

**CARIBBEAN DEVELOPMENT BANK**

**TWO HUNDRED AND FORTY-EIGHTH MEETING OF THE BOARD OF DIRECTORS**

**TO BE HELD IN BARBADOS**

**OCTOBER 13, 2011**

**PAPER BD 86/11**

**SETTLEMENT UPGRADING PROJECT – ST. LUCIA**  
**(President's Recommendation No. 854)**

The attached Report presents an appraisal of a project to assist the Government of St. Lucia (GOSL) in continuing its settlement regularisation programme and improving the living conditions of citizens of St. Lucia, especially those in the lower income quintiles, through the upgrading of informal settlements and provision of serviced lots. The project will also enhance the capacity of the Ministry of Housing, Urban Renewal, and Local Government to carry out its mandate more effectively and efficiently.

2. The project is consistent with the GOSL's strategy to facilitate the provision of adequate and affordable housing that meets the needs of communities and with the Special Development Fund (Unified) 7 theme of strengthening poverty reduction and human development.

3. On the basis of the Appraisal Report, I recommend:

the approval of a loan to GOSL of an amount not exceeding the equivalent of six million, two hundred and thirty-three thousand United States dollars (USD6.233 mn) from the Special Fund Resources of the Caribbean Development Bank (CDB) on the terms and conditions set out and referred to in Chapter 6 of the attached report.

4. Funds are available within the CDB's existing resources and/or borrowing programme for the relevant disbursement period.

**CARIBBEAN DEVELOPMENT BANK**

**APPRAISAL REPORT**

**ON**

**SETTLEMENT UPGRADING PROJECT – ST. LUCIA**

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Considered at the Two Hundred and Forty-Eighth Meeting  
Of the Board of Directors on October 13, 2011.

BD 86/11  
AR 11/6 SL

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**OCTOBER 2011**

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## **CURRENCY EQUIVALENT**

Dollars (\$) throughout refer to Eastern Caribbean dollars unless otherwise stated.

USD1.00 = XCD2.70

XCD1.00 = USD0.37

## **ABBREVIATIONS**

CDB	-	Caribbean Development Bank
CLO	-	Community Liaison Officer y
CPA	-	Country Poverty Assessment
CSO	-	Central Statistics Offices
CSP	-	Country Strategy Paper
DCA	-	Development Control Authority
FY	-	Financial Year
GDP	-	Gross Domestic Product
GOSL	-	Government of St. Lucia
HIS	-	Housing Information System
HURD	-	Housing and Urban Renewal Department
IDI	-	Interest During Implementation
M&E	-	Monitoring and Evaluation
mn	-	million
MOF	-	Ministry of Finance
MOH	-	Ministry of Housing, Urban Renewal and Local Government
MOS	-	Ministry of Social Transformation, Human Resource Development, Youth and Sport
NPRS	-	National Poverty Reduction Strategy
p.a.	-	per annum
PC	-	Project Coordinator
PCR	-	Project Completion Report
PCT	-	Project Coordinating Team
PIU	-	Project Implementation Unit
PMCW	-	Project Manager-Civil Works
PMT	-	Priority Means Test
PROUD	-	Programme for the Regularisation of Unplanned Developments
RMF	-	Results Monitoring Framework
SDA	-	Special Development Areas
SDF7	-	Special Development Fund (Unified) 7
SDP	-	Shelter Development Project
SFR	-	Special Funds Resources
SLNHC	-	St. Lucia National Housing Corporation
SWMA	-	Solid Waste Management Authority
TA	-	Technical Assistance
TOR	-	Terms of Reference
USD	-	United States Dollars

### **MEASURES AND EQUIVALENTS**

1 kilometre (km)	=	0.621 miles (mi)
1 square kilometre (km <sup>2</sup> )	=	0.386 square miles (mi <sup>2</sup> )
1 metre	=	3.281 feet (ft)
1 square metre (m <sup>2</sup> )	=	10.764 square feet (ft <sup>2</sup> )
1 tonne	=	0.98 tons
1 litre	=	0.220 imperial gallons
1 hectare	=	2.47 acres

