



# Project Completion Report

---

## PCR

**Project Name:** *National Settlements Program Second Stage*

**Country:** *The Republic of Trinidad and Tobago*

**Sector/Subsector:** *Urban Development and Housing*

**Original Project Team:** *Jose Mauricio Silva (RE3/SC3), Team leader; Robert D. Daughters (RE3/SC3); Juan Carlos Perez-Segnini (LEG); Brian Martin McNish (COF/CTT); Roger Pipe (Consultant); and Jaime Arancibia (Consultant).*

**Loan Number:** *1402/OC-TT*

**Project Number:** *TT0050*

**QRR Date:** *April 7, 2010*

**Final Approval Date of PCR:** *April 27, 2010*

**PCR Team:** *Gabriel Nagy (Project Team Leader, FMM/CTT); Eduardo Rodal (FMM/CTT); Dale James (CCB/CTT); and George L. Gattoni, (Principal Author, Consultant); and Diana Bejar (ICF/FMM).*

## Table of Contents

<b>BASIC INFORMATION</b> .....	1
<b>I. THE PROJECT</b> .....	1
a. Project Context .....	1
b. Project Description .....	3
i. Development Objective(s).....	3
ii. Project Description .....	3
iii. Components .....	3
<b>II. RESULTS</b> .....	5
a. Outcomes.....	5
b. Externalities.....	8
c. Disbursements .....	10
d. Outputs .....	11
<b>III. PROJECT IMPLEMENTATION</b> .....	11
a. Analysis of Critical Factors .....	11
<b>IV. SUSTAINABILITY</b> .....	12
a. Analysis of Critical Factors.....	12
b. Potential Risks .....	13
c. Institutional Capacity.....	13
<b>V. MONITORING AND EVALUATION</b> .....	13
a. Information on Results .....	13
b. Future Monitoring and Ex-Post Evaluation.....	14
<b>VI. LESSONS LEARNED</b> .....	14

### Annex

Analysis of Original Objectives, Program Realignment and Achievements

## Acronyms and Abbreviations

COC	Certificate of Comfort
EA	Executing Agency
GDP	Gross Domestic Product
GORTT	The Government of the Republic of Trinidad and Tobago
HMB	Home Mortgage Bank
HDC	Housing Development Corporation
HGP	Home Grant Program
HIS	Home Improvement Subsidy
IDB	The Inter-American Development Bank
LSA	Land Settlements Agency
MIS	Management Information System
MPHE	Ministry of Planning, Housing and Environment
FNSP	First National Settlements Program, (or NSP Stage One)
NSPSS	National Settlements Program Second Stage, also referred to as the Program
MOF	Ministry of Finance of Trinidad and Tobago
NGO	Non-Government Organization
PCMU	Program Coordinating and Monitoring Unit
PMS	Program Management System
TT	The Republic of Trinidad and Tobago
TT\$	Trinidad and Tobago Dollar
T&CP	Town and Country Planning

## BASIC INFORMATION

### BASIC DATA (AMOUNTS IN US\$)

<p><b>PROJECT NO:</b> TT0050  <b>LOAN(s):</b> 1402/OC-TT  <b>Programmematic</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  <b>If yes, all related Project and Loan Numbers:</b>          _____</p> <p><b>Borrower:</b> Republic of Trinidad and Tobago  <b>Executing Agency (EA):</b> Ministry of Planning, Housing and Environment</p> <p><b>Sector:</b> Urban Development and Housing</p> <p><b>Social Equity (SEQ):</b> Yes  <b>Environmental Classification:</b> C</p>	<p><b>TITLE:</b> National Settlements Program Second Stage</p> <p><b>Date of Board Approval:</b> 22 May, 2002  <b>Date of Loan Contract Effectiveness:</b> 21 June, 2002  <b>Date of Eligibility for First Disbursement:</b> 08 July, 2003</p> <p><b>Months in Execution</b>          * from Approval: 85          * from Contract Effectiveness: 84</p> <p><b>Disbursement Periods</b>  <b>Original Date of Final Disbursement:</b> 21 June 2005  <b>Current Date of Final Disbursement:</b> 21 June 2010  <b>Cumulative Extension (Months):</b> 60</p> <p><b>On Alert Status</b></p> <p>Is project currently designated "on alert" by PAIS? Yes</p> <p>If yes, then why is the project on alert (DO, IP Ratings and/or relevant PAIS indicators): 2;3;7.</p> <p>Comments on relevance of "on alert" status for this project (if applicable):</p>
--	--

Summary Performance Ratings				
DO	<input type="checkbox"/> Highly Probable (HP)	<input type="checkbox"/> Probable (P)	<input checked="" type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)
IP	<input type="checkbox"/> Very Satisfactory (VS)	<input checked="" type="checkbox"/> Satisfactory (S)	<input type="checkbox"/> Unsatisfactory (US)	<input type="checkbox"/> Very Unsatisfactory (VU)
SU	<input type="checkbox"/> Highly Probable (HP)	<input type="checkbox"/> Probable (P)	<input checked="" type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)

## I. THE PROJECT

### A. Project Context

Trinidad and Tobago, with a population of about 1.3 million inhabitants in 2009 is densely populated. Over 70% of the population live in urban agglomerations - towns and cities, mostly concentrated on the East-West Corridor.

Between 1993 and 2001, Trinidad and Tobago's economy grew at about 4% per annum, driven by robust gas-based industries and a strong construction sector. Significant foreign investment (about 9% of Gross Domestic Product (GDP) annually between 1995 and 2001) was based on the country's vast gas reserves and sound petrochemical policies. The social and governance indicators ranked high among middle-income nations. Cost of living traditionally has been high, given the substantial import needs. Economic prospects remained positive during the first year of project implementation. Overall inflation grew from 4.5% in 2002 to 14.75% in 2008. Unanticipated rapid and sustained construction sector inflation almost doubled construction costs over the past five years. The impact of the dramatic rate of inflation on the housing sector, and hence on the project, was significant.

Urban land prices are high. Private land (about 48%) in urban areas is transacted through a highly escalated real estate market and private transactions. Public lands are mostly held in reserve. The official real estate and land markets are beyond the means of half the population. Housing and housing finance standards are high and inflexible. Construction costs are higher than most countries. The cumulative result is a decades-long pattern of land invasion or squatting both on public and private lands by lower-income (and some lower-middle income) groups who have no access to the markets or can only afford houses of inexpensive materials. These precarious, unplanned settlements are found countrywide. With 0.9% population growth at project formulation, the demand for new housing was 6,000 units per year with an accumulated backlog of 12,000 units. At the time the project was planned the Government of the Republic of Trinidad and Tobago (GORTT)'s - assisted programs consisted of: (i) direct production of houses (mostly for middle income families); (ii) the squatter upgrading and new shelter via sites and services of the first National Shelter Programme; and (iii) housing subsidies, mainly for below-market apartment rents, and subsidized interest rates for public housing. These combined initiatives only delivered an estimated 2,000 units of housing demand per year. The resulting housing deficit is a combination of limited annual production (primarily in the cost range of the 5<sup>th</sup> income deciles and below), the backlog of demand and the need to replace or improve the temporary structures housing thousands of households. Given inflation's effect on housing costs, current housing deficits are now much higher and even more families resort to informal and illegal shelter.

Median household income was US\$7,412, which was just at the lower limit for purchasing the least-cost house offered on the formal market. Housing finance terms, conditions and affordability guidelines (loan amounts started at about US\$25,000) precluded lower-income borrowers.

The private sector continues to cover the demand for median income housing and above. The tendency for private developers is not to build for the lower half of the demand because official construction standards are high and costly, and because earnings in this market are low and risks perceived to be high. Therefore, the only option for an estimated 50,000<sup>1</sup> households is to illegally occupy public and private lands, putting up any type of shelter they can afford.

