

## LOW-INCOME SETTLEMENT PROGRAM

(GY-0052)

### EXECUTIVE SUMMARY

<b>Borrower and guarantor:</b>	Government of Guyana (GOG)	
<b>Executing agency:</b>	Central Housing and Planning Authority (CH&PA)	
<b>Amount and Source:</b>	IDB: (FSO)	US\$27 million
	Local:	US\$ 3 million
	Total:	US\$30 million
<b>Financial terms and conditions:</b>	Amortization period:	40 years
	Disbursement period:	5 years
	Interest rate:	1% first 10 years, 2% remaining
	Supervision and inspection:	1%
	Credit fee:	0.5%
	Currency:	US dollar equivalent
<b>Objectives:</b>	Historically, private sugar companies and, now, Government have concentrated ownership of land in Guyana. The program will help the Government of Guyana democratize ownership and galvanize markets by divesting large amounts of land to low-income families for settlement. Related objectives include: (a) establish a one-stop shop for development approval/titling in order to streamline public and private-sector residential development; (b) strengthen the executing agency, the Central Housing and Planning Authority (CH&PA); (c) coordinate an inter-agency response to squatting; and (d) facilitate private financial institutions to make mortgage loans to low/moderate-income households.	
<b>Description:</b>	<p>Three key bottlenecks have greatly shrunk the availability and raised the cost of land and housing in Guyana: (a) the Government ownership of most developable land; (b) a fragmented, slow development approval and titling process; and (c) the weakness of the CH&amp;PA.</p> <p>The program joins investment, policy reform, and institutional development to attack these problems. The program has two components: (a) investment in land divestiture and squatter</p>	

upgrading, and (b) technical assistance for policy reform and institutional development:

- 1. Investment (US\$22.6 million):** The investment component of the program divests public land sufficient for 15,000 lots and provides these lots with a basic package of services –consisting of drainage, water, and roads. In addition, squatter settlements containing 6,500 families will be upgraded in similar fashion. Very low-income households will pay US\$350 and low-income households US\$515 to gain title and the basic services package to these lots. Moderate/middle-income households will pay more – from above US\$4,000 to near market. In contrast, the average expenditure of CH&PA for services and title per lot is approximately US\$1,200. CH&PA will deliver an environmental and homeownership training program (EHTP) to households to instruct them in meeting their responsibilities under the program – building appropriate sanitation solutions, constructing their home, and consolidating their communities. A point system will select environmentally and economically appropriate sites, distributed geographically throughout the coastal plain near population centers. The program includes investments in off-site water distribution as necessary to serve subprojects. A beneficiary selection system will target the majority of lots to low-income households living in marginalized areas. Routine road maintenance will be funded for all roads during program execution in order to preserve this asset. In addition, some roads will be resurfaced prior to transfer of sites to local governments for subsequent operation and maintenance (O&M).
- 2. Policy reform and institutional strengthening (US\$2.3 million)**
  - a. Policy reform (US\$775,000) will increase the scope for private-sector residential development through: (i) strengthening the development approval and land-use planning process, and auctioning raw Government land to developers; (ii) greatly expanding outreach of CH&PA to low-income households through the EHTP; (iii) creating a framework for an appropriate inter-agency response to squatting; (iv) modernizing legislation for land-use planning and development regulation; (v) helping private home lenders finance low/moderate-income housing, and (vi) analyzing and recommending cost-effective modes of road maintenance.
  - b. Institutional strengthening (US\$1.5 million): The program focuses on re-organizing CH&PA along its

main lines of business (land divestiture, squatter upgrading, land-use planning and development regulation), putting in place effective information and financial/accounting systems, and ensuring the capacity for the jump in production of basic services and titles required by the program. The technical assistance components for institutional strengthening fund: (i) program coordination; (ii) a supervisory engineering consultancy to manage all design and construction of public works under the program; (iii) two long-term consultants who will assist in the management of the lines of business of CH&PA for land use planning and for institutional development (information, accounting, training, human resources management); (iv) training of CH&PA staff in the new systems established by the Project Preparation Facility (PPF) and the program, including those for information and accounting, the one-stop shops for developers and households, and land-use development/settlement planning, and (v) an evaluation and monitoring component.

**Relationship of project to Bank's country and sector strategy:**

The Low-Income Settlement Program (LIS) is fully consistent with Bank strategy and programs in Guyana. The Bank strategy gives top priority to modernizing the public sector, developing more efficient financing and resource allocation mechanisms, and stimulating private-sector development – all of which are important features of the program. The LIS Program follows the policy established by the Agricultural Sector Loan – which supports the title system – by requiring CH&PA to use the land registry to speed up title to settlements where applicable. The LIS Program will also benefit from and build on a Multilateral Investment Fund (MIF) Project that will reform and streamline the function of the Deeds Registry. UNDP pioneered a pilot squatter upgrading project, which the LIS Program has greatly expanded. The Bank's Social Impact Amelioration Program (SIMAP) has financed projects within squatter settlements, which the LIS Program will leverage and supplement.

**Environmental/  
Social review:**

Environmental review concluded that the program will have substantial positive environmental impact through providing basic services to a large number of households and ordering settlement. Minor negative impacts may come from construction. This review recommended increasing outreach to households – now incorporated into the environmental and homeownership training program – and norming site selection and construction – now incorporated into the operating regulations.

In social terms, the program's beneficiary selection system will ensure the delivery of the majority of lots to low-income

households in marginalized areas.

**Benefits:**

The LIS Program has great benefits for Guyanese collectively and for participating individual households. Most fundamental, it makes a critical contribution to privatizing and galvanizing land markets. Since Government owns the bulk of developable land in urban areas, serviced lots are scarce and prices extremely high, affordable only to the elite. The program makes an important advance in the economic and social development of Guyana by divesting a large number of lots to low/moderate-income households and selling tracts of raw land to developers for middle/upper-middle income housing. The substantial increase in land supply will improve the functioning of private markets, lowering rent and property sale prices, and making housing and land more affordable throughout Guyana. It will also relieve pressures for and establish a coordinated inter-agency response to squatting, thus avoiding a new wave of unplanned settlement that would generate large public and environmental costs far into the future. The program's technical assistance will help developers by streamlining development approval and rationalizing land-use planning. It will also assist lenders to serve low/moderate-income households, and manage the risks in this process.

In total, 21,500 households – 13% of Guyana's households – will benefit directly from the program through receipt of a serviced, titled lot. Since low-income households will pay far below market price, they will gain substantial equity in their lots that will help to qualify them for home construction loans. The program's EHTP will deliver key skills that assist households in building their homes, consolidating their communities, and creating healthy living environments.

**Risks:**

The weakness of CH&PA is a key risk for both program investment and policy reform. However, project preparation, a PPF, and the program dedicate considerable resources to strengthening this organization. In particular, CH&PA will contract a supervisory engineering consultancy to oversee the public works.

The public procurement system currently in place has hampered considerably the contracting of works, thus the program is introducing measures to streamline these procedures.

The weakness of the Deeds Registry continues to delay titling. While a MIF project will support improvement of the Deeds Registry, CH&PA is strengthening its Conveyancing Unit to perform the bulk of the work required by the Deeds Registry, thus streamlining title processing.

The basic services constructed by the program could deteriorate due to lack of O&M. However, the LIS Program design decreases

this risk. **First**, contracts for the design of subprojects require an O&M plan. **Second**, the program finance will fund construction contractors to maintain roads in the subprojects they have built for the first five years. These subprojects and roads will then be transferred to local government for maintenance, facilitated by a road resurfacing funded by the program if necessary. **Third**, the program supports organization of neighborhood associations to assist in maintaining the infrastructure in the communities. **Fourth**, IDB can inspect subprojects up to five years after project execution and require that CH&PA maintain them if O&M is deficient.

**Special contractual clauses:**

**Conditions precedent to first disbursement:**

- a. Establishment of necessary bank accounts (see paragraph 3.1).
- b. Contracting the supervisory engineering consultancy (see paragraph 3.7).
- c. Contracting the land-use planning expert, the institutional development expert, and the program coordinator (see paragraph 3.7).
- d. Presentation of final text of program's operating regulations (see paragraph 3.14).
- e. Adoption of measures to expedite procurement procedures (see paragraph 3.23).

**Conditions during execution:**

- a. The private-sector advisory committee will be formed within six months of the disbursement eligibility of the IDB loan (see paragraph 3.10).
- b. Midterm benchmarks will be reviewed prior to further execution of the investment component (see paragraph 3.28).

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

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-704). Furthermore, this operation qualifies as a Poverty Targeted Investment (see paragraph 3.36) by the headcount criterion. More than 50% of the lot 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:**

The limits over which international competitive bidding will be used for the procurement of this project are: US\$250,000 for goods and related services, and US\$1 million for civil works.

## **I. FRAME OF REFERENCE**

### **A. Introduction**

- 1.1 Historically, private sugar companies and, now, Government have concentrated land ownership in Guyana. For example, Government still retains roughly 90% of the developable land on the urban fringe of the metropolitan area of the capital, Georgetown. The resulting land scarcity has greatly increased the cost of purchasing and renting adequate shelter. Partly as a result, many households – now 20% of the population of Georgetown – have squatted.
- 1.2 Since 1992, Government has started divesting land in an attempt to solve this problem. However, lack of funding, a slow and cumbersome titling and land development approval process, and the weakness of the executing agency – the Central Housing and Planning Authority (CH&PA) – have largely blocked the Government from carrying out this effort. As a result, Government has placed 40,000 households on a waiting list to receive lots, but succeeded in delivering basic services and title to extremely few. A pilot squatter upgrading project has met with some success.
- 1.3 The proposed program supports the Government in taking the land divestiture and squatter upgrading efforts to scale and in removing bottlenecks to private-sector land and housing development. The program will fund a minimum package of services plus title to 21,500 households – 13% of Guyanese households. This basic services package consists of water, roads, and macro and micro drainage. The cost of this basic services package and title averages US\$1,200 per lot – the lowest feasible amount – thereby reducing the subsidy and enabling large scale. Low-income households must pay to CH&PA a portion of this US\$1,200 (US\$330 for the very low-income or US\$515 for the low-income) as their equity contribution for their serviced lot. Most beneficiaries will be low-income, although a modest number of lots will also be sold to moderate-income households at prices substantially above this US\$1,200 cost. Raw land will be sold to private-sector developers, which will help improve cost recovery.
- 1.4 In addition to this capital investment, the program provides technical assistance to instruct households in fulfilling their responsibilities under the program – the construction of an acceptable sanitation solution and a core unit that meets codes, and the organization of community garbage collection. Technical assistance will also rationalize and speed the development approval and land-use planning processes, strengthen the executing agency (CH&PA), and facilitate financing institutions in moving downmarket to extend mortgage finance to low/moderate-income households. Thus, the program contains many elements to reform land-use, freeing land and housing markets to work. From a social perspective, it helps democratize land ownership and targets the bulk of lots to low and very low-income households.

