The State of Social Housing in Six Caribbean Countries



Prepared by:
Pauline McHardy and Michael G. Donovan

IDB

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Cataloging-in-Publication data provided by the
Inter-American Development Bank
Felipe Herrera Library

McHardy, Pauline.
The state of housing in six Caribbean countries / prepared by Pauline McHardy and Michael G. Donovan.
p. cm. — (IDB Monograph ; 426)
Includes bibliographic references.
1. Housing-Caribbean Area. 2. Housing policy-Caribbean Area. 3. Urbanization-Caribbean Area. 4. Sustainable development-Caribbean Area. I. Donovan, Michael G. II. Inter-American Development Bank. Fiscal and Municipal Management Division. III. Title. IV. Series.

IDB-MG-426

JEL Codes: R21, R31, I32, O18, O54

Keywords: Caribbean, housing markets, social housing, housing tenure, urbanization, Bahamas, Barbados, Guyana, Jamaica, Suriname, Trinidad and Tobago , Inter-American Development Bank

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
www.iadb.org

The Institutions for Development Sector was responsible for the production of this publication.

Production Editor: Sarah Schineller (A&S Information Specialists, LLC)
Editor: Leslie Hunter
Design: Word Express, Inc.
Photos: Gabriel Arboleda, Noble Baier, and the Inter-American Development Bank
Proofreader: Sue Debowski

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Acknowledgements

The authors would like to thank all of the individuals from The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago who supported this research project. Gabriel Arboleda, Noble Baier, Andrés G. Blanco B., Ophelie Chevalier, Gilberto Chona, Robert Dubinsky, Vicente Fretes Cibils, Philip Keefer, Javier León, Carolina Piedrafita, Robin Rajack, and Ana María Rodríguez-Ortiz were all indispensable assets to this project. During several internal Inter-American Development Bank (IDB) seminars, Carina Cockburn, Gerard Johnson, Inder Ruprah, and Therese Turner-Jones provided valuable insight into the urban Caribbean, which informed this publication. The authors also benefitted from the comments of participants in the 2014 Caribbean Association of Housing Finance Institutions (CASHFI) conference in Kingston, Jamaica; the 2015 Caribbean Urban Forum in Castries, St. Lucia; and the IDB 2005 Housing Policy Seminar in Montego Bay, Jamaica.

This publication was made possible by the support of two IDB trust funds: (1) the Institutional Capacity Strengthening Fund (ICSF), established with the contribution of the Government of the People's Republic of China, and (2) the Transparency Fund, currently supported by the Government of Norway, the Government of Canada, and MasterCard Corporation.

Abbreviations and Acronyms

BMC	Bahamas Mortgage Corporation
BMFC	Barbados Mortgage Finance Company
CARICOM	Caribbean Community and Common Market
CBO	Community-based organization
CC	Climate change
CDC	Community development committee
CRMES	Centre for Resource Management and Environmental Studies
CH&PA	Central Housing and Planning Authority (Guyana)
CSDI	Construction Skills Development Initiative (Trinidad)
EHTP	Environmental and Homeownership Training Program (Guyana)
EPOS	East Port of Spain Development Corporation
ESCI	Emerging and Sustainable Cities Initiative
FY	Financial year
GDP	Gross domestic product
HAJ	Housing Agency of Jamaica
HCF	Housing Credit Fund (Barbados)
HCL	Home Construction Limited (Trinidad and Tobago)
HDC	Housing Development Corporation (Trinidad and Tobago)
HEART	Housing Everyone: An Affordable, Realistic Target (Barbados)
HELP	Housing Every Last Person (Barbados)
HMB	Home Mortgage Bank (Trinidad and Tobago)
HPFIU	Housing Policy Facilitation and Implementation Unit (Trinidad and Tobago)
ICZM	Integrated Coastal Zone Management
IDB	Inter-American Development Bank
JMB	Jamaica Mortgage Bank
JV	Joint venture
JVP	Joint Venture Programme
KMA	Kingston Metropolitan Area
KSAC	Kingston and St. Andrew Corporation (Jamaica)
LIS	Low-income Settlement Programme (Guyana)
LISP	Low-income Shelter Programme (Suriname)
LSA	Land Settlement Agency (Trinidad and Tobago)
MHUD	Ministry of Housing and Urban Development (Trinidad and Tobago)
MMRR	Mortgage Market Reference Rate (Trinidad and Tobago)
MPI	Multidimensional poverty index
NBS	New Building Society (Guyana)
NGO	Nongovernmental organization
NHC	National Housing Corporation (Barbados)
NHDC	National Housing Development Corporation (Jamaica)
NHT	National Housing Trust (Jamaica)
PIOJ	Planning Institute of Jamaica
PIU	Project implementation unit
PMCU	Programme Monitoring and Coordinating Unit (Trinidad and Tobago)

PRIDE	Programme for Resettlement and Integrated Development Enterprise (Jamaica)
SIDS	Small island developing states
SIH	Sugar Industry Housing Limited (Jamaica)
SALISES	Sir Arthur Lewis Institute for Social and Economic Studies
TTMF	Trinidad and Tobago Mortgage Finance Company
UDC	Urban Development Commission (Barbados)
UDC	Urban Development Corporation (Jamaica)
UDeCoTT	Urban Development Corporation Trinidad and Tobago

Situating Caribbean Housing Policy in the 2030 Development Agenda

The pursuit of social housing is central to the attainment of larger development goals in ecology, economic development, health, and social cohesion. United Nations (UN) member states underscored the centrality of housing policy by elevating it to a specific target in the Sustainable Development Goals (SDGs) (Figure 1). This target, known as SDG Target 11.1, calls on countries to "ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums [by 2030]." This reaffirms the commitment by UN member states to the right to housing, which many national constitutions explicitly recognize,[1] and to the housing goals reflected in the Universal Declaration of Human Rights (Article 25), the Vancouver Declaration on Human Settlements (1976), Agenda 21 (1992), the Istanbul Declaration on Human Settlements (1996), Habitat Agenda (1996), and the Millennium Declaration and Millennium Development Goals (2000).

Urbanization has increased the demand for housing in cities of six Caribbean member countries of the Inter-American Development Bank (IDB): Bahamas, Barbados, Jamaica, Guyana, Suriname, and Trinidad and Tobago. While the region lacks a uniform definition of "urban,"[2] the UN calculates that in 2010, approximately one-half of the residents of these countries lived in cities, up from one-third in 1950. Alternative calculations estimate that the actual number stood at 68 to 71 percent in 2000 (Alkema et al., 2013; World Bank, 2009). This majority-urban population is fundamentally shaping the nature of Caribbean societies and economies. The ramifications of this transformation were perhaps best expressed by the UN Population Fund (UNFPA) 20 years ago, which predicted that the "growth of cities will be the single largest influence on development in the twenty-first century" (UNFPA, 1996). While this transformation is creating more specialized labor markets and economies of scale for public services in the Caribbean, it also has increased the price of land, housing, and commuting costs, and placed additional pressure on urban infrastructure networks (Donovan, 2014).

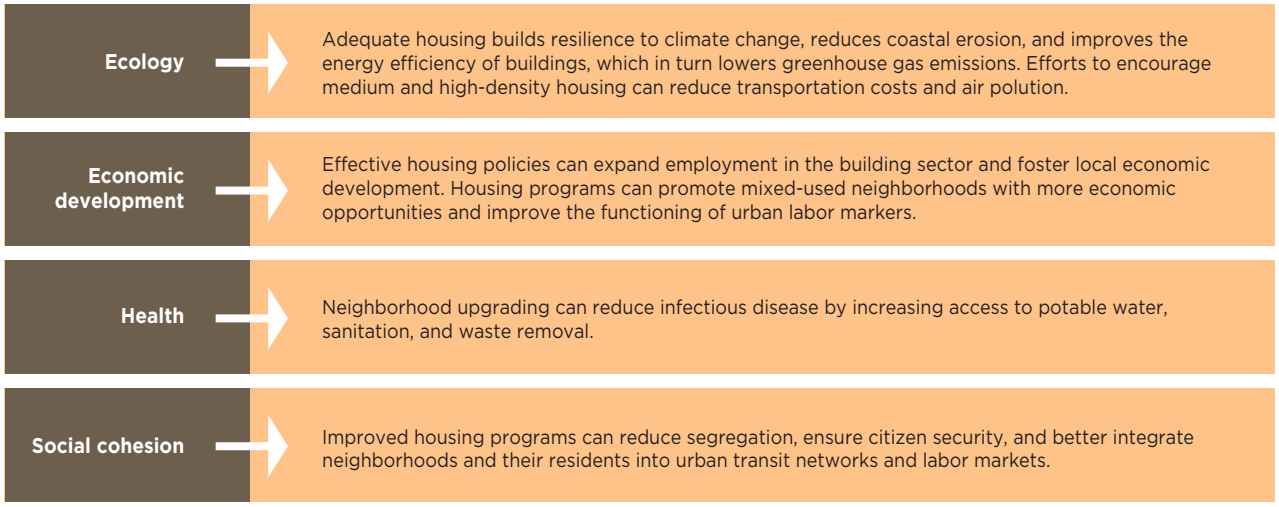
The Bahamas, Barbados, Jamaica, Guyana, Suriname, and Trinidad and Tobago face the daunting challenges of improving the lives of the approximately 1 million people who are living in informal settlements.[3] Many informal settlements reflect

[1] See Office of the UN High Commissioner for Human Rights and UN Habitat (2009). www.ohchr.org/Documents/Publications/FS21_rev_1_Housing_en.pdf.

[2] The six Caribbean countries studied here do not define "urban" in terms of population or density thresholds.

[3] This includes the following: 75,800 people in Guyana (2014 figures), 26,200 in Suriname (2014), 39,800 in Trinidad and Tobago (2014), and 839,700 in Jamaica (2005). The source of the calculations of informal settlements is the Millennium Development Goals reporting system, "Slum Population in Urban Areas (thousands)." See mdgs.un.org/unsd/mdg/SeriesDetail.aspx?srid=711 for data. The Barbados Statistical Service (BSS) does not collect information specifically on

FIGURE 1. Linkages between Housing Policy and Sustainable Development Goals



Source: Adapted from Habitat III Secretariat (2016).

unresolved challenges and are well established: two-thirds of informal settlements in Jamaica are more than 10 years old, and 2 out of 3 informal settlers in Trinidad and Tobago have resided on their site for more than a decade. Given the predominance of coastal cities in the region and the vulnerability to climate change and natural disasters, a green lens will need to be applied in order to adapt housing programs to local bioclimatic conditions. Particular attention should be given to low-income residents in informal settlements affected by landslides, flooding, and storm surges. Indeed, more than half of the squatter settlements in Kingston and St. Andrew and St. Thomas reside within 100m of a waterway susceptible to flooding (Jamaican Ministry of Water and Housing, 2007).

Responding to the existing housing deficit while also planning for anticipated future housing needs—especially in areas experiencing rapid urbanization—is the crux of the Caribbean housing policy challenge. An effective response to this challenge will yield benefits beyond the housing sector itself: housing drives urban development and accounts for more than 70 percent of urban land use in most cities (UN-Habitat, forthcoming), urban form, and density. It also plays an important role in generating employment and economic growth.[4] Recent research illustrates that adequate housing improves the health of its occupants and school performance by children, reduces domestic violence (Magalhães and Di Villarosa, 2012; Scanlon and Page-Adams, 2001), and leads to higher satisfaction in terms of security and quality of life (Galiani, et al., 2013). Integrated urban development programs confront spatial inequality within cities by connecting residents in upgraded communities to better public transit and job markets.

Despite the consensus that has emerged around the centrality of housing policy, there is considerable debate about housing policy design. Research suggests that implicit subsidies, such as below-market interest rates, are not likely to benefit

slums. However, its *2010 Survey of Living Conditions* indicated that 0.2 percent, or approximately 560 people, were squatters, and 147 households or approximately 544 people, were living in overcrowded conditions.

[4] The building sector, in which housing is a major component, contributes 15 to 20 percent to GDP in OECD countries (OECD National Accounts, GDP–Real Estate and Construction Components, August 2015). In African countries, urbanization has prompted a boom in construction, which accounted for around one-third of net employment gains between 2000 and 2010 (Roxburgh, 2010).

the poor and tend to benefit high-income groups. The poor are often unable to take advantage of such subsidies, since most of them do not have access to commercial loans and they demand less expensive units than what the formal housing market provides. Supply-side strategies embody similar shortcomings, since they support, almost exclusively, the construction of completed dwelling units rather than incremental housing solutions that are often better suited to low-income groups. In some settings, supply-side housing subsidies have proven to be regressive, serving middle-income rather than lower-income groups (Carrillo and Berg, 2009).

Demand-side programs are struggling to reach the extreme poor given high eligibility requirements. Most low-income households face barriers in accessing funding (including subsidized mortgage) from formal financial institutions, including: (i) minimum deposit requirements in savings accounts; (ii) high fees; (iii) collateral security (titles); and (iv) income stability requirements (especially difficult for the many who are employed in the informal market) (UN-Habitat, 2008). To obtain access to a subsidy for a mortgage loan, households generally need a certain level of savings and formal participation in the labor market. These requirements exclude a large portion of the low-income population (Carrillo and Berg, 2009). While enabling policies have enhanced primary and secondary mortgage markets in many countries, they have generally not benefited the lowest quintiles of the population.

Though the private sector—including land developers, construction firms, and financial institutions—can play a valuable role in the affordable housing domain, it is unclear which incentives (adequate capital and financial returns) and enabling environment (development process and public policy) can best catalyze the affordable housing community (Witwer, 2007). The invitation to collaborate with the private sector can be traced to the Habitat Agenda when UN member states invited the private sector to "mobilize resources to meet varying housing demands including rentals, housing maintenance, and rehabilitation as well as participate in the efficient and competitive management of delivery of basic services" (Mohlasedi and Nkado, 1999). In some instances, the government is unable to find private developers that are willing to supply basic houses and progressive solutions or to grant mortgage-backed loans to the beneficiaries (Rojas, 2001). In other instances, governments have created long-lasting partnerships between public and private sectors and grant low-income earners subsidies to access privately produced housing (United Nations, 2011). Programs in the region have also recently supported partnerships with the construction industry to sell high-quality materials at discounted prices to encourage self-help builders and improve the efficiency of incremental construction (Stickney, 2014). Despite the growing demand for improved housing among the base of the pyramid, there is still a general lack of assembled or semi-assembled components to facilitate this process.

New Trends in the Caribbean: Toward Revitalizing the Regional Housing Debate

Debates over land and housing—and their impact on larger development goals—were at the heart of many of the Caribbean's postcolonial development debates, and previously voiced during a series of national debates and international fora. Five themes in particular justify reactivating this debate:

1. ***Climate change poses new questions for housing policy in the Caribbean, especially in coastal communities.***

The majority of residents in the Caribbean live in coastal areas, which makes housing and critical infrastructure vulnerable to sea level rise, erosion, and climate change (ECLAC, 2014). The International Panel on Climate Change has concluded that

coasts throughout the world are already experiencing the adverse effects of sea level rise and severe weather. The risks to coastal environments and communities are expected to grow over the coming decades, exacerbated by ongoing development, resource exploitation, and increasing urbanization of coastal cities. Seas are now rising faster than they have in 2,800 years, and the rate of sea level rise is accelerating (currently measured by NASA at 3.4 millimeters per year) (Kopp et al., 2016). This will be particularly harmful for communities in low-elevation zones, such as the Bahamas, where the entire population lives less than 10 meters above the sea level and 94.9 percent live within 5 kilometers of the coastline (ECLAC, 2014). Approximately 45.1 percent of the population of Bahamas, Barbados, Jamaica, Guyana, Suriname, and Trinidad and Tobago lives within 5 kilometers of the coastline (ECLAC, 2014) and 89.1 percent live within 25 kilometers of the coastline (World Bank, 2009) (Table 1).

Coastal cities in the Caribbean are particularly vulnerable. Even though Caribbean countries contribute less than 1 percent to global greenhouse gas emissions, they are expected to be among the earliest and most impacted by climate change in the coming decades. In 2050, annual costs from sea level rise are projected to range from US$3.9 to US$6.1 billion for all Caribbean Community and Common Market (CARICOM) nations, which amounts to between 0.9 and 1.2 percent of projected GDP (Simpson et al., 2010). Inadequately maintained sea walls and drainage systems also increase vulnerability: in Georgetown, various canals and pump stations have also been compromised over the years due to silting and improper garbage disposal (Leung, 2010). The increasing intensity of hurricanes and floods will add additional costs. In Jamaica the nine previous hurricanes alone cost the Jamaican economy US$970 million in damages (Planning Institute of Jamaica, 2013). Georgetown's January 2005 flood cost the equivalent of 59 percent of the 2004 GDP (Leung, 2010).

As the region's coasts urbanize, it will be critically important to incorporate risk reduction into the location and design of social housing. As the Barbados Habitat III report indicates, "the ability of buildings to withstand high winds, flooding and seismic activity is of paramount importance if the country is to maintain and expand its housing stock" (SALISES and CERMES, 2015). The future siting and design of social housing will be increasingly informed by coastal hazard risk assessment and coastal setback requirements on new development (Simpson et al., 2012). Given the potential negative impacts of large coastal infrastructure, it is critical that public participation, input, and

TABLE 1. Coastal Vulnerability in the Caribbean

Country	Percent of population in the low elevation zone (less than 10 meters above sea level)	Percent of population within 5 kilometers of coastline	Percent of population within 25 kilometers of coastline
Bahamas	100%	94.9%	100%
Barbados	7.1%	75.9%	100%
Guyana	46.7%	24.8%	56.4%
Jamaica	9.2%	24.2%	91.3%
Suriname	69.0%	10.5%	86.8%
Trinidad and Tobago	12.8%	40.2%	100%
Average	**40.8%**	**45.1%**	**89.1%**

Sources: ECLAC (2014); World Bank (2009).
Notes: Population figures are from 2000.

consultation play key roles in decision-making (Mycoo, 2002). These should be accompanied by efforts to measure the information baseline of coastal erosion, evaluate opportunities for strategic adaptation, develop indicators of preparedness, and define effective institutional arrangements (Lane et al., 2015).

As detailed in this report, several housing ministries are adopting new designs to increase the resilience of coastal housing by (i) ensuring that floor levels of social housing are above recorded flood levels, (ii) improving standards for the foundations of social housing to guarantee that structures can withstand dynamic water forces, and (iii) alter roof designs to ensure adequate resistance in high winds (OAS/USAID, 1997).

2. *Caribbean planners are rewriting the "legislative DNA" of housing policy.*

A raft of new legislation has entered the Caribbean urban policy dialogue that implies coordination with housing policy. In Jamaica, this includes several draft laws: the National Squatter Management Policy and Implementation Plan (expected in 2016), the National Housing Policy, the National Spatial Plan, and a revision of the Building Code. In Trinidad and Tobago, Parliament approved the Planning and Facilitation of Development Act, and it is awaiting proclamation by the President. St. Vincent and the Grenadines, one of the most vulnerable countries in the Caribbean, is debating a draft of its Land Policy (Donovan, 2015a). All of these efforts matter because enhanced regulatory frameworks will facilitate the growth of affordable housing stock, forcing fewer households into informality.

3. *New professional associations have emerged and are creating a new Caribbean regional housing debate.*

The new associations that are professionalizing the housing and city planning discipline in the Caribbean augurs well for implementing integrated urban development policies that benefit housing. The Caribbean Planning Association (CPA), founded in 2011 and structured on the models of the American Planning Association and the Canadian Institute of Planners, supports new codes that improve informal settlements. In the wake of this development, a number of new associations have expanded the dialogue: the Belize Association of Planners (established in 2013), the Planning Association of Dominica (2015), the Saint Lucia Institute of Land Use Planners (2015), the Planning Association of Guyana (2016), and the Suriname Institute of Land Use Planners (2016). These associations provide critical training to planners who are on the frontlines of permitting, affordable housing construction, urban revitalization, and climate change adaptation. Greater solidarity among housing officials and mobilization of city planners will increase their voice and influence in national policy dialogues.

4. *The Caribbean is creating a New Urban Agenda.*

A Caribbean-wide urban debate adapted to the specific governance, geographical, and cultural characteristics of the region is emerging. These discussions have arisen, in part, due to a growing critique that "global approaches have not been suitably adapted to Caribbean realities and do not address critical issues and governance approaches specific to the region" (Verrest et al., 2012). This dialogue has increased due to the recent establishment of the Caribbean Urban Forum and the Caribbean Network for Urban and Land Management (CNULM), along with the mobilization surrounding the preparations for the Habitat III United Nations Conference on Housing and Sustainable Urban Development (Quito, 2016). Several Caribbean countries, including Jamaica and Barbados, have completed National Habitat Reports, which summarize their issues in urban governance, housing, urban planning, and disaster risk reduction.

Caribbean countries are also cooperating with Small Island Developing States (SIDS) outside the region to share best housing practices that accommodate greater vulnerability to natural disasters and the limited land size of islands. Caribbean housing officials in these debates have noted the key research gaps in the regional housing debate, including the lack of the following:

- Updated public information about housing costs and prices in primary and secondary markets.
- Information on land supply for housing production.
- Reliable data on housing deficits.

Efforts to attain more statistical uniformity in the region on urban indicators would foster regional urban policy dialogue and comparability. Currently, the region lacks a uniform definition of "urban" and tends to define urbanization through administrative areas rather than through density or population thresholds. For this reason, the urbanization rate of the region varies between 45.6 and 70.9 percent (Table 2). Trinidad and Tobago contains the largest difference between the official estimate (10.8 percent) and the much larger rates that the World Bank (2009) and Alkema et al. (2013) calculated (81.6 and 72 percent, respectively). In this case, the official definition ("Port of Spain [capital], Arima borough, and San Fernando town") does not take into account the growing urban growth on the periphery of cities or the substantial development along the corridor from Chaguramas in the west to Arima in the east. Similarly, the variation between the official urbanization rate of Guyana (28.7 percent) and the alternative rate that Alkema et al. (2013) calculated (61 percent) may also be explained by Guyana's use of an administrative definition ("City of Georgetown [capital] and four other towns"), which does not include the urban population directly outside the administrative boundaries of Georgetown.).

TABLE 2. Share of Population in Urban Areas: Bahamas, Barbados, Guyana, Jamaica, Suriname, Trinidad and Tobago (2000, 2010)

Country	Official Urbanization Rate (2000)	Official Urbanization Rate (2010)	Agglomeration Index (2000)	Alternative Urbanization Rate (2000)
Bahamas	82.0%	82.5%	57.8%	79%
Barbados	33.8%	32.1%	91.3%	74%
Guyana	28.7%	28.2%	36.1%	61%
Jamaica	51.8%	53.7%	69.4%	63%
Suriname	66.4%	66.3%	70.4%	76%
Trinidad and Tobago	10.8%	9.1%	81.6%	72%
Average	**45.6%**	**45.3%**	**67.8%**	**70.9%**

Sources: Alkema et al. (2013); United Nations, Department of Economic and Social Affairs, Population Division (2015); World Bank (2009).
Notes: The official urbanization rates derive from national censuses and definitions of urban (United Nations, Department of Economic and Social Affairs, Population Division, 2015). The agglomeration index provides a uniform measure of urbanization. The index identifies an area as urban or agglomerated if (i) its population density exceeds a threshold (150 persons per square kilometer); (ii) it has access to a sizable settlement within some reasonable travel time (60 minutes by road); and (iii) the settlement contains more than 50,000 inhabitants (World Bank, 2009). The alternative urbanization figures were constructed by regressing the proportion of urban population against variables that are associated with urbanization, such as GDP per capita, percent of employment in the agriculture sector and population density (Alkema et al., 2013).

5. ***Urban sprawl has developed in the Caribbean and poses new questions for housing policy.***

The combination of a large number of vacant lots with low-density residential development has created new, more polycentric urban forms in the Caribbean that deviate from the traditional monocentric design of Caribbean cities. These findings are reinforced by Angel's (2010) spatial analysis, which estimates that by 2050 the 15 CARICOM member states will have converted between 1,200 km^2 and 5,100 km^2 of agricultural land to urban uses.[5] This urban shift will entail a doubling to a quintupling of total urban land area. In other words, by 2050, the urban area of the Caribbean will include somewhere between three additional landmasses the size of Barbados and the entire surface area of Trinidad and Tobago. Already, contiguous parishes such as Kingston and St. Andrew, St. Catherine and Clarendon are beginning to merge, which implies the emergence of new "city-regions" and "urban corridors" in the Caribbean. As the land area of the Caribbean grows, a focus on land governance will be critical, especially given the need to enhance coordination between the multiple agencies that oversee surveying, zoning, property registration, and land regularization (Sanjak and Donovan, forthcoming). Tenure security will be critical[6] along with public land management, especially in Trinidad and Tobago, where state-owned land comprises over half of the country's land area (Rajack, 2009). Beyond impacting the environment, the growth of cities outside their administrative borders will create additional needs for intermunicipal collaboration on housing policy, transportation, trash collection, water provision, and a host of other services.

The State of Social Housing

In light of these emerging trends, this report provides a comparative analysis of the state of social housing policy in six Caribbean countries: The Commonwealth of The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago. The report is prepared in two parts. Part I focuses on the role and definition of social housing in the Caribbean and public policies for the provision of social and affordable housing in the six countries studied. It reviews the main social housing issues common to the six countries in order to facilitate policy dialogue. Part II of the report analyzes the housing issues in six separate sections, one for each country. Each nation is analyzed in terms of: (i) the main characteristics, issues, and challenges facing the country in terms of the provision of social housing and other housing strategies; (ii) the main public institutions in the sector and their respective roles; (iii) the government's main policies and programs geared to the supply of housing solutions for those with low and moderate incomes; and (iv) the government support systems instituted by each country for social housing, including the role of the nongovernmental (NGO) sector (where applicable).

[5] Author's calculations based on difference in urban land cover between 2000 and the projected urban land cover projections from 2015. See also Angel et al. (2010).

[6] This is reflected in the Commonwealth of The Bahamas/IDB Country Strategy for The Bahamas 2013–2017, which highlights that land tenure security is reduced by "overlapping claims and rights to land as a result of property disputes… [and] uncertainty regarding ownership of land resulting from an outdated real property rights system."

Part I

Comparative Analysis of Social Housing in Six Caribbean Countries

1

The Role and Definition of Social Housing in the Caribbean

Social housing is broadly defined as that part of a national housing system that makes use of public subsidies to lower rents and which is allocated through non-market mechanisms. Governments may use public funding to either subsidize supply to ensure production and set quality standards and other conditions, or subsidize demand to ensure affordability and targeting of assistance to specific marginalized groups (Pawson et al., 2011). Vulnerable groups include single parents, particularly female-headed households; the unemployed, especially the long-term unemployed; pensioners and the elderly (particularly elderly people living alone); very large or young families with dependent children; the disabled; migrants; refugees; asylum seekers; and other displaced people.

Housing cooperatives are often considered forms of social housing because this type of collective tenure has the potential to increase low-income people's access to adequate housing. Housing cooperatives are democratically governed nonprofit corporations whose members jointly own residential developments consisting of multiple units. Cooperatives resemble rental housing in that residents usually pay a monthly fee in return for occupancy of a dwelling that they do not own. These fees buy down the collectively held mortgage, pay for operating expenses, and capitalize reserve funds. Cooperatives also resemble homeownership in that residents own shares in the total property and are responsible, usually through a mechanism of electing representatives, for maintenance and management. However, they are unique in being collectively owned and governed.

In the Caribbean, social housing is not confined to the rental sector. It is conceived as making acceptable housing available to households who cannot meet their housing needs unaided. Social housing in the Caribbean thus represents a broad continuum of affordable and appropriate housing options. For example, Guyana and Suriname have introduced a program of upfront subsidies to increase the ownership of land and housing in the case of Guyana and stimulate investments by low- and moderate-income households to rehabilitate their homes and build new ones in Suriname. The Governments of Barbados, Jamaica, and Trinidad and Tobago have delivered serviced sites, core units and starter

homes to provide housing solutions to the poorest. All six countries have sought to engage the private sector in the delivery of housing to low- and moderate-income households. Guyana and Suriname have established incentives to encourage financial institutions to move down market in the provision of mortgages, while Suriname has engaged NGOs to participate in the delivery of housing subsidies. Barbados, Jamaica, and Trinidad and Tobago have established mechanisms for public–private partnerships in the construction of housing units.

There is a general understanding in most of the countries studied that social housing provision needs to be guided by certain criteria. Some countries have put guidelines in place. These include criteria for allocation and access, involving the definition of target groups and establishing allocation procedures. Other factors given due consideration by Caribbean governments are affordability criteria and security of tenure. For example, the *Operating Manual of the Suriname Low-Income Shelter Programme* defines the terms and conditions for accessing an incentive certificate and sets the rules and procedures that regulate the participation of the various actors in the Low-Income Shelter Programme (LISP). It also defines the parameters for its modalities, eligibility criteria for neighborhoods and households, the scoring system for the selection of applicants to the Housing Incentive, the procedures to be followed, and the sanctions in the case of breach of parameters or procedure.

A Housing Incentive is a conditional donation, given by the Government of Suriname through the LISP. It is implemented by the Low-Income Foundation, which operates the incentive certificate or subsidy provided to a family once in a lifetime as an incentive toward a housing solution. This housing solution can be a house built on a pre-owned plot of land or a refurbished housing unit owned by the beneficiary household. The incentive is awarded upon the demonstrated fulfillment of eligibility criteria and procedures. A request for reimbursement of the Housing Incentive is made when a participant household breaches the rules (Government of Suriname, 2005).

Similar operating regulations guide the execution of investments in land divestiture and squatter upgrading in Guyana. The regulations cover, among other things, the operating mechanisms and the criteria that the beneficiaries and subprojects must meet to be eligible for the program. The main criteria are the following: (i) the applicant shall not own a home or other land; (ii) the applicant's income shall not exceed the limit set by the Central Housing and Planning Authority (CH&PA) at the time of allocation; and (iii) the applicant's household shall have one or more children under the age of 21. The principal criteria for site selection aim to ensure the health, safety, and welfare of the community at large and to ensure that they meet environmental and accessibility standards.[1]

The CH&PA allocates low-income lots in two tiers. Families earning up to US$150 monthly can access lots costing US$300, while families earning over US$150 and up to US$300 monthly can purchase lots at a cost of US$464.65. Middle-income households earning over US$303 monthly can purchase lots from CH&PA at prices ranging from US$2,525.25 to US$6060.60. Approximately 60 percent of the lots will go to very low-income households, 20 percent to low-income households, and 10 percent each to low-moderate- and moderate-income households. The amount of the cash subsidy is the difference between the expenditure of CH&PA (averaging US$1,200 per lot) to deliver serviced, titled lots and the equity share that households must pay to obtain the lot. Higher-income households pay substantially more than CH&PA spends, generating cash. The cash subsidy for very low-income households is less than that for low-income households because the

[1] CH&PA and IDB Guyana Low-Income Settlement Programme (GY-0052).

development cost of squatter upgrading, which accounts for a large portion of very low-income households, is substantially less: US$800 compared to US$1,200.[2]

Very low-income households make a minimum down payment of US$298 under the land divestiture program, while low-income beneficiaries pay US$465. Squatter beneficiaries also pay these rates. Very low and low-income households represent over half of Guyanese households; hence the large demand for the program. However, many low-moderate-income to moderate-income households (those earning between US$301 and US$900 per month) cannot afford minimum housing or land and are eligible for the program if they meet other conditions. The equity shares paid by these higher-income groups are US$2,525 and US$6,061 respectively, well above the cash outlay of CH&PA for the serviced, titled lot, which averages US$1,200. Thus, sales to very low-income households will result in a net cash subsidy, while sales to moderate-income households will generate funds, cross-subsidizing very low- and low-income households.

The Government of The Bahamas defines affordable shelter as "safe, decent housing where housing costs do not exceed 30 percent of gross household income," while the Government of Barbados defines affordable housing as the delivery of a quality product at a reasonable price without placing undue financial burden on the purchasers, especially the low-income and most disadvantaged sectors of the community. People earning less than US$700 per month are classified as low-income, while those earning less than US$1,550.00 monthly are classified as middle-income. The Government of Trinidad and Tobago categorizes as low-income those households who are unable to afford a mortgage sufficient to purchase an adequate house by developed country standards.

With regard to the rental sector, since the 1950s, all of the governments in the six Caribbean countries have pursued a policy of building housing units for sale and for rent. Major public housing schemes were built for rent as part of slum clearance and re-housing schemes in Jamaica. However, collecting rent in public housing has been dismal in all the countries studied. This is a problem of poor attitudes on the part of the tenants as well as inefficient cost-recovery mechanisms. Poor cost recovery has resulted in institutional decapitalization and reduced capital inflows for maintenance and new schemes. These units are an economic liability in all six countries.

Consequently, the Governments of Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago have opted to divest themselves of their rental properties. Considerable concessions and discounts are being offered to these tenants, many of whom are pensioners and some of whom have been renting since the 1950s. The Government of Guyana has privatized most of its 2,025 rental units in 17 schemes, and the process of divestment is in various stages of completion in the other four countries. Jamaica has also divested a large portion of its rental units, offering them to the occupants at subsidized rates. Governments in the region recognize, however, that despite the financial constraints, there must be continuing support for rental/social housing. The rationale for this approach includes social justice, as Caribbean governments have a sense of responsibility to meet the housing needs of the less fortunate, ensure social stability, and address public health and environmental concerns.

Although the number of rental units represents only a small component of Bahamian housing, these units play an important role in the government's social housing program, as they cater to people who cannot qualify for the Guaranteed Mortgage Loan Programme. The Ministry of Housing has considered changing its approach to rental housing because of the high maintenance costs and the difficulty of meeting the demand

[2] Ibid.

for rental accommodation. In FY2005–06, the government implemented a subsidized rental scheme whereby the ministry paid 50 percent of the rental in private accommodation and the tenant the other 50 percent directly to the landlord. The ministry is examining the feasibility of utilizing this approach to providing rental subsidies more broadly.

In Barbados, a substantial segment of the low-income population is dependent on the National Housing Corporation (NHC) for rental accommodation. Between 2010 and 2015, the NHC had a database of 3,920 applicants seeking rental accommodation (Lorde, 2015). The NHC recognizes that regardless of the cost, some people will never be able to afford to purchase houses or the terrace units which they occupy. The corporation will therefore always have to provide rental accommodation. In this regard, the NHC continues to build rental housing. The Government of Trinidad and Tobago is also committed to providing rental accommodation in pursuit of its objective of providing affordable housing for its population.

In this regard, the Governments of Barbados and Trinidad and Tobago have introduced rent-to-own schemes, whereby assistance would be given to low-income households to start with a rental property, which would be converted to homeownership as their circumstances improved. The Government of the The Bahamas is drafting guidelines for implementation of a rent-to-own scheme, while Trinidad and Tobago will reintroduce its rent-to-own scheme (*HDC News*, 2015).

The Governments of The Bahamas, Barbados, and Jamaica are attempting to stimulate the private rental market. Jamaica is proposing amendments to its Rent Restriction Act, which has been a disincentive to investment and maintenance in the private rental market. The act will be amended to standardize conditions under which property can be rented, phase out aspects of rent control remaining on the books, and standardize some rental practices, such as security deposits. The Government of The Bahamas recently amended its Rent Control Act to increase the value of houses under the act in order to improve the standards of private rental housing, while the Government of Barbados is reviewing the private rental market to introduce legislation which will standardize the conditions under which property can be rented.

2

Policy Options: Trends and Challenges in the Provision of Social Housing

While the long-term vision of all six countries is to ensure that their populations have adequate shelter, there is no single social housing policy instrument that is universally applied by the six countries. Instead, each country is implementing a variety of policy programs to address specific situations and constraints particular to the country. These policy initiatives are categorized according to the issues being addressed: population, urbanization, and housing deficit; imbalance between demand for affordable housing and supply; distorted land markets with acquisition and development impediments; informal urbanization; overcrowded and dilapidated inner city housing; funding/finance; and planning issues.

Population, Urbanization, and Housing Deficit

The six countries studied are among the most urbanized in the region. The Bahamas (79.0 percent), Suriname (76.0 percent), and Trinidad and Tobago (72 percent) are the three most urbanized countries (Alkema et al., 2013). Approximately 54 percent of the population of Jamaica lives in urban areas, according to the 2011 Population Census, an intercensal increase of 1.9 percent. According to official statistics, 26.4 percent of Guyana's population was classified as urban in the 2011 Population Census. Despite the fact that Guyana is largely rural, most of its urban population lives in the capital city, which exerts considerable pressure on the land and housing markets in Georgetown. The alternative urbanization estimates of Alkema et al. (2013) include the considerable "overspill" urbanization in the core urban region around Georgetown and an estimated urban population of 61 percent. In Trinidad, most of the urban population lives in the urbanized East-West Corridor, which includes the capital, Port of Spain, and a number of secondary towns. Similarly, 66 percent of the urban population in Barbados lives in what is known as the Urban Corridor, stretching from the north to the south of the island.

Most of the countries in the Caribbean are undergoing urbanization and urban sprawl. The

population of the core areas of some of Trinidad's main cities and towns has been declining. There were declines in four of the 14 regions in the intercensal period 2000 to 2011, with the largest decrease in Port of Spain (22.5 percent). Port of Spain's population declined by 14.52 percent over the same period as growth occurred in rural and peri-urban areas. The fastest-growing region in Trinidad and Tobago was the Borough of Chaguanas, with an increase in population of 41.48 percent between 2000 and 2011 (Ministry of Planning and Economy, 2011).

