

LOW-INCOME SHELTER PROGRAM

(SU-0017)

EXECUTIVE SUMMARY

Borrower and borrower:	Government of Suriname	
Executing agency:	Ministry of Social Affairs and Housing	
Amount and source:	IDB: (OC)	US\$9.8 million
	Local:	<u>US\$2.5 million</u>
	Total:	US\$12.3 million
Financial terms and conditions:	Amortization period:	25 years
	Grace period:	5 years
	Disbursement period:	5 years
	Interest rate:	Variable (IFF)
	Supervision and inspection:	1%
	Credit fee:	0.75%
Objectives:	Currency:	US dollars from the Single Facility Currency
	The main objectives of the program are: (a) to improve the housing conditions of low-and moderate-income households, (b) harness Suriname's most capable private finance institutions, NGOs, and CBOs to assist under-served households in lower, and middle income neighborhoods improve or construct a house, and (c) make shelter policies and subsidies more efficient, equitable, and transparent.	
Description:	The approach of the program contrasts strongly with the traditional one used by the Government. Traditionally, Government contracts large construction companies to build relatively large units (80 m ²) on large lots (400 m ² to 500 m ²) sold at highly subsidized prices sometimes financed by deep interest-rate subsidies. Although this turnkey method resulted in very high costs and subsidies, Government succeeded in building 20% of the current housing stock and distributing much land. Hence, many low and	

moderate-income Surinamese have either a lot or a small house. However, declining real incomes have stopped households from building on these lots and repairing the houses they have.

Under the program, GOS has agreed to direct demand subsidies targeted to low/moderate-income households largely for housing rehabilitation and expansion, but also for in-fill new construction of expandable core housing on smaller lots (300 m²). Households make the decisions and, in general, will hire small contractors to perform the construction. As a result, the average subsidy per household under the program is a fraction of the traditional approach.

Three key bottlenecks have contributed to hampering housing production for low/moderate-income households: (a) high mortgage finance interest rates; (b) problems with Government land divestiture, regulation, and transfer taxes; and (c) high cost of building and development. The program joins investment, policy reform, and institutional development to tackle these problems. The program has three components: (a) investment in rehabilitation and in-fill new construction of housing through granting direct subsidies to low/moderate-income households; (b) technical assistance and performance-based fees to non-government organizations (NGOs), community-based organizations (CBOs), and financial institutions (FIs) for key roles in implementing the investment component; and (c) support to strengthen public housing policies and institutions.

1. **Investment (US\$8.4 million).** The investment component will provide an up-front subsidy to 4,000 low and moderate-income households to help them construct a core expandable unit or to rehabilitate or expand their present home. The amount of the subsidy will average US\$2,100 per household. This amount is less than one-fourth the per-unit subsidy of Government's traditional turnkey housing programs (over US\$10,000 per unit). Low-income households will join this subsidy only with a minimum equity contribution of 25% of the development cost to finance rehabilitation/expansion work. Moderate-income households will join the subsidy and their equity contribution with a market-rate mortgage loan to finance more costly in-fill new construction of a core unit. NGOs, CBOs, and FIs shoulder the major role in implementation of the investment component – rather than Government under traditional turnkey development methods. CBOs work directly with households to help them understand

and apply for the program. NGOs orient CBOs and review the applications that they receive from these CBOs. FIs receive and process the application packages, which serve as requests for both the subsidy and a loan. FIs will use a computer model provided by the Project Implementation Unit (PIU) to determine the level of subsidy and eligibility. The PIU disburses subsidies to the FIs on approval of applications and sets rules for participating households, CBOs, NGOs, FIs, and construction contractors.

2. **Technical assistance and performance-based fees to the private housing sector (US\$760,000).** Private housing finance and non-governmental institutions conduct the application, underwriting, and lending process for the housing investment component. Technical assistance is necessary and will be provided to support the private sector's key role. These measures include support to: (a) Government and the private sector for establishment of a credit bureau; (b) Government for reduction of taxes and fees for mortgage registration and land transfers; (c) Government and industry for consolidation of life and hazard insurance requirements for mortgages; (d) the Central Bank for reduction of reserve requirements for mortgages, and (e) credit unions for start-up funds for computer hardware necessary for program operation. In addition, NGOs will receive up-front assistance for capital expenditures to carry out their administrative and outreach functions, while CBOs will be reimbursed for initial costs in mobilizing the community and data collection. After this start-up period, participating FIs, NGOs, and CBOs will receive performance-based fees for conducting their functions in the program.
3. **Strengthening public housing policies and institutions (US\$1.74 million).** Regulatory and policy reforms focus on reducing the cost of construction and serviced land, coordinating the Government's land divestiture program with the housing program, and facilitating housing finance. Technical assistance will complete work begun in project preparation to analyze the high cost of key local building materials, and develop cost-saving designs, codes, and subdivisions regulations to lower them. Consultancies will help improve the targeting and operation of the Government's land divestiture efforts and coordinate them with the housing program.

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

The 1999 Country Paper emphasizes policy and institutional reforms, favors the private sector, and specifies low-income housing as a key sector for reform. The program fully supports these goals through: (a) rationalizing and reforming the GOS housing program and subsidy approach; (b) shifting the role of Government from "rowing to steering" in the housing sector through using private-sector organizations to implement the program guided by a small PIU; and (c) greatly reducing the per-unit and total subsidy directed to housing, while achieving greater production.

**Environmental/
social review:**

The program will have substantial positive environmental impact through providing adequate shelter to 4,000 households. The great bulk of development will occur on sites that already have basic urban services in existing urban areas. Thus, it improves the economics of infrastructure distribution and better uses land by avoiding leap-frog development of new subdivisions in peripheral areas. In social terms, the program's beneficiary selection system focuses on low-income neighborhoods, and involvement of CBOs and NGOs ensures that 65% of beneficiary families earn below the household poverty line of US\$188 per month.

Benefits:

The program holds great benefits for reform of the housing sector and for household beneficiaries. Most fundamental, it introduces a sustainable system for shelter production adapted to Suriname's fiscal and socioeconomic conditions. Relative to the Government's traditional turnkey methods, the program reduces the per-unit subsidy from over US\$10,000 to an average of US\$2,100, and the rate of expenditure on housing from US\$10 million per year to US\$2.5 million per annum. Households and the private sector (FIs, NGOs, and CBOs) make the decisions on housing and operate the program, rather than Government. The program uses a critical existing resource – ownership of lots and dilapidated housing by many low/moderate-income families – to achieve these goals, rather than more expensive methods. The program will benefit 4,000 individual households – far more than existing traditional methods could reach – and focus these benefits on low-income households.

Risks:

The main risk is the virtual absence of housing institutions. For this reason, the program relies largely on the private sector for execution. Additional risks involve problems with NGO capacity, autonomy of beneficiary selection, involvement of lenders, and macro-economic stability. The program will mitigate these potential pitfalls through: (a) technical assistance and performance-based fees for NGOs and CBOs; (b) a beneficiary

selection point system and use of NGOs and CBOs to pre-qualify low-income households; (c) loan fees commensurate with the work lenders must undertake to serve low-income households; and (d) the flexibility to focus program investment on rehabilitation without requiring a mortgage in case interest rates remain very high.

Special contractual clauses:

Conditions precedent to first disbursement:

- a. Evidence that the Project Implementation Unit (PIU) has been established, staffed as planned, and its Board of Directors appointed (see paragraph 3.10)
- b. Formalization of agreements between NGO/CBO partners and FIs (see paragraph 3.12)
- c. Establishment of the two bank accounts for the loan resources and counterpart, and the procedures for their use (see paragraph 3.26)
- d. Presentation of final text of program's operating regulations (see paragraph 3.22)

Conditions during execution:

Benchmarks of the midterm evaluation will be reviewed prior to further execution of the investment component (see paragraph 3.35)

Poverty-targeting and social sector classification:

The operation classifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-704). Furthermore, this operation qualifies as a Poverty Targeted Investment (see paragraph 3.36) by the headcount criterion. More than 50% of the beneficiaries are expected to be poor families. The borrower has requested the additional 10% in Bank financing allowed for PTI-qualified operations.

Exceptions to Bank policy:

None

Procurement:

No threshold or construction contracts apply because the program involves no direct financing of construction work. International competitive bidding will be used for procurement of goods and related services over US\$250,000 and consultancy services over US\$200,000.

I. FRAME OF REFERENCE

A. Introduction

- 1.1 From the 1960s to the mid 1980s, the Government of Suriname (GOS) developed directly a large number of housing units. Although this turnkey method resulted in high costs and subsidies, Government succeeded in producing roughly 20% of the current housing stock. Government also divested many serviced lots. In addition, privately produced housing and land were more affordable with the higher income levels of that era. Hence, many low/moderate-income households either have a house or a serviced lot dating from this earlier period.
- 1.2 Since the 1980s, however, the decline in real incomes joined with high mortgage interest rates, land market bottlenecks, and high building material costs have made housing unaffordable to all but the elite. As a result, housing production averages only half of household formation. Thus, a large accumulated demand for new units has built up. Qualitative problems, however, are the most severe. Most households are unable to maintain and rehabilitate their houses and to build on the serviced vacant lots many received in earlier times. Neighborhoods have declined along with their housing stock. Much of Paramaribo – the capital – is dilapidated. In sum, the greatest shelter need is for rehabilitation of the low/moderate-income housing stock and for in-fill¹ new construction on the serviced lots already owned by households. These relatively low-cost solutions also suit the preferences and incomes of Suriname's low/moderate-income families.
- 1.3 The Low-Income Shelter Program (LIS) joins subsidies with policy reforms to reactivate low/moderate-income housing markets. The investment component replaces highly subsidized turnkey development by Government with a modest direct subsidy to households so that families can afford to rehabilitate or build their own homes. Thus, households rather than Government will make key decisions on their shelter. In total, the program will provide a subsidy to 4,000 low/moderate households for rehabilitation (3,300) and for in-fill new construction of core units (700). The program focuses on selected low/moderate-income neighborhoods as well as households in order to revitalize these areas and manage resources effectively.
- 1.4 The program's average subsidy amount of US\$2,100 is less than one-fourth the amount that Government spends on turnkey new construction. The proportion of new construction to rehabilitation/extension depends on effective demand. Low-income households – who form two-thirds of beneficiaries – will generally join the subsidy only with an equity contribution of their own to finance rehabilitation or expansion of their home. Hence, the program's investment component can operate without mortgage finance when interest rates rise to unaffordable levels.