---

<sup>1</sup> The 2002 Housing Policy document estimates a deficit of 48,000 units for low-income families.

## B. Project Description

### i. Development Objective(s)

The broad objective of the National Settlements Program Second Stage (NSPSS) was to establish a more efficient, equitable, transparent and sustainable system for affordable housing. To accomplish this, the project had three specific objectives: (a) improve housing conditions of low-income groups; (b) make public housing expenditures more efficient and equitable; and (c) provide incentives and assist institutions, both public and private, in their transition to a more market-driven housing.

Because of the Program's innovative nature and complexity<sup>2</sup>, it was anticipated that the program would have multiple phases. It was anticipated that new systems and procedures would be set up and tested early in phase one, prior to expanding county-wide; and physical investments for subsequent phases could best be leveraged through triggers to accomplish the longer-term objectives. This Project Completion Report (PCR) applies to the first phase.

### ii. Project Description

The objective of NSPSS was to be achieved through the implementation of three components: (a) squatter upgrading; (b) family subsidies for new housing and home improvement; and (c) sector and institutional development. A summary description of the first phase follows.

### iii. Components

#### **Component 1.** Squatter upgrading (US\$13,5 million)<sup>3</sup>.

The objective of this component was to improve living conditions and regularize the security of tenure for families living in squatter settlements, by providing basic services, communal facilities, and formal tenure documents to approximately 5,400 families. Settlement sites to be upgraded had to have availability of offsite infrastructure, compliance with environmental requirements, unencumbered legal status of land, sufficient population size and some level of community organization. Physical aspects of upgrading consisted of providing basic services, depending on each settlement's needs, including: water, electricity, wastewater disposal (either by sewer connections or septic tanks), basic road treatment, drainage and public lighting. The average cost of upgrading a lot, including land (deed of lease for 199 years), infrastructure improvements and tenure regularization was estimated to be US\$4,100. The charge to beneficiaries for transferring the title deed was limited to US\$1,000, to be paid over a five-year period.

#### **Component 2.** Family subsidies for new houses and home improvement (US\$20 million)<sup>4</sup>.

The objectives of this component were to stimulate markets in the provision of new housing solutions or in improving existing ones, and increase competition as well as cost effectiveness of government spending in the sector. To achieve this, the component

<sup>2</sup> NSPSS (TT-0050) Loan Proposal, 2002.

<sup>3</sup> Total component cost, of which the loan amount is US\$11.0 million.

<sup>4</sup> Total component cost, of which the loan amount is US\$18.2 million).

supported 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. This component was divided into two lines of actions: subsidies for new housing and subsidies for home improvement.

**New housing.** Two categories of subsidy and housing were defined for the program. The first category was an up-front subsidy of up to US\$6,000 for households with annual income below US\$4,500, for the purchase of a home costing less than US\$13,000, with a minimum down payment of US\$650 and with a commercial bank loan for the balance of the cost of the house. The second category was an up-front subsidy of up to US\$4,000 for households with annual income below US\$7,400, for the purchase of a home costing less than US\$16,000, with a minimum down payment of US\$800 and with a commercial bank loan for the balance of the cost of the house. The program expected to benefit 3,000 families with new housing subsidies.

**Home improvement.** Subsidies were also used to improve existing housing stock by making them available to households with annual income below US\$3,000 annual incomes 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 program expected to benefit 1,100 families with home improvement subsidies.

Phase 1 projected most subsidies for new homes for category 1 beneficiaries and from category 2 for home improvements. (When triggering phase 2 of the programme the targets for category 1 and 2 subsidies would be reviewed and revised based on the market response of this phase).

**Component 3.** Sector and institutional development (US\$2,1 million)<sup>5</sup>.

Outputs: a) modernization of MPHE; b) management consultancy; c) institutional changes; and d) sector development studies and initiatives.

Expected results: Modernization of MPHE and addressing sector's strategic bottlenecks.

This component financed technical assistance, equipment (such as computers and IT), sector studies, and workshops. The technical assistance included: (i) consultancies and studies for institutional analysis, change management and institutional strengthening of the MPHE; (ii) Project Management Software (PMS); and (iii) a land and housing processing unit to help streamline and accelerate related inter-institutional approvals by Town and Country Planning (T&CP), the Environmental Management Agency and the Water and Sewerage Agency. The institutional and sector developments also produced good results by helping the Ministry, inter-alia, consolidate its Management Information Systems (MIS).

**Component 4.** Program administration (US\$0.8 million)<sup>6</sup>.

Output: Program coordination.

<sup>5</sup> of which Loan amount was US\$1.81.

<sup>6</sup> of which the loan amount was US\$0.67 million.

Expected results: Program coordinating and monitoring during 3 years of program implementation.

Description: This component was to finance administrative costs of the Programme Coordinating and Monitoring Unit (PCMU) during the 3 years of programme implementation.

The programme's originally execution period was 21 June 2002 to 20 June 2005. After that, the programme had one extension of two years and a second extension of one year, ending on June 21, 2008. Subsequently the Bank approved two special extension requests from the Ministry for one-year first, and later for seven months, to allow remaining funds to be fully utilized by disbursing payments for existing commitments. The final expiration date for disbursements is June 21, 2010. This is a total implementation period of 100 months.

**Program realignment.** The project was realigned (i.e., adjusting and reallocating loan disbursement categories – however without amending the project indicators) by agreement between the GORTT and the Bank on March 21, 2007. Administration missions had raised earlier concerns about clear indications of private sector reluctance to produce houses affordable to the beneficiary groups. It was found that the objective of providing 3,000 new low-income houses produced by the private sector market would not be realized, mainly because private developers and contractors were not interested in the low-income sector of the housing market.

Also, the MPHE introduced a new national initiative, the Housing Grant Programme, retroactive to 2002, aimed at the same group applying to the new homes subsidy component, but without the beneficiary savings requirement. This competition eroded the programme's new homes subsidy client base. Moreover, the MPHE introduced a rent-to-own programme targeted at individuals who are financially unable to service a mortgage, giving these families the option to rent for five years with the option to purchase. Therefore, the Ministry proposed the realignment, scaling back the new homes subsidy component to 300 new low-income and reassigning the remaining loan funds to other components (as described below). The development objectives framework, indicators or triggers were not adjusted to reflect the re-alignment change of emphasis and scope.

## II. Results

### A. Outcomes

Expected outcomes: a) improve low income housing conditions; b) improve government efficiency in the sector, move towards a facilitating role and ensure efficiency of government interventions; c) time tested operating system in place for settlements upgrading component; d) new subsidy system and operating procedures and institutional mechanisms created, in place and tested; e) modernization of MPHE; and f) sector development studies and initiatives.

The NSPSS has had an important impact on Trinidad and Tobago's housing sector. The Programme's realignment in May 2007, successfully redirected investments and

benefitted components that lead higher demand. Importantly the experience gained has institutionalized the upgrading approach (MPHE, through the PCMU and Land Settlements Agency (LSA) teams are expanding the upgrading Programme and have identified an additional 4,000 lots for upgrading). The results with respect to the particular components are as follows:

#### Component 1: Squatter Settlement Upgrading Component outputs

The component achieved good success, notwithstanding the impact of externalities (i.e., price escalation), and issues of land regularization process. The original target of improving living conditions for 5,400 low-income households by settlement upgrading and tenure regularization at an average cost of US\$4,100 per lot (in year 2000 dollars) was adjusted to 2,800 lots/families by the realignment of the loan categories in March 2007. The realignment was the result, in part, of exceptionally high inflation, which resulted in upward adjustments to unit costs and a downward adjustment in the number of lots that could be upgraded. At project completion in June 2009, 3,117 families were benefitted in this component. The average cost of upgrading per lot is approximately US\$11,500 (year 2007).