With increased economic growth and investment taking place in the East-West Corridor, many migrants from the rural areas came to the capital and the secondary towns in search of employment opportunities. The rural to urban drift was an important factor contributing to the high demand for housing in rapidly urbanizing areas. The population residing in the Urban Corridor in Barbados fell from 68 percent in 2000 to 66 percent in 2010, with a general movement to the parishes immediately surrounding the capital, Bridgetown, as the price for land in the Urban Corridor escalated (SALISES and CERMES, 2015). There was a decline in the urban population in Guyana between 2000 and 2012. This reduction has been attributed to the outward shift of the population of Georgetown, which comprises approximately two-thirds of the urban population, to new housing schemes established outside the city limits during the intercensal period. The "green belt" between the Kingston Metropolitan Area and Jamaica's second and third largest urban centers, Portmore and Spanish Town, respectively, has been steadily declining. This is due in large measure to the construction of infrastructure between Kingston, Spanish Town, and Portmore, which opened up large areas for systems building and the expansion of Kingston's suburbs. Other important resources, such as ground water, are under extreme pressure from new developments, and there is a danger of overuse and pollution of these resources.

Additionally, the highway from Kingston to Spanish Town has facilitated commuting to Kingston, so that the Kingston labor market is now Kingston, Spanish Town, and Portmore. Commuting to work not only has clear disadvantages in a country which imports all of its oil, but also results in an increase in greenhouse gas emissions. The transport corridor has also become a prime location for the country's newly developing squatter settlements. Trinidad and Tobago is facing similar problems, with the conversion of the Caroni sugar lands to residential use and urban sprawl increasing environmental and climate changes risks.

Jamaica classifies as urban those population centers with 2,000 or more people having the necessary amenities. Jamaica with the largest total population of the six countries also has the largest number of people living in urban areas, but the smallest share of the urban population living in the main center. Jamaica's settlement system is characterized by the predominance of a primate city, Kingston, a multiplicity of small rural central places, and a growing but imperfectly developed middle base. However, the dominance of the primate city is slipping somewhat as a result of increasing urbanization in secondary towns. Kingston's share of the urban population declined from 67 percent in 1970 to 42.7 percent in 2001 and 40.1 percent in 2011. A number of secondary towns are also feeling considerable pressure on the housing market, particularly those towns where tourism is the mainstay of the economy.

All six territories are at an intermediate stage of their demographic transition. Countries at this stage demonstrate the following demographic features: a declining 0–14 age group and increasing proportions of both people of working age (15–64) and the 65+ age group (the dependent elderly), with the latter group the fastest-growing segment of the population. The ageing of the population and changes in its structure have important implications for governments in all six territories.

Additionally, household sizes are also declining, and the proportion of single-person households is increasing, particularly in urban areas. This indicates that the demand for housing is increasing, and governments must provide appropriate housing to respond to changing household structure.

Urbanization has had a significant impact on the region. A large percentage of the region's gross domestic product (GDP) is produced within the urban centers, and a significant proportion of the region's economic activities are concentrated in cities. However, with increased economic growth and investment taking place in the capital cities and main towns, many rural people migrated to urban centers in search of employment opportunities. The rural-to-urban drift was an important factor that contributed to the high demand for housing in rapidly urbanizing areas, with the push factors of decline in agriculture and other limited employment opportunities. Many of these urban residents are poor, and poverty is a major factor affecting the populations of all six countries in meeting their shelter needs.

All of the countries studied with the exception of Guyana are considered to have high human development status. Guyana is ranked as having medium human development. Despite these high rankings, there are pockets of unsatisfactory living conditions. The multidimensional poverty index (MPI) is an international measure of acute poverty covering over 100 developing countries. It measures deprivation across several dimensions. Barbados had 33.7 percent of its population living in multidimensional poverty, compared to 40 percent in Guyana, and 38.8 percent in Jamaica, 43.1 percent in Suriname, and 38 percent in Trinidad and Tobago. The Bahamas is not included among the 100 countries ranked.

Thus, a major challenge is how to finance housing and infrastructure services for growing numbers of urban residents. With the exception of Guyana and Suriname, whose economies are fueled by growth in the mining and construction sectors, the economies of all of the other countries are exhibiting sluggish growth. For example, The Bahamas had achieved a relatively high per capita income of US$23,000. However, beginning in 2008, economic growth faltered. Per capita incomes are still 8.2 percent below 2007 levels, and growth rates have remained subdued (Commonwealth of The Bahamas and IDB, 2013). Poverty is increasing, and housing starts declined by 67 percent between 2005 and 2014.

Imbalance between Demand and Supply of Affordable Housing

One of the key constraints faced by all six countries is the mismatch between demand and supply. All six countries studied have estimated their housing needs. However, estimates for new housing construction and upgrades over the next two decades present considerable challenges to each of the six countries. An important consideration with regard to housing sector performance has been the reliance on the formal housing sector, particularly the public sector. However, production in the formal housing sector has never come close to target levels in most of the countries studied.

It should be noted, however, that the problem is not only housing production but also affordability. The vast majority of households in all six countries cannot afford even the cheapest units produced in the formal private sector or most public sector housing. In the case of Barbados, the population increased by 5.8 percent between 1990 and 2010 while housing units increased 14.6 percent and unoccupied units increased 117.9 percent over the same period. Thus, the problem is not unmet demand; rather, the supply of housing has been inappropriate for the type of housing demanded. More emphasis should be given to alternative housing solutions, such as multifamily units, to replace the propensity for single detached, low-density options,

which many Barbadians cannot afford (SALISES and CERMES, 2015).

Jamaica suffers from inadequate supply both in the low- and the middle-income categories to meet current demand. Almost 60 percent of contributors to the National Housing Trust (NHT) are classified as low-income earners, 30 percent are classified as lower-middle- income earners, with the remaining 10 percent considered upper-middle and upper- income earners. While the demand for affordable housing is greatest among low-income contributors, NHT is only able to satisfy 20 to 25 percent of this category's demand and 40 to 45 percent of its middle-income contributors.

Rajack and Frojmovic (forthcoming) suggest that a major challenge affecting Trinidad and Tobago is the mismatch between supply and demand for affordable serviced land and housing in suitable locations. The house price-to wages ratio, which measures the ratio of the median price of a three-bedroom house to average annual wages, has been consistently high in Trinidad and Tobago. This is because housing prices rose faster than wages between 1991 and 2006 and between 2010 and 2013. The indicator has been at 10:1 for the last two decades and reached a peak of close to 20:1 between 2006 and 2007. When compared to international rates of median housing price to median income ratios, which consider ratios in excess of 4:1 to indicate serious lack of affordability, Trinidad and Tobago's rate of 9.87:1 is an indicator of severe lack of affordability.

As a consequence of these constraints, many people have opted to squat in order to meet their housing needs. In Guyana, Jamaica, and Trinidad, thousands of people are living without basic infrastructure, such as water, electricity, roads, and sewage, as houses have sprung up haphazardly on private lands and government reserves. In 2007, it was estimated that 20 percent of the Jamaican population lived in squatter settlements and 82 percent were in urban areas (Ministry of Water and Housing, 2007). There are over 216 squatting areas in Guyana, of which 154 have been brought under the regularization program.[1] There are over 396 squatter sites on state lands in Trinidad and Tobago, with approximately 55,000 households on public lands, and an additional 30,000 households estimated to be squatting on private lands (Rajack and Frojmovic, forthcoming).

Some countries have adopted policies that seek to boost the volume of housing production, especially the volume of units affordable to low-income households. Trinidad and Tobago's Accelerated Housing Programme is a strategy designed to alleviate the acute housing shortage through the provision of 10,000 housing solutions per annum. In Guyana, the LISP has made considerable progress. At the end of the LISP-2 in 2015, nearly 19,000 house lots had been serviced, easing some of the pressures of pent-up housing demand and demand for infrastructure. At the closure of LISP-2 in Suriname, over 2,087 homes had been built, expanded, or renovated.

Barbados, Guyana, Jamaica, and Trinidad and Tobago have sought partnerships with the private sector to share risks and bring additional resources for the provision of affordable solutions. Although the objective is similar, there are some variations in the policy measures being pursued by these countries.

Private-sector mechanisms, which have been successful in developing upper-middle and middle-income housing in Barbados, were only recently applied to low-income housing. Under the National Housing Corporation's Joint Venture Programme (JVP), the government supplies land on which private builders build and sell houses targeted at middle-income groups, sets the price of land, chooses the size of the lots, and ensures access by first-time buyers. The private sector builds infrastructure and houses on land acquired by the Ministry of Housing and vested in the NHC.

[1] Central Housing and Planning Authority website www.chpa.gov.gy.

The private sector is reimbursed the full cost of developing the land and a 5 percent management fee. In 2014, the program waned somewhat. Changes are being made to the original JVP and a new one is being developed (Ministry of Finance and Economic Affairs, 2015).

The Government of Trinidad and Tobago has also sought to enable public–private partnerships and reduce its intervention in the market as a direct producer of new housing. The JVP is implemented through arrangements with medium and large contractors with a track record in construction. The program was predicated on the developer's designing, building, financing, and selling the units. By addressing the constraints of the high cost of private land and infrastructure, the government hoped to encourage the private sector to deliver housing to the lower end of the market. However, the JVP did not attract the interest of the private developer as envisaged, as the profit margin was seen as too small, and most developers continue to serve the upper end of the market rather than incur the risks associated with serving low-income households.

In 2003, the Government of Jamaica completed a Joint Venture Housing Policy, which sets out the procedures and guidelines for public–private partnerships. Under this policy, joint-venture developments are separated into two categories based on the ownership of the lands to be used: (i) joint venture, where the government owns the land; and (ii) private sector facilitation, where the private developer owns it. However, the program faced a number of problems, leading to dissatisfaction among beneficiaries, disagreements between partners, and a refusal by enforcement agencies to be parties to the process. In 2008, the policy was revamped as the Housing Public–Private Partnership Policy (Ministry of Water and Housing, 2008).

In Jamaica, the NHT's interim financing initiative will provide developers with funding of up to 100 percent of their construction costs at concessionary rates. In November 2011, the NHT lowered interest rates on loans to private developers who were building units to be sold on the open market. The objective of lowering the rates was to increase the number of units brought to market at prices affordable to contributors. However, there was minimal take-up of the cheaper loans by developers, as they opted for the more expensive loans. Private developers indicated that if they accessed the cheaper loans, such projects would not be profitable to them. This led to some adjustments in the interest rates.

Distorted Land Markets

Given the trend of urbanization and suburbanization in all of the countries studied, the land supply and the management of urbanized land is one of the key issues affecting housing provision. Most countries are experiencing severe constraints in meeting the demand for serviced land as a result of the rapid expansion of their urban areas, since most do not have the legislation, policies, procedures, institutions, trained personnel, or financial resources to ensure that land will be supplied for affordable housing at the pace and on the scale required. In the case of Suriname, there is reluctance on the part of the government to invest in improving planning and land management, resulting in distorted land markets. Various interventions to improve the functioning of land markets are being implemented in some of the countries studied.

While there was a high demand for developed land for housing that was affordable by all Guyanese, there was no efficiently functioning land market. This was due in large measure to the skewed land ownership pattern whereby Guyana Sugar Company (Guysuco) and the government together owned about 90 percent of the available land along the coastal strip. Thus, while there was an abundance of unoccupied land, there was an acute shortage of land for housing in urban areas, particularly in Georgetown, which is hemmed in by sugar estate lands. The net effect was restricted participation of the private sector in the land market and

a mismatch between supply and demand, which caused high lot and house prices and high rents.

The Government of Guyana has responded to this problem through public land divestiture. In this regard, the government launched a program in 1992 to issue house lots in the shortest possible time in order to address the country's housing needs. The enormity of the problem of providing affordable lots demanded massive divestment of land, which had to be accessed from Guysuco and other agencies. Land from Guysuco was transferred to CH&PA as a deed of gift, as this was originally state land. CH&PA received a block transport/title from which it has issued individual transports/titles to beneficiaries. The increase in land supply has improved the functioning of the land market and lowered rent and property sale prices, making housing more affordable.

However, the process has experienced some problems, as institutional constraints have delayed the transfer of transports/titles to beneficiaries. Bottlenecks at the deeds registry were resolved with the de-linking of the lands registry and the deeds registry and housing them at different locations. The lands registry is now housed at the Lands Commission, and this has streamlined the processing of titles. In addition, the government is working on speeding up the delivery of transports/titles through capacity building at the Deeds Registry. Systems were put in place for the people allotted to access money from the banks through a letter of assurance issued by the minister with responsibility for housing to people who pay in full for both the house lot and the legal fees, but have not yet obtained their titles. It is becoming increasingly difficult, however, to find land in suitable locations to house the residents of Georgetown. As a result, sites for housing schemes are being located farther away from Georgetown, where land is easily available and accessible to the government, notably along the East Bank of the Demerara River.

According to the Constitution, everyone in Suriname is entitled to land, but there is not enough serviced land to distribute to everyone. The government has divested many serviced lots and continues to distribute roughly 2,000 lots per year. However, this land divestiture is not coordinated with housing initiatives, and the rate at which these lots are developed once divested is very low (McHardy, 2005). There is an alleged shortage of serviced land in Paramaribo and, although there are no precise figures, it is estimated that there are over 10,000 serviced lots in the country. However, these are not available for building, as the owners are either overseas or people are speculating. There is also a need to improve the process of land titling and registration. These problems mean that there is never sufficient land to undertake new construction for housing.

Additionally, lot sizes in Suriname are large, making land very expensive and a major constraint to developing affordable housing in the country. Morris and Piedrafita (2008) point out that a typical 80m^2 fully serviced house on a 300–400m^2 plot deemed by government officials as minimally acceptable low-income housing is not affordable to over 80 percent of the country's households unless heavily subsidized. Beimin (2013) indicates that land in Suriname is expensive but despite high land costs, lots are very large and in many cases not fully utilized. Beimin (2013) suggests that the size of plots needs to be reduced to make land affordable to low-income groups.

The Government of Jamaica's Operation PRIDE was designed to provide 100,000 lots to people who did not own land (greenfield) and upgrade 50 squatter settlements (brownfield) by 2000. The main objectives of Operation Pride were to: resolve the shelter needs of a majority of low-income Jamaicans through the establishment of new planned settlements (greenfield sites) and the upgrading of existing settlements (brownfield sites); improve the environmental and public health conditions in settlements throughout the country; mobilize resources in the informal sector towards their own improvement; and distribute state lands as a catalyst.

Operation PRIDE suffered from a series of problems, including poor oversight and lack of proper management of PRIDE schemes, leading to cost overruns; lack of proper procedures for collecting funds, leading to financial losses of Provident Societies and insufficient funding for projects; and the large number of projects prioritized strained government resources. Moreover, land was sold well below the true value of land and infrastructure, resulting in a costly subsidy that was not necessarily targeted at the poorest groups. Lack of guidelines for its various procedures, such as lot disposal, also resulted in the selection of beneficiaries that were not necessarily most needy. Changes have been made to the program to reduce the financial burden to the state and under the umbrella of the Jamaica Land Titling Programme. In keeping with its mandate, the Housing Agency of Jamaica ensures that PRIDE beneficiaries continue to receive titles for the PRIDE lands they occupy. Operation PRIDE has regularized 113 informal settlements islandwide and delivered 10,239 titles since its inception (Ministry of Transport, Works and Housing, 2011).

Access to and availability of land are major concerns in The Bahamas. Current systems and procedures for allocating, administering, and surveying Crown Lands do not allocate land to individuals to meet development and housing needs effectively and transparently. The complexity of the records in the Registry of Documents makes examination of titles time consuming and expensive, and inadequacies in the administration of land-use records reduce land tenure security, resulting in increased cost of land market transactions and sometimes fraudulent transactions. Information on land is outdated, incomplete, and scattered throughout various agencies, thus limiting its usefulness and causing duplication of effort and cost as well as inconsistencies. The country does not have a sound cadastre of Crown and private land holdings, and the current deed-recording system does not require the registration of land transactions.

On the Family Islands, individuals are holding land which has not been surveyed and for which they do not have registered titles. This has created a shortage of land for subdivision and housing. To overcome this problem, a policy management function has been set up in the Office of the Prime Minister to do a subdivision on Eleuthera, providing grants to individuals for surveying and conveyance. This pilot scheme will be replicated on other islands.

The current rate of acquisition of land for affordable housing in Barbados is insufficient to meet current demand. The NHC is facing a challenge of having insufficient land to keep pace with its housing programs. The NHC does not have a land reserve to supply its needs, relying on land purchased through compulsory acquisition under the Land Acquisition Act or by Private Treaty.[2] Although the NHC has the power to acquire land, most of it has been acquired using government funding and was therefore vested in the Crown. The process of obtaining land via the Land Acquisition Act involves several steps and can take between six months and a year. The Land Acquisition Act has been used over the last 20 years to compulsorily acquire portions of large estates for public purposes, including housing.

Caribbean Homes is developing The Villages at Coverley in Barbados, the first zero lot line residential housing in the Caribbean. Zero lot line is a modern development technique which maximizes the use of land for the benefit of all homeowners and by doing so permits homeowners access to more affordable properties.

Trinidad and Tobago experienced constraints in its Accelerated Housing Programme as a result of bottlenecks in the delivery of serviced land. The transfer of titles of state lands to the Housing Development Corporation (HDC) has been hindered by institutional constraints. This has resulted in two major problems in the housing sector. First,

[2] Agreement of Sale between vendor and purchaser or their agents.

developers in the JVP have not been in a position to sell the houses they developed, as there are no titles. Second, the NHC is holding millions of dollars in housing stock, which it cannot release to the Trinidad and Tobago Mortgage Finance Company (TTMF) because it does not have clear title to these properties. While the HDC has been unable to provide clear title to beneficiaries, it has allowed individuals to enter into occupation of a mortgage unit by way of a license-to-occupy agreement. However, the TTMF is faced with another constraint: potential mortgagors are unwilling to convert their licensing certificates into mortgages, as they do not want to pay the increases in monthly installments that occur after the mortgage is executed.

In response to the shortage of land in Jamaica, the NHT has started developing a land bank, acquiring some 15,359.51 acres to date. Following on an annual contribution of US$95 million for budgetary support over the next four years, the Government of Jamaica committed to transferring suitable parcels of land to the NHT and to granting concessions such as exemption from taxes. A number of properties have been approved for transfer and the process is ongoing. In addition, a number of properties have been identified islandwide and are currently being evaluated for their suitability for housing. These lands will be placed in the NHT's land bank and planned for development in keeping with the strategic plans of the Trust (National Housing Trust).

Informal Urbanization

While informal urbanization is occurring in all six countries, Guyana, Jamaica, and Trinidad and Tobago are facing the greatest challenges (McHardy, 2005). Squatting is a major problem in Guyana. Since 1992, the government has been divesting land in an attempt to solve this problem. In Jamaica and Trinidad, the response to informal urbanization has been the provision of security of tenure and settlement upgrading, while in The Bahamas, the strategy is to promote homeownership among squatters.

In Guyana, high purchase prices and rents forced households to find their own solutions. Although squatting has long existed on a minor scale, it has grown at alarming rates. Approximately 60,000 people, or 12,000 households, squatted between 1992 and 1998, an average of 2,000 households per year. It was estimated in 1992 that 40,000 people lived in Greater Georgetown informal settlements (20 percent of the city's population), with smaller squatter populations averaging 10 percent in other urban areas. Informal settlements in Guyana differ greatly along a continuum. On one hand, a few long-established settlements on suitable public land have been consolidated over decades and lack only public infrastructure. On the other hand, some recent groups have invaded highly risky sites or sites dedicated to critical public purposes.[3]

The Government of Guyana's approach to the problem is threefold. First, by divesting and privatizing a substantial portion of developable land, the government has tried to get ahead of the demand for shelter, thus avoiding new waves of squatting. There is a general feeling among Guyanese that there has been a reduction in the rate of squatting in the country. This suggests that the land divestiture program has had some success, but there are some very poor groups who are still being left behind, as shown in Table 3. There are some people who find it difficult to make down payments of 10 percent of the cost of the land, and there is a need to look at other programs to address their needs.

Second, the government is implementing a squatter regularization program which aims to: (i) ensure that people own the land they occupy; (ii) provide basic services; and (iii) improve the quality of life of people living in these areas. The squatter regularization program is a two-staged process of providing first security of tenure and

[3] Central Housing and Planning Authority website www.chpa.gov.gy.

TABLE 3. Proposed System of Subsidies by Income Categories

Income group	Monthly income range (US$)	Capacity for payment (%)	Amount of loan (US$)	Proposed subsidy (US$)	Estimated price of home (US$)
Very low income	150–250	10–15	1,500–2,250	2,000 or 50% of house price	3,000–4,000
Low income	250–500	15–20	5,000–6,000	1,500 or 30% of house price	6,000–7,500
Middle income	500	20–25	10,000–12,500	No subsidy	Over 12,500

Source: Ayala and Thompson (2008).
Note: Converted at the exchange rate of US$1: G$200 in 2008.

then infrastructure. The Ministry responsible for Housing has adopted a zero-tolerance approach in the squatter regularization program. Basic infrastructure works will not be completed if these areas are not regularized. In addition, the Ministry has set up a Squatter Enforcement Unit to serve notices and prevent further squatting. Approximately 114 squatter communities are currently undergoing regularization. Third, the government has been moving ahead with infrastructure development countrywide.

The Land Settlement Agency (LSA) in Trinidad and Tobago was established under the 1998 State Land (Regularization of Tenure) Act No. 25 and charged with the responsibility of upgrading and regularization of property rights in squatter settlements on public lands. The Act designated 251 squatter settlements on public land as land settlement areas, and people occupying lands after 1998 would not be regularized (McHardy, 2005). Under the Act, a squatter who was illegally occupying state lands could only have applied for a certificate of comfort (COC) in the prescribed statutory format on or before October 27, 2000. This is the first step in a three-stage regularization process to obtain security of tenure by way of deed of lease. The financial institutions only accept the last of these titles as collateral. All upgraded sites would have water, electricity, waste water disposal either through connections to the public sewerage system or to septic tanks, basic road treatment, drainage, and public lighting.

According to Rajack and Frojmovic (forthcoming), hundreds of informal settlements lacking basic services are ineligible for land tenure regularization. There are currently 396 sites, approximately 60 percent more than were identified when the Act was passed. Between 1998 and 2000, approximately 22,500 households applied for COCs, which suggests that one in every two households squatting on state lands is not eligible for a COC based on cutoff dates for occupation and application.

The brownfield component of the Government of Jamaica's Operation PRIDE Programme was designed to upgrade 50 squatter settlements by 2000. However, the program experienced a number of setbacks, which led to a scaling back of the program. Most of the beneficiaries could not afford the cost of the solutions delivered by Operation PRIDE, resulting in heavy state subsidies that could not be sustained and a drain on the program's financial resources. The program was transferred to the Housing Agency of Jamaica (HAJ), which ensures that PRIDE beneficiaries receive titles to the PRIDE lands that they occupy. To date, 113 squatter settlements have been regularized and 10,239 titles issued under the program. With regard to squatter containment, a Squatter Management Unit has been set up in the Ministry of Transport, Works and Housing.

The number of people living illegally on Crown Land and, to a lesser extent, on private land is on

the increase in The Bahamas. Squatter settlements are of two types: those where Bahamians live and those where undocumented immigrants live. Many of the latter are leasing land from Bahamians who have no permission from the owners to lease their land. Undocumented immigrants are usually evicted, but the government tries to promote homeownership among Bahamian squatters by offering land and title free, charging only for infrastructure to lease land. Loans to build a house are offered at low interest rates. While the transactions are being completed, squatters are provided a 50 percent rental subsidy.

Dilapidated Inner-City Housing

Barbados, Jamaica, Suriname, Trinidad and Tobago, and to a lesser extent The Bahamas are pursuing strategies to improve inner-city housing and neighborhoods. Redevelopment schemes are the main policy approach adopted in Jamaica, while repair and reconstruction is the model being pursued in the other countries. One of the most interesting aspects of the repair effort in Barbados is that tenants are being given security of tenure as part of the reconstruction process. In Suriname, the private sector (financial institutions, NGOs, community-based organizations (CBOs), small contractors, and households) is responsible for rehabilitation of the low/moderate-income housing stock and for in-fill new construction on the serviced lots already owned by households. The value of the experience of Barbados lies in the efforts to preserve and rehabilitate the existing housing stock in central neighborhoods, while ensuring the right of low-income groups to remain in the neighborhoods.

The Inner City Housing Project in Jamaica, begun in April 2004, is being developed and funded by the National Housing Trust. Under the project, 5,000 two- and three-bedroom units are to be built in inner-city areas in Kingston, Jamaica, and some rural areas over the next three years. The units were to be sold to lower-income families registered with the Trust who were making contributions. In order to ensure successful implementation of the project, people were trained so that at the point of handing over the house to them, they would not only be able to pay the mortgage but would be able to have a better life. However the project faced a number of difficulties, including high arrears and high levels of subsidies on the project. Since 2014, the project has been redesigned with a revised housing model of a starter home, which can be expanded over time as the residents' income improves.

The Urban Renewal home, undertaken by the Urban Development Commission (UDC) of Barbados, provides for the execution of a program of renewal of the physical environment of those city districts that have suffered the greatest degradation. A considerable proportion of the Greater Bridgetown population still lives in chattel-home "tenantries," mostly on sites belonging to private landlords. Bridgetown's tenantries constitute the country's most deteriorated, slum-like housing. Not subject to normal subdivision standards of development, tenantries are usually occupied haphazardly, with high density and substandard infrastructure. Moreover, given the instability of tenure and low incomes of the tenants, their dwellings are poorly built or deteriorated, frequently lacking sanitary facilities. For the same reasons, the owners of chattel houses often find it much more difficult to obtain credit for home improvements.

The Urban Renewal Project of the UDC consists of three sub-projects: transfer of titles, urban roads, and replacement and repair. The commission's transfer of legal title program has led to an improvement in the housing stock and will enable over 3,000 heads of household who are qualified tenants to improve their standard of living. The house replacement and repair program provides shelter for those in urban Barbados who are unable to meet basic needs in living conditions. The program also assists with the installation of toilets where needed. The program targets old-age pensioners,

single mothers, the disabled, and people living in abject poverty.

A drop in real incomes since the 1980s and bottlenecks in housing supply have led to a decline of individual homes and neighborhoods in Paramaribo, Suriname. Most households are unable to maintain and rehabilitate their houses and to build on the serviced vacant lots that many of them received before the 1980s. The LISP was designed to join subsidies with policy reforms to reactivate low- to moderate-income housing markets, although very little was achieved under the policy reform component. The investment component of the project replaces highly subsidized turnkey development by government with a direct subsidy of US$300 (20 percent of the cost of the highest priced housing solution) to households so that families can afford to rehabilitate or build their homes. Thus, households rather than government make key decisions on shelter. Approximately 3,667 low- to moderate-income households were given subsidies for rehabilitation and 700 for infill new construction of core units. The program focuses on selected low- to moderate-income neighborhoods in order to revitalize these areas.

The execution of the program is based on a partnership between the government, the private sector, and civil society. Under this approach, CBOs and NGOs work directly with households to help them understand and apply for the program. Financial institutions, such as commercial banks and credit unions, receive and process the financial part of the application packages, which serve as requests for both the subsidy and a loan, if one is needed. Financial institutions use a computer model provided by the project implementation unit (PIU) to coordinate the reports from the NGOs and financial institutions to determine the level of subsidy and eligibility. The PIU disburses subsidies to the financial institutions on approval of applications and sets rules for participating households, financial institutions, CBOs, NGOs, and building contractors.

The Bahamas has also made a concerted effort to develop an urban renewal program to transform inner-city communities. The first phase of the program included data collection and analysis. This fact-finding phase was multifaceted and involved community policing, community nursing and social service programs, community development programs, and home repairs. A second phase of the program under consideration would address the rehabilitation of a number of inner-city sites. The current "scattered lots" program attempts to rehabilitate housing on individual lots. However, the reassembly of three or four lots would allow for infilling at higher densities with multifamily units and row housing.

Port of Spain, Trinidad, and Montego Bay, Jamaica, are two cities which are included in the IDB's Emerging and Sustainable Cities Initiative and for which action plans have been prepared. The Action Plan for Montego Bay includes integrated neighborhood upgrading and a pilot downtown component that aims to implement a comprehensive neighborhood upgrading strategy for the city and improve the quality of life of residents in vulnerable communities. The program's strategy is to implement smart growth policies for sustainable development and growth of Montego Bay, which includes promoting mixed-use and high-density development in and near the core. During the neighborhood upgrading, additional housing may be added in strategic locations to fulfill the objective.

A pilot project in Montego Bay's downtown Railway Lane community will develop seven blocks of this informal settlement for a total of 419 new housing units and will upgrade the adjacent Charles Gordon Market. A built area covering only 40 percent allows for the creation of 9,173m^2 of public space. A key to the project is incremental housing, a concept practiced by residents of Montego Bay for years. These incremental housing units start out as basic units but can be expanded as families grow physically and economically. They range in size from 28m^2 to a potential 90m^2 (IDB, 2015).

Community improvements also include landscaping, recreation and sports areas, bike lanes, eco-friendly design and design elements that may reduce crime. The process of developing and upgrading this community will involve the residents from the start and this participatory approach will result in a sense of ownership of the project by residents.

The action plan for Port of Spain focuses on three communities: Port of Spain East, Belmont, and Gonzales. The East Port of Spain Development Company Limited is mandated to develop and redevelop a zone in East Port of Spain to improve the economic, social, and physical environment of those areas. One of the areas of focus on the East Port of Spain Strategic Plan is housing. The strategy for housing is to change the culture of single-family units on individual plots, because it does not optimize the use of valuable urban land close to the city's core. Alternative housing models to stereotypical high-rise public housing will be utilized to provide new housing at higher densities that reflects the cultural diversity and challenging physical environment of East Port of Spain.[4]

Funding

In all of the countries studied, the state is the main, and sometimes the only, investor in housing for low-income households, since it is directly involved in construction. There has been a move on the part of most governments to reduce their role in direct housing construction through public–private partnerships. These initiatives have had varying degrees of success, with most governments continuing to play a role in direct housing construction ranging from a reduced role in Jamaica to a major role in The Bahamas. The Government of The Bahamas continues to play a major role in housing construction through the Department of Housing. The main role of the Department of Housing is to provide affordable housing for low- and middle-income people and senior citizens through the Government Guaranteed Mortgage Loan Programme.

Under the Government Guaranteed Mortgage Loan Programme, the minister responsible for housing encourages lending institutions to grant mortgages to people who might not normally qualify for them from other financial institutions, by providing a guarantee of reimbursement in the event of default. Participating lenders are awarded approved lender status. Both the minister and approved lenders are subject to stipulations contained in the Housing Act. The procedures to be observed for the administration of the Government Guaranteed Mortgage Loan Programme are contained in the Housing Regulations.

Second, the government may implement housing subsidy programs. In all six countries, the government implements housing programs, including joint venture programs and the provision of a full or partial capital subsidy for low-income and lower-middle-income housing. For example, land and infrastructure costs are subsidized under the Housing Every Last Person (HELP) program in Barbados, while infrastructure costs are being subsidized 100 percent under the Accelerated Housing Programme in Trinidad. Land and infrastructure costs are also not fully recovered in housing, as in Jamaica and The Bahamas. One problem with such programs is the limited scale and sustainability because of the high costs involved.

Third, a number of programs in all six countries provide subsidized housing finance through reduced interest rates. Jamaica's National Housing Trust (NHT) interest rates range from 1 to 6 percent and as of November I, 2015, no interest rates are charged on mortgages of new applicants in the lowest income band. However, there is grave concern that interest rate subsidies may not be going to the targeted groups. NHT surveys in 2004 showed a need for housing development at the lower end of

[4] East Port of Spain Development Company Limited eposdctt.com.

the market. However, even with NHT's subsidized interest rates, 23 percent of people within this segment of the market were not eligible for a NHT loan, while an additional 53 percent qualified for minimum loans at between 2 and 4 percent.

Traditionally, the formal private sector has not provided financing for low-income housing on an even moderate scale. Some countries have introduced initiatives that have sought to link the formal private financial sector with poorer households. In Guyana and Trinidad and Tobago, commercial banks, insurance companies, and other financial institutions lending at preferential rates established by the government are exempt from corporate taxes on income earned from the low-income mortgages. The Central Bank in Suriname has given permission to commercial banks to use part of their liquid assets held in non-interest-bearing accounts to provide mortgages for people within a certain income bracket at a 7 percent interest rate. Under the Guaranteed Mortgage Loan Programme, the Minister responsible for Housing in The Bahamas encourages lending institutions to grant mortgages to people who might not qualify for them from other financial institutions, by providing a guarantee of reimbursement in the event of default.

A number of instruments have been used to mobilize savings for housing in the region. Jamaica's NHT was established in 1976 with the mission of increasing and enhancing the existing housing stock as well as providing financial assistance to the neediest contributors wishing to purchase, build, maintain, or upgrade their homes. In Barbados, the General Workers' Housing Loan Fund, which is administered by the NHC, assists low-income earners with loan financing for housing. The NHC raises its funds from the Housing Credit Fund (HCF) and on-lends to beneficiaries. Jamaica also has a number of well-established building societies, credit unions, and other savings and loan institutions that provide housing finance. Building societies have been a principal source of long-term mortgage financing in the country.

In 2007, the TTMF revised its mortgage portfolio and introduced a heavily subsidized 2 percent mortgage program for people with household incomes of US$1330 or less for mortgage loans up to US$63,300. TTMF expanded the program in 2014 to apply to heads of household with incomes of up to US$1,660 per month for mortgage loans up to US$141,300. People who qualify for the 2 percent interest rate will receive 100 percent financing. Those who do not qualify are required to make a 5 percent deposit toward the purchase of the property. TTMF also introduced a new partially subsidized 5 percent mortgage program in 2014 aimed specifically at the middle-income group with an income up to US$5,000 per month for purchase or construction of a property valued up to US$200,000. Those who qualify are offered 95 percent financing in order to reduce the amount of savings required for the down payment. It is anticipated that the expansion of these programs and their appeal to prospective homeowners would encourage new developments by the private sector and promote further expansion in the construction industry (TTMF, 2015). The TTMF still offers its regular mortgage program, a 7 percent unsubsidized mortgage for properties valued over US$200,000 requiring a minimum down payment of 10 percent.

The New Building Society (NBS) of Guyana was established by a special Act in 1940 to promote housing. Funds not utilized cannot be invested in commercial and consumer loans but must be invested in government securities and government instruments. The NBS is the only institution of its kind in the country. The legislation was amended to allow the designation of banks as mortgage finance institutions to conduct operations similar to that of the NBS and to benefit from concessions that had been given to that company.

The agreement caters to low-income earners who own house lots or were allocated house lots. Low-income earners can now access loans up to US$10,100 at a rate of 7 percent per annum. Borrowers would get up to 20 years to repay the

loans, depending on their age. Banks can lend up to 75 percent of the estimated value of the property. The total household income ceiling on loans is US$378.79. Potential borrowers would need to produce their approval from the Ministry. Most banks will accept the letters of assurance to issue mortgages. The NBS will process the loan based on the letter of assurance but will only register the mortgage when transports or titles have been secured.

Credit unions and cooperatives are the smallest but fastest-growing portion of the housing loan market in Barbados. There are two types of credit unions: (i) the larger employment-based operations and (ii) the smaller community-based operations. There are five large credit unions, with the three largest being the Barbados Public Workers Credit Union, the City of Bridgetown Credit Union, and the Barbados Workers Union. The credit unions raise their funds mostly through savings deposits or the sale of shares. Recently, two of the larger credit unions, Barbados Public Workers Credit Union and the City of Bridgetown Credit Union, began to provide long-term mortgage financing, the majority preferring to provide short-term loans for home improvements.

The Bahamas, Barbados, and Trinidad and Tobago have established housing finance institutions with the specific objective of assisting low-income groups in financing dwelling units. However, as a result of their mandates, they have all lost market share to the commercial banks. Jamaica and Trinidad and Tobago have established secondary mortgage market facilities, the Jamaica Mortgage Bank (JMB) and the Home Mortgage Bank (HMB), respectively. Both institutions have so far had limited impact on the housing problems of their respective countries. The HCF of Barbados was established in 1983 to administer funds from a USAID Housing Guaranty Loan of US$10.0 million, which involved requirements that loans only be used for tenantry lots, new housing, and home improvements. The HCF has been converted into a secondary mortgage market institution in order to ensure a steady supply of mortgage funds for long-term lending.

Planning Issues

Suburbanization and urban sprawl have forced most countries to examine their planning laws and regulations. In 2010, the Government of The Bahamas passed the Planning and Subdivisions Act. The new Act, which came into force in January 2011, repealed the Town Planning Act and the Subdivision Act and other pieces of legislation related to planning matters and amalgamated them into a single piece of legislation. The new law mandates the preparation of development plans for every island based on a national development plan yet to be promulgated. All future development and zoning must conform to the approved land use plan for each island.

In 2013, the Planning and Facilitation Bill was introduced in the Parliament of Trinidad and Tobago. The purpose of the bill was to reform the town and country planning laws of Trinidad and Tobago by establishing (i) a system for the preparation and approval of national and subnational plans and (ii) a more efficient and reliable system for the approval of development applications. Hopefully, the new bill when introduced into law will reduce some of the negative impacts of poor planning practices such as urban sprawl. Rajack and Frojmovic (forthcoming) noted that while state-built housing between 2000 and 2011 had some positive impact on reducing the mismatch between demand and supply, the location of these projects was driven by the availability of state-owned land rather than through coordinated land use and transportation planning. As a result, many of these public housing projects have exacerbated the problems of immobility and citizen security.

