

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUYANA

SECOND LOW INCOME SETTLEMENT PROGRAM

GY-L1019

LOAN PROPOSAL

This document was prepared by the project team consisting of: Heidi Fishpaw (ICF/FMM); Xavier Grau (WSA/CGY); Juan Carlos Lazo (PDP/CGY); Roy Parahoo (PDP/CGY); Carolina Piedrafita (ICF/FMM); Mauricio Silva (ICF/FMM); Peter Sollis (VPC/GCM); Rosina de Souza (LEG/SGO); Derise Williams (CCB/CGY); and Ophélie Chevalier, Project Team Leader (ICF/FMM).

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ANNEXES

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ELECTRONIC LINKS**REQUIRED**

1. Annual Operations Plan
<pcdocs://IDBDOCS/1719701/R>
2. Monitoring and Evaluation Arrangements & TORs for Program evaluation
<pcdocs://IDBDOCS/1720535/R>
3. ESMR
<pcdocs://IDBDOCS/1719804/R>
4. Procurement Plan
<pcdocs://IDBDOCS/1772557/R>

OPTIONAL

1. Plan of Action
<pcdocs://IDBDOCS/1719691/R>
2. Detailed Cost Table
<pcdocs://IDBDOCS/1717903/R>
3. Economic Analysis
<pcdocs://IDBDOCS/1719705/R>
4. Technical options and list of sites for the five (5) years of Program execution
<pcdocs://IDBDOCS/1721746/R>
5. Institutional Capacity Assessment
<pcdocs://IDBDOCS/1736339/R>
6. Draft Operating Regulations
<pcdocs://IDBDOCS/1721747/R>
7. Participatory Strategy and Plan
<pcdocs://IDBDOCS/1720533/R>

ABBREVIATIONS

AOP	Annual Operations Plan
CH&PA	Central Housing and Planning Authority
COF/CGY	County Office in Guyana
DLP	Draft Loan Proposal
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
FSO	Fund for Special Operations
IDB	Inter-American Development Bank
NGO	Non-Governmental Organization
OC	Ordinary Capital
POD	Proposal for Operation Development
PRSP	Poverty Reduction Strategy Paper
SSF	Safeguard Screening Form and Policy Filter Report for the Screening and Classification of Projects
TORs	Terms of Reference

GUYANA
LOW INCOME SETTLEMENT PROGRAM
(GY-L1019)

Financial Terms and Conditions		OC	FSO
Borrower: Co-operative Republic of Guyana (GOG)	Amortization Period:	30 years	40 years
	Grace Period:	6 years	40 years
Executing Agency: The Ministry of Housing and Water, through the Central Housing and Planning Authority (CH&PA)	Disbursement Period:	5 years	5 years
Source	Amount		
IDB (OC)	US\$13,950,000	Supervision and Inspection Fee:	0%
IDB (FSO)	US\$13,950,000		
Total	US\$27,900,000	Interest Rate:	Adjustable
		Credit Fee:	*
		Currency:	US Dollars
			US Dollars
Project at a Glance			
Project Objective/Description:			
The main purpose of the Program is to improve the quality of life of low-income families through better access to housing. The components are: (i) to develop new sites with services, consolidate existing housing schemes, and upgrade squatter areas (US\$24.8 million); (ii) to implement pilots to attend issues of affordability and sustainability (US\$1.8 million); and (iii) to strengthen the Central Housing and Planning Authority (CH&PA) (US\$0.7 million).			
Special contractual clauses:			
1. <u>Condition prior to the first disbursement of IDB's resources:</u> The Operating Regulations Manual has been signed by the government of Guyana and the IDB (¶3.9).			
2. <u>Prior to the disbursement of IDB resources for the execution of Component 1:</u> (i) the assignation of new staff, two (2) engineers and one (1) community development specialist; (ii) the availability of CH&PA staff for Program execution, guaranteed by the Chief Executive Officer of CH&PA; (iii) the first meeting of the Inter-Agency Compliance Committee and the approval of CH&PA work plan by the Committee; (iv) approval of CH&PA work plan for the five (5) years of Program execution by the IDB; and (v) approval of the bidding documents for the evaluation system by the IDB (¶3.4).			
3. <u>Prior to the disbursement of IDB resources for the execution of Component 2:</u> (i) Memorandum of Understanding with the professional groups will be a special condition to the disbursement of IDB resources for the execution of the pilot "partnership with professional groups"; and (ii) Memorandum of Understanding with the village councils of the selected communities will be a condition to the disbursement of IDB resources for the execution of the pilot "housing in the hinterland" (¶1.20).			
Exceptions to Bank policies: None			
Project consistent with Country Strategy: Yes [X] (¶1.8)		No []	
Project qualifies for: SEQ [X] PTI [X] Sector [X] Geographic [X] Headcount []			

(*) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background

- 1.1 **Introduction.** The Government of Guyana has requested a loan of US\$27.9 million to improve the quality of life of low-income families through better access to housing. The loan will finance the Low Income Settlement Program (Program) described in this document, which is expected to benefit about 12,000 households, or 8% of the Guyanese households.
- 1.2 **Housing in Guyana.** Guyana is a natural-resource-endowed and commodity-based economy, covering an area of 215,000 square kilometers and with a population of about 760,000 inhabitants. Around 90% of the population lives along the coastal belt, with the following housing characteristics: (i) land is available as it is owned by the State or Guysuco (a state owned company); (ii) most of the urban population lives in Georgetown, the capital city, exerting pressure on the land and housing markets in the city and extending Georgetown's housing development southwards and westwards into the urban fringe; and (iii) the coastal area lies below sea level, with the constant threat of flooding.¹
- 1.3 There has been marginal population change over the few last decades. The 2002 population is 1.2% lower than that of twenty years earlier, primarily due to high levels of emigration.² Despite this trend, there are pressing housing needs to be met: (i) there is a quantitative deficit of 19,400 homes for the low-income population (i.e., households that earn less than US\$300 per month)³ and (ii) the demand for quality housing is still unmet as an estimated 52,000 units of the country's housing stock are over 30 years old and not properly maintained.⁴ The supply of housing has not been growing fast enough; since 2000, approximately 15,000 housing units have been provided to low-income households, mainly by self-construction and non-governmental organizations, or NGOs.⁵ At this rate, it could take at least 10 years to solve the current housing deficit for the low-income population.⁶
- 1.4 The previous program (Low Income Settlement Program, 1044/SF-GY, GY- 052) has been successful in accompanying the land divestiture process that Guyana initiated in 1992. The program benefited about 19,000 households over its 7 years of execution, focusing on low-income households. Another result of the previous program is the adoption of a targeting system based on a proxy means test to applicants. However, a key weakness remains. The level of occupancy is limited