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## COUNTRY DATA : ST. LUCIA

	2006	2007	2008	2009	2010
PER CAPITA GDP (current market prices; \$)	15,979	17,044	17,883	17,315	18,617
<b>GROSS DOMESTIC PRODUCT (GDP)</b>					
GDP at Current Market Prices (\$mn)	2,658.8	2,869.2	3,046.1	2,984.6	3234.08
Demand Components:					
Consumption Expenditure	2,642.1	2,947.4	3,136.3	2,709.0	...
Gross Domestic Investment	736.2	705.5	695.5	539.0	...
Exports of goods and non-factor services	1,188.6	1,234.2	1,429.1	1,468.6	...
Imports of goods and non-factors services	1,908.1	2,017.9	2,214.8	1,732.0	...
Gross domestic savings ratio (%)	0.6	(2.7)	(3.0)	9.2	...
<b>Sectoral distribution of current GDP (%)</b>					
Agriculture	3.9	3.4	4.5	4.2	3.2
Mining & Quarrying	0.3	0.3	0.3	0.3	0.3
Manufacturing	5.5	5.5	4.7	4.3	3.9
Utilities	4.1	4.2	4.1	4.7	4.4
Construction	12.8	8.6	9.3	7.4	8.1
Transport & Communication	17.3	18.0	18.1	18.8	17.8
Hotels & Restaurants	11.4	15.1	14.6	14.1	16.7
Wholesale & Retail Trade	9.8	9.6	9.3	8.6	9.2
Financial & Business Services	20.6	21.2	21.0	21.6	20.4
Government Services	12.6	12.4	12.4	13.5	13.3
Other Services	3.7	4.0	4.3	5.1	5.0
Less Imputed Service Charge	2.0	2.3	2.5	2.5	2.2
GDP at Current Factor Cost (\$mn)	2,222.1	2,405.6	2,563.4	2,506.7	2,750.4
GDP at constant 2006 Prices (\$mn)	2,222.1	2,255.3	2,385.9	2,355.2	2,458.8
Annual rate of growth in GDP (%)	7.4	1.5	5.8	(1.3)	4.4
<b>MONEY AND PRICES (\$ mn)</b>					
Consumer prices (av. annual % change)	2.3	3.1	8.2	1.0	1.8
Money supply (M1; annual % change)	0.3	11.6	(1.8)	(0.0)	(0.0)
Total domestic credit(net)	2,379.1	3,112.4	3,453.4	3,456.1	3,410.1
Private sector (net)	2,588.8	3,300.4	3,622.7	3,704.2	3,760.1
Public sector (net)	(246.8)	(226.2)	(227.3)	(289.4)	(392.3)
Non-bank financial institutions (net)	37.2	38.1	57.9	41.3	42.3
Estimated Tourism Expenditure (USD mn)	294.0	301.7	311.0	296.2	328.9
<b>CENTRAL GOVERNMENT FINANCES (\$ mn)</b>					
Current Revenues	644.7	699.9	781.3	770.8	776.2
Current Grants	0.0	0.0	0.0	0.0	0.0
Current Expenditures	554.1	549.5	627.4	661.8	723.2
Current Account Surplus/ (Deficit)	90.6	150.4	153.9	109.0	53.0
Capital Revenue and Grants	4.2	9.3	27.4	26.0	72.6
Capital Expenditure and Net Lending	251.3	216.3	179.9	200.2	146.2
Overall Surplus/ (Deficit)	(156.5)	(56.6)	1.4	(65.2)	(20.6)
<b>BALANCE OF PAYMENTS (USD mn)</b>					
Merchandise Exports (f.o.b)	96.7	101.2	165.7	154.1	594.1
Merchandise Imports (c.i.f)	521.0	541.7	604.8	464.1	734.3
Trade balance	(424.3)	(440.5)	(439.1)	(310.1)	(140.2)
Net Balance on services account	157.9	150.2	147.3	151.2	199.3
Income (net)	(54.5)	(68.0)	(73.0)	(72.4)	(61.3)
Transfers (net)	11.98	13.6	16.2	13.1	14.9
Current Account Balance	(309.0)	(344.7)	(348.5)	(218.2)	12.7
<b>TOTAL PUBLIC DEBT (USD mn)</b>					
Total public debt	528.9	590.9	598.6	608.2	679.7
Domestic debt outstanding	174.3	225.1	269.4	263.4	320.0
Long term	...	...	...	...	...
Short term	...	...	...	...	...
External debt outstanding	354.6	365.8	329.2	344.8	359.7
Debt Service	27.1	36.6	41.8	41.7	63.2
Amortisation	7.8	19.5	25.1	24.8	47.5
Interest Payments	19.3	17.1	16.7	16.9	15.7
External debt service as % of exports of goods and services	6.2	8.0	7.9	7.8	11.4
Total debt service as % of current revenue	18.5	19.5	20.1	22.5	38.0
<b>AVERAGE EXCHANGE RATE</b>					
Dollar(s) per US dollar	2.7	2.7	2.7	2.7	2.7

Data for 2010 are provisional.

## COUNTRY DATA : ST. LUCIA

	2006	2007	2008	2009	2010
<b>POPULATION</b>					
Mid-Year Population ('000)	166.4	168.3	170.3	172.4	173.7
Population Growth Rate (%)	1.1	1.2	1.2	1.2	0.8
Crude Birth Rate	13.3	13.4	13.7	...	...
Crude Death Rate	6.1	6.6	7.6	...	...
Infant Mortality Rate	22.2	24.4	25.2	...	...
<b>EDUCATION</b>					
Net School Enrolment (%)					
Primary	94	92	91	91	91
Secondary	64	76	81	83	84
Pupil-Teacher Ratio					
Primary	24	23	22	20	19
Secondary	18	17	17	17	16
<b>LABOUR FORCE</b>					
Unemployment Rate (%)	15.8	16.7	14.0	15.7	...
Male	11.7	12.5	14.0	15.7	...
Female	20.9	21.5	18.5	18.6	...
Participation Rate (%)	67.3	...	...	...	...
Male	74.8	...	...	...	...
Female	59.5	...	...	...	...

