

TC Document for Non Reimbursable Technical Cooperation

I. Basic Information for TC

▪ Country/Region:	JAMAICA
▪ TC Name:	Financing Solutions for Social Housing in Jamaica
▪ TC Number:	JA-T1185
▪ Team Leader/Members:	Anganu, Jaiwattie (IFD/CMF) Team Leader; Acevedo Calle, Daniela (LEG/SGO); Bernedo, Cecilia (IFD/CMF); Chona, Gilberto E. (CSD/HUD); Foster, Alison Shelley (CCB/CJA); Marquez, Claudia (IFD/CMF); Martinez Lopez, Cynthia Guadalupe (IFD/CMF); Samuels, Rochelle Kaye (CCB/CJA)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	03 Jun 2021.
▪ Beneficiary:	The Ministry of Housing, Urban Renewal, Environment and Climate Change (MHURECC) and citizens of Jamaica
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Institutions(INS)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	30 months
▪ Required start date:	November 15th, 2021.
▪ Types of consultants:	Individual and/or firm consultants
▪ Prepared by Unit:	IFD/CMF-Connectivity Markets and Finance Division
▪ Unit of Disbursement Responsibility:	CCB/CJA-Country Office Jamaica
▪ TC included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	N
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Institutional capacity and rule of law; Environmental sustainability; Gender equality

II. Objectives and Justification of the TC

- 2.1 In Vision 2030¹ Jamaica recognizes that housing is an important component of the economic and social development of the country. It is an important part of national infrastructure and pivotal to social development, national competitiveness, and economic growth. It is proposed that, by the year 2030, every Jamaican will be living in a well-constructed dwelling unit that is safe, sanitary, and affordable and in an inclusive and aesthetically pleasing community. This is also in keeping with the UN's Sustainable Development Goal (11) which calls for making cities (and communities) inclusive, safe, resilient, and sustainable. A key target under SDG11 is to ensure safe and affordable housing. The main indicator to measure progress on this target is the proportion of the urban population living in slum households.

¹ Vision 2030 Jamaica is a strategic road map of the Government of Jamaica to guide the country to achieve its goals of sustainable development and prosperity by 2030.

- 2.2 Jamaica has a population of about 2.8 million inhabitants. With an urbanization rate of 54% from Statistical Institute of Jamaica [STATIN, 2011]) and 56% from the WB 2020² an estimated 20% of total population squatting in over 700 informal settlements ((Draft Housing Policy 2019, page 18), national and local authorities face a serious development problem. Research undertaken for the National Housing Policy (2019) revealed that 15,000 new units are required annually up to 2030 to clear the backlog, coupled with another 2400 units which are needed for replacement each year. With an average provision of housing units of 11,152 per annum by the NHT and private developers, there remains a shortfall of 6248 per annum (NHP 2019, page 6).
- 2.3 *Urban Deterioration in Jamaica.* after achieving independence from Britain in the 1960s, industry and trade thrived in urban centers, attracting hordes of rural migrants in search of better opportunities and quality of life. Mass migration quickly resulted in over-populated towns and urban centers throughout Jamaica. The poorly designed and maintained infrastructure and basic urban services strained under the increased pressure. The mass migration also led to a burgeoning of unplanned growth in squatter communities island wide. As recently 2018, Jamaica was 55% urban, giving the indication that the urban population may be at 60% before the year 2030. Over decades, the result of this pattern of urbanization (particularly in Kingston) has been an increase in the spatial and social segmentation of society as well as “increased densification and concentration of lower income groups in deteriorated areas of the city” (Mullings et al, 156). The pandemic has only served to worsen this situation as lots of persons in the service sector have been made redundant and unable to pay rents.
- 2.4 *Inadequate physical planning and oversight* have disrupted traditional integration mechanisms that are built around factors such as access to housing, health, education, and culture enterprises and have contributed to growing urban sprawl, dilapidated housing, and environmental degradation, particularly worse in urban slums. These factors have contributed to an increased incidence of squatting that has characterized all major towns in Jamaica. Informal settlements have been proliferating and pose serious threats to sensitive environments. While policies have been lacking to cauterize the spread, persons have continued to capture lands, most of which are owned by the State, to establish housing. The situation in the urban spaces is worsened by the fact that several of Jamaica’s towns and cities are coastally located and are under the constant threat of the negative impacts of climate change.
- 2.5 *Increasing gap between demand and supply.* The gap between supply and demand continues to widen despite attempts by successive governments to make more lands available for housing and repeated changes to housing finance by the National Housing Trust (NHT) and major housing finance institutions. Private sector housing finance institutions serve primarily the top 30% of income earners (MWH, 2011), while only 25% of contributors to the NHT have benefitted since its inception (Henry, 2013), although established to increase access to affordable housing for low-income households. It should be noted that the NHT has about 440,000 contributors on its books, which indicates that over 330,000 contributors have not been able to access loan packages: a major flaw in its operation and an aspect that requires urgent legislative and policy attention.
- 2.6 *Lack of an Enabling environment.* There is not a truly enabling environment to attract and stimulate greater private sector participation especially in the low-income segment