The average infrastructure upgrading cost per lot is the result of two factors: first, the MPHE requested that the project's specifications (standards) for improving streets be increased from basic treatment to asphalt paving, and that all sites have waterborne sewer systems, both of which substantially added to the upgrading cost; second, inflation, particularly in the construction sector escalated by about 25% per year in the period 2003-2008<sup>7</sup>.

An important program accomplishment is that squatter settlement upgrading now is the GORTT's focal strategic and least-cost initiative for addressing the housing needs of the lowest-income households. However, tenure regularization (provision of land lease deeds to lot occupants in the upgraded settlements) has not been accomplished as per the loan agreement. Titling, which gives occupants security of tenure, is needed to fully capture the improvement investments and benefits of squatter upgrading. Without this, households will not invest savings to improve their homes and generate equity. The lack of deeds precludes them from borrowing or accessing MPHE subsidies. There are a number of steps in the process of regularizing tenure: (i) a review of existing GORTT legislative provisions to ensure conformity with proposed MPHE regularization policies; (ii) a proposal by MPHE for land pricing policy to be used in charging occupants for the land and title; (iii) internal MPHE review of the pricing policy and land titling proposal; (iv) MPHE presents the pricing policy and titling proposal for Cabinet approval; and (v) once approved by Cabinet, and enacted by law, titles can be prepared, processed and issued.

The Pricing Policy Paper, drafted by MPHE in 2007 was approved by Cabinet only early 2010. Given the anticipated timeframe for the steps above, it is not expected that any potential beneficiaries of the upgrading component will receive a deed prior to June 2009. However, some (but not all) residents in the upgraded squatter settlements applied for, and received "Certificates of Comfort"<sup>8</sup>, as part of the process: (i) Certificate of comfort; (ii) a statutory lease of 30 years; and (iii) the deed of lease for 199 years.

<sup>7</sup> MPHE estimates

<sup>8</sup> A Certificate of Comfort is a document giving a squatter a personal right to protection from ejection from State Land.

## Component 2: Family Subsidies for New Houses and Home Improvement outputs

### New Housing Subsidy sub-component:

The expected outcome was to provide 3,000 subsidies to help low income families purchase a market produced house. This was expected to attract the private sector to produce houses for the lower-income market. This did not happen for two main reasons: First, private developers and contractors were not interested<sup>9</sup> in producing low-income housing. Even with the project's subsidies, the private sector's lower end products (both in terms of financing and building) did not reach most of the intended beneficiary group. This was because the private sector was geared to covering a constantly growing demand for higher cost housing yielding higher profits. Also, private developers perceived higher risks of working with lower-income clients (even those with government support). Secondly, Government policies (i.e., another subsidized interest rate program) introduced after the project was underway directly competed with the component, eroding the demand for this program. Given these issues, the government requested that the focus be turned to squatter upgrading, by realigning the loan categories (see above).

Outstanding issue: how to address and mitigate risks perceived by private sector. The home improvement subsidies, would assist about 1,100 families incrementally expand and upgrade their existing homes with subsidies up to a maximum of Trinidad and Tobago Dollar (TT\$) TT\$20,000 on a matching grant basis. This was successful, surpassing the programme's goals. The sub-component has become the low-cost and effective model for building up the country's existing housing stock. Due to the high demand by homeowners and the intensive advertising of the program, almost 8,000 new applications were received by the MPHE. The original target was to improve houses for 1,100 households. By the end of the program 2,967 subsidy agreements were granted.

### Component 3: Sector and Institutional Development Component:

The institutional development activities have been useful and effective in improving project management. They helped the Ministry of Planning, Housing and Environment (MPHE) in general, and the Program Coordinating and Monitoring Unit (PCMU) and Land Settlements Agency (LSA) specifically strengthen their management and implementing responsibilities. This component has put in place a solid administrative capacity for squatter upgrading and for processing home improvement subsidies, which will enable MPHE to continue these efforts on a larger scale in the future. The component generated several important policies and improved procedures for the housing sector, for example: (i) software for information technology applications; (ii) technical assistance to develop and apply new processes, regulations and marketing strategies for the family sub-components; (iii) installation of a random-selection system for selecting beneficiaries; (iv) pre-feasibility studies for upgrading low-income areas and squatter settlements of topographically complex hillsides of Port of Spain; and (v) production of a strategic plan for MPHE.

---

<sup>9</sup> In a letter to IDB of January 23, 2007, the Permanent Secretary of Planning informed of "the reluctance of private developers and contractors to enter the low income sector of the market."

ACHIEVEMENT OF DEVELOPMENT OBJECTIVES (DO)			
<b>Development Objective(s) (Purpose)</b>			
1. To improve housing conditions for lower-income groups. <b>Classification:</b> LP			
<b>Key Planned Outcome Indicators</b>		<b>Outcomes Achieved</b>	
Number of mortgage loans for new homes provided by the private banking sector.		1.1 72 (20 Jun 2009) 1.2 _____ (date) 1.3	
<u>Baseline</u>	<u>End of Project</u>		
1.1B 0 (21 Jul 2002)	1.1E 200 (21 Jun 2009)		
1.2			
1.3			
2. To provide incentives and assist institutions, both public and private, in their transition to new more market-driven roles. <b>Classification:</b> LP <i>(In case of more objectives, create new row and complete.)</i>			
<b>Key Planned Outcome Indicators</b>		<b>Outcomes Achieved</b>	
200 low-income mortgages provided by the private sector by the end of June 2008.		2.1 0 (20 Nov 2008) 2.2 _____ (date) 2.3	
<u>Baseline</u>	<u>Intermediate</u>	<u>End of Project</u>	
2.1B 0 (21 Jul 2002)	2.1I (date)	2.1E 200 (20 Jun 2008)	
2.2			
2.3			
<b>Reformulation:</b> [yes]			
<b>PPMR Retrofitting.</b> Indicate if and when the PPMR was retrofitted and explain any changes resulting from this exercise. [Yes] An administration mission of 5-9 March 2007 found that the project had not succeeded in introducing family subsidies for the acquisition of new homes, primarily because the private sector had not produced houses for that market and because mortgage lending regulations precluded the potential subsidy beneficiaries. At the time the components for physical upgrading of the squatter settlements and the subsidies for home improvements were well implemented and in high demand. Accordingly, at the request of GOTT, the project was realigned in scope increasing support to those components working well and scaling down the New Homes Subsidy component. Loan categories were adjusted accordingly.			

Summary Development Objective(s) Classification (DO)			
<input type="checkbox"/> Highly Probable (HP)	<input type="checkbox"/> Probable (P)	<input checked="" type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)
Since project formulation and approval several sector-influencing developments had significant impact on the original DOs. See table, Annex for details.			