Since the 1970s, a Physical Development Plan has guided physical development in Barbados. The original plan of 1970 came into effect in 1973, with the first amendment in 1986, which was officially

adopted in 1991. The 1986 amendment was updated in 2003 and was officially adopted in 2008. This amendment is guided by principles of sustainability and is currently being revised. Jamaica prepared two National Physical Plans in the 1970s. However, the country did not adopt either plan and, as a result, did not strategically guide spatial development. A National Spatial Strategy is currently being prepared but will probably meet the fate of the two previous plans unless changes are made to Jamaica's Town and Country Planning Act, which would legalize official adoption of the strategy. Revision of the Act has been ongoing since 2001, but a new act is yet to be promulgated.

Trinidad and Tobago has prepared a Draft National Spatial Development Strategy, and has embarked upon the development of new towns and greenfield sites to address its urbanization and housing problems. In this regard, new towns are created through housing construction in targeted-growth areas. Land use planning for Paramaribo is generally ineffectively coordinated with responsible ministries, and the legal and administrative framework for planning needs to be updated. There is no urban development plan for greater Paramaribo. The lack of urban plans and zoning regulations has led to urban sprawl.

A major initiative now underway is the creation of a satellite city, Richelieu, outside of Paramaribo on the other side of the river. The project will involve the construction of low- and middle-income homes on approximately 4,000 plots. However, the plots of land are large, approximately 770m^2 (Beimin, 2013), and Suriname needs to reduce plot sizes in order to make land affordable for low-income groups. Over 80 percent of the country's households cannot afford a typical 80m^2, fully serviced house, on a 300–400m^2 plot unless heavily subsidized (Morris and Piedrafita, 2008).

The lack of availability of land has resulted in sites for housing schemes being located further away from Georgetown where land is available and accessible to the government. The East Demerara corridor is fast becoming one of the most developed communities in the country. It currently has several housing schemes, three commercial banks, a fire station, and a primary and secondary school, among other amenities. However, traffic congestion along the East Bank Demerara Road and Harbour Bridge in particular may present challenges to poor families. For example, the Diamond Housing Scheme is located about 15 minutes away from Georgetown, but during peak hours, it takes commuters more than an hour to reach the city. This is due in large measure to poor infrastructure planning in the housing scheme and bottlenecks on the East Bank Demerara Public Road caused by the large number of housing developments south of Georgetown (*Kaieteur News*, 2013).

The issue of planning standards is of particular concern to all six countries studied. Middle-income groups occupy many projects built for low-income households, as the high cost makes the units unaffordable to the intended beneficiaries. In Suriname, lot sizes are a major deterrent to affordable housing. With the current shortage of land in Barbados and the high demand for houses, the NHC decided to build duplexes and cluster houses to better utilize land area, particularly in the Urban Corridor. The NHC envisaged that, by producing efficiently sized lots and building additional high-rise apartments and quadruplex and duplex units, it would be able to deliver acceptable housing units for Barbadians at affordable prices.

A review of standards in Jamaica 1987 by USAID concluded that standards were often unclear and/or economically unrealistic and cumbersome. The standards were so high that a modest house built in conformity with standards in Kingston was only affordable to the top 15 percent of the income distribution (Kingsley, Olsen, and Telgarsky, 1987). The issue was addressed with the development of a set of 'minimal starter standards' that apply to specific types of development, such as urban renewal, sites and services, and squatter upgrading.

Despite the preparation of minimal starter standards, incremental development in Jamaica still faces challenges. There are two pieces of legislation in Jamaica that provide the legal basis for land subdivision and development: the Local Improvements Act and the Town and Country Planning Act. Under the Local Improvements Act, the local planning authorities are responsible for approving subdivisions. The Act also stipulates that local authorities are authorized to promulgate regulations governing subdivisions. The minimal starter standards are not enshrined in law. This may present problems, as local authorities will often not approve developments unless all services meet the standards set by the local authorities.

The HAJ is in discussions with the Ministry of Local Government regarding standards for infrastructure and lot size in an effort to deliver affordable housing solutions. The HAJ is also in discussions with the Ministry of Local Government to chart a new way for approving development schemes. Currently, the local authorities calculate the application fees across the entire development. This makes the venture very expensive, as the HAJ develops the scheme in phases (Government of Jamaica, 2014). The HAJ posits, however, that as the development takes place over time, fees based on this principle will not impair project viability.

In the Caribbean, extreme climate events are becoming more common. This is a major concern, because the main towns in all six countries are located in the coastal zones. For example, 80 percent of the population of Suriname lives on the coast, while over 50 percent of Montego Bay's economic activities, including the CBD, are located in the narrow coastal zone. While Jamaica and The Bahamas lie in the direct path of tropical storms and hurricanes, all six countries are subject to climate change impacts, particularly sea level rise. In response to the climate change threat, Barbados and Jamaica have prepared Climate Change Policy Frameworks, while the IDB is supporting The Bahamas' efforts to build resilience to coastal hazards.

The Jamaica Mortgage Bank (JMB) and the Urban Development Corporation of Trinidad and Tobago (UDeCOTT) are promoting "green" developments. The HDC has adopted a Green Infrastructure Programme, focusing on green building practices. The JMB has adapted some green principles that will be used as a guide in assessing new development projects. Developments that comply with these green principles will benefit from special interest rates on their construction loans from the JMB if, upon completion of their construction, the development maintains the green principles proposed. The project must satisfy at least one of the criteria from the following categories: (i) site management, (ii) water efficiency and conservation, (iii) energy efficiency, and (iv) healthy living. In this regard, planning frameworks must also support urban development in the context of the green economy and promote compact cities and planned urban expansion.

Part II

Country Reviews

3

Commonwealth of the Bahamas

Institutional Framework, Policies, and Strategies

The Ministry of Environment and Housing has overall responsibility for the housing sector. The principal agencies operating in the sector are the Department of Housing and The Bahamas Mortgage Company (BMC). The overall goal of the Government of The Bahamas in the housing sector is to provide affordable housing for low-income households and to increase the construction of rental units. In this regard, the government has committed to the following: reduce the cost of housing through a review of the building code and related regulations; reform the rental control act to promote the construction of new rental units; improve the processing procedures for housing construction; promote the provision of additional land for housing through the purchase of vacant and abandoned lots; and provide Crown Land for the development of new communities by private developers to promote homeownership.[1]

The Department of Housing was established under Section 4 of the Housing Act, 1968, which repealed the Housing Act, 1960. Section 4 states: "there shall be a Housing Department of the Government, comprising a Chief Housing Officer and such other officers as may from time to time be authorized by Parliament, which shall be subject to the general direction and control of the Minister." The principal role of the department is to provide affordable housing for low- and middle-income people and senior citizens through the Government Guaranteed Mortgage Loan Programme.

Under this loan program, the Minister responsible for housing encourages lending institutions to grant mortgages to people who might normally not qualify for them from other financial institutions, by providing a guarantee of reimbursement in the event of a defaulted mortgage. Lenders who participate in this program are awarded approved lender status. Both the Minister and approved lenders are subject to stipulations contained in the Housing Act. The procedures to be observed for the administration of the Government Guaranteed Mortgage Loan Programme are contained in the Housing Regulations.

[1] Contribution to the Budget Debate 2012/2013 by the Hon. Minister of Environment and Housing, June 11, 2012 bahamaspress.com/2012/06/13/new-housing-and-environment-minister.

The government currently offers six designs of three housing types: three bedrooms and two bathrooms, three bedrooms and one bathroom, and two bedrooms and one bathroom, built of wood or concrete block. The mortgage amount for which an applicant would qualify is determined by the institution from which financing is to be obtained. The down payment is 5 percent of total lending value and is based on the computation of the total lending value of the loan.[2] The mortgage interest rate is currently set at 6.51 percent.[3]

The Housing Act describes the procedures for loan applications with specific reference to the responsibilities of the Chief Housing Officer and the Housing Commissions. Every application for a housing guarantee loan must be referred by the Chief Housing Officer to the relevant commission that, after completing its deliberations, must communicate its decision in writing to the Chief Housing Officer, who shall in turn convey the decision to the approved lender and the prospective borrower. Housing Commissions have been appointed for New Providence and Grand Bahama, with the duties for the Family Islands being performed by the New Providence Housing Commission.

The primary lender for the Government Guaranteed Mortgage Loan Programme is the BMC, which was established by an Act of Parliament in August 1983 and commenced services to the public in October 1983. As an approved lender, the BMC is authorized to make government-guaranteed loans under the provisions of the Housing Act. The company may also make other mortgage loans to individuals (private loans).

In carrying out its mandate to stimulate, encourage, and promote affordable homeownership, the Corporation has made funding available to individuals for: (i) construction of a new home; (ii) purchase of a new or existing single or multifamily structure; (iii) rehabilitation or enlargement of an existing structure; and (iv) purchase of vacant land that is intended for use in the construction of a new house. An applicant who wishes to build a new house or rehabilitate or enlarge an existing house must have clear title to the land acceptable to the Corporation. All loans made by the Corporation must be secured by a mortgage document executed by the borrower(s).

According to the Central Bank of The Bahamas, delinquent mortgages or mortgages that were in 90 days arrears were at US$459 million in April 2012, or 35.58 percent of the mortgage portfolio of the BMC.[4] In 2012, the Government of The Bahamas launched the Mortgage Relief Plan. The plan is designed to bring about an agreement with the banks and the institutional lenders to write off unpaid interest rates and fees for homeowners facing foreclosure in return for government-guaranteed interest payments for five years until 2017. The initiative also involved working with banks and lenders to implement a 120-day moratorium on foreclosures and extend the loan repayment period for defaulting mortgages. On September 10, 2012, the Government of The Bahamas and the member banks of the Clearing Banks Association announced that they had jointly agreed to the terms of the Mortgage Relief Plan and that the banks would begin accepting applications on that date.[5]

The government also operates a rental program, and the Ministry of Housing owns 94 rental apartments distributed in some 12 units across the country. The units contain from three to 17 apartments and were built between 1982 and 1989, predominantly in low-income areas. The sizes range from two- to four-bedroom townhouses with monthly rents ranging from US$200 for a two-bedroom unit, US$250 for a three-bedroom unit, and US$300 for the four-bedroom townhouse. In addition, there are 34 one-bedroom efficiency units for senior citizens, which rent for US$15 per

[2] Department of Housing www.dohbanamas.com.
[3] Central Bank of The Bahamas www.centralbankbahamas.com.
[4] Tribune 242-June 8 and 22, 2012 wwww.tribune.com/news.
[5] Mortgage Relief Plan-Scotia Bank: What's New www.scotibankbahamas.com/bs.

month. Sixteen apartments in two new rental units were recently built.

Although the number of rental units represents a small component of Bahamian housing, they play an important role in the government's social housing program as they cater to people who cannot qualify for a housing guaranteed loan. In 2004, the ministry had a waiting list of over 700 people seeking rental accommodation. High maintenance costs and the difficulty in meeting the demand for rental accommodation through its rental units led the ministry to change its approach to rental housing in FY 2005–06. In this regard, the Department of Housing implemented a subsidized rental scheme whereby the ministry paid 50 percent of the rental in private accommodation and the tenant the other 50 percent directly to the landlord. The ministry is currently developing guidelines for setting up a rent-to-own program for the residents of government public rental units.

In 2004, the government amended the Rent Control Act to increase the value of houses subject to the act from US$25,000 to US$75,000. This amendment was necessary to improve the standards of private rental housing so that rental units can reach the standards of government housing and housing in general. The amendment puts the onus on landlords to ensure that these units are brought up to standard and maintained. Prior to the amendment, tenants who rented property with a value of over US$25,000 could not bring a complaint against their landlords. The Department of Housing is currently looking at further reforms of the Act to promote the construction of new rental units.[6]

A major constraint facing the housing sector is the high cost of materials. The ministry is exploring all avenues to keep the cost of home construction in the region of US$60,000 to US$80,000, as at least 50 percent of applicants are low-income. In this regard, the ministry is working closely with the Ministry of Finance to explore ways to import building materials for infrastructure development and equipment for housing for low-income earners. Other initiatives to lower construction costs include examining proposals from a number of system builders of prefabricated houses. It is argued that a system house will be less labor-intensive and will take just over eight weeks to build, as opposed to a three-month construction time for conventional homes. Consideration will be given to how new technology will be advantageous in maintenance costs. The types of materials included in the structures are termite-resistant and energy-efficient.

The government has also made a concerted effort to develop an urban renewal program to transform inner-city communities. The first phase of the program included data collection and analysis. This fact-finding phase was multifaceted and involved community policing, community nursing and social services, community development, and home repairs. Consideration is being given to a second phase of the program, which will address the rehabilitation of a number of inner-city sites.

Population and Housing Deficit

The Commonwealth of The Bahamas is an archipelago of over 700 islands and cays with a total land area of 13,940 km^2 (5,383 square miles). The islands vary in size and population as well as settlement pattern. Just over 353,650 people inhabited 22 of the islands in 2010, up from 311,000 people in 2000. Approximately 89 percent of the population is classified as urban. New Providence Island, where the capital, Nassau, is located, saw an increase of approximately 28 percent during the period 1990 to 2000 but recorded only an 18 percent increase over the last decade. The island's population currently stands at 248,948 compared to the previous decade's population of 210,832. Grand Bahama, with the second largest population, dropped from

[6] Department of Housing www.dohbahamas.com.

a 15 percent increase in the previous census period to a 10 percent increase between 2000 and 2010. Even though these two islands still have a substantial proportion of the population, growth has slowed (Department of Statistics of the Commonwealth of The Bahamas, 2010).

The vast majority of dwellings are single detached houses, although there is evidence of newer construction in the form of multifamily units. This is probably a result of the 1998 amendments to the Housing Act, which provided for the expansion of the term "dwelling unit" to include multifamily units such as duplexes and triplexes. On New Providence, a substantial proportion of dwelling units are newer construction, but the housing stock is also made up of a number of quite old and dilapidated buildings, particularly in inner-city communities. Many of these units are small (one or two rooms), and constructed of wood on lots that are small in comparison to the very large lots in the newer subdivisions on the outskirts of Nassau. There is considerable overcrowding in many of these small units as families tend to be large. Increasingly, undocumented immigrants are occupying these units.

A housing needs study conducted in 2000 estimated that in order to meet new household formation, reduce overcrowding, and replace old dwellings, the Bahamas would have to produce 28,530 units between 2000 and 2011, or an average of 2,378 units annually over the period. In addition, approximately 13,440 units were in urgent need of repair. New Providence accounted for 68 percent of this housing need, Grand Bahama 16.8 percent, and Family Islands 15.2 percent (Department of Housing, Commonwealth of The Bahamas et al., 2000).

The Bahamas is particularly vulnerable to natural hazards and the impacts of climate change. The island chain lies in the direct path of Atlantic hurricanes and tropical storms and is on average affected by a hurricane or tropical storm every five years. In the last five years, the top ten hurricanes and tropical storms resulted in more than US$2.6 billion in damage (Commonwealth of The Bahamas and IDB, 2013). The country is particularly susceptible to sea level rise because the islands are low lying and small in size. In response to the threat from climate change, The Bahamas, with assistance from the IDB, will build resilience to natural disasters through improved coastal zone management, incorporating disaster risk reduction and climate change adaptation measures in development planning, control, and monitoring.

Development of the Housing Market

The Government of The Bahamas has defined affordable shelter as "safe, decent housing where housing costs do not exceed 30 percent of gross household income." A housing needs study of The Bahamas concluded that a large proportion of low-income households were not able to purchase a home in 2000. The study also found that while their incomes would increase, this increase would be outpaced by increases in the cost of land, land development, and construction. Based on information about household income, affordability, housing costs, and financing requirements, the study determined the purchase price for a house that the household could afford in relation to annual income.

Considering these prices, households in income segment A (Table 4) could afford a single-family unit costing US$18,000 or a multifamily unit costing US$16,500. The cost of units delivered to the market under the Department of Housing guaranteed loan program ranged between US$70,000 and US$94,000 in 2005, which could only be afforded by households at income segment D and above (Department of Housing Commonwealth of The Bahamas et al., 2000). Thus, 21.1 percent of households would not be able to purchase a new house at a price of US$70,000.

Increased construction costs continue to widen the gap between the cost of housing being

TABLE 4. Distribution of Annual Household Income by Income Group, All Bahamas

Income segment	Income group	Number of households	Percentage of households	Average annual household Income (US$)
A	0–5,000	4,475	4.6	2,500
B	5,001–10,000	7,655	7.8	7,490
C	10,001–15,000	8,490	8.7	12,500
D	15,001–20,000	8,235	8.4	17,500
E	20,001–40,000	29,735	30.5	30,000
F	40,001–60,000	18,860	19.3	50,000
G	60,001–80,000	10,185	10.4	70,000
H	80,001–100,000	5,210	5.3	90,000
I	100,001 and over	4,905	5.0	110,000
Total		**97,570**		**39,628**

Source: Department of Statistics of the Commonwealth of The Bahamas (2004).
Note: Total number of households in 2004 was 99,865, but 2,295 did not state their income and are excluded from the calculation.

offered and the purchasing power of the target population. Estimates suggest that it cost US$100–US$150 per square foot to build a modest home of concrete block with a timber roof frame, while an average home will cost US$150–US$200 per square foot, and a better than average home with quality finish can cost US$200–US$400 per square foot.[7] Using building costs for a modest house the two-bedroom/one-bathroom 882 square foot unit of the Department of Housing would cost in the region of US$88,200 while a three-bedroom/two-bathroom unit of 1,030 square feet at the upper end of the scale would cost US$154,500. A 1,175 square foot home of three-bedrooms/two-bathrooms would cost approximately US$176,400. To reduce costs, the Ministry will be improving the procedures for home construction and reviewing building and other related regulations.[8]

Formal Housing Production: Public and Private Sectors

The government is the main provider of low- and moderate-income housing directly through the construction of housing projects and the financing of housing. The nation's most active housing market is on New Providence. Indications are, however, that there has been a decline in housing production in the country since 2005. Residential construction permits issued in 2005 totaled 2,846 compared to 1,049 in 2014, with a value of US$402 million and US$318 million, respectively.[9] There was also a decline in housing starts and completions over the same period. Housing starts declined by 67.0 percent, while completions declined by 68.2 percent (Table 5). This is due in large measure to prevailing economic conditions in the country. Beginning in 2008, economic growth faltered. Per capita incomes are still 8.2 percent below 2007 levels, and growth rates remain subdued (Commonwealth of The Bahamas and IDB, 2013). However, current housing production levels are below those set out in the housing needs estimates.

[7] Building Costs in the Bahamas www.bahamasislandproperties.co/buildingcosrs.
[8] Contribution to the Budget Debate 2012/2013 by the Hon. Minister of Environment and Housing, June 11, 2012 bahamaspress.com/2012/06/13/new-housing-and-environment-minister.
[9] Central Bank Quarterly Digest, 2015 24(3) – Tables 8.6 and 8.7 www.centralbankbahamas.com.

TABLE 5. Housing Starts and Completions 2005 and 2014

	2005		2014	
Type of activity	**Number**	**Value (US$)**	**Number**	**Value (US$)**
Housing starts	1,263	173,764,000	416	100,918,000
Housing completions	1,508	225,260,000	479	53,709,000

Source: Central Bank Quarterly Digest, August 2015; Tables 8.8–8.11.

The private sector is made up of developers and contractors of varying sizes. The principal method of acquiring a home in The Bahamas involves purchasing a lot in a subdivision and hiring a contractor to complete the unit. On average, private contractors build 200 units annually. Only one large-scale private developer, Arawak Homes, provides housing for low- and middle-income families. Arawak Homes has completed a few developments unaided by the government but has also received lots in government subdivisions on which the company has completed units for sale on the open market. These lots are sold to Arawak Homes at below-market value, but the developer passes this subsidy on to the consumer. Arawak Homes delivers three-bedroom/two-bathroom units on the open market at an average cost of US$150,000 to US$175,000,[10] the lowest cost on the open market. The inclusion of Arawak Homes in government subdivisions adds diversity to the scheme, as the same design is used for all government units.

Informal Housing Production

The number of people living illegally on Crown Land and to a lesser extent on private land is on the increase in The Bahamas. Squatter settlements are of two types: those occupied by Bahamians and those occupied by undocumented immigrants. Many of the latter are leasing land from Bahamians who have no permission from the owners to do so. Undocumented immigrants are usually evicted, but the government tries to promote homeownership among Bahamian squatters by offering land and title free, charging only for infrastructure to lease land. Loans to build a house are offered at low interest rates, and while the transactions are being completed, squatters are given a 50 percent rental subsidy.

Problems arise when squatters construct substandard dwellings on land used to build government subdivisions. When this occurs, efforts are made to include these units in the proposed development. At the 27-acre Pride Estates Three, a number of squatters in the subdivision were regularized in addition to the construction of 126 three-bedroom/two-bathroom and two-bedroom/one-bathroom homes. At Fire Trail Gardens, 40 to 50 squatters who established themselves on the 25-acre subdivision were regularized (Bahamas Real Estate Portal, 2011).

Demand Characteristics

Median annual household income was estimated at US$35,550 in 2008, compared to US$33,600 in 2004. Between 2004 and 2008, the country experienced a steady rise in average household income, from US$39,626 to US$43,459. While average income has increased, there is great disparity in the distribution of wealth, as shown in Table 4. In 2008, average household income in Grand Bahama was US$41,173 compared to average household income of US$46,492 reported

[10] Tribune 242, Thursday, March 14, 2013 www.tribune.co/news.

in New Providence (Department of Statistics, 2008). With the largest proportion of the population residing in New Providence, the average income on the island is another demonstration of disparate distribution of wealth. The results of the 2013 Household Expenditure Survey showed that 12.8 percent of the population lived in poverty compared to 9.3 percent at the time of the 2001 Living Conditions Survey, a 3.5 percent increase. The absolute poverty line was US$4,247 annually, compared to US$2,863 annually, or US$55 per week, in 2001.[11]

Almost three-quarters of the poor lived in New Providence, where the poverty rate was 3.69 percent. The rate was 9.69 percent in Grand Bahama and 17.16 percent in the Family Islands.[12] The number of households living below the poverty line increased from 5.3 percent in 2001 to 8.7 percent in 2013, an increase of 3.4 percent. Female-headed households (47 percent) had a poverty rate of 9.7 percent compared to 7.9 percent in male-headed households.[13] The downturn in the Bahamian economy and rising unemployment are cited as the main factors contributing to the increase in poverty levels.[14]

Housing Programs

Central government expenditure on housing was US$3.7 million in FY 2012/13, compared to US$3.9 million in FY 2013/14, an increase of 5.1 percent (Central Bank of the Commonwealth of The Bahamas, 2015). In 2012, the Ministry of the Environment and Housing announced that it would embark on an aggressive housing construction program designed to increase homeownership and create jobs. It was proposed that 1,300 homes be built over the next five years. In the past, the Department of Housing had relied heavily on resources from the BMC to finance its housing projects. However, the BMC's capacity to fund housing projects has been stymied by the high delinquency rate. The government has turned to the National Insurance Board to provide financing for the program. In addition, the government will encourage private financiers and developers to participate in the program. Efforts will also be made to expand the income-generating capacity of the BMC in order to strengthen its sustainability and financing capacity.[15]

The government's housing program involves the construction of homes for owner occupancy by low- to medium-income beneficiaries. The program consists of the development of housing estates in subdivisions or individual units on scattered sites in existing developed areas. In addition to housing, land for social infrastructure—schools, senior citizens' centers, community centers, playgrounds, and others—is provided in these subdivisions, particularly when the subdivision is over 100 lots. While most of the lots in these subdivisions are for single-family units, the Department of Housing has recently begun to provide some multifamily units and serviced sites for sale to the private sector to develop multifamily housing.

Access to land is mainly provided through the process of creating subdivisions. Subdivisions vary in size and are undertaken in the private sector by an owner of a parcel of land or after obtaining land. Government-planned subdivisions are primarily for government-guaranteed housing schemes for low- and middle-income households. Government-approved subdivisions and lots are: Carmichael Village, in New Providence; Central Pines Estates 1, on Great Abaco Island; Central Pines Estates 2, on Great Abaco Island; Excellence Estates, in New Providence; Jubilee Gardens, in New Providence; Fire Trail, in New Providence;

[11] Political Bahamas Blog: The poverty rate in the Bahamas increases political-bahamas.blogspot.com.
[12] Ibid.
[13] Ibid.
[14] Ibid.
[15] Contribution to the Budget Debate 2012/2013 by the Hon. Minister of Environment and Housing, June 11, 2012. bahamaspress.com/2012/06/13/new-housing-and-environment-minister.

Old Navy Base, in Great Exuma; Pride Estate Additions, in New Providence; and Spring City, on Great Abaco Island.[16]

Access to and availability of land are major concerns. On the Family Islands, individuals are holding land which has not been surveyed and for which they do not have registered titles. This has created a shortage of land for subdivision and housing. To overcome this problem, a policy management function has been set up in the Office of the Prime Minister to develop a subdivision on Eleuthera, providing grants to individuals for surveying and conveyance. This pilot scheme will be replicated on other islands.

In addition, current systems and procedures for allocating, administering, and surveying Crown Lands do not allocate land to individuals to meet development and housing needs effectively and transparently. The complexity of the records in the Registry of Documents makes examination of titles time consuming and expensive, and inadequacies in the administration of land use records reduce land tenure security, resulting in increased cost of land market transactions and sometimes fraudulent transactions. Information on land is outdated, incomplete, and scattered throughout various agencies, thus limiting its usefulness and causing duplication of effort and cost as well as inconsistencies. The country lacks a sound cadastre of Crown and private land holdings, and the current deed recording system does not require the registration of land transactions.

To develop a subdivision, the Ministry of the Environment and Housing acquires land by private treaty[17] or compulsory acquisition or receives grants from Crown Lands. Most of the land in The Bahamas is Crown Land or government-held land. Government-held land refers to land specifically allocated to a ministry or government agency, such as the Department of Housing, for housing development. The government plans to promote the provision of additional lands for homeownership through the utilization of the Acquisition of Land Act to purchase vacant and abandoned lots.[18]

Housing construction contracts are awarded to approved builders. The Department of Housing has a list of over 700 approved builders. This is the only form of licensing in The Bahamas, with the exception of Freeport. The department uses about 20 to 30 of these approved builders. The selection is based on capacities and skills shown in recent projects. The government controls the selling price of the units but does not fully recover the cost for land and infrastructure services. This subsidy benefits all who obtain a government-guaranteed mortgage loan.

Haphazard and uncontrolled development led the government in March 2010 to pass into law the Planning and Subdivisions Act. The new Act, which went into effect in January 2011, repealed the Town Planning Act and the Subdivision Act and other pieces of legislation related to planning and subdivision matters. It amalgamated them into a single piece of legislation in order to bring about more orderly development and prohibit bad environmental and planning practices. The new law expands public participation in the approval process and mandates the preparation of development plans for every island based on a national development plan yet to be promulgated. All future development and zoning must conform to the approved land use plan for each island. The law is to be implemented in phases, beginning in New Providence where most Bahamians live, and will then move on to Abaco and Eleuthera, where the development pressures are the greatest.[19]

[16] Department of Housing www.dohbahamas.com

[17] Agreement of Sale between vendor and purchaser or their agents.

[18] Contribution to the Budget Debate 2012/2013 by the Hon. Minister of Environment and Housing, June 11, 2012 bahamaspress.com/2012/06/13/new-housing-and-environment-minister.

[19] Higgs and Johnson – The Planning and Subdivision Act 2010. www.higgsjohnson.com/resources/bulletins_pdf/Planning.

As indicated previously, the government operates a public rental scheme. There are, however, a number of problems associated with these rental units. First, the rents have been consistently low for quite some time, and a long overdue rental increase was instituted in 2003. Low-rental tenants frequently do not pay their rent, and arrears currently amount to US$200,000. The cost of maintenance is extremely high, as most tenants do not take care of the units. Evictions are very difficult, and it is only recently that the ministry has been trying to enforce its policy in this regard. In a further effort to reduce arrears, the ministry has introduced a program to collect rentals through salary deductions and ensure a more rigorous screening process for prospective tenants. In addition, rent for the recently built apartments has been set at US$350 per month.

Housing Finance

The BMC is the primary lender for the government mortgage loan program. Since it began operations in 1983, it has averaged 272 loan approvals per annum. The Parliament provided the government's guarantee for the issuance of up to US$120 million in bonds. Bondholders include the National Insurance Board, clearing banks, and insurance companies. As of June 2007, total bonds outstanding were US$99.8 million.[20] The Corporation funds approximately 95 percent of the government's mortgage loans, and also provides construction financing for infrastructure to the Department of Housing. Other active approved lenders include insurance companies and commercial banks, which provide the bulk of residential mortgages in The Bahamas.

The BMC has been losing market share to the commercial banks. In 1991, the BMC held 39.5 percent of residential mortgages for new construction compared to 12.5 percent held by commercial banks. By 2005, the BMC's share had declined to 8.4 percent, while that of the commercial banks had risen to 90.2 percent. There has been a slight reversal in this trend, with the BMC's percentage share increasing to 12.6 percent in 2014 compared to 86.2 for domestic banks.[21] It should be noted that the Finance Corporation of Bahamas, which had 33.9 percent of market share in 1991 became a commercial bank in 1997, which accounts for some of the increase in market share by the commercial banks.[22] The BMC has indicated that by law it is unable to offer home equity loans, which are being offered by the commercial banks and other financial institutions. In order to remedy the situation, the BMC is looking at the equity in existing mortgages to finance repairs and expansion and also looking at taking over mortgages from other banks.

The Quarterly Lending Conditions Survey Report of June 2015 points to the low demand for private mortgage credit, 6.5 percent, compared to 90.5 percent for consumer loans. The survey reports that over 90 percent of mortgages were for private housing purposes. Some 90 percent of mortgage applications were processed at New Providence branches, with a much lower rate of 5.5 percent reported for the Family Islands and 4.5 percent for Grand Bahama. The majority of applicants sought financing to purchase single-family properties, while fewer than 10 percent were in the market for income-generating projects (Central Bank of the Commonwealth of The Bahamas, 2014).

Table 6 shows the decline in mortgage lending between 2005 and 2014, with the number of mortgage commitments declining 59.2 percent and the value by 50.8 percent. The Quarterly Lending Conditions Survey Report attributes the continued subdued private sector lending to the prevailing weakness in domestic economic activity

[20] The Central Bank of Bahamas website, www.centralbankbahamas.com.

[21] *Quarterly Digest*, The Central Bank of The Bahamas website, August 1998 and May 2005, www.centralbankbahamas.com.

[22] Ibid.

TABLE 6. Residential Mortgage Commitments, 2005 and 2014

	New construction		Existing dwellings		Rehabilitation		Total	
Year	Number	Value (US$M)	Number	Value (US$M)	Number	Value (US$M)	Number	Value (US$M)
2005	1661	194.3	735	64.2	168	20.1	2564	288.5
2014	350	57.8	569	68.5	99	11.4	1045	141.9

Source: Central Bank Quarterly Digest, August 2014 – Tables 8.10 and 8.11.

and the coincident high unemployment rate. In 2005, approximately 64.8 percent of mortgage commitments went to new construction compared to 28.7 percent for existing dwellings. The situation was reversed in 2014, as 33.5 percent of residential mortgage commitments went to new construction and 54.4 percent to existing dwellings (Table 6). This was as a result of the current high level of inventory in the domestic real estate sector, with the majority of applications (75.7 percent) going toward the acquisition of existing dwellings rather than new construction (12.0 percent) (Central Bank of the Commonwealth of The Bahamas, 2014).

The average interest rate in 2014 was 8.0 percent. BMC's standard rate is set at 6.5 percent, but it adjusts the rate according to certain categories of its loan portfolio, in particular the lower-income group. The amount that the BMC can lend is determined by the applicant's income and financial obligations. The BMC also provides insured loans for privately initiated projects for homeownership, (new construction) home purchase, rehabilitation, and structural enlargements. This financing includes multifamily units. As previously indicated, the BMC has a high delinquency rate, with arrears at 35.58 percent in 2010. Table 7 shows selected indicators for residential mortgages in 2005 and 2014.

The BMC apportions approximately 5 percent of its funding for uninsured loans, that is, loans which fall outside the guarantee program. The advantage of this is that it has afforded consumers more funding than that which is available under the guaranteed loan program. The maximum uninsured loan that the Corporation may grant for homeownership (new construction) is US$127,500, while the amount allotted for the rehabilitation or structural enlargement of an existing house is US$65,000. At the discretion of the Minister of Housing, the BMC may increase these limits. The interest rate (6.5 percent) for uninsured loans is currently 2 percent above the prime rate. To qualify for funding for privately initiated projects, insured or uninsured, the applicant must own the lot on which he/she proposes to build, complete, or renovate a house or must have made a commitment to purchase an approved building plot.

An owner of a government house is not allowed to sell that house without first obtaining

TABLE 7. Residential Mortgages Selected Indicators, 2005 and 2014

Total mortgages outstanding (US$M)		Mortgage loan disbursement (US$M)		Average loan value (cost ratio %)		Average interest rate		Average monthly payment (US$)	
2005	2014	2005	2014	2005	2014	2005	2014	2005	2014
1,975.0	3,076.2	454.8	197.5	75.8	80.5	8.4	8.0	1,147	1,323

Source: Central Bank of the Bahamas Quarterly Digest, August 2015 Table 8.16.

TABLE 8. Amounts that may be Borrowed from the BMC based on Annual Income

Annual Income (US$)	Approximate maximum loan (US$)
8,000	23,800
12,000	35,700
16,000	47,600
20,000	59,500
24,000	71,400
28,000	83,400
31,760 and above	94,500

Source: The Bahamas Mortgage Corporation.

approval from the ministry, as the Minister of Housing has the right of first refusal. There have been recent cases where the homeowner has added to the house and substantially increased the value of the unit. This often means that the government is unwilling to purchase the unit at the price at which it is being offered, and the house is sold on the open market. This raises questions about who is receiving interest rate subsidies and land and infrastructure subsidies and whether these subsidies are going to those to whom they were intended, those who are unable because of their income to participate in the market.

Table 8 shows some examples of incomes and the approximate amount of the loan that the BMC may grant for building or purchasing a new home. Amounts may vary where an applicant has other financial obligations.

Subsidies are an essential component of the government's public-sector housing policies and programs as they are offered in an attempt to make shelter more affordable to the population. The main types of subsidies have been loans at subsidized interest rates, selling prices of government-guaranteed housing that do not fully recover the cost for land and infrastructure services, and below-market renting of public housing. These public subsidies benefit all who obtain a government-guaranteed mortgage loan and therefore have not reached the intended low-income groups.

4

Barbados

Institutional Framework, Policies, and Strategies

In 2014, Barbados was ranked 57th on the Human Development Index and is considered to have a high human development status. Despite its ranking, low-income households in Barbados experience a number of problems in their quest for housing, including the following: higher land and construction costs; imbalance between demand for affordable housing and supply; affordability constraints; limited access to housing finance; insecurity of tenure; and poor housing conditions found in tenantries, particularly in the urban areas.

The government's goal in the housing sector is to provide shelter for all and homeownership for the widest majority. In this regard, the Ministry of Housing and Lands is currently implementing the following policies and programs: reduction in the backlog of housing solutions for low and low-to middle-income earners; legislative measures to address security of tenure; measures to deliver housing at affordable prices; partnerships with the private sector to build houses for middle-income families; the removal of VAT from building materials on houses valued up to US$200,000 and; a reduction in the cost of homeownership by increasing the threshold of assessing land tax from US$95,00 to US$125,00. However, rising property and land prices have made the provision of affordable housing for those with low and moderate incomes extremely difficult. As result, the government has been forced to introduce subsidized housing programs under the aegis of the NHC to address the needs of those in the lower-income categories.

The NHC is the government's main executing agency for housing projects. Established by the Housing Act of 1973, the corporation is responsible for the acquisition, disposal, and management of land. It is also permitted to carry out development, building, maintenance, repair, and other operations. The focus of the NHC has changed over the years to meet rising demands by Barbadians for housing solutions at affordable prices. In particular, rising property and land prices have made buying a home for those with low and moderate incomes extremely difficult. Consequently, the government has undertaken a number of initiatives to provide more affordable housing.

The NHC developed the Joint Venture Programme (JVP) to address housing for middle- and low-income households. The joint venture scheme was designed to enhance the role of the private

sector and thus share the risks and provide additional resources for the provision of affordable solutions. Previously, the government had acted as lead executor and financier of housing projects through the NHC. Notwithstanding the fact that some of its construction programs would continue, under this plan, aimed at the middle-income market, the NHC has moved toward servicing a lower-income segment of the market. The original joint venture program is being revised, and a new joint venture housing program between the NHC and the private sector is being put in place (Ministry of Finance and Economic Affairs, 2014; 2015).

An important segment of the low-income housing market in Barbados is households living in chattel homes. The makeshift, portable houses built and owned by low-income families who lease the land they occupy, either from the government or private landlords, are a direct result of the plantation system that evolved in Barbados. In the post-emancipation period, Barbados, with its high ratio of population to land, did not experience rapid growth in the number of peasants, as was the case in some other Caribbean islands. Workers on the estates were assigned a spot on which they could erect a chattel house. Fear of eviction caused by the insecurity of tenure effectively prevented householders from upgrading their dwellings and improving their living standards.

In recent years, the government has systematically moved to regularize the tenure of people living in chattel homes. Providing security of tenure under the Tenantries Programme began in 1980 with the enactment of the Tenantries Freehold Purchase Act. The Act granted any qualified tenant the right to purchase the land on which they lived. A "qualified tenant" was defined as one who had resided on the same house spot for five consecutive years or five out of the last seven years and was paying rent for the land. Plantation tenantries were identified individually in a schedule of the legislation, and the maximum price that tenants should pay was specified as US$0.50 per square meter.[1] The non-plantation tenantries were to be purchased at the market price, exclusive of the value of improvements made by people other than the owner. Rent increases were prohibited without the permission of the court.