## COUNTRY DATA : ST. LUCIA

	1970	1980	1990	2000	2010
<b>INDICATORS OF HUMAN DEVELOPMENT</b>					
<b>HEALTH AND EDUCATION</b>					
Life Expectancy at Birth (years)	62.8	67.0	71.0	74.0	74.2
Male	64.4	...	...	...	...
Female	69.8	...	...	...	...
Dependency Ratio	1.20	0.96	0.72	0.62	0.48
Male	1.32	1.01	0.73	0.63	...
Female	1.10	0.92	0.72	0.62	...
Human Development Index	...	...	...	0.772	...
<b>HOUSING AND ENVIRONMENT</b>					
Households with piped water (%)	20.6	38.8	62.6	77.9	87.0
Households with access to flush toilets (%)	11.0	18.5	38.4	52.5	69.4
Households with electricity (%)	...	44.8	76.1	86.6	92.7
Environmental strategy or action plan (year prepared):	2004				

Source(s): ECCB Research Dept., Ministry of Education Statistical Digest 2010

... not available

Data as at September 27, 2011



## LOAN AND PROJECT SUMMARY

Financial Terms and Conditions						
Borrower:	Government of St Lucia (GOSL)		Amortisation Period:	20 years		
Implementing Agency:	n/a		Grace Period:	10 years		
Executing Agency:	Housing and Urban Renewal Department (HURD) in the Ministry of Housing, Urban Renewal and Local Government (MOH)		Disbursement Period:	4 years		
Source:	Amount (USD mn):					
Caribbean Development Bank (CDB):	Special Funds Resources (SFR)	6.233	Interest Rate:	2.5% per annum (p.a.)		
Counterpart:	GOSL	7.107	Commitment Fee:	n/a		
Total:		13.340				
Project at a Glance						
Project Objective/Description:						
The project will facilitate improved access to basic infrastructure and services for residents in informal settlements in 11 communities in St. Lucia. It also includes the provision of serviced lots, and technical assistance (TA) to enhance sector capacity. The project will support the longer-term goal of improved living conditions and access to secure tenure for project beneficiaries, especially those in the lower quintiles of the population.						
Special Development Fund (Unified) 7 (SDF7) Results Monitoring Framework						
Key Indicators	Baseline 2011	Year 1	Year 2	Year 3	Year 4	Total
Beneficiaries of community infrastructure interventions (number) <sup>1</sup>	0	0	0	1014	529	1,543 <sup>2</sup>

<sup>1</sup> CDB's Results Monitoring Framework (Paper BD115/10, Add 1); Appendix 2, indicator #14

<sup>2</sup> Calculated based on the number of existing households and the national average household size of 2.8 persons. These numbers may be revised, and will be disaggregated by sex, following the completion of updated socio-economic surveys.

## **1. STRATEGIC CONTEXT AND RATIONALE**

### **BACKGROUND**

1.01 GOSL has requested CDB's assistance in providing financing to assist in continuing the regularisation of unplanned/informal settlements and provision of adequate shelter. Regularisation was previously begun under the Government-financed Programme for the Regularisation of Unplanned Developments (PROUD) and continued under the Shelter Development Project (SDP) (Paper BD101/00); approved by CDB's Board on December 2000. The SDP is currently under implementation and a review of its status<sup>1</sup> was provided in a Revision in Scope paper (BD101/00 Add. 1) that was presented to the Board in March 2011. Some of the mechanisms developed and in use under the SDP will provide important support for activities included in this project.

### **SECTOR ANALYSIS**

#### **Macroeconomic Context**

1.02 Over the past three years, the St. Lucian economy has had to grapple with several challenges, the predominant ones being the fallout from the global economic and financial crisis and the impact of Hurricane Tomas in October 2010. These events severely affected the country's productive sectors, in particular, tourism and agriculture, while output in the construction sector suffered largely as a result of the significant fall-off in foreign direct investment from the crisis. Consequently, real activity is expected to slow to 2% in 2011 following growth of 4.4% in 2010 and a decline of 1.3% in 2009.

1.03 The economic upheaval and the impact of natural disasters has also had a deleterious effect on public finances, as fiscal savings declined from 4.8% of gross domestic product (GDP) in Financial Year (FY) 2008/2009 to 1.3% in FY2010/2011, and the overall deficit widened from 0.9% to 5.8% of GDP. During this period of sluggish revenue growth, GOSL engaged in countercyclical and subsequently rehabilitative spending, while concomitantly seeking to address the growing needs of poor and vulnerable groups. Fiscal pressures are likely to continue into the medium term, however, the implementation of planned revenue and public financial management reforms in addition to the identification of alternative financing sources should help to ensure that GOSL can meet its financing requirements. The impact of the global turmoil was also evident in the financial sector, where weak demand led to slow growth in private sector credit, and revealed vulnerabilities in the system which the authorities are trying to address by improving the legislative and supervisory framework. Further details on the macroeconomic context and medium-term projections are presented in Appendix 1.1.