¹ "In-fill new construction" refers to new building in already developed areas with basic infrastructure.

Thus, the program can adapt to changing macro-economic conditions. Moderate-income households will join this subsidy with a mortgage loan at market rates as well as their own money (equity contribution) to finance construction of a core unit on their serviced lot. Technical assistance will help Government rationalize its land divestiture system and reduce other land bottlenecks, cut building materials costs, and support financial institutions to go down market to serve low-income households.

- 1.5 The private sector – financial institutions (FIs), non-government organizations (NGOs), community-based organizations (CBOs), small contractors, and households) has the main responsibility for execution of the investment component. A small project implementation unit (PIU) disburses the subsidy, sets and monitors rules for private-sector execution, and conducts policy reform.

B. Macroeconomic context

- 1.6 Over the last two decades, Suriname's economy has performed unevenly. GDP grew only 0.4% in real terms between 1975 and 2000. Per capita GDP declined slightly during this period, and was estimated at US\$844 (1990 prices) in 1997. The civil disturbances in the interior in the mid 1980s disrupted agricultural production, and forced many from the countryside and small towns into Greater Paramaribo, which now accounts for over 55% of total population. The early 1990s were particularly difficult. Growth halted and inflation rose to above 300% by 1994.
- 1.7 The macroeconomic situation improved greatly from 1995 to 1997, but has deteriorated again in 1998-2000. In 2000, GDP shrank by 7.4% in real terms, inflation was 71% and the fiscal deficit was equivalent to 12% of GDP.
- 1.8 This economic crisis was mirrored by a major political crisis that began in 1999, prompting a call for general elections one year ahead of schedule. In May 2000, the New Front Coalition was swept into power with 34 of the 51 seats in the National Assembly. Unlike the outgoing administration, which in 1996 was built on a post-election coalition of often competing and conflicting interests, the new administration entered and contested the elections with a united front. A general consensus has emerged that this arrangement offers an escape from the political turmoil and strife that marked the preceding years and holds the possibility of greater political and economic stability.
- 1.9 The New Government inherited a very difficult macroeconomic situation, with the economy slumping and deeply unbalanced. Government finances were especially weak, following three years of fiscal deficits in excess of 10% of the GDP, significant external borrowing at short-term maturities, and the accrual of payments arrears. The Government initiated stabilization measures in late 2000, including a substantial devaluation of the official exchange rate, cutbacks in non-targeted subsidies, and an increase in the price of gasoline and electricity. These measures have stabilized the economy in the short term and have started to lessen

disequilibria. An IMF Article IV mission in February 2000 projected a moderately positive outcome in 2001 – a resumption of growth, a fiscal deficit of less than 3% of GDP and annual inflation declining to 50% – if the Government could maintain fiscal discipline, especially regarding civil service wage increases, and refinance external debt with the assistance of the Government of the Netherlands.

C. Sector bottlenecks, supply, demand, and housing conditions

1.10 Housing in the 1970s and 1980s. In the 1970s and early 1980s, GOS built housing at a rapid rate of 1,000 to 2,000 units per year and divested much public land. Many low and moderate-income families gained access to either land or housing during this and previous periods. Government built roughly 20% of the existing housing stock at this time. The civil unrest and sharp economic decline of the 1980s, however, ended Government-assisted housing until recently and sharply reduced private-sector housing production. It also stimulated an influx of people from the countryside into Paramaribo that continues to put pressure on existing housing and neighborhoods.

1.11 Sector bottlenecks. Bottlenecks in mortgage finance, Government land allocation and taxation, and building materials have joined with a steady decline in real incomes to block residential construction and home improvement for low and moderate-income Surinamese:

a. **Mortgage finance.** Macroeconomic conditions have now raised mortgage interest rates to above 35% per annum, with maximum terms of 15 years – making them unaffordable to all but a few low/moderate-income households. Only macroeconomic reform can substantially reduce the cost of financing. Suriname's private banks have customarily financed middle to upper-income households. Two credit unions, however, have extended mortgage credit on a small scale to low and moderate-income households. These credit unions make both in-fill new construction and rehabilitation/expansion loans. Together, their volume is modest, below 100 mortgage loans per year. Their lending capacity is limited mainly by liquidity, since they have access only to a modest deposit base for their liabilities. Interestingly, foreclosure procedures work well and are not a bottleneck.

b. **Government land allocation, regulation and transfer taxation.** Government continues to distribute roughly 2,000 lots per year. This land divestiture remains uncoordinated with housing initiatives and has failed to encourage building on these lots once divested. High property transfer taxes and high taxes on mortgages impede housing markets.

c. **High cost of development.** Building materials costs have risen dramatically in real terms, particularly relative to income. A Government worker who earns the median salary required 2.4 years of wages to pay for a median house in 1982. The same worker needed seven years of earnings in 1997.

The causes of this problem are multiple. Tariff charges and quotas have contributed to the high cost of building materials – more than half of which come from imports. The 1980s internal war disrupted the building materials industry, which remains unorganized, artesanal, and uncompetitive. Low effective demand provides little incentive to produce more efficiently. In addition, development and building standards are unnecessarily high, thus raising costs.

- 1.12 **Demand.** As a result, great accumulated demand exists. Less than 300 residential mortgage loans are closed per year, and little housing rehabilitation or new construction takes place. In comparison, household formation is running at roughly 1,350 per annum countrywide. In addition, great deferred maintenance has resulted in rapid deterioration of the existing housing stock, which requires replacement or rehabilitation of an additional 1,000 solutions per year.
- 1.13 **Supply.** Building permits in Paramaribo have averaged roughly 700 per annum over the last three years. Although the bulk of these real estate construction permits go for housing, this production serves middle and upper-income groups. Overall, current housing production covers less than one-half of housing need, at best. Despite this shortfall, the development and construction industry has ample capacity. In particular, numerous small contractors compete for the new construction, rehabilitation, and expansion of individual homes.
- 1.14 **Resulting housing problems.** The mismatch of supply and demand has contributed to worsening housing conditions for many low/moderate-income households. In essence, many of those families own lots because they purchased them when real incomes were higher before 1985 or received them from Government. Government continues to divest publicly owned lots from its relatively limited current stock. However, most households cannot afford to build on these lots or maintain their houses, many of which are decaying. Great overcrowding characterizes some of the lowest income areas. A survey of one typical low-income central city neighborhood in the south of Paramaribo, Abrabroki, found that 50% of its units shelter 10 to 20 people. Although group land invasions are still relatively unknown in the country, some low-income families have turned to squatting in Government-built rental housing units as a way of dealing with the housing shortage.
- 1.15 **Importance of rehabilitation and in-fill new construction.** Although new housing production falls short of new household formation, the housing problem is mainly qualitative. The overall backlog for new housing in Greater Paramaribo is estimated at 4,100 units (Hoek-Smit, 1998). Roughly 10,000 units, however are severely dilapidated and need substantial rehabilitation. The other major need is for in-fill new construction. Paramaribo contains roughly 10,000 vacant lots. The great bulk of these lots have services, and those without services lie close to trunk infrastructure. If built on, these 10,000 lots could cover Paramaribo's new household formation at current rates for roughly two decades. In summary,

Suriname mainly requires rehabilitation/expansion of existing units and in-fill new construction (on lots already owned by low/moderate-income families). These lower-cost solutions also represent the only financially feasible alternatives for low/moderate-income households given the modest subsidies that Government can afford, low real incomes, and high mortgage interest rates.

- 1.16 **Capacity to pay and housing preferences.** Roughly 60% of households are employed by a Government entity. On average, these civil servants, who represent the bulk of demand for housing, earn from US\$150 to US\$250 per month. Focus groups and surveys conducted as part of project preparation (Hoek-Smit, 1998), and the underwriting experience of FIs show these households can afford to pay one-third of the income of the two primary wage earners for housing. This amount comes to US\$50 for a low-income household earning US\$150 per month, and US\$80 for moderate-income households earning US\$250 per month. Although past housing programs built relatively large units (80 m²) on large lots (400 m²–500 m²), these studies also show that the expectations of low/moderate-income families are for more modest housing solutions. More than half of residential plots in Greater Paramaribo are smaller than 300 m², and close to half of the houses are less than 75 m². The majority of surveyed low-income renter and overcrowded households prefer to acquire an empty lot or a small core house for expansion in their current neighborhood over the standard Government-built house in distant locations, which poorly suits their needs.
- 1.17 **Neighborhood decline and NGO/CBO efforts at revitalization.** The drop in real incomes and bottlenecks in housing supply have led to decline not only of individual homes but of neighborhoods. The response of many has been to form community-based organizations (CBOs). An umbrella non-profit NGO – called NGO Forum – represents and has worked with many of these CBOs. A second NGO – National Women’s Movement – has focused on women’s issues in some of these and other neighborhoods.

D. GOS housing programs and policy

- 1.18 **High priority.** GOS has made the improvement of housing conditions one of its main policy goals. IDB discussions with Government, a study tour to Costa Rica to acquaint Government with that country’s housing programs and policy, consultancies to diagnose and recommend an overall shelter strategy, and operational studies supported by a PPF have assisted GOS in re-examining the sector.
- 1.19 **Shift in approach.** The approach of the program contrasts strongly with the traditional one used by the Government. Traditionally, Government contracts large construction companies to build relatively large units (80 m²) on large lots (400 m² to 500 m²). These units are then sold at highly subsidized prices sometimes financed by deep interest-rate subsidies. Government is developing 1,600 of such units, although the distant location of many has made these units marginally useful in satisfying housing needs and added significantly to

Government's debt and deficit. Project preparation has resulted in an important shift in the Government's thinking. GOS has agreed to direct demand subsidies targeted to low/moderate-income households largely for housing rehabilitation and expansion, but also for in-fill new construction of expandable core housing on smaller lots (300 m²). Households make the decisions and, in general, will hire small contractors to perform it. As a result, the average subsidy per household under the program is a fraction of the traditional approach.