The Tenantries Freehold Purchase Act of 1980 was amended in 1989 to redefine non-plantation tenantries as areas subdivided into six lots, whereas previously two to five lots were considered tenantries. Exceptions are made in cases where tenants living on two to five lots before February 1, 1990, could still purchase the freehold of their lots. These included those who had made substantial improvements to their dwellings or who had submitted a Form 1 notice to their landlord, which meant that they had exercised their right to purchase or had been residing on the lot for 20 years or more. The amendment was brought about as a result of problems experienced on non-plantation tenantries consisting of five or fewer lots, since the 1980 act gave the right to all qualified tenants to purchase.

Since the implementation of the Tenantries Freehold Purchase Act of 1980, over 4,500 people have bought their lots in Plantation Tenantries. However, there was a need to accelerate the transformation process, particularly in non-plantation tenantries in urban areas where the Tenantries Freehold Purchase Act has been less effective. An amendment in 2000 to the 1980 Tenantries Freehold Purchase Act of 1980 allows titles to be transferred to tenants in urban and rural non-plantation tenantries at subsidized prices. Such beneficiaries were allowed to purchase their lots at a concessionary price, with the government subsidizing the difference between the market price and the stipulated price.

The Urban Development Commission (UDC) was established in 1997 with the passage of the Urban Commission Act of 1997, which provides for improvements in social amenities, slum clearance and redevelopment, and development funding

[1] US$ equivalent converted at a rate of Bds$2.

for financially disadvantaged groups. Under the Act, the Commission may be given jurisdiction over a defined corridor and vested with powers to ensure the orderly redevelopment and renewal of urban neighborhoods within the corridor in a holistic manner. The Commission was established with a mandate to fast track the delivery of services to the Greater Bridgetown urban corridor. The Greater Bridgetown Area (GBA) comprises an area of 280 hectares and has a population of 107,000 people.

Access to mortgage funds for low-income households has traditionally been limited. Although the Barbados Mortgage Finance Company (BMFC) has provided funding for low- and moderate-income families, primarily through the USAID Housing Guarantee Programme, private lenders have been reluctant to extend credit to those households. As a result, many with low and moderate incomes have no alternative but to seek financing through informal, short-term methods. The credit union movement has been a significant player in the provision of housing finance to its members. The Housing Credit Fund (HCF) of the Central Bank of Barbados operates as a second-tier mortgage wholesaler and provides funds to financial institutions which in turn onlend individual borrowers.

Population and Housing Deficit

With a population of 277,821 in 2010 and an area of 430 km^2, Barbados is one of the most densely populated countries (646 people per km^2) in the Caribbean and the twelfth most densely populated country in the world. Since 1973, a Physical Development Plan has guided the country's physical development. The plan has seen many revisions with the last revision in 2003. In that revision, an "urban corridor" was defined. The corridor, which is mainly along the coast, stretches inland from the northwestern coastline to the southeastern coastline. Approximately 66 percent of the urban population lived in the urban corridor in 2010, falling from 68 percent in 2000. Population movement out of the corridor has been to the parishes immediately surrounding Bridgetown (SALISES and CERMES, 2015).

The Barbados National Habitat III Report indicates that the population increased by 5.8 percent between 1990 and 2010 while housing units increased 14.6 percent and unoccupied units increased 117.9 percent over the same period. The report suggests that the housing crisis is not really about unmet demand; rather, the supply of housing has been inappropriate to the type of housing demanded. It further suggests that greater emphasis should be given to alternative housing solutions such as multifamily units to replace the propensity for single detached, low-density options, which many Barbadians cannot afford. This is of particular significance as household sizes decrease and the population ages.

The population of Barbados is ageing. In 1990, the proportion of the population in the under-15 age group was 24.1 percent, declining to 21.5 percent in 2000 and 19.7 percent in 2010. The elderly accounted for 18 percent of the urban population and 16 percent of the rural population in 2010. Overall, 69 percent of the elderly resided in the Urban Corridor (SALISES and CERMES, 2015). A 1997 study estimated that a minimum of 1050 housing units would be required for the next ten years without considering the need for improvement and replacement of existing houses (Willms and Shier, 1997).

According to the 2010 Population and Housing Census, housing conditions in Barbados have improved compared to 2000. The proportion of households with access to piped water increased from 94.0 percent in 1990 to 96.5 percent in 2000 and 96.7 percent in 2010. Pit latrine usage declined from 32.09 percent in 1990 to 16.48 percent in 2000 and to 6 percent in 2010. The percentage of houses built of wood fell from 39.89 percent in 1990 to 26.93 percent in 2000 and 18.3

percent in 2010 (Central Statistical Office of Barbados, 2000; 2010).

Despite these improvements, there are spatial variations and a considerable proportion of the Greater Bridgetown population still lives in chattel-home tenantries, mostly on sites belonging to private landlords. Bridgetown's tenantries constitute the country's most deteriorated, slum-like housing. Not subject to normal subdivision standards of development, tenantries are usually occupied haphazardly, with high densities and substandard infrastructure. Moreover, given the instability of tenure and low income of the tenants, their dwellings are poorly built or deteriorated, frequently lacking sanitary facilities. For these reasons, the owners of chattel houses often have more difficulty obtaining credit for home improvements.

The ministry defines affordable housing as a quality product at a reasonable price that does not place an undue financial burden on the purchasers, especially the low-income and most disadvantaged sectors of the community. A range of housing programs implemented or facilitated by the government, with notable contributions from the private sector, should have contributed significantly to satisfying housing needs in the country over the years. However, these initiatives have not alleviated the problem of poor housing conditions in some parts of the country, and new construction of affordable housing continues to fall behind previous production levels.

Barbados, like most SIDS, is susceptible to the impending impacts of climate change, such as sea level rise, extreme weather events, higher temperatures, and variable precipitation. In response to the climate change threat, Barbados has put in place a participatory governance mechanism, including the drafting of a Climate Change Policy Framework and the setting up of a National Climate Change Committee. Additionally, the Coastal Risk Assessment and Management Programme, funded by the IDB and implemented by the Integrated Coastal Zone Management Unit, aims to build resilience to coastal hazards through improved conservation and management of the coastal zone (SALISES and CERMES, 2015).

The Barbados Habitat III Report states that there is no mandatory national building code in the country. The code was first prepared in 1993, and compliance was not mandatory at that time. The code was subsequently updated in 2013, and although artisans were trained on best practices, compliance with the code is still not mandatory. A Building Act is currently being prepared, and the Ministry of Transport and Works is preparing a framework for the code's mandatory implementation. At the same time, the Barbados National Standards Institution and the Barbados Standards Authority are involved in raising public awareness of the updated code.

Development of the Housing Market

While Barbados is ranked as a high-income country, there are pockets of poverty. Approximately 33.7 percent of the population lives in multidimensional poverty, as defined by the multidimensional poverty index, an international measure of acute poverty covering over 100 developing countries that measures deprivation across several dimensions. Poverty assessments in 1996 and 2010 indicated that poverty was highest in the rural areas in 1996 but was highest in Bridgetown in 2010. In 2010, 15 percent of households lived below the poverty line (SALISES and CERMES, 2015).

Table 9 shows monthly household incomes in Barbados. The average monthly household income in the poorest decile is US$325, while in the top decile it is over US$2,210. The cheapest solution being offered by the NHC is its 500 Lots Programme, which is targeted at people earning US$1250.00 per month or less. People in the sixth decile and above qualify for this housing solution. The NHC's HELP program, which targets individuals earning less than US$2,058.00 monthly,

TABLE 9. Monthly Household Income (US$ equivalent converted at a rate of Bds$2)

Decile	Monthly income US$	Number of households
	Unemployed	5,913
1	Under 325	1,761
2	326–648	9,127
3	649–820	8,296
4	821–991	8,297
5	992–1,146	8,300
6	1,147–1,302	8,299
7	1,303–1,555	8,301
8	1,556–1921	8,298
9	1,922–2,810	8,301
10	2,811 +	8,133
Total		**83,026**

Source: EQUUS Consulting (2005).

qualifies households at the ninth decile and above for a HELP unit.[2]

Housing construction costs in Barbados have risen by more than 10 percent annually in the past ten years, aggravating the affordability gap. This has implications on housing for low-income groups. Cost overruns, shortage of equipment and building materials, inadequate management, and other problems have pushed the costs up on NHC schemes. This often results in the schemes no longer being affordable to the target groups. However, one of the main reasons for the rapidly escalating construction costs is the price of land. Land costs in Barbados rose significantly between 1995 and 2005 due in large measure to pressures being put on the land market for properties at the high end of the market from returning residents, overseas buyers, and local buyers.

There are also problems in trying to contain development in the urban corridor. Given the cost of residential land and the decline in agriculture, there is considerable pressure to convert agricultural land to residential use. The demand for single-family, low-density housing outside the urban corridor has pushed up the price of land and housing throughout the country and made it difficult for low- and moderate-income households to purchase a home. Land markets in small-island developing states such as Barbados are not as advanced, nor do they function as efficiently as those in more developed countries. The Habitat II Report identified insecure tenure for a majority of households renting lots in non-tenantry situations; availability of serviced land for lower-income households to rent/purchase; and the existence of available serviced, vacant residential land coexisting alongside a shortage of serviced land for low-income groups as the main land market issues in Barbados.

Although the NHC has the power to acquire land, most of its land has been acquired using government funding and was therefore vested in the Crown. The process of obtaining land via the Land Acquisition Act involves several steps and can take between six months and a year. The Land Acquisition Act has been used over the last 20 years to compulsorily acquire portions of large estates for public purposes, including housing.

[2] NHC wwww.nhc.gov.bb.

Formal Housing Production: Public and Private Sectors

The private sector in Barbados consists of three groups: large-scale developers, moderate-size contractors and small-scale individual builders (Watson and Potter, 2001). Watson and Potter (2001) have indicated that there are eight large-scale developers, the two largest of which produce between 140 and 180 units per year. Private production serves mainly the middle- and upper-income segments of the population. Small-scale builders are often termed informal builders and usually convert a basic wooden house into a higher-quality masonry house. In terms of overall production, the informal sector produces a small but vital proportion of the country's housing stock (Watson and Potter, 2001).

In recognition of the constraints faced by low-income households in accessing affordable housing, the government has introduced a number of initiatives to address the issue. Under the NHC's Joint Venture Programme (JVP) the government supplies land on which private builders build and sell houses targeted at middle-income groups, sets the price of the land, chooses the size of lots, and ensures access by first-time buyers. Under the JVP, the private sector is no longer merely a builder of government housing, but a partner with the government in the development of middle-income housing.

This approach results in a more efficient use of government resources by sharing the risks with the private sector. The private sector builds infrastructure and houses on land acquired by the ministry and vested in the NHC. The private sector is reimbursed the full cost of developing the land and a 5 percent management fee. The JVP has been successful at developing upper-middle and middle-income housing, but less successful in developing lower-income solutions. From its inception to 2010, some 330 units have been built under the program and 463 lots have been conveyed.[3] Several projects have been completed under the JVP, including Coverley Phases 1 and 2, Bulkeley Meadows, Hoyte's Village, and Deanstown Heights. However, there was little activity in 2014 under the original JVP, as the NHC sought to develop a new joint venture program with the private sector (Ministry of Finance and Economic Affairs, 2015).

Caribbean Homes Limited entered the real estate market in 2007 with the objective of providing affordable homes for Barbadians. The company builds middle-income homes and affordable homes. The latter are described as high-quality homes at affordable prices for low-income families but are not low-income houses. The cost of the company's homes range from US$44,000 to just under US$200,000. The company entered into a contract with NHC in 2008, as part of the government's HELP program, to build 135 affordable houses at various locations. These houses range in size from 536 to 820 square feet and were completed in 2009. In 2009, Caribbean Homes also completed 307 affordable homes at Emerald Park.[4]

Caribbean Homes is developing The Villages at Coverley, the first zero lot line residential housing in the Caribbean. Zero lot line is a modern development technique which maximizes the use of land for the benefit of all homeowners and by doing so permits homeowners access to more affordable properties. Two- and three-bedroom houses are being built for sale, with the two bedrooms starting at US$144,700 and the three bedrooms at US$171,050.[5] In 2014, some 365 houses were started, 170 completed and 140 allocated under the Coverley Phase II project (Ministry of Finance and Economic Affairs, 2014; 2015). Caribbean Homes is offering a two-year rent-to-own program on its zero lot line project at Coverley.

Generally, private sector housing in Barbados is expensive. Two-bedroom units at the Village in

[3] National Housing Corporation www.nhc.gov.bb.
[4] Caribbean Homes Limited caribbeanhomesltd.com.
[5] Ibid.

Coverley cost between US$98,500 and US$112,500. The sale of the more than 1,000 units at the Village has been slow, although the houses are in great demand. Reasons given for this are financial challenges faced by prospective homeowners and the economic downturn of the country as a whole ("Slow Sales at Coverley," 2014). However, the units are beyond the reach of most Barbadians. Assuming a down payment of 5 percent, 25 year mortgages at 8 percent and 25 percent debt service-to-income ratio, income groups below the 9th decile cannot afford the cheapest two-bedroom unit. Hence, the large number of vacant units alluded to in the Barbados Habitat III Report.

Informal Housing Production

A considerable proportion of all new housing stock in Barbados is built outside of the formal mortgage banking system, through self-help incremental construction and financing techniques, because of the affordability problem. The indigenous housing system that exists in the tenantries has played an important role in providing housing in Barbados for those with low incomes. A popular way to finance home extensions and repairs among low-income households is through customer financing by building materials suppliers who will provide short-term loans at 1 percent to purchase building materials.

The difficulty of finding affordable shelter has led to some squatting on government-owned lands, particularly in water protection areas (SALISES and CERMES, 2015). The government does not condone squatting, but there is a need to put in place a policy to deal with squatting.

Demand Characteristics

Currently there is an imbalance between the demand for affordable housing and the supply of affordable housing by the state. Traditionally, many of NHC's housing projects have suffered from the fact that they are beyond the reach of the intended beneficiaries. While the demand for housing is real and identifiable, the effectiveness of that demand is determined by the purchasing power of those in need of housing. In 2004, the NHC had a waiting list of 21,000 applicants for houses, terraced units, and serviced lots to purchase or rent. Between 2010 and 2015, the NHC had a database of 3,920 applicants seeking rental accommodations (Lorde, 2015). In addition, in a two-month period, between September and November 2004, some 4,200 applications were received for the Housing Everyone: An Affordable, Realistic Target (HEART) program; however, there were only 1,300 lots identified as ready for development.

Housing Programs

In 2004, the NHC embarked on a series of new initiatives targeted at the lower-income market. The aim of the NHC was to deliver more affordable units than those offered in its traditional program. The HEART program was intended to benefit people earning less than US$1,550 monthly. A pilot scheme consisting of 126 one- and two-bedroom wall units and 20 two- and three-bedroom hardwood units was built. Financing for the scheme came from the Barbados National Bank and Bank of Butterfield in the amount of US$50 million. The mechanisms of the JVP were applied to the program.

In 2009, the NHC replaced the HEART program with the HELP program, which benefits people earning less than US$2,058.[6] The program was initiated to provide further assistance to low-income earners by providing more housing solutions to meet the increasing demand. HELP provides houses at prices ranging from US$50,000 to US$87,500 for a completed house, and lots separately at prices ranging from US$8,750 to US$17,500.[7] Lot sizes

[6] NHC www.nhc.gov.bb.
[7] Ibid.

range from 3,000 to 4,000 square feet.[8] In 2014, the NHC completed 184 houses under the program and was projecting that 569 housing solutions would be delivered in the 2015/16 financial year (Ministry of Finance and Economic Affairs, 2014; 2015).

In May 2009, the NHC launched its HELP Rent-to-Own Pilot Project, which will assist those earning less than US$1,500 per month. The aim of the program is to transform tenants into owners and expand the base of property ownership among low-income groups. Under the Rent-to-Own Programme, applicants will have to enter into an agreement for seven years, pay two months' deposit as security and then make monthly payments equivalent to 30 percent of income as rent for seven years. During the seven-year period, 70 percent of the rent will be credited toward the purchase; 30 percent will go to NHC to cover maintenance, insurance, and other charges; and the security deposit will be credited toward the purchase price.[9]

If the tenant is unable to close the sale in the allotted seven-year period, the agreement will be extended for an additional two years. If the tenant dies, the beneficiary of the estate would be allowed to continue the tenancy on the condition that all other requirements are met. If the tenant cannot maintain the agreement, he/she will be referred to an alternative housing solution within the NHC.[10] In 2014, 30 people benefited from the scheme (Ministry of Finance and Economic Affairs, 2014; 2015).

The Starter Home Programme, introduced in 2011, provides opportunities for low-income households earning less than US$1,500 per month to purchase a house and land at a cost of US$45,000 to US$60,000. The expectation is that improvements will be made to these properties over time based on the financial circumstances of the purchasers. The 500 Lots program targets people earning less than US$1,250 per month. Lots range in size from 3,000 to 4,000 square feet, and the cost of a lot is US$2.50 per square foot[11] Approximately 275 lots have been approved under the program, 123 of which are available for low-income families (Lorde, 2015).

According to Lorde (2015), the 500 Lots Programme has not been successful and is not an effective way to deal with housing issues. Citing a survey conducted by the Town and Country Planning Department in 2007, Lorde (2015) points out that 40 percent of lots subdivided for residential purposes were still vacant, creating environmental problems such as dumping and pest infestation. Where the subdivision included the erection of houses as a package, there were no vacant lots. Lorde (2015) believes that the starter homes solution is a better concept for the delivery of housing in Barbados, as these units do not exceed US$90,000 and can be easily enhanced by the homeowners, sometimes within months of occupancy.

The NHC's regular housing program is designed for middle-income people earning more than US$2,500 per month with house costs ranging between US$110,000 and US$175,000. Under the Duplexes and Multifamily Cluster Houses, the corporation provides a number of duplexes, which are intended to provide more housing solutions on a smaller land area. With the current shortage of land and the high demand for houses, the NHC has decided to build duplexes and cluster houses to better utilize land area, particularly in the Urban Corridor. Each duplex unit has two bedrooms. The NHC envisaged that, by producing more efficiently sized lots and building additional high-rise apartments, quadruplex, and duplex units instead of concentrating on single unit, it would be able to deliver acceptable housing units for Barbadians at affordable prices.

The NHC has been responsible for developing a large number of low-income terrace rental

[8] National Housing Corporation www.nhc.gov.bb.
[9] NHC www.nhc.gov.bb.
[10] NHC www.nhc.gov.bb.
[11] NHC www.nhc.gov.bb.

units. However, default on rental payments is a major problem on many of the NHC housing estates, resulting in arrears of over US$2.5 million. Although rents are very low, efforts to collect arrears have been unsuccessful, as tenants cannot afford the rent. With a few exceptions, most of the housing estates are in poor condition due to lack of maintenance, poor planning and design, and the insufficient provision of social amenities. Overcrowding is also a problem on some of these estates, as many people do not move out of their rental unit when their economic situation improves.

The cost to manage and maintain these estates is well beyond the NHC's budget. The government decided to divest itself of its rental properties despite an expected loss of rental revenue in excess of US$2 million per annum. Under the 20-Year Free Transfer Programme, tenants who occupied units for 20 years or more as of January 16, 2008, qualified for the free transfer of their units.[12] In 2014, the program was extended and 285 new tenants qualified and received letters under the program. At the end of 2014, 2,212 offer letters had been distributed, 2,176 offers had been accepted, and 155 properties had been conveyed (Ministry of Finance and Economic Affairs, 2014; 2015).

A substantial segment of the low-income population is dependent on the NHC for rented accommodation. The NHC recognizes that, regardless of the cost, some people will never be able to afford to purchase houses or the terrace units which they occupy. In FY 2008/09, the NHC received 619 applications for rental units, but was only able to accommodate 33 families. Similarly there were 218 applications for rental lots in FY 2009/10, but NHC was only able to satisfy 218 applications.[13] Between 2010 and 2015, the NHC had a database of 3,920 applicants seeking rental accommodations (Lorde, 2015). The corporation is of the opinion that it will always have to provide rental accommodation but will have to charge economic rents if it is to provide the necessary maintenance for its rental units.

With regard to the NHC building additional rental units to meet the demand, in May 2012, the Caribbean Development Bank approved a loan of US$36.0 million to the Ministry of Housing and Lands to provide 316 housing units at eight locations, mainly in urban areas. The purpose of the loan was to improve the living conditions of the lower quintiles of the population through the provision of rental housing, infrastructure, and amenities.[14] The NHC continues to sell rental lots in its old estates at US$1.25 per square foot to tenants. In 2008/09 there were approximately 2,000 lots remaining for sale in 76 developments.

In order to transform tenants into owners and expand the base of property ownership within low-income groups, the NHC began to sell terrace units in 2008. The NHC ascertains the eligibility of the tenants based on the length of time that they have been occupying the unit. Initially, tenants occupying the unit for more than three years were eligible to purchase their unit while tenants occupying units for more than 20 years covered legal costs only. However, the free transfer program now applies to tenants who have occupied their rental units for 20 years or more and are up to date in their rental payments. However, this policy has impacted the program. Moreover, the many unauthorized extensions within estates have had a negative impact on the program (Ministry of Finance and Economic Affairs, 2014; 2015).

The NHC administers the Private Tenantries Programme, which involves the transfer of titles to tenants under the program. The rise in lot valuations over the past five years has pushed up the costs being paid by the government to assist qualified tenants in purchasing their lots (Ministry of Finance and Economic Affairs, 2014; 2015).

[12] NHC www.nhc.gov.bb.
[13] NHC www.nhc.gov.bb.
[14] Caribbean Development Bank, www.caribank.com.

In 2008, the IDB approved US$30 million for the first phase of a Housing and Neighborhood Upgrading project. The objectives were to improve housing and neighborhood conditions of low- and middle-income families in Barbados and to improve and expand government housing systems that were affordable to households in the first four deciles of income distribution. The project had three main components: (i) support for the production of affordable housing; (ii) neighborhood upgrading including the rehabilitation of two inner city communities; and (iii) institutional strengthening of key management processes and systems.

The project, which was implemented by the Ministry of Housing and Lands, was recently completed. According to the Barbados Habitat III Report, the Housing and Neighborhood Programme was overly ambitious. A number of lessons were learned, namely: recognizing the need for a multi-agency and participatory approach to development projects; addressing land acquisition issues prior to program execution, particularly where multiple land owners are involved; and ensuring adequate temporary accommodation for relocated residents (SALISES and CERMES, 2015).

The UDC has three main areas of activity: a house repair/replacement program, a community roads program, and a transfer of titles program. The house replacement/repair program provides shelter by way of replacement/repairs for those in urban Barbados who are unable to meet basic needs in living conditions. A qualified client can have their home repaired or a new house built from timber. The UDC also assists with the installation of toilets where needed and the construction of ancillary facilities (e.g., installing hand rails for the disabled) and house rewiring. In 2014, the Commission undertook 331 housing and housing-related projects at a total cost of US$1.6 million (Ministry of Finance and Economic Affairs, 2014; 2015).

The main thrust of the community roads program is to provide good road infrastructure and drainage throughout those urban communities that have not benefitted from this type of program. In 2014, US$425,000 was expended on road construction and US$86,910 was paid to compensate landowners who were affected by the road construction (Ministry of Finance and Economic Affairs, 2014; 2015). The UDC is addressing the transfer of titles in 550 tenantries and 'areas of land' throughout the Urban Corridor. As of September 2011, the transfer of title process had commenced in 260 tenantries and areas of land. The UDC as of September 2011 had facilitated the transfer of title of over 1020 lots within the corridor at a cost of US$5.2 million.[15] In 2014, the UDC had outstanding commitments for seven tenantries totaling 107 lots and US$1.0 million in subsidies (Ministry of Finance and Economic Affairs, 2014; 2015).

The Rural Development Commission, established in 1995 with the passage of the Rural Development Commission Act, administers a house replacement/repair program for rural dwellers. Technical officers assess the homes of people identified for receiving a benefit under the program to determine whether the house can be repaired or must be replaced. The commission may provide materials for repairs or, if the beneficiary can provide the materials, the commission will assist with the repairs. All units are constructed of hardwood and have toilets and electrical installations.

Housing Finance

Barbados does not have a long tradition of mortgage financing through formal institutions. Prior to the 1970s, there were very few institutions providing long-term financing for housing. Borrowing was done on a short-term basis through informal sources, and many homeowners still arrange financing through these sources. Currently, private sector financial institutions provide approximately 80 percent of all mortgage lending. Government agencies, such as the Barbados Mortgage Finance

[15] Urban Development Commission, www.udc.gov.bb.

Company (BMFC), the Housing Credit Fund (HCF) and the NHC, also provide some mortgage financing for housing.

The BMFC was established in 1968 as a limited liability company by the Commonwealth Development Corporation and the Government of Barbados and began operations in 1970. It is now a subsidiary of the Barbados National Bank (BNB), which until 2003 was wholly owned by the government. In that year, the government sold 57 percent of its shares in BNB to Republic Bank Limited (RBL) of Trinidad and Tobago. RBL subsequently increased its shareholding to 65.13 percent. For a long time, the BMFC was the country's largest mortgage finance institution. As of September 30, 2004, it had disbursed mortgages valued at US$37.5 million. It has lost some of its market share, and BMFC controlled 16 percent of the mortgage market in 2005. The BMFC played an important role in the provision of mortgages for low- and middle-income households and provided loans for the purchase, construction, or improvement of dwellings, including chattel houses.

The Housing Credit Fund (HCF) was established in 1982 to administer funds from a USAID Housing Guarantee Loan of US$10.0 million which involved requirements that loans only be used for tenantry lots, new housing, and home improvements. As of February 1, 2004, the Central Bank of Barbados assumed responsibility for its management from the Ministry of Housing, Lands, and the Environment. The Fund currently operates as a second-tier mortgage market wholesaler and provides funds to financial institutions which then onlend to individual borrowers. The HCF was established with an overall goal of extending credit down market. It has had some success, although there is still a tendency for formal lending institutions to favor the more affluent households. As of December 31, 2014, the Fund's portfolio was valued at US$78.4 million.

The General Workers' Housing Loan Fund, which is administered by the NHC, was established in 1950 to assist agricultural and sugar workers in becoming homeowners. In 1957, it was expanded to include general workers and assist low-income earners with loan financing for housing. The mortgage portfolio of the Fund is US$6.5 million, and the NHC has US$6 million available for lending. The NHC raises its funds from the HCF at 4 percent for onlending at 6 percent. In the 1980s the Fund received money from the National Insurance Fund at 7 percent but the government covered the interest component of that loan.

Loans are offered for: (i) new construction and for the enlargement or repair of existing structures; (ii) the removal of a chattel house from the land on which it stands to other land; and (iii) discharging of a mortgage. The General Workers' Housing Loan Fund will provide financing for 100 percent of the value of the project. The minimum loan amount is US$500.00 and the maximum loan amount is US$50,000. The maximum amount for loan repairs is US$2,500 and in the case of the purchase of land, the purchase price cannot exceed US$15,000. The maximum repayment period is seven years for short-term loans and a maximum of 40 years for long-term loans or up to retirement age. Borrowers may elect to repay the loans over a shorter period than that stipulated in the contract.

Housing solutions offered are chattel mortgage, legal mortgage, and promissory note. The Fund provides mortgage and land and housing loans at interest rates of 6 percent for first-time homeowners. Other loans provided by the fund are at interest rates of 9 percent and 12 percent for extension and repairs. Loans offered at 12 percent are collateralized by a promissory note. Arrears are high under the latter loan program—over US$1,000,000 in 2005. The value of loans disbursed by the General Workers' Housing Loan Fund administered by the NHC was over US$1million in 2014 (Ministry of Finance and Economic Affairs, 2014).

Credit unions and cooperatives are the smallest but fastest-growing portion of the housing

loan market. There are two types of credit unions: (i) the larger employment-based operations and (ii) the smaller community-based operations. The credit unions raise their funds mostly through savings deposits or the sale of shares. There are five large credit unions, with the three largest being the Barbados Public Workers Credit Union, the City of Bridgetown Credit Union, and the Barbados Workers Cooperative Credit Union. These three credit unions recently began providing long-term mortgage finance, the majority preferring to offer short-term loans for home improvements. In 2015, the Tax on Asset Bill was extended to levy the 0.2 percent asset tax to include all financial institutions. The Barbados Cooperative Credit Union League lobbied against the tax on the grounds that it would harm its members. Subsequently, 80 percent of credit unions were exempt from the tax, as it was levied against financial institutions with net assets of over US$20 million, which applied to seven credit unions.

Approximately 40 percent of the loans and advances of the Barbados Public Workers Credit Union were allocated to residential mortgages during the period 2014–2015, while 60 percent of the loans of the City of Bridgetown Credit Union were allocated to residential mortgages in 2015 (SALISES and CERMES, 2015). Mortgage rates vary between 6 and 7 percent, and the City of Bridgetown and the Barbados Public Workers Credit Unions provide 100 percent mortgages. The Barbados Workers Cooperative Credit Union offers home improvement, construction, and purchase loans. For home construction and home purchase loans, clients may borrow up to US$250,000 with a minimum deposit of 5 percent and up to 35 years to repay. For chattel mortgages, clients may borrow up to US$60,000 with a minimum deposit of 5 percent and up to 15 years to repay.[16]

In 1975, commercial bank loans for residential mortgages stood at 60 percent of total mortgage loans, rising to 75 percent by 1996. In 1997, residential mortgage loans offered by commercial banks jumped to 91.5 percent of total mortgage loans from 75 percent the previous year (Central Bank of Barbados, 2005). Credit unions have some advantages over commercial banks in the area of mortgage financing. Credit unions do not charge some of the financial costs that commercial banks charge. Both the Barbados Public Workers Union and the City of Bridgetown have legal departments. This reduces the cost of executing a mortgage. The Finance Services Commission, the regulator of nonbank financial services, regulates the credit union sector in Barbados.

The government provides most subsidies through the Ministry of Housing and Lands, the NHC, and the UDC. Current subsidies include land grants from the ministry to the NHC and below-market sale of land by NHC; production of houses for below-market sale and rental; public rental housing by NHC; land titling on tenantries by the ministry and the UDC; house repairs and replacement by the UDC and the RDC; and below-market interest rates on loans by the HCF, NHC, and BMFC. Efficiency and transparency problems have plagued current public housing programs. There are serious efficiency losses in some of the current subsidy programs, caused mainly by the relatively high cost of providing the subsidized service. In addition, many of these subsidies are not necessarily targeted at the poor.

The NHC is the most important implementing agency for the government's housing program. It provides three categories of subsidies. As a land and housing developer, it provides serviced residential lots and homes for sale. The subsidy is, however, targeted at those with low and moderate incomes. The joint venture arrangements of the program enable participation and market expansion by the private sector in the low-income housing sector. The rental activity is operated at a substantial loss. Consequently, the NHC is in

[16] Barbados Cooperative Credit Union Ltd., www.bwccu.com.

the process of divesting its 4,000 rental units. While the NHC is divesting some of its units, it plans to build additional rental units because of the demand. However, effective rental recovery mechanisms will have to be put in place to ensure that current problems are not repeated. As a loan originator, the NHC operates the General Workers' Housing Loan Fund, through which it provides mortgage and housing loans.

Subsidies provided by the UDC under its urban renewal program are targeted at the very poor. The titling sub-program stipulates that people receiving benefits should be renting the land on which their houses are located. There is the possibility that the circumstances of some of the beneficiaries could have improved. However, this is the case for only a very small minority of people who benefit from this sub-program.

5

Guyana

Institutional Framework, Policies, and Strategies

The Government of Guyana's goal in the housing sector is to provide "accessible and affordable housing in sanitary and safe communities with the necessities for wholesome and dignified living for all citizens."[1] The housing portfolio falls under the Ministry of Communities, with the responsibilities for housing assigned to a minister. In carrying out this mandate, the Government of Guyana will be placing special emphasis on the hinterland and making housing affordable and accessible to households and communities in some of the poorest regions in the hinterlands. The provision of roads, water, and electricity will be an integral part of this initiative. It is envisaged that the quality of life of these residents will be improved through homeownership.

The overarching policy objectives of the housing program 2015–2020 are to improve the housing delivery system through the following:

- Completion of infrastructure prior to allocation of lots.
- Construction of houses.
- Promotion of public–private partnerships to facilitate the provision of social infrastructure and community services.
- Fostering community involvement for the identification and implementation of community projects.
- Coordination of projects through collaboration with governmental and nongovernmental organizations.
- Integrated development planning.
- Squatter regularization and containment.
- Land divestment.[2]

The Central Housing and Planning Authority (CH&PA), an agency of the Ministry of Communities, was established in 1948 under the Housing Act, Chapter 36:20, to address the housing needs of the citizens of Guyana. It is the sole government executing agency for housing projects. In carrying out its mandate, CH&PA has undertaken a number of programs and projects. These include the regularization of squatter settlements, land divestiture

[1] Budget Presentation, Hon. Minister Keith Scott, August 16, 2015, www.chpa.gov.gy.
[2] Ibid.

through the distribution of house lots, the processing and allocation of titles to give allottees security of tenure, the provision of infrastructure and the improvement of infrastructure in housing schemes, the implementation of infrastructure development in housing schemes and squatter settlements, and the construction of low-income and middle-income houses.

Implementation of the Low-Income Settlement (LIS) 1 and 2 programs funded through loans from the IDB has been a major initiative in the sector. The initial Low-Income Settlement Programme began in 1998 and had a long-term goal of increasing the ownership of land and housing through equitable distribution. The program, which was administered by CH&PA, ended in 2007. The government requested and received another loan from the IDB in the amount of US$27.9 million for a second LIS. The objective of the second LIS was to improve the quality of life of low-income families through better access to housing. The IDB provided full funding of LIS II, which ended in June 2015.

The CH&PA has been able to obtain an additional US$3.1 million from the IDB to expand the Hinterland Housing Project, which was a component under the GOG/IDB Second Low-Income Settlement Programme. This new project will see the construction of approximately 200 more houses in the hinterland, with all the homes equipped with rainwater harvesting. The project document is being finalized, and work is expected to commence in early 2016 (*Guyana News*, 2015).

Population and Housing Deficit

Guyana has a total area of 214,970 km^2. In 2012, its population was 747,884. This represents a marginal decline from 751,223 recorded in the 2002 census, or an annual negative growth rate of –0.04 percent. Population growth has been marginal in the last two decades as a result of high emigration rates. Approximately 90 percent of the population is concentrated along the coastal belt, five percent of the country's total land area.

Despite being a sparsely populated country, with 3.5 people per km^2, Guyana faces a housing crisis, as density is varied at the subnational level. The coastal regions combined have 9.6 people per km^2, while the four hinterland regions, which occupy more than two-thirds of the total land area, have densities of less than one person per km^2. Region 4, in which the capital, Georgetown, is located, has the highest density—approximately 104.4 people per km^2 (Guyana Bureau of Statistics, 2012).

Much of the coastal strip is below sea level. Three rivers dissect the country: the Essequibo, the Demerara, and the Berbice. During the colonial period, sugar plantations were established on the fertile alluvial coastal plains, where population densities reach 115 people per km^2. Georgetown, the capital, main port, and main administrative center of Guyana, is located on the Atlantic Ocean at the mouth of the Demerara River. The pattern of settlement outside of Georgetown and the sugar estates is relatively sparse. North of the Essequibo there is only the small township, Anna Regina, and dispersed rural villages. The coastal belt to the east and west of the Demerara River is the most densely populated area, with settlements lining the coastal road on either side of Georgetown.

The country is largely rural, with 191,810 people, or 26.4 percent of the total population, classified as urban. There was a decline in the urban population in 2012, down from 209,992 in 2002. This represents an annual negative growth rate of –0.87 percent. The exceptions to the pattern of reduction in urban townships were New Amsterdam and Rose Hall, which reportedly had 0.17 percent and 0.59 percent annual growth rates, respectively. The reduction has been attributed to the outward shift of the population of Georgetown, which comprises approximately two-thirds of the urban population, to new housing schemes

established outside the city limits during the intercensal period.[3]

The number of households recorded for the 2012 census was 210,124, up from 182,609 in 2002. Average household size declined from 4.1 to 3.5 people per household in 2012. There was a slight decrease in the average household size for urban areas, from 3.8 people per household in 2002 to 3.3 people per households in 2012. The declining trend is attributed to the increase in the proportion of single-person households, particularly in urban areas.[4] The population of Guyana is ageing. There has been a steady decline in the age dependency ratio, moving from 81 in 1980 to 67 in 2002. The median age of the population has also increased to 22.9 years from 18.6 in 1980 and 21.8 in 1991 (Guyana Bureau of Statistics, 2002). This has implications for the provision of housing to meet the special needs of the aged.

In 2002, approximately 64 percent of the Guyanese population lived in their own homes. Close to 15 percent of households were renting, and the rest occupied rent-free accommodation. While the proportion of households owning their own homes increased from 1980 to 1991, it remained steady between 1991 and 2002. This may have been due to an increase in the number of squatters and rent-free households being offset by a decrease in the proportion of rented private dwellings (Guyana Bureau of Statistics, 2002).

Development of a Housing Market

Despite declines in population due to migration, CH&PA faces the need to meet a housing deficit of 20,000 units for low-income families. An additional 52,000 houses are over 30 years old and require improvement.[5] Construction by owners and nonprofit organizations cannot keep up with the need. Rapid economic growth in the 1990s has helped convert this need into effective demand. The geography of this demand reflected 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.