**B. Socioeconomic framework**

- 1.5 After stagnation in the 1980s, Guyana grew at compound rates averaging 7% for seven years from 1991 to 1997. Fiscal restraint and tight monetary policies under a Structural Adjustment and Economic Recovery Program supported by the World Bank and the International Monetary Fund (IMF) allowed improvements in the Government's net revenue position and led to reduction in inflation from a peak of 101.5% in 1991 to single digit levels. Favorable export performance and substantial support from the donor community spurred growth. This period of sustained growth has noticeably improved living conditions and increased effective demand for many products, including housing and land.
- 1.6 Starting in 1997 and continuing in 1998 and 1999, poor weather influenced by El Niño (which decreased rice and sugar production and exports), the Asian crisis, low prices and receipts for gold, timber, and bauxite exports, and political instability have caused a contraction. GDP growth fell to 1.5% in 1998. The public sector deficit increased to 8.8% in 1997, improved to 5.1% in 1998, but remained above the target of 2%. Inflation increased slightly, with the consumer price index rising from 3.6% in 1997 to 4.6% in 1998. The exchange rate depreciated 10% in the first two months of 1999.
- 1.7 Overall, however, the Government remains strongly committed to fiscal discipline, a privatization program, and civil service reforms. The medium-term outlook for the country is for renewed growth, although below the levels achieved in 1991 to 1997. Debt relief for the Heavily Indebted Poor Countries (HIPC) initiative –totaling 4.4% of GDP – promises to release budgetary resources for key economic and social programs, and for improvement of civil service compensation. In February 1999, a joint IMF, World Bank, and IDB mission reviewed Guyana's progress on reforms and determined that Government had achieved substantial compliance.

**C. Settlement, demand, supply, and conditions**

- 1.8 **Demand.** Population increase, economic growth, overcrowding, and deterioration of the existing stock have joined to spur demand for new shelter. Guyana's population grew from 712,000 in mid-1992 to 775,000 in 1997, 80% of which is concentrated in the coastal plain including Georgetown, the capital, with a population of 178,000. New household formation currently requires 1,200 new units per year. Overcrowding and replacement of deteriorating stock result in an additional need of an estimated 4,000 units annually. In summary, Guyana needs about 5,000 units per year to make quick progress in reducing housing problems. Rapid economic growth during much of the 1990s has helped convert this need into effective demand. The geography of this demand reflects population distribution along the coastal strip – about one-third in Georgetown, and two-thirds in Guyana's other five towns and semi-urban areas.

- 1.9 **Supply.** The supply of housing and its pre-requisite – serviced titled lots – has failed to respond. Virtually no public or private-sector production occurred during the economic crises of the 1980s. Government has promised serviced land to tens of thousands of households, but has yet to deliver the infrastructure and title on a significant scale. Government ownership of the great bulk of developable land and a slow, cumbersome development approval and titling process has throttled private markets. During the 1990s, formal private-sector production has run at less than 400 units per year.
- 1.10 **High lot and house prices, and rents.** The mismatch between supply and demand has caused high lot and house prices, and high rents. A basic serviced lot sold privately costs around US\$10,000 near Georgetown, while a fully serviced lot in a good location costs more than twice as much. Largely because of supply bottlenecks, house sale prices run roughly seven times annual household incomes – well above the multiples of 2.5 to 3.5 found in well-functioning real estate markets and 4 to 6 in most Latin American and Caribbean countries. Focus groups show rent levels of US\$40 to US\$60 per month for single rooms in Guyana's six towns, and US\$100 to US\$150 for modest apartments. In contrast, the bulk of households earn US\$100 to US\$350.
- 1.11 **Squatting.** High prices and rents joined with the moderate view of squatting taken by Government since 1992 have resulted in much land invasion. Although squatting long existed on a minor scale, it has now become a major problem. Forty thousand individuals now live in greater Georgetown squatter settlements (20% of the city's population), with smaller squatter populations that average 10% of other urban areas. Squatter settlements differ greatly along a continuum. At one end, a few long-established settlements on suitable public land have been consolidated over decades and lack only public infrastructure. On the other, some recent groups of households have invaded highly risky sites or sites dedicated to critical public purposes. Government intends to finalize policy, and put in place programs that respond to this challenge and clearly distinguish among the different types of squatting.

**D. Three key bottlenecks underlie the failure of supply to respond to demand**

**1. Government ownership of most developable land**

- 1.12 During the colonial period, private sugar plantations monopolized ownership of developable land along the coastal strip. Indeed, in the nineteenth century, the country was known as "Booker's Guyana", after the largest sugar company. The legal system for land ownership, development, and transfer facilitated a few transactions among wealthy individuals and companies, rather than a large number among households. With independence in 1966, Government nationalized holdings of many private sugar companies and transferred these lands to the parastatal sugar company, Guyana Sugar Company (GUYSUCO). However, ownership of developable land remained highly concentrated under socialist administrations through the 1980s. Government still owns considerable



land in the coastal strip. GUYSUCO has about 29,000 acres under cane production in the eastern and southern periphery of Georgetown, while the city occupies about 10,000 acres. In total, Government owns roughly 2.5 million acres in Region 4, the area that includes Georgetown.

## **2. Fragmented, slow development approval and titling**

- 1.13 Since 1992, CH&PA has attempted to divest Government land in the form of lots with basic infrastructure and title. In historical perspective, this divestiture program seeks to correct the problems resulting from extreme land concentration – first by private sugar holdings and now by Government – and to stimulate development. But a cumbersome and complex development approval and titling process, and the weakness of CH&PA have resulted in poor performance. CH&PA is nominally responsible for Guyana's development approval process, which applies both to public land divestiture and private-sector development. However, under outdated laws from the colonial era, the process, until recently, had 26 phases with authority spread among nine separate organizations. In particular, legal title has become a major bottleneck for public and private-sector development. For example, CH&PA promises each year to deliver thousands of legal titles under its squatter upgrading and land divestiture programs. However, CH&PA succeeded in transferring less than 500 titles in 1997. Development standards remain high even by Caribbean norms and price all but the upper-class out of the market. CH&PA also lacks the capacity for planning and implementing a sustainable settlement strategy. No up-to-date land-use plans exist, although a new draft Georgetown Master Plan is currently under review. Finally, public sector development – including that of CH&PA – faces lengthy delays on account of the public procurement system currently in place.

## **3. Weakness of CH&PA**

- 1.14 Prior to the start of Government's land divestiture program in 1992, CH&PA mainly managed 2,000 Government-owned rentals, now privatized. Unprepared for the challenge of developing and allocating many thousands of lots, CH&PA has operated without effective systems, although reforms during the last year have begun to change the organization. CH&PA has lacked basic information, such as the number of housing schemes it has in development, the conditions of and services on each site, the demographics of households that have submitted applications for receipt of a lot, and the amount of money that households have paid to CH&PA for land and the amount still owed. This information is now being collected. However, this data is highly vulnerable because it is largely on paper stored in an insecure building. CH&PA has begun to secure this information by entering it into computerized databases. Key efforts – such as the land divestiture program – have been managed *ad hoc*. Most CH&PA staff lack the training and incentives to perform adequately. In sum, CH&PA's structure and staffing poorly fit its current ambitious mission.

## **E. Housing finance**

- 1.15 Fiscal restraint and tight monetary policies continue to stabilize Guyana's financial sector. As a result, mortgage interest rates have fallen from over 20% per annum to 11% to 17%, while loan tenor has lengthened to 20 years. Financial institutions enjoy considerable liquidity, and – together – average around 700 mortgage loans per year. In sum, mortgage finance works reasonably well in Guyana, but mainly for middle and upper-income households. Hence, an opportunity exists for expanding access to mortgage finance if low/moderate-income households can get access to serviced, titled land. However, a number of difficulties must be overcome to realize this potential. The New Building Society (NBS) dominates the market partly because of its exemption from corporate taxes. The Ministry of Housing and Water (MHW) is seeking greater competition in home credit by considering the extension of the corporate tax exemption from the NBS to all mortgage lending. The purpose of this reform – stimulating massive credit to low-income households – is important for the project. However, it is uncertain whether this change will stimulate a significant expansion of low/moderate-income home lending. International experience shows that greater competition is a necessary but insufficient condition for financial institutions to go downmarket. Financial institutions must learn how to make money serving this market as well. Massive low/moderate-income home lending is a specialized business for which Guyana's mortgage lenders – which have changed little in 30 years – are currently unprepared and is likely to cause great problems for them. The potential pitfalls for financial institutions of this move include substantially greater term risk, credit risk, and increased costs. In addition, although loans in arrears are currently an insignificant share of mortgage lenders' portfolios, Guyana's lengthy and cumbersome foreclosure process may cause problems when housing finance expands. Failing to analyze and manage these risks and to deal with the increased costs would likely result in a disastrous experience for financial institutions and possibly, in their withdrawal from low/moderate-income home lending.

## **F. Government settlement programs**

- 1.16 **Land divestiture.** Government has attempted to respond to these settlement problems through two main programs conducted by CH&PA. The main effort is public land divestiture. CH&PA divested 11,880 house lots in 42 housing schemes from 1993 to mid 1998, partly as a response to increased squatting. As of mid-1998, six housing schemes with 974 house lots had received basic infrastructure. The remaining housing schemes and lots have virtually no infrastructure, and most lack title. CH&PA has also attempted to work with private developers to provide middle-income housing. Agreements with developers, however, have broken down, led to controversy and accusations on both sides, and left many would-be homeowners unhappy. The household selection process has not been systematic or transparent until recently. To correct these problems, the MHW formed an Allocation Unit to review, analyze, and recommend action on tens of thousands of unprocessed program applications and

to set clear criteria. The Allocation Unit has done a good job, but all records are on paper and the application and selection process has yet to be automated.

- 1.17 Until recently, CH&PA has charged most households only GY\$58,000 (US\$330) for lots often worth over US\$10,000<sup>1</sup>, failing even to cover the cost of the most basic infrastructure (water, roads, and drainage cost US\$900-US\$1,500 per lot). In practice, CH&PA has allowed payment of most of the equity contribution to extend over long periods – two to six years. The agency has had difficulty in keeping track of the amounts paid and owed by households for lots, and in collecting on the unpaid sums. The gap between the amount collected and the cost of basic infrastructure has prevented CH&PA from providing services to a substantial number of divested lots. Since legal title has – until recently – required full infrastructure, this problem has also blocked households from acquiring ownership of the divested lots assigned to them. Finally, CH&PA has attempted to inform beneficiary households on the project, teach the skills necessary to consolidate their home and community, and organize “housing development committees” to this end. However, scarcity of resources has greatly limited this vital homeowner counseling.
- 1.18 **Squatter upgrading.** The United Nations Development Programme (UNDP) funded and staffed a pilot squatter upgrading program within CH&PA until last year, when CH&PA took over this effort. Work has started in squatter areas covering 3,000 households in 35 of Guyana's 130 squatter areas, with a focus on Sophia, the largest shantytown in greater Georgetown – and is relatively well managed. The UNDP pilot project has developed participatory methods and an effective project cycle. The main constraint has been this program's minimal funding, which has proved insufficient to extend the basic infrastructure necessary to regularize these areas. For example, most of the areas in which the program works still lack all-weather road access, which makes bringing in construction materials during much of the year impossible. As land divestiture, the squatter upgrading program has, until recently, charged households far below the cost of basic services and the amount most households could afford. Overall, however, the squatter upgrading effort is a solid beginning worth building on.
- 1.19 In short, Government has made settlement one of its top economic and social priorities. However, results to date have been disappointing. The failure to keep its promise to provide basic infrastructure and title to lots already divested has put Government under great pressure to make progress in this sector. Recently, MHW and CH&PA have started to face the bottlenecks that have blocked effectiveness. Project preparation has begun critical changes within CH&PA necessary to modernize the organization and perform effectively. MHW has assisted in re-organizing CH&PA along its three main lines of business (land divestiture, squatter upgrading, and land-use planning and regulation). A fourth area consisting of information management, finance and accounting, and human

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<sup>1</sup> The scarcity of land available to the private sector for development has raised current lot prices to artificially high levels, which can be expected to fall as land is divested under the program.

resources supports these three lines of business. A PPF in the amount of US\$425,000 has supported this change, particularly to establish a full-function information and an accounting system. MHW has dramatically raised the equity contribution required of households for receiving a lot. Instead of US\$350, most low-income households applying to the program will now pay US\$515, and moderate and low-middle-income households will pay from US\$4,000 to US\$6,850. Thus, MHW has demonstrated a strong commitment to cost recovery.