E Program strategy and rationale

- 1.20 The approach of the program makes important advances in five respects over the traditional approach of Government. **First**, it employs market choice and stimulates market development rather than Government directive. Instead of below-market interest rate financing and the turnkey development of pre-determined model units by Government, the project provides a direct demand subsidy to households that make their own decisions about their housing solution. **Second**, the project fosters a genuine partnership among Government, NGOs, CBOs, and FIs in which a small PIU provides the subsidy and defines the rules of participation, and the private-sector executes the program. **Third**, the project emphasizes reform of housing policies. These reforms will promote a sustainable approach to housing in Suriname appropriate to the country's macroeconomic and social context. **Fourth**, the program greatly reduces Government's subsidy expended per unit. The average subsidy conveyed by the program is less than one-fourth that spent by Government's traditional housing projects because this program supports households to undertake low-cost rehabilitation/expansion and in-fill construction rather than finance large contractors to build new subdivisions. Thus, the program leverages funds to reach a much greater number of households. **Fifth**, the program is designed to adapt to changes in local conditions – most importantly, to the impact of macroeconomic change on interest rates.

E. Bank strategy and projects

- 1.21 **Relation to IDB country strategy.** The underlying thrust of the Bank's country strategy, as articulated in the 1999 Country Paper is "policy and institutional reforms that address root problems" and "strengthening the private sector". The Country Paper also specifies low-income housing as a key sector for reform. The program fully supports these goals through: (a) rationalizing and reforming GOS' housing program and subsidy approach to be much more efficient and effective; (b) shifting the role of Government from "rowing to steering" in the housing sector. The PIU funds the subsidy and sets key parameters, while the non-profit and for-profit private sector largely operate the program, and (c) greatly reducing the per-unit and total subsidy directed to housing, while achieving greater production.
- 1.22 **Relation to other IDB projects.** The project leverages and re-enforces other IDB operations. Under the Agricultural and Trade Policy Reform Loan, IDB has agreed with Government to abolish the current system of quotas that contribute to

raising the cost of building materials.² This reform, joined with the demand created by the LIS Program, are the pre-requisites for increasing the scale of the construction materials industry, and reducing costs. In addition, the LIS Program supports reductions in residential development costs with technical assistance. The LIS Program and the Community Development Fund (CDF) Program will reinforce each other. Both work with and strengthen CBOs to achieve neighborhood revitalization. The CDF finances small community infrastructure works, which complement and leverage the impact of the housing supported by the LIS Program. The LIS Program will seek to overlap neighborhoods with the CDF Program to leverage the impact of both. Cooperation between the staff of these two programs has begun during the project preparation. The Financial Sector Reform Program calls for elimination of subsidized special circuit lending. The LIS Program follows this approach by using a direct demand subsidy – rather than a below-market interest rate subsidy.

- 1.23 **Relation to other donors.** In the past, Suriname has received the great bulk of its assistance in grant form from the Netherlands under Independence accords. The remaining funds – including US\$26.4 million³ for housing – have been frozen for a number of years. Because of the advantages of the approach of the LIS Program over the traditional one, however, it is likely that future Dutch support will follow this new method.

² A new “negative list” of items that will incur trade restrictions does not include any building materials. Hence, trade in building materials should increase with the new liberalized regime and prices fall that started on September 1, 1999.

³ US\$15 million for middle-income housing, and US\$11.4 million for top civil servant housing.

II. THE PROGRAM

A. Objectives of the program

- 2.1 The main objectives of the program are: (a) to improve the housing conditions of low-and moderate-income households, (b) harness Suriname's most capable private finance institutions, NGOs, and CBOs to assist under-served households in lower and middle income neighborhoods improve or construct a house, and (c) make shelter policies and subsidies more efficient, equitable, and transparent.

B. Project description

- 2.2 The program has three components: (a) up-front subsidies to stimulate investments by low and moderate-income households to rehabilitate their houses and construct new ones; (b) technical assistance to private FIs, NGOs and CBOs to strengthen their capacity to participate in neighborhood-based housing programs, and payment of performance-based fees to these institutions to execute various aspects of the program, and (c) strengthening of the public sector's capacity to enable the development of low and moderate income housing and reform of the policy and regulatory framework.

1. Investment in rehabilitation and new construction of housing for low and moderate-income households (US\$8.4 million)

- 2.3 The investment component of the program will provide up-front subsidies to eligible households to help them construct a new core expandable unit or rehabilitate or expand their present homes. The present mismatch between income levels and house prices blocks the majority of households from affording a new house even with the program's subsidy. Consequently, the project design anticipates that 70% of the total subsidy amount will be used for rehabilitation/expansion and 30% for new construction. Household demand will drive these shares during program implementation.

a) Home improvement in eligible urban and rural neighborhoods (US\$5.3 million)

- 2.4 This component of the housing assistance program funds rehabilitation and/or extension of approximately 3,300 houses in selected low/moderate income neighborhoods. The main criterion for selection is that the neighborhood must form a CBO and prepare a simple plan that meet program guidelines. The main criteria for household selection are: (a) the income level, (b) the state of the house, and (c) beneficiaries should only own the property subject to the improvement. The minimum home improvement effort should be US\$2,000 and the maximum US\$4,000. Eligible improvements include interior and exterior improvement or replacement of the housing structure, utility extension or new hook-ups, and upgrading of on-site services such as drainage and septic tanks, and extension of existing house.

- 2.5 The home-improvement component can reach poor households through two types of subsidy packages-with and without a loan. The left side of the first row of Table II-1 illustrates home improvement subsidy packages that include a loan component. Poor households with monthly incomes of US\$90 could afford repayments on a US\$597 loan (at 35% interest and a three-year term), and would qualify for a subsidy of US\$1,956 (close to the US\$2,000 maximum). The total housing improvement package would be US\$2,936, including their required equity contribution of 15% or US\$383.

b) New core unit construction in eligible urban and rural neighborhoods (US\$3.1 million)

- 2.6 The program will fund about 735 new core houses mostly on small sites within low/moderate income neighborhoods. New housing options financed under this subcomponent cannot exceed 40 m² in floor area with a maximum plot size on newly subdivided land of 300 m². The price of a core unit without the land ranges from US\$6,000 to US\$7,500 depending on size and extent of self help.
- 2.7 The right side of the second row of Table II-1 illustrates the new construction subsidy package. Households with an income level of US\$140 per month can afford a loan of US\$1,394 and qualify for a US\$3,873 subsidy. With a 15% required contribution the total housing cost that can be financed is just over US\$6,000 – the minimum necessary for a core unit.

Table II-1 ILLUSTRATIVE SUBSIDY PACKAGES FOR HOME IMPROVEMENTS AND NEW HOUSING (In US\$)								
	HOME IMPROVEMENT				NEW CONSTRUCTION			
Monthly Income	Loan Improv.	Subsidies Improv.	Required Contribut.	Total Afford. Package	Loan New Housing	Subsidies New Housing	Required Contrib.	Total Afford. Package
90	597	1,956	383	2,936	* 0	0	0	0
140	928	1,804	546	3,278	1,394	3,873	790	5,267
210	1,393	1,591	746	3,730	2,091	3,262	1,338	6,691
* Most households earning US\$90/mo., cannot qualify for a loan sufficient for new construction.								

- 2.8 There are two types of subsidy packages.

- a. For households that can afford a mortgage loan, the package will have three components: a maximum affordable loan at market-interest rate from a private lender, a minimum equity contribution of at least 15% of the total development cost from the household, and an up-front subsidy from the program.

- b. For households unqualified for a loan because of low or unverifiable income or land collateral problems, the financing package consists of two components: a total household equity contribution of 25% of the cost of construction and an up-front subsidy.

2.9 **Household eligibility.** There are two steps in the selection process; first, the selection of the neighborhood and second the approval of the household. The main criteria for neighborhood selection is that the neighborhood must be low-moderate income, has formed a CBO, and prepared a simple housing plan that meets program's guidelines. The main criterion for household selection within each neighborhood is income level. Furthermore, households that construct a home are eligible if the house is their first owner-occupied unit. Households that are rehabilitating or expanding their home are eligible if they own no other dwelling and if their home is in substandard condition. The property must be located in a low-moderate income neighborhood in need of improvement, with a qualified CBO. This neighborhood approach clusters housing improvements and new housing construction, thereby creating positive externalities and facilitating the operation of the program.

2.10 **Subsidy levels.** Subsidy amounts decrease gradually with increasing income based on a computer model (the Housing Subsidy Analysis Model – see footnote 3). This method avoids the abrupt changes in amounts created by subsidy brackets. Subsidy amounts also differ for new construction and rehabilitation and can be adjusted by the PIU. The maximum subsidy for new construction is presently set at US\$4,000 and the minimum subsidy is US\$3,000. For home-improvement the maximum subsidy is US\$2,000 and the minimum is US\$1,000. These limits are preliminary and will be reviewed regularly. The subsidy program provides an additional subsidy for households that contribute more than the minimum required amount. In order to maximize households' equity contribution and stimulate housing investment.

2. Technical assistance and performance-based fees to the private housing sector (US\$760,000)

a) Strengthening the private housing sector (US\$296,000)

2.11 Private housing finance institutions qualify the households for the subsidy and the loan and disburse these funds for the housing investment component. NGOs and CBOs assist housing finance institutions in taking loan applications and gathering information on applicants. Technical assistance is necessary to support the private sector's key role in execution:

2.12 **Technical assistance and training to the private housing finance sector (US\$200,000).** The program will increase the efficiency of the private mortgage market through a combination of work by the PIU and technical assistance. The areas of technical assistance include: the establishment of a credit bureau, a review of and proposal to reduce taxes and fees for mortgage registration and land

transfers, a review of and proposal to consolidate life and hazard insurance requirements for mortgages, examination of the Central Bank's reserve requirements for mortgages made by commercial banks, and facilitation of borrowing by the largest credit union from long-term institutional savers/investors. For smaller participating financial institutions, technical assistance funds are included in the program for computer hardware.

- 2.13 Support also will be provided for executive training of the management of housing finance institutions to help these organizations improve their business strategy and efficiency. Workshops will also be provided in the operation of the program, particularly its subsidy model.