While there was a high demand for developed land for housing that was affordable by all Guyanese, the land market was inefficient in the 1990s. This was due in large measure to the skewed land ownership pattern whereby Guyana Sugar Company (Guysuco) and the government together own about 90 percent of the available land along the coastal strip. Thus, while there was an abundance of unoccupied land, there was an acute shortage of land for housing in urban areas, particularly in Georgetown, which is hemmed in by sugar estate lands. The net effect was the restricted participation of the private sector in the land market and a mismatch between supply and demand, which caused high lot and house prices and high rents.

High prices and rents forced households to find their own solutions. Although squatting long existed on a minor scale, it grew at a rapid rate during the 1990s. Estimates indicated that approximately 60,000 people or 12,000 households squatted between 1993 and 1998. Hence, the pace of squatting was roughly 2,000 households per year. At that time estimates indicated that there were 144 squatting areas in the country, with approximately 40,000 people or 20 percent of the population of Georgetown classified as squatters and smaller squatter populations averaging 10 percent elsewhere along the coast.

The government responded to these settlement problems through two main initiatives: public land divestiture and squatter regularization. The main effort was public land divestiture. The government launched a program in 1992 to issue house lots in the shortest possible time in order to address the country's housing needs. The enormity of the problem of providing affordable house

[3] Ibid.
[4] Ibid.
[5] Guyana Map Americas, www.iadb.org.

lots demanded massive divestment of land, which had to be accessed from Guysuco and other agencies.

Land from Guysuco was transferred to CH&PA as a deed of gift, as this had originally been state land. CH&PA received a block transport from which it has issued individual transports to beneficiaries. It is, however, becoming increasingly difficult to find land in suitable locations to house the residents of Georgetown. As a result, sites for housing schemes are being located further away from Georgetown, where land is easily available and accessible to the government. The East Demerara corridor is fast becoming one of the most developed communities in the country. It currently has several housing schemes, three commercial banks, a fire station, and a primary and secondary school, among other amenities.

According to the 2012 Population and Housing Census, the national housing stock stands at 219,509 buildings, an increase of 16.9 percent, or 31,813 buildings, when compared to the 2002 census (Guyana Bureau of Statistics, 2012). This represents an average annual rate of production of 3,181 buildings. This is significant considering that very few units were constructed in the 1980s and 1990s, but it is still below the annual requirement of 5,200 housing units. At the regional level, the regions with the highest concentration of population recorded the largest proportion of the housing stock. All regions recorded significant increases in their housing stock, with the coastal regions recording growth rates surpassing the national average. This building explosion is attributed to the government's policy of making lands available for the building of new homes (Guyana Bureau of Statistics, 2012).

Despite the housing stock increase, the cost of owning a home in Guyana today is still relatively high. Few private developers, government organizations, and NGOs offer low-income housing. The average cost of building a low-income house varies considerably depending on the dimensions of the house and the building materials used. It costs the NGO Food for the Poor US$3,300 to build a basic wooden unit (20 feet by 15 feet) with a septic tank, the cheapest unit on the market.[6] These units are still out of reach of the average Guyanese income earner and must be fully subsidized by Food for the Poor (Ayala and Thompson, 2008). High house lot and house prices and high house rents still act as constraints to development of the sector. Average selling prices are about seven times annual household incomes and monthly rents are from one-half to two-thirds of average monthly earnings (Ayala and Thompson, 2008).

Formal Housing Production: Public and Private Sectors

CH&PA is the main developer of land for residential purposes. There are a few private developers who target people at the upper end of the income scale and are able to afford the current market value for lots. CH&PA's focus is on providing serviced lots to low-income earners at heavily subsidized rates. CH&PA also develops and incorporates lots for middle-income earners in its housing schemes. These are usually larger lots, marketed at a higher price and separate but adjoining low-income lots. Government ownership of the bulk of developable land and a slow, cumbersome development approval and titling process constrained the development of private land markets. The lack of private land markets—combined with the absence of adequate mortgage facilities in commercial banks—limited the possibilities that the private sector could play in reducing the housing shortage.

The government is trying to encourage private sector involvement and investment in housing and has introduced a number of incentives. These

[6] US$ equivalent converted at the exchange rate of US$ 1: G$200 in 2008.

include: (i) the use of a revolving low-income housing fund for the construction of housing units through public–private partnerships; (ii) construction and sale of houses by private developers on lots allocated by the government in various housing schemes; and (iii) the granting of blocks of land to private developers for the development of housing estates and the sale of houses in an open and competitive manner.

In this regard, the Ministry launched its Turn Key Project in 2011 to boost the housing sector. The turnkey initiative involves a partnership between the Government of Guyana, the New Building Society, several financial institutions, and private companies to provide Guyanese access to a house and land. The overwhelming response from applicants for this type of housing resulted in an expansion of the program. Applicants, particularly young professionals, liked the concept of house and land rather than the burden of land alone.

Currently there are two designs of the houses that will be made available to low- and moderate-income applicants. The Buttercup Cottage is a simple modern turnkey house. It has a total floor area of 600 square feet, two bedrooms, washrooms, septic tank, kitchen, common living and dining area, and a patio. The building is constructed to accommodate the addition of a second floor. The cost of the unit, US$24,128[7] (US$21,532 for the house and US$2,196 for the land) is heavily subsidized, and the Ministry has worked out special arrangements with the New Building Society to fast-track mortgages.[8]

The Bungalow Orchid is a three-bedroom house with a total floor area of 900–1,000 square feet, washrooms, septic tank, kitchen, and a common living and dining area, and it is built to accommodate the addition of a second floor. The cost of the unit is US$38,278 to US$43,062. Mortgage financing is available. People must pay for the land and that portion of the loan for which they did not qualify by the bank.

Informal Housing Production

Informal housing production was Guyana's main housing generator during the 1980s and 1990s. Largely because of supply bottlenecks, many people opted to squat on vacant parcels of land, mainly state land, in order to meet their housing needs. Consequently, thousands of people were living without basic infrastructure, such as water, electricity, roads, and drainage, as houses sprung up haphazardly on private lands and government reserves. In some instances, people have occupied land that cannot be easily regularized, presenting additional problems of relocation of these squatters.

Currently there are over 216 squatting areas in the country. Many of these are being upgraded so that they may become housing schemes. Approximately 154 of the 216 squatter communities have been brought under the regularization program and are being transformed into regularized housing areas. The remaining areas are located in areas such as road reserves and sea defense reserves and cannot be easily regularized. These squatters will have to be relocated to safer environments.[9]

Demand Characteristics

While the proportion of the population living in extreme poverty declined from 28.7 percent in 1993 to 18.6 percent in 2006,[10] poverty in Guyana remains a problem. According to the 2015 UNDP Development Report, 40 percent of the population lives in multidimensional poverty.[11] Affordability analysis undertaken by the IDB Second Low-Income Settlement Programme assumes

[7] Converted at US$1 to GY207.
[8] www.chpa.gov.gy.
[9] Ibid.
[10] UNDP Guyana: www.gy.undp.org.
[11] The index is an international measure of acute poverty over 100 developing countries. The MPI measures deprivation across several dimensions.

TABLE 10. Proposed System of Subsidies by Income Category

Income group	Monthly income range (US$)*	Capacity to pay (%)	Loan amount (US$)*	Proposed subsidy (US$)*	Estimated price of home (US$)*
Very low-income	150–250	10–15	1,500–2,250	2,000 or 50% House price	3,000–4,000
Low-income	250–500	15–20	5,000–6,000	1,500 or 30% of house price	6,000–7,500
Middle-income	500	20–25	10,000–12,500	No subsidy	Over 12,500

Source: Ayala and Thompson, 2008.
*US$ equivalent converted at the exchange rate of US$ 1: G$200 in 2008.

that very low- and low-income households could allocate no more than 20 percent of their incomes to meet their housing need, while middle-income households could afford to pay up to 25 percent of household income. The poorest households therefore would be able to pay only US$30 to US$50 per month. This factor impacts on the types of housing solutions available to the government to respond to the housing crisis (Table 10).

Housing Programs

As previously indicated, in response to the country's settlement problems, the government initiated two major programs: land divestiture and squatter upgrading. The main effort is public land divestiture. The government launched a program in 1992 to issue house lots in the shortest possible time in order to address the country's housing needs. The enormity of the problem of providing affordable house lots demanded massive divestiture of land, which had to be accessed from Guysuco and other agencies. Land from Guysuco was transferred to CH&PA as a deed of gift, as this was originally state land. CH&PA received a block transport/title from which it has issued individual transports/titles to beneficiaries. It is, however, becoming increasingly difficult to find land in suitable locations to house the residents of Georgetown. As a result, sites for housing schemes are being located further away from Georgetown where land is easily available and accessible to government.

The Government of Guyana responded to its settlement problems through public land divestiture and squatter upgrading programs with public land divesture being the major component. The long-term goal of the government was to increase the ownership of land and housing in order to meet the country's housing needs. The institutional land shortage in Georgetown was addressed through the transfer of land from Guysuco to CHAPA thus making land accessible to residents and easing the pressure on the housing market. However, finding housing sites close to Georgetown is becoming increasingly difficult and housing schemes are being located further away from the capital.

However, traffic congestion along the East Bank Demerara Road and Harbour Bridge in particular may present challenges to poor families. For example, the Diamond Housing Scheme is located about fifteen minutes away from Georgetown but during peak hours, commuters take more than an hour to reach the city. This is due in large measure to poor infrastructure planning in the housing scheme and bottlenecks on the East Bank Demerara Public Road caused by the large number of housing schemes located south of Georgetown (*Kaieteur News*, 2013).

Land allocation in greenfield sites starts with the selection of land for a new housing scheme,

and then potential homeowners apply for lots at the CH&PA. Priority is given to families with the largest number of children, after which lots are awarded to families with fewer children. Once a family is allocated a lot, it has three months to put down one-third of the price. It is then given an additional nine months to complete payment. Under the government's repossession policy, if an allottee fails to make final payment, the lot reverts to the government. People whose lots have been taken back will then be placed on a register for a later allocation when they are ready to commence building their houses.

By 2005, over 60,000 lots had been distributed all over the country, which represents an average of 4,300 lots distributed annually compared to the 5,200 units required. In 1999, there was a backlog of applications dating back to 1993. This was due to a slowdown in processing by CH&PA in order for certain issues pertaining to infrastructure provision and occupancy rates to be resolved with the IDB. CH&PA has since cleared the backlog of applications. The distribution of 60,000 house lots is a remarkable achievement, but it means that there is a shortfall of about 1,000 lots a year.

Low-income lots are allocated in two tiers by CH&PA. Families earning up to US$150 monthly can access lots costing US$300, while families earning over US$150 and up to US$300 monthly can purchase lots costing US$464.65. Middle-income households earning over US$303 monthly can purchase lots from CH&PA at prices ranging from US$2,525.25 to US$6,060.60. Approximately 60 percent of the lots will go to very low-income households, 20 percent to low-income, and 10 percent each to low-moderate and moderate-income households. 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 that households must pay to get this lot. The cash subsidy is presented in Table 11. Higher income households pay substantially more than CH&PA expends, generating cash. 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 compared to US$1,200.

As indicated in Table 11, very low-income households make a minimum down payment of US$298 under the land divestiture program, while low-income beneficiaries pay US$465. Squatter beneficiaries also pay these rates. Very low and low-income households represent over half of Guyanese households and hence the bulk of the demand for the program. However, many low-moderate-income to moderate-income households (those earning from US$301 to US$900 per month) cannot afford minimum housing or land, and are eligible for the program if they meet other conditions. The equity shares to these higher income groups are US$2,525 and US$6,061 respectively, well above the cash outlay of CH&PA for the serviced, titled lot that will average US$1,200. Thus, sales to very low-income households will result in a net cash subsidy, while sales to moderate-income households will generate funds, cross-subsidizing very low- and low-income households.

In addition to the direct subsidies described in the preceding paragraphs, indirect subsidies in the form of tax concessions are provided to the private sector lending institutions that provide mortgages to low-income households—primarily commercial banks. As these financial institutions are able to sell their products at discounted market rates, these tax concessions act like subsidies, as they represent a payment to suppliers of low-income houses.

A major factor that has inhibited house construction and occupancy has been the lack of infrastructure. Beneficiaries have been reluctant to move into schemes lacking facilities, particularly electricity. Approximately 60 percent of

TABLE 11. A Comparison of Income Levels and Beneficiaries under the House Lot Program (US$ equivalent converted at GY$198)

Household classification	Monthly household income (US$)	Equity shares (US$)	Cash subsidy per lot (US$)
Very low-income	<150	298	788
Low-income	151–300	465	626
Low-moderate income	301–600	2,525	3,535
Middle-income	501–900	6,061	Not eligible
Upper income	Above 900	Not eligible	Not eligible

Source: Central Housing and Planning Authority (CH&PA).

schemes lack adequate infrastructure, as land divestiture ran ahead of the availability of financing for these services. As an incentive to allottees to build very quickly, the then Ministry of Housing and Water reduced the down payment on house lots from 33.3 percent to 20 percent. This move by the Ministry was aimed at helping allottees to pay for their lots and access loans from lending institutions to build their houses.

In an effort to accelerate house construction, the government established a Special Fund of US$1.36 million in 2002. The fund was designed to enable the Ministry to purchase, develop, and sell land and to finance the construction of homes for sale. In an effort to reduce mortgage rates, the Ministry, by way of a line of credit from the Venezuelan Investment Fund, was able to acquire hundreds of prefabricated units. Habitat for Humanity provided interest-free loans, mobilizing groups in several parts of the country. The government is phasing out its direct involvement in housing construction while encouraging the private sector to assume responsibility for low-income housing production. The government built 200 units under the Special Fund.

The main aims and objectives of the squatter regularization program are to: (i) ensure that people own the land they occupy, (ii) provide basic services, and (iii) improve the quality of life of people living in these areas. The squatter regularization program is a two-stage process of providing security of tenure followed by the provision of infrastructure. The Ministry has adopted a zero tolerance approach in the squatter regularization program. Basic infrastructure works will not be completed if these areas are not regularized. In addition, the Ministry has set up a Squatter Enforcement Unit to serve notices and prevent further squatting. There are presently over 216 squatting areas, 154 of which have been brought under the regularization program and are being transformed into regularized housing areas. The Squatter Regularization and Upgrading Department of CH&PA is carrying out squatter regularization with government funding.

Land distribution and allocation are key components of the squatter upgrading program. As part of the regularization process, the CH&PA assesses the squatter communities and surveys are conducted. Through this process, house lots are allocated according to a planned layout and arrangement of house lots in an effort to correct the haphazard manner in which houses have mushroomed in these areas. The government has also allocated land in these areas for social services such as health centers, schools, and playgrounds. In instances where land cannot be regularized and converted into housing areas, the government has embarked on a relocation program that provides residents with houses in an alternative area. The relocation program seeks to place people in areas that have been allocated for housing and which will benefit from the provision of infrastructure.

A special effort is being made to link squatter regularization to community development. The goal is for allottees to build affordable homes at the lowest initial construction cost through their own labor input and technical and organizational facilitation by the Ministry. The UNDP assisted in upgrading the skills of the CH&PA to incorporate and integrate community development in squatter upgrading programs. Communities were encouraged to form community development committees (CDCs) and CBOs to work together for the good of the community.

CH&PA sought to extend community development and the establishment of CDCs to its greenfield sites. In this regard, it established a Community Development Department in CH&PA to oversee community development in both squatter communities and greenfield sites. These community associations receive training in how to clean ditches, organize community garbage collection, oversee the use of roads, particularly heavy vehicles, and maintain the infrastructure constructed by the project.

The government's housing policy is intended to ensure that people own the land they occupy and have basic infrastructure facilities. A major focus of the Ministry therefore was to ensure that beneficiaries received titles to the land they occupy and that these can be used to access funding from financial institutions to upgrade their standard of living. Between 1992 and 2003, the government processed and issued 23,223 titles. Despite this achievement, the process of obtaining transports/titles is often fraught with delays, as the weak capacity of the Deeds Registry has slowed the process. For example, the target set for titling in 2003 was 10,000, but actual distribution was 6020, a shortfall of 3,980.

While efforts were underway to reform and streamline the Deeds Registry, the government introduced a number of measures to speed up the process and ensure that the future targets were met, such as a reduction of the conveyance fee from US$60.60 to US$40.40 with a down payment of US$20.20 possible and the remainder due after three months. This was granted as an incentive for those people allotted land to come forward, since their reluctance to do so was contributing to the failure of achieving the target of 10,000 in 2003. Bottlenecks at the Deeds Registry were resolved with the de-linking of the Lands Registry and the Deeds Registry and housing them at different locations. The Ministry also encouraged beneficiaries to pay the processing fee for the title at the same time that the down payment for the land was made. Systems were put in place for allottees to access money from the banks through a letter of assurance.

To overcome the problem of beneficiaries not moving onto their plots because of the lack of infrastructure, the government moved ahead with infrastructure development countrywide. Under the GOG/IDB Urban Rehabilitation Programme, physical infrastructure was improved in five urban areas (Georgetown, New Amsterdam, Corriverton, Rose Hall, and Linden), including roads, canals, drains, water supply, sewerage, and lighting. Additionally, financing from the LIS programs assisted with financing of infrastructure works through the laying of water mains, drainage, roads, and electricity in 120 squatter settlements. Starting in 2005, a GOG/IDB $300 million UN-serviced Areas Electrification Programme provided electricity in squatter settlements in two phases, commencing with the older communities.

In addition to the government's divestiture program, the CH&PA administered the LIS programs funded by the IDB. The first LIS program, which began in 1998, determined Guyana's most urgent housing problems to be: (i) large-scale squatting, (ii) inadequate production of serviced residential lots, and (3) severely depressed areas. The main contributing factors to these problems were identified as widespread poverty, lack of resources, and weak institutional capacity. Consequently, the program supported democratization

of land ownership in Guyana through two components: (i) investment in land divestiture, squatter upgrading, and road maintenance; and (ii) technical assistance for policy reform and institutional development of the CH&PA.

The first component divested public land sufficient for 15,000 lots and provided these lots principally to low-income households living in marginalized areas along with a basic package of services, consisting of drainage, water, and roads. Squatter settlements containing 6,500 families were upgraded in a similar fashion. The CH&PA delivered an environmental and homeownership training program (EHTP) instructing households in building septic tanks or pit latrines, building their homes, and consolidating their communities.

The second component's policy reform element was aimed at increasing 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 the CH&PA to low-income households through the EHTP, (iii) creating a framework for interagency response to squatting, (iv) modernizing legislation for land use planning and development regulation, (v) helping private home lenders finance low- to moderate-income housing, and (vi) analyzing and recommending cost-effective modes of road maintenance. The institutional strengthening element of the second component focused on reorganization, land divesting, squatter upgrading, land use planning, development regulation at the CH&PA, improving information and financial/accounting systems, and enabling the jump in the production of basic services and titles required by the program.

The first component of the LIS-1 was fairly successful. The divesture of public land resulted in the creation of 19,000 house lots and provided these lots principally to low-income households living in marginalized areas along with a basic package of services, consisting of drainage, water and roads. Additionally, 13,000 new house lots were built in more than 10 new settlements. The settlements were completed and allocated to low-income beneficiary households, thus easing some of the pent up demand for housing and infrastructure.

However, a number of challenges remained at the close of the project in 2007. The institutional strengthening subcomponent of the project did not achieve the coordination and collaboration of policies of the various agencies involved in the program. Nor was there much success in involving private lenders in the program, and transfer of community training outside of the pilot areas was inadequate. Although the CH&PA delivered an environmental and homeownership training program manual instructing households in building septic tanks or pit latrines, constructing their homes, and consolidating their communities, the transfer of this technology was limited.

The second LIS program was implemented to address some of these concerns. The objective of LIS-2, which began in 2009, was to improve the quality of life of low-income families through better access to housing. The LIS-2 was separated into three components and was expected to benefit 12,000 households. Component 1 was to: develop eight new sites with services, consolidate existing housing schemes in seven areas, and upgrade five squatter areas. Additionally, this component would include US$2million for investments to guarantee potable water supply to the 20 aforementioned sites. These investments would include installation of new wells, transmission upgrades, and leak reduction. Also included in this component was a pilot of 400 core houses, defined as a minimum of 312 square feet with a sanitary block (septic tank, toilet, shower, and multipurpose sink), concrete block for outer walls, floor in concrete slab, basic doors, windows, electrical wiring, and water connections. The cost of this unit was estimated at US$5,500. A summary of the financial structure of the solutions in component 1 is set out in Table 12.

TABLE 12. LIS-2 Summary of Financial Structure of Solutions in Component 1

	Household Monthly Income <US$300				
Solution	**Average development expenditure (per lot or per core house) US$**	**Equity share/ savings US$**	**Subsidy US$**	**Loan**	**Subsidy (%)**
Sites with Services	2,750	330	2,420	None	88
Upgrading	2,500	330	2,170	None	86.8
Core house	5,500	550	5,000	None	90

Source: IDB Guyana Second-Low Income Settlement Programme GY L1019.

The second component consisted of pilots to examine issues of affordability and sustainability. The incremental housing and housing improvement pilot was designed to help households improve an existing core house (new roof, floor, or room additions). This pilot consisted of a grant and technical assistance for 400 families at US$1,000 per family, with a contribution from the household. The objective of the Partnerships with Professional Groups pilot was to address the shortage of affordable homes for professionals, such as nurses and teachers. The Housing in the Hinterland Pilot addressed the housing needs of eight communities in Regions 1 and 9, among the poorest in the country. It involved the disbursement of 208 subsidies totaling US$1 million. The subsidy was in the form of roof replacement or a complete house.

The objective of component 3 was to strengthen the CH&PA. Investments would include consulting services and goods for: finalization of the National Housing Policy and an Implementation Plan, training of CH&PA staff to achieve better planning and assessment in the pre-design phase, management training for CH&PA staff, and upgrading of monitoring and information systems.

LIS-2, which ended on June 30, 2015, has been viewed as a great success, as all components of the project were met. Over 400 core houses were built; 400 subsidies for the improvement of houses in squatter settlements and housing schemes were disbursed; 208 subsidies were provided for the construction of homes and the repair of roofs in hinterland Regions 1 and 9; and 206 house lots were allocated to nurses, teachers, and policemen. The project also provided services, such as roads, drainage networks, and electrical and water distribution networks to 8,476 lots in new and existing housing sites and 973 lots in regularized squatter sites. Training was provided for CH&PA staff, and a wide-area network was installed to facilitate connection of regional housing offices in Regions 3, 6, and 10 to the main network.[12]

Additionally, components of the project have become models in the region. The IDB has taken the component of the hinterland pilot to Suriname, which is implementing a similar pilot using the operation manuals developed in Guyana. The housing needs of eight communities (870 households) in Regions 1 and 9 were addressed in the pilot through a participatory approach, from the planning phase to the implementation phase of the project. The pilot was supported by a subsidy arrangement involving the disbursement of 208 subsidies for the completion of 500 square foot houses and the replacement of defective roofs with zinc roofs, complete with water harvesting systems (Edinboro et al., 2014).

In 2011, the Ministry recommenced the construction of houses in order to improve the quality

[12] 19,000 cash in on second low-income project. *Guyana Chronicle* November 6, 2015. guyanachrronicle,com.

of life and meet the shelter needs of the population. In this regard, the Ministry launched two schemes: the 1,000 Homes Turnkey Project and the Re-migrant Scheme for returning residents. In 2013, construction started on the 1000 Homes Project at Perseverance on the East Demerara River. The scheme offers both the Orchid and Buttercup turn-key house. A Re-migrant scheme in the Providence area of East Demerara is also being developed. Providence Gardens is located 6 kilometers from Georgetown and is part of the wider East Demerara Project. Four different plot sizes ranging from 6,000 to 8,000 square feet are available. The design embraces the concept of the green economy.[13]

Housing Finance

While mortgage financing for middle- and upper-income households in Guyana is relatively easily available, it is difficult for low-income households to obtain loans for housing. This is due in large measure to the lack of specialized mortgage institutions in the housing sector and the collateral requirements of mortgage institutions. Furthermore, the relatively high bank interest rates militate against prospective homeowners by making monthly mortgage payments out of their reach. The government, in a move to ensure that Guyanese receive necessary support in the housing sector, has created incentives to encourage mortgage lending to low-income families.

The NBS was established by a special Act in 1940 to promote housing in Guyana. Unused funds cannot be invested in commercial and consumer loans but must be invested in government securities and government instruments. The NBS is the only institution of its kind in the country. Legislation was amended to allow the designation of banks as mortgage finance institutions to conduct operations similar to that of the NBS and to benefit from similar concessions as the ones that had been given to that company. The participating banks will benefit from fiscal concessions according to legislation amended in 2001 for this purpose. They will be exempt from the corporate taxes on income earned from the low-income mortgages.

The agreement caters to low-income earners who own or were allocated house lots. Low-income earners can now access loans up to US$10,100 at a rate of 7 percent per annum. Borrowers would get up to 20 years to repay the loans, depending on their age. Banks can lend up to 75 percent of the estimated value of the property. The total household income ceiling on loans is US$378.79. Potential borrowers would need to produce their approval letter from the Ministry of Housing and Water. Most banks will accept the letters of assurance to issue mortgages. The NBS will process the loan based on the letter of assurance but will only register the mortgage when transports/titles have been secured.

Although the NBS was set up 65 years ago to promote housing in Guyana, it traditionally lent to middle-income groups. As of June 20, 2005, low-income loans comprised 6.8 percent of the society's mortgage loan portfolio, compared to 91.1 percent for middle-income loans and 1.7 percent for higher-income loans. Of the 407 low-income loans with NBS, 90, or 22 percent, are in arrears compared to 23.2 percent of accounts in arrears among middle-income earners. Thus, there is no evidence to support a general notion that low-income earners will default on loan payments to a greater extent than middle-income earners. The risk of high default rates is often a reason put forward for not lending to poorer groups.

The Hand-in-Hand Trust provides financing for the construction, repair, renovation, and purchase of a new home. The Pro-Line Plan is a mortgage facility that caters to professionals who have acquired land from the government or an approved developer and would like to build their own home. The Plan includes a mortgage with a ceiling of US$38,278 for the construction of a new

[13] Ibid.

building.[14] The interest rate on a first mortgage is 6.26 percent and 12 percent on a second mortgage and bill of sale. Eligibility for the Low- Cost Financing Facility offered by the Trust Company is based upon the applicant having purchased the land from the government or an approved developer and can only be accessed for building purposes. The ceiling on the loan is US$14,354 and the interest rate is 4.95 percent per annum. The company also offers an Enhanced Financing Facility for loans with a ceiling of US$38,278 at an interest rate of 6.95 percent per annum. The Homeowners' Easy Loan Plan is a fast-tracked loan for either building or repairing a home. The ceiling is US$57,416 and the interest rate is 9 to 10 percent.[15]

The Bank of Industry and Commerce, the Guyana Bank of Trade and Industry, Scotia Bank, Citizens Bank, and the Demerara Bank have signed agreements with the Ministry of Housing and Water to provide mortgage financing for low-income housing. This partnership between the public and private sectors in mortgage financing is an important driving force in the government's housing program. In 2004, the Bank of Industry and Commerce granted 119 loans or 24 percent of its total mortgage portfolio to low-income households compared to 131 mortgages or 26 percent under its regular mortgage program (McHardy, 2005). Thus, it would appear that the reform has stimulated some expansion to low/moderate income lending and that financial institutions have moved down-market.

[14] US$1equivalent GY$209.

[15] Residential Mortgages, Hand-in-Hand Trust Company, www.handinhandtrustgy.com.

6

Jamaica

Institutional Framework, Policies and Strategies

The main goals of the Government of Jamaica in the housing sector are to:

- Implement more public–private partnerships to build housing solutions
- Introduce more cost effective building technology, in order to reduce housing costs
- Promote longer term mortgages, to drive down recurrent costs to home owners
- Lower real estate taxes to drive down transaction costs to potential home owners

Government of Jamaica has indicated that there is need to rationalize Jamaica's housing sector in order to achieve its stated goals and for the sector to play a lead role in job creation. In this regard the GOJ has placed the housing portfolio within the Office of the Prime Minister and the Ministry of Economic Development and Job Creation with a minister assigned the responsibilities of the sector. The government has also indicated its intent to rationalize Jamaica's housing institutions so as to reduce overlapping functions to better operate within tight fiscal space. This will be achieved by reforming the Housing Agency of Jamaica (HAJ) and the National Housing Trust (NHT) and rationalizing the relationships between Jamaica's three primary housing institutions, namely the NHT, HAJ and the Jamaica Mortgage Bank (JMB).

The HAJ is a land and housing development company that seeks to provide affordable housing solutions for Jamaicans. It is the result of a merger in 1998 of the Caribbean Housing Finance Corporation (CHFC), the National Housing Corporation (NHC), and Operation PRIDE and was renamed HAJ in 2008. The CHFC was responsible for the servicing of mortgages to purchasers of units built by the then Ministry of Construction (Housing), while the NHC was responsible for the design and development of middle-income projects. Operation PRIDE was designed to make land more easily accessible and affordable to a broad category of people who did not own land. HAJ's main activities include property development, the construction and sale of housing units for low and middle-income earners, and the regularization of tenure on land through titling services. In its new role the HAJ will focus on the development of housing at all levels in the public sector and build on behalf of the government and the NHT. It will

forge partnerships with the private sector and will be responsible for all public sector housing construction.

The JMB was established on June 2, 1971, as a limited liability company with the mandate to finance safe and affordable shelter so that all Jamaicans would have access to homeownership. An Act of Parliament transformed it in June 1973 into a statutory corporation. The bank's operations fall into three categories: primary market (granting of short term financing for residential and infrastructure development); secondary market (the buying and selling of residential mortgages); and mortgage insurance (the insuring of residential mortgage loans). The JMB in its new dispensation will expand its secondary mortgage market operations and will focus on private sector financing and public private partnerships to stimulate housing at all levels.

The NHT was established in 1976 through an amendment to the National Insurance Act of 1976. In 1979, sections of the NIS Act were repealed to allow the Trust to be established under its own act, the National Housing Trust Act. Studies in the mid-1970s indicated that 23,000 new housing units were required at a cost of US$200 million annually over a 10-year period in order to satisfy the existing need.[1] The plight of the lower-middle and middle-income groups, who could not afford mortgages through the traditional private sector financial institutions but who did not qualify for subsidized housing from the government, presented another challenge.

Within this context, the National Housing Trust was established with the mission of increasing and enhancing the existing housing stock and providing financial assistance to the most needy contributors wishing to purchase, build, maintain, or upgrade their homes. Other aspects of the mandate included generating funding for the housing construction sector, promoting improved building systems, and making the industry more efficient. Funding for the Trust comes through payroll deductions of 2 percent of the gross wages of workers and 3 percent of employers' wage bills. Annual contributions rose from US$555,375 in 1976 to US$81 million in 2003/2004 and US$178 million[2] as of March 31, 2014 (NHT, 2013–2014). The government plans to reform the governance structure of the NHT in order to ensure that its funds are used for its intended purpose, in particular, financing for low-income contributors.

Interest rates at the Trust are structured according to weekly income. They ranged from 1 to 7 percent and 0 to 6 percent for new loan applicants as of November 1, 2011. The rate paid depends on where contributors fall on the weekly payment structure, which ranges from minimum wage up to US$62.50 to above US$166.66. Under the NHT's interim financing program, the NHT will provide developers with funding up to 100 percent of their construction costs at concessionary rates. These concessions must be reflected in the base selling prices of the housing solutions delivered to the market. Housing solutions accessing 5 percent interest rates must have a base selling price equal to or less than NHTS' recommended selling price, while at 9 percent interest rate, the base selling price may exceed NHT's recommended selling price.

At present, the NHT offers 11 housing benefits to its contributors, namely: buying a unit in an NHT housing scheme; buying a serviced lot in an NHT scheme; buying a house on the open market (not an NHT scheme house); buying a house lot on the open market (not an NHT scheme); building a house on land already owned by the contributor; construction funds to build on a lot secured under a house lot loan or serviced lot loan; home improvement; solar water heater loan; obtaining a land title in specified parishes under the Land Administration and Management Programme (LAMP); 15 Plus loan for those contributors who

[1] US$ equivalent converted at J$1.00.
[2] US$ equivalent converted at J$120.

obtained a loan 15 years ago and would like to refurbish their homes; Home Grant Programme for people contributing at least 10 years and who earn US$83.33 or less per week, who may apply for a Home Grant of US$10,000; and parent assistance loan, which allows people over 65 who have never received an NHT benefit to use their accumulated points to assist young contributors.

The government is trying to encourage private sector involvement and has introduced a number of incentives in this regard. In May 2003, the Ministry of Water and Housing finalized a Joint Venture Housing Policy, which sets out the position of the ministry for public–private partnership developments being undertaken under the provisions of the Housing Act. Under this policy, joint venture developments are of two types: (i) joint venture, where the land is owned by the government; and (ii) private sector facilitation, where land is owned by the private developer and the ministry facilitates the process. The program faced a number of problems. The rules governing the policy were revamped in 2008, which resulted in the drafting of a new Housing Public–Private Partnership Policy.

Preparation of a National Housing Policy and Implementation Plan began in 2008 by the then Ministry of Water and Housing. This policy is to be used to give strategic direction to Jamaica's housing sector. Following several reviews and public consultations, a draft policy was submitted to Cabinet on May 12, 2011. A subsequent review by the Economic Council recommended that the draft policy be approved by Cabinet and tabled in Parliament subject to a review by the Ministry of Finance. This review was related to proposals on tax relief and other incentives contained in the policy. In November 2011, a Green Paper was prepared for tabling in Parliament (PIOJ, 2011). However, the policy has not been officially adopted and still remains in draft form.

The major challenges faced by the sector in the provision of housing for low- and moderate-income households are: (i) rapid urbanization accompanied by rapid growth in squatter communities and increasing deterioration and decline in inner-city neighborhoods; (ii) the high cost of rent and a limited number of rental units for low- and moderate-income groups; (iii) limited disposable income among low-income groups; (iv) scant financing available in the sector; (v) continued increases in housing costs and difficulties in closing the gap between housing costs and affordability; and (vi) damage caused to Jamaica's housing stock by the more frequent occurrence of hurricanes.

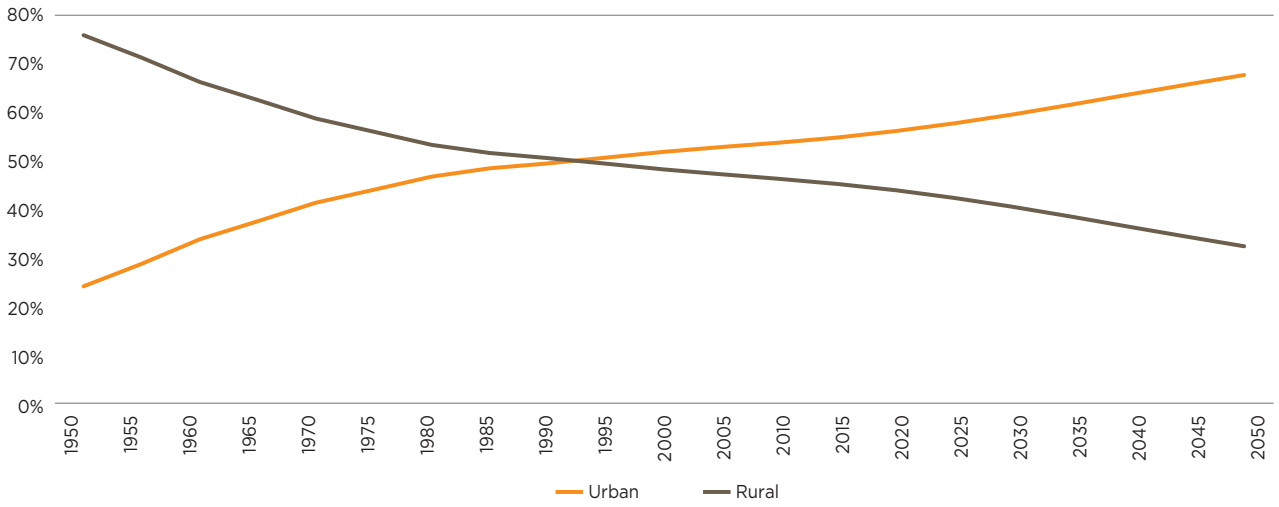
Population and Housing Deficit

According to the Population and Housing Census 2011, the population of Jamaica in 2011 was estimated at 2,697,983 with an annual growth rate of 0.36 percent. The rate of natural increase was 8.6 percent per 1,000, with estimated births and deaths at 41,200 and 17,900, respectively, and net external movements at 17,800. Migration continued to impact the growth rate, with the majority of migrants from Jamaica going to the United States. Approximately 43.2 percent of the population lives in the contiguous southeastern parishes of Kingston, St. Andrew, and St. Catherine (PIOJ, 2011).

The population shift from rural to urban areas (Figure 2) is one of the most important trends in Jamaican society that has occurred over the last 50 years, and urbanization continues to have far-reaching implications for economic growth, environmental quality, and social inclusion. The proportion of residents living in urban areas doubled, from 24 percent in 1950 to its current rate of 54 percent today.[3] This has occurred mainly as a result of net-migration from rural to urban areas as well as the natural increase in the urban population. Jamaica's current rate of urban growth (1.42 percent per year) is comparable to that of The Bahamas (1.48

[3] The Statistical Institute of Jamaica classifies an area as urban if it "possesses a population of 2,000 or more persons and provides a number of amenities and utilities which indicate modern living."