**G. Bank strategy and projects, and related activities of other institutions**

- 1.20 The Bank is currently the largest source of external financing for development projects in Guyana and has assumed a leading role in infrastructure (sea defenses, bridges and main roads), agriculture, energy, and the social sectors. The Bank country strategy gives top priority to modernizing the public sector, developing more efficient financing and resource allocation mechanisms, and stimulating private-sector development. This project is fully consistent with these goals. It rationalizes efforts to overcome a critical bottleneck – serviced land – to the country's development. In addition, it emphasizes the upgrading of the capacity of the CH&PA necessary to operate the project.
- 1.21 The Low-Income Shelter Program (LIS Program) consolidates and complements other projects of the Bank and those of other donors in social, financial, and settlement-related sectors in Guyana. The Social Impact Amelioration Program (SIMAP) has financed projects within squatter settlements. The squatter upgrading component of the LIS Program will greatly leverage and add to SIMAP's impact in squatter communities, both by making capital investments and by organizing the community. The Bank's Financial Sector Program encourages reduction in Government borrowing to free up funding for the private sector. The LIS Program creates demand for such finance – in the form of mortgages – and assists financial institutions in moving downmarket to extend credit to low/moderate-income households. Consistent with the reforms to the land registration system begun under the Agricultural Sector Loan (965/SF-GY and 966/SF-GY) and the Strengthening the System for Property Rights Project (MIF/TC-95-07-25-5) (a.k.a. "Deeds Registry Project"), the LIS Program will streamline conveyance through using the more efficient certificate of title system where applicable and by working closely with the Deeds Registry. These measures can be expected to accelerate substantially the titling of lots in new settlement areas. A variety of donors (World Bank, European Union, Department for International Development of the United Kingdom) have invested US\$58 million in developing water production capacity outside Georgetown in studies to this end. In particular, the World Bank approved the Water Supply technical assistance and Rehabilitation project in 1993 that finances rehabilitation of some 45 major and 100 minor systems, operation and maintenance, and human resources development/institutional strengthening. The LIS Program will provide the key resource for settlement – a serviced lot – and make complementary water investments so that 15,000 households can benefit from this water production capacity. The UNDP pioneered a model pilot squatter upgrading project, but

lacked the funds for significant impact. The LIS Program will take over the funding and greatly expand this squatter upgrading project.

## **H. Program rationale**

- 1.22 A number of fundamental rationales justify this project and make it particularly timely for Guyana. **First**, the project assists Government to divest and privatize a substantial portion of developable land, traditionally monopolized by the public sector or large private sugar plantations. Thus, this land divestiture program is of historic importance, and critical to the economic growth and social development of the country. **Second**, the LIS Program helps Government get ahead of demand for shelter, thus avoiding new waves of squatting and the enormous public and environmental costs of fixing the resulting problems. **Third**, it expands the scope for private-sector development through policy reforms, such as lowering subdivision standards to make them affordable and sustainable, streamlining of the development approval and titling process, and auctioning raw land to developers.

## II. THE PROGRAM

### A. Objectives

- 2.1 The chief objective of the project is to divest serviced, titled land to low-income households. In addition, the program will seek to: (a) reform standards for land-use development approval, and titling in order to streamline and public and private-sector development; and (b) strengthen CH&PA.

### B. Program share of land divestiture versus squatter upgrading and geographic distribution

- 2.2 Seventy percent of recipient families will live in existing or new schemes. Thirty percent of the recipients will be involved in squatter area upgrading. Land divestiture will absorb 80% of capital investment expenditures (US\$17.4 million) compared to 20% for squatter upgrading (US\$4.35 million). Table II-1 gives the approximate geographic distribution of lots to be developed under the project preliminarily selected by a point system.

Table II-1 GEOGRAPHIC DISTRIBUTION OF LOTS TO BE DEVELOPED UNDER THE PROJECT				
GEOGRAPHIC AREA	LAND SCHEMES		SQUATTER UPGRADING	
	# OF LOTS	% OF TOTAL	# OF LOTS	% OF TOTAL
City of Georgetown	0	0%	1,075	17%
Areas contiguous to Georgetown	5,590	37%	2,470	38%
Other towns and contiguous areas	9,465	63%	2,900	45%
<b>TOTALS</b>	<b>15,055</b>	<b>100%</b>	<b>6,445</b>	<b>100%</b>

### C. Project description

- 2.3 The project has two components: (a) investment in land divestiture, squatter upgrading, and road-related maintenance; and (b) technical assistance for policy reform and for institutional strengthening of CH&PA.

#### 1. Investment in land divestiture and squatter upgrading (US\$22.6 million)

##### a) Land divestiture (US\$17.4 million)

- 2.4 **Basic services package.** Under the land divestiture component, CH&PA will divest lots with packages of starter infrastructure to approximately 15,000 low/moderate-income households over five years. The starter services package for land divestiture consists of community roads, secondary roads and bridges, drainage canals and culverts, individual water connection, title, and technical assistance to support households in order to build an appropriate least-cost sanitation solution, organize community garbage collection, and consolidate

their homes and communities. Households have the responsibility of building an appropriate sanitation solution and a core unit on their lot.

- 2.5 **Sanitation.** Since only a third of the households of just the capital city have access to a conventional sewerage system, the sanitation standard for households under the program with individual water connection (land divestiture) is a septic tank, while those without (squatter upgrading) have pit latrines. The program will lay water lines throughout subdivisions in new settlements, but condition individual water connection on construction of an adequate septic tank for households receiving lots. Both septic tanks and pit latrines, however, are environmentally adequate solutions for low-income settlement in Guyana. The Environmental and Homeownership Training Program (EHTP) (see paragraph 3.17) will instruct households in healthful use of these sanitation solutions.
- 2.6 In addition to the on-site investment, the basic services component will also include off-site investment in order to strengthen local water systems as necessary, including new wells, water lines, reservoirs, and other distribution facilities. Estimates put the value of this off-site infrastructure at US\$2.12 million. Plans for road investments will be coordinated with the Ministry of Public Works and local governments to secure on-going operation and maintenance. This basic services package costs US\$900 to US\$1,500 per lot for on and off-site improvements depending on site characteristics. It will average US\$1,200. The basic subdivision standards used by the project represent a new, more sustainable norm for Guyana.
- 2.7 **Household equity share and subsidy structure.** In contrast to past efforts, this divestiture program will charge households commensurate with their ability to pay, target benefits to low/moderate-income families, and effectively use private firms for construction work and other project tasks. Households must make an equity share geared to their ability to pay. Five focus groups conducted during program preparation with low-income households confirmed their capacity to save much more for settlement over a 12-month period than the amount previously charged by CH&PA (US\$330). CH&PA has already announced and implemented new household equity share requirements under the program that substantially raise cost recovery to new applicants—see Table II-2. Very low-income households will continue to make a minimum down-payment of US\$330, under the land divestiture component, and low-income beneficiaries will pay US\$515. Squatter beneficiaries will also pay these rates. Very low and low-income households represent over half of Guyanese households and, hence, the bulk of demand for the program. However, many low-moderate to moderate-income households (those earning from US\$341 to US\$900 per month) cannot afford minimum housing or land, and will be eligible for the program if they meet its other conditions. The equity share to these higher income groups will increase from US\$3,000 previously to US\$4,000 and US\$6,850 for new applicants, well above the cash outlay of CH&PA for the serviced, titled lot, which will average US\$1,200. Thus, sales to very low and low-income households will result in a net

cash subsidy, while sales to moderate-income households will generate funds. Households earning over US\$900 per month will **not** be eligible for the program. In contrast to past practice, the household will pay its equity contribution within 12 months of the time the family is allocated a lot and before receipt of a lot and title. If households do not pay the full amount within the 12-month period, they will receive neither the lot nor title, and the lot will be allocated to another household. These new equity share amounts are currently in place and apply to all new applicants, roughly half of program beneficiaries. CH&PA has made legally binding commitments that charge the old amounts to the other half of beneficiaries.

<b>Table II-2</b> <b>FINANCIAL STRUCTURE OF LAND DIVESTITURE COMPONENT</b> (in US\$ converted at the rate of GY\$175)			
HOUSEHOLD CLASSIFICATION	HOUSEHOLD MONTHLY INCOME	AVERAGE DEVELOPMENT EXPENDITURE (PER LOT)	OLD/NEW EQUITY SHARES
Very low income	< 170	1,200	330/330
Low income	171 – 340	1,200	330/515
Low-moderate income	341 – 570	1,200	3,000/4,000
Moderate income	571 – 900	1,200	3,000/6,850
Middle income	Above 900	Not eligible	Not eligible

**b) Squatter upgrading (US\$4.35 million)**

- 2.8 The squatter upgrading component bears many similarities to the land divestiture component. As land divestiture, the squatter upgrading component of the project will provide a package of basic services and title. Other similarities include: (a) prioritization and selection of sites through a point system, (b) provision of an environmental and homeowner training program, (c) equity contribution affordable to households, and (d) creation of a valuable household asset.
- 2.9 However, the squatter upgrading component displays some differences from the land divestiture component. Its basic services package will include communal standpipes rather than individual water connections. Since households will not have individual water connections and, hence, no septic tanks, the sanitation solution will be a pit latrine. The squatter upgrading component will work with **existing** communities. Hence, it involves more community participation and more self-help construction of the basic services package by households. For these reasons, the cost averages US\$800 per household, less than that of the land divestiture component. Rather than qualifying individual households as low-income, the squatter upgrading component qualifies communities as low-income as a screening criterion for selection.
- 2.10 **Scope, geographic focus, and site selection.** Squatter upgrading will reach 6,500 households. It will first focus in the squatter areas in which CH&PA has



been most active under the previous UNDP pilot program. These neighborhoods include a significant portion of Guyana's largest squatter settlement, Sophia, located in the Georgetown area. The UNDP pilot project has done good work in stimulating community organizations in these areas, but has lacked the resources to provide individual households and communities with the basic service package. Selection of additional areas in which to work will occur through a point system.

**c) Road maintenance (\$875,000)**

- 2.11 Routine maintenance of road-related infrastructure is essential to preserve this important investment, particularly in the first years of settlement when households will use heavy vehicles to bring in building materials. Hence, the program funds the cost of routine maintenance for road-related infrastructure for the first five years, US\$375,000. CH&PA will use these funds to finance construction contractors to maintain road-related infrastructure in the developments they have built for five years. This mechanism creates an incentive for good construction, as well as ensures competent maintenance. MHW will then transfer responsibility for maintenance of these sites, including roads, to local governments. Resurfacing of a portion of roads (periodic maintenance) is likely to be necessary in order to deliver this infrastructure to municipalities in good condition. The program will provide US\$0.5 million for such periodic maintenance.