- 2.14 **Technical assistance to CBOs and NGOs (US\$96,000).** Participating NGOs and CBOs are responsible for strengthening participating communities, organizing the demand for housing at the community level, and assisting eligible households with the preparation of their housing plans and program applications. NGOs will receive up-front assistance for capital expenditures needed to carry out their administrative and outreach functions. CBOs will be reimbursed for initial costs in mobilizing the community and data collection. Training workshops will familiarize NGOs and CBOs with the program.

b) Performance-based fees to lenders and NGOs/CBOs for providing underwriting and disbursement support to participating households (US\$464,000)

- 2.15 **Lender administration fees.** FIs will handle the loan and subsidy application, underwriting, and servicing. Lenders will charge approved fees to the beneficiary borrowers under the program. Lenders will also administer subsidies for households that do **not** qualify for a loan. For these non-borrowing households, the program will pay an administrative fee per applicant to the financial institution for filing the subsidy application, underwriting the customer and the property, and disbursing funds. Two-thirds of beneficiaries are expected to be unable to qualify for a loan. Assuming an average fee of US\$100 for this group of beneficiaries, the program will require a total of US\$264,000 in administrative fees to lenders.
- 2.16 **NGO/CBO fees.** A performance-based administrative fee will also be paid to NGOs for processing incoming applications and assisting households in preparing the information necessary to qualify for the subsidy and loan. In addition, CBOs will receive an incentive fee for their community outreach and monitoring work, which will be based on the number of completed housing solutions in their neighborhood. Together, the NGO and CBO fees total US\$50 per household. A total of US\$200,000 has been included in the budget for program administration by NGOs and CBOs.

3. Strengthening public housing policies and institutions (US\$1.74 million)

a) Improving land and housing policies and programs (US\$150,000)

- 2.17 Regulatory and policy reforms coordinated by the PIU will reduce the cost of construction and serviced land, coordinate the Government's land divestiture program with the housing program, and facilitate housing finance.
- 2.18 **Reduce house construction costs.** Technical assistance will analyze the high cost of key local building materials and the use of low-cost alternative building materials, develop cost-saving designs for the rehabilitation and extension of common house types, and gear the building code and subdivision regulations to low and moderate income housing.
- 2.19 **Assure land availability to low and moderate income households.** Technical assistance will help reform and coordinate the Government land divestiture program with the LIS Program. In particular, consultancies will aim to improve the targeting and operation of the Government land divestiture program, and to motivate holders of Government-allocated plots to build on their plots or return them to Government. In general, land markets in Suriname work well. There is a need, however, to improve the process of land titling and registration. Technical assistance will also develop methods to reduce the time required to obtain proof of ownership of land.
- 2.20 **Facilitate housing finance.** Consultancies will help establish a private-sector credit bureau, reduce mortgage and transfer taxes, reduce hazard insurance and eliminate life insurance requirements for mortgage lending, and facilitate access by credit unions to wholesale funds from long-term investors.

b) Strengthening public housing institutions (US\$1.59 million)

- 2.21 **Program Implementation Unit (PIU) (US\$1.5 million).** The program will support the establishment of a strong and efficient PIU as an independent foundation under the Ministry of Social Affairs and Housing. Apart from staffing and operational expenses, support will: (a) develop and maintain computerized data bases of applicants and link them to data bases kept by participating lenders; (b) create a neighborhood and CBO data base including information on population, services and infrastructure, and civil society for eligible neighborhoods; (c) establish a system to qualify contractors; and (d) train NGOs, CBOs, and lenders in implementation of the program. The program will refinance the US\$350,000 that was used to establish the core organization of the PIU.
- 2.22 **Promotion campaign (US\$10,000).** The proposed housing program departs radically from the turnkey construction and interest-rate subsidies that have characterized Government housing programs. Special efforts will therefore be required to publicize and explain the program to both the wider public and targeted markets. The program will develop a publicity campaign using different

media appropriate for low-moderate income households, and design and produce printed information material geared to different classes of participants in the program, e.g. households, CBOs, NGOs, contractors, and FIs.

- 2.23 **Monitoring and evaluation (US\$72,000).** The program will be monitored regularly by the Bank's Country Office, with two monitoring missions conducted by consultants as well as IDB headquarters staff planned for the first year and one per annum subsequently.

C. Size of the program

- 2.24 Program size was determined on the basis of: (a) the effective demand for housing by target income groups in target neighborhoods, and (b) the capacity of NGOs/CBOs, FIs, and the PIU to execute it. In total, the number of solutions produced annually – an average of 800 – roughly matches the current rate of building permits issued in Paramaribo and is a sustainable pace for the organizations involved in execution.

D. Program cost

- 2.25 The Bank financing is part of a five-year program, with a cost of an estimated US\$12.3 million. The breakdown by investment category and source of funds is presented in Table II-2.

Table II-2 TOTAL PROGRAM COST (US\$ thousands equivalent)				
INVESTMENT CATEGORY	TOTAL			% TOTAL
	IDB	LOCAL	TOTAL	
1. PROGRAM ADMINISTRATION	1,673	85	1,758	14.3
1.1 Policy reform	75	75		1.2
1.2 PIU Operation	1,166	-	1,166	9.5
1.3 Promotion	10	10	20	0.2
1.4 Monitoring and evaluation	72	-	72	0.6
1.5 PPF	350	-	350	2.8
2. DIRECT COSTS	6,943	1,470	8,413	68.4
2.1 Home rehabilitation	4,587	710	5,297	43.1
2.2 New homes	2,356	760	3,116	25.3
3. TECHNICAL ASSISTANCE	760	-	760	6.2
3.1 Training private housing sector	200	-	200	1.6
3.2 NGO/CBO strengthening	96	-	96	0.8
3.3 Fees for FIIs/NGOs	464	-	464	3.8
4. UNALLOCATED EXPENSES	326	-	326	2.6
4.1 Contingencies	326	-	326	2.6
5. FINANCIAL EXPENSES	98	944	1,042	8.5
5.1 Interest	-	762	762	6.2
5.2 Credit commission	-	182	182	1.5
5.3 Credit supervision	98	-	98	0.8
GRAND TOTAL	9,800	2,500	12,300	100.0
% per source/per year	80.0	20.0	100.0	-

E. Financing plan

- 2.26 The Bank loan of US\$9.8 million will account for 80% of total program cost. The remaining US\$2.5 million will be local counterpart. Counterpart contributions for the program would be distributed over the five years of execution.

F. Terms and conditions of the loan

- 2.27 IDB financing in the amount of US\$9.8 million will be drawn from the Ordinary Capital resources with interest rate support from the Intermediate Financing Facility (IFF). These funds will cover 80% of the total requirements for the program. Table II-3 shows the terms and conditions of the loan.

Table II-3 TERMS AND CONDITIONS OF THE LOAN	
Source of funds:	Ordinary Capital
Amount:	US\$9.8 million
Terms:	
Amortization period	25 years
Grace period	5 years
Commitment of funds	4.5 years
Disbursement	5 years
Interest rate:	Variable ^{1/}
Inspection and supervision:	1% of the loan amount
Credit fee:	0.75% per year on undisbursed amounts
Currency:	United States dollars from the Single Currency Facility

^{1/} The Intermediate Finance Facility (IFF)

III. INSTITUTIONAL FRAMEWORK AND PROGRAM EXECUTION

A. Institutional framework

- 3.1 The borrower is the Government of Suriname (GOS). The executing agency will be the Ministry of Social Affairs and Housing which will establish a Program Implementation Unit (PIU) as a foundation under the laws of Suriname to execute the project. The PIU shall be governed by a Board of Directors comprised of representatives of the main stakeholders in the program (see paragraph 3.9). The GOS will transfer the proceeds of the loan and the local counterpart directly to the PIU. During preparation a local attorney was consulted regarding the convenience of using a “foundation” as the legal entity for the execution of the program. Following a positive recommendation to this respect, a draft of the concept statutes for the establishment of the foundation was prepared.

B. Participating organizations

- 3.2 The execution of the program is based on a partnership among NGOs/CBOs, FIs, and the PIU as follows.
- 3.3 **CBOs** assist households in understanding the program’s requirements and eligibility criteria, pre-qualifying applicants, and collecting information for their credit application and their construction work under the supervision of the NGO, which has overall responsibility for these functions. The cooperation between CBOs and NGOs will be based on a written agreement.
- 3.4 **NGOs** will provide technical assistance to oversee CBOs, review the pre-qualification of applicants and their applications for completeness, and participate in program monitoring. Thus, the NGO has responsibility for the quality of the work of the CBOs that it supervises. The cooperation between the NGOs and the PIU will be based on a written agreement.
- 3.5 **FIs**, such as commercial banks and credit unions, will receive and process household application packages (which will serve as requests for both subsidies and loans) from NGOs and process them. In this regard, the FI will apply eligibility criteria that will confirm or reject the pre-qualification performed by CBOs and NGOs. FIs will use a computer subsidy model provided by the PIU to determine the level of subsidy that applicants receive. On approval and disbursement of the subsidy from the PIU, FIs will close the loan, advance funds for construction, conduct construction inspections, and make progress payments. Participating lenders will enter into a formal written agreement with the PIU.
- 3.6 **PIU.** The PIU will set the rules for participation of households, NGOs/CBOs, FIs, and construction contractors in the project, monitor program operation, and implement policy reforms. Regarding implementation of the investment component, the PIU’s main function is to approve the selection of beneficiaries and to disburse the subsidies to the FIs.

- 3.7 **Independent contractors** that meet the criteria established by the PIU to participate in the program will conduct the great bulk of the construction work.

C. Program management

- 3.8 The Government has actively participated in preparing the program and established a Project Preparation Unit (PPU). The PPU has had extensive working sessions and meetings with FIs, GOS agencies, NGOs, and suppliers of building materials. A Program Preparation Facility (PPF) is financing PPU staffing and equipment. Measures to prepare the PPU to become the PIU and operate the program are underway.

- 3.9 The PIU will be established as a foundation under the laws of Suriname by the Ministry of Social Affairs and Housing. Government customarily establishes organizations as foundations in order to operate programs independently, as was done in the Community Development Fund (CDF), recently approved by the Bank. Although the foundation will be linked to the ministry, it will operate autonomously, governed by a Board of Directors. The board consists of seven members, representing the public and private sector as follows: (a) three members by the GOS, (b) one member by the participating lenders, (c) one member by the participating contractors, (d) one member by the NGO partners, and (e) one member acceptable to all of the above. The Board of Directors will have the overall responsibility for the supervision of the program. They will monitor the expected activities, review issues that require change in the scope of the program and present alternatives for the Bank's review and approval. They will also support the Director of the PIU in all inter-institutional coordination.