## B. Externalities

### Negative Externalities:

- Insufficient production of new affordable housing.** The concept driving the new homes subsidy sub-component was to increase the capacity of low-income families to purchase a house by granting a subsidy. This should have been an important if not decisive incentive for private developers to increase the supply of low cost housing. However supply did not response to an increase on the effective demand of low cost housing. During the evaluation and negotiation of the next phase it is paramount to examine the barriers that impede large affordable housing production in The Republic of Trinidad and Tobago (TT) and proposes strategic measures through which such production may be increased. Policy makers need to seek ways to reconcile social goals with market efficiency.
- Availability of land.** At the start of the programme, TT experienced a sudden increased demand for commercial, industrial and higher-income housing. Well-

- located land at an affordable price was at a premium and the construction industry and private developers were fully occupied in those projects, construction costs also escalated rapidly.
3. **Building standards.** The regulatory environment including land use, utilities and building regulations, often represent barriers to enter the market and impose restrictions that add cost and prevent supply to efficiently meet demand. TT's housing and development standards (codes) and housing finance-lending practices (rules) are exceptionally high, and up to now, inflexible. These make housing production and lending unaffordable to most of the programme's intended beneficiary population – particularly given inflation in the construction industry. This also added to the reluctance of the private sector to produce low-cost houses.
  4. **Secure tenure.** The absence of an effective legal framework for property use, transfer rights and valuation is a barrier to the development of an effective housing market and it substantially limits the ability of low and very-low income to overcome poverty and achieve economic development. The transfer of property rights (ownership or rental) constitutes the basis for economic activity in the housing sector and the opportunity to achieve financial independence and economic development among low-income groups.
  5. **Inflation risk.** Shortly after the programme started, an unexpected high and sustained construction sector inflation caused major increases in project costs, particularly in the price of infrastructure upgrading and house construction. These increases limited the ability of the low-income population to afford new houses as well as the extent of improvements to existing ones. For example, the infrastructure development cost of upgrading settlements increased on average from TT\$20,000 / TT\$30,000 per lot to over TT\$80,000 in the last three years of the programme.
  6. **Low incomes.** An important policy consideration should be that a large part of the population (in developing economies) would not become active buyers as long as their income remains too low to afford new units.
  7. **Political instability:** Six Ministerial changes at MPHE, and other institutional factors over the life of the project influenced the decision making and approvals processes, causing delays and missed deadlines.
  8. **Project Performance.** MPHE introduced a Home Grant Programme (HGP) facility that directly competes with the Programme's Home Improvement Subsidy (HIS). Both aim to serve the same lower income households, however the HGP does not require the dollar for dollar matching savings to grant amount, and most clients opted for that. This was a direct result of lack of internal coordination at the Ministry.

#### **Positive Externalities:**

1. **Programme demand.** The programme experienced a higher demand for home improvement subsidies than anticipated. This confirms that an incremental construction strategy on the part of homeowners (and residents of squatter settlements) to a "build-as-they-can-afford" with their own labour, over time, is viable. This proves to be an affordable way to build low-income houses, and serves as an important lesson for formulating new housing policy.
2. **Settlement Upgrading Institutionalized.** The MPHE requested that the programme, through its re-alignment, shift emphasis (and loan expenditure) to

squatter upgrading, recognizing that this approach was effective. By so doing, the Ministry strengthened its implementing teams (i.e., the PCMU, LSA, and the Community Outreach Department) and has, in effect, institutionalized squatter upgrading as a core function. As such it is better placed to scale up these operations in the future.

3. **Lowest income groups benefitted:** The programme, particularly the squatter upgrading and home improvement components, have reached households and communities in the lower deciles of income. This has attracted the interest of Non-Government Organization (NGO) in collaborating with the effort. Habitat for Humanity is exploring piloting an experimental unit with the MPHE, and is interested in establishing a larger and longer- term partnership with the Ministry.
4. **Poverty alleviation.** By improving the living conditions at the settlements with investments in infrastructure and services, the programme has contributed to poverty reduction by improving neighbourhood-wide conditions including access, sanitation, lighting, safety and security conditions and property values, while reducing potential environmental and social hazards.

### C. Disbursements

DISBURSEMENT TRANCHES				
Tranches	Amount (US\$000)	Expected Date	Actual Date	Waiver Granted Yes/No
2002	0		Effective Date, 01/2002	
2003	2,704	1 <sup>st</sup> . Eligibility, 07/08/03		
2004	0			
2005	2,523	1 <sup>st</sup> . Expiration, 06/21/05		YES
2006	2,126			
2007	4,835			YES
2008	9,320			YES
2009	2,356	Current, 06/21/10		
Total as of 04/09	<b>23,900</b>			
Briefly explain any differences between expected and actual dates. If a waiver was authorized, please briefly describe condition waived and its justification.				

#### Project Cost Table Pre-post Realignment: (See also Annex, Table 3. Details of realignment

Component and Category	Original Allocation	Original Units	Final Amounts	Final Units	Original Cost/Unit	Final Cost/Unit
1. Squatter Upgrade	11,000,000	5,400	22,323,558	3,000	2,037	6,179
▪ Works	11,000,000	5,400	22,323,558	3,000	2,037	6,179
2. Family Subsidy for new houses and home improvement	18,200,000	4,400	8,246,393	3,200	4,136	3,476
▪ New Homes	14,500,000	3000	241,914	72	4,833	n.a.
▪ Home Improvement.	3,700,000	1100	8,004,479	3,200	3,364	1,987
3. Sector and Institutional Development	1,810,000	n.a.	567,388	n.a.	n.a.	n.a.
▪ Consultants	1,310,000		343,624	n.a.	n.a.	n.a.
▪ Equipment	500,000		223,763	n.a.	n.a.	n.a.
4. Program Administration	670,000	n.a.	830,661	n.a.	n.a.	n.a.
▪ Financial Cost	320,000	n.a.	32,000	n.a.	n.a.	n.a.
Total	32,000,000		32,000,000			

The cost per unit for the completion of the works at the settlements went from US\$2,037 to US\$6,179. However, the cost per unit for the provision of the subsidies for

home improvement went from US\$3,364 to US\$1,987, meaning that some of the beneficiaries got smaller amounts based on the selection criteria for beneficiaries.

## D. Outputs

IMPLEMENTATION PROGRESS (IP)			
Thematic Areas/Components:	Key Conditionalities/Output Indicators		
<b>Component 1:</b> Squatter Settlement Upgrading <b>Classification:</b> S (see note below)	<b>Outputs Achieved</b>		
	A) Number of lots/families upgraded with improved infrastructure: 3,117 [to be updated at completion] (B) Number of families with regularized titles: 0		
Briefly explain differences between planned and actual outputs (if applicable). See table in Annex 2 – for details of planned and actual outputs. Note: The Squatter Settlement Upgrading Component had two combined outputs: the physical improvements (i.e. infrastructure investments) and (legally) regularizing the tenure status of qualifying residents. The former output surpassed expectations; the latter was not achieved.			
<b>Component 2:</b> New Homes Subsidies <b>Classification:</b> VU	<b>Outputs Achieved</b>		
	Number of New Home subsidies issued: 61		
Briefly explain differences between planned and actual outputs (if applicable). The Programme projected that about 450 subsidies for Category 1 (lower income) would be issued in phase 1 of the Programme, and the targets for categories 1&2 would be reviewed and revised based on market responses. However, as the sub-component depended on private sector producing houses for sale using these subsidies and savings combinations, none were granted as envisioned. Sixty-one subsidies were issued to households relocated to new lots within squatter areas.			
<b>Component 2:</b> Home Improvement Subsidies <b>Classification:</b> S	<b>Outputs Achieved</b>		
	Number of home improvement agreements signed: 2,967 [check total with MPHE at completion]		
Briefly explain differences between planned and actual outputs (if applicable). The original plan was to generate 1,100 subsidies; the sub-component exceeded expectations. In October 2007 GORTT, through the MPHE introduced a new Home Grants Programme (without a beneficiary savings requirement) that competed directly with this Programme's HIS sub-component, effectively drawing away clients away from the latter. Nevertheless, the Programme realignment transferred some funds the sub-component to meet growing demand for both programmes. Had the HGP not been instated, the HIS would have generated additional subsidies plus savings to beneficiaries. [ ] N/A			
Summary Implementation Progress Classification			
[ ] Highly Satisfactory (HS)	[ ] Satisfactory (S)	[ X ] Unsatisfactory(U)	[ ] Very Unsatisfactory (VU)

## III. Project Implementation

### A. Analysis of Critical Factors

Impact of achievements: the programme succeeded in demonstrating and validating important housing sector policies. By introducing subsidies for the lowest income household to improve the conditions of their homes and by setting up the capacity for making infrastructure improvements to squatter settlements on a programmatic scale, these instruments are now firmly positioned within GORTT's strategies for the sector. Those two programme components were well implemented, introduced more agile procedures and developed more knowledgeable and dedicated staff within the PCMU and LSA. The capacity building component also modernized the Ministry-wide systems and procedures as well as its client outreach. The cumulative effect of the above puts MPHE at an advantage to build upon and expand the programme's models and concepts.