**2. Policy reform and institutional strengthening (US\$2.3 million)**

**a) Policy reform (US\$775,000)**

- 2.12 The main thrust of the policy reform component is to increase the scope for private-sector residential development so that developers, contractors, and households gain market share and Government relinquishes it. The policy reform component provides six elements of technical assistance. **First**, it delivers a series of short-term consultancies to strengthen the development approval and land-use planning functions of CH&PA in addition to a long-term land-use planning expert funded under institutional strengthening (see paragraph 2.13). **Second**, it supports an environmental and homeownership training program (EHTP) to instruct households in the skills necessary to consolidate their homes and communities. This technical assistance consists of two parts: an expert consultancy to develop materials (manuals, checklists) on environmental and homeownership skills and to train CH&PA staff in their delivery; and the systematic delivery of these skills to households through contracting local individuals for this purpose. **Third**, an expert will be procured internationally to evaluate a range of alternatives (community groups, microenterprise, small and large local contractors) for maintaining roads, and disseminate cost-effective modes. **Fourth**, technical assistance will help CH&PA and MHW to coordinate an inter-agency response to squatting and to develop different packages of actions suited to distinct types of squatting. In addition, a local community development

specialist will be contracted to provide leadership and training to households and project staff in participatory methods. **Fifth**, MHW and the Government will be supported to develop proposals for removing unnecessary overlap between CH&PA and the Central Board of Health, and other measures necessary for effective land-use decision-making and planning, and to enact these proposals into law, if necessary. **Sixth**, technical assistance will support Guyana's mortgage lenders in learning the specialized business of lending to low/moderate-income households. This technical assistance will analyze methods for inducing competition among mortgage lenders, sponsor workshops by experienced social housing lenders from the Caribbean and Latin America in effective methods, and develop strategies for managing the heightened credit and term risk of lending *en masse* to low/moderate-income households.

**b) Institutional strengthening of CH&PA (US\$1.5 million)**

- 2.13 Good performance in both the investment and policy reform components of the project requires building on the PPF to achieve a substantial increase in the capacity of CH&PA and additional technical assistance to this organization. The project's technical assistance for institutional development has the following five activities: **First**, a program coordinator and an executive assistant will assist the senior managers and Chief Executive Officer of CH&PA in administering consultancies under the project, and liaise with IDB and prepare reports. **Second**, CH&PA will contract a supervisory engineering consultancy to supervise all design, engineering, and construction of public works financed under the LIS Program in order to ensure the jump in production necessary to comply with the project's disbursement schedule (see Table III-1). The supervisory engineering consultancy will also train CH&PA staff so that the organization gains the capacity necessary for its mandates. **Third**, two experts – one in land-use planning and one in institutional strengthening – will assist in the management of these areas of CH&PA. **Fourth**, the project will support the training of CH&PA staff in operating the new systems installed by the project – management information, automation of accounting, automation of beneficiary selection, one-stop shop for developers, one-stop shop for households, and the EHTP. **Fifth**, independent consultancies will gather and analyze information for each of four annual reviews and the midterm review. See Table II-3 for detailed costs and the TORs are in the technical files.

**D. Size of program**

- 2.14 Program size was determined on the basis of: (a) the pipeline of subprojects identified and analyzed for financing during the program's first 18 months; (b) preliminary identification of subprojects for subsequent finance; (c) the capacity of a strengthened CH&PA, and civil engineering consultancies and contractors to service and title lots during the expected execution period, and (d) estimates of the production of serviced titled lots necessary to meet a significant portion of pent-up demand and avoid a new wave of squatting.

**E. Program cost**

- 2.15 The Bank financing is part of a five-year program, with a cost of an estimated US\$30 million. The breakdown by investment category and source of funds is presented in Table II-3.

<b>Table II-3</b> <b>COST AND FINANCING OF THE PROJECT</b> <b>(thousands of US\$ equivalent)</b>				
<b>INVESTMENT CATEGORY</b>	<b>IDB</b>	<b>GOG</b>	<b>TOTAL</b>	<b>TOTAL %</b>
<b>1. Administration and oversight</b>	<b>2,948</b>	<b>575</b>	<b>3,523</b>	<b>11.7</b>
1.1 Program execution	1,513	40	1,553	5.2
1.2 Design and supervision	1,010	500	1,510	5.0
1.3 PPF	425	35	460	1.5
<b>2. Direct costs</b>	<b>21,251</b>	<b>1,389</b>	<b>22,640</b>	<b>75.5</b>
2.1 Land divestiture	16,912	500	17,412	58.0
2.2 Squatter upgrading	3,853	500	4,353	14.5
2.3 Road maintenance	486	389	875	2.9
<b>3. Technical assistance</b>	<b>2,320</b>	<b>-</b>	<b>2,320</b>	<b>7.7</b>
3.1 Policy reform	775	-	775	2.6
3.1.1 Develop. approval & land-use	165	-	165	0.6
3.1.2 EHTP training program	380	-	380	1.3
3.1.3 Road maintenance methods	90	-	90	0.3
3.1.4 Squatter upgrading and framework	50	-	50	0.2
3.1.5 Legislative & legal change	25	-	25	0.1
3.1.6 Assist. Mortgage financial institutions	65	-	65	0.2
3.2 Institutional strengthening CH&PA	1,545	-	1,545	5.1
3.2.1 Program coordination	185	-	185	0.6
3.2.2 Support for engineering and superv.	475	-	475	1.6
3.2.3 Land-use & inst. strengthening experts	545	-	545	1.8
3.2.4 Staff training	220	-	220	0.7
3.2.5 Monitoring and evaluation	120	-	120	0.4
<b>SUBTOTAL</b>	<b>26,519</b>	<b>1,964</b>	<b>28,483</b>	<b>94.9</b>
<b>4. Unallocated expenses</b>	<b>210</b>	<b>73</b>	<b>284</b>	<b>0.9</b>
4.1 Contingencies (for tech. assist.)	210	73	284	0.9
<b>5. Financial expenses</b>	<b>270</b>	<b>963</b>	<b>1,233</b>	<b>4.1</b>
5.1 Interest	-	622	622	2.1
5.2 Credit fees (0.5% p.a. on undisbursed balance)	-	341	341	1.1
5.3 Inspection and supervision (1% of loan amount)	270	-	270	0.9
<b>TOTAL</b>	<b>27,000</b>	<b>3,000</b>	<b>30,000</b>	<b>100.0</b>
<b>Percentage per source</b>	<b>90</b>	<b>10</b>	<b>100</b>	

**F. Financing plan**

- 2.16 The Bank loan of US\$27 million will account for 90% of total program cost. The remaining 10%, US\$3 million, will be local counterpart. Counterpart contributions for the program would be distributed over the five years of execution.

**G. Terms and conditions of the loan**

- 2.17 The IDB financing in the amount of US\$27 million will be drawn from the Fund for Special Operations. Table II-4 shows the term and conditions of the loan.

Table II-4 TERMS AND CONDITIONS OF THE LOAN (in US\$)	
Source of funds:	Fund for Special Operations
Amount:	US\$27 million
Terms:	40 years
Amortization period	5 years
Disbursement period	1% for the first 10 years, 2% thereafter
Interest rate:	1% of the loan amount
Inspection and supervision:	
Credit fee:	0.5%

### III. PROGRAM EXECUTION

#### A. The borrower

- 3.1 The borrower for this operation will be the Republic of Guyana. The borrower will deposit the resources of the loan in a special foreign exchange account to be established in the Central Bank of Guyana. Government will also open an account in the Central Bank of Guyana for the deposit of local counterpart resources. **The opening of these accounts will be a condition precedent to first disbursement.**

#### B. Executing agency and institutional framework for execution

##### 1. Central Housing and Planning Authority (CH&PA)

- 3.2 **Legal status and powers.** The program will be executed by the Ministry of Housing and Water (MHW), through the Central Housing and Planning Agency (CH&PA), a dependency. CH&PA is a body corporate under Guyanese law, which enables CH&PA to carry out its mission with greater financial and administrative flexibility than is available to a regular Government agency. The Housing Act (1946) and the Town and Country Planning Act (1946) give CH&PA broad responsibility for regulating development in residential areas and improving the housing conditions of low-income persons.
- 3.3 **Personnel.** CH&PA has a total of 87 employees, out of a total of 94 approved positions. Turnover has averaged around six employees per year. Although overall turnover is relatively low, CH&PA must put in place monetary and other incentives to attract and retain skilled people, particularly managers.
- 3.4 **New roles.** Government's decision to divest massive amounts of land for residential development and to upgrade squatter areas gave CH&PA a much expanded mission for which it was poorly prepared. CH&PA also has overall responsibility for approval for new subdivision and for urban land-use planning throughout the country, although local governments approve building permits. CH&PA's uneven performance in these roles (land divestiture, squatter upgrading, and land-use planning) comes from an obsolete organization, lack of support systems, and lack of trained staff capable of managing these activities. The LIS Program puts in place substantial support to correct these problems.
- 3.5 **Organizational restructuring.** CH&PA has only recently begun to install adequate systems for accounting, information, beneficiary selection, and its three main roles – land divestiture, squatter upgrading, and land-use planning. These support systems have all been manual and disorganized. The organization also suffered from an obsolete organizational structure that fragmented responsibilities among functional divisions. Assisted by program preparation, MHW has made progress in restructuring the organization and its personnel. CH&PA has now been reorganized to carry out three lines of business: (a) land development and

allocation, (b) squatter and depressed area upgrading, and (c) town and country planning and regulation. Each line of business is to be the responsibility of a senior manager. A fourth senior manager (for administration and institutional strengthening) will have responsibility for the strategic support services required by the three lines of business, including: (a) management information and research, (b) human resource management, and (c) finance and accounting (see Annex III-1).

- 3.6 **New support systems.** A PPF in the amount of US\$425,000 supports the creation of information and accounting systems on which CH&PA's lines of business depend. The PPF makes major investments in: (a) a new information system that will allow CH&PA to automate its beneficiary selection process, data on the status of individual schemes, accounting, and operation, in general; (b) an industry-standard full function accounting and financial control system that meets the requirements of the Auditor General and of IDB for reporting; and (c) evaluation and recommendations on the CH&PA building. Assistance for these key support systems will continue under the LIS Program through contracting an expert to manage the establishment of the financial and information systems, and the training of CH&PA staff.
- 3.7 **Key operational support.** Support will strengthen CH&PA in key areas essential to project execution. Given CH&PA's limited institutional capacity and the modest pace of titling and servicing of lots to date, a supervisory engineering consultancy (see paragraph 2.13) will be hired to manage the provision of the basic services package to subprojects. The responsibilities of the supervisory engineering consultancy include overseeing: (a) the contracting and preparation of the designs, costs, and tendering package for subprojects; (b) the tendering of these subprojects, and (c) the construction work to provide the basic services package to developments. Experts will be contracted long-term to strengthen CH&PA in land-use planning and development approval and in institutional development (see paragraph 2.13). The administrative functions related to the project will be carried out by the Strategic Support Services of CH&PA. This unit will be in charge of information, accounting, and coordinate all the institutional strengthening activities envisioned by the program. The main responsibility for project coordination will rest in the Chief Executive Officer of CH&PA. To assist the Chief Executive Officer of CH&PA to coordinate the project's activities and to fulfill all reporting requirements, a program coordinator will be contracted. The program coordinator and an executive assistant will also serve as liaison with the IDB. **The contracting of these key consultancies will be a condition precedent to first disbursement.**

## **2. Board of Directors and LIS Program oversight**

- 3.8 While CH&PA will perform day-to-day implementation and administration, MHW and the Board of Directors are responsible for overall oversight and monitoring of the LIS Program. The Board consists of representatives of the city councils of each of Guyana's six municipalities, and appointed members from the

Central Board of Health, the Environmental Protection Agency, the Department of Lands and Surveys, and CH&PA itself.