¹ Edwards, René; Suk Ching Wu; and Joseph Mensah, *City Profile Georgetown, Guyana Cities*, Vol. 22, No. 6, p. 446-454, 2005.

² Guyana, *Measuring Poverty*, Document of the World Bank, Guyana Ministry of Finance and Guyana Bureau of Statistics, January 2008.

³ 2006 Household Income and Expenditure Survey (HIES).

⁴ Housing and Settlement Sector Assessment, by Francisco Ayala and Jason Thompson, February 2008.

⁵ The First Low Income Settlement Program (1044/SF-GY, GY-0052) provided a total of 19,000 lots and the European Union program provided a total of 5,000 lots. On average 50% of the lots are occupied.

⁶ Current annual housing production is about 2,000. This estimate is based under the assumption that the current level of construction remains unchanged.

(only 50% of the allocated lots are occupied), due to the following: (i) the site and services infrastructure package has yet to be completed; (ii) there is limited access to financing for sanitary solution and housing construction; and (iii) stakeholders participate little in the project cycle.⁷

- 1.5 The government of Guyana has raised its concerns over housing affordability, especially: (i) the cost of a sanitary solution for the lowest income households; (ii) the lack of access to housing opportunities through a self-build process; and (iii) the need to support workforce housing for the occupations needed in every community, including teachers and nurses.
- 1.6 To further the 2005 Poverty Reduction Strategy Paper (PRSP) goals of expanding and strengthening social safety nets, Guyana subsequently completed a number of social protection studies and an action plan that detail its reform agenda. Among the main topics, the action plan underscores the need to increase coverage and benefit levels of programs for the poor and the vulnerable, including housing.⁸ The group which exhibits by far the highest poverty rate is the Amerindians at 77.5%, with very limited access to services such as water, sanitation, education, and health.⁹
- 1.7 **The Country's Sector Strategy.** The current housing policy in Guyana is the result of 14 years of reform process to modernize the State's organizational structure and address the housing shortage of the 1990s. The most relevant aspects of the current housing policy are: (i) a clear mandate to the Central Housing and Planning Authority (CH&PA), as the sole government agency for housing projects;¹⁰ (ii) efforts to satisfy the demand for developed land for housing in urban areas, through the application of standards for public land distribution; and (iii) the creation of a subsidy to allocate sites and services to low-income households in the form of households equity share payments,¹¹ the amount being based on their ability to pay. Criteria for the selection of the beneficiaries include: (i) income level; (ii) period of time in months in which the household has been saving; (iii) savings amount; (iv) household size; (v) female head of the household; and (v) environmental and safety risks currently being faced by the household. Housing policy has become integral to national development, as part of the "Guyana National Development Strategy 2001-2010", which lays out the following goals for the housing sector: (i) to expand the supply of housing more rapidly; (ii) to make housing as affordable as possible; and (iii) to provide improved access to housing for poor families.¹²
- 1.8 **The Bank's Country and Sector Strategy.** Analysis of changing household income poverty levels showed that housing is the first priority asset. While it does

⁷ Results of the Project Completion Report (PCR) and Exit Workshop of the First Low Income Settlement Program (1044/SF-GY, GY-0052).

⁸ Social Protection Action Plan, 2006.

⁹ Guyana, Measuring Poverty, January 2008. World Bank.

¹⁰ Housing Act, Chapter 36:20 and Town and Country Planning Act, Chapter 20:01.

¹¹ Those are down payments based on households' ability to pay. Households with a monthly income inferior to US\$300 pay US\$330 to be provided within 12 months of the time the family is allocated the lot.

¹² Social Housing and Shelter Policies in Six Caribbean Countries, by Pauline Mchardy, 2005.

not necessarily get households out of poverty, adequate housing is generally a necessary precondition for the accumulation of other assets. This implies the need at the operational level to create opportunities for the poor to accumulate and consolidate housing in a sustainable way.¹³ The IDB financed a study on social housing and shelter policies in the Caribbean, which identified two priorities for this sector in Guyana: (i) to improve the pace of infrastructure development; and (ii) to encourage private sector involvement and investment in housing through a number of incentives.¹⁴ These issues are reflected in IDB's policies: the Poverty Reduction and Promotion of Social Equity Strategy (OP-1002) and the Urban Development and Housing Strategy (OP-751). The IDB is preparing the new Country Strategy, which is expected to be presented to the Board by the end of 2008. This Program is explicitly linked to the "social development for growth" pillar, which includes the following statement: "Improving the housing sector has the potential to achieve pro-poor growth. Over the last decade in Guyana, land distribution has been perceived as a suitable vehicle for creating new wealth for the emerging working class and small entrepreneurs. It improves productivity, provides access to financial markets, and fosters asset accumulation in general."