Impact of unmet goals: The main issues are in the new homes subsidies component. Two critical factors affected its performance: (i) the reluctance of private housing developers and contractors to enter the low-income sector of the market; and (ii) competing Government policies (i.e., a subsidized interest rate programme and the introduction of the Housing Grant Programme. These are not primarily problems of implementation, they are the result of: (i) risks that the project faced, combined with; (ii) an overestimate of the incentives that would draw private sector to participate. Internal coordination of policies and programmes of MPHE would have prevented some of the overlap and competition inefficiencies.

The second shortcoming is that regularization of tenure has not been given to households in the upgraded settlements. This is the result of a combination of complicated and politically sensitive factors: (i) a set of legal problems underpinning the legal framework for granting title deeds; (ii) the lack political will to resolve these problems and move the process forward; and (iii) the lack of ministerial political leadership and continuity to overcome these problems. Although, the steps and risks for regularization were identified at the project's design, during implementation, neither the Bank nor MHPE pressured strongly and consistently enough to achieve one of the critical development objective of the program. The political, administrative and leadership changes in the housing sector throughout the life of the project delayed and distracted implementation.

#### a. Borrower/Executing Agency Performance

Borrower/Executing Agency Performance			
<input type="checkbox"/> Highly Satisfactory (HS)	<input checked="" type="checkbox"/> Satisfactory (S)	<input type="checkbox"/> Unsatisfactory (U)	<input type="checkbox"/> Very Unsatisfactory (VU)

#### b. Bank Performance

Bank Performance			
<input type="checkbox"/> Highly Satisfactory (HS)	<input checked="" type="checkbox"/> Satisfactory (S)	<input type="checkbox"/> Unsatisfactory (U)	<input type="checkbox"/> Very Unsatisfactory (VU)

## IV. Sustainability

### A. Analysis of Critical Factor

#### Executing agency commitment and ownership

MPHE is clearly vested in, and is committed to providing for the housing needs of low-income households, and it is determined to continue with a follow-on program. To do so effectively, the Ministry needs to follow through implementing critical policies and actions such as tenure regularization and in seeking ways to stimulate market financing and housing production to match its subsidy programmes. The important policy and institutional gains of the programme could be lost if GORTT does not continue reforming its approach to the low-income housing sector.

#### Economic and financial viability to sustain policy reform and programme benefits

The programme's economic and financial costs are substantially higher than planned. The actual per-household costs for upgrading, resulting from a combination of overall inflationary prices and increases in infrastructure development standards (requested by MPHE) was about 30% higher, on average than estimated at project design. The impact

was to escalate the per-household subsidy cost to government and reduce the number households benefitting from upgrading by almost half. These unforeseen cost escalations impact the availability, reach and sustainability of national subsidies. The lesson from this critical factor points to the importance of incorporating realistic projections in project costs.

## **B. Potential Risks**

### Regularization of tenure

The principal risk that could affect sustainability of results is that MPHE and GORTT do not regularize upgraded settlements by issuing title deeds (or other form of tenure security) to residents. The lack of tenure security restricts households from investing to improve their houses, and importantly their ability to obtain subsidies and borrow for the improvements. This issue should be foremost in follow-up discussions with government, including an agreement that the regularization of upgraded lots be concluded prior to launching future programmes.

### Maintenance of infrastructure

The Programme's infrastructure upgrading investments – basic services such as streets, water lines, and community facilities – could deteriorate without a plan and strategy for their maintenance. It was envisioned that the completed civil works would be transferred to local authorities and utility companies, with the expectation that this would be part of their standard routine operational maintenance responsibilities. However, there is no clear arrangement or agreement for this to happen. This potential risk should be addressed by MPHE.

## **C. Institutional Capacity**

The programme helped the executing agency build capacity (institutional strengthening) and introduced new sector policies. MPHE demonstrated the capacity to implement policies. The institutional structure is in place.

Sustainability Classification (SU):			
<input type="checkbox"/> Highly Probable (HP)	<input checked="" type="checkbox"/> Probable (P)	<input type="checkbox"/> Low Probability (LP)	<input type="checkbox"/> Improbable (I)

## **V. Monitoring and Evaluation**

### **A. Information on Results**

The PCMU is responsible for the coordination and monitoring of the entire program's activities, the procurement of goods and services, the financial reporting and accounting system and the periodic reporting to the MPHE and the Bank. After considerable start-up problems and staff recruiting delays, the PCMU carried out these functions well and in a timely manner. The institutional strengthening component financed the project management system, substantially improving the administration of the Programme. Implementation reviews by the Ministry and the Bank were conducted. However, more time dedicated to coordinating, monitoring and trouble-shooting a few key implementation bottlenecks (for example, affordability, financial qualification of beneficiaries with mortgage institutions, and processing land and tenure regularization)

over the life of the programme's phase 1 by both the implementing agency and the Bank would have alleviated some delays and improved outcomes.

## **B. Future Monitoring and Ex-Post Evaluation**

The programme did not contemplate end-of project evaluations. It would be useful for the MPHE to conduct a self-assessment (a Program Completion Review) identifying lessons and outstanding issues from the borrower's perspective, as a way of planning future operations. It would also be useful to understand the program's outputs and impact by conducting a beneficiary assessment evaluation which would measure impact on socio-economic characteristics of those served and determine perceived benefits, home improvement impact on households, user satisfaction, etc.

## **VI. Lessons learned**

### Sustained political will and commitment

Projects, like this, which introduce "a new way of doing business," particularly in the housing and urban development sectors, by their nature seek major policy shifts and institutional adjustments. These tend to be politically sensitive, needing sustained political will to turn around institutions and introduce legislation. Commitment to change policies over the life of the program was not present.

Areas where strong political commitment can yield good results are: (i) to encourage housing sector lending institutions to participate by encouraging adjustments to rules and regulations to accommodate lower-income clients; (ii) lowering or easing some of the housing development norms and house types to make them more affordable; and (iii) modify housing standards and the expectations of the lower income sector, in line with what is affordable, realistic and appropriate to incremental development.

*Lesson: While political will cannot be mandated, project formulation needs to be clear as to what changes are needed, how these are to take place and on what timetable. Moreover agreement on these program requirements among all parties is needed and these policy changes should be made clear to all stakeholders and actors who will be involved with carrying them out.*

### Realistic project formulation needed

Most projects with similar objectives need to anticipate the amount of time it will take for institutions to change direction, and for governments to seek policy approvals. In this project, the three-year completion period was overly optimistic. The major impact of this calculation is that the indexing of price escalation contingencies for three years at project formulation created a substantial funding shortfall over the seven-year period. The project's design could not have anticipated the galloping inflation in the economy, and in particular that of the construction sector, that began shortly after loan approval. However the combination of the three-year implementation estimate and unanticipated inflation had a considerable impact on reaching the projects objectives and targets.

*Lesson: monitoring and review provisions for adjustment during the life of the project could help mitigate this type of problem in future projects.*

Assess inflationary risk

Over the life of the project economic conditions (i.e., construction sector inflation, above) changed more abruptly than expected impacting what the intended income groups could afford. Results: original cost ceiling for a new home was far below actual costs; and new homes subsidy applicants did not qualify for mortgages.