#### **Social Context**

1.04 Based on the 2010 Census, St. Lucia's population is 166,526<sup>2</sup>. This represents moderate population growth of 5% since 2001. The Census also revealed that the number of households increased by 24% during the same period, resulting in an average annual rate of household formation of 1,261 per year, and indicating that there has been an increased demand for housing in the country. This increase has been concentrated mainly in the urban districts of Castries and Gros Islet due to the high rural to urban migration rate that has been an important demographic characteristic of the country for the last few decades. However, the 2010 Census indicated that while these districts have maintained their position as the most populous parts of the country, there has also been significant population movement in the last

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<sup>1</sup> 938 households had benefitted from access to improved infrastructure and utilities under the SDP by the end of 2010.

<sup>2</sup> Total resident population

ten years to other areas; such as rural areas of Castries and some of the peri-urban districts around Canaries, Soufriere and Vieux Fort. This phenomenon has contributed to the growth of informal settlements on the periphery of Castries and other towns.

1.05 These settlements vary in size with their population ranging from about 300 to about 1,600 depending on their proximity to the urban districts. Settlements in or around Castries are large and densely populated while smaller ones are located in the rural areas. Similarly, the number of households, which range from about 100 to 600, vary in relation to their location. However, the households are not very large; average household size for those in the urban areas is about the same as the national average of 2.8 persons, while household size in the rural settlements is about 3. In most cases, women make up the majority of the population. Single parent families are also in the majority, being as high as 70% in some communities. The residents are normally quite youthful, with the percentage of persons under 30 years being over 50% in most cases. Most of the households, therefore, are single parent, female-headed households with children and/or young people. Many of the residents in the urban settlements are either self-employed or work in the tourism industry; their rural counterparts tend to be engaged as small farmers.

1.06 Overall living conditions in these settlements are inadequate. There is an absence of basic physical infrastructure such as pathways, drainage and lighting. Poor housing quality, over-crowded conditions and poor sanitation are also issues affecting these communities. Based on the St. Lucia Central Statistical Office's (CSO) Basic Needs Index – a composite score used to depict a community's standard of living – all the communities in the country are ranked from Quintile 1 (the poorest) to Quintile 5 (the richest). Informal settlements are mostly in Quintiles 1 or 2 with a few, usually the older and more established ones, being in Quintile 3. This denotes that the informal communities experience generally poorer socio-economic conditions than other communities in the country. Details on the demographic characteristics of the country and the project areas are provided in Appendix 1.2.

## **Housing**

1.07 St. Lucia's housing sector is characterised by relatively high levels of home ownership (74%) and private rental (18%) as well as significant numbers of informal settlements. The proliferation of unplanned settlements in St. Lucia is a direct response to:

- (a) lack of affordable housing solutions (including access to land) especially for lower income households;
- (b) weak institutional capacity to effectively manage land use and regulate development; and
- (c) rapid urbanisation and growth in housing demand.

The magnitude of unplanned development in both urban and rural areas as well as the negative social (e.g., increased crime), environmental (such as poor waste management practices) and economic consequences (increased vulnerability to natural hazards), present serious impediments to the effective and efficient development of the housing sector, and limit the sector's capacity to contribute to the economic and social development of St. Lucia.

1.08 Formal housing demand is subject to the household's ability to build, buy or rent units at market prices. Access to formal mortgage finance through credit unions or commercial banks is subject to a minimum household income threshold of about \$2,500 per month. In addition, the construction cost of a starter home for lower income persons has increased by at least 32% since 2003<sup>3</sup> to about \$185 per sq. ft.

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<sup>3</sup> Data provided by St. Lucia National Housing Corporation (SLNHC)

This cost does not include legal fees, insurances, professional fees and other regulatory charges. Approximately 30% of the population was identified as poor in the 2005-2006 Country Poverty Assessment, and unemployment has increased from 13% in 2006 to 17.6% in 2010. Consequently, poorer households are likely to have been, and are still, experiencing housing affordability challenges, or housing stress, both in terms of owner-occupied housing and rental. The proposed introduction of value added tax is likely to further increase construction cost and hence limit affordability.

1.09 The average annual rate of household formation (1,261 per year) in the inter-censal period compares unfavourably with the average annual number of applications for new housing unit construction (606) processed by the Development Control Authority (DCA) over the same period; suggesting that a significant proportion of recent household formation was not regulated by the formal development process. This also implies that an assessment of the vulnerability of housing sites to known natural hazards such as land slip and torrential rainfall or flooding would not have been done. In addition, existing hazard maps are at too large a scale to identify site-specific issues which might increase the risk of land slide.