1.9 **Activities of Other Agencies.** CH&PA is currently executing a Program to Support the Low-Income Housing Sector with a Euro 9.1 million financing from the European Commission, to benefit approximately 5,500 low-income families in a combination of new settlements and existing squatter areas.¹⁵ The date for final disbursement is October 2010. Methodologies and criteria for the selection of beneficiaries are similar to the ones the Program is promoting. Additionally, as part of the Budget Support Program (for a total of Euro 23.2 million), which started in 2002, the European Commission is preparing performance indicators for the social housing sector. Finally, the same donor is preparing a new Land Use Planning Program, for which the pre-feasibility studies have started. The sequencing of actions for each program have been shared and managed with the IDB so that both donors promote a single, unified housing policy.

B. The Proposed Program

1.10 **Problem Addressed.** The Program will address issues of affordability and accessibility to housing for the low-income population. In relation with the first issue, the analysis of the limited level of occupancy (¶1.4) showed a current opportunity cost for the government of approximately US\$7 million annually.¹⁶ The preparation of the Program is supported by a detailed socio-economic analysis. This analysis has shown that the principal reason for low-income households not occupying their lots is that they cannot afford to build a house; the construction of a low-income house costs approximately 13 times the price of the

¹³ Caroline Moser, *Reducing Global Poverty, the case for asset accumulation*, Brookings Institutions Press, 2007.

¹⁴ Pauline Mchardy, 2005.

¹⁵ Targeted Areas: Cummings Lodge, Sophia, Westminster and Onderneeming (West Coast), the Bell (West), and Glasgow.

¹⁶ Data from 1044/SF-GY show that 77% of the lots provided by the First Low Income Settlement Program have been assigned – allocated - to beneficiary households and that 50% have been occupied. The cost of inefficiency is US\$755 per lot, which is higher than the price of the lot (US\$300). Economic Analysis to Support the Design of the Second Low-Income Settlement Project, by Arthur Darling, September 2008. Consultancy financed by ATN/SF-10953-GY.

- lot.¹⁷ The cost of purchasing a low-income house in Guyana is around US\$9,000, with interest rates ranging from 5.5% to 8%, making it difficult for households earning less than US\$300 per month to afford.¹⁸
- 1.11 Regarding the issue of accessibility, focus groups with beneficiaries of the previous program, as well as the institutional analysis for Program preparation showed a lack of inter-institutional coordination between CH&PA and other stakeholders: (i) the allocation of lots is not systematically coordinated with infrastructure development, especially water and electricity; and (ii) the allocation of social services is not adequate to the local needs, especially health and education.¹⁹ This leads to a situation of uncertainty, which does not encourage the beneficiaries to move to the allocated lots.
- 1.12 **Program Strategy.** The Program strategy is to propose a more comprehensive urbanization process in the country, by: (i) improving the site and services infrastructure package, for each intervention (including septic tanks in the design of new sites and improving coordination with the providers of water and electricity); and (ii) incorporating a basic core house into the subsidy to provide a housing solution to the poorest. The Program will understand access to housing as the allocation of house lots to low income families, their occupation, and dwelling that at least meet the following standards: core house, 312 sq. ft. with septic tank, water, power connections, and located on land with road access.
- 1.13 Furthermore, the Program will include three pilots in the form of a subsidy to test specific aspects of affordability, considering the Guyanese context. The pilots will deal with: (i) housing improvement, characterized by a process-based approach often limited by the lack of access to quality materials; (ii) partnership with professional groups, defined as sites and services to solidarity groups who will build homes on sites developed by CH&PA;²⁰ and (iii) housing for the hinterland, characterized by limited and costly access to services and materials.²¹
- 1.14 Finally, the Program will include actions to improve CH&PA intervention in housing schemes²² and squatter areas, such as: (i) consolidating existing areas; (ii) enforcing the 2004 Repossession Policy in order to achieve maximum efficiency;²³ (iii) training of CH&PA staff for better planning and assessment in the pre-design phase of housing schemes; and (iv) creating an evaluation system for the housing subsidy.

¹⁷ Price of lot is US\$300 and a 375 sq. ft. wooden structure with two bedrooms, one bathroom, living and dining room, kitchen with septic tank costs US\$3,800 to build. See Arthur Darling, 2008.

¹⁸ Average price for a 400 sq. ft. concrete block structure 2006 with septic tank. Household Income and Expenditures Survey (HIES) and Housing and Settlement Sector Assessment, by Francisco Ayala, February 2008.

¹⁹ Institutional Strengthening – Assessment and recommendations, by Marcelo Drago, September 2008. Beneficiary Survey Report, by Paulette Bynoe, August 2008. Consultancies financed by ATN/SF-10953-GY.

²⁰ Professional groups to consider include: Guyana Teachers Union, Nurses Association, the Guyana Agricultural Workers' Union, and Clerical and Industrial Employees.

²¹ Broad estimates indicate that there are about 200 hinterland communities concentrated in Region 1 and 9 (Barima-Waini and Upper Takuntu-Upper Essequibo), with very limited access to services, such as water sanitation, education, and health. Guyana, Measuring Poverty, World Bank. January 2008.

²² Housing schemes is defined as sites with services.

²³ Policy to repossess unused house lots, see <http://www.gina.gov.gy/archive/daily/b080109.html>

- 1.15 **Justification.** In Guyana there is a deficit of 19,400 homes for low-income households (26% of all low-income households). The Program will aim to reach 70% of this group. The intervention will make a significant contribution to the country's effort to meet its objectives of the development strategy for the housing sector (¶1.6).

C. Program Design

- 1.16 **Program Objective.** The main purpose of the Program is to improve the quality of life of low-income families through better access to housing.