*Lesson: the program must have the ability to adjust to changing economic conditions. It should include a mechanism that periodically reviews unanticipated changes and proposes adjustments, as needed in a timely way, so as not to create implementation delays and missed targets.*

Promote private sector involvement

The new house subsidy component was to increase the purchase capacity of beneficiaries accessing both the house from developers and a mortgage from private lending institutions. Notwithstanding that at the time of project formulation private actors indicated interest in the approach, and at programme start-up the Ministry invited private developers to meetings to get their buy-in and involvement, none came forward.

*Lesson: ministry could have perused the goal more vigorously and/or the programme could have introduced more incentives.*

Explore other housing production partnerships and opportunities

The programme's objective of divesting public production of housing in favour of more effective suppliers such as private housing developers is worthwhile. The NGO sector is a viable possibility. A local housing NGO expressed interest in helping project beneficiaries. This is a potentially good fit with the programme, as the NGO experience in working with these income groups and their communities would be a valuable contribution to the goals of the programme.

*Lesson: Engage a wide range of partnerships to enhance implementation performance and outcomes.*

Inter-institutional coordination is needed to make policies, programmes and procedures compatible and consistent

MPHE introduced its House Grant Programme aimed at the same beneficiary group, for the same purpose, but without a matching savings requirement. The MPHE also introduced a Rent to Own Programme targeted at individuals who are financially unable to service a mortgage, giving these families the option to rent for five years with the option to purchase. This competed with and drew clients away from the Programme's Housing Improvement sub-component.

*Lesson: government introduces distortions by implementing parallel conflicting projects. This minimizes the possibility of achieving original results. Project monitoring should include institution-wide assessments of performance to avoid internal conflicts within one ministry.*

Strong capacity to manage squatter settlement upgrading programs

The programme confirmed that squatter settlement upgrading is an effective strategy to respond to the lowest-income groups. The Ministry now has the experience, implementing teams, and procedures in place to continue upgrading as a core operation and as a national-scale strategy for low-income households in squatter areas. The Ministry is committed and poised to continue with upgrading.

*Lesson: The success of the squatter upgrading component is in the institutionalization of the approach. Squatter upgrading has proved to be viable in most countries of the Caribbean, and the world.*

Preventing squatters and stimulating the provision of new housing is a key element of a national low-income housing policy

Options that have been successfully used worldwide suggest supporting households to build homes incrementally. Owner-built incremental housing should be encouraged. This requires making land and basic services available and affordable to low-income groups.

*Lesson: This strategy is already operating in TT – the home improvement subsidy component has proved to be viable.*

**Key lessons for moving forward.**

The lessons point to a few important considerations for future low-income housing initiatives. These issues limited the impact of NSPSS, but with concerted effort, solutions are possible.

1. Housing Sector:

- Improve access by lower-income groups to finance and housing markets by adopting a combination of: (i) special mortgage lending rules; and (ii) realistic, cost lowering house standards;
- Coordinate sector policy within MPHE (consistency among products) and among stakeholder agencies to strengthen delivery of services to low-income groups; and
- Explore ways to engage private participation through policies, incentives and partnerships. Possibly by developing joint-venture demonstration pilots.

2. Tenure Regularization:

- Introduce a more agile and effective model of tenure security for “special development areas<sup>10</sup>” such as squatter and new low-income housing settlements.

3. Housing and upgrading production:

- Focus on cost reduction by introducing the principle of incremental development for both houses and settlement upgrading;
- Introduce appropriate, realistic standards to do so;
- Adjust lending instruments and house types accordingly; and
- Include allowances (institutional and financing) for future settlement maintenance.

4. Delivery mechanisms:

- Expand and focus on what works and is in high demand (upgrading and home improvement);
- Fine-tune the implementing systems; and
- Concentrate on institutionalizing and scaling up the successful aspects of NSPSS.

5. Allow for careful preparation of future program.

6. International conference:

- Bring value added by informing stakeholders about the issues, such as through an international conference or workshop to compare experiences

<sup>10</sup> Many models exist, for example Brazil's ZEIS.

in the provision of low cost solutions for low income population, with emphasis on standards and construction/material costs.

#### Compliance with triggers for phase 2

At the program's formulation it was recognized that, because it was to introduce a number of innovations, major policy changes and was to put in place new instruments than might not be accomplished in a typical four-year cycle, it was agreed that the Program would be implemented in several (disbursement) phases. As originally envisioned, phase 1 was to focus on tested components such as squatter upgrading, while it also set up the new policy framework, installed and ground tested new institutional procedures, systems and subsidy mechanisms. Sector studies would also be carried out in phase 1 aimed at "defining policy reform benchmarks to be implemented in the second phase of the Programme".<sup>11</sup> The decision to move to phase 2 were to be determined by compliance with a set of triggers that would indicate that six key project objectives were met, namely that: (i) government's role the housing sector was restructured; (ii) the proposed housing subsidy system was introduced and implemented; (iii) squatter settlements were upgraded as envisioned; (iv) that households were accessing credit for housing; (v) development approval processes would be streamlined; and (vi) public housing estates would be restructured (a pilot for divesting public rental units). Table 3 in the Annex shows the status of the triggers.

On balance, the *triggers have only partly been met*:

The triggers that would indicate that Government's role in the housing sector is restructured are: (a) that Ministry budget resources would not be used to produce new houses; and (b) no new house loans is made for one year prior. PARTIALLY ACOMPLISHED: These have not been met (although the Ministry has substantially reduced its production of houses)<sup>12</sup>. However through other actions government, on average, has been adjusting its role and some restructuring progress has been made (seeking NGO house production and shifting emphasis to support home improvements) or is being achieved by the Program.

1. The trigger for **introducing and implementing 3,000 subsidies** has been substantially met. ACOMPLISHED: Over 3000 subsidies have been issued, and the systems are in place. The new homes subsidies did not materialize for lack of housing production and because housing finance institution regulations preclude lower income groups. Importantly, demand for home improvement subsidies (focused on Category I families) exceeds expectations, demonstrating that the concept is valid and needed. This trigger, when adjusted to the re-aligned Program scope has been met;
2. The trigger indicating squatter upgrading implementation was implementation of 5,400 upgraded families. ACOMPLISHED: When adjusted to the Program re-alignment, over 3,000 families have been upgraded;
3. The trigger to comply with objective of providing housing credit for low-income households was to meet the first year targets of an Action Plan that was to have been implemented. NOT ACOMPLISHED: The Action Plan was not produced or adopted. It was anticipated that the Action Plan would define, among other

<sup>11</sup> NSPSS (TT-0050) Loan Proposal Document, April 2002.

<sup>12</sup> In accordance with Ministry's information

- policy and processes recommendations for implementing the Program, how to facilitate access to credit for lower-income groups;
4. The trigger for streamlining of development approval process was to be included in the action plan, which was not produced. PARTIALLY ACOMPLISHED: however the approval processes was improved by measured provided in the institutional strengthening component of the programme; and
  5. The objective of testing the viability of converting public rental housing estates through a Pilot scheme, as was to be specified in the action plan, was NOT ACOMPLISHED.

#### Assessment of compliance with triggers

Overall and average (those accomplished and those not) the triggers do not comply in order to move to phase 2. However the Programme's implementation shows that other important development objective gains have been made beyond those called upon by the triggers. These suggest that positive features and parts of the Programme are replicable, even if others were not acted upon or are not viable.