- 3.9 Major tasks of the Board will be to review periodically the implementation of each LIS Program component, facilitate execution of the infrastructure works in each locality, maintain communications with CH&PA and the Bank, and receive and review all program reports.
- 3.10 CH&PA's two major clients are households and developers. Households have achieved influence on CH&PA through the press, the popular pressure on CH&PA to deliver serviced lots, and their elected representatives on CH&PA's Board. Feedback from developers will be organized through the formation of a private-sector advisory committee of three to six members. Committee members will be selected by the minister and include developers, construction contractors, lenders, and representatives of other for-profit private-sector organizations using the LIS Program. CH&PA and MHW will meet on a quarterly basis with this committee to solicit feedback on the one-stop shop for development, the sale of raw land to developers, and other aspects of CH&PA operations affecting developers. The private-sector committee will prepare a brief annual document for inclusion in the Government/IDB annual review of the LIS Program. This committee will be formed within six months of disbursement eligibility of the IDB loan.

### **3. Other participating entities**

#### **a) Servicing and titling**

- 3.11 Three agencies will have a role in servicing and titling lots. **First** are the two water companies. The great bulk (about 95%) of LIS Program schemes are located outside the City of Georgetown in areas served by the Guyana Water Authority (GUYWA). GUYWA has the responsibility for providing water treatment and distribution services to these sites. The Georgetown Sewer and Water Commission (GS&WC) is responsible for water service within Georgetown. Both agencies are dependencies of the MHW. **Second**, the Deeds Registry is responsible for conveying title to lots under the LIS Program. Technical assistance under a MIF TC (95-07-25-5) will strengthen the institutional capacity and improve the services of the Deeds Registry. In the meantime, CH&PA is strengthening its internal Conveyancing Unit. **Third**, the Ministry of Public Works provides advisory services to CH&PA land development. These services include civil engineering support in the design of developments, on-site construction inspections, and use of equipment for road construction and maintenance.

#### **b) Maintenance**

- 3.12 Two other agencies play a role in maintenance. The Drainage and Irrigation Board is responsible for maintaining macro-drainage ditches, draining or pumping

water from those ditches, and operating sluices that serve subprojects. Municipal governments will assume responsibility for maintenance of roads and road-related infrastructure constructed within subprojects after a period (up to five years) of maintenance of road-related infrastructure funded by the program.

**C. Program execution**

**1. Investments**

- 3.13 This component will be executed by firms which will be contracted according to an established plan agreed upon with the executing agency. All subprojects of land divestiture and squatter upgrading will follow a pre-determined project cycle and operating regulations as described below.

**a) Operating regulations**

- 3.14 The execution of investments in land divestiture and squatter upgrading will be guided by the LIS Program's operating regulations, a preliminary version of which is in the project's technical files. The regulations cover, among other things, the program's operating mechanisms and the criteria that the beneficiaries and subprojects must meet in order to be eligible and/or to qualify for the program. The main criteria are the following: (a) the applicant shall not own a home or other land; (b) the applicant's income shall not exceed the CH&PA limit in effect at the time of allocation, and (c) the applicant's household shall have one or more children under the age of 21 years. The principal criteria for site selection are directed to ensure the health, safety and welfare of the community at large, also to assure that they meet environmental and accessibility standards. Candidate sites that meet the criteria are ranked according to a system that directs LIS Program assistance toward highly-occupied, highly visible, well-organized communities with few environmental problems. Squatter areas shall be eligible if they are located on land that is owned by the Government or an entity wholly owned by the Government. **Presentation of the final version of the operating regulations will be a condition prior to first disbursement.**

**b) Project cycle**

- 3.15 Design and construction of subprojects involve: (a) selection of the subproject site based on a point system; (b) preparation of the design; (c) tendering of project construction, and (d) monitoring and supervision of construction. As regards households, CH&PA; (a) receives applications; (b) collects information on and selects beneficiary households; (c) collects upfront payment of one-third to half of the household equity share; (d) receives complete payment of household equity share over six to twelve months; (e) allocates lots to households; (f) delivers title, and (g) trains households in environment and homeownership skills to consolidate their units and communities.



**c) Conveyancing**

- 3.16 The conveyance of title has been a key bottleneck in the beneficiary household track. The key to resolving this problem is now fast-tracking conveyance through the Deeds Registry. While reforms at the Deeds Registry will eventually strengthen this organization, CH&PA is streamlining conveyancing of title by adding legal staff and consultants, and by rationalizing its operation in order to streamline the title process as part of its one-stop shop for households. These CH&PA measures include collecting up front from households, the charge for conveyancing, collection of information, documents (affidavits), and signatures (of Attorney at Law) necessary for Deeds Registry processing, advertising in the official gazette, and transport of this information to and pick up from the Deeds Registry Office.

**d) Community participation**

- 3.17 An environmental and homeownership training program (EHTP) will organize community participation, as well as instruct households in the skills necessary to their responsibilities in the project, including construction and appropriate use of a septic tank (land divestiture) or pit latrine (squatter upgrading), and building of a unit that meets codes. These community associations shall receive training to clean ditches, organize community garbage collection, oversee the use of roads – particularly by heavy vehicles – and maintain the infrastructure constructed by the project, in general.
- 3.18 Many squatter organizations exist that are eager to improve infrastructure in their communities. The project uses the participatory methods developed under the UNDP pilot project to upgrade these communities through working with these groups. Neighborhood associations must demonstrate a strong interest, and commit to self-help building for their areas to be eligible for the project. Thus, community residents will perform the bulk of the construction of the basic services of their area (clearing canals, digging trenches for roadside and internal drains, setting pipes). The unit in charge of squatter and depressed areas upgrading (see Annex III-1) will contract the more difficult work (bridges, construction of roads), provide machinery and materials (e.g., plumbing materials), and send technical staff to oversee the work of residents. In addition to this capital investment, the squatter upgrading and land divestiture components will work with neighborhood associations to educate households on sanitation, provide technical assistance for building and use of pit latrines and for community garbage collection, and maintain the infrastructure built.

**e) Support of execution**

- 3.19 **Long-term land-use planning.** The execution of the investments will be supported by a qualified professional town planner who shall be contracted to assist in the management of the settlement planning and regulation line of

business throughout the project. This professional will be supported by short-term consultancies.

- 3.20 **Team-based field operations.** CH&PA will form mixed-skill teams to carry out its field activities within subprojects. Each team will have an accountable leader and consist of two to three staff with skills in civil engineering/construction, finance/accounting, and social work/community organization. Together, each team will have the responsibility for bringing an assigned portfolio of developments through all steps to successful completion.

**f) Sale of raw land**

- 3.21 CH&PA will identify appropriate land parcels for middle-income housing. An expert panel will be established to review estimates of the marketability and value of selected sites, and to set a minimum "reserve price" for sale of these tracts to private-sector developers. CH&PA will prepare a development brochure with this and other information on each site to inform a competitive bidding process. The rate of sale shall average at least 80 acres per year, resulting in a total of 400 acres for the five-year program.

**2. Technical assistance**

- 3.22 This component will be executed largely by the consultancies described in chapter II. The technical assistance will mainly strengthen the executing agency and temporarily complement its capacity to carry out the program's activities. Thus, the functional units of CH&PA will be directly involved in the execution of the consultancies. They will be assisted by the program coordinator mentioned in paragraph 3.7.

**D. Program procurement procedures**

- 3.23 In procuring goods, services and works financed by the Bank, the executing agency will follow the Bank's procurement policies and procedures. The CH&PA will use international competitive bidding for all goods and related services valued at more than US\$250,000; for civil works valued at more than US\$1 million; and for consulting services in excess of US\$200,000. International interest in similar projects in Guyana of a comparable size justify the recommended thresholds. In procuring goods, services and works below these thresholds, the national procurement procedures and legislation will be applied. These procurement procedures and legislation are currently being revised by the Government of Guyana. While the Bank is awaiting these new procedures and revised legislation, the following transitory arrangements are being proposed until the new agreed procedures will be put into effect. The evaluation of bids will be facilitated through: (a) the use of agreed standard bidding documents for pre-qualification and selection of contractors, consulting firms and individual consultants; (b) the establishment of a "pool" of pre-selected evaluators who will form the evaluation committee chaired by the representative of CH&PA, and

(c) the use of an agreed timeframe for each step of the procurement process. **The adoption of these measures to expedite procurement will be a condition prior to first disbursement.**

- 3.24 Following Bank procedures, CH&PA will commence the selection of the supervisory engineering consultants, the long-term consultants in land-use planning and institutional development, and the program coordinator in the last quarter of 1999, with the intention of contracting the experts by June 2000. The PPF has financed the preparation of the designs and costs for the pipeline for the first 18 months of the project for 6,500 units on four sites.
- 3.25 To facilitate execution, the Bank will carry out its supervision in an ex post manner, in the cases of acquisition of goods and related services below US\$100,000, and for civil works below US\$250,000. This will be done with the understanding that Bank financing may be used only if those contracts meet the Bank's requirements and procedures.

**E. Disbursement schedule and advance of funds**

- 3.26 The disbursement schedule for the program, by source funds, is presented in Table III-1:

<b>Table III-1</b> <b>DISBURSEMENT SCHEDULE</b> <b>(thousands of US\$ equivalent)</b>							
	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
IDB	3,739	4,702	6,263	7,135	5,161	27,000	90
GOG	448	458	690	813	591	3,000	10
<b>TOTAL</b>	<b>4,187</b>	<b>5,160</b>	<b>6,953</b>	<b>7,948</b>	<b>5,751</b>	<b>30,000</b>	<b>100</b>
<b>%/year</b>	<b>14.0</b>	<b>17.2</b>	<b>23.2</b>	<b>26.5</b>	<b>19.2</b>	<b>100.0</b>	

- 3.27 A revolving fund will be established with resources from the Bank's loan to pay for projected expenditures. An advance of 5% of the financing is recommended.

**F. Annual reviews and midterm review**

- 3.28 Each year, at a mutually agreed date, CH&PA, MHW, and the Bank will carry out a formal review of the LIS Program. The reviews will focus on the outputs, activities, and benchmarks set forth in the logical framework, including the midterm benchmarks – see Annex III-3. In addition, annual benchmarks identify steps in the logical framework to which the annual project reviews will give special attention. These reviews will provide a forum to assess program and settlement issues and, if necessary, will lead to the formulation of steps for remedial action. The annual reviews and midterm review shall be informed by reports from independent consultants and from the private-sector committee, as well as by reports from CH&PA. To support the annual reviews, the project will

contract an independent consultant each year to evaluate the project's main activities against the agreed benchmarks. This consultant will be under the supervision of the Chief Executive Officer.