- 3.10 The PIU has responsibility for all aspects of project execution, including the interface with the Bank and disbursement of program resources. The PIU will start with a core staff of three professionals in the first year and add two more staff in the second year. The managing director will maintain relations with all participating institutions, plan and oversee all aspects of program implementation, and will be responsible for all reports required by the GOS and IDB. An engineer will be responsible for planning, implementation, and technical oversight of the program. A financial specialist will be in charge of the subsidy disbursements, accounting, and all other financial aspects of the program. During the second year, an administrator will be hired to assist the financial specialist, particularly with accounting and administrative duties. Also, two field assistants will be contracted to support the work of the engineer. Consultancies will support PIU operations in providing expertise unavailable within the organization. Annex III-1 presents the organizational structure of the PIU. **Evidence that the foundation (PIU) has been established, staffed as planned, and the initial Board appointed will be condition prior to first disbursement.**

D. Program execution

1. Execution strategy and principles

- 3.11 The program operation puts into practice two core principles. **First**, the program makes use of existing, competent private sector and non-governmental institutions to execute the main tasks. The PIU sets policy, coordinates, and supervises these private organizations. This strategic partnership among lenders, NGOs, CBOs and contractors builds the capacity and interest of these organizations to serve low and moderate-income households long-term. **Second**, eligible homeowners in focus neighborhoods decide on the type and cost of their housing solution within program standards and financial assistance brackets. The program provides strong incentives to maximize households' inputs in the form of land, cash, labor, and building materials.

2. Execution plan

- 3.12 Execution by the private sector is both a strength and a vulnerability of the program. While this approach can be more efficient and connect better with household demand, success depends heavily on private lenders and NGO/CBO partners and on the working relationship between these organizations and the PIU. Strengthening these organizations is, therefore, crucial to effective program execution. Many meetings and workshops with the private sector have informed the institutional strengthening strategy as well as the investment component of the program. These fora served to reach a broad consensus on the flow and coordination of activities, the respective division of tasks, staffing requirements, and compensation issues. Memoranda of understanding for different partners have been prepared on the basis of these agreements. **Formalization of these agreements between NGO/CBO partners and FIs will be a condition prior to first disbursement.**

a) Project cycle

- 3.13 The process of identifying and selecting beneficiaries, of processing applications, and of granting and executing subsidies follows a simple flow as summarized below:
- 3.14 **CBOs and NGOs organize demand.** The demand for new housing and housing improvement of eligible households within focus neighborhoods drives the subsidy allocation and mortgage lending process. There are two main steps in the selection process. First, eligible low-moderate income neighborhoods must be selected. The first criterion in this process is that eligible neighborhoods should have formed a CBO. Many neighborhoods already have CBOs. Regardless, community residents in low and moderate-income neighborhoods can establish a CBO, or use an existing CBO. The CBO distributes information about the program to residents and affinity groups in the area. Oriented by a participating NGO, the CBO defines a simple housing plan and submits this to the PIU within

specified time periods each year (“rounds”). On receipt of plans, the PIU prioritizes and approves neighborhoods for participation in the program on a “first come first serve” basis in consultation with NGOs. CBOs that apply too late for inclusion in a particular round are placed in a queue for participation in the program in subsequent rounds, contingent upon the availability of funds.

- 3.15 The second step is the selection of eligible households within approved neighborhoods. The CBOs provide application forms to eligible households, educate potential applicants about the eligibility criteria and application requirements, pre-qualify applicants, assist households with the collection of the necessary documentation to complete an application, provide a list of approved contractors, and verify residency of the applicant in the neighborhood. CBOs then deliver the application packages to NGOs.
- 3.16 NGOs review the applications for completeness, get missing materials, and screen the eligibility of the applicant using a computer model⁴ developed for this purpose. The NGOs then deliver the applications to participating FIs chosen by the households. Neither the CBO nor the NGO can stop a household from submitting and processing an application even if these organizations deem the application ineligible.
- 3.17 The eligibility criteria for individual households include: (a) a monthly income below the 75th percentile for one third of the households and below the 50th percentile for half the beneficiaries; (b) a household size of two or more members; (c) no ownership of a house or ownership of a single house that needs replacement or major improvement; (d) overcrowding; (e) a low or moderate income neighborhood, and (f) Surinamese nationality. Details of the application and selection procedures for both CBOs and households are included in the operational manual.
- 3.18 The PPU has strengthened selected NGOs, CBOs and credit unions for their roles in the program during project preparation. Under the PPF these organizations have received technical assistance and training to make them ready to begin project execution.
- 3.19 **Lenders receive subsidy and loan applications, underwrite, approve, disburse and collect.** The lender reviews the application for completeness, interviews the applicant, charges a pre-approved application fee, analyzes the household’s credit, appraises the property, and reviews the construction proposal. The FI then approves or rejects the application. If approved, the FI collects the down-payment (“equity contribution”) to deposit in a savings account on the applicant’s behalf. It then submits the complete file to the PIU for review and approval of the

⁴ The Housing Subsidy Program Analysis model qualifies households, and sizes the necessary equity contribution, loan, and subsidy amount. This model also can be used to analyze the program’s total funding, implementation cycle, and the required capital investments by lenders and households. A complete version, including the electronic files, is in the project’s technical files.

subsidy, and disbursement of subsidy funds to the FI. On inspection of the construction work, the FI makes progress payments to the contractor with the approval of the beneficiary. The FI holds back 10% of the construction cost until all work is completed and until the homeowner approves a final disbursement.

3.20 Thus, the involvement of the FIs ensures collection of the equity contribution, provision of subsidies and mortgage loans based on objective criteria, and collection of payments. Subsidy programs that use FIs in similar roles have dramatically increased the transparency of housing programs in other countries in Latin America and the Caribbean.

3.21 **The PIU sets parameters for and trains other participating organizations, monitors performance, and disburses subsidy funds.** The PIU sets criteria for, trains, and qualifies NGOs, CBOs and construction contractors for participation in the program. Experienced NGOs – currently only NGO Forum and National Women's Movement are contracted, but other NGOs may be included at a later stage – will receive training and equipment during project preparation. The PIU will assess and qualify other candidate NGOs as they apply. The PIU will also set standards for CBOs, and develop a model agreement between NGOs and CBOs. However, NGOs will choose the CBOs with whom they partner and enter into agreements with them. Participating NGOs and the PIU will jointly assess the performance of the CBOs, although the PIU retains the final say on their participation in the program. The increased demand caused by the program will likely result in a proliferation of new construction contractors – some without experience or competence. Hence, PIU qualification of contractors holds particular importance. The PIU qualifies contractors that have the capacity to perform work required by the program, and trains them to maintain records, financial controls, and other administrative requirements of the program. The PIU shall publish a list of participating contractors, and regularly update it, in consultation with participating lenders and NGOs, and such other entities as the PIU deems appropriate. PIU may remove a contractor as well as a CBO, NGO, or lender from participation in the program if the organization fails to provide quality service to eligible homeowners or otherwise comply with program requirements. Finally, the PIU will monitor building standards and costs, and share this information with participating organizations and households. In this regard, it will develop designs and budgets for standard core houses and for standard extensions and rehabilitation of the most common models of the existing stock of housing. The PIU will maintain an up-to-date database of building materials costs, and use these costs to assess contractors' estimates and work. Finally, the PIU will disburse subsidy funds to FIs based on approved applications, the approved subsidy amount, and the disbursement schedule.

3.22 A summary of the steps in the process is presented in Table III-1. Details of procedures and initial parameters to be used in the program are contained in the draft operating manual, **the final version of which will be presented to the Bank as condition prior to first disbursement.**

Table III-1 STEPS FOR SUBSIDY CYCLE	
Step	Description of Activity in Step
1	Eligible neighborhood establishes/activates CBO
2	CBO approaches participating NGO or PIU directly about rules for participating, dates of rounds, etc.
3	CBO with NGO and PIU assistance formulate a preliminary neighborhood housing plan.
4	PIU designates focus neighborhood
5	CBO, with assistance from NGO, conducts program outreach and assists potential beneficiaries with program application and other procedures.
6	Beneficiaries select pre-qualified contractors, who assist in construction design and costing.
7	Homeowner completes application—with assistance of CBO to determine subsidy/loan package suitable to homeowner's circumstances.
8	Homeowner, with CBO, submits application to NGO for certification of eligibility and completeness.
9	NGO submits complete application to participating lender preferred by beneficiary.
10	Participating lender processes application, underwrites financing package, and recommends up-front subsidy amount to PIU.
11	PIU approves subsidy and transfers subsidy amount to participating lender
12	Lender closes the loan, initiates disbursements, and monitors construction. PIU and NGO also monitor progress and quality of construction

- 3.23 **Operational procedures:** A detailed operational manual for the subsidy program has been prepared that includes: (a) definitions of all project partners, categories and terms; (b) program parameters for eligible CBOs and households, subsidy packages, eligible housing solutions, subsidy parameters, allocation criteria, and required household contributions; (c) rules and procedures for the household application and approval process, and disbursements; (d) cost and fees for CBOs, NGOs, and FIs, and (e) control and monitoring of project partners and beneficiaries: contractors, NGOs, beneficiary households, building standards, and housing solutions.

b) Institutional strengthening and policy reform components

- 3.24 The PIU will carry out the program's policy components with the assistance of consultants. These reforms can be broken down into two sets: (a) those financed by the PPF during project preparation to equip NGOs, CBOs and FIs for program implementation and to lay the basis for policy reforms; and (b) those to be financed by the program.
- 3.25 **NGO, CBO, and FI preparation, and policy reform studies.** Project preparation includes a technical assistance fund to equip NGOs, CBOs, credit union, and commercial bank partners with computers (NGOs and credit unions), hire staff (NGOs), and train these organizations in the use of the subsidy model and in the program. PIU staff has had extensive contacts with participating NGOs, CBOs, and Credit Unions to prepare them for using the program. In addition, studies have been conducted or are underway to lay the foundation for policy reforms. These studies include an assessment and action plan for

increasing the liquidity of credit unions in order to provide mortgage money to complement the subsidy delivered by the program.