#### **Assessment of the Development Objectives Framework**

1. Four development objectives (with at total of seven measurable development indicators – see Annex, Table 1) were substantially accomplished when measured against the original indicators. Moreover, accounting for the re-alignment, some important additional accomplishments are notable, for example:
  - a. **To establish a more equitable, transparent and sustainable system of affordable housing**, the Programme helped strengthen and equip institutions; introduced a transparent beneficiary selection process; confirmed squatter upgrading and home improvement subsidies as key strategies to address the needs of low-income households; and indentified very large demand for upgrading and home improvements, positively redirected focus to the lowest income groups;
  - b. **To improve housing conditions for low-income groups**, the Programme improved housing conditions for about 6,000 households; institutionalized the provision of the approach within MPHE; verified large-scale requests for these products; demonstrated this to be a more cost-effective approach to be applied at a large scale;
  - c. **To make public expenditures for housing more efficient and equitable**, new public policy, subsidies and processes were introduced to implement successful components, particularly in beneficiary selection, management systems, etc.; and
  - d. **To expand private sector activity in the affordable housing market**, the indicator of producing over 10,000 subsidies for new housing was not accomplished. The Project concept over-estimated the interest and incentives needed to attract private production of affordable houses. However an alternative emerged: homeowner demand for credits to incrementally expand and improve house signals that core houses (possibly built by private developers) to be owner- finished and expanded. This model was proven viable by the home improvement subsidy component.

2. Four **Output Targets** of the development framework were, on average, also PARTIALLY ACHIEVED, however these also yielded additional accomplishments:
- a. **Upgrading of informal housing** was targeted 5,400 families; over 3,000 have been. Importantly upgrading is now confirmed to be a key strategy for addressing low-income housing in the sector. Physical upgrading of squatter settlements is now institutionalized with policies, procedures and capacity in place for MPHE to continue at a large scale. However, the key element for upgrading – **tenure regularization** – has not been accomplished. **This key requirement must be in place for upgrading to be effective and be continued. A second unresolved issue is the need to** revise upgrading standards to introduce incremental improvements and to lower development costs;
  - b. **Family Subsidies for New Housing** was targeted for 3,000, however these did not materialize. Nevertheless, the subsidy system is in place and could be used with alternative house production approaches; and
  - c. **Sector Development** has eight targets (see Annex, Table 1) that on average were not achieved (mostly centered on an Action Plan that was to have been produced). However, over time important unforeseen sector reforms are included in the 2002 Housing Policy and especially the Vision 2020 document outlining sector objectives.

However there are still follow-up actions to have clear definitions of:

- Housing and subdivision (urbanization) standards, specifically those appropriate to incremental development and direct owner-beneficiary involvement in housing;
- Policies and processes for agile regularization of tenure;
- Analysis for removing (cost and financial) barriers for lower-income groups accessing financial and housing markets.

### **Summary Conclusions and Recommendations**

The following conclusions and recommendations for moving forward can be drawn from the implementation experience of phase 1.

1. **Triggers.** The Triggers to move to phase 2 were only partially accomplished and not sufficiently so to warrant moving automatically into a second phase of the same Programme. Nevertheless, the Programme demonstrated areas of greater success for the housing sector (i.e. upgrading and incremental housing) were the Bank should continue its support. There are also fundamental housing sector issues to continue evolving/reforming (tenure regularization, greater emphasis greater cost efficiency, equity and transparency); and
2. **Sector Development Framework.** The analysis of actual accomplishments, measured by the results framework indicators as an average (2 accomplished; 2 not; and 2 partial) the objectives were only partially accomplished. Therefore, the Bank could not support another phase of the program as originally designed, but could consider a new programme that builds on the strengths of the previous phase, namely (focusing on the lowest-income groups) by fine-tuning (strengthening incremental building processes) and expanding the coverage of

successful components (squatter upgrading/incremental housing improvement) rather than new housing;

**3. Recommendations for a new programme.**

- A. It should be noted that, in the nine years since the NSPSS was formulated, major changes in the economy, the housing sector, beneficiary affordability, and increased housing deficits – all call for reassessing and a fresh analysis the fundamentals of a new programme;
- B. These new challenges directly relate to the difficult issue of project costs (beyond inflation) and affordability confronting the NSPSS. For example, the cost of upgrading basic infrastructure and services in squatter settlements is, by comparison to other regional examples, almost twice as expensive. This not only impacts the national budget, it causes inequity and limits the number of families able to participate in the Programme. This is the direct result of unrealistically high and inappropriate standards, and of not adopting an incremental development process; and
- C. For squatter upgrading to succeed tenure security (regularization) must be given to residents. This has not been accomplished by NSPSS. Upgrading, if done right, is one of the best and most affordable housing instruments for the poorest income groups. Without tenure regularization residents will not invest in improving or expanding their homes. (Worldwide studies show that, on average, every \$1 of upgrading investment generates \$7 of savings for home improvements). Without regularization they cannot apply for subsidies and credit. This issue should be resolved for a new program.

**TABLE 1**  
**ANALYSIS OF ORIGINAL OBJECTIVES, REALIGNMENT AND ACHIEVEMENTS**  
**ANNEX**

Comparison of Original Logical Framework Development Objectives and Accomplishments for Phase One of the Programme

NOTE: Original planned Programme completion (FINAL) was to have been **June 2003**. The table shows RESULTS to June 2009, representing changes of the 2007 realignment. The original logical framework was not revised at that time, so the original verifiable indicators (presented here) do not fully correspond to the Programme's achievements. This table's ACHIEVEMENTS are intended to better explain the **actual impact** of the Programme to date.

INITIAL (Project Proposal)		FINAL	ACHIEVEMENTS
OBJECTIVES	VERIFIABLE INDICATORS	RESULTS (AT JUNE 2009)	
1. To establish a more equitable, transparent and sustainable system of affordable housing.	<p>a. 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.</p> <p>b. 90% of government resources for new housing subsidies are upfront, with clearly communicated rules and selection results.</p> <p>c. Capital investment budget allocation to MH averages at least US\$12 million per year.</p>	<ul style="list-style-type: none"> <li>• ACOMPLISHED Most subsidies issued reached lowest income category.</li>   <li>• PARTIALLY ACOMPLISHED Systems, procedures and rules are in place, however lower-cost house production did materialize and subsidies were not issued.</li>   <li>• (pending Information)</li> </ul>	<ol style="list-style-type: none"> <li>1. Made important changes in Housing policy and the Sector;</li> <li>2. Institutions strengthened with better procedures and tools;</li> <li>3. Confirmed viability of squatter upgrading and home improvement subsidies as key strategies to address the needs of low-income households;</li> <li>4. Demand for the two components is very high, signaling the need to sustain the approach;</li> <li>5. Realignment positively redirected funds to the lowest income groups.</li> </ol>

2. To improve housing conditions for low-income groups.	a. 5,400 families in squatter settlements have been upgraded [first stage of Programme].  b. 3,200 subsidies for home improvement have been	<ul style="list-style-type: none"> <li>• MOSTLY ACOMPLISHED Upgraded settlements for over 3,000 households.</li> <li>• ACOMPLISHED Over 3,000 subsidies for home improvements allocated.</li> </ul> TABLE 1. (CONTINUED)	<ol style="list-style-type: none"> <li>1. Improved housing conditions for about 6,000 households;</li> <li>2. Institutionalized the provision of these approaches within MPHE;</li> <li>3. High demand for these products;</li> <li>4. Cost-effective approach to be applied at a large scale.</li> </ol>
<b>OBJECTIVES</b>	<b>VERIFIABLE INDICATORS</b> (continued)	<b>RESULTS to June 2009</b> (continued)	<b>ACHIEVEMENTS</b>
3. To make public expenditures for housing more efficient and equitable.	a. New subsidy system has been implemented and accepted by all key actors in the sector.	<ul style="list-style-type: none"> <li>• ACHIEVED</li> </ul>	<ol style="list-style-type: none"> <li>1. The Programme applied public policy, subsidies and processes to implement successful components, particularly in beneficiary selection, management systems, etc.</li> </ol>
4. To expand private sector activity in the affordable housing market.	b. New housing solutions are being produced by private sector actors and are affordable to families above the second decile of income. 10,700 subsidies for new housing have been awarded.	<ul style="list-style-type: none"> <li>• NOT ACHIEVED Private provision of housing did not materialize as envisioned. Housing markets and financing regulations also precluded the intended income groups.</li> </ul>	<ol style="list-style-type: none"> <li>1. The Programme concept likely over-estimated the interest and incentives to attract private production of affordable houses. Several lessons emerge: the private sector perceives this type of housing high risk; standards and expectations for low-cost housing are unrealistically high; and, importantly, an alternative exists: an incrementally built house combining privately produced core houses with owner expansion: the model in demonstrated viable in the home improvement subsidy component.</li> </ol>
<b>OUTPUTS</b>	<b>TARGETS</b>	<b>RESULTS (June 2009)</b>	<b>ACHIEVEMENTS</b>
1. Upgrading of informal housing	a. 5,400 families in squatter settlements have been upgraded.	<ul style="list-style-type: none"> <li>• SUBSTANTIALLY ACHIEVED Over 3,000 households with improved infrastructure in 11 settlements.</li> </ul>	<ol style="list-style-type: none"> <li>1. Confirmed viability of upgrading as a key element for low-income housing in the sector;</li> <li>2. Institutionalized upgrading: policies,</li> </ol>