1.10 Surveys by MOH have identified at least 33 informal settlements on the island comprising over 6,000 households<sup>4</sup>. Some settlements have been in existence for over 40 years. The extent of the problem and the limited availability of suitable Crown lands have constrained corrective actions in the sector. The DCA does not have sufficient manpower to effectively police unplanned developments. In order to partially address the enforcement issue, areas to be regularised have been designated Special Development Areas (SDA), and are subject to relaxed planning criteria (e.g. smaller setbacks). MOH staff carry out periodic visits to the SDA to ensure that there is no expansion of settlements that have already been mapped and also to assist DCA in enforcing SDA regulations as necessary.

1.11 The MOH and SLNHC are the primary actors in the sector with direct responsibility for housing. However, several other government agencies/ministries are also involved in housing construction, regularisation, provision of land, and other activities in the sector. No single entity has an effective overview of sector-wide activities, coordination is limited, and there are overlapping responsibilities.

### **Issues and Constraints**

1.12 Critical issues and challenges facing GOSL/MOH in the sector and the proposed strategies to address them are outlined in Table 1.1 below. Further details on the housing sector are provided at Appendix 1.3.

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<sup>4</sup> National Report on Housing and Resettlement in St. Lucia (April 2007)

**TABLE 1.1: ISSUES IN THE HOUSING SECTOR AND PROPOSED STRATEGIES<sup>5</sup>**

<b>Issue</b>	<b>Proposed Action</b>
(a) Unavailability of land for housing	(i) establish a flexible and responsive land bank which provides opportunities for developing both affordable housing for low and middle-income households; and (ii) continue the programme of regularisation of insecure land tenure and the restriction of unplanned development.
(b) Increasing rural-urban migration	(i) review tenantry upgrading programmes to support rehabilitation efforts in existing spontaneous developments; (ii) improve the quality of road network between rural and urban localities; and (iii) promote use of the SDA Act to accelerate economic activities and employment in rural areas.
(c) Inadequate housing information system to support decision-making in housing delivery	(i) assess the institutional framework for monitoring and evaluating the performance of the housing sector in order to create an effective and transparent system for collecting (appropriate) data for management of the sector; (ii) strengthen the human, technical and financial capacity of MOH to conduct regular market research; and (iii) assess mechanisms aimed at developing and up-dating household income distribution information on an annual basis.

## **COUNTRY SECTOR STRATEGY**

1.13 The project is consistent with the strategic focus of GOSL in the most recent Country Strategy Paper. GOSL remains committed to facilitating the provision of adequate public services to all its citizens, and to providing opportunities for citizens to have access to adequate shelter<sup>6</sup>. In addition, the continuation of programmes for the regularisation of insecure land tenure is considered to be an important strategic intervention<sup>7</sup> in support of these policies. However, the issues of enforcement as well as an effective housing information system have been major constraints to the effectiveness of the existing policy instruments. MOH is currently focused on addressing unplanned developments as well as other critical sector challenges and has developed a National Housing Policy and Strategic Plan of Action for the sector which was approved by Cabinet in mid-2011. The objectives of the Policy include:

- (a) increasing capacity-building and institutional development within the housing sector;
- (b) encouraging adequate growth, maintenance and improvement of housing stock to meet human conditions;
- (c) facilitating active participation of civil society, institutions, community-based organisations and individuals in the provision of sustainable housing; and
- (d) promoting sustainable mixed-income housing developments that meet the needs of all socio-economic groups and also take cognizance of the needs of vulnerable groups.

<sup>5</sup> Source: National Housing Policy and Strategic Action Plan (2011)

<sup>6</sup> National Land Policy (May 2007)

<sup>7</sup> St. Lucia National Housing Policy and Strategic Plan of Action (January 2011)

1.14 High priority actions to be undertaken in the sector include identifying and updating the list of unplanned settlements on both public and private lands, assessing the vulnerability to natural hazards of these types of development, and promoting public awareness of the issues and challenges created by unplanned development. Support for Geographic Information System-based analysis and data management related to lands, and improvements in physical planning processes are being undertaken with funding from the World Bank<sup>8</sup>.

1.15 Historically, government programmes and projects have been mostly targeted at low-income groups and at improving the availability of housing services (finance, infrastructure, relocation due to hazard vulnerability concerns, security of tenure, and the quality of housing and serviced lots). Over the last several years, GOSL has sought to address the issue of informal settlement through PROUD and SDP. Regularisation has included the provision of secure tenure for householders in project areas and access to upgraded infrastructure, utilities and other services. Beneficiaries have also been required to enter a contractual arrangement with GOSL to pay for the regularised lots on which they reside.