E. Flow of funds and financial management

- 3.26 The proceeds of the loan and the local counterpart will be transferred to the program in accordance with its implementation schedule. The PIU will have two accounts, one in US dollars and one in local currency, at a selected commercial bank. The proceeds of the loan will be kept in the account in US dollars in order to mitigate any inflationary effect. The local counterpart will be kept in local currency. **The establishment of the required bank accounts is a condition prior to first disbursement.**
- 3.27 The PIU will make three types of disbursements to: (a) cover the housing subsidies, (b) pay for the acquisition of goods and services required for the program, and (c) pay for its operational expenses. Housing subsidies will be disbursed by the PIU to participating FIs according to a weekly plan based on the approved loans and subsidy amounts. All disbursement will follow a Board approved quarterly plan.
- 3.28 The PIU will carry out the financial management according to rules and procedures agreed with the Bank. PIU will maintain updated financial, accounting records and internal controls of financial transactions financed by the Bank's loan and local counterpart funds. PIU will also be responsible for the preparation and submission to the Bank of disbursement requests and their respective justifications. FIs will be responsible for maintaining: a) separate and specific financial and accounting records related to sources and uses of program funds, and b) these records will be available for inspections by the Bank's personnel and/or external auditors.

F. Procurement of goods and services (procurement plan)

- 3.29 No threshold for construction contracts applies because the program involves no direct financing of construction work. Goods will be procured following the procedures set out in Annex B of the loan contract. International competitive bidding will be mandatory for procurements of goods and related services over US\$250,000 and consultancy services over US\$200,000. Suriname has little experience of similar projects. However, experiences in other countries of the region indicate that only contracts above this threshold will elicit international interest. Purchases of less than US\$250,000 but more than US\$50,000 will require local public tendering. For purchases of less than US\$50,000 at least three quotations will be sought. Consultants will be hired in accordance with the Bank's procedures as set out in Annex C of the loan contract. A preliminary procurement plan is presented in Annex III-2.

G. Disbursement schedule

- 3.30 In accordance with the implementation schedule, the program will disburse as follows:

Table III-2 ESTIMATED DISBURSEMENT SCHEDULE (millions of US\$ equivalent)							
SOURCE	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL	%
IDB	1,793	1,458	2,203	2,178	2,168	9,800	80
Local	132	583	583	616	636	2,500	20
Total	1,915	1,971	2,786	2,794	2,804	12,300	100
%/year	15.6	16.2	22.7	22.7	22.8	100.0	

H. Recognition of expenditures and advancement of funds

- 3.31 Local counterpart is being used for the preparation of the Project. These expenditures will follow procedures similar to the ones of the program. Thus, the project team estimates that up to US\$200,000 can be recognized as local counterpart for the program's operation up to the date of loan approval.
- 3.32 Given the type of activities and the expected financial requirements, the project team recommends that up to the equivalent of 5% of the financing (approximately US\$500,000) be used to establish the initial revolving fund.

I. Bank monitoring during program execution

- 3.33 A start-up workshop will follow approval of the loan by the Board of the Bank. This workshop will familiarize organizations participating in the execution of the program with the strategies, expected achievements, and main goals.
- 3.34 Given the innovative nature of the program, important decisions may occur during the early part of the project that change implementation. Thus, the program requires close monitoring during the first year. GOS and IDB have agreed to two reviews during this period in order to: (a) identify issues that require decision or consensus, as well as problems and changes required in the execution; and (b) refine the plan of action and funding requirements for the following period. The monitoring and mechanism for changes and approval of funding will be based on the program's benchmarks and monitoring indicators (see Annex III-3). The Bank's Country Office will track the general progress of the program. The project team will participate in the first year's two reviews and subsequent annual reviews. Representatives from the Ministry of Social Affairs and Housing will also participate in the yearly reviews, which will take place in April to coincide with the preparation of the national budget for the following year.

J. Periodic evaluations

- 3.35 The GOS and the Bank have agreed to an independent mid-term evaluation in addition to annual reviews. This midterm evaluation will take place after two and a half years of program execution, or when 50% of the program resources have

been committed, whichever comes first. At the time of this evaluation, the borrower should, at a minimum, have attained key benchmarks for each major program objective detailed in the table below.

<p>TABLE III-3 BENCHMARKS FOR MID-TERM REVIEW</p>	
KEY OBJECTIVES	BENCHMARKS
Investment	<ul style="list-style-type: none"> - 1,500 houses built or rehabilitated/expanded
Housing/land market reforms	<ul style="list-style-type: none"> - Loans made by private FIs to at least one third of program beneficiaries – 500 households - The cost of building materials necessary to construct a core house declines in real terms as measured by the building materials database of the PIU - Taxes on real estate transfers and mortgages reduced by 50% for households earning at or below the poverty line
Institutional strengthening	<ul style="list-style-type: none"> - All PIU staff positions filled, according to schedule. - Processing of a complete subsidy/loan application for the program – from receipt of application by a CBO to the first construction advance by a FI – averages no more than five months - Actions taken to increase the liquidity of participating credit unions in real terms
Policy reform	<ul style="list-style-type: none"> - Government land divestiture program reformed to target more than 50% of lots to poor households, to join at least 20% of newly divested lots with housing program subsidies, and to apply strong incentives for recipient households to build on divested lots within a two-year period. - Cost-saving housing designs developed and provided to all project participants and stakeholders. - Recommended actions completed to reduce time to acquire proof of homeownership.

- 3.36 In the event that the results of the evaluation are unsatisfactory, new commitments for financing the investment component will only be made if the authorities take the necessary measures to correct deficiencies in order to achieve program objectives.
- 3.37 The information acquired during the yearly reviews, midterm review, and the independent evaluation at midterm will inform an final evaluation to be undertaken within six months of the date of the last disbursement.

K. Environmental and social impact

- 3.38 The overall environmental and social impact of the program will be strongly positive because it provides adequate shelter to 4,000 households (Brito, 1999). The great bulk of development will occur on sites that already have basic urban services (water, sanitation, roads) and in existing urban areas, mainly in Paramaribo. Hence, this development will improve the economics of service

provision by filling in vacant lots and will revitalize neighborhoods by fixing up deteriorating structures. Minor negative environment impacts may come from construction, which the operating regulations mitigate with appropriate norms.

- 3.39 The program classifies as a poverty targeted investment because most beneficiaries are expected to be poor as verified by income analysis of the FIs. It is estimated that 65% of beneficiaries earn below the poverty line of US\$188 per month. This poverty line represents the minimum caloric intake plus minimum basic expenditures for an average family of five members.
- 3.40 Households will make the key decisions on their shelter rather than Government. Hence, the program well suits the needs of low/moderate-income households and holds substantial social benefits. The project involves no resettlement.

L. Financial statements and external audits

- 3.41 During program execution, and within 120 days after the end of each fiscal year, the PIU will present the financial statements of the program duly audited by a firm of independent public accountants acceptable to the Bank. The cost of auditing will be covered with the Bank's resources.

IV. VIABILITY, BENEFITS AND RISKS

A. Program viability

1. Economic viability

- 4.1 **Affordability.** Together, the subsidy, the household equity contribution, and the loan – in cases of creditworthy households – must total enough to finance the cost of construction. The program has set subsidy amounts and minimum equity contributions at levels sufficient to meet this condition for affordability.⁵
- 4.2 **Cost effectiveness.** The project dramatically reduces the per-unit subsidies and total subsidies per annum transferred to housing by GOS. The construction cost of the Government's current turnkey housing projects – 1,600 relatively large houses on large lots developed over three years – is US\$23.13 million. In addition to the construction cost, the Government has donated land, which brings the total subsidy to roughly US\$30 million, a rate of US\$10 million per year over the three year execution period. In contrast, the GOS/IDB project will average expenditures of US\$2.5 million per annum over five years – less than one-third the rate of the Government's traditional approach. Similarly, the average subsidy per solution under the LIS Program (US\$2,100) is a small fraction of the subsidy per solution (US\$12,000+) under the Government's traditional turnkey projects. Nonetheless, the number of solutions produced by the GOS/IDB program (4,000) will far exceed that of the Government's traditional housing programs (1,600) because of their smaller size and in-fill character. In addition, the location of this program housing will be more central than that typical of Government's turnkey projects, which are on or beyond the urban fringe.
- 4.3 **Investment in shelter.** The project investment of about US\$8.4 million in subsidies is projected to leverage US\$7.15 million, consisting of US\$4.84 million in loans and US\$2.67 million in equity contributions. Hence, the project will result in a total investment of US\$15.5 million in low/moderate-income shelter.
- 4.4 **Multiplier effect of the macro-economy and modernization of the building materials industry.** The resulting effective demand will stimulate various sectors of the economy. Home building typically generates two to three times the amount of construction in expenditures in related industries. This multiplier effect ripples through the national economy, expanding employment and output. The impact promises to be particularly important for the building materials industry. Current demand for building materials fluctuates greatly, contributing to artisanal production and high prices. Joined with the elimination of import quotas on building materials under the Trade and Agricultural Policy Loan, the

⁵

As illustrated in Table II-1: the left side of row 1 shows that these three sources of finance total US\$2,936 for a poor household earning US\$90 per month – enough to make an addition of 15 m² to 20 m², or to perform substantial rehabilitation of an existing infrastructure. Row 2 shows that these three sources for a low-income household earning US\$140 per month provide a total of US\$6,057 – an amount sufficient to build a small core unit.

relatively steady, larger demand generated by the LIS program joined with technical assistance will put downward pressure on building materials prices (providing supply responds).

- 4.5 **Deepening financial markets.** Home mortgages represent one of the safest and most lucrative assets of FIs in many economies. The project will substantially increase both the liabilities available to FIs to make loans (in the form of participating households' deposits of their equity contribution), and the demand for these credits. With greater scale, better loan terms as well as more competition may develop. The substantial increase in the number of mortgage finance loans likely under the project will spread the fixed costs of the operation of FIs over a larger asset base, making home lending more efficient and permitting better terms.
- 4.6 **Housing microfinance.** In addition, the project will strengthen two experienced housing microfinance lenders the credit unions Godo and De Schakel. The project support of this mode of housing finance has key importance for going downmarket to reach low/moderate income households.
- 4.7 **Transparency of subsidy amount.** The project makes clear Government's expenditure on housing investment, which is the amount of the subsidy. In contrast, traditional Government programs bury the subsidy amount in below-market interest rates, the unpublicized construction cost of the home, and/or free land. As a result, the program makes possible accurate budgeting of Government's housing expenditures.