FIGURE 2. Share of Urban and Rural Population in Jamaica, 1950–2050



Source: United Nations, Department of Economic and Social Affairs, Population Division. 2015. World Urbanization Prospects: The 2014 Revision, (ST/ESA/SER.A/366), esa.un.org/unpd/wup/CD-ROM/, based on Censuses of 1960, 1970, 1982, 1991, 2001 and 2011,

percent) and Argentina (1.38 percent), but lower than that of Trinidad and Tobago (2.47 percent). Current development trends indicate a growth pattern along three main corridors: Kingston-Portmore, Spanish Town-May Pen, and Montego Bay-Falmouth. If growth continues, approximately 70 percent of the Jamaican population will live in urban areas in 2050 (Donovan, 2015b).

Jamaica is currently at an intermediate stage of demographic transition. This is characterized by a declining 15 and under age group and increasing proportions in both the working age group (16–64) and the dependent elderly group (65+). The dependent elderly group continues to be the fastest-growing segment of the population (PIOJ, 2011). Household sizes have been declining in Jamaica, from 3.6 people per household in 1997 to 3.3 people in 2007 (PIOJ, 2007).

Indications are that the country has become increasingly urban, with 54 percent of the population living in urban areas in 2011 compared to 51.2 percent in 2001, an intercensal increase of 1.9 percent. In 1970, the urban population was estimated at 38.0 percent. Jamaica's settlement system is characterized by the predominance of a primate city, Kingston Metropolitan Area (KMA),[4] a multiplicity of small rural central places and a growing but imperfectly developed middle base. However, the dominance of the primate city is slipping somewhat as a result of increasing urbanization in secondary towns. Kingston's share of the urban population declined from 67 percent in 1970 to 42.7 percent in 2001 and 41.0 percent in 2011.

The effects of internal migration are most dramatic in Kingston Parish, demonstrated by the negative growth trend. Internal migration statistics show a population loss of –66,276 from 1991 to 2001. On the other hand, between 1991 and 2001, St. Catherine grew at an annual rate of 2.3 percent—nearly three times the rate observed for the country as a whole. Most of the growth in St. Catherine came as a result of the development of the community of Portmore in southern St. Catherine. In 1970, Portmore had a population of about 5,000, approximately 90,000 in 2001, and 182,153 in 2011, the largest urban center outside of the KMA. Spanish Town (147,152), also located in

[4] Includes all of Kingston Parish and the contiguous urban portions of St. Andrew Parish.

St. Catherine Parish, was the third largest urban center in Jamaica in 2011 (Housing and Population Censuses, 2001 and 2011).

The tendency for residential construction to shift out of the KMA has been due in large measure to the increasing scarcity of large tracts of land for prefabricated housing schemes sought by private developers. The outward encroachment of the city has been accommodated by the conversion of former agricultural land into vast new housing schemes. Concomitant with the expansion of the KMA into St. Catherine Parish, there has been a gradual conversion of large lots in the KMA to groups of townhouses or small apartments.

There should be renewed focus on urban renewal and redevelopment of Kingston to meet future housing needs. The current pattern of urban growth has not yielded the most optimal results for people or natural systems. First, agricultural land, which formed a green belt between Kingston and the St. Catherine urban centers, is rapidly being converted to urban use. Other important resources, such as ground water, are under extreme pressure from new developments, and there is the danger of overuse and pollution.

Second, the highway from Kingston to Spanish Town has facilitated commuting to Kingston, so that the Kingston labor market is now Kingston, Spanish Town, and Portmore. Commuting to work not only has clear disadvantages in a country that imports all of its oil, but also results in an increase in greenhouse gas emissions. Third, the transport corridor has become a prime location for the country's newly developing squatter settlements.

In an effort to reduce some of the negative impacts of the pattern of growth of the city region, a compact cities strategy should be promoted for the future development of the KMA. Efforts must be made to promote orderly densification by permitting development at higher densities than now pertains and mixed-use zoning in certain parts of the city, particularly underutilized infill sites and sites that already have access to roads, utilities, and other infrastructure, which would shorten travel time and ease access between work and home rather than encouraging further conversion of agricultural land to housing and the unsustainable use of natural resources.

While there have been some improvements in housing conditions in the KMA, large numbers of households in parts of the city are still disadvantaged. In 2013, while almost all households (92.9 percent) had access to piped water supply, 5.3 percent used standpipes (PIOJ, 2013). Inequality in terms of access to drinking water was most pronounced in the downtown and western belt of the city. Informal settlers located on marginal lands also suffer from lack of access to piped water, resulting in a number of public health and sanitation concerns. A 1987 study estimated that 15,232 dwelling units (about 8 percent of the housing stock) in the KMA were in such bad repair that they cannot be reasonably renovated.[5] The rate at which the housing stock is becoming obsolete is high, due to a lack of housing maintenance and repairs. This in turn is contributing to a worsening of the deficit, which means that high rates of replacement are needed.

Jamaica lies in the direct path of Atlantic hurricanes and tropical storms. As a small island developing state, it is particularly vulnerable to climate change, which has exacerbated the disaster risk from the increasing frequency and intensity of hurricanes and tropical storms. Between 2001 and 2012, Jamaica experienced 11 storm events (including five major hurricanes) and several floods. The Planning Institute of Jamaica estimated that the loss from Hurricane Ivan in 2004 was equivalent to 8 percent of GDP, and Hurricane Sandy's direct and indirect damage in 2012 was equivalent to 0.8 percent of GDP (PIOJ, 2012).

Since 2012, the government has sought to raise awareness about climate change and its potential impact on the country. A Climate Change Division

[5] Jamaica Shelter Sector Strategy Phase 1 – Final Report.

was established in the Ministry of Water, Land, Environment and Climate Change. A Climate Change Advisory Committee and a Climate Change Focal Point network to facilitate a multisector approach to climate change have been established. In September 2015, the Climate Change Policy Framework was promulgated. The main objective of the Policy Framework is to create a sustainable mechanism to facilitate the development, coordination, and implementation of policies, sector plans, programs, strategies, and legislation to address the impacts of climate change.[6]

Development of the Housing Market

Housing Demand Surveys conducted by the NHT in November 2004 among its contributor population provide some insight into the geographical demand for housing (National Housing Trust, 2004a; 2004b). The surveys indicated that housing developments should focus on solutions at the low end of the market because of affordability problems. Approximately 23 percent of those in the housing market are not eligible for an NHT loan, while 53 percent qualify for 2 percent and 4 percent loans. At that time, most of the units being delivered to the market by NHT/private sector joint venture initiatives were two-bedroom units within the middle-income price range of US$56,000. These units would be affordable only to those earning over US$162.39 weekly, excluding 32 percent of the population from the formal housing market.

In order to make housing more affordable to its low-income contributors, the NHT reduced its interest rates in April 2010 by one percent across all bands and increased loan ceilings to allow low-income earners to access larger loans. In November 2011, the NHT lowered interest rates on loans to private developers who were building units to be sold on the open market.

Initiatives introduced were: (i) an interest rate of 3 percent to developers who produced studio units at US$29,166.66 or less and two-bedroom units at a cost of US$45,833.33 or less; (ii) a reduction from 8 percent to 5 percent on loans that would bring to market solutions equal to or less than NHT's recommended selling price; and (iii) a reduction from 12 percent to 9 percent in interest on interim finance loans to produce solutions at a selling price above NHT's recommended price. However, there was minimal take-up of the cheaper loans by developers, as they opted for the more expensive loans at 9 percent. Private developers indicated that by accessing the cheaper loans, such projects would not be profitable to them. The 3 percent interest rate was subsequently abandoned.

In 2012, the then Chairman of the NHT pointed out that there was not enough supply of housing in the low- and middle-income categories to meet the demand. He said that NHT had over 530,000 contributors with almost 60 percent of its contributors in the low-income group earning between US$2,166.66 and US$4,333.33 annually. Contributors in this category can only afford housing units in the price range of US$12,500 to US$16,666 per year, but the Trust is unable to satisfy any demand in this price range. He suggested that only 20 to 25 percent of this category is being satisfied. Middle-income groups, which comprise 30 percent of contributors, earning between US$4,333.33 and US$8,666.66, can afford units between US$16,666 and US$100,000 with about 40 to 45 percent of this demand being satisfied (*Sunday Gleaner*, 2012).

The private sector is of the view that price and location have greater influence on the market than income. Private developers classified low-income housing as priced between US$8,333 and US$83,333 and middle-income between US$83,333 and US$250,000. However location is an important factor in prices and the categorization of housing prices. For example, costs will

[6] Government of Jamaica Climate Change Policy Framework for Jamaica, 2015.

TABLE 13. National Housing Trust Interest Rate Structure

Income bands (weekly income) US$	Interest rate structure (%)	New interest rate structure as of November 1, 2015 for new applicants only			
		Disabled people (%)	New mortgagers 55 years and over (%)	Public sector workers (%)	All other contributors (%)
Minimum wage up to US$62.50	1	0	0	0	0
US$62.51–US$83.33	3	0	0	1	2
US$83.34–US$166.66	5	2	2	3	4
Over US$166.66	7	4	4	5	6

Source: National Housing Trust.

be much higher in the KMA, where land prices are high, compared to units in St. Catherine. Location within the KMA also affects housing prices and classification. However, private developers agreed that there was a shortage of units in the US$50,000 price range for which there was a demand, but private developers were neglecting this segment of the market.[7]

In view of the above and to improve affordability, the NHT reduced interest rates by 1 percent across all bands for new loan applicants in November 2015. This means that people earning up to US$62.50 weekly will now enjoy home loans interest free while at the upper end, people earning over US$166.66 weekly will pay 6 percent. The rate structure is set out in Table 13.

Additional policy changes instituted in November 2015 will enable applicants in the new 1 percent and 3 percent bands to access subsidies under the Subsidy Program up to or equivalent to US$10,000 to buy or build a house. Additional successful applicants will no longer be required to pay a deposit of 5 percent of the purchase price of units or lots for which they have been selected. The NHT also increased loan limits for those people buying properties in new housing developments as well as those building new houses. This latter initiative was designed to stimulate the construction of new houses as well as boost the purchasing power of contributors.

The Draft National Housing Policy points out that despite the NHT providing mortgages at heavily subsidized interest rates with a view to providing loans to its poorer contributors, only 4.4 percent of benefits go to contributors earning J$20,000 monthly (US$41.66 weekly) or less. On the other hand, 47.3 percent of loans go to contributors earning J$80,000 per month (US$166.66 weekly). Additionally, according to the Draft Housing Policy, only 10 percent of the working population earns J$20,000 per month (US$41.66 weekly).

Formal Housing Production: Public and Private Sectors

Despite the best intentions of 30 years of housing sector strategies and policies, the formal sector has produced only a small fraction of the new housing required by Jamaican households each year. The low production level of Jamaica's formal housing sector can be attributed in large measure to the limited availability of financing for construction activities. The government is seriously

[7] US$1 equivalent converted at J$120.

TABLE 14. Housing Starts and Completions, 2010–2014

	2010	2011	2012	2013	2014
Total housing starts	2,674	6,405	1,790	3,896	2,024
Number of housing starts by NHT	1,278	1,466	1,790	1,689	1,548
Total housing completions	2,999	3,644	4,334	5,560	2,283
Number of housing completions by NHT	1,452	1,618	2,676	1,621	1,613

Source: Economic and Social Survey Jamaica 2014, Planning Institute of Jamaica.

constrained by the scarcity of funds, and the private sector is not willing to take the risks associated with providing financing for the construction of low- and middle-income housing.

Various estimates done since the 1970s have suggested that approximately 20,000 to 26,000 units are required annually to meet Jamaica's housing need. The Draft National Housing Policy provides the latest assessment of housing need as 20,000 per annum to meet new demand and the housing deficit. The formal sector has never achieved those levels. Between 1990 and 2000, housing starts averaged 5,400 annually and completions 5,235 with the majority of starts (71 percent) and completions (68 percent) provided by the public sector. Between 2000 and 2004, the public sector and formal private sector housing starts averaged 6,400 compared to 16,000 new households formed annually.

Table 14 shows that between 2010 and 2014, approximately 3,357 housing starts were produced annually, well below the target of 20,000. 2011 saw an increase in housing starts compared to 2010. This increase was due in large measure to a rise in the number of starts by HAJ, which accounted for 58.5 percent of all housing starts during the year (Planning Institute of Jamaica, 2011, 2014). The increase in housing completions between 2011 and 2013 was a result of higher completions by the HAJ. Between 2008 and 2013, the HAJ delivered 6,746 housing solutions to Jamaica (Government of Jamaica, 2014).

HAJ solutions cater to those at the lower end of the income distribution and include serviced lots, studios, and one-bedroom or two-bedroom options with space to make additions. Additionally, under the umbrella Jamaica Titling Programme, HAJ continues to issue titles to Operation PRIDE beneficiaries occupying PRIDE lands. Over the two-year periods FY2013/2014 and 2014/2015, HAJ transferred and delivered over 2,500 Certificates of Title to Operation PRIDE beneficiaries across the island in over 50 Operation Pride communities (HAJ, 2015).

Most of the housing solutions produced by the private sector have been through joint venture programs. Between 1997 and 2002, the ministry facilitated approximately 3,700 housing solutions at a cost of US$698 million.[8] In FY2013/2014, the NHT accounted for 61 percent of total completions, with Build-on-Own Land (BOL), Construction Loan (CL) and Home Improvement Loan (HI), being the major categories. Interim financing projects accounted for the remaining overall completions (39 percent) (NHT Annual Report, 2013–2014).

Under the NHT Home Grant Programme, people contributing for at least 10 years and who earn US$83.33 weekly or less, may apply for a Home Grant of US$10,000. The grant may then be added to any loan for which the applicant is eligible in order to buy land or a house or to build. During F/Y 2013–2014, some 247 contributors in the lowest income bands received a total of US$2.5 million under the program.

[8] *The Jamaica Gleaner*, Wednesday, October 23, 2002.

The low level of financing in the sector is the main factor contributing to the underperformance of the formal sector. It is doubtful, however, that even if there were a quantum leap in the volume of funds in the sector, Jamaica could move from production levels of 5,000 to 20,000 annually. Efforts to induce the private sector to serve a much larger segment of the low-income market have not been as successful as anticipated. The government's Joint Venture Housing Policy, which was completed in 2003, was faced with a number of problems, leading to dissatisfaction among beneficiaries, disagreements between partners, and a refusal of enforcement agencies to be party to the process.

In 2008, the Joint Venture Housing Policy was revamped as the Housing Public–Private Partnership Policy and new rules set to guide the procedures for public–private partnerships. There is a need for detailed studies to determine how bottlenecks in construction financing can be resolved and devise strategies to open up the market to encourage greater participation and competition among the private sector in order to reduce the tendency of a few large firms to dominate the market.

The JMB has adapted some green principles that will be used as a guide in assessing new developments/projects. Developments that comply with these green principles will benefit from special interest rates on their construction loans from the JMB if on completion of their construction the development maintains the green principles proposed. The project must satisfy at least one of the criteria from the following categories: (i) site management, (ii) water efficiency and conservation, (iii) energy efficiency, or (iv) healthy living.

In response to the shortage of land, the NHT has started developing a land bank, acquiring some 15,359.51 acres to date. Following on an annual contribution of US$95 million for budgetary support over the next four years, the government committed to transfer suitable parcels of land to the NHT and to grant concessions such as tax exemptions. A number of properties have been approved for transfer and the process is ongoing. In addition, a number of properties have been identified islandwide and are currently being evaluated as to their suitability for housing. These lands will be placed in the NHT's land bank and planned for development in keeping with the strategic plans of the Trust.[9]

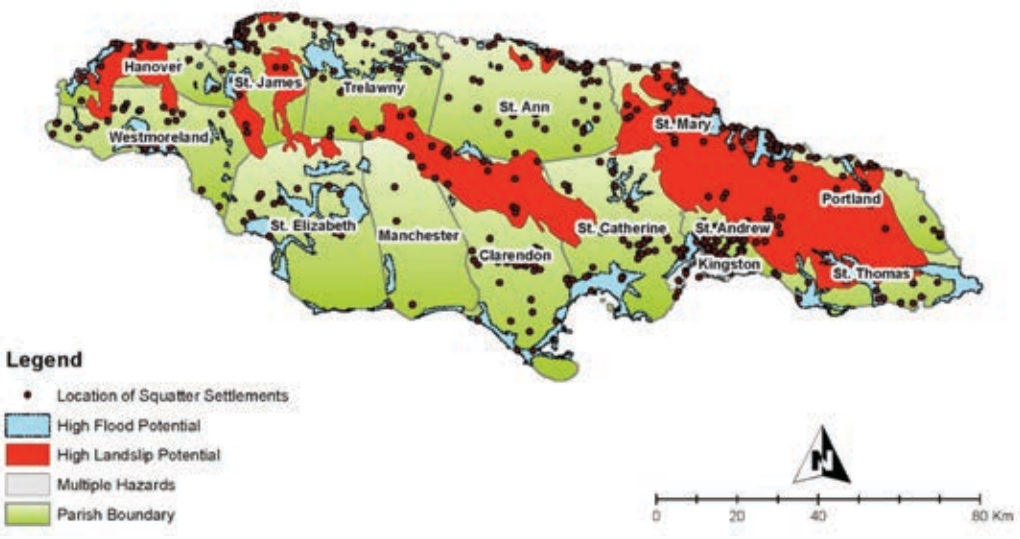
Despite the trend toward increasing homeownership, rental housing is still an important form of tenure in Jamaica and the KMA in particular. For the country as a whole, 17.7 percent of households lived in rented accommodations in 2013, and 27.6 percent of households in the KMA rented their homes. In the KMA, the incidence of renting declined between 1960 and 1995 but has been increasing since then. In 1995, some 15.4 percent of households in the KMA were renters compared to 27.6 percent of households in 2013, an increase of 12.2 percent (PIOJ, 2013). This increase in renting is clearly a response to the shortage of low-cost housing in the KMA. Housing demand surveys conducted by the NHT among its contributor population in 2004 found that effective demand in Kingston Parish stood at 9.7 percent and 14.7 percent in St. Andrew Parish. The affordability gap is possibly even higher, as many low-income earners are not contributors to the NHT.

Informal Housing Production

According to the 2011 Population Census, the total number of dwellings increased from 568,569 to 723,343, or 27.2 percent, during the intercensal period 2001 to 2011. This substantial increase has resulted in a significant lowering of the average number of people per dwelling from 4.2 in 1991 to 3.6 in 2001. Thus, despite the poor performance by the formal sector, there has been an increase in the housing stock according to the 2001 Population Census. One can only deduce that there is a very active informal sector providing a large percentage of housing in the country.

[9] National Housing Trust Website www-lb.nht.jm.

MAP 1. Informal Settlements in Hazard-prone Areas in Jamaica



Source: Ministry of Water and Housing (2008) and UTECH G.I.S. Database, Rapid Assessment of Squatting in Jamaica.

A recent study shows that there over 750 squatter settlements in Jamaica, with 600,000 people, or 20 percent of the population, living in them. Squatter settlements are of three main types: agricultural, commercial, and residential, with the majority being residential; 82 percent are in urban areas. The settlements vary in size from ten units to 1,000 units per site, accommodating more than 100,000 households (Ministry of Water and Housing, 2007).

The most obvious and immediate result of this concentration of the population in major urban areas is the deterioration of the urban environment. In general, it has been caused by the increasing gap between economic growth and population growth. These informal settlers reside on marginal lands located within flood-prone areas such as river and gully banks or on steep slopes subject to landslides. The Rapid Assessment Squatter Report estimates that 10 percent, or 88 squatter settlements, are located in environmentally sensitive areas, often the most severely impacted during natural disasters. Map 1 shows the location of squatter settlements in hazard-prone areas.

In some instances, the population in slums and squatter communities has increased at the staggering rate of 10 to 15 percent of the entire city's population in a year. The fringe areas of these urban centers have absorbed most of this increase and have grown spontaneously and even faster than the inner and planned portions as a result. For example, a study of Montego Bay indicated that between 1982 and 1991, the residential area in informal housing increased by 20.62 percent compared to an increase of 14.3 percent in the formal residential land area (PADCO, 1993). The lack of security of tenure among this group prevents the promotion of viable communities with strong social capital, as most householders are reluctant to make improvements on their homes.

A squatter management unit was established in 2006 in the then Ministry of Agriculture and Lands. The unit was transferred to the housing portfolio in 2007/2008. The aim of the unit is to coordinate, contain, and prevent squatting through public education and monitoring. The unit is understaffed and under resourced, and there is a need for a clear and definitive policy towards squatting in Jamaica.

The issue of planning standards is of particular concern, as many projects built for low-income

households are often occupied by middle-income groups as the high costs make the units unaffordable to the intended beneficiaries. A review of standards in 1987 concluded that standards were often unclear and/or economically unrealistic and cumbersome. The building standards were so strict that a modest house built in conformity with standards in Kingston was only affordable to the top 15 percent of the income distribution (Kingsley, Olson, and Telgarsky, 1987). This issue was addressed with the development of a set of 'minimal starter standards' which apply to specific forms of development such as urban renewal, sites and services, and squatter upgrading. Under such circumstances, lots should be a minimum of 116m^2, down from 371.6 m^2, or approximately 30 residential lots to the acre.[10]

Despite the minimal starter standards, incremental development in Jamaica still faces challenges. Two laws in Jamaica provide the legal basis for land subdivision and development: the Local Improvements Act and the Town and Country Planning Act, respectively. Under the Local Improvements Act, the local planning authorities are responsible for approving subdivisions, and local authorities are authorized to promulgate regulations governing subdivisions. The minimal starter standards are not enshrined in law. This may present problems, as often local authorities will not approve developments unless all services provided meet the standards set by the local authorities. Roads are a particular concern, because when roads are not built to prescribed standards the local authorities often refuse to take responsibility for their maintenance (McHardy, 1998).

The HAJ is in discussions with the Ministry of Local Government regarding standards for infrastructure and lot sizes in an effort to deliver affordable housing solutions. The HAJ is also in discussion with the Ministry of Local Government to chart a new way for approving development schemes. Currently, the local authorities calculate the application fees across the entire development, which makes the venture very expensive. The HAJ posits, however, that the development should take place over time and that fees based on this principle should not impair project viability (Government of Jamaica, 2014).

It is estimated that 70 percent of buildings are designed with no professional input. A new code was needed to bring Jamaica's construction practices in line with international standards (*Jamaica Gleaner*, 2014). In 2008, Jamaica completed a national building code based on the International Code Council documents. The new code, when enacted into law, will have 22 documents—11 ICC documents, and 11 Jamaican application documents. A Small Building Code based on the International Residential Code (IRC) has been developed for buildings less than 300 square meters. Although the new Building Code was completed in 2008, it is not mandatory, as the legislative and administrative requirements for its promulgation are still being put in place.

Demand Characteristics

Poverty in Jamaica increased to one-fifth of the population in 2012, an increase of 2.3 percentage points relative to 2010, to reach 19.9 percent. Approximately 38.8 percent of the population lives in multidimensional poverty.[11] Poverty is a major factor affecting the Jamaican population in meeting their housing needs. The Draft Housing Policy indicates that only 9 percent of males and 3 percent of females earn more than US$166.6 weekly. This implies that the majority of Jamaicans are not eligible for most of NHT's offerings.

[10] Development and Investment Manual Volume 1, Section 1 Chapter 12.

[11] The Multidimensional Poverty Index (MPI) is an international measure of acute poverty covering over 100 developing countries. The index measures deprivation across several dimensions.

Housing Programs

The government has undertaken a number of programs to address the housing needs of low- and moderate-income households. Foremost among them was Operation PRIDE (Programme for Resettlement and Integrated Enterprise Development), which began in 1994. The main objectives of Operation PRIDE were to: resolve the shelter needs of a majority of low-income Jamaicans through the establishment of new planned settlements (greenfield sites) and the upgrading of existing settlements (brownfield sites); improve the environmental and public health conditions in settlements throughout the country; mobilize resources in the informal sector toward their own improvement; and distribute state lands as a catalyst for development.

There were three basic types of PRIDE schemes: (i) the Squatter Upgrading and Regularization Programme, which targeted low-income people who occupied land that did not belong to them; (ii) greenfield sites, which targeted low-income and lower-middle-income earners from existing squatted areas where upgrading was not possible due to cost or unsuitability as a residential area; and (iii) the Greenfield Public Sector Employees Programme, which targeted beneficiaries with higher incomes than other households in the scheme. The program was to provide 100,000 lots to beneficiaries and upgrade 50 squatter settlements by 2000.

The National Housing Development Corporation (NHDC), now the HAJ, undertook operation PRIDE. Communities were required to set up community development funds through Provident Society Organizations in order to undertake development work on the schemes. As originally conceived, prospective homeowners would decide the level of infrastructure they want and the amount they can afford to pay for, and would save for it, depositing their money in provident societies to which they belong. This money was to provide roads, water, and other services using contractors selected by the provident societies. The government would provide seed funding to undertake the design and startup costs.

Operation PRIDE suffered from a series of problems, including: poor oversight and lack of proper management on PRIDE schemes, leading to cost overruns; lack of proper procedures for collecting funds, leading to financial losses of provident societies and insufficient funding for projects; and the large number of projects prioritized, which strained government resources. Moreover, land was sold well below its true value, resulting in a costly subsidy that was not necessarily targeted at the poorest groups. Lack of guidelines for its various procedures, such as lot disposal, also resulted in selection of beneficiaries who were not necessarily the most needy.

In 1997, a number of changes were introduced, including the following: (i) bringing the program under the aegis of NHDC and establishment of a new finance and audit sub-committee of the NHDC Board to strengthen the process of oversight and proper management of PRIDE schemes; (ii) a reduction in the number of projects prioritized for completion from 116 to 72, with a 35 percent reduction in the number of solutions earmarked for delivery; and (iii) all PRIDE contractors must be selected through the National Contracts Committee. Provident societies could advise contractors of their choice to apply, but selection would be the subject of public tender; (iv) a return to the original mandate and concept wherein all new projects would be completed to minimum standards and beneficiaries were required to access funds to build their homes; (v) creation of a PRIDE mortgage portfolio to solidify the financial base of the organization; (vi) concurrently, a PRIDE mortgage support unit was established to maintain the integrity of the portfolio through timely mortgage payments by applying innovative collection strategies and incentives.

All of the land used in the greenfield component of the program was government owned.

Prior to 1997, beneficiaries were recommended by the provident societies of which they were members. The provident society allocated the lots, while deposits for the land were paid to the provident society and sales agreements were issued. NHDC reworked most of these sales agreements and has made it possible for beneficiaries to complete sales by going to any financial institution for a mortgage. The NHDC had some mortgage accounts but encouraged beneficiaries to go elsewhere, such as NHT, if they are contributors, by charging higher interest rates than the NHT: 10 percent for 25 years. The HAJ no longer issues mortgages for PRIDE schemes.

The cost of lots varied considerably depending on location and other factors. However, in almost all of the schemes, land was sold below the true value of both land and infrastructure. Squatter sites selected for upgrading are identified by public, private, and civic groups and are declared housing areas under the Housing Act of 1968, as were sites under the greenfield component. Provident societies were formed and registered, and a plan was prepared for upgrading the sites. A selling price for the lots was then computed, an application filled out, and a sales agreement executed. A deposit was made to the NHDC, and the NHDC then sent the beneficiary to the NHT for a mortgage if they were contributors. The NHDC tried to package the entire project for NHT financing, but found that those people who were not NHT contributors were reluctant to become NHT compliant, (i.e., make the required contributions to the NHT). Mortgage proceeds were then used to finance development.

In 2007, a decision was made to scale back Operation PRIDE as it had incurred a massive debt to the state estimated at over US$58 million (*Jamaica Observer,* 2011). It was determined that the program in its current format was not economically feasible, as the solutions being produced were out of the reach of the intended beneficiaries, resulting in massive state subsidies which could no longer be afforded. In 2011, to improve its financial position, the HAJ began developing new housing solutions for low- and middle-income earners on the land owned by HAJ. The money earned from these developments would be put back into Operation PRIDE schemes, which remained incomplete because of insufficient funding. To date, 113 informal settlements have been regularized on the island, and 10,239 titles issued through Operation PRIDE, as HAJ continues to issue titles to beneficiaries occupying PRIDE lands.

The Relocation 2000 program was launched in 1999 through a partnership between several government agencies. The NHT was responsible for the tenure arrangements with the beneficiaries, which ranged from lease arrangements to outright ownership with low interest mortgages. The project was aimed at the removal and regularization of the status of households in targeted squatter communities where there was insecurity of tenure and poor health and environmental conditions.

In September 2003, approximately 130 families benefitted from the handing over of 100 semi-detached studio units in Belle Aire Meadows, St. Ann. The new homeowners were relocated from an informal settlement at the heritage site of Seville in the parish. In 2004, households living at Railway Lane and Barracks Road in St. James were relocated to Providence in the parish in order to facilitate commercial expansion of Montego Bay. Relocation 2000 has suffered from a number of problems, including the identification of suitable sites for relocation, delays in implementing the project, and the perceived deterioration of property values in the new sites.

The Inner City Housing Project was initiated by the NHT in April 2004. Under the project, 5,000 two- and three-bedroom apartments were to be built in inner-city areas in Kingston and other urban centers between 2004 and 2008. The units were to be sold at low interest rates to low-income

TABLE 15. Income Distribution of Household Heads in Denham Town and Mid-Town, Jamaica

	Denham Town		Mid-Town	
Weekly income categories (in US$)	**Number**	**Percent**	**Number**	**Percent**
Under $32.49	214	23.4	441	26.9
$32.49–$73.00	489	53.6	830	50.8
$73.01–$146.15	165	18.1	269	16.5
Over $146.15	45	4.9	95	5.8
Total	**913**	**100**	**1,623**	**100**

Sources: Report on the UWI-NHT Housing Census, National Housing Trust and Dept. of Sociology, Psychology and Social Work, UWI, Mona, November 2003.

families who were registered with the Trust and who were making contributions. In order to ensure successful implementation of the project, people were trained so that at the point of handing over the house to them, they would not only be able to pay the mortgage but would be able to have a better standard of living. The aim was to prevent these areas from reverting to slums.

Table 15 shows that residents of Denham Town and Mid-Town are extremely poor. The UWI-NHT study found that roughly a third of all householders in the Denham Town Priority area could afford a monthly payment of US$16.24 or less, while another third fell in the range of US$16.25 to US$32.48. The average cost of the units was estimated at US$16,240 and thus unaffordable to some of the current residents. Efforts were made to accommodate those people by offering them units on a lease basis. A total of 1,268 units had been built and handed over to beneficiaries by 2010.

The project suffered from a number of problems, including a high level of subsidies and arrears, which affected financial viability of the project; land availability and changes in design; and increases in construction costs. As a result, activities ceased for some time while the NHT reviewed the project to determine viable housing options for inner-city renewal. During FY2013/2014, the NHT targeted the communities of Majesty Gardens, Frog City, and White Wing for intervention. Forty-eight units were completed and handed over to beneficiaries at Majesty Gardens in December 2013, and construction began in March 2014 on an additional 32 units at Majesty Gardens at a cost of US$1.5 million.

The 32-unit development will be a new model for NHT inner-city housing. There will be a single story starter unit with room for expansion. The beneficiaries of these units will be provided with free designs to accommodate the expansion. Under this revised housing model, which was developed by the Urban Development Corporation (UDC), beneficiaries can customize their units as their resources permit and in line with the stipulations of the covenant approved by the local authorities, the Kingston and St. Andrew Corporation (KSAC). Social surveys to inform NHT's intervention in the other communities were undertaken for construction to begin in 2014/2015.

In 1974, the government approved an interest-free loan from the Sugar Industry Stabilization Fund to finance housing for workers in the sugar industry. In 1975, a statutory body, the Sugar Industry Housing Limited (SIH), was established. It built approximately 3,500 units for sugar workers between 1976 and 1982. In 1997, the SIH ceased to operate, and in February 2000, the Sugar Workers' Housing Programme was launched as a joint effort between the NHT, the Government of Jamaica, and the trade unions representing sugar workers. This program is geared to the provision of low-cost housing for people that work at the nine participating sugar companies across Jamaica.

To date, 1,891 lots have been distributed in six of the planned nine housing developments. The scheme is heavily subsidized, with lots priced between US$4,166.66 and US$5,833.33 being sold for US$2,916.66 (with on-lot sewage disposal) and US$3,291.66 (central sewage system). An additional subsidy of US$19.4 million has been earmarked for construction activities. The NHT waived the closing costs and legal fees for sugar workers whose income placed them in the 2 percent and 3 percent income bands. People could choose to make deposits, and if they did not, the deposit was calculated as part of the mortgage (Government of Jamaica, 2014).

The NHT, in partnership with Food for the Poor, introduced the First Step Homes Project in 2012. A super studio (starter) unit that can easily be converted to a two-bedroom unit with living and dining quarters will be provided under the program. In the starter units, beneficiaries will have to install fixtures and fittings before occupation. The units, which cost US$10,000 to erect, are available to contributors who already own land or have permission from a landlord to build on the land. The NHT has undertaken to build 180 of these units annually on serviced lots sold in NHT schemes. In FY2013–2014, the NHT handed over 67 of these units to beneficiaries. The NHT is targeting its lower-income contributors, enabling them to own a home (including land) for approximately US$20,000 (NHT Annual Report, 2013–2014).

Also in 2012, the Ministry of Transport, Works and Housing, the HAJ, the NHT, and Food for the Poor entered into a partnership agreement to build 600 concrete units and 1,200 wooden units over a 12-month period under the Jamaica Emergency Employment Program (JEEP). The government contributed US$4.2 million in grant funds from the Petro Caribe Development Fund to the project. The NHT sold the concrete units on the open market, while the wooden units were distributed island-wide, free of cost to beneficiaries drawn from Food for the Poor's list of applicants and people recommended by church and community groups and political representatives.

The former Ministry of Local Government established the Indigent Housing Programme to provide housing for the country's indigent (people without homes of their own who reside in infirmaries and others who live in their own homes but require government assistance). The Ministry of Labor and Social Security provides housing assistance to families displaced by floods or rains during the annual hurricane season and to victims of other natural and man-made disasters.

Since the 1960s, the government has pursued a policy of building housing units for sale or rent. Major public housing schemes were built for rent as part of slum clearance and re-housing schemes. The record of recovering rental payments in these schemes has been dismal. The problem is attributed to poor attitudes on the part of the tenants as well as inefficient cost-recovery mechanisms. Poor cost recovery has resulted in institutional recapitalization and capital inflows for maintenance and new schemes.

In this regard, the ministry made a policy decision to divest its 4,648 rental properties, consisting of houses, apartments, and townhouses. The tenants who purchase their units are required to pay a 20 percent deposit upon signing the sales agreement and will be given six months to complete the payments. The sale also carries a small administrative fee. Hundreds of tenants, some of whom have been living in the units for over 40 years, have been given the opportunity to purchase these units from the ministry at concessionary rates.

The ministry is proposing amendments to the Rent Restriction Act, which has been a disincentive to investment and maintenance in the private rental market. The act will be amended to standardize conditions under which property can be rented, phase out aspects of rent control remaining on the books, and standardize some rental practices, such as security deposits. The proposed amendments include: renaming the law to reflect

changing housing policy; removal of rent control from public and commercial buildings; setting minimum standards for premises; legalization of security deposits; establishment of a court to deal with rental cases; and increasing fines and penalties for violations of the Act.

Housing Finance

Most housing finance in Jamaica takes the form of home mortgages, with the government servicing the middle- and lower-income groups, while the private sector serves the more affluent households. A number of public and private institutions provide interim and long-term financing for the housing sector. With regard to interim financing, the main private sector players are commercial banks, insurance companies, and trust companies. Public sector institutions providing construction financing for housing are the JMB and the NHT.

One of the problems in the housing finance system is determining how much financing private institutions are providing for construction. Various estimates suggest that approximately 25 percent of loans and advances by commercial banks to the construction sector were for residential construction, while private sector institutions provide less than 20 percent of total interim financing for housing. The NHT is the single largest supplier of interim financing for low-, lower-middle- and middle-income housing built by either the public or the private sector.

The JMB and the Ministry of Transport, Works and Housing's budget allocation are the other sources of interim financing for the public sector. The JMB's primary target market is public and private housing developers who are able to build housing units for sale within the US$75,000 to US$125,000 price range. In the past decade, the JMB has financed approximately 38 percent of housing starts island-wide.

JMB's secondary market operations were to be its main thrust when it was established. Initially, the bank generated a fair amount of activity in the secondary market, providing liquidity support to primary mortgage lenders. This was short-lived, however, because in the latter part of the 1970s, the government used the bank as a borrower of USAID Housing Guaranty (HG) loans. A series of devaluations resulted in the bank's incurring significant foreign exchange losses, which impaired its financial position. The secondary mortgage market operations were further constrained by increased liquidity in Building Societies brought about by a lifting of the ceiling by the Bank of Jamaica in 1985 on interest rates payable from Building Societies.

In 1996, the bank's secondary market operations were reactivated, with JMB's expansion and growth to be financed by mobilizing resources through bond issues and direct loans. The JMB launched its secondary mortgage market (SMM) facility in April 2011. Through the SMM, primary lenders could offer lower rates on mortgages over time to provide 4,000 new housing solutions for low and middle-income earners. The JMB at that time was offering these funds through the GSB/Churches Credit Union at 11.96 percent, which was then below the prevailing rate of 13.5 percent (Roache, 2011). It was anticipated that interest would be generated in the market, which would result in further reduction of the interest rates. Rates have subsequently fallen, bottoming out at 9 percent.