- 3.29 Two years following the start of the program, or when 50% of resources of the program have been committed, whichever comes first, by contractual obligation, a midterm evaluation will be carried out by CH&PA, MHW, and the Bank. At the time of this evaluation, the borrower should, at a minimum, have attained key benchmarks for each major LIS objective detailed in the table below:

Table III-2 MIDTERM BENCHMARKS	
KEY OBJECTIVES	BENCHMARKS
Infrastructure investment – new settlement and squatter upgrading	<ul style="list-style-type: none"> <li>* Infrastructure completed to approved standards and title transferred for 8,500 lots.</li> </ul>
Private housing market	<ul style="list-style-type: none"> <li>* Completed sale by auction of 200 acres of raw land for private housing development.</li> <li>* 75% of processing and approvals of subdivision applications completed within three months.</li> <li>* One-stop shop for development is fully staffed and has project case management system in place.</li> </ul>
Institutional strengthening	<ul style="list-style-type: none"> <li>* All budgeting, applications, field operation data, cash management, financial controls, accounting and reports fully computerized.</li> <li>* Annual career development plans drafted and implemented for each LIS staff person through two annual cycles.</li> </ul>
Policy reform	<ul style="list-style-type: none"> <li>* Household equity share contribution levels have been maintained in real terms.</li> <li>* All households have paid full equity contribution before receipt of title to a serviced lot; full contribution of payments should be made within one year of allocation.</li> <li>* Any legal and regulatory changes necessary to give CH&amp;PA full line authority for on-site residential land development and approval, agreed during the first annual meeting, have been put in place.</li> <li>* Environmental and Homeownership Training Program delivered to 75% of households with lots.</li> <li>* Squatter policy agreed on in first annual meeting in process of implementation.</li> </ul>

- 3.30 In the event that the results of the evaluation are not satisfactory, new commitments for financing infrastructure investments will only be made if the authorities take the necessary measures to correct deficiencies in order to achieve program objectives.

#### G. Household equity share

- 3.31 MHW has made significant progress in raising the amount of the household equity share to levels that achieve greater cost recovery but are still affordable to low moderate-income households. However, it is necessary to adjust these nominal amounts each year in order to maintain this progress, rather than have it eroded by inflation. In the past, CH&PA has set the household equity share in

nominal terms without adjusting by inflation. As a result, the real value of the household equity share declined by half from 1993 to the present. Hence, these household equity contribution will be maintained in real terms.

## **H. Environmental and social impact**

- 3.32 The overall environmental and health impact of the LIS Program will be strongly positive because it provides basic services to 13% of Guyana's households. The provision of water is particularly key to improved health outcomes. Studies show that the quantity of water received by poor households is one of the most important variables in improving their health.
- 3.33 Households will receive not only lots with basic services but also training in environmental and homeownership skills. This training includes the construction and use of suitable sanitation solutions (pit latrines and septic tanks), and community garbage collection. It also teaches the skills that facilitate household consolidation of their settlement – how to organize into neighborhood associations, access credit from financial institutions, and deal with infrastructure providers, such as the water and electric companies. Without the LIS Program, squatting would continue or accelerate, households in these unorganized settlements would continue to lack orientation on adequate sanitation, and these settlements would continue to be marginalized from Government investment, risking deterioration into slums.
- 3.34 The LIS Program will have minor negative environmental impacts, largely caused by construction. The environmental operating regulations set standards for construction, the selection of sites, and the provision of services to mitigate these impacts. The Committee on Environment and Social Impact (CESI) recommended presentation in this document and in the operating regulations of information on community participation (see paragraph 3.17), resettlement, and rational occupation of land (TORs on settlement planning in operating regulations).
- 3.35 The social and economic impacts of the LIS Program are also strongly positive. Most fundamental, the large-scale land divestiture supported by the LIS Program will democratize urban land ownership for the first time in Guyanese history. This ample addition of new land for residential development will directly satisfy pent-up demand. However, it will also ripple through real estate markets, significantly reducing the very high rents and sale prices of existing property. Housing and land will become more affordable as divestment reduces the land scarcity caused by excessive Government ownership and private markets begin to function.
- 3.36 The program classifies as a poverty-targeted investment because about two thirds of beneficiaries are expected to be poor. The squatter settlement upgrading component classifies as poverty targeted by the sector automatic criterion (urban development of marginalized areas). This accounts for 30% of the project

beneficiaries. The land divestiture component will allocate lots ensuring that at least 50% of the 70% of remaining beneficiaries are families with income below the poverty line of US\$180 per month. This poverty line was calculated as the minimum caloric intake plus minimal basic expenditures for an average family of 4.6 members. This figure only slightly exceeds the extreme poverty line as calculated by UNDP (1996) and is well below the moderate poverty line from the same source.

**I. Maintenance**

- 3.37 The LIS Program requires a series of measures for operation and maintenance (O&M). An O&M plan specifies the organization or agency in charge of maintenance. The program contains funding for routine and periodic maintenance of roads. Under the EHTP component, households and neighborhood groups will receive instruction on maintenance of infrastructure. During the execution of the LIS Program and for five years thereafter, the Bank will be entitled to inspect all infrastructure investments. If acceptable O&M standards are not met, it will be the obligation of CH&PA to take all the necessary steps to improve O&M quality.

**J. External audits**

- 3.38 During the execution period of the loan, the executing agency will present to the Bank financial statements for the loan. These statements should be submitted annually within 120 days of the close of the fiscal year and should be certified by independent public accountants acceptable to the Bank.

## IV. VIABILITY AND RISKS

### A. Program viability

#### 1. Economic viability

- 4.1 The project assists Government to divest and privatize a substantial portion of developable land, traditionally monopolized by the public sector or large private sugar plantations.
- 4.2 **Affordability.** The household equity share is a key parameter important to the economic impact of the project (see Table IV-1). The economics of this calculation show that households can afford to save the minimum equity share required by the program over reasonable periods of time. Very low and low-income households require 12 months, while low-moderate and moderate income households need 22 months. The project stimulates mobilization of household savings for housing – in the form of the household equity requirement.
- 4.3 Thus, the project financial parameters suit the incomes of targeted beneficiaries under the most conservative assumption – that households save the equity contribution from their income alone. In fact, many low/moderate-income households can gain contributions from relatives abroad or in Guyana to take advantage of the opportunity to own their lot and home. Thus, the household equity share has been sized to be large enough to reduce the subsidy amount to a minimum but enough to make the program affordable to low-income households.
- 4.4 By continuing to save after they have made their equity contribution, very low and low-income households can also qualify for a mortgage loan. These monthly rates – US\$30 for very low income and US\$50 for low-income households – can support mortgage loan amounts of US\$2,560 and US\$4,250 at current terms. In comparison, a family can build a self-help core unit for roughly US\$2,300. The mortgage loan amount affordable to low-income families (US\$4,250) is sufficient to buy a contractor built core unit, which costs US\$3,800.

<b>Table IV-1</b> <b>AFFORDABILITY ANALYSIS FOR HOUSEHOLDS</b> <b>(in US\$)</b>				
	<b>VERY LOW INCOME</b>	<b>LOW INCOME</b>	<b>LOW- MODERATE INCOME</b>	<b>MODERATE INCOME</b>
Household monthly income	150	250	500	800
Affordable monthly payment for land and housing 1/	30	50	200	320
Affordable household equity share and number of months to save it 2/	360/12	600/12	4,400/22	7,040/22
Minimum household equity share required by the program	330	515	4,000	6,850
1/ The ratio of housing payments-to income considered affordable to household rises as income rises. Here, ratios of 20% are used for very low and low-income households to 40% for low-moderate and moderate income households. In comparison, financial institutions use an average ratio of 30% to qualify borrowers for mortgage loans in Guyana. 2/ Land and housing programs typically assume that households save for one to two years at affordable rates to amass a down-payment.				

- 4.5 **Subsidy structure.** Table IV-2 describes the subsidy structure of the program. Roughly 60% of lots will go to very low-income households, 20% to low-income, and 10% each to low/moderate and moderate income. The “cash subsidy” refers to the difference between the expenditure of CH&PA – averaging US\$1,200 per lot – to deliver serviced, titled lots, and the equity share households must pay to get this lot. The cash subsidy is US\$666 and US\$790 for the very low and low-income households. Higher income households pay substantially more (US\$2,279 and US\$3,720) than CH&PA expends, generating cash. When all income groups are accounted for, the substantial cash subsidy received by very low and low-income groups is roughly balanced by net revenue from low-moderate and moderate-income groups. Thus, the program should roughly break even on its cash expenditures, cross-subsidizing very low and low-income households with net revenue from low-moderate and moderate-income households. In addition, Government will sell raw land to the private sector, contributing further to cost recovery.
- 4.6 Estimates were also made of the economic subsidy that each household receives. The economic subsidy takes into account the value of land estimated at post-program levels, which better reflects its worth than the current high prices created by the scarcity of developable land. The economic subsidy delivered to each family averages US\$3,550. Given that CH&PA spends US\$1,200 per lot, the benefit received by a household (US\$3,550) totals about three times this cost – a favorable benefit-cost ratio.



<b>Table IV-2</b> <b>SUBSIDY STRUCTURE</b> <b>(US\$ equivalent converted at a rate of GY\$175)</b>				
MONTHLY HOUSEHOLD INCOME GROUP	HOUSEHOLDS IN INCOME GROUP		CASH SUBSIDY PER LOT	TOTAL CASH SUBSIDY (DEV. COST -EQUITY CONTRIBUTION)
	No.	SHARE		
Very low: Below US\$171	12,900	60%	US\$666 (1)	US\$8.6 million
Low: US\$171-US\$340	4,300	20%	US\$790	US\$3.4 million
Low-moderate: US\$341-US\$570	2,150	10%	(US\$2,279)	(US\$4.9 million)
Moderate: US\$571-US\$900	2,150	10%	(US\$3,720)	(US\$8 million)
<b>TOTAL</b>	<b>21,500</b>	<b>100%</b>		<b>(US\$0.9 million)</b>
1. The cash subsidy for very low-income households is less than that for low-income households because the development cost of squatter upgrading – which accounts for a large portion of very low-income households – is substantially less (US\$800 as opposed to US\$1,200).				

- 4.7 **Asset building.** In addition to its affordability, the project conveys a substantial asset in the form of equity in their lot to low/moderate-income households. This substantial equity translates into a low loan-to-value ratio for financial institutions in qualifying households for loans for construction of the house and, hence, greatly reduces credit risk
- 4.8 **Project pipeline.** CH&PA has contracted local engineering firms to prepare the final designs and costs for 6,500 lots in four different subprojects for the first 18 months of the project, so the procurement of the works can begin when the loan is declared eligible.
- 4.9 After five years, the overall result of the project will be to divest a substantial share of developable Government land suited to residential development to the private sector – households and developers. Thus, the project will make substantial progress towards privatizing land markets, which are now constrained by overwhelming Government ownership.