- 1.17 **Component 1: To develop new sites with services, to consolidate existing housing schemes, and to upgrade squatter areas (US\$24.8 million).** This component will cover the costs of design, construction, and supervision of construction to: (i) develop new sites with services; (ii) consolidate the existing housing schemes; and (iii) upgrade squatter areas. Subcomponent (i) and (iii) will be executed using the subsidy structure developed under the previous program. In both subcomponents, septic tanks and street lighting are the additional inputs to the design of the previous program. CH&PA will deliver the products through the tendering, monitoring, and supervision of construction.

- a. *Development of new sites with services.* This will include new land subdivisions of housing lots with connections to basic infrastructure (streets, sanitation, power, water, and drainage); services (storm drains, and road maintenance); community facilities (as needed), and finally the Program will provide the initial financing for street lighting in the lots where the capacity for local maintenance has been identified. In addition, the Program will include financing for a package of technical assistance and materials so that the beneficiaries can build septic tanks in their lots. The Program will finance 3,766 serviced lots on 11 sites in 6 regions. The average lot development investment cost is US\$2,750.
- b. *Consolidation of existing housing schemes.* This consists of on-site investments to complete or rehabilitate infrastructure and services to existing sites. The Program will finance the improvement of 4,900 lots on 8 sites in 4 regions. The average lot investment cost is US\$1,400.
- c. *Upgrading of squatter areas.* This will include improving the physical conditions (such as widening and paving street access where possible, drainage, septic tanks, and water distribution) and support the process of land titling in those areas. It will also include community development that will facilitate residents to get organized and participate in the design and implementation of the investments. The Program will provide the initial financing for street lighting in the lots where the capacity for local maintenance has been identified. The Program will finance the upgrading of approximately 1,350 lots on 5 sites in 3 regions. The average lot investment cost is US\$2,500.

1.18 Additionally, this component will include: (i) US\$2million of off-sites investments (such as new bore holes, transmission upgrades, and leak reduction, as needed) to guarantee water supply to the new sites as well as to the existing housing schemes;²⁴ and (ii) a pilot of 400 core houses, defined as: 312 sq. ft., with a sanitary block (septic tank, toilet, shower, and a multi-purpose sink), concrete block for the outer walls, floor in concrete slab, basic doors, windows, electrical wiring, and water connections. The pilot will be carried out by CH&PA in new sites as well as in existing housing schemes, according to selection criteria laid out in the Operating Regulations. It will be executed using the current subsidy structure. CH&PA will provide the core houses, through the tendering, monitoring, and supervision of construction. The average cost of this core-house is US\$5,500.

1.19 A summary of the financial structure of the solutions offered in Component 1 follows:

Household Monthly Income <US\$300					
Solution	Average Development Expenditure (per lot or per core house)	Equity Share/Savings ²⁵	Subsidy	Loan	%Subsidy
Site with services	2,750	330	2,420	None	88%
Upgrading	2,500	330	2,170	None	86.8%
Core house	5,500	500	5,000	None	90%

1.20 **Component 2: To implement pilots to attend issues of affordability and sustainability (US\$1.8 million).** This component will finance three pilots to create instruments and lay the groundwork for affordable housing solutions. Pilots include: (i) subsidies to support housing improvement; (ii) serviced lots for partnerships with professional groups; and (iii) subsidies to provide housing solutions to households located in the hinterland, with limited access to services. The pilots will be executed under the umbrella of the current subsidy structure.

- a. *Housing improvement.* The objective of this pilot is to help households improve an existing core house (new roof, floor, or room additions). This will consist of a package of grant and technical assistance for 400 families at US\$1,000 per family. Additionally, an in kind contribution by the household, in the form of labor, will be included. This pilot will be executed in existing housing schemes. The beneficiaries will be selected according to income level criteria, as detailed in the Operating Regulations.
- b. *Partnership with professional groups.* The objective of this pilot is to address the shortage of affordable homes for specific professional groups,

²⁴ The selected new sites are adjacent to or near the sites developed by the previous program to help maximize the benefit of the off-site investment costs. The needs have been defined and the investments are detailed in the electronic link “Technical options and list of sites for the five (5) years of Program execution”.

²⁵ The households equity share has been defined to achieve greater cost recovery and to be affordable to the lowest income households (<US\$300).

such as teachers and nurses. The homes would be funded by professional associations and available for ownership to their members who would have to comply with the selection criteria agreed upon in the Operating Regulations. The Technical Cooperation ATN/SF-10953-GY will finance the feasibility studies of this partnership, to determine: (i) eligible organizations; (ii) eligible activities; (iii) amount of the subsidy; (iv) eligible projects; and (v) project cycle. Evidence of the Memorandum of Understanding (MOU) with the professional groups will be a condition to the disbursement of IDB resources for the execution of this pilot.²⁶

- c. *Housing in the hinterland.* The objective of this pilot is to address the housing needs of about 8 communities in Regions 1 and 9 (amongst the poorest in the country).²⁷ The Technical Cooperation ATN/SF-10953-GY will finance the feasibility of this pilot, based on needs assessments of the pre-identified communities. Communities will be selected based on a set of criteria defined in the Operating Regulations. The subsidy will consist of a package of grant and technical assistance.. Evidence of the MOU with the village councils of the selected communities will be a condition to the disbursement of IDB resources for the execution of this pilot.²⁸

- 1.21 **Component 3: To strengthen Central Housing and Planning Authority (US\$0.5 million and US\$0.2 million for Program management).** Investments will include consulting services and goods for: (i) the finalization of the national housing policy and the preparation of a strategic plan; (ii) training of CH&PA staff to achieve better project cycle management; (iii) management training for CH&PA staff; (iv) the upgrade of the management information system; (v) the creation of a Program evaluation system; and (vi) activities to strengthen CH&PA's regional housing offices. In addition, this component will cover the cost of managing the Program.