2. Household demand

- 4.8 A team of international and national consultants conducted a household survey and demand analysis showing that Suriname requires 800 new units per year and a somewhat greater number of rehabilitations/extensions. In comparison, the LIS Program is projected to result in 150 new units per year and 660 rehabilitated or expanded solutions. Thus, ample need exists for the program's solutions, which the program's subsidy converts into effective demand. These figures indicate that the program could be substantially larger. However, a relatively small and targeted effort has been developed in order for the country's private sector (NGOs, CBOs, FIs) and public sector to learn their roles and build capacity.

3. Sustainability

- 4.9 **Sustainability.** Government's expenditure rate of roughly US\$10 million per year on turnkey housing development spent represents about 2% of GDP, and is clearly unsustainable. In contrast, the US\$2.5 million level of the current project falls within the range for share of GDP (0.66%) that Governments in Latin

America and the Caribbean have often invested in shelter.⁶ The program's sustainability comes from its much reduced cost and subsidy per solution. The LIS Program results in an average subsidy of US\$2,100, less than one-quarter of Government's subsidy under traditional housing programs.

- 4.10 In addition, the Government has stated that it has no more funds available for the traditional approach. Thus, donors are likely to play a strong role in establishing the direction of housing programs and policies. Because of the superiority of the new approach, other donors – such as the Dutch, who have reserved but frozen US\$26.4 million for housing in Suriname – are likely to use the new approach of this program, rather than the traditional one.
- 4.11 **Flexibility.** The project was designed to adapt to a wide range of macroeconomic conditions. Household demand conditioned by macroeconomic conditions will determine the mix of different types of solutions and degree of access to mortgage finance. The program leverages a key resource – ownership of land and housing by many low/moderate-income households – to reduce costs and achieve scope. The design also allows for change⁷ of the project's key parameters, including households equity contribution, and the types and maximum value of eligible housing solutions.

4. Institutional sustainability

- 4.12 Suriname currently lacks an agency with significant capacity to implement housing programs. Partly for this reason, the program relies on the private sector – FIs, NGOs, CBOs – for execution. The PIU “steers rather than rows”, by providing the funding necessary to fuel the program and by setting and monitoring the rules for execution by the private sector.
- 4.13 In addition, the program provides support to strengthen the PIU and private-sector participants. Most important, the program pays performance-based fees for the functions of FIs, NGOs, and CBOs. In general, these organizations have ample capacity for these tasks. Suriname's private FIs demonstrate considerable sophistication and have the technical capacity to provide the increased mortgage lending likely under the project. Credit unions have a good record in lending to low/moderate-income households. The project continues efforts begun in project preparation to strengthen the capacity of NGOs, CBOs, and credit unions. The construction industry contains hundreds of small-scale contractors typically three to four workers – capable of fixing, expanding, or building a home.

⁶ Countries throughout the region have invested 3%-6% of the Government budget (1%-2% of GDP) – often funded by taxes totaling 2%-3% of payroll – in social housing.

⁷ During project preparation, a demand study used household surveys and focus groups to initially set these and other parameters. A Government employee wage indices will be used as a basis for adjusting many of these periodically during project implementation.

5. Social and environmental impact

- 4.14 **Income targeting.** It is estimated that 65% of program beneficiaries will earn below the poverty line – US\$188 per month.
- 4.15 **Neighborhood revitalization.** In addition to targeting low/moderate-income households, the project targets low/moderate-income neighborhoods in which NGOs and CBOs work. A critical mass of housing investment from many subprojects will help revitalize these areas by tipping the balance in favor of improvement rather than deterioration. The LIS Program will work in neighborhoods also selected by the Community Development Fund (CDF). Plus, the LIS investment in shelter will leverage considerable CDF funding in infrastructure, thereby re-enforcing neighborhood impact.
- 4.16 **Women as program participants and beneficiaries.** Suriname's laws and the project contain no formal impediments to participation of female-headed households. One of the currently selected NGOs for the program – National Women's Movement– has worked exclusively with women. Although this NGO will work with households that include men under the project, its background suggests that the organization will take special account of female-headed households. Technical assistance to FIs under the program will ensure that lending operations are gender-neutral. Marketing of the program will inform male and female publics equally.
- 4.17 **Environmental impact.** An environmental study (Brito, 1999) showed that the program has strongly positive environmental impact on balance because it provides adequate shelter to 4,000 households, many of whom suffer from overcrowding in tenements and other cramped quarters and from inadequate urban services. The program's in-fill construction will also serve to densify Paramaribo. Thus, it will more efficiently use the infrastructure in place, rather than spur leap-frog development in distant new subdivisions, as the turnkey approach often does. Minor negative environmental impacts may come from construction, which the Environmental Operating Regulations of the program will mitigate.

B. Risks

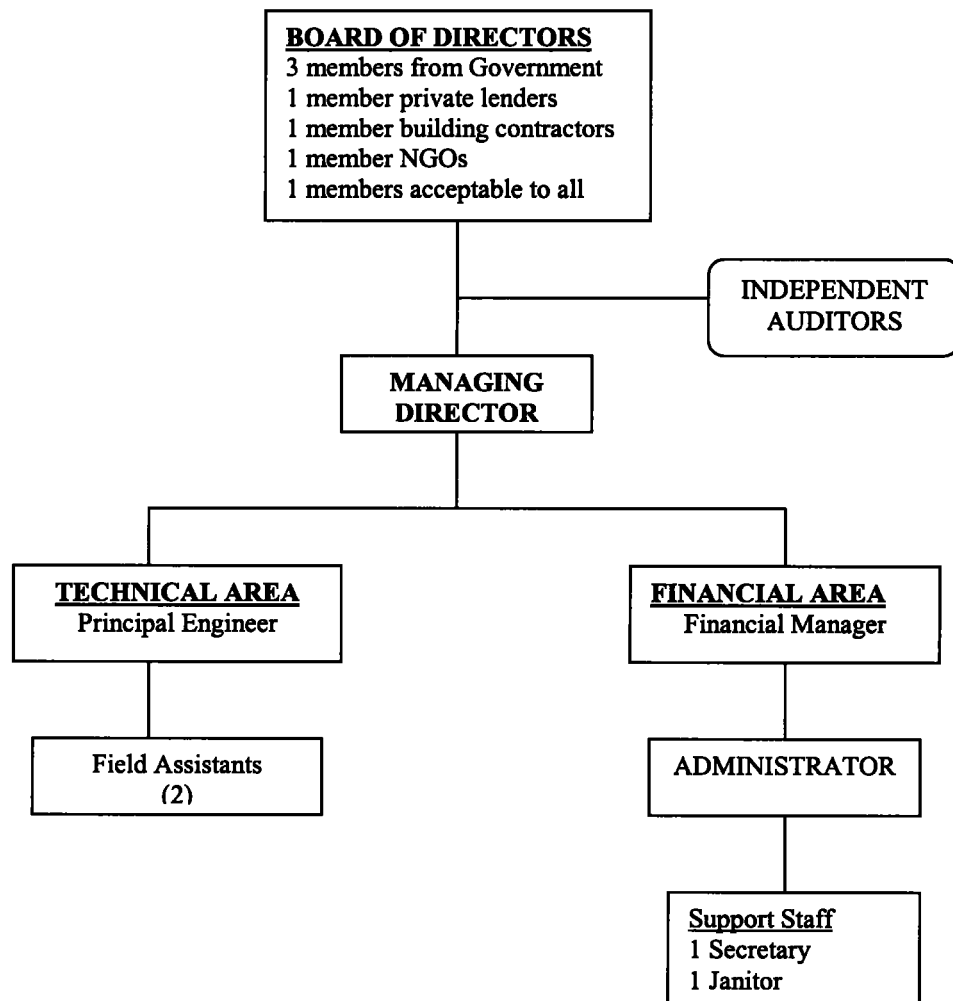
- 4.18 **Capacity to execute.** GOS has weak institutions in shelter and settlement, particularly in Government. For this reason, the program relies largely on the private sector. Nevertheless, a PIU is necessary for the basic roles of Government – funding setting goals, and defining rules of private-sector participation. To this end, the PPF has established and strengthened a unit that will manage the project. This unit has demonstrated efficiency and competence during project preparation. It will become a foundation (*stichting*). The *stichting* structure has performed best in avoiding intra-governmental rivalries and efficiently operating projects. A Board of Directors with a non-government majority will represent stakeholders in the project (NGOs, FIS, Government). NGOs require training in program

procedures, analyzing household information, loan packaging, and other tasks to perform effectively. CBOs are the first point of contact of project applicants (beneficiaries) and must also receive training. Project preparation includes a fund largely to establish these competencies in NGOs and CBOs as well as credit unions in advance of project execution. The project will also provide performance-based administrative funding for participating NGOs and CBOs as well as FIs. The new Government has strongly committed to the objectives and this structure of the program.