1.16 MOH currently employs a Priority Means Test (PMT) as part of the regularisation process. The test, developed as part of the SDP, is used to assess the level of need, the capacity of households to pay for land/housing, and to identify those households which may require additional assistance from GOSL for house repair, reconstruction or relocation. The PMT's components include household earnings, number of dependents and persons living in the household, length of time in residence, age of occupants, and location (vis-à-vis natural hazards). Subject to these considerations, households are required to contribute towards the cost of the property on a sliding scale varying from full market price to a significantly discounted value. In some cases, GOSL has granted free lifetime enjoyment of the property to particular households at the lowest end of the income quintiles.

### **LINKAGE OF THE PROJECT TO CDB'S SECTOR STRATEGY AND POVERTY GOALS**

1.17 The activities contemplated within this project (sites and services and infrastructure upgrades) fall within the ambit of the interventions envisaged by CDB's current Housing Policy<sup>9</sup>. The project, in improving living conditions of low-income households, accords with CDB's strategic objectives of promoting broad-based economic growth and inclusive social development, and the associated corporate priority of promoting social protection measures. The project is also in accordance with the SDF7 strategic theme of strengthening poverty reduction and human development.

### **RATIONALE**

1.18 The proliferation of unplanned settlements in both urban and rural areas and the associated potential negative social, environmental and economic consequences for St. Lucia, present serious impediments to effective and efficient development of the island. The situation is further exacerbated by considerable fragmentation in the institutional framework supporting the sector, the incomplete assessment of natural hazards affecting informal communities, the lack of enforcement of land-use management/physical development plans, and the limited availability of land for residential purposes in the face of increasing demand.

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<sup>8</sup> Hurricane Tomas Emergency Recovery Project

<sup>9</sup> CDB Housing Policy (1981), to be updated in 2012.

1.19 The project sites comprise 551 households in 11 informal settlements situated in 6 host community areas located in the Castries, Laborie and Vieux Fort districts. The host communities are relatively large with the number of households ranging from about 200 to 560 and a combined population of about 5,000 people. They are characterised by a large number of low-income households and residents engaged in low-skilled occupations in the tourism and agricultural sectors. The communities suffer from the absence of basic physical infrastructure, inadequate housing quality, and overcrowded conditions which contribute to their deprived socio-economic conditions.

1.20 GOSL recognises the need to assist residents of informal settlements, particularly those in low-income households, to improve their living conditions and therefore, more effectively contribute to national development and the reduction of poverty. The proposed project will assist in the upgrade of informal communities, through the provision of basic infrastructure and services, and the assessment of natural hazard risks. The project will also improve the supply of serviced lots for residential purposes and support action by key actors within the sector to better respond to the current challenges. It is likely to have a positive impact on poor households who will eventually acquire secure tenure.

## **2. PROJECT DESCRIPTION**

### **OBJECTIVES**

2.01 The objective of the project is improved access to basic infrastructure and services for residents in selected areas in St. Lucia. The project will also support enhanced institutional capacity in the sector, facilitate the acquisition of secure tenure and contribute to the longer term goal of improved living conditions for residents of the project communities, especially those in the lower income quintiles of the population.

### **PROJECT COMPONENTS**

2.02 The project is part of a wider programme of settlement regularisation in St. Lucia that includes the existing SDP and initiatives funded by GOSL<sup>10</sup>. Elements of the ongoing SDP will be used to support activities undertaken under this project. These elements include:

- (a) use of existing project management arrangements;
- (b) application of PMT to households under this project; and
- (c) GOSL's assistance to householders in acquiring secure tenure to land on which they are currently residing (subject to PMT and payment for the land).

Some households in the project areas would already have obtained secure tenure to land under the SDP or begun the process of paying for it prior to the infrastructure upgrade. However, 210 households where cadastral surveys have not yet been finalised would not have begun the regularisation process. In Table 2.1, only these lots have been considered in defining targets at the goal level.

2.03 The project components are:

- (a) Upgraded Settlements and Expanded Infrastructure:

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<sup>10</sup> See Appendix 1.3, Table 4.

- (i) land (approximately 33 ha; 31 for informal settlements and the remainder for sites and services);
- (ii) civil works to upgrade 11 settlements, packaged as 6 sub-projects, including provision of access roads, footpaths, drainage, other ancillary works; and utility services (water and electricity) in selected areas;
- (iii) civil works to provide 36 serviced lots at Bexon Development;
- (iv) cadastral surveys of lots in the Bexon Development and the finalisation of surveys and relocation of some residents in the informal settlements; and
- (v) consultancy services for:
  - (aa) engineering design and construction supervision; and
  - (bb) hazard assessment of sub-project areas.
- (b) Enhanced Sector Capacity – consultancy services for Institutional Assessment and Sector Support which will provide recommendations for improvements in the institutional framework, and assist in establishing the monitoring and evaluation (M&E) systems for the project and an appropriate management information system for the sector.
- (c) Supporting Services:
  - (a) project management services; and
  - (b) baseline and follow-up socio-economic surveys to monitor changes in living conditions of beneficiary households.