D. Key Results Indicators

- 1.22 There is a close correlation between improvements in access to affordable housing and higher levels of occupancy. Therefore, the level of occupancy will be considered a proxy for improved access to housing. The Program will have delivered its anticipated results when it reaches the target of serving 70% of low-income households without homes. This percentage will apply to the overall Program.
- 1.23 Each component will have a project cycle, whose completion is marked by the targets detailed in the Results Framework (Annex I). These targets are linked to

²⁶ The agreement will include details on: (i) the selection of beneficiaries; (ii) subsidy; (iii) down payment; (iv) financing of the investments; (v) identification of actors and roles involved in the building process. The content of the agreement will have to be agreed on by the IDB, prior to signature.

²⁷ A Poverty Map for Guyana: based on the 2002 population and housing census, Emmanuel Skoufias, LCSPP, World Bank, 2005.

²⁸ The agreement will include details on: (i) the selection of the sites and beneficiaries; (ii) project cycle; (iii) mitigation measures in accordance with the ESMR; and (iv) community participation. The content of the agreement will have to be agreed on by the IDB, prior to signature.

the specific objective of the Program and will be used to monitor implementation progress, as well as determine whether the Program achieves its specific objective.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instrument

- 2.1 **Cost and Financing.** The Government of Guyana has requested a loan of US\$27.9 million. The Bank's financing will be provided in accordance with the new concessional financial framework, using a blend of resources from the Single Currency Facility of the Ordinary Capital (OC) and from the Fund for Special Operations (FSO), in the proportion established in that framework for Guyana. An estimate of the breakdown of the Program costs is given in the following table:

Table 2.1: Estimate and Breakdown of Program Costs (in US\$ million)

Components	Bank (FSO/OC)
	Total
Component 1 – Housing Schemes and Squatter Areas	24.8
New sites and Services	10.4
Consolidation of existing housing schemes	6.9
Squatter Areas/Neighborhood Upgrading	3.3
Off-site investments	2
Core houses	2.2
Component 2 – Pilots	1.8
Pilot in the Hinterland	1
Pilot in Incremental Housing	0.4
Pilot for a partnership with professional groups	0.4
Component 3 – Strengthening of CH&PA and Program Management	0.7
Institutional strengthening	0.4
Program management	0.3
Evaluation and Auditing	0.2
Interest²⁹	0.4
TOTAL	27.9

²⁹

As requested by the government.

- 2.2 **Disbursement Timetable.** The disbursement period for the program is five years. The following table contains a projection of the annual disbursements.

Table 2.2: Disbursement

IDB	2009	2010	2011	2012	2013	Total
Total (US\$)	1	4.3	9	7.9	5.7	27.9
% Year	3.5	15.4	32	28	20	100

B. Technical Issues

- 2.3 The methodology to be implemented for the Program (for Component 1, as well as the housing improvement pilot of Component 2) is well known and has been tried in various countries in the region. Common pitfalls have been taken into account and the general methodology has been modified to fit the Guyanese context (see electronic link technical options and design). For the pilot in the hinterland and the partnership with professional groups, feasibility studies will be financed by ATN/SF-10953-GY to define the intervention and the results of these studies will be presented in the Loan Result Report, to be submitted 18 months after the first disbursement.

C. Implementation Issues

- 2.4 Implementation issues are related to the sustainability of the investments. In both stages of design and maintenance, inter-institutional coordination is key. The design of the Program includes a series of actions to improve coordination with service providers, and Neighborhood Democratic Councils (in charge of maintenance), such as criteria for site selection, coordination in the planning phase, and a memorandum of understanding with the various actors and the beneficiaries to provide fully serviced lots.
- 2.5 Strengthening of community participation to lead the infrastructure consolidation process is also key to Program sustainability. Program activities include a series of actions for each phase of project development: (i) participation of the community in the assessment of needs in the pre-design phase; and (ii) training and education of community members in maintenance and environmental responsibilities during projects construction. Additionally, CH&PA will hire a community development specialist for the duration of the Program.

D. Environmental and Social Safeguard Risks

- 2.6 Projects in the Program will have a net positive social and environmental impact. The Program is designed to make sure the beneficiaries participate in the design, execution, and maintenance of the investments. None of the projects will require relocation of population groups.

- 2.7 As the Program seeks to increase the occupancy rates of the allocated lots, it will alleviate a number of the contingent environmental issues, such as maintenance of tertiary drainage canals, cost effectiveness in maintaining roads, and reduction of scrubs and bush on unoccupied lots that are breeding grounds for mosquitoes and pests. Likewise, Program design includes specific activities for inter-institutional planning, implementation, and management in a series of areas, such as the provision of potable water by Guyana Water Incorporated, the participation of the Neighborhood Democratic Councils and Community Development Councils to maintain infrastructure, and the collection and disposal of solid waste by regional authorities.
- 2.8 As the Program will require environmental criteria selection for site selection, the project team considers it to be a Category B operation, thus overriding the IDB's toolkit classification of C. An Environmental Analysis has been carried out, which focuses on the environmental evaluation of the First Low Income Settlement Program (1044/SF-GY, GY-0052), as well as the identification of the environmental and social impacts and the necessary management and mitigation measures for the projects to be financed by the Program.
- 2.9 The principal findings of the Environmental and Social Analysis of the Program (see electronic link) were: (i) the main constraint facing the housing sector is an absence of an integrated planning process to implement projects (addressed in Component 3, ¶1.18); (ii) CH&PA would need to be strengthened to ensure the enforcement of environmental, health, and safety provisions set in the contracts (addressed in implementation arrangements, ¶3.2); (iii) the Program should cover the costs to guarantee water provision to the sites (addressed in Component 1, ¶1.16); (iv) the self help methodologies implemented in the previous program for sanitary options should be deepened in the Program (included in the pilot of housing improvement in Component 3, ¶1.18); and (v) solid waste management is an issue to coordinate with the Ministry of Local Government and Regional Development (addressed in implementation arrangements, ¶3.3).