In 2015, the government announced the JMB's Home Deposit Financing Facility. Under this facility, the JMB will make funds available to financial intermediaries for on-lending to their customers in the form of a deposit loan. The maximum amount to be lent will not exceed 15 percent of the sale price of the property, and the price of the property should not exceed US$125,000. The introduction of this facility was possible thanks to amendments to the Mortgage Insurance Act in 2014. The amendments allowed for the percentage of the appraised value of a property on which a loan is granted to be increased from 90 to 97

percent. The amendment was aimed at making mortgages more accessible to homeowners by removing the deposit requirement, which is often an obstacle to homeownership in Jamaica.

The Housing Fund is a statutory fund established under section 57 of the Housing Act (Act 55 of 1966). It is made up of monies received from the central government; monies received for the development of housing schemes; monies derived from the sale and rental of housing schemes; and monies accruing from interest to the fund. The Government of Jamaica plans to resource and revitalize the Housing Fund to focus on providing 50–60 year (intergenerational) mortgages. The objective is to allow young persons to combine with family members on mortgages with lower monthly payments. The government also envisages that intergenerational mortgages will allow the NHT and the HAJ to develop a secondary mortgage market that would provide liquidity from pension funds and other investors to the housing sector. The main purpose of a restructured and revitalized housing fund is to lower interest rates and provide more affordable housing in all segments of the market.

The NHT is the principal supplier of mortgage financing, as indicated in Table 16. Of note was the increase in the number and value of mortgages issued by the Building Societies in 2004. The relatively low interest rates, combined with other incentives to attract first-time homeowners and holders of land titles, contributed to the increase. However, the NHT regained its market share in 2010 with the reduction of its interest rates ranging from 1 percent to 6 percent. The HAJ does not provide mortgage or home improvement loans at this time. As of March 31, 2013 the agency's mortgage portfolio is comprised of 6,925 mortgages with an asset value of US$10 million.

The Government of Jamaica provides a variety of housing subsidies. These include the production of below-cost houses for sale and rent. Rents collected for Ministry of Water and Housing properties were well below market rates and the cost of an appropriate level of maintenance. The ministry is in the process of divesting these properties. Charges under Operation PRIDE programs have failed to cover the cost of the most basic infrastructure, water, roads, and drainage. The shortfall has resulted in the severe shortage of investment funds and prevented the NHDC (HAJ) from completing projects under the program.

The NHT sold units in its urban renewal project in downtown Kinston at well below market rates. The NHT has provided mortgages at subsidized interest rates but these subsidies have not been reaching the most needy. While the most recent housing projects introduced by the NHT and government have tried to target lower-income groups, it may be time to re-examine targeting methods, since the better-off contributors are receiving most of the benefits.

TABLE 16. Mortgage Financing Provided to the Housing Sector, 2000–2013

	Number of mortgages				Value of mortgages (J$ millions)			
Institution	**2000**	**2004**	**2010**	**2013**	**2000**	**2004**	**2010**	**2013**
National Housing Trust	4,857	6,677	6,806	7,916	4,501	4,383	15,715	21,697
NHDC (HAJ)	57	441	0	0	37	122	0	0
Building societies	1,527	3,489	1,479	1,649	2,320	7,630	8,910	12,285
Credit unions and insurance companies	38	848	7	7,743	24	1,137	49	3,726
Total	**6,479**	**11,455**	**8,292**	**17,308**	**6,870**	**13,272**	**24,674**	**37,690**

Sources: Planning Institute of Jamaica (April 2005), Economic and Social Survey Jamaica 2004, and National Housing Trust (June 2014) Annual Report 2013–2014.
Notes: HAJ did not extend mortgage loans in 2010 and 2013. Some of the columns may not add up due to rounding.

7

Suriname

Institutional Framework, Policies, and Strategies

Several ministries and agencies are involved in the housing sector in Suriname. They include the Ministry of Social Affairs and Housing, the Ministry of Planning, the Ministry of Spatial Planning, the Ministry of Energy, and their affiliated agencies. The absence of clearly defined institutional roles and the lack of coordination among these organizations have resulted in overlapping, inefficient use of available resources, and the inability of the sector to identify and pursue a consistent set of objectives. In this regard, an 11-point action plan to address the main constraints besetting the sector was developed in 1997.

Institutional reform was the first activity to be tackled under the action plan. Other components of the action plan included: strengthening of the Ministry of Housing and Social Affairs to develop, implement, and monitor policy initiatives; encouraging the private sector and NGOs to play a greater role in the sector; targeting households with low and moderate incomes; improving access to serviced land; establishing a quality institute to focus on building materials standards and testing; and capacity building for all stakeholders in the sector.

Most of the policy reforms set out in the action plan have not been achieved, and institutional reform remains unresolved in Suriname. The continued lack of coordination among these organizations affects their capacity to respond effectively to the country's housing problems. The lack of an appropriate mechanism through which the responsibilities of the organizations involved can be synchronized results in improper planning and haphazard project implementation of projects.

The most important policy initiative undertaken in the sector to date was the LISP. The first LISP started in 2001, with a US$9.8 million loan from the IDB and Suriname government counterpart financing of US$2.5 million and a contribution from the government of The Netherlands of approximately US$2.7 million. LISP-1 provided direct demand subsidies targeted to low- and moderate-income households, largely for housing rehabilitation and expansion.

LISP-2, which ran from March 2010 to December 2015, was financed with a loan from the IDB in the amount of US$15.0 million and a US$314,000 government counterpart contribution. LISP-2 continued the program started under LISP-1, providing a single upfront subsidy for the poorest families to build new homes or improve existing

ones. Additionally, LISP-2 implemented pilots that tested housing and institutional arrangements that addressed the needs of low-income families, thus increasing the supply of affordable housing solutions.

Population and Housing Deficit

According to the 2012 Population Census, Suriname had a population of 431,638 inhabitants, up from 429,829 in 2004.[1] With 3.3 people per km^2, the country is sparsely populated. However, about 85 percent of the population lives in the 30 km. Northern Coastal Plains. The urban population, 69.7 percent of the total, mostly lives in the capital city of Paramaribo. Paramaribo's population declined to 236,005 (51.3 percent of the total population) in 2012 from 242,946 in 2004,[2] due in large measure to urban sprawl.

Land use planning for Paramaribo is generally ineffectively coordinated with responsible ministries, and the legal and administrative framework for planning needs to be updated. There is no urban development plan for greater Paramaribo, which has led to urban sprawl. A major initiative underway is the creation of a satellite city, Richelieu, outside Paramaribo on the other side of the river. However, there are concerns that planning for sustainable development has a low priority in Suriname, as the authorities have encouraged waterfront development in the northern part of Paramaribo along the coast despite the country's low-lying terrain (Soule, Scruggs, and Blue Space Caribbean, 2014).

The effects of climate change are becoming more evident with the increasing incidence of natural hazards, such as flooding and drought. Suriname is one of the most vulnerable of all Caribbean countries to climate change impacts, particularly sea level rise, as 80 percent of its population lives along the coast. The effect of rising sea level is exacerbating disaster risk by increasing coastal erosion, land degradation, coastal and inland flooding, salinization of fresh water resources, and destruction of fragile ecosystems. Climate change also poses threats to the social environment and social equity, as those most in danger are marginalized communities and other vulnerable groups.

Data from the 2004 Population Census indicate that household size is decreasing. The percentage of households with 1 to 4 people to total households has declined from 66 percent in 1980 to 54 percent in 2004. Approximately 65.5 percent of households own their own homes, and 15.2 percent live in rented accommodation. Squatting and illegal occupation of buildings is not common in Suriname. Today, the housing stock includes approximately 80,000 units.

Since the mid-1980s, the decline in real incomes, together with high mortgage interest rates, land market bottlenecks, and high building costs, have made housing unaffordable to all but the most affluent households. Housing production averages only one-half of household formation, which is estimated at 1,350 per annum nationwide. Thus, a large, pent-up demand for new units has accumulated over the years. In addition, lack of maintenance has resulted in deterioration of the housing stock, which requires rehabilitation or replacement on the order of 1,600 housing solutions per year (Buursink International Consultants, 2005).

Rapid unplanned migration to urban areas has exacerbated the housing crisis. The economic decline of the 1980s fueled rural-to-urban migration, which continues to exert pressure on the housing market of Paramaribo. In addition, government-assisted housing construction came to a halt until it was recently restarted. Much of Suriname's housing stock was built over 50 years ago and is partly constructed of wood, which is costly to maintain due to the moist climate and termite infestation. Most households are unable to rehabilitate their houses or to build on the serviced lots they received through previous government housing. Neighborhoods have declined along with

[1] Population Statistics of Suriname, Statistical Office of Suriname at www.knoema.com.

[2] Ibid.

their housing stock. As a result, some parts of Paramaribo have a dilapidated appearance.

Housing demand puts backlog at 8,200 units, 2,100 to 2,400 units needed annually for new household formation and replacement of the stock at 800 units per annum. Overall, new construction has been estimated at 3,700 units to 4,200 units per annum and 1,600 units in need of repairs annually. At the same time, Suriname's housing policy focused on middle-income groups and families on the bottom 40 percent of the income distribution.

Development of the Housing Market

Although new housing production is well below new household formation, the housing problem is mainly qualitative. Approximately 10,000 units are severely dilapidated and need substantial rehabilitation. Additionally, there is an alleged shortage of serviced land in Paramaribo, and, although there are no precise figures, it is estimated that there are over 10,000 serviced lots in the country (McHardy, 2005). However, these lands are not available for building, as the owners are either overseas or people are speculating. These plots are not maintained, and where there is infrastructure it is deteriorating for lack of maintenance. However, there are no laws in place to promote better land use practices and discourage speculation.

If built on, these lots could cover Paramaribo's new household formation at current rates for approximately two decades. However, many of these parcels are large and unaffordable to low- and moderate-income groups. Morris and Piedrafita (2008) point out that a typical 80m^2, fully serviced house on a 300–400m^2 plot deemed by government officials to be minimally acceptable low-income housing is not affordable to over 80 percent of the country's households unless heavily subsidized. Beimin (2013) indicates that land in Suriname is expensive but, despite high land costs, lots are very large and in many cases not fully utilized. Beimin (2013) suggests that plots need to be reduced in size to make land affordable to low-income groups.

Consequently, the housing market in Suriname is focused on rehabilitation/expansion of existing units and in-fill new construction on lots already owned by low- and moderate-income households. These lower-cost solutions also represent the only financially feasible alternatives for low- and moderate-income households as a result of the level of subsidies that government can afford, low real income, and high mortgage interest rates (Morris and Piedrafita, 2008).

Land in Suriname may be acquired through either purchase on the open market or government allocation. According to the Constitution, everyone in Suriname is entitled to land, but there is not enough serviced land to distribute to everyone. The government has divested many serviced lots and continues to distribute roughly 2,000 lots per year (Buursink International Consultants, 2005). However, this land divestiture program is not coordinated with housing initiatives, and the rate at which these lots are developed once divested is very low. Additionally, urban land allocation, when done, is not targeted at low-income families, and the process of allocation is not transparent. These problems mean that there is never sufficient land to undertake a new construction program.

There is also a need to improve the process of land titling and registration. Many titles are not properly registered, resulting in outdated information at the Land Registry Offices. The process of registering land is complex and lengthy, particularly if it is tribal land, which is not recognized by the government. To facilitate the application process for potential beneficiaries, LISP accepted several alternative proofs of titling, referred to as intermediate titling.

The drop in real incomes and bottlenecks in housing supply have led to a deterioration not only of individual homes but of neighborhoods. The response of many has been to form CBOs and NGOs. The government has increasingly been working

with these NGOs to assist in the delivery of housing as the government withdraws from direct construction. Currently, most NGOs build housing for rental for middle-income groups but are unable to build for low-income groups because of the cost of land.

Formal Housing Production: Public and Private Sectors

There are few private developers operating the formal sector in Suriname, and they produce units mainly for middle- and upper-income groups. Most housing is built by individual homeowners using the services of small contractors, making the industry very inefficient, as there are no economies of scale. There are many small contractors operating in the sector because most housing is self-built and self-financed. Additionally, construction costs in Suriname are high, as most building materials are imported and thus subject to foreign exchange and price fluctuations. The government's plan to establish a quality institute focusing on building materials standards and testing have not materialized.

Building permits issued in Paramaribo numbered approximately 4,000 in 2004. The bulk of them were for commercial developments, and those that were for housing served mainly affluent households. In order to increase capacity in the construction sector, particularly among the country's numerous small contractors, a program is needed to improve efficiency and effectiveness and the quality of skills in the sector.

Traditionally, the government hired large construction companies to build relatively large units ($80m^2$) on large lots (400 to $500m^2$). These units were then sold at highly subsidized prices, sometimes with deep interest rate subsidies. Under LISP-1, instead of below-market interest-rate financing and the turnkey development of housing units, the government agreed to a direct demand subsidy targeted at low- and moderate-income households. The program was expected to guarantee a higher level of involvement of the families in the construction of their own houses, reduce rents, increase the availability of houses, and reduce housing investment costs for the government (Government of Suriname, 2003).

Informal Housing Production

Incremental building is a fairly common practice in Suriname. Lot owners will build a small shack or hut on their lot to house their families while construction of the house is underway. The lot owner stores building materials used during construction on the lot. As the owner's financial situation improves, additions to the unit will be made incrementally depending on the available funds. Squatting is not widespread and takes place mainly on government-owned land.

Demand Characteristics

Approximately 43.1 percent of the population of Suriname lives in multidimensional poverty.[3] The Suriname Housing Market Report prepared for the IDB reported that it costs US$250 per square meter to build a basic house in Suriname (Morris and Piedrafita, 2008). Therefore a basic house of $40m^2$ would cost a low-income family US$10,000 (excluding land).[4] Without a subsidy, a family would need a monthly household income of at least US$430 and own a plot of land to be able to afford such a house with a 20-year mortgage at market rates of 14 percent interest and a 10 percent down payment (Morris and Piedrafita, 2008). Morris and Piedrafita (2008) point out that this income requirement makes it impossible for families with household incomes in the first to the fifth deciles (less than US$300 per month) to afford a house in Suriname without subsidies.[5]

[3] The multidimensional poverty index is an international measure of acute poverty covering over 100 developing countries. The MPI measures deprivation across several dimensions.
[4] US$ 1: SR$2.7 (2008).
[5] Morris and Piedrafita use consumption data rather than income to calculate income deciles.

Morris and Piedrafita (2008) indicate that with subsidies of up to US$3,000 families in the fourth and fifth deciles would be able to acquire a basic unit costing US$10,000 at current market interest rates. Families below the fourth decile would have to qualify for a US$6,000 loan. Families in the third decile would qualify for a mortgage to finance a new home with a subsidy if interest rates were reduced to 10 percent. Lower-income families could not meet mortgage repayment requirements, which underscores the need to maintain subsidies for renovation or expansions that can be accessed without obtaining a mortgage (Morris and Piedrafita, 2008).

Housing Programs

LISP-1 and LISP-2 were major housing initiatives undertaken in Suriname. LISP-1 ran for seven years, 2001 to 2007, and LISP-2 was implemented between 2010 and 2015. The objectives of LISP-1 were to: improve the housing conditions of low- and moderate- income households; provide institutional support to participating private financial institutions, NGOs, and CBOs to help underserved households in lower- and middle-income neighborhoods improve or build a house; and make shelter policies and subsidies more efficient, equitable, and transparent.[6]

LISP-1 targeted both neighborhoods and households. Household eligibility criteria were used to select individual families and were based on socioeconomic parameters of the applicants. Neighborhood eligibility criteria were based on settlement and social parameters and provided the basis for geographic targeting. The two sets of criteria were intertwined and intersected to define selected beneficiary households.

LISP-1 had three components: (i) up-front subsidies to stimulate investments by low- and moderate-income households to rehabilitate their houses and build new ones; (ii) technical assistance to private financial institutions, NGOs, and CBOs to strengthen their capacity to participate in neighborhood-based housing programs, and payment of performance-based fees to these institutions to execute various aspects of the program; and (iii) strengthening of the public sector's capacity to enable the development of low- and moderate-income housing and reform of the policy and regulatory framework.

The main criteria for selection of neighborhoods to be upgraded in the program were (i) at least 60 percent of neighborhood population has low or moderate income; (ii) the neighborhood is in need of home improvement; (iii) basic utilities are available (water, electricity, drainage, and accessible roads); (iv) the neighborhood or cluster rural settlement is not in swamps or subject to recurrent flooding; and (v) the neighborhood is not affected by land contamination or well water contamination.

The main criteria for household selection were: (i) applicant must be over 18 years of age; (ii) applicant must be a Surinamese citizen; (iii) applicant household includes two or more related members; (iv) applicant or members of applicant household family group must not own a house or a plot of land different than the one to which the housing incentive will be applied; (v) applicant owns or has a long-term formal lease to an eligible plot of land no larger than 500m^2 in urban areas, or owns or has a long-term lease in a rural cluster settlement; (vi) applicant dwells in an eligible neighborhood, or has an unbuilt plot in such a neighborhood; (vii) applicant household has earnings below the threshold of a monthly average income equal to or less than the 75th percentile of the income distribution of public servants. The program would periodically adjust the eligible income criteria.

The housing incentive was a one-time conditioned donation, as an upfront, direct, demand-driven subsidy, focused on specific pre-selected neighborhoods and individual low-income households, and disbursed through a transparent and

[6] The information on the LISP was taken from the Low-income Shelter Manual, 2005.

automatic scoring system. The housing incentive was designed to bridge the gap between household purchasing capacity and the market price of a housing solution. Families living in eligible neighborhoods and within LISP parameters can become beneficiaries of the housing incentive.

Financing of a housing solution under LISP-1 consisted of two components: the housing incentive and the household contribution. The housing incentive was at a pre-set value of US$3,600 for newly built houses and US$1,500 for expansions, renovations, and repairs. Household contribution was composed of: (i) monetary compulsory savings, representing a minimum percentage of the housing solution's cost, fixed at 15 percent of the housing solution for newly built houses and US$150 for housing expansions, renovations, and repairs; (ii) a housing loan, if eligible, provided by a participating financial institution or any other financial institution or independent source; and (iii) contributions in building materials certified by a registered NGO and/or building labor, supported by a signed agreement from the household head. Only households that could afford a mortgage loan would qualify for a housing loan.

A computer model developed for the PIU determined the level of subsidy and eligibility. The PIU would disburse subsidies to the participating financial institutions. After the approval of applications, the PIU authorizes the financial institutions to distribute the subsidy to the approved applicant who opened a bank account at the financial institution in which all necessary funds for the specific housing solutions were lodged. In addition, the PIU coordinated all activities of the NGOs and financial institutions to assist the households, and determined the rules for participating households, financial institutions, CBOs, NGOs, and building contractors.

Once the PIU was satisfied that the requirements were met, it issued a Housing Incentive Certificate (HIC). The HIC guaranteed the PIU's approval of a subsidy for an applicant and its commitment to make available the exact amount stated therein once all closure requirements had been met by the applicant and the financial institution. The HIC was made out in the name of the applicant and was not tradable.

Housing incentives were used under two modalities: home improvement and new core infill housing. Approximately 63 percent of investment resources were earmarked for home expansions, improvements, or rehabilitation. Eligible improvements include interior and exterior improvement or replacement of the housing structure, utility extension or new hookups, and upgrading of onsite services, such as drainage and septic tanks, and extension of the existing house. The amount provided for the minimum home improvement solution was US$1,650 and the maximum was US$4,000. The subsidy and monetary own contributions were fixed amounts of US$1,500 and US$150, respectively. Loans and household contributions in the form of labor and construction materials completed the budget needed for home improvement in eligible neighborhoods.

Approximately 37 percent of LISP-1 investment resources were earmarked for the building and completion of new infill houses in selected neighborhoods. The conditions for housing options financed under this subcomponent were: (i) housing solutions needed to be between a minimum cost of US$4,000 and a maximum cost of US$10,000; (ii) new infill housing would receive a fixed subsidy of US$3,600; (iii) new houses would be built as infill to consolidate selected neighborhoods; (iv) the own contribution consisting of minimum monetary savings is equal to 15 percent of the budget; (v) housing loans will vary upon need and cost of selected unit; (vi) household contribution in labor or building materials will diminish the need for a loan; and (vii) the financing package must be demonstrated prior to the approval of the HIC.

In order to assign housing incentives in an impartial and objective way and to ensure the maximum possible transparency and lack of human interference in the allocation process, a scoring

system was devised to automatically assign points to applicants on the basis of agreed and known criteria. Although LISP was using twofold selection criteria, the scoring system was developed for household selection only, as neighborhood selection was defined through the conditions which determine neighborhood eligibility.

The household scoring system was twofold with respect to home improvement and new infill housing. The criteria for home improvement were defined based on actual conditions of dwellings and household conditions, while the criteria for new infill housing were based on financial position and social condition of the household. Table 17

TABLE 17. Household Scoring System of the Low-income Shelter Programme Home Improvement

Criteria	Weight (%)	Indicator	Scoring	Points
Overcrowding	15	Number of adults per bedroom	3 or more 2 1	Max 150 100 0
Head of household	12.5	Single parent or couple	Single parent Couple	125 65
Handicapped members	12.5	Head of family Children (1 or more)	65 points 30 points each	125
Household family group	10	Number of family members	12.5 points for each family member (father, mother, children, grandparent living in household) up to eight	100
Income	10	Income level, reverse	Less than 100 101 to 150 150 to 200 200 to 326	100 75 50 25
Savings	10	Deposits over minimum US$500	20 points for every extra US$100, up to US$1K	Max 100
Type of improvement	10	Match of priorities between household and LISP	Sewage and sanitary unit New roof Structural repairs Additions and other repairs	100 70 50 30
Actual structural condition	5	Stability, condition of structural materials (i.e. termites)	Risky Fair Good	50 20 0
Actual building materials	5	Quality of roof, floors, and walls	In need of replacement In need of repair	50 30
Actual facilities	5	Bathroom and kitchen	Outside Inside in need of repair Inside fair	50 30 0
Actual sanitary solution	5	Lack of septic tank Open drainage Sewage Water taps	Connected Out of property	50 20 0 50
Maximum Score:				**1,000**

(*continued on next page*)

TABLE 17. Household Scoring System of the Low-income Shelter Programme Home Improvement *(continued)*

New Core, Infill Housing				
Criteria	**Weight (%)**	**Indicator**	**Scoring**	**Points**
Additional monetary savings	30	Deposits over 15% of house price	20 points for each US$50	300 max
Income	20	Income level, reverse (Less income, more points)	Less than US$100 US$101 to US$150 US$151 to US$200 US$201 to US$250 US$251 to US$326	200 max 180 120 80 50
Household family group	20	Number of family members, up to eight	25 points for each family member (father, mother, children, grandparent living in household) up to eight	200
Head of family	15	Single parent or couple in charge of household	Single parent Couple	150 75
Handicapped	15	Head of family or children (up to two)	Head Children	150 75 each
Maximum Possible Score				**1,000**

Source: LISP-1 Manual.

illustrates the scoring systems that were used for these two modalities. The targeting system that was developed identifies qualified families without having to rely on self-reported incomes or pay slips.

To participate in the program, private intermediary financial institutions such as banks and credit unions had to present the PIU a request to participate, approved by the Board of Directors of the requesting institution. The PIU evaluated the technical and financial viability of the request and presented it to the Board of Directors of the LISP with its recommendation. Upon approval by the Board, the PIU and the requesting financial institution signed an agreement of participation, which was reviewed on an annual basis for renewal or termination.

The PIU used the following criteria to evaluate the participation of financial institutions: geographical and logistical coverage consistent with LISP goals; personnel that would provide assistance to LISP households; the institution must be subject to control by the Banking Board (Central Bank of Suriname); in compliance with banking laws; show positive financial results in the previous annual exercise in accordance with the period audit reports; and have an index below 10 percent on loans in arrears for over 90 days.

Financial institutions handled the loan and subsidy application, underwriting, and servicing. Lenders charged approved fees to the beneficiary borrowers under the program. Lenders also administered subsidies for households that did not qualify for a loan. For these non-borrowing households, the program paid an administrative fee per applicant to the financial institution for filing the subsidy application, underwriting the customer and the property, and disbursing funds.

Participating NGOs were selected by the PIU and were the operational intermediaries of LISP-1. To operate, they had to be approved and registered by the PIU. A performance-based administrative fee was paid to NGOs for processing incoming applications and assisting households in preparing the information necessary to qualify

for the subsidy and loan. CBOs, including those organized for the program, represented the interests of target groups, helping the NGO to reach, inform, and assist potential households during the application phase and to guide participating households during the construction process. The CBOs were registered in accordance with the procedures and requirements of the PIU.

Those interested in participating as local home builders and rehabilitation contractors in the LISP were required to register and later be accredited by the PIU, in accordance with the procedures and requirements that were set and approved by the PIU's Foundation Board of Directors. Contractors that fulfilled such requirements were eligible for LISP training in order to gain accreditation and allowed to work with all actors, beneficiaries, and the PIU in developing home improvement and financial plans for applicants; provide professional services to beneficiary households that may require building assistance or technical advice on either new building or housing improvement; and allowed to work according to the standards, rules, and guidelines set by the local construction authorities and/or the PIU.

Participating households were those eligible households, living in eligible neighborhoods, that file their completed applications and supporting documentation with an authorized financial institution with the assistance of an NGO; receive a subsidy; and, if qualified or needed, obtain a loan and maximize their contribution to build a new home or improve an existing one.

LISP-1 was fairly successful in implementing the subsidy component of the program. The LISP Manual projected that 63 percent of subsidies would be for rehabilitation and 37 per for new construction, resulting in about 4,000 subsidies at an average cost of US$2,100. At its close, the program had provided 3,667 subsidies to beneficiaries, falling just short of its target. At US$2,650, the average loan was also slightly higher than the projected US$2,100, while 68.5 percent of subsidies went to rehabilitation and 9 percent to new construction.

The PIU estimated that approximately 97 percent of all beneficiaries met the income criteria of the program. Morris and Piedrafita (2008) point out that this may not be accurate, however, for several reasons. There was a system in place to determine whether applicants were telling the truth about their incomes. In the initial stages of the program, only the income of the head of household was used; thus, there may have been underestimation of total family income of the beneficiary. Moreover, as net income and not gross income was used, households were able to deduct too many items that should have been included in the calculations. Morris and Piedrafita (2008) conclude that some beneficiary households included in the program did not qualify for subsidies because they belonged to income groups higher than those targeted under the program.

Only four private financial institutions participated in the program: two cooperatives, one bank-related institution, and one NGO. The NGO did not provide any loans under the program. Of 3,667 LISP beneficiaries, only 595 (16 percent) received credits from financial institutions associated with the program. As a result, the program was unable to leverage its own resources with funding from financial institutions associated with the program. Some beneficiaries may have received credits from financial institutions outside the program which they did report to the PIU (Morris and Piedrafita, 2008).

Generally, LISP-1 was fairly successful in implementing the subsidy component of the project, although there is a need to improve the efficiency of the entire allocation system for subsidies and provide training to financial institutions, NGOs, and CBOs to enable more of them to participate in the program. LISP-1 failed, however, to implement any of the activities under the policy reform component of the project. This may be because many of the reforms proposed were beyond the scope

and capacity of the PIU, or because some of the proposed reforms fell outside of the mandate of the Ministry of Social Affairs and Housing.

LISP-2 was implemented to give continuity to the enabling housing markets approach that has been adopted by the Government of Suriname since 2001. LISP-2 consisted of two components: (i) consolidation of the subsidies in both the coastal area and the interior of the country; and (ii) pilot development to promote housing supply for low-income groups. LISP-2 provided a one-time upfront subsidy per household that can be used to either improve or expand existing living arrangements, or toward the down payment for a new house. Families either need to own land on which to build a house or they can apply for a subsidy to improve their current housing situation. Eligible household have a maximum income less than or equal to US$400, and a cap of US$15,000 per unit was set to ensure that beneficiaries could meet their mortgage payments (Piedrafita, 2014).[7]

In the four years since the inception of LISP-2, more than 2,000 homes have been expanded or improved, but only 67 new homes were built, the latter falling well short of the target. This shortfall occurred even though two large developers, collaborating on the design as part of LISP-2, produced a 50m^2 model house for a cost US$15,000 and two financial institutions provided mortgages. This is because program beneficiaries are too poor to pay for land and a mortgage for a newly built house at the same time. LISP-2 demonstrated that while subsidies can increase the ability of low-income earners to buy new homes, the lack of affordable land remains a major obstacle in Suriname.[8]

New houses were built mainly on the same lot as that of a family member, and only 87 of the newly built homes were built on government-sponsored housing developments where the land was given free to beneficiaries. Given the high costs and low availability of urban land, most beneficiaries preferred to spend the subsidy on improving their homes. Beneficiaries spent the subsidy on purchasing materials or hiring contractors to fix roofs, install tile floors, improve water and sewer connection, or add on new rooms.[9]

The government is also looking at other initiatives to accelerate housing production. The Government of China is funding the construction of 200 units for low-income families. Suriname has also entered into an agreement with China to produce pre-fabricated homes for export to South America and the Caribbean.[10] By making serviced land available for the Housing Sector Program, the government hopes to encourage the participation of the private sector and NGOs. In addition, as a result of the availability of land, interest groups are mobilizing to provide housing.

For some time, the Government of Suriname has been working on the development of a satellite city on a large plot of unserviced land it owns about 14 kilometers east of Paramaribo. The project will involve the construction of low- and middle-income homes on approximately 4,000 plots. The Housing Foundation, which is managing the project, is developing the first phase of the project, which would consist of 135 lots on 78 hectares. The first phase would be a pilot project developed entirely by the government, which would not only service the land but also build the houses. However, the plots are large, approximately 770m^2 (Beimin, 2013), and Suriname needs to reduce plot sizes in order to make land affordable for low-income groups. Over 80 percent of the country's households cannot afford a typical 80m,^{2} fully serviced house on a 300–400m^2 plot unless it is heavily subsidized (Morris and Piedrafita, 2008).

Some NGOs working in social housing have established a platform, Network Habitat Platform, for social housing and social house building.

[7] Housing for All: Lessons from Suriname, blogs.iadb.org.
[8] Ibid.
[9] Ibid.
[10] Jamaica Observer August 15, 2014, www.jamaicaobserver.com.

Social housing uses available space for housing, such as an abandoned factory. There are approximately 20 NGOs and one CBO in the network. Six of these are very active in the network (Habitat for Humanity, Caesarea, Women in Business, National Women's Movement, NGO Forum, and Secrepatu), while the other 14, made up of foundations and unions, participate less frequently. Habitat for Humanity, Ceasarea, and Secrepatu specialize in building houses. The network was set up to eliminate overlap, share information on other organizations' plans and coordinate activities, and influence housing policy, including a review of laws and taxation (McHardy, 2005).

The government operates a rental scheme but is in the process of divesting its rental units. Rental housing has been plagued by low and uneconomical rentals, poor recovery mechanisms, and maintenance problems. The Surinamese Housing Foundation currently rents 750 units, while the Foundation for Building and Exploitation rent 800 units.

Housing Finance

The housing finance system is Suriname is not well developed. There is no secondary mortgage market; thus, all lending takes place in the primary market. There are no public institutions involved in direct housing credit except for publicly owned banks. The main actors are private organizations, such as commercial banks, finance companies or trusts, credit unions and cooperatives, and unregulated NGOs.

As part of the central bank's monetary policy, all banks are required to hold 25 percent of their liquid assets in a non-interest-bearing account. The central bank has given permission to commercial banks to use up to 40 percent of these reserves to provide mortgages for people within a certain income bracket at an interest rate of 7 percent and in accordance with rules established by the central bank. This initiative has had a significant impact on the housing finance system, as it is the largest housing subsidy program in Suriname in terms of amounts and number of credits per year. However, Morris and Piedrafita (2008) point out that the initiative is poorly targeted, as the beneficiaries of the scheme are families with incomes in the highest four deciles of the income distribution. They further state that while the scheme has helped promote mortgage lending in the country, in the process it has created distortions in the financial markets, whereby there is a two-tiered system with prevailing market rates running at 13 to 17 percent depending on the institution.

Additionally, the average loan size under the initiative is US$17,000 with a subsidy amount of approximately US$7,000, which is almost twice the subsidy under the LISP subsidy for new home construction. Under the initiative, only the richest families, those in the ninth and tenth deciles, can afford a loan at that size, and the subsidies they are receiving are much higher than the subsidies offered by LISP to lower-income groups. There is also overlap between this initiative and LISP, as the maximum net income required under LISP was lower than the minimum gross income required under the central bank initiative. Some LISP beneficiaries took advantage of this situation by taking the LISP subsidy and using the 7 percent loan, thus benefiting from the upfront subsidy and from a lower interest rate on the loan (Morris and Piedrafita, 2008).

8

Trinidad and Tobago

Institutional Framework, Policies, and Strategies

The Government of Trinidad and Tobago has enunciated a number of housing policy priorities and programs for the next five years. In pursuing its policy objectives, it is the government's stated intent to adopt a more enabling approach and encourage greater private sector participation in the shelter delivery process. In this regard, the fundamental tenets of the government's policy priorities are aimed at addressing the acute shortage of housing by making housing more affordable and accessible through the injection of private capital. It has merged the Trinidad and Tobago Mortgage Finance Company (TTMF) with the Home Mortgage Bank (HMB) to create the Trinidad and Tobago Mortgage Bank (TTMB) to provide financing for new homeowners, urban revitalization and development through investments in housing construction in existing urban areas and new growth areas, squatter regularization and tenure security, and rental accommodation and catering to the needs of the most vulnerable.

The sector has suffered from the absence of clearly defined institutional roles and lack of coordination in the recent past. Attempts have been made to strengthen the role of the Ministry of Housing and Urban Development (MHUD) in the sector to equip it to carry out the following functions: housing solution planning and policy formulation, identification of funding for housing, facilitation of provision of affordable housing, monitoring of housing policy implementation, provision of integrated information technology solutions, intra- and extra-agency coordination, disbursement of funds, and monitoring of recurrent and capital expenditures. Initiatives established to deal with these issues have met with varying degrees of success.

The MHUD is responsible for formulation and execution of government policy in the housing and urban development sectors. It operates as a facilitator in the implementation of those policies through its various units and affiliated agencies. The MHUD's core areas of responsibilities include the following: government-subsidized housing, land settlement, monitoring and evaluation of housing trends and markets in the country, home improvement grants and subsidies, regularization of tenure/housing for squatters, and urban development.

There are two units in the MHUD that provide direct services to the country's citizenry.

They are the Housing Policy Facilitation and Implementation Unit (HPFIU) and the Program Monitoring and Coordinating Unit (PMCU). The Ministry is mandated to provide home improvement grants to low-income households in order to effect critical home repairs. The HPFIU administers the Home Improvement Grant (HIG) to eligible people, ensuring that all approved policies and procedures are adhered to. The HPFIU is responsible for implementing the Housing Subsidies Component of the Neighborhood Upgrading Programme, a US$50 million loan agreement between the IDB and the Government of Trinidad and Tobago.

There are eight affiliated organizations, which are mandated to implement and promote the Ministry's policies, plans, programs and projects. They are: the Housing Development Corporation (HDC), the Sugar Industry Labour Welfare Committee (SILWC), Land Settlement Agency (LSA), The Rent Assessment Board, East Port of Spain Development Company Limited (EPOS), the Trinidad and Tobago Mortgage Finance Company (TTMF), and the Urban Development Corporation of Trinidad and Tobago (UDeCOTT).[1]

The HDC replaced the National Housing Authority (NHA) in 2005 by an Act of Parliament, Act 24 of 2005. The NHA, a statutory body established in 1962, has been the main producer of government housing. The rationale for the creation of the HDC was to facilitate the acceleration of the provision of good-quality and affordable shelter and associated community facilities, for low- and middle-income citizens of Trinidad and Tobago. The Corporation has been mandated under the act to provide affordable shelter and associated facilities for low and middle-income people and carry out the broad policy of the government in relation to housing.

One of the more successful government interventions in the housing market has been the introduction of squatter upgrading programs. They are the cheapest shelter solutions and have been very effective in reaching the target population. To support the upgrading and as part of its commitment to focus more of its efforts on the provision of shelter solutions for the poor, the government created the Land Settlement Agency in 1998. Established under the State Land (Regularization of Tenure) Act 25 of 1998, the Agency has been charged with upgrading and regularization of property rights in squatter settlements on public lands and preventing or containing further squatting on state lands. The act designated 251 squatter settlements on public land as land settlement areas.

The SILWC is a statutory body established by an Act of Parliament in 1951 to control and administer the Sugar Industry Labour Welfare program to Caroni workers. Its main focus was the improvement of housing for people employed in the sugar industry. Beneficiaries of housing loans were given the opportunity to build houses on freehold, leasehold, and rented lands at subsidized rates. The Committee's housing loan program ceased in February 2007 after the closure of Caroni Limited (1975) in July 2003. The new strategic direction of the SILWC is to be the leader in rural development, creating sustainable communities by providing affordable housing solutions within rural developments.

The UDeCOTT, a limited liability company registered under the Companies Ordinance (Ch.13 No.1), plays an important role in the housing sector. The company was launched on December 28, 1994, with the Government of Trinidad and Tobago as its sole shareholder. The Corporation acts as the government's primary developer through physical development and rehabilitation of urban and other designated areas. It executes its mandate through three approaches, namely: property developer; project manager and; development facilitator.

[1] Ministry of Housing and Urban Development, www.housing.gov.tt.

The East Port-of-Spain Development Company is a limited liability company wholly owned by the Government of Trinidad and Tobago and established under the Companies Act 1995. The company was incorporated by Cabinet in September 2005 and is mandated to transform East Port of Spain through economic, social, and physical regeneration. The overall strategy for East Port of Spain includes: redevelopment of derelict sites, vacant land, and buildings and rehabilitation of identified communities; business development and entrepreneurship; and establishment of partnerships with communities and key stakeholders.