² [Urban population \(% of total population\) - Jamaica, WB \(2020\).](#)

of the housing market. Since the adoption of the Housing Public-Private Partnership Policy (HPPP) in 2008, the challenge has been the housing sector has failed to widen to include other actors and providers of housing such as community associations and provident societies as well as non-governmental organizations. Better public private collaboration and joint ventures need to be facilitated and this be developed in the financing solutions being proposed.

- 2.7 *Access to credit and mortgages.* Low-income households find it difficult to access loans through the formal financial institutions, as many households are engaged in informal economy where they secure their livelihoods and incomes. Policies have not yet captured the role of micro-financing and flexible financing that could assist in increasing access to formal housing for low-income groups. As such, low-income households' resort to the informal sector and continue to undertake incremental housing development, with suboptimal construction standards, to house themselves. The pandemic has further pushed these households into poverty, making the development of financing instruments more critical at this juncture.
- 2.8 The Ministry of Housing, Urban Renewal, Environment and Climate Change (MHURECC) is responsible for forging partnerships between state and non-state players, Ministries, Departments and Agencies (MDAs) in connection with all housing matters in Jamaica. The housing partners who continue to work closely with the Ministry in carrying out its mandate as regards to housing include the National Housing Trust,³ the Housing Agency of Jamaica Limited,⁴ the Jamaica Mortgage Bank and an NGO, Food for the Poor Jamaica, amongst others. The MHURECC wants to ensure that national policies exist which will ensure that all stakeholders are working towards the same objectives. A National Squatter Policy⁵ is being developed by the Ministry⁶ now which will deal with the squatters and illegal occupation of land. There is a Draft National Housing Policy of 2019⁷ which will provide the overarching framework of the Housing sector in Jamaica when approved. However specific urban renewal policy and an action plan to deal with urbanisation and low-income financing for affordable housing solutions in Jamaica remain unattended. Together these policies and intervention will support a comprehensive housing framework for Jamaica. The government has since requested the Bank to support the institutional strengthening of the MHURECC in the development of an urban renewal policy and action plan and develop affordable financing solutions which can be utilized in the Jamaican market.
- 2.9 **Strategic Alignment.** In this context, the Technical Cooperation (TC) is consistent with the Bank's Second Update to the Institutional Strategy 2020-2030 (AB-3190-2), as it aims at supporting governments, State Owned Enterprises and Public Financial Institutions in Latin America and the Caribbean (LAC) and the Housing and Urban

³ The National Housing Trust (NHT) was established in 1976 through an amendment to the National Insurance Act of 1976. NHT has a mandate to generate funding for the housing construction sector and to promote improved building systems and greater efficiency within the industry.

⁴ HAJ is a wholly owned, self-funding government entity. HAJ's main activities include property development, the construction, and sale of housing solutions for low to middle-income earners and the regularization of tenure on land through titling services.

⁵ This policy is being developed now by the MHURCC.

⁶ The Prime Minister, Hon Andrew Holness on September 11, 2020, in his announcement of a new Cabinet named the Ministry of Housing, Urban Renewal, Environment and Climate Change (MHURECC), elevating urban renewal as a focus of national government.

⁷ [The Draft National Housing Policy of July 2019](#), is yet to be approved as COVID-19 has overtaken the Government's priorities.