E. Fiduciary Risk

- 2.10 As part of Program preparation, the institutional capacity of CH&PA has been analyzed. The analysis covered the following capacities: (i) planning; (ii) execution (personnel management, goods and services management, and financial management); and (iii) evaluation. As a result of the analysis, CH&PA's institutional capacity is qualified as "average", and the associated institutional risk level is qualified as:
- a. Procurement – High. CH&PA staff is not familiar with the Bank's policies, procedures and standard bidding documentation. The Program Manager in conjunction with CH&PA staff will have to be trained in the Bank's procurement policies and procedures and in particular the standard bidding documentation for civil works. This will also entail training in the preparation of annual operations Plans, Semi Annual Reports and their respective

procurement plan. CCB/CGY will organize the training of CH&PA personnel as soon as the Project Officer has been recruited.

- b. Financial Management – Medium. CH&PA staff is not familiar with the IDB’s finance and accounting policies and procedures. This entails training in the preparation of Financial Statements, Semi Annual Reports on the status of the Revolving Fund, and the preparation of disbursement requests. Once on board, the Project Officer will join the training sessions.
- 2.11 In order to mitigate the fiduciary risk, and in addition to the training sessions mentioned in paragraphs 2.10a and 2.10b, both fiduciary specialists-financial management and procurement-will conduct inspection visits periodically to verify the compliance with IDB policies, and in the case of procurement activities to revisit thresholds with the objective of moving small dollar value procurement in goods to an ex-post review within one year of operation. This will be supported by the use of the procurement guides PP 370.
- 2.12 The institutional analysis for Program preparation showed that CH&PA is lacking an updated management and information system. Such system will be provided by the Program, as part of the activities under Component 3.
- 2.13 An evaluation system will be designed and included in CH&PA system as part of Program activities. The Terms of Reference for the evaluation system have been negotiated and agreed upon with CH&PA and they are part of the files included in the electronic links of this document.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Implementation Arrangements

- 3.1 The borrower is the Cooperative Republic of Guyana. The executing agency is the Ministry of Housing and Water, through the Central Housing and Planning Authority.
- 3.2 Implementation of the Program includes individual projects in various regions of the country, as well as coordination between communities, agencies, and local authorities. An institutional analysis of CH&PA defined the needs of strengthening for CH&PA and its project management unit, which will be responsible for general project administration, coordination, monitoring, and procurement.³⁰ To support the CH&PA project management unit, the Program will finance up to 20% top up salary for: three (3) new specialists to work full-time on the Program: two (2) engineers and one (1) community development specialist. The Program will also finance four (4) years of salary for the Project Officer, in the process of being hired under ATN/SF-10953-GY. Additionally, the Program includes financing to top up staff wages of six (6) managers, one (1)

³⁰ The institutional analysis was financed by ATN/SF-10953-GY.

- accountant, and three (3) engineers.³¹ CH&PA will ensure that the arrangements for implementation include clear responsibilities for the Program's successful implementation and will incorporate personnel to the planning and monitoring of the Program. Reporting directly to the Minister of Housing and Water, the Chief Executive Officer of CH&PA will consolidate the administration of all elements of the Program.
- 3.3 CH&PA will require the timely support of various other government ministries and agencies. The Ministry of Housing and Water will be responsible for the operationalization of the Inter-Agency Coordinating Committee with the following functions:³² (i) to review and coordinate project content and cost; (ii) to coordinate projects implementation; and (iii) to consult and plan future land selection. The Committee will meet every six (6) months to coordinate the investments. During the first meeting, CH&PA will present the working plan for Program execution.
- 3.4 Evidence of functioning arrangements for the effective management of the Program will be a condition precedent to the first disbursement of Component 1 from the loan. These include: (i) the employment of two (2) engineers and one (1) community development specialist; (ii) the availability of CH&PA staff for Program execution, guaranteed by the Chief Executive Officer of CH&PA; (iii) the first meeting of the Inter-Agency Coordinating Committee and the approval of CH&PA work plan by the Committee; (iv) approval of CH&PA work plan for the five (5) years of Program execution by the IDB; and (v) approval of the bidding documents for the evaluation system by the IDB.
- 3.5 CH&PA will be responsible for the environmental management of the Program and will have specific responsibility for obtaining environmental clearance from the Environmental Protection Agency.
- 3.6 **Component 1** – Sites have been selected for the 5 years of Program execution (see electronic link). Any additional site will have to meet the criteria laid out in the Operating Regulations and would require the no objection of the IDB. CH&PA will be responsible for the: (i) selection of beneficiaries; (ii) design of infrastructure development; (iii) the tendering, contracting, and supervision of physical works; and (iv) the coordination of the provision of services (utility and social services). Additionally, for the development of new sites with services and the consolidation of existing housing schemes, CH&PA will formalize the subsidy for the 400 core houses³³ and supervise their construction. For the upgrading of squatter areas, CH&PA will be responsible for community participation and for coordinating the process for granting security of tenure and land titling.

³¹ A 20% top up (i.e., the IDB will finance 20% of their wages) is proposed.

³² Members of the Committee are representatives of Guyana Water Incorporated, Guyana Power and Light, Lands and Surveys Commission, Environmental Protection Agency, Ministry of Health, Ministry of Education, Ministry of Local Government and Regional Development, Ministry of Public Works, and the National Drainage and Irrigation Board.

³³ The subsidy for the 400 core houses will be of US\$5,000 for very low income families (up to US\$300), with a down payment of US\$330 (lot) and US\$500 (core house).