## 2. Household demand

- 4.10 International consultants conducted a household supply and demand analysis showing that Guyana requires 5,000 new units per year to alleviate overcrowding, replace deteriorated unit, and satisfy new household formation. Rapid economic growth during much of the 1990s has helped convert this need into effective demand. In comparison, the project proposes to add 3,000 new lots per year.
- 4.11 An indication of the extremely strong need for serviced land is the pace of squatting in the 1990s. Approximately 60,000 people – 12,000 households – squatted from 1993 to 1998. Hence, the pace of squatting has been roughly 2,000 households per year. In comparison, the project has been sized to provide

enough new lots – 3,000 per year – to keep ahead of squatting pressures. Many other households have hesitated to take the risks of squatting, but are waiting for Government to allocate a lot to them.

- 4.12 The geography of demand reflects population distribution along the coastal plain – about one-third in Georgetown and contiguous areas, and two-thirds in Guyana's other five towns and contiguous areas. The project mirrors this population distribution. All of the subproject's sites – both land divestiture and squatter upgrading – lie along the coastal plain near population centers. About 40% of subprojects are in the areas contiguous to Georgetown (although only 5% within the city), and 60% in other town and contiguous areas.

### **3. Sustainability**

- 4.13 Cost recovery is one important aspect of sustainability. Under the project, Government will recover a modest share of costs for very low-income and low-income households, and generate funds for higher income households. Overall, revenues from payments of the household equity share should roughly balance expenditures. In contrast, the economic subsidy, which includes the value of land, is substantial.
- 4.14 Sustainability of this project, however, requires a perspective broader than that of cost recovery. The large scale of the land divestiture component of the project is a one-time opportunity created by the substantial tracts of developable urban land owned by Government near population centers. An indication of the high impact is the high benefit-cost ratio of these expenditures. Benefits accrue to households that average three times the cash outlay of Government. This important benefit will also reach many people. The project will make a critical contribution to the settlement of 13% of Guyana's households. In addition, the project will support Government to get ahead of demand to avoid another massive wave of squatting and the substantial public and environmental costs that it generates.

### **4. Institutional viability**

- 4.15 The project requires a substantial jump in productivity of CH&PA to service 3,000 solutions per year, and to carry out substantial land policy reforms. This jump is feasible because of Government commitment and the substantial support for institutional strengthening under the program. MHW and Government have demonstrated their commitment to strengthening CH&PA, and to securing the necessary assistance to increase production and reform policy. Project preparation has resulted in the reorganization of CH&PA along the lines of business recommended by international consultants. A PPF is now underway to reform and automate the accounting system and the beneficiary selection and site information system of CH&PA, as well as prepare the pipeline for 6,500 lots in four sites for the first 18 months. The preparation of these plans and cost estimates will be completed by December 1999. Thus, a significant share of the program investment can be funded relatively soon. Under the project, a

supervisory engineering consultancy will be contracted to manage the execution of public works of the project. Two long-term experts and various short-term consultancies will assist in execution of the policy reform and institutional development components. Careful monitoring will track progress. The program sets not only midterm but also annual benchmarks in order to review each year.

- 4.16 Together, these measures will greatly strengthen CH&PA and project execution capacity. However, re-engineering critical **processes** – for titling, development approval, and approval of procurement– is equally important. Support is provided for the necessary administrative changes (one-stop shops) and legislative changes to streamline these procedures for this project. Other IDB projects will be focusing concurrently on systemic improvement of these other agencies.

## **5. Social and environmental viability**

- 4.17 Four mechanisms have ensured the social and environmental viability of the project: (a) site selection and subproject design methods; (b) beneficiary selection system; (c) conditioning of individual water connection on adequate sanitation, and (d) the EHTP.
- 4.18 Selection of sites has occurred through a point system designed to ensure social and environmental viability. Most important, all sites are: (a) near population centers in the coastal strip; (b) close to trunk infrastructure and, hence, meet the project's cost efficiency parameters, and (c) environmentally suited to settlement. The design and costing of subprojects will ensure this feasibility, as they have for the pipeline for the project's first 18 months.
- 4.19 The project systematizes and automates the good beneficiary application and selection system already in use by CH&PA. In addition, penalties will be enforced for falsification. Together, these mechanisms will be effective in channeling lots and benefits to low/moderate-income households.
- 4.20 The program will put in place the water distribution lines throughout subdivisions of new developments, but require that households construct an adequate septic tank before individual water connection. The water and sanitation companies – also dependencies of the MHW – will check the adequacy of a household's septic tank before laying an individual water pipe.
- 4.21 The project provides the macro-infrastructure necessary for environmental quality – water, drainage, and roads. In addition, CH&PA will operate an environmental awareness and training program to instruct beneficiary households in the principles of a healthy environment, and methods of constructing and using their sanitation solution and organizing community garbage collection.

## **B. Benefits**

- 4.22 The project makes a critical contribution to privatizing land ownership and creating land markets. As the Government owns the great bulk of developable land in urban areas, serviced lots are scarce relative to demand, and their price affordable only to the elite. The project makes an important advance in the economic and social development of Guyana by divesting a large number of lots to beneficiary low/moderate-income households, and selling tracts of raw land to developers for middle and upper-income settlement. The project also will help keep pace with demand for settlement, and to prevent a new influx of squatting. Orderly settlement and provision of a package of basic services plus title will lay the basis for healthy communities far into the next century. In contrast, another wave of informal land occupation in the absence of the project would risk the creation of extensive slums and compel Government to attempt to fix the great environmental problems and pay the public costs generated by this squatting far into the future. Finally, the project promises to increase demand for owner-occupied mortgage finance (by beneficiary households to build their homes) – a profitable, low-risk asset for financial institutions – and generate household savings. Thus, the project will help deepen financial markets.
- 4.23 In sum, the project has strong positive externalities that enhance land policy reform. The increase in the supply of serviced, titled land will make housing and land more affordable in Guyana, facilitate private-sector development, and join with other projects – such as the Deeds Registry and Agricultural Sector Loan – to streamline key processes – such as titling.

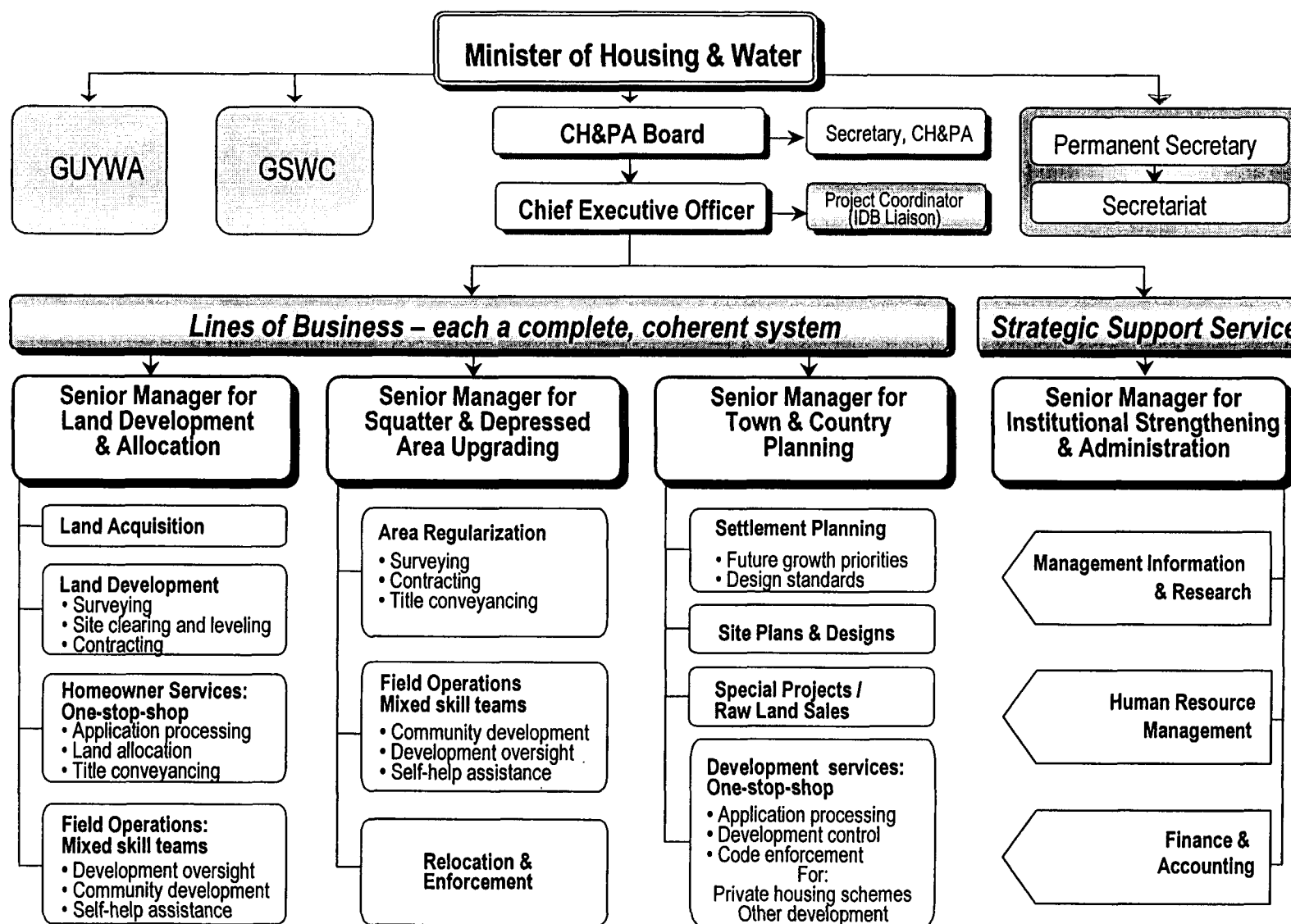
## **C. Risks**

- 4.24 Successful project execution faces risks stemming from the weakness of CH&PA, in particular, and Government, in general. Since CH&PA is a functioning entity with dynamic direction and good potential, the program strengthens this organization rather than trying to create a project implementation unit – an approach that has fared poorly in Guyana in past projects. The weakness of CH&PA is a key risk both for the project investment and technical assistance/policy reform components. But project preparation, a PPF, and the program dedicate considerable technical assistance to strengthening this organization. CH&PA will hire experts to assist in the management of the servicing and titling of lots directly throughout the project. Experts in land-use planning and institutional development will strengthen CH&PA's capacity in these areas. Technical assistance will train CH&PA staff in the skills necessary to operate the systems of the project. The program also sets annual and midterm benchmarks for improvement of CH&PA and monitors them.
- 4.25 The public procurement systems currently in place has hampered considerably the contracting of works, thus the program is introducing measures to streamline these procedures. Two problems in agencies external to CH&PA have delayed titling. **First**, title to lots (in the form of transport) has been held up by the

requirement for complete infrastructure of the Central Board of Health and the processing of the Deeds Registry. MHW, however, has agreed with the Ministry of Health to accept the basic services package now in use by CH&PA. **Second**, the Deeds Registry has held up title by delays in processing. A MIF project will be reforming the Deeds Registry. In the meantime, CH&PA has begun performing much of the work required by the Deeds Registry in-house and, thus, has already shortened the conveyancing process.