- 4.19 **Autonomy of beneficiary selection.** In the past, the beneficiary selection process has sometimes lacked transparency. This program contains various safeguards in this respect. Most important, beneficiary selection comes from the grassroots rather than the top down. NGOs and CBOs that have as their mandate serving low-income households and communities screen applicants first, although applicants can decide to continue in the process if rejected by CBOs and NGOs. The program also largely privatizes beneficiary selection, FIs – rather than Government – have the main role in qualifying applicants for subsidies and loans. Finally, the Board of Directors – which contains a majority of non-government appointed members representative of stakeholders in the project – will review beneficiary selection as well as other aspects of program operation.
- 4.20 **Involvement of lenders.** FIs often hesitate to extend mortgage credit to low-income households. The program includes a series of measures to encourage this participation: (a) a loan fee commensurate with the work involved; (b) training and reimbursement for NGOs to perform much of the work in packaging loans – thus reducing the costs of FIs; (c) technical assistance to increase the liquidity of credit unions; (d) a low loan-to-value ratio, because the direct subsidy joined with the household equity contribution represent the great bulk of the construction expenditure and the loan a modest part; (e) collateral that will appreciate in value from the program's focus of investment on particular neighborhoods, thereby again decreasing the mortgagee's risk; and (e) maintenance of a list of interested purchasers of social housing by the PIU in order to help make a market in case of foreclosure and sale.
- 4.21 **Macroeconomic instability.** Recently, the Government budget deficit and other factors have joined to stimulate inflation and devaluation of the currency, although the new Government has taken stabilization measures that may improve the situation in the medium term. Mortgage interest rates now exceed 35%+ per annum. In addition to rising interest rates, real household incomes may further decline and reduce families' ability to save the required equity contribution and to make the payments on housing loans. However, the project has the flexibility to function under diverse macroeconomic conditions. When real incomes shrink and interest rates are high, households can opt for lower-cost solutions – rehabilitation and expansion – without recourse to mortgage finance. When real incomes rise and interest rates decline, more households will be able to afford in-fill new construction of a core unit financed in part by a loan.

**SURINAME
LOW INCOME SHELTER PROGRAM
(SU-0017)**

**PROGRAM IMPLEMENTATION UNIT
ORGANIZATION STRUCTURE**



**SURINAME
LOW INCOME SHELTER PROGRAM
(SU-0017)**

PRELIMINARY PROCUREMENT PLAN

MAIN ACQUISITIONS	FINANCING	METHOD	PREQUALIF.	DATE
Civil Works The program will not directly finance any civil works.	N/A	N/A	N/A	N/A
Goods 1 lot of office equipment US\$15,000 1 lot of office furniture US\$7,000 1 Vehicle US\$22,000 1 Vehicle US\$15,000 2 Motor Bikes US\$2,000	IDB 100% IDB 100% IDB 100% IDB 100% IDB 100%	LCB LCB LCB LCB LCB	No No No No No	I/2002 I/2002 I/2002 II/2002 I/2002
Consulting Services Training finance sector US\$200,000 Review of Housing Policies US\$150,000 Monitoring and Evaluation US\$72,000	IDB 100% IDB 100% IDB 100%	ICB ICB ICB	Yes Yes Yes	I/2002 II/2002 I/2002

ICB = International Competitive Bidding

LCB = Local Competitive Bidding

LS = Local Shopping

Dates = refers to the semester of year in which bidding is called for

N/A = not applicable

SURINAME LOW-INCOME SHELTER PROGRAM (SU-0017)

LOGICAL FRAMEWORK

OBJECTIVE	INDICATORS		VERIFICATION	ASSUMPTION
	MIDTERM	END OF PROJECT		
improve the housing conditions for low and middle income households in Suriname by making public and private housing sector investments in the sector more efficient and effective.	- 1,500 houses built or rehabilitated	- At the end of the 5-year project period more than 4,000 housing solutions will have been accomplished, 3,300 rehabilitation's and 740 new core houses	- Project monitoring statistics and special surveys on home-owner investments	- The national economy stabilizes and inflation volatility decreases so the beneficiary households are able to invest in housing.
USE				
Develop a system of direct up-front subsidies to make new core housing and rehabilitation affordable for low and middle income households in selected neighborhoods, strengthen the capacity of the private housing sector to increase investments for the lower income households and stimulate owner's equity investments in housing		<ul style="list-style-type: none"> - Total amount of subsidy funds disbursed, with a pipeline of additional community plans for continuation of the project by the GOS. - Increase in mortgage lending for the two targeted income segments of the urban population. - Mortgage portfolio for project related lending of approximately US\$4.5 million. - Owners equity investment of at least US\$2.7 million. 	<ul style="list-style-type: none"> - Official monitoring reports by the PIU, minutes of Board and other meetings. - Official reports of the participating banks and monitoring reports by PIU. - Same as above, plus sample of actual owner-equity investments compared to planned minimum equity contributions provided in application forms. 	<ul style="list-style-type: none"> - Community-based application process generates sufficient solutions under the program. - Subsidy amounts act as catalyst for institutions to offer mortgages for the clientele. - Subsidy amount acts as a catalyst for beneficiaries to invest their own money and savings in equity in housing take out a maximum affordable mortgage.
TS				
Implement an up-front subsidy system for rehabilitation and new construction	Loans made by private FIs to at least one third of program beneficiaries – 500 households.	- 100% disbursement of subsidy funds along targeted income lines (US\$8.4 million).	- Program records number of applicants and approved applications, minutes of PIU, IFI NGO/CBO meetings.	- The beneficiary communities and households understand and work well with the procedures of the program.
Strengthen mortgage finance regulations to improve efficiency of industry.		- Credit bureau established, reserve requirements streamlined, other policy changes for mortgage finance sector implemented.		

SURINAME LOW-INCOME SHELTER PROGRAM (SU-0017)

LOGICAL FRAMEWORK

OBJECTIVE	INDICATORS		VERIFICATION	ASSUMPTION
	MIDTERM	END OF PROJECT		
national land and housing ons and policies	<ul style="list-style-type: none"> - The cost of building materials necessary to construct a core house declines in real terms as measured by the building materials database of the PIU - Taxes on real estate transfers and mortgages reduced by 50% for households earning at or below the poverty line of the program 	<ul style="list-style-type: none"> - Longer-term policy studies and policy changes completed. 	<ul style="list-style-type: none"> - GOS documents, including decrees and regulations, consultants' reports, interviews with government officials and contractors. 	<ul style="list-style-type: none"> - Relevant GOS departments are interested in the proposed changes and understand the benefits that will ensue.
a strong PIU capable of coordinating gram and guiding the housing	<ul style="list-style-type: none"> - All PIU staff positions filled, and procedures and information system operational 	<ul style="list-style-type: none"> - An independent PIU that operates as an integrated part of GOS. 	<ul style="list-style-type: none"> - PIU quarterly and annual reports, interviews with government officials. 	<ul style="list-style-type: none"> - GOS allows the PIU to operate without political interference and attract the best staff for the PIU.
reforms and technical assistance to GOS/CBOs completed, and pay them ance-based fees for services	<p>Liquidity of participating credit unions increased in real terms</p> <p>Processing of a complete subsidy/loan application for the program – from receipt of application by a CBO to the first construction advanced by a FI – averages no more than 5 months</p>	<p>Consultancies commissioned and completed and recommendations implemented on establishment of credit bureau, review of reserve requirements and other pertinent financial sector policy issues</p>	<p>Review of consultant reports, discussions with PIU, government and IFI personnel</p> <p>Independent evaluation consultancies as part of project monitoring, PIU reports. Review of community-based program with PIU and NGO/CBO personnel and sample of participants</p> <p>Training evaluations</p> <p>Independent LOE evaluation as part of project monitoring, PIU reports</p>	<p>GOS cooperates in reviewing and facilitating policy changes</p> <p>IFIs continue to be interested and participate in both program implementation and financial sector improvements</p> <p>IFIs continue to be interested and underwrite subsidies for households who cannot obtain a minimum loan</p>
FINANCIAL DATA				
award of subsidies: (a) home rehabilitation, and (b) new homes.	<ul style="list-style-type: none"> - 1.200 subsidies awarded for home rehabilitation - 300 subsidies awarded for new homes. 	<ul style="list-style-type: none"> - 3.300 subsidies awarded for home rehabilitation - 735 subsidies awarded for new homes 	<ul style="list-style-type: none"> - Project reports 	
enroll participating FIs, NGOs, and CBOs.	<ul style="list-style-type: none"> - At least US\$150.000 paid as fees to IFIs and US\$75.000 paid as fees to NGOs and CBOs 	<ul style="list-style-type: none"> - US\$264.000 paid as fees to IFIs - US\$200.000 paid as fees to NGOs and CBOs 	<ul style="list-style-type: none"> - Project reports 	
provide technical assistance to participating IFIs, NGOs and CBOs	<ul style="list-style-type: none"> - 75% of resources executed 	<ul style="list-style-type: none"> - 100% of resources executed 	<ul style="list-style-type: none"> - Project reports 	

SURINAME LOW-INCOME SHELTER PROGRAM (SU-0017)

LOGICAL FRAMEWORK

OBJECTIVE	INDICATORS		VERIFICATION	ASSUMPTION
	MIDTERM	END OF PROJECT		
<p>improve land and housing policies</p> <ul style="list-style-type: none"> - Actions to reduce house construction costs put in place - Reforms of government land divestiture program completed 	<ul style="list-style-type: none"> - Government land divestiture program reformed to target more than 50% of lots to poor households, to join at least 20% of newly divested lots with housing program subsidies, and to apply strong incentives for households to build on divested lots within two-year period - Cost-saving housing designs developed and provided to all project participants and stakeholders - Recommended actions completed to reduce time to acquire proof of homeownership 	<ul style="list-style-type: none"> - Enactment of main recommended regulatory changes on standards and building materials industry organization - Enforcement of government rules on time-limit for utilization of government plots 	<ul style="list-style-type: none"> - Consultancy reports, actions and decrees issued by government, surveys. 	<ul style="list-style-type: none"> - GOS agencies coordinate with the PIU in achieving these critical outcomes

PROPOSED RESOLUTION

SURINAME. LOAN ____/OC-SU TO THE REPUBLIC OF SURINAME
(Low-Income Shelter Program)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Suriname, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Low-Income Shelter Program. Such financing will be for an amount of up to nine million eight hundred thousand dollars of the United States of America (US\$9,800,000) from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Financial Terms and Conditions" and the "Special Contractual Clauses" indicated in the Executive Summary of the Loan Proposal contained in Document PR-_____.

PROPOSED RESOLUTION

SURINAME. PARTIAL PAYMENT OF INTEREST ON LOAN ____/OC-SU
TO THE REPUBLIC OF SURINAME
(Low-Income Shelter Program)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank as administrator of the Intermediate Financing Facility Account (the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Suriname, as Borrower, and to adopt other pertinent measures to use the resources of the Account to pay a portion of the interest due by the Borrower on outstanding balances of the loan authorized by Resolution DE-___/___, in accordance with the provisions set forth in Document FN-263-2, as amended, approved by the Board of Executive Directors on December 21, 1983.