Development Sector Framework (GN-2732-10, November 2020) in supporting the 2030 SDGs and reaching international best practices and standards in the provision of housing solutions; and it is aligned with the development challenges of: (i) social inclusion and equality, and (ii) institutional capacity and rule of law; and also aligned to the cross-cutting themes of gender equality, and climate change and environmental sustainability. The TC is also aligned with the objective of contributing to public policies and institutions that are more effective, efficient, open and citizen-centered of the Ordinary Capital Strategic Development Program for Institutions (OC-SDP for Institutions) (GN-2819-1).

- 2.10 The activities proposed under this TC would build upon IDB's work in the housing sector (HUD) and financing models (CMF) for housing solutions across the region. Further with the Connectivity, Markets and Finance Division (IFD/CMF) it aligns with our work to in enhancing access to finance for housing and private-public partnerships. This TC will also build on our prior work in Jamaica and Chile ([4115/OC-JA](#), [3121/CH-JA](#), [3122/CH-JA](#)) to promote access to finance and productive credit for MSMEs while expanding the knowledge and expertise of using guarantee products with the local financial institutions.
- 2.11 This TC's objectives are to assist the Government of Jamaica to: (i) develop a policy framework and action plan for urban renewal and propose strategies in relation to affordable financing solutions for sustainable low-income households, treating with social housing; and (ii) to facilitate the revision of the Housing Public-Private Partnership Policy (HPPP).
- 2.12 To achieve this objective, this TC will specifically review all the existing policies (including the new Squatter Policy that is being developed and the draft National Housing Policy and Implementation Plan for Jamaica) and develop a National Urban Renewal Policy and Action Plan and come up with financing solutions for low-income housing for the underserved including the use of public-private partnership and guarantee instruments.

III. Description of activities/components and budget.

- 3.1 This TC will support the following components and activities:
- 3.2 **Component 1. Urban Renewal Policy and Action Plan (US\$70,000).** The aim is to strengthen the Ministry's institutional capacity to deploy and implement a modern urban renewal policy for the country which considers the current and future challenges of the island amid climate related risks in accordance with international best practices. Specifically, this component will develop an urban renewal policy for Jamaica and an accompanying action plan for implementation. The consultant will undertake this work via a study and survey where necessary. This will be done in close collaboration of the work being done by the Ministry on the Squatter Policy and the Draft National Housing Policy of 2019. This component will address the human capital, the environmental and policy gaps as well as the cultural enterprise side of things.
- 3.3 **Component 2. Low-income housing financial solutions (US\$80,000).** This component will strengthen the Ministry's ability to provide affordable financing solutions for low-income households in keeping with Goal 11 of the UN's Sustainable Development Goals on Sustainable Cities and Communities. This component will: (i) examine the housing solutions that prevail in Jamaica; (ii) come up with financing models to treat with low income and social housing solutions, including private public partnership models, resilient and sustainable housing solutions; (iii) develop a strategy

to treat with social housing to provide affordable and accessible solutions for vulnerable populations (women heads of household, persons with disabilities, ethnic minorities, and LGBTQ+ community; and (iv) review and make recommendations for the revision of the HPPP. This component will identify the type of financing products and financing channels (Private Financial Intermediaries, NGOs) with the support of the MHURECC through which public and private resources can be channelled to reduce the qualitative and quantitatively low-income housing deficit (short term micro-financing for qualitative deficit, long-term mortgage credit, credit for the construction of housing for rent or for sale, etc).

- 3.4 In this component, new policy channels to the low-income population with a housing deficit should be identified for an active participation of private financial intermediaries capable of financing the supply and demand of housing (Commercial Banks, Microfinance Companies, Cooperatives, Credit Unions, Housing Credit Insurers, Private Builders, etc.), in such a way that targeting to the housing deficit will be segmented by each government agency that currently serves the housing sector.
- 3.5 Consequently, the project will provide technical assistance to: (i) increase the capacity of the MHURECC in urban renewal and planning together with providing financing solutions for low-income households; and (ii) increase the awareness and capacity of all stakeholders in the housing space including the private sector on the possible financing solutions which can be used in Jamaica. Both results will be achieved directly to the MHURECC via Components I and II and indirectly by other SOE and public agency in LAC through the policies and solutions generated.
- 3.6 **Budget.** The project is estimated to require a total of US\$150,000 which will be financed through the Ordinary Capital Strategic Development Program for Institutions (INS). The Ministry is expected to provide the requisite staff to support the consultants in undertaking the work. Table 1 details this budget:

Table 1. Indicative Budget in (US\$)

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1. Urban Renewal Policy and Action Plan	Develop an URP for Jamaica and accompanying Action Plan.	70,000	70,000
Component 2. Low Income Housing Financial Solutions	<ul style="list-style-type: none"> - Assessment of housing solutions in Jamaica. - Financing models to treat with low income and social housing. - Develop a strategy to treat with social housing. - Review and make recommendations for the revision of the HPPP. 	80,000	80,000
Total		150,000	150,000

IV. Executing agency and execution structure.

- 4.1 The Planning Institute of Jamaica has submitted a formal request for this TC dated August 19, 2020. The MHUERC by email dated November 30, 2020, has requested that the IDB be the Executing Agency of the Technical Assistance to efficiently complete the procurement processes which can experience lengthy delays, and also because of a lack of execution capacity of the Ministry, given that they have no prior experience in implementing a Bank's program. Furthermore, the Bank is considered

to have adequate systems to guarantee the proper execution of the operation and ensure the sustainability of the implementation of the project in line with the Annex 2 of “Operational Guidelines for Technical Cooperation Products” (OP-619-4). Likewise, the TC team has the necessary experience to ensure compliance with the relevant procurement policies and procedures.

- 4.2 The IDB’s execution should: (i) ensure that the TC and program objectives are met quicker; and (ii) enhance local institutional capacity while supporting coordination among the various stakeholders. The administrative and technical supervision of the proposed technical assistance program will be under the responsibility of Country Office Jamaica (CMF/CJA).
- 4.3 The IDB also believes that the dissemination of knowledge and technical skills comprised in this TC will be more efficient if executed by the IDB. Public consultation and dissemination activities which will ensure sustainability and/or ownership of the products to be developed will be done through consultation activities with all relevant stakeholders and facilitation of public private collaboration for the financing solutions to be developed, deployed and implemented. This will be disseminated in accordance with the OC-INS, the fund which is financing this TC.
- 4.4 The activities to be executed under this operation have been included in the Procurement Plan (Annex IV) and will be carried out in accordance with the Bank’s established procurement policies, namely: (a) Hiring of individual consultants, as established in the regulation AM-650; (b) Hiring of consulting firms for services of an intellectual nature according to the Bank Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-4) and its associated operational guideline (OP-1155-4); and (c) Hiring of logistics services and other expenses related to non-consulting services, according to the Corporate Procurement Policy (GN-2303-28). These activities are scheduled for completion within 30 months of approval of the TC as inordinate delays are expected in the execution of the activities given that counterparts are working from home intermittently without adequate computer and internet facilities in the ongoing pandemic.

V. Major issues

- 5.1 This TC could have some potential risks: (i) a delay in the implementation of the changes in the areas involved at the operations level; and (ii) changes in priorities of the MHURECC and Government of Jamaica, over their programs impacting upper management’s commitment with this TC.

Table 2. Risks Description

Risks	Risk level	Mitigation Strategy
Delays in implementation	Low	The MOH will be involved throughout all the steps and processes of the implementation to internalize the changes and adjustments at the operational level. An Implementation Plan will be drawn during the initial phase of the execution.

VI. Exceptions to Bank policy

- 6.1 There are no exemptions to the Bank policies present in this TC.

VII. Environmental and Social Strategy

- 7.1 There are no environmental or social risks associated with the activities outlined in this TC. Per the Environment and Safeguards Compliance Policy of the IDB (OP-703), the operation has been classified as 'Category C' (see [Safeguards Policy Filter \(SPF\)](#) and [Safeguard Screening Form \(SSF\)](#)).

Required Annexes:

[Request from the Client - JA-T1185](#)

[Results Matrix - JA-T1185](#)

[Terms of Reference - JA-T1185](#)

[Procurement Plan - JA-T1185](#)