Further details of project components at (a) are provided at Appendix 2.1. Draft Terms of Reference (TOR) for consultancy services at (a)(v)(bb) and (b) are included at Appendices 2.2 and 2.3.



**TABLE 2.1: LOGICAL FRAMEWORK**

Narrative Summary	Objectively Verifiable Indicators/Targets	Means of Verification	Important Assumptions
<b>Goal:</b> Improved living conditions of low-income households in selected areas.	<ul style="list-style-type: none"><li>- Increase in the value of household assets (property).</li><li>- 85 households access title deeds by December 31, 2017.</li></ul>	<ul style="list-style-type: none"><li>- Follow-up socio-economic survey.</li><li>- National statistics.</li><li>- Ex-post evaluation reports.</li><li>- Housing survey and census.</li></ul>	<ul style="list-style-type: none"><li>- Macroeconomic stability.</li><li>- GOSL continues to facilitate development of the sector.</li></ul>
<b>Purpose:</b> Improved access to basic infrastructure by households in selected areas of St. Lucia, and an enhanced capacity to respond to issues and challenges in the sector.	<ul style="list-style-type: none"><li>- 551 households and an additional 104 vacant lots have access to basic infrastructure and services by December 31, 2015.</li><li>- 36 lots allocated or sold in sites and services development by December 31, 2017.</li><li>- Key remedial actions arising from TA commence implementation by December 31, 2015</li></ul>	<ul style="list-style-type: none"><li>- HURD project records.</li><li>- Land registry records.</li><li>- Records of community consultations.</li><li>- Follow-up socio-economic survey completed by December 31, 2015.</li></ul>	<b>Affecting Purpose to Goal:</b> <ul style="list-style-type: none"><li>- Households in the project areas have access to financing to construct or upgrade houses or purchase lots.</li><li>- Process to acquire title deeds completed in a timely manner under the existing SDP.</li><li>- Communities co-operate with HURD/other agency surveys.</li><li>- Adequate funds are available to implement the remedial action plans.</li></ul>
<b>Outputs/efficacy:</b> <ul style="list-style-type: none"><li>- Improved basic infrastructure and services in 11 informal settlement areas.</li><li>- Expanded infrastructure (sites and services) for use in housing provision at Bexon Development.</li><li>- Institutional framework reviewed and corrective actions recommended.</li></ul>	<ul style="list-style-type: none"><li>- 16.6 kms of drains and 9.6 kms of roads and footpaths constructed by December 31, 2015.</li><li>- 4 households relocated by December 31, 2012.</li><li>- Implementation of key remedial actions for sector agreed by March 31, 2013.</li><li>- 36 serviced lots available by September 30, 2014.</li></ul>	<ul style="list-style-type: none"><li>- Project Completion Reports.</li><li>- Project Implementation Unit (PIU) progress reports and Consultant’s reports.</li><li>- Practical Completion Certificates.</li><li>- Baseline socio-economic survey.</li></ul>	<b>Affecting Outputs to Purpose:</b> <ul style="list-style-type: none"><li>- Communities use the facilities and services provided.</li><li>- GOSL agrees to implement remedial action plans.</li><li>- There is interest in, and financing is available for, the purchase of serviced lots</li></ul>
<b>Inputs/Activities:</b>	<b>XCD (‘000)</b>		
	<b>CDB</b>	<b>GOSL</b>	<b>Total</b>
Upgraded Settlements and Expanded Infrastructure:	11,417	17,314	28,731
Enhanced Sector Capacity:	1,188	40	1,228
Support Services:	-	1,297	1,297
<b>Base Cost</b>	<b>12,605</b>	<b>18,651</b>	<b>31,256</b>
Contingencies	3,340	538	3,878
Finance Charges	885	-	885
<b>Total Project Cost</b>	<b>16,830</b>	<b>19,189</b>	<b>36,019</b>

## **LESSONS LEARNT**

2.04 The principal lessons learnt from similar projects funded by CDB (including the SDP) and other Multilateral Development Banks, and the mitigating elements included in this project are as follows:

- (a) *Ensuring continuity in the provision of project management resources* – there is an existing PIU within HURD (a department within MOH) which is working on the SDP. It is adequately resourced and has experience in tackling the issues to be addressed under this project.
- (b) *Clearly defining boundaries for the informal settlements, including the number of beneficiaries to be included under the project, and enforcing those boundaries to avoid scope creep* – site boundaries and the number of households are already defined, the sub-project areas are designated as SDA, and had previously been mapped as part of the SDP. Staff of HURD perform regular visits to assist the DCA in enforcement of the SDA.
- (c) *Addressing structural/systemic failures arising from the weak institutional framework for the delivery of housing* – the project includes TA to assist in developing a more detailed remedial action plan and implementing some corrective actions in the sector.
- (d) *Inadequate capacity of smaller contractors in St. Lucia* – some training of small contractors in St. Lucia has been done under the CDB's Basic Needs Trust Fund. In addition, works have been grouped and implementation scheduled to minimise delays as a result of a limited number of qualified contractors being available to do the work.
- (e) *For sites and services projects, the design requirements of the sites must be explicitly linked to the type of housing units to be built which, in turn, should reflect the socio-cultural needs of the potential residents* – sites and services component is designed to accommodate conventional single-family or multi-family dwellings in accordance with customary DCA regulations and norms in St. Lucia.