- 3.7 **Component 2 –Housing improvement:** CH&PA will be directly responsible for (i) selecting beneficiaries for and providing the up front grants; (ii) providing the technical support during design and construction; and (iii) providing oversight of the housing improvement process. *Partnership with professional groups:* To execute this subcomponent, CH&PA will sign an agreement with the selected professional groups. CH&PA will be responsible for: (i) identification and acquisition of the land; (ii) tendering, contracting, and supervision of physical works for land clearing, design layout, cadastral survey, main access roads, and main water connections and electrical transmission lines; (iii) validation of the selection of beneficiaries; and (iv) supervision of the works. The professional group will be responsible for (i) selection of the beneficiaries, in accordance with the Operating Regulations; and (ii) financing of the construction of the drainage network, internal roads, internal water distribution network, and the construction of the houses. *Hinterland:* CH&PA will execute this subcomponent, in close coordination with the Ministry of Amerindian Affairs. CH&PA will be responsible for: (i) validating the selection of sites and beneficiaries; (ii) designing the subsidy; (iii) designing the infrastructure development in accordance with the regulations which govern design layouts; and (iv) tendering, contracting, and supervision of physical works and training. The Ministry of Amerindian Affairs will be responsible for: (i) selection of the sites and beneficiaries, based on a set of criteria agreed upon in the Operating Regulations; (ii) providing support in the needs assessment; (iii) coordinating with village councils to agree on specific layouts for each community; and (iv) supporting community development during project implementation.
- 3.8 **Component 3 –** Implementation of the activities will be coordinated and supervised by CH&PA.
- 3.9 **Operating Regulations.** The Program’s implementation will be governed by a set of Operating Regulations covering the following topics: program objectives and components, executing actors and functions, projects cycles, terms and conditions for beneficiaries’ participation, sites selections, application procedure, performance indicators and commitments, program monitoring, evaluation and results, and terms of reference for the hiring of consultants for the first year of execution. The approval of the text of the Program’s Operating Regulations by the IDB will be a condition precedent to the first disbursement from the loan.

B. Procurement

- 3.10 Procurement will be as set out in IDB policy. The text of the Procurement Plan and its spreadsheet are attached (Annex II).

C. Monitoring, Evaluation, and Auditing

- 3.11 Monitoring and evaluation activities are set out in the required documents as an electronic link. Auditing provisions are set out in the same annex and are in accordance with IDB policy.

D. Plan of Action

- 3.12 CH&PA has prepared a Plan of Action for complying with the conditions precedent to the first disbursement and key activities to get the Program started (see electronic link).

<p style="text-align: center;">GUYANA SECOND LOW INCOME SETTLEMENT PROGRAM GY-L1019 Results Framework</p>							
Project Objective	To improve the quality of life of low-income families through better access to housing.						
Outcome Indicators	Base Level	Target Level					
Living conditions/Quality of life improved: Low income families occupy dwellings that at least meet the following minimum standard: 312 sq. ft. with septic tank, water, and power connections and located on land with access.	20%	70%			By the end of Program execution. This % applies to the overall Program (i.e. 70% of the investments planned in Component 1 and 2). This figure will vary depending on the sites, according to the schedule of the investments and the baseline for each site. The 20% baseline was calculated based on the levels of occupancy in the sites to consolidate and the squatter settlements. Specific baselines for each site will be calculated by the consultants responsible for the design of the M&E system.		
Component 1	Base	Year 1	Year 2	Year 3	Year 4	Year 5/Target	Explanation of Target
<u>Outputs</u>							
Investments (new sites and consolidated sites) *Percentage of lots serviced with effective drainage, water, and electrical connections.	0			At least 25%	At least 75%	100%	100%; Expected total number of lots with these investments is: 9,400
Investments (Core houses) *Percentage of core houses built.	0			At least 40%	At least 70%	100%	100%; Total core houses expected is: 400
Investments (squatter upgrading) *Percentage of lots in selected squatter settlement upgraded, including paving of access streets, drainage, septic tanks, and water supply.	0			At least 50%	At least 75%	100%	100%; Expected total number of lots with these upgrades is: 1,350
Transport (titles to lots) transferred to low income beneficiaries *Percentage of transports to	0			25%	75%	100%	100%

allocated lots given to beneficiaries in the sites of intervention.							
Community participation *Number of community development plans elaborated or executed.	0			13 community development plans elaborated	8 new community development plans elaborated and the 13 plans (elaborated during Year 3) executed	8 community development plans (elaborated during Year 4) executed	Total: 21 community development plans executed
Component 2	Base	Year 1	Year 2	Year 3	Year 4	Year 5/Target	Explanation of Target
<u>Outputs</u>							
<i>Incremental housing:</i>							
Subsidies executed	0			200 subsidies		200 subsidies	Total: 400 subsidies
Percentage of the targeted population in improved housing	0			50%	75%	100%	100%
<i>Partnership with professional groups</i>							The indicators will be defined as a result of the studies to be financed under ATN/SF-10953-GY.
<i>Housing in the hinterland</i>							The indicators will be defined as a result of the studies to be financed under ATN/SF-10953-GY.
Component 3	Base	Year 1	Year 2	Year 3	Year 4	Year 5/Target	Explanation of Target
<u>Outputs</u>							
Investments (MIS)	Current MIS	Upgraded MIS in place and CH&PA personnel trained in its use					Upgraded MIS being used to monitor the allocation of subsidies.

Training	0	CH&PA staff trained in management	CH&PA staff trained in planning and assessment for the pre-design phase (including specific software)				CH&PA staff use the new software for planning and assessment in the pre-design phase.
Evaluation	0	Program evaluation designed		Mid term evaluation completed		Final evaluation completed in year 5	
CH&PA regional housing offices strengthened *Number of regional housing offices able to access CH&PA remotely.				2		4	
Housing policy and strategic planning developed				Housing policy and strategic plan are completed and the housing policy is approved by Cabinet			Guyana is using a detailed housing policy to support its housing development.

