the construction of new core houses. Under LISP II, Godo Foundation is able to provide a limited number of partial guarantees (up to 50% of the personal loan). In addition to guarantees provided by Godo Foundation, it is expected that some NGOs, using their own property as collateral, will be willing and able to guarantee some loans to LISP applicants from the interior.

studies; (iii) monitoring feasibility studies; (iv) preparing a report on the results of feasibility studies for discussion and selection of the pilots to finance; (v) preparing the terms of reference for the contracting of the pilots; and (vi) monitoring the execution of the pilots.

- 3.8 A Pilot Evaluation Committee (PEC) formed by representatives of the LISP Foundation, SOZAVO, the Ministry of Physical Planning, the Ministry of Public Works, the Ministry of Natural Resources and the IDB will be convened to approve pilot projects and assign priority. The Committee will be created by the LISP Foundation. Arrangements on the functioning of the Committee will be detailed in the operating regulations. The Committee will discuss and provide its agreement on: (i) the terms of reference of the feasibility studies; (ii) the results of the feasibility studies; (iii) the selection of the pilots to finance; (iv) the monitoring of their execution; and (v) the final report after pilots' execution.
- 3.9 The final arrangements for the implementation of the pilots will be detailed in the Loan Results Report, to be submitted 18 months after the first disbursement.
- 3.10 **Conditions prior to the disbursement of IDB resources for the financing of the activities referred to in component II are: (i) the hiring of the Pilot Manager within the PIU; and (ii) the formation of a Pilot Evaluation Committee to approve pilot projects.**
- 3.11 **Conditions precedent to the first disbursement of IDB resources are: (i) the hiring of the Director, the Technical Manager, and the Financial Manager of the PIU; and (ii) the approval of the Program's operating regulations by the Board of LISP and the IDB.**

## **B. Procurement**

- 3.12 Procurement will be as set out in IDB policy. The text of the procurement plan and its spreadsheet are attached as an electronic link. The Summary Procurement Table can be found in Annex III of this document.

## **C. Monitoring, Evaluation, and Auditing**

- 3.13 Monitoring and evaluation activities are described in an attached document (see electronic link). Auditing provisions are set out in the same document and are in accordance with the IDB policy.

## RESULTS FRAMEWORK

Project Objective	To support GOSU in its efforts to improve living conditions of low income households. <sup>1</sup>							
Outcome Indicators	Base Level				Target Level			
Percentage of LISP beneficiaries within the 3 <sup>rd</sup> and 4 <sup>th</sup> lowest income deciles	0				60%			The percentage applies to the total amount of subsidies and/or programs or initiatives offered by the program. Target levels will be measured through the program's MIS.
Percentage of LISP beneficiaries within the 1 <sup>st</sup> <sup>rd</sup> and 2 <sup>nd</sup> lowest income deciles								
Component I	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Outputs								
Beneficiary Families in coastal and urban area								Verification Source: MIS reports Note: since the program is based on demand, targets are not certain. Projections are based in past experiences.
(a) Home rehabilitation and extension	0	100	500	600	600	200	2000	
(b) New Homes	0	50	250	300	300	100	1000	
Beneficiary Families in the interior								Verification Source: MIS reports Note: since the program is based on demand, targets are not certain. Projections are based in past experiences.
(a) New Homes	0	0	30	30	40	10	110	
Component II	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Outputs								
Large Scale Developers getting into the low Income housing market (# of developers)	0	0	1	1	1	0	3	Verification Source: Program reports Note: since pilots are based on their technical and institutional feasibility, projections might not be fulfilled.
Component II	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Comments
Outputs								
Financial Institutions participating in low income housing (# of projects with FI participation) <sup>2</sup>	0	0	1	1	0	0	2	Verification Source: Program reports Note: since pilots are based on their technical and institutional feasibility, projections might not be fulfilled.

<sup>1</sup> For the purposes of this program low income is defined as those having a maximum net household income of SRD900 (equivalent to US\$335) per month.

<sup>2</sup> Including financing housing development and or/microcredit.

Development of a Replicable pilot	0	0	0	0	1	1	2	Verification Source: Evidence that there are actors trying to replicate pilot experiences on their own.
<b>Component III</b>	<b>Base</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Target</b>	<b>Comments</b>
<u>Outputs</u>								
Training MIS	0	75	100				100	% of relevant staff successfully operates the MIS and derives information to report and improve program processes.
Training Management	0	75	100				100	% of relevant staff is skilled in the use of management software for planning and supervision.
Training in environmental issues	0	75	100				100	% of relevant staff is skilled in environmental issues that need to take into account in housing projects.
<u>Outcomes</u>								
Average Period of time to deliver the subsidy (days) (between application and disbursement)	N/A	50	40	40	30		30	Verification Source: MIS reports
Percentage of housing or improvement solutions to be completed in the expected time frame	50%	60	70	80	90		90	Verification Source: MIS reports

## Notes:

1. The Matrix of Indicators will show the base level values, expected year values, and target values of each indicator.
2. Outputs and outcomes are grouped together to facilitate monitoring of component performance.
3. The right hand column can be used for description of output / outcomes and choice of indicator and other explanatory notes.
4. In the Results annex/section, this matrix will be complemented by a detailed account of the arrangements (including institutional responsibilities, operating regulations, terms of reference, hiring of consultants, budgeting) showing how the data will be collected, verified, analyzed and reported to the Bank. The data sources and rationale behind the base line and target values will also be described.