In addition to providing new houses and squatter upgrading, the government has for more than 60 years offered public housing rental units for lower-income groups. The HDC, on behalf of the MHUD, manages these rental units. Most of these units are quite old and badly maintained, bringing in minimal revenues and representing an economic liability. Most of the rental sites do not provide a good environment for the tenants to live in, and some have serious deficiencies in the provision of basic services, such as water and sewerage.

Over 60 percent of these units are not occupied by the original tenants. In pursuit of its objective of providing affordable housing, the government plans to re-introduce the rent-to-own-scheme, whereby assistance would be given to low-income households to start with a rental property, and they could purchase the home when their circumstances improved. Simultaneously, there is need for the public sector to encourage the private sector to build rental accommodation.

Population and Housing Deficit

Trinidad and Tobago, with a population of 1.3 million, is the second-largest English-speaking Caribbean country. The population increased by 4.9 percent between 2000 and 2011, an average annual growth rate of 0.5 percent. Trinidad is a highly urbanized country, with about 71 percent of the population living in urban areas. Most of the urban population is concentrated in the East-West Corridor centered around the capital, Port of Spain, as well as several secondary towns in the corridor. The Western Corridor extending from the south of Port of Spain to San Fernando is becoming increasingly urbanized.

The population of the core areas of some of Trinidad's main cities and towns has been declining as a result of suburbanization and urban sprawl. There were declines in four of the 14 regions in the intercensal period 2000 to 2011, with the largest decrease in Port of Spain (22.5 percent). The City of Port of Spain's population declined by 14.52 percent over the same period, as growth occurred in peri-urban areas. The fastest-growing region was the Borough of Chaguanas, with an increase in population of 41.48 percent between 2000 and 2011 (Ministry of Planning and Economy, 2011).

With increased economic growth and investment taking place in the East-West Corridor, many migrants from the rural areas came to the capital and secondary towns in search of employment opportunities. The rural-to-urban drift was an important factor that contributed to the high demand for housing in rapidly urbanizing areas, with the push factors of decline in agriculture and other limited employment opportunities. As population increased in this region, many people were unable to find affordable housing.

In addition, there is a propensity to prefer individually owned single-family detached homes. As a result, there has been a bias in the incentives for housing production toward single-family detached units with three bedrooms on 5,000 sq. feet of land, which only the more affluent households can afford.

According to the 2011 Population Census, the total number of dwelling units stood at 399,461, compared to 353,097 in 2000, an increase of 13.1 percent. The total number of households rose from

343,180 in 2000 to 406,198 in 2011, a growth of 18.4 percent. The slow growth in population relative to strong growth in the number of households is indicative of a decline in average household size from 3.64 people in 2000 to 3.24 people in 2011. The population is ageing, and there was a significant decline in the 5–19 age group, with steep declines in the 10–19 age group. Close to half the population is over 40, with the two main age ranges of 20–34 and 44–45 years being dominant (Ministry of Planning and Economy, 2011).

Approximately 76.8 percent of households in Trinidad and Tobago lived in single-family detached houses in 2011, while 6.9 percent lived in duplex/semi-detached or townhouses and 15 percent lived in multi-story apartments. Some 44.3 percent of households owned the dwelling unit they occupied, 11.7 percent rented/leased from the private sector, and 10.3 percent rented/leased from the government. The provision of amenities in Port of Spain was relatively high, with 93 percent of households having water piped to the private property and 88 percent having water closets linked to sewers.

Several estimates have been made for housing needs in the country. The National Housing Policy 2002 estimated that 115,000 new housing units would be required during the ten-year period 1995 to 2005, broken down as follows: low-income (less than US$581.12 monthly): 48,115 units (42 percent); middle-income (US$581.13 -US$1,414.88 monthly): 45,841 units (40 percent); and high-income (US$ 1,414.89 and over): 21,071 units (18 percent) (Government of Trinidad and Tobago, 2002).

The National Spatial Development Strategy notes that recent housing needs estimates based on the 2000 Population and Housing Census have identified a requirement of 90,000 units over a 20-year period based on demand for both new and replacement units. The NSDS suggests that these figures are low, as the demand has actually increased more than expected given the reduction in household size to 3.24, which was marginally lower than expected. The NSDS estimates current housing demand at 100,000 units required over the next 10 years, but cautions that an accurate housing needs assessment should be conducted based on the 2011 Population and Housing Census (Globe Consultants, Ltd., 2013).

The National Housing Policy 2002 estimated that 14,944 acres of land would be required over the period 1995–2005 to satisfy residential needs. Given the high level of urbanization in the East-West Corridor and the continuing demand for homes along the existing pattern of urban development in the country, the challenge of government is to find residential land for housing, according to the policy. In this regard, the government would seek to acquire private lands and utilize agricultural lands subject to approval by the regulatory agencies. However, this did not materialize as envisaged.

Rajack and Frojmovic (forthcoming) point out that state-built housing bears a significant share of the responsibility for the location pattern of new urban growth. Noting that while state-built housing between 2000 and 2011 had some positive impact on reducing the mismatch between demand and supply, the location of these projects was driven by the availability of state-owned land rather than through coordinated land use and transportation planning. Thirty-four of the top 50 communities experiencing the largest growth in dwelling units between 2000 and 2011 were in a region considered to be predominately rural or semi-urban. Only four high-growth communities were located in the three most urbanized municipalities of Port of Spain, Arima, and San Fernando (Rajack and Frojmovic, forthcoming).

Additionally, the Accelerated Housing Programme has contributed to public sector housing solutions excluding the largest urban centers of Greater Port of Spain. While 46 percent of HDC housing solutions between 2014 and 2015 were located in predominantly urban municipalities, 50 percent of these solutions are to be delivered in

the Borough of Chaguanas (Rajack and Frojmovic, forthcoming). Chaguanas was the fastest growing region in the intercensal period 2000 to 2011.

In 2013, the Planning and Facilitation Bill was introduced in the Parliament. The purpose of the bill is to reform the town and country planning laws of Trinidad and Tobago by establishing (i) a system for the preparation and approval of national and sub-national plans and (ii) a more efficient and reliable system for approving development applications. The bill establishes a National Planning Authority charged with the responsibility of achieving the objectives of the Act. It also provides for the decentralization of certain decision-making powers to local government and asserts the need for the National Physical Planning Authority to work closely with the Environmental Management Authority to ensure preservation of the environment.

The Planning and Facilitation of Development Bill provides guidelines for the preparation of a National Spatial Development Strategy, which would provide the policy framework within which regional and local planning could take place consistent with other development policies of the government. The bill also sets out the functions and contents of development plans and outlines procedures for the preparation, approval, and certification of the development plans. Hopefully, these provisions will set up planning frameworks that support more sustainable land-use patterns and better respond to the pressing needs of the country, such as urban sprawl, rapid suburbanization, and informal settlements.

Development of the Housing Market

Housing affordability is a serious problem in Trinidad and Tobago. A review by the HDC of the MHUD's database of applications for housing revealed that there were 107,000 applications on its files in 2009,[2] up from 65,000 in 2005. Clearly there is an unmet demand for housing in Trinidad and Tobago that continues unabated. The HDC further indicated in its report that several applicants fell into one of the following categories: unable to afford a mortgage–rental being the only option; unable to access the rent-own-facility; able to only access a mortgage between US$6,700 and US$25,000; or require a subsidy from the State.[3]

In 2005, it was estimated that approximately 42 percent of these applicants have an income below US$476 per month, and 59 percent earn less than US$635, making it difficult for most of these applicants to service a mortgage at the prevailing rates. By 2009, there was very little improvement with respect to affordability; according to the latest 2008/2009 Household Budgetary Survey, more than half of households in Trinidad and Tobago earned less than US$623 per month.[4]

Rajack and Frojmovic (forthcoming) suggest that a major challenge affecting Trinidad and Tobago is the mismatch between supply and demand for affordable serviced land/housing in suitable locations. The house-price-to wages ratio, which measures the ratio of the median price of a three-bedroom house to average annual wages, has been consistently high in Trinidad and Tobago. This is the result of housing prices rising faster than wages between 1991 and 2006 and between 2010 and 2013. The indicator has been 10:1 for the last two decades, reaching a peak of close to 20:1 between 2006 and 2007. When compared to international rates of median home price to median income ratios, which consider ratios in excess of 4:1 to denote serious lack of affordability, Trinidad and Tobago's rate of 9.87:1 is an indicator of severe lack of affordability (Rajack and Frojmovic, forthcoming).

[2] Remarks by Mr. Jwala Rambarran, Governor of the Central Bank of Trinidad and Tobago, at the official launch of the Homeownership Booklet "Opening the Door to your Own Home – A Guide to Homeownership." Port of Spain, April 30, 2013.
[3] Ibid.
[4] Ibid.

Current home prices exclude a large percentage of applicants from obtaining a mortgage to enable homeownership. The median price for a three-bedroom house and land was US$167,000 in September 2012, up from US$39,700 in 1993, an almost 300 percent increase.[5] In 2005, selling prices of units produced by the HDC ranged from US$15,873 to US$46,825 with a weighted average of US$29,000. However, with the increases in the price of construction materials, it was anticipated that selling prices would increase to US$25,400 at the low end with the average at US$31,746. With a minimum down payment of 5 percent, the mortgages required would be US$24,127 and US$30,160 respectively. Considering the HDC's projected prices for homes and the requirements for accessing traditional financing methods, it was determined that almost 40 percent of applicants would be unable to afford even the least expensive homes built by the NHC.[6]

Consequently, the MHUD instituted various policies designed to increase the options to enable people to purchase homes, regardless of their income levels. In this regard, the HDC has instituted a number of measures to improve opportunities for lower- and middle-income earners to access HDC housing. These include: (i) lower interest rates: a 2 percent fully subsidized interest rate is offered to people earning US$1,333 or less per month; (ii) increased financing: 100 percent financing for people earning US$1,333 or less per month for a property valued up to US$104,166; (iii) significant increases in geographical site options: homes are built with higher densities across Trinidad and Tobago to optimize the use of limited land; (iv) the provision of substantial government subsidies: the government subsidizes the cost of land, infrastructure, and construction to keep homes affordable; and (v) various options to access housing: prospective homeowners are offered options to purchase, rent-to-own, or rent according to their financial means.

Formal Housing Production: Public and Private Sectors

Before the implementation of the housing policy in 2002, formal production for low-income households was undertaken mainly by the state directly through the construction of housing projects and serviced sites. Given the preference for individually owned single-family detached homes, there was bias in the incentives for housing production toward single-family detached, three-bedroom units on 5,000 square feet of land, which was affordable only to the most affluent households.

There are very few private developers building houses for middle and low-income families. This is due to: (i) a shortage of land; (ii) indirect government subsidy programs that discourage private suppliers; (iii) complicated land subdivision and housing approval processes; (iv) cultural factors and tradition that impose relatively high standards; and (v) the perception on the part of the private sector that earnings in this market segment are not attractive enough.

The Government of Trinidad and Tobago, in fulfillment of the objectives of its Housing Policy, sought to enable public–private partnerships rather than intervene in the market as a direct producer of new housing. In this regard, two main strategies have been employed: the Joint Venture (JV) and Infill Lots Programmes. In the case of the Infill Lots Programme, small contractors build new homes on available lots in existing HDC developments. In so doing, the MHUD ensures that small contractors are able to participate in the Housing Programme and provides invaluable business experience for these microenterprises. Under the JV Programme, the HDC enters into joint

[5] Remarks by Mr. Jwala Rambarran, Governor of the Central Bank of Trinidad and Tobago, at the official launch of the Homeownership Booklet "Opening the Door to your Own Home – A Guide to Homeownership." Port of Spain, April 30, 2013.
[6] Ibid.

partnerships with medium and large contractors to design and build new houses and communities across the country.

It was envisaged that the JV Programme would play a major role in meeting the requirements of the construction of 10,000 units annually. It is not clear, however, whether this was actually achieved. In 2003, 4,000 units were completed, while 9,600 units were under construction, with the UDeCOTT participating in the JV Programme along with the HDC. The increase in production was intended to make up for the shortfall of the 10,000 housing solutions to be delivered annually under the Accelerated Housing Programme. However, anecdotal evidence suggests that between 2002 and 2010, housing starts were on the order of 25,000, or an average of 2,800 annually, falling well short of the 10,000 target.[7]

Most of the large private developers involved in housing construction have withdrawn, leaving a few smaller developers participating in the JV Programme. This has been due in large measure to the small profit margin for private developers in the provision of lower-cost housing. The government has therefore sought to define a more effective division of responsibilities between the public and private sectors in the provision of lower-income housing.

The government has announced changes in the role of the state in the delivery of housing while encouraging housing construction by the private sector. This includes changes in the role of the HDC as a property developer providing US$155 million in subsidies to reduce the cost of housing. The government will move away from funding the HDC to build new housing in the near future except for the completion of projects begun prior to 2010. The maximum pre-tax family monthly income qualification ceiling will be reduced from US$6,966, set in 2014, to US$3,870. Applicants with family incomes exceeding US$3,870 will be removed from the HDC application list. Approximately 60 percent of applicants on the HDC's application list had a joint monthly income of US$1,393 or less (Rajack and Frojmovic, forthcoming).

The proposal is predicated on private capital having a greater share in the housing market, thus saving the government from making the initial capital investment in the housing sector. It is envisaged, therefore, that the private sector will service the HDC's client base of those people having joint incomes greater than US$3,870. At the same time, the government will create the Trinidad and Tobago Mortgage Bank through the merger of the Trinidad and Tobago Mortgage Finance Company and the Home Mortgage Bank to help provide financing for those new homeowners (*Trinidad Guardian*, 2015).

According to Rajack and Frojmovic (forthcoming), there appears to be a shortage of land available to the private sector in Trinidad and Tobago. Moreover, the largest private sector developer, Home Construction Limited (HCL), has not recovered from the financial crisis of 2008 and the collapse of its parent company. HCL owns a considerable amount of land in Trinidad and Tobago, but it is not currently being developed, while other smaller private developers do not have the extent of holdings that HCL has.

Informal Housing Production

Given the high cost of formal housing construction in Trinidad and Tobago, the majority of lower-income households have had to rely on self-help incremental housing construction to solve their shelter needs. This is particularly true of families living below the poverty threshold, currently estimated at US$1,330 per month.[8] As a result, many households are constantly in need of improving their homes, or building new rooms

[7] Peoples National Movement Manifesto 2015, www.pnm.org.tt/manifesto_2015/.

[8] Ministry of Social Development and Family Services, www2.mpsd.gov.tt.

to reduce overcrowding or accommodate new households that are formed within the family. A traditional consumer preference in the country for relatively large individual lot sizes (average size of 500m^2) allows, in most cases, this incremental expansion to take place.

For those families who cannot afford to buy a lot and incrementally build a home, the only solution has become informal land invasion and squatting. Studies suggest that over 19 percent of the population or 76,000 households in Trinidad and Tobago are squatters; the Land Settlement Agency estimates that about 55,000 households are currently squatting on state lands while another 30,000 are estimated to be squatting on private lands (Rajack and Frojmovic, forthcoming). In 2005, the LSA estimated that 50,000 households were squatting, half of them on private lands and the other half on public lands (McHardy, 2005).

In 1998, the State Land (Regularization of Tenure) Act 25 of 1998 was promulgated, providing a path to security of tenure to eligible squatters who had been illegally occupying state lands prior to June 1, 1998, and had fulfilled all the necessary requirements under the Act. Under the Act, a squatter who was illegally occupying state lands could only have applied for a certificate of comfort (COC) in the prescribed statutory format on or before October 27, 2000. This is the first step in a three-stage regularization process to obtain security of tenure by way of deed of lease. Only the last instrument, a 199 year deed of lease, is accepted as collateral by the formal financial institutions.

Rajack and Frojmovic (forthcoming) point out that there are 396 squatter sites on state lands, more that 60 percent of which were there when the Land Regularization Act was passed. Between 1998 and 2000, approximately 22,500 households applied for COCs, which suggests that more than one in every two households squatting on state lands are not eligible for COCs based on cut-off dates for occupation and application.

Demand Characteristics

Trinidad is classified as a high-income country. However, it has pockets of poverty. Approximately 38 percent of its population lives in multidimensional poverty.[9] The 2005 Survey of Living Conditions revealed that the number of people living below the poverty line declined from 36 percent in 1992 to 16.7 percent in 2005 (Ministry of Social Development and Family Services, Trinidad and Tobago, 2005). The Network of NGOs has disputed this statistic, stating that, based on its research, more than 20 percent of the population lives below the poverty line.[10]

Data from the 2000 Population Census indicates that income varies widely by socioeconomic segment (Table 18). The average monthly household income in segment A is US$58.57, while the average in segment I is US$1898.74. Approximately 71.08 percent of households have monthly incomes less than US$794 and therefore would not be able to service a mortgage for a unit costing US$27,778, while 61.34 percent of households would not be able to afford a unit costing US$23,810. This factor places a serious limitation on the effective demand for housing in Trinidad.

Rajack and Frojmovic (forthcoming) calculated the size of mortgage available under different income scenarios based on the terms and conditions of mortgages prevailing in the country today (Table 19).

Housing Programs

The government's Accelerated Housing Programme is a strategy for alleviating the country's acute housing shortage. The HDC's construction program,

[9] The index is an international measure of acute poverty covering over 100 developing countries. The measures deprivation across several dimensions.

[10] See "One in Five Living below Poverty Line," *Daily Express*, January 7, 2014, www.trinidadexpress.com/news/One-in-five-living-below-poverty-line-239177861.html.

TABLE 18. Monthly Household Incomes (in US$)

Income group	Ranges of monthly household income US$	Average monthly household income US$	Number of households	Percent of households
A	0–158.73	58.57	36,067	10.51
B	158.74–317.46	235.98	65,238	19.01
C	317.46–476.19	390.32	62,767	18.29
D	476.20–634.92	549.21	46,432	13.53
E	634.93–793.65	709.20	33,425	9.74
F	793.65–952.38	868.54	22,924	6.68
G	952.39–1,111.11	1,027.16	19,115	5.57
H	1,111.11–1,269.84	1,188.74	12,251	3.57
I	> 1,269.85	1,898.74	44,988	13.11
Total		**701.26**	**343,205**	**100**

Source: Central Statistical Office (2000), Ministry of Planning and Development, Trinidad and Tobago.
Note: US$ equivalent converted at TT$6.30.

which is funded from government revenues, is a major component of the Accelerated Housing Programme. The objectives of the HDC's construction program are: the provision of affordable, low-cost housing for low-income groups; employment generation; and the refurbishment of rental units. The HDC's construction program is comprised of three components: the Infill Programme, the JV Programme, and the Urban Housing Programme.

The JV Programme is implemented through arrangements with medium and large contractors with a track record in construction. It is predicated on the developers designing, building, financing, and selling the units. Recently, the HDC entered into an arrangement with a private developer to provide the land for the proposed development. By addressing the constraints of the high cost of private land and infrastructure, the government hoped to encourage the private sector to deliver housing to the lower end of the market. Conceptually, under the JV Programme, the contractor develops housing units on lands vested in the HDC and, in some instances, land on which infrastructure already exists. The HDC does not recover the full cost of the land, and there is a 100 percent subsidy for the provision of the infrastructure.

The JV Programme has experienced a number of constraints that have prevented its smooth implementation. First, there have been problems of state lands not having titles, which has left the developers unable to sell the houses. The

TABLE 19. Mortgage Eligibility Based on Monthly Income and Corresponding Property Values (US$ equivalent calculated at TT$6.46)

Monthly Income (US$)	Mortgage value (US$)	Property value
774	69,800	100% of price
1,548	131,580	100% of price
3,870	185,760	Plus 10% minimum down payment
6,966	349,008	Plus 10% minimum down payment

Source: Rajack and Frojmovic (forthcoming).

transfer of title of these lands to HDC has been hindered by backlog given the effort to deliver 10,000 housing solutions annually. In addition, the HDC has encountered problems with designs by some developers, which have not been produced in a timely manner. The JV Programme has failed to attract private developers as envisaged, since the profit margin is seen as too small. Most developers prefer to produce housing for the upper end of the market rather than incurring the risks associated with serving very low-income households.

The Infill Programme uses the services of small building contractors. The objective is to encourage people who have benefited from the distribution of HDC building lots to begin construction. Based on the availability of lots for construction of units under the Infill Programme and a system to determine relative capacity, small contractors are invited to bid for the construction of a small number of units. The HDC contracts with project management firms to ensure quality and compliance with the contract specifications. However, many small contractors are unable to make the leap forward from construction of a single unit to four or five units, and thus require constant supervision and guidance from the HDC. As a result, most of the contractors initially involved have left the program.

Under UDeCoTT's joint venture arrangements, the developer will come to the HDC with land and designs. Upon completion, UDeCoTT hands over the units to the HDC for pricing and sale. Payments are made to the contractor as construction proceeds. There is no large payment at the end of the construction period. Most of the units are out of the reach of the low-income population, as the units cost US$30,000 to build exclusive of land costs and financing charges.

The HDC's Urban Housing Programme is also part of the government's Accelerated Housing Programme. It envisages the revival of large urban centers by improving and increasing the number of available housing units and upgrading commercial centers by providing necessary attendant civic and social amenities. The HDC is also providing affordable housing through the creation of sustainable greenfield sites across the country. These towns will provide residential units, services, employment opportunities, recreational facilities, and other civic amenities. The HDC has adopted a Green Infrastructure Programme focusing on green building practices.

A major plank of the Accelerated Housing Programme is being funded through a US$50 million loan from the IDB for the Neighborhood Upgrading Programme (NUP). The current program is the follow-up to the squatter settlement program, which began in 2003 with US$35M in funding from the IDB. The Programme Monitoring and Coordinating Unit of the Ministry (PMCU) is implementing the NUP. The objective of the NUP is to improve the titling and housing conditions of low and middle-income people through infrastructure upgrades of squatter settlements, providing home improvement subsidies and facilitating incremental construction or purchase of affordable housing.

It is envisaged that this objective will be achieved through the implementation of three components: (i) squatter upgrading; (ii) family subsidies for new housing and home improvement; and (iii) sector and institutional development. To improve the government's efficiency in the sector, the NUP will contribute to strengthening the policy formulation and implementation capacity of the Ministry and its agencies. The NUP will also introduce a new targeting mechanism and subsidy system to ensure the effectiveness of government interventions.

During the first phase of the NUP, investment efforts focused on the settlement upgrading component, where time-tested operating systems are already in place. In the area of new housing and home improvement, where new operating procedures and institutional mechanisms needed to be

created, the first phase of the NUP concentrated on startup activities, aimed at setting up the new subsidy systems.[11]

Applicants under the program must meet the following criteria to qualify for the subsidy:

- Household income must not exceed US$1330 per month.
- Must be citizens and residents of Trinidad and Tobago.
- Must have sufficient contribution to complete repairs/construction or purchase.
- Must provide proof of ownership or permission from owner to repair/purchase or build on the property.
- Must not have benefitted from any housing subsidy offered by the Ministry and its agencies.

The maximum home improvement subsidy is US$3,300 and is a matching dollar for dollar subsidy. It is provided for repair work that reduces inadequate housing conditions. Examples include: plastering internal and external walls; adding rooms to reduce overcrowding; improving food storage and preparation facilities; sewer disposal improvement; and completing ceiling and roof repairs. The new home subsidies are for home purchase or home construction. The program offers successful applicants financial assistance of US$6,000 to US$8,300 to build or purchase a home valued at no more than US$33,000 in Trinidad and US$36,000 in Tobago. The cost of land is not included. Applicants with a monthly household income of up to US$660 can qualify for a subsidy of US$8,300 and those with a monthly household income of US$661 to US$1330 may receive a subsidy of US$6,000. The PMCU has developed ten starter housing solutions that can be built for under US$37,660.

The LSA of the MHUD is responsible for squatter regularization under the NUP. Squatter regularization involves two activities: (i) improving the conditions of people living in squatter communities by implementing or upgrading necessary physical infrastructure such as roads, drainage, and sewerage systems along with providing potable water, electricity, and other amenities; and (ii) providing security of tenure to eligible squatters who have been illegally occupying state lands prior June 1, 1998 and have completed and fulfilled all the necessary requirements under State land (Regularization of Tenure) Act 25 of 1998.

As previously indicated, under Act 25 of 1998, a squatter who was illegally occupying State lands could only have applied for a COC in the prescribed statutory format on or before October 27, 2000. This is the first step in a three-stage regularization process to obtain security of tenure by way of Deed of Lease. However, while the COC gives a squatter a personal right to protection from being ejected from state land, it does not convey/give a squatter any right, legal interest, or title to state land. As aforementioned, squatting on state land has increased considerably since the act was promulgated and there are currently 50,000 to 60,000 households on state lands of which more than 50 percent are not eligible for COCs.

The LSA is also collaborating with private landowners to determine the extent of squatting on private lands and make recommendations accordingly. The acceleration of the provision of low-cost housing on serviced lots is also seen as a strategy for containing squatting. The Squatter Containment Programme has had limited success in halting squatting because of the limited availability and high cost of developed land.

The LSA also operates a Land for the Landless Programme, designed to make land accessible to the landless poor who are unable to afford either private or government-subsidized housing solutions. People are eligible for the program if they

[11] Ministry of Housing and Urban Development, www.housing.gov.tt/pmcu.html.

are citizens of the country and have been residing in the country for at least five years before the date of application; do not own land or property at the time of the application; and are over 18 years of age. People who meet these criteria will be eligible to receive serviced lots at subsidized rates in any of the following: (i) existing squatter settlements—infill or expansion of site; (ii) greenfield development—state land and private lands; and (iii) Village Expansion – State and Private Lands Development.[12]

Linked to the Land for the Landless Programme is the Construction Skills Development Initiative (CSDI), a microenterprise initiative being implemented by the Community Development Division of the LSA. The initiative aims at providing a pool of certified small scale contractors who would assist the Agency's approved clients, under the Land for Landless/Residential Lots Programme, in constructing their homes. The CSDI will train registered and non-registered small-scale contractors who are interested in upgrading their skills in all aspects of construction. A Housing Support Centre has also been set up with the express purpose of facilitating the implementation of the Land for the Landless/Residential Lots Programme. It would be a one-stop shop, thus simplifying and speeding up the process for clients.

Other initiatives introduced by the Ministry to improve affordability and accessibility are Home Improvement Grants and the Rent-to-Own Programme. The Housing Policy Facilitation and Implementation Unit of the Ministry administers the Home Improvement Grant. This unit provides a non-refundable US$2,500 grant for approved repair works to people whose household income is US$10,000 per annum.[13]

The Rent-to-Own Programme is targeted at people who do not have the financial resources to service a mortgage. These people are allowed to enter into a rent agreement for five years with the option to purchase. At the end of the five-year period, two-thirds of the rental payments would be applied as a deposit toward the purchase of the property and the rental tenancy would be converted to a mortgage.[14] As previously indicated, the Rent-to-Own Programme will be re-introduced.

Housing Finance

Mortgage finance is generally available from commercial banks, trust companies, insurance companies, and public sources, notably the Trinidad and Tobago Mortgage Finance Company (TTMF) and the Home Mortgage Bank (HMB). The government has announced plans to create the Trinidad and Tobago Mortgage Bank (TTMB) through the merger of the TTMF and the HMB. The TTMF has broadened its activities and now issues loans at interest rates of 2 to 7 percent for the purchase of private residences, including single family homes, townhouses, and condominiums, as well as for housing construction and investment. Bridge and long-term financing loans at interest rates of 2 to 7 percent are available for new construction projects, as well as loans with interest rates of 7 percent for the purchase of residential lots across the country. Interest rates for home improvement loans start at 7 percent.[15] Mortgage lending by TTMF increased by 11.7 percent in the calendar year up to November of 2014, particularly in the area of home renovation (TTMF, 2015).

In September 2011, the Central Bank of Trinidad and Tobago, in association with the Bankers Association of Trinidad and Tobago, set new rates for residential mortgages. A new mortgage

[12] Ministry of Housing and Urban Development, www.housing.gov.tt/lsa.html.

[13] Ministry of Housing and Urban Development, housing.gov.tt/HPFIU.hmtl.

[14] Residential Mortgage Market in Trinidad and Tobago Publication Pamphlet Series No. 3, Central Bank of Trinidad and Tobago, central-bank.org.tt.

[15] Trinidad and Tobago Mortgage Finance Company, www.ttmf-mortgages.com.

market reference rate (MMRR), which is an interest rate benchmark against which all residential mortgage rates are to be priced and re-priced, was established. The MMRR is not the mortgage rate that is charged by the commercial bank. The mortgage is based on the MMRR plus a margin, which is negotiated between the commercial bank and the customer. The margin takes into account the customer's credit rating, the location of the property, the size of the down payment, and the amount of collateral. The MMRR is set quarterly, and in December 2011, was set at 3.5 percent, applicable to all new residential mortgages between December 1, 2001 and February 28, 2012. Since then, the rate declined steadily reaching 2.25 percent in June 2013, but has been rising in recent times and as of December 1, 2015, was 2.75 percent.[16] The MMRR does not influence the TTMF's mortgage interest rate.

The TTMF is the principal source of financing for the Accelerated Housing Programme of the MHUD. In 2007, the TTMF revised its portfolio and introduced a heavily subsidized 2 percent mortgage program for people with household incomes of US$1330 or less per month for mortgage loans up to US$63,300. TTMF expanded the program in 2014 to apply to heads of households with an income of up to US$1,660 per month for mortgage loans up to US$141,300. People who qualify for the 2 percent interest rate will receive 100 percent financing. Those who do not qualify are required to make a 5 percent deposit toward the purchase of the property.[17]

The TTMF also introduced a new partially subsidized 5 percent mortgage program in 2014, aimed specifically at the middle-income group with an income up to US$5,000 per month for the purchase or construction of a property valued up to US$200,000. Those who qualify are offered 95 percent financing in order to reduce the amount of savings required for the down payment. It is anticipated that the expansion of these programs and their appeal to prospective homeowners will encourage new developments by the private sector and promote further expansion in the construction industry (TTMF, 2015). The TTMF still offers its regular 7 percent unsubsidized mortgage plan for properties valued over US$200,000, requiring a minimum down payment of 10 percent (TTMF, 2015).

The HDC has had difficulty releasing housing stock to the TTMF because it does not have clear titles to these properties. Although the HDC has been unable to issue clear titles to beneficiaries, it has allowed individuals to occupy their units by way of a license to occupy (LTO). The TTMF is willing to accept indemnity insurance from the HDC and will prepare a mortgage on the basis of a completion certificate. However, the TTMF is faced with another constraint: potential mortgagors are unwilling to convert their licensing certificates into mortgages, as they are not willing to pay the increases in monthly payments which will occur once the mortgage is executed.

In this regard, the HDC has launched a public education program called "Home to Own Completion Plan." The program is aimed at making beneficiaries aware of the long-term benefits of having a mortgage. It informs people with LTOs or rent-to-own (RTO) who do not have a title deed that they cannot use the property as collateral and calls on them to transition into owning the property they currently occupy. The HDC has sent out "completion letters" to such people informing them of their outstanding balances on their property and the appointment time to meet with their mortgage provider.[18]

The HMB was established in 1985 with the passage of the Home Mortgage Bank Act of 1985 and began operations in October 1986. The HMB is a secondary mortgage facility, majority-owned

[16] Central Bank of Trinidad and Tobago Mortgage Market Reference Rate Media Releases December 1, 2011 and December 1, 2015, www.central-bank.org.tt/content/mortgage-market-reference-rate-mmrr.

[17] US$ equivalent calculated at US$1:TT$6.00.

[18] Housing Development Corporation, www.hdc.gov.tt.

by private banks with participation from the government. It was established to improve mortgage lending in the country. It refinances and buys mortgage loans from mortgage lenders, mitigating liquidity constraints and interest rate risk from lenders.

Although the HMB was set up as a secondary mortgage facility, it has encountered difficulties in carrying out its mandate. When the HMB was first set up, it was an active player in the market, buying mortgages from insurance companies and the commercial banks. This has changed considerably from those earlier days, however. As a result, the HMB entered into the primary mortgage market and expanded its operations in 2007 to include merchant banking, mortgage institution, trust companies, and collective investment schemes.[19]

With regard to loans generated by the TTMF, the HMB is also awaiting the release of units by the HDC to the TTMF so that it can purchase these mortgages. The HMB has not had a real impact on increasing resources for lending in the sector or on moving mortgage lending down market. It has been able to get some mortgage lenders to reduce certain costs, such as closing costs and valuations, but it was set up mainly to address the middle-income market. The government plans to merge the TTMF and the HMB to provide mortgage financing for new homeowners (*Trinidad Guardian*, 2015).

Subsidies have been an essential component of public housing policies in an attempt to make shelter more affordable. The main types of subsidies have been below-market rental of public units, loans at subsidized interest rates, and below-market sales of public housing (infrastructure and land subsidies). In the recent past, these subsidies have not reached the intended low-income groups; instead, that assistance has mainly gone to middle- and even higher-income groups. In addition, subsidies are not mobilizing other resources into the sector. In this regard, the MHUD is working to establish more transparent and effective targeting mechanisms and a demand-based subsidy system.

[19] Residential Mortgage Market in Trinidad and Tobago Publication Pamphlet Series No. 3, Central Bank of Trinidad and Tobago, central-bank.org.tt; Home Mortgage Bank Annual Report 2014, wwww.homemortgagett.com.

Conclusions

Caribbean countries have made great strides in the housing sector and have experimented with new models of social housing policy. Governments have pursued new programs to encourage private sector involvement and investment in social housing through a number of incentives, including revolving low-income housing funds for the construction of new housing units and granting blocks of land to private developers to build social housing. In addition, many Caribbean countries have adopted the concept of incremental housing and have developed programs to respond to the qualitative as well as the quantitative housing deficit. The valuable information collected in this report has offered guidance in creating, implementing, and monitoring future social housing policies.

Despite these efforts, work remains to be done to bring these initiatives to scale given the region's growing housing deficit and urbanization rate. This report illustrates that the challenge of social housing provision is compounded by other issues in the Caribbean, including: (i) the increasing cost (and limited availability) of land, which underscores the need for more efficient urban land markets; (ii) limited access to secondary mortgage markets; (iii) insecurity of tenure and complexities surrounding regularization; (iv) vulnerability to natural disasters and climate change; and (v) insufficient efforts to induce the private sector to serve a much larger segment of the market.

A Caribbean social housing research agenda in the future would need to respond to additional questions that this report does not fully answer.[1] These include:

- *Who is benefiting from social housing policy in the Caribbean*? While most studies illustrate that social housing policy does not reach the extreme poor, it is unclear which income quintiles are benefiting. Targeting performance of social housing programs can be evaluated using undercoverage and leakage rates, such as those utilized by Ruprah and Marcano (2007), but the literature surveyed for this study did not reveal any evaluations of this nature that had been conducted in the Caribbean. More assessments about beneficiaries are needed, along with a determination of *who is benefiting from different housing policies in the Caribbean.*
- *What are the benefits of social housing policy in the Caribbean*? Although this report provided population numbers of beneficiaries, it did not provide detailed assessments of how these groups benefited differently from similar groups in the country who were not targeted by the social housing policy. Many housing evaluations in the Caribbean lack a control group and provide scant quantitative evidence of how social housing programs increase beneficiaries' welfare. More research is needed to identify the benefits of housing programs

[1] These questions draw upon Carrillo and Berg (2009).

and to monitor housing spending and deficits. Indicators to be tracked could include: (1) the proportion of the national government budget devoted to housing, (2) the housing budget as a percentage of qualitative and quantitative need, (3) the housing-to-income ratio, (4) availability of secondary mortgage markets and microcredit for housing, and (5) the number of households living in informal settlements (Habitat III Secretariat, 2016).

- *Why do certain social housing programs in the Caribbean work better than others?* The research presented in this report analyzed six countries, largely based on government reporting. New research is needed to better understand social housing policy performance and efficiency across the Caribbean. Very few studies attempt to compare housing and urban development programs across the Caribbean. The application of rapid urban profiling tools for the Caribbean, such as those proposed by Mohammed and Howard (2013), would produce comparable indicators to identify best practices in housing and urban governance throughout the region.[2]

The housing policies reviewed in this policy paper illustrate that social housing challenges cannot be addressed in isolation. This report strongly encourages governments at all levels to integrate housing policies with broader policies in urban planning, including population, environmental, land and infrastructure policies. At the neighborhood level, these efforts can materialize in comprehensive multi-sector slum upgrading programs that include attention to social housing, disaster risk reduction, public space, citizen security, infrastructure, land tenure, and educational facilities (Jaitman and Brakarz, 2013). As Caribbean countries design the "New Urban Agenda," it is essential that social housing remain at the core of these efforts. Reinvigorating the housing debate in the region is necessary in order to "address the unfinished business of the Habitat Agenda and the Millennium Development Goals and, looking forward, serve as a vital plan of action for the post-2015 United Nations development agenda."[3]

[2] An earlier version of the Mohammed and Howard (2013) paper is available online at: bluespacecaribbean.com/wp-content/uploads/2010/12/Draft_Technical-Working-Paper.pdf.

[3] Secretary General of Habitat III (2014), "Progress to date in the implementation of the outcomes of the second United Nations Conference on Human Settlements (Habitat II) and identification of new and emerging challenges on sustainable urban development," prepared for the Preparatory Committee for the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), A/CONF.226/PC.1/5, unhabitat.org/wp-content/uploads/2014/07/Progress-to-date-outcome-Habitat-II-ENGLISH1.pdf.

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