		Outstanding issues: tenure regularization and high costs / standards	procedures and capacity in place at MPHE for continuing the approach; 3. Pricing Policy paper for titles ready for approval and to proceed with all other steps; and 4. Need: revised standards for incremental development to lower costs to move to scale.
<b>OUTPUTS</b>	<b>TARGETS</b>	<b>RESULTS (June 2009)</b>	<b>ACTUAL ACHIEVEMENTS</b>
2. Family Subsidies <ul style="list-style-type: none"><li>New Housing</li></ul>	a. Subsidy system is fully operational.  b. 3,000 subsidies for new homes have been disbursed through the new system, including a minimum of 450 for families with incomes below the poverty level.	<ul style="list-style-type: none"><li>PARTIALLY ACHIEVED System in place, but limited by unavailability of affordable houses.</li><li>NOT ACHIEVED As above.</li></ul>	1. Subsidy systems are ready to be used at a large scale; and 2. Component funds shifted to home improvement subsidies and upgrading components which focus on lowest income families.
<ul style="list-style-type: none"><li>Home improvement</li></ul>	a. 1,100 subsidies for home improvement disbursed.	<ul style="list-style-type: none"><li>ACHIEVED Number of subsidies disbursed surpassed projections</li></ul>	1. Demand for subsidies very high – demonstrates that incremental homeowner-improvement/expansion of housed viable and affordable; 2. System operating well; and 3. Could expand substantially if upgrading families had regularized tenure.
3. Sector Development	<ul style="list-style-type: none"><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>ACHIEVED</li><li>NOT ACHIEVED</li><li>NOT ACHIEVED</li></ul>	<b>NOTE: SECTOR DEVELOPMENT ACHIEVEMENTS:</b> The original targets are valid; however some verifiable indicators may be covered and/or superseded by other GORTT and Ministry statements, i.e., the 2002 Housing Policy and especially the <i>Vision 2020</i> document that covers some of these sector objectives. The Programme successfully helped consolidate an institutional structure to carry out new policies for lower-income

	<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 MPHE from direct production of housing announced.</li> <li>• Official GORTT policy stating end of MPHE credit programme.</li> </ul>	<ul style="list-style-type: none"> <li>• ACHIEVED</li> <li>• NOT ACHIEVED</li> <li>• ACHIEVED</li> <li>• NOT ACHIEVED</li> <li>• NOT ACHIEVED</li> </ul>	<p>groups.</p> <p>Nevertheless, there are important follow-up actions on. and need for more concerted and clear definition of:</p> <ul style="list-style-type: none"> <li>• Housing and subdivision (urbanization) standards, specifically those appropriate to incremental development and direct owner-beneficiary involvement in housing.</li> <li>• Policies and processes for agile regularization of tenure.</li> <li>• Analysis for removing (cost and financial) barriers for lower-income groups accessing financial and housing markets.</li> </ul>
--	--	--	---

**TABLE 2**

**IMPACT OF REALIGNMENT.**

The realignment changes to the scope and loan category transfers of IDB funding were:

(Millions of US Dollars)

From Category	Amount	To Category
New Housing Subsidies	7,538,134	Squatter Upgrade
Consultants	410,000	Squatter Upgrade
Equipment	50,000	Squatter Upgrade
New Housing	2,659,206	Home Improvement

**These resulted in component funding and coverage as follows: (US\$)**

Component	Original	Realigned	% change	Original families	Proposed families	% change
1. Squatter Upgrade	11.0	18.5	68%	5400	2800	-48%
2. Family Subsidy:	18.2			4400	2300	-48%
New Homes	14.5	4.7	-68%	3000	200	-93%
Home Imp.	3.7	6.3	70%	1100	2000	82%
3. Institution Development	1.8	1.4	-22%	n.a.		-
4. Program Administration	0.7	0.8	14%	n.a.		-
5. Financial	0.3	0.3	0%	n.a.		-
Totals	32.0	32.0		9800	5100	<b>-48%</b>

**IMPACT OF REALIGNEMENT:**

The re-assignment of Programme funds had positive impacts:

- Lowered the original estimate of beneficiary families by almost half - adjusting what seems to be an overly optimistic estimate at project formulation;
- Shifted emphasis of the programme to Category 2 households (the lower-income groups); and
- Increased funding for squatter settlement upgrading and home improvement subsidies – the two components most in demand - by about 70%.

These had positive impacts on the Programme. However some of these gains were lowered by unanticipated cost escalations due to (i) higher than forecast inflation, and (ii) the Ministry's decision to increase the infrastructure/urbanization standards for upgrading, both reducing the number of beneficiary families and increasing the implementation time for the upgrading component.

**TABLE 3  
Analysis of Original Triggers for stage 2.**

<b>Key Objectives</b>	<b>Triggers for Second Phase</b>	<b>Analysis of Actual Accomplishments</b>
Restructuring of government role in housing sector	<ul style="list-style-type: none"> <li>a. No budgetary resources, in MPHE 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>b. No new housing loans, in MPHE and its subsidiary agencies NHA and LSA, approved during previous year</li> </ul>	<ul style="list-style-type: none"> <li>• PARTIALLY ACCOMPLISHED – MPHE has substantially reduced direct production and made efforts to attract private market production. The Programme has demonstrated viable alternatives for the Ministry to support in lieu of directly investing in housing production.</li> </ul>
Implementing new housing subsidy system	<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>	<ul style="list-style-type: none"> <li>• ACCOMPLISHED- About 3,000 subsidies (exceeding planned target) were approved for home improvement, most to lower-income groups; systems for home improvement subsidies are fully operational.</li> </ul>
Upgrading of squatter settlements	<ul style="list-style-type: none"> <li>• 5,400 lots upgraded, or in process of being upgraded</li> </ul>	<ul style="list-style-type: none"> <li>• ACCOMPLISHED – about 3,000 lots in squatter areas have been upgraded.</li> </ul>
Housing credit for low income households	<ul style="list-style-type: none"> <li>• First year targets of Action Plan implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Not ACCOMPLISHED – Action Plan not implemented; mortgage institutions have not adjusted regulations for lending to lower groups.</li> </ul>
Streamlining of development approval process	<ul style="list-style-type: none"> <li>• First year targets of Action Plan implemented</li> </ul>	<ul style="list-style-type: none"> <li>• PARTIALLY ACCOMPLISHED – Although Action Plan not implemented, MPHE units were staffed and systems in place to improve processes.</li> </ul>
Conversion of public housing estates	<ul style="list-style-type: none"> <li>• First year targets of Action Plan implemented</li> </ul>	<ul style="list-style-type: none"> <li>• NOT ACCOMPLISHED – a pilot project to convert rental housing was not done; an action plan not produced (confirm).</li> </ul>