**SUMMARY PROCUREMENT TABLE**  
**Period included in this Procurement Plan: From June 2009 until December 2010**

Ref. No. <sup>1</sup>	Description and type of the procurement contract	Estimated Contract Cost (US\$000)	Procurement method <sup>2</sup>	Review (ex ante or ex post)	Source of financing and percentage		Pre-qualification <sup>3</sup> (Yes/No)	Estimated dates		Status <sup>4</sup> (pending, in process, awarded, cancelled)	Comments
					IDB %	Local/ Other %		Publication of specific procurement notice	Completion of contract		
	<b>1. <u>Goods</u></b> o Hardware (upgrade of the IT equipment and MIS system).	30	PC	Ex ante	100%		No	Q4/2009			
	<b>2. <u>Non-consulting services</u></b> o MIS Training (PIU and NGO) o Management Training (PIU) o Financial Skills Training (NGOs) o Construction Skills Training (NGOs) o Rent, Office Supplies and Utilities	26 10 5 5 67.5	PC PC PC PC PC	Ex ante Ex ante Ex ante Ex ante Ex ante	100% 100% 100% 100% 30%		No No No No No	Q1/2010 Q1/2010 Q1/2010 Q1/2010 Q1/2010			

<sup>1</sup> If a number of similar individual contracts were to be executed in different places or at different times, these can be grouped together under a single heading, with an explanation in the comments column indicating the average individual contract amount and the period during which they would be executed. For example, an education project that includes school construction might include an item "school construction" for a total of US\$20 million, and an explanation in the comments column such as: "This encompasses some 200 contracts for school construction averaging US\$100,000 each, to be awarded individually by participating municipal governments over a three-year period between January 2006 and December 2008."

<sup>2</sup> **Goods and Works:** ICB: International competitive bidding; LIB: limited international bidding; NCB: national competitive bidding; PC: price comparison; DC: direct contracting; FA: force account; PSA: Procurement through Specialized Agencies; PA: Procurement Agents; IA: Inspection Agents; PLFI: Procurement in Loans to Financial Intermediaries; BOO/BOT/BOOT: Build, Own, Operate/Build, Operate, Transfer/Build, Own, Operate, Transfer; PBP: Performance-Based Procurement; PLGB: Procurement under Loans Guaranteed by the Bank; PCP: Community participation procurement. **Consulting Firms:** QCBS: Quality- and Cost-Based Selection QBS: Quality-Based Selection FBS: Selection under a Fixed Budget; LCS: Least-Cost Selection; CQS: Selection based on the Consultants' Qualifications; SSS: Single-Source Selection. **Individual Consultants:** NICQ: National Individual Consultant selection based on Qualifications; IICC: International Individual Consultant selection based on Qualifications

<sup>3</sup> In the case of new Policies it applies only for Goods and Works. In the case Old Procurement Policies it applies for Goods, Works and Consulting Services.

<sup>4</sup> This column "Status" should be used for retroactive procurement and for procurement plan updates.

Ref. No. <sup>1</sup>	Description and type of the procurement contract	Estimated Contract Cost (US\$000)	Procurement method <sup>2</sup>	Review (ex ante or ex post)	Source of financing and percentage		Pre- qualifi- cation <sup>3</sup>  (Yes/No)	Estimated dates		Status <sup>4</sup> (pending, in process, awarded, cancelled)	Comments
					IDB %	Local/ Other %		Publication of specific procurement notice	Completion of contract		
3.	<b><u>Consulting services</u></b>										
	o PIU Staff – Director	240	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Technical Manager	186	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU-Staff – Finance Manager	186	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – MIS Engineer	186	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff—Pilot Manager	150	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Field Supervisor	90	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Social and Environmental Specialist (part time)	34	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Office Manager	80	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Bookkeeper	60	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Housekeeper	21	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Mailperson	26	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Field Officer (4)	300	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Driver	32	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o PIU Staff – Office Assistant	33	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o Design of the outreach campaign	10	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o Design of the trainings	10	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o Housing Design	10	QCNI	Ex ante	84%	16%	No	Q1/2010			
	o Definition of the pilots (2 consultants – one international and one local)	40	QCII and QCNI	Ex ante	84%	16%	No	Q1/2010			
	o Audit	60	QCBS	Ex ante	84%	16%	No	Q1/2010			