- 4.26 The private sector may also lack the capacity or knowledge for its role under the project. The SIMAP database of contractors for public works includes 140 firms in five areas of specialization (drainage, irrigation, roads, building, water). However, a much smaller number of firms are both specialized in the critical categories of the LIS Program (water and roads) and able to perform works of a substantial scale. Two measures will increase the efficiency of their use in the LIS Program. **First**, the procurement procedure includes measures to streamline the selection and contracting process. **Second**, a supervisory engineering consultancy will oversee all phases of contracting and construction of the public works.
- 4.27 Financial institutions may refrain from financing the home construction of low/moderate-income households who receive serviced sites under the program, thereby impeding consolidation of settlements. However, the program provides technical assistance to facilitate movement of mortgage lenders downmarket. Regarding possible problems with foreclosure, the Deeds Registry project will finance legal services that improve the framework for secured transactions including mortgages, while the Financial Sector Program can also provide such support.
- 4.28 The great bulk (95%) of lots under the program will receive water from GUYWA. But this water company achieves only 10% cost recovery, and depends on subventions from Government to operate. Government, however, is committed to the rationalization of available resources in the sector, the quality of service, and an adequate level of cost recovery. A long term plan for the water sector, including GUYWA, is currently being prepared by DFID (United Kingdom). The World Bank is financing rehabilitation of GUYWA infrastructure, which is currently under implementation.
- 4.29 The basic services constructed by the program could deteriorate due to lack of operation and maintenance. A package of measures decreases this risk. Most fundamental, the LIS Program will fund construction contractors to maintain road-related infrastructure in their developments during the program. As a result, these areas will be in good condition for transfer to local government for subsequent maintenance.

## Organization: Ministry of Housing & Water / CH&PA



## TENTATIVE PROCUREMENT PLAN

PROGRAM PROCUREMENT MAIN ACQUISITIONS	FINANCING	METHOD	PREQUALIFICATIONS	DATES
<b>A. CIVIL WORKS</b> <b>Aggregate estimate: US\$22.64 million</b>				
<b>Year 1</b> - Land divestiture: four calls for 1,625 lots each (US\$7.8 million) - Squatter upgrading: one call for bid for 650 lots (US\$520,000)	94%/IDB 94%/IDB	ICB LCB	No No	I/00 & II/00 I/00 & II/00
<b>Year 2</b> - Land divestiture: two calls for bid for 1,500 lots each (US\$3.6 million) - Squatter upgrading: three calls for bid for 650 lots (US\$1.1 million)	94%/IDB 94%/IDB	ICB LCB	No No	I/00 & II/00 I/00 & II/00
<b>Year 3</b> - Land divestiture: two calls for bids for 1,500 lots each (US\$3.6 million) - Squatter upgrading: three calls for bids for 650 lots (US\$1.6 million)	94%/IDB 94%/IDB	ICB LCB	No No	I/00 & II/00 I/00 & II/00
<b>Year 4</b> - Land divestiture: two calls for 940 lots each (US\$2.3 million) - Squatter upgrading: three calls for bids for 650 lots (US\$1.6 million)	94%/IDB 94%/IDB	ICB LCB	No No	I/00 & II/00 I/00 & II/00
<b>Year 5</b> - Squatter upgrading: one call for bid for 650 lots (US\$520,000)	94%/IDB	LCB	No	I/00 & II/00
<b>CONSULTING SERVICES</b>				
1. Engineering supervisory firm for public works (US\$500,000)	100%/GOG	LCB	Yes	I/00
2. Design of works: two calls for bids for a total of US\$1 million	100%/IDB	ICB	Yes	I/00 – I/01
3. Staff training: two calls for bids for a total of US\$220,000	100%/IDB	LCB	Yes	I/00 – I/01
4. Environmental and homeownership training program: two calls for a total of US\$393,000	100%/IDB	LCB	Yes	I/00 – II/00
The project will also contract approximately nine individual consultants for varied periods.				
ICB: International competitive bidding LCB: Local competitive bidding Dates: refers to semester of year in which bidding is called for.				

**GUYANA: LOW-INCOME SETTLEMENT PROGRAM (GY-0052)**  
**LOGICAL FRAMEWORK**

OBJECTIVE	INDICATORS		MEANS OF VERIFICATION	ASSUMPTIONS
	MIDTERM	5-YEAR PROGRAM		
al ease ownership of land and ising by low-income seholds in Guyana	Title for 8,500 low-income lots conveyed	By 2004, the ownership of real property by low-income households rises by 21,500	Census Bureau survey Bureau of Statistics data CH&PA reports & financials On-site inspections	The national economy and political system stabilizes to permit a sound settlement strategy
pose ease the land area in yana that is developed to eptable residential settlement ndards and owned by low- ome occupants.	Same	100% of schemes completed. Low-income housing finance expands as % private lending One-stop-shop for development services processes 75% of applications within 3 months	Home mortgage records Records & progress reports Lands & Surveys records Census Bureau survey One-stop-shop evaluation consultancies Board and Committee minutes	The demand for land and housing continues strong Government modernizes the broader institutional and policy structures.
puts rastructure completed to elopment standards in new lement schemes and squatter ading areas	Infrastructure completed to standard in contiguous areas that include 8,500 lots	Infrastructure completed to standard for contiguous areas that include 21,500 residential lots # of approved, unallocated applications drops to 15,000. # of regularized squatter area lots rises by 6,500.	CH&PA reports & financials On-site verification of CH&PA field records Workshop products LIS Program progress reports, annual reviews Published GOG records Board and Committee minutes	Construction industry has capacity to carry out works without dislocations or price inflation Government tendering process permits efficient contracting
mmunity development and -help sanitation solutions ompleted	A community group is carrying out a written sanitation and development plan in each allocated scheme	By 2004, a group representing over 50% of occupants is carrying out incremental development in each scheme An approved sanitation solution is in each occupied lot	CH&PA Annual Reports	Lot recipients want to occupy land soon after allocation.
es conveyed to low-income upants	Title for 8,500 low-income lots conveyed	By 2004, title has been conveyed to 21,500 low-income lots	CH&PA Annual Reports	Equity shares and fees can be effectively collected
CH&PA operations strengthened	Professional management team in place, computerization of processes complete	Full professional staff in place, training programs completed for all program staff	Independent monitoring of staff development program	CH&PA compensation and work conditions improve enough to attract and keep qualified staff.
idential land development titing procedures reformed upport expansion of private idential land ownership.	Any legal and regulatory changes necessary to give CH&PA full line of authority for on-site residential land development and approval, have been put in place	New applicants get title to serviced lot within the later of 4 months of allocation or on full payment of equity share & fees	Necessary enacted legislation Evaluation consultancies	Expedited titling is given high priority support by the Cabinet and Parliament.



**GUYANA: LOW-INCOME SETTLEMENT PROGRAM (GY-0052)**  
**LOGICAL FRAMEWORK**

OBJECTIVE	INDICATORS		MEANS OF VERIFICATION	ASSUMPTIONS
	MIDTERM REVIEW	6-YEAR PROGRAM		
<p>Activities</p> <p>Complete design and cadastral surveys for new schemes and grading areas.</p> <p>Construct roads, drains, bridges, sewer distribution lines</p> <p>Process applications, allocate</p> <p>Implement squatter</p> <p>Implementation and response</p> <p>Strategy</p>	<p>Incremental development standards and segmented squatter response enacted and put into effect.</p>	<p>US\$22.6 million of infrastructure completed to incremental development standards</p> <p>Beneficiary one-stop-shop completes 21,500 lot allocations and stays even with new demand.</p> <p>Equity shares and fees adjusted by consumer price inflation.</p> <p>Full equity share &amp; fees are collected before lot is allocated.</p> <p>Squatter policy agreed &amp; implemented across agencies.</p>	<p>On-site verification of CH&amp;PA records</p> <p>Evaluation consultancies for one-stop-shop</p> <p>Written evaluations by Government auditors</p> <p>Minutes of Board and Committee meetings</p> <p>Site visits</p>	<p>GOG tender process is reformed to accommodate business-like operations</p> <p>Other GOG agencies cooperate in critical tasks</p>
<p>Private community groups</p> <p>Complete environmental &amp; homeownership training</p> <p>Convey low-income title</p> <p>Continue incremental development</p>	<p>Environmental &amp; homeowner training received by 6,400 of households with lots.</p> <p>Household equity shares maintained in real terms</p> <p>All households pay equity share &amp; get title within one year of allocation</p>	<p>Field teams complete environmental &amp; homeownership training for 19,000 households.</p> <p>Beneficiary one-stop-shop conveys 21,500 low-income lot titles.</p> <p>All new titles are conveyed within the later of 4 months or upon payment of equity share &amp; fees</p>	<p>CH&amp;PA Annual Reports</p> <p>CH&amp;PA Annual Reports</p>	<p>Volume of lot applications reflects real demand, not speculation</p>
<p>Computerize management and accounting systems</p> <p>Upgrade top management team</p> <p>Professional staff &amp; methods</p> <p>Complete mission-based staff training</p>	<p>All budgeting, applications, field operation data, cash management, financial controls, accounting &amp; reports fully computerized.</p> <p>Annual career development plans drafted and implemented for each LIS staff person through two annual reviews</p>	<p>Contemporary standard computer network is integrated into CH&amp;PA operations.</p> <p>All applications, field operations data, financial controls, accounting &amp; reports are fully computerized and meeting standards of GOG and Bank evaluators</p> <p>All career development plans completed for 4 annual reviews</p>	<p>Independent evaluation consultancies</p> <p>Written opinions by Government and private auditors</p> <p>Independent evaluation of human resource development program</p> <p>CH&amp;PA Annual Reports</p>	<p>Local computer administrators, professional firms, and academic institutions are able to receive adequate compensation for the services required.</p>
<p>Implement land sales private</p> <p>Market development</p> <p>Implement one-stop-shop for development services</p> <p>Act CH&amp;PA authority to</p> <p>Regulate on-site development</p> <p>Streamline title conveyancing</p> <p>Land registration</p>	<p>Completed sale by auction of 200 acres of raw land for private housing development</p> <p>One-stop-shop evaluation consultancy concluded, action plan on recommendations implemented</p>	<p>400 acres of raw land sold for private housing development</p> <p>90% of subdivision applications are approved within 3 months.</p> <p>Evaluation of one-stop-shop &amp; action plan implemented</p> <p>Statute gives CH&amp;PA full line authority for on-site residential land development and approval.</p>	<p>Independent verification of CH&amp;PA records.</p> <p>Written Government records</p> <p>Evaluation consultancies</p> <p>CH&amp;PA annual reports</p>	<p>Competent private housing developers are interested in acquiring Government land in sufficient volume to make land auctions a feasible method for establishing the market price for raw land.</p> <p>Land registration implemented</p> <p>Deeds Registry cooperates in one-stop-shop to speed titling</p>

PROPOSED RESOLUTION

GUYANA. LOAN \_\_\_\_/SF-GY TO THE COOPERATIVE REPUBLIC OF GUYANA

(Low-Income Settlement 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 Cooperative Republic of Guyana, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Low-Income Settlement Program. Such financing will be for the amount of up to twenty-seven million United States of America dollars (US\$27,000,000), or its equivalent in other currencies, except for that of Guyana, which are part of the resources of the Bank's Fund for Special Operations, and will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" set forth in the Executive Summary of the Loan Proposal contained in Document PR\_\_\_\_\_.