Notes:

1. The Matrix of Indicators will show the base level values, expected year values, and target values of each indicator;
2. Outputs and outcomes are grouped together to facilitate monitoring of component performance
3. The right hand column can be used for description of output / outcomes and choice of indicator and other explanatory notes
4. In the Results annex/section, this Matrix will be complemented by a detailed account of the arrangements (including institutional responsibilities, operating regulations, terms of reference, hiring of consultants, budgeting) showing how the data will be collected, verified, analyzed and reported to the Bank. The data sources and rationale behind the base line and target values will also be described.

GUYANA
SECOND LOW INCOME SETTLEMENT PROGRAM
GY-L1019
ANNEX II - SUMMARY PROCUREMENT TABLE

Project: GY-L1019 Second Low Income Settlement Program

Procurement Summary Table

Period included in this Procurement Plan: From January 2009 to June 2010

Ref. No. ¹	Description of and category of procurement contract	Estimated cost in (US\$ thousand)	Procurement method ²	Review (ex-ante or ex-post)	Source of financing and percentage		Prequalification ³ (Yes/No)	Estimated Dates		Status ⁴ (pending, in process, awarded, cancelled)	Comments
					IDB %	Local / Other %		Publication of specific procurement notice	Completion of contract		
	GOODS										
2LIS.C3.C1	Upgrade of Management Information system	207	PC	ex ante	100		no				
	WORKS										
2LIS.C1.W1	Construction /Development of new sites	12,375	ICB	ex ante	100		yes				4,500 lots at \$2,750 each
2LIS.C1.W2	Rehabilitation of existing schemes	6,860	NCB	ex ante	100		no				4,900 lots at \$1,400 each
2LIS.C1.W3	Upgrading of Squatter areas	3,375	NCB	ex ante	100		no				1,350 lots at \$2,500 each
2LIS.C1.W3	Construction of pilot core houses	2,200	ICB	ex ante	100		yes				
2LIS.C1.W3	Off Site Works to include bore holes , transmision etc	1,000	NCB	ex ante							
	CONSULTING SERVICES										
2LIS.C1.C1	Design of Development sites	106	QCBS	ex ante	100						5% of 21,335,000
2LIS.C1.C2	Construction supervision	106	QCBS	ex ante	100						5% of 21,335,000

2LIS.C1.C3	Regularization of residents Tenure	60	QCNI	ex ante	100						
2LIS.C2.C1	Grant & Technical Assistance pilot	400	QCBS	ex ante	100						
2LIS.C3.C1	Finalization of Strategic Plan	40	QCBS	ex ante	100						
2LIS.C3.C2	CHPA Staff Engineer (2)	23.9	QCNI	ex ante	100						
2LIS.C3.C3	CHPA Community Specialist	12	QCNI	ex ante	100						
2LIS.C3.C4	Upgrade of Management Information system	23	QCNI	ex ante	100						
2LIS.C3.C5	Audit	75	QCBS	ex ante	100						\$15,000 for each year of Prog. Execution
	Non-consulting services										
2LIS.C3.S1	Management Training for CH&PA Staff	30	PC	ex ante	100						
2LIS.C3.S2	Strengthening CH&PA regional offices	140	PC	ex ante	100						

¹ If there are a number of similar individual contracts to be executed in different places or at different times, these can be grouped together under a single heading, with an explanation in the comments column, indicating the average individual amount and the period during which the contracts would be executed. For example: an education project that includes school construction might include an item labeled "School Construction" for an estimated cost of US\$20 million and an explanation under the Comments column such as this: "This item encompasses some 200 contracts for school construction averaging US\$100,000 each, to be awarded individually by the participating municipal governments over a three-year period between January 2006 and December 2008."

² **Goods and Works:** **ICB:** International competitive bidding; **LIB:** limited international bidding; **NCB:** national competitive bidding; **PC:** price comparison; **DC:** direct contracting; **FA:** force account; **PSA:** Procurement through specialized agencies; **PAs:** Procurement agents; **IA:** Inspection agents; **PLFI:** Procurement in loans to financial intermediaries; **BOO/BOT/BOOT:** Build, own, operate/build, operate, transfer/build, own, operate, transfer; **PBP:** Performance-based procurement; **PLGB:** Procurement under loans guaranteed by the Bank; **PCP:** Community participation procurement; **Consulting Firms:** **QCBS:** Quality- and cost-based selection; **QBS:** Quality-based selection; **FBS:** Selection under a fixed budget; **LCS:** Least-cost selection; **CQS:** Selection based on the consultants' qualifications; **SSS:** Single-source selection; **Individual Consultants:** **QCNI:** Selection based on comparison of qualifications of national individual consultants; **QCII:** Selection based on comparison of qualifications of international individual consultants.

³ Applicable only to Goods and Works in case the new Policies apply. In the case of previous Policies, it is applicable to Goods, Works and Consulting Services.

⁴ Column "Status" will be used for retroactive procurement and when updating the procurement plan.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Guyana. Loan ___/BL-GY to the Co-operative Republic of Guyana
Second Low Income Settlement Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Co-operative Republic of Guyana, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a second low income settlement program. Such financing will be for the amount of up to US\$13,950,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital and corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform at the Bank. Financing will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)

LEG/SGO/IDBDOCS#1735618-08
Pipeline No. GY-L1019

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Guyana. Loan ___/BL-GY to the Co-operative Republic of Guyana
Second Low Income Settlement Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Co-operative Republic of Guyana, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a second low income settlement program. Such financing will be for the amount of up to US\$13,950,000, from the resources of the Bank's Fund for Special Operations and corresponds to a parallel loan within the framework of the multilateral debt relief and concessional finance reform at the Bank. Financing will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)

LEG/SGO/IDBDOCS#1735614-08
Pipeline No. GY-L1019