## **3. PROJECT COSTS AND FINANCING**

3.01. The project is estimated to cost \$36.019 mn. A summary of the project cost and financing is presented at Table 3.1. The detailed Project Cost, Phasing and Financing Plan is provided at Appendix 3.1. The cost of infrastructure upgrades is based on detailed drawings and engineering estimates. The cost of the sites and services is based on planning drawings and engineering estimates using current and projected construction costs.

**TABLE 3.1: SUMMARY PROJECT COST AND FINANCING PLAN**  
(**\$'000**)

<b>Items</b>	<b>CDB<sup>1</sup></b>	<b>GOSL</b>	<b>TOTAL</b>
Upgraded Settlements and Expanded Infrastructure	11,417	17,314	28,731
Enhanced Sector Capacity	1,188	40	1,228
Support Services	-	1,297	1,297
<b>Base Cost</b>	<b>12,605</b>	<b>18,651</b>	<b>31,256</b>
Contingencies	3,340	538	3,878
Finance Charges	885	-	885
<b>Total Project Cost</b>	<b>16,830</b>	<b>19,189</b>	<b>36,019</b>
<b>Convert to USD</b>	<b>6,233</b>	<b>7,107</b>	<b>13,340</b>
<b>Percentage Contribution (%)</b>	<b>46</b>	<b>54</b>	<b>100</b>

<sup>1</sup> SFR – Repayable in 20 years after a grace period of 10 years, at an interest rate of 2.5%.

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

3.02 GOSL will provide land and finance project management costs as well as the design services for the Bexon Development. GOSL, through HURD, will also be responsible for updating socio-economic surveys in the sub-project areas.

#### **4. PROJECT VIABILITY**

##### **TECHNICAL ANALYSIS**

###### **General**

4.01 Community disruption is minimised by avoiding relocation of residents wherever possible. Relocation will be pursued where houses block access to other homes or where they have been erected in vulnerable locations, such as on or near to existing water courses or unstable slopes. Vacant lots have been identified within the communities to accommodate relocated households. Lot boundaries have been determined in agreement with residents under the existing SDP. Special permissions have been granted by the DCA (through the SDA) to allow lot sizes and setbacks that are less than would normally be required under existing regulations. In some cases, these parameters, though adequate for existing structures, will constrain any future expansion beyond the footprint of the existing building. However, expansion upward, to a second storey, would still be possible.

4.02 An alternative approach was considered that required relocation of most of the communities to new sites to permit more efficient rationalisation of lots and supporting infrastructure in the settlements. However, this approach is more costly (additional land and substantially greater relocation costs). GOSL does not have sufficient land available to support such an approach across all the sub-project areas and the resultant social disruption of existing communities that have been in place for some time is deemed to be excessive and undesirable.

### **Design of Civil Works**

4.03 Detailed designs have been completed for all works except Bexon Development where an additional contingency has been included for unforeseen costs. Generally, designs will be in accordance with generally accepted engineering standards and practice to provide technically viable solutions at the least cost. Drainage design will be based on a 1-in-10-year storm which will provide adequate reserve for adverse climate-change-related impacts. Roads will be concrete-paved (using Portland Cement) in areas with steep slopes and asphalt in less hilly areas. Similar considerations have already been applied to the settlement upgrade works. CDB staff have examined the drawings and cost estimates and are satisfied that they provide an adequate basis for finalising bid documentation.

4.04 As part of the project, a hazard assessment of each site and its environs will be carried out prior to any construction work and a determination made as to whether natural hazards (particularly land slip and torrential rainfall) might require any additional mitigation through revised infrastructure design or development restrictions. An allowance has been made for mitigation works arising from the hazard assessments, but where mitigation cost is considered to be excessive or the risk of personal injury unacceptable, alternative sites/locations may be considered and substituted. The final list of sub-projects to be implemented will be subject to CDB's approval.

4.05 Construction of roads and other works are not complex and should be well within the capacity of a competent contractor. However, it is likely that extensive manual labour will be required at some sites where steep slopes, limited vehicular access, and the need to work around existing structures may preclude the use of heavy equipment. In addition, works at individual locations are of relatively small value. GOSL proposes to group works to allow more efficient execution of construction.

### **Site Selection**

4.06 The following criteria were used in considering the sites to be included in the project. Sites were:

- (i) within existing unplanned developments;
- (ii) lacking basic infrastructure and services;
- (iii) in predominantly poor communities (in the lower income quintiles);  
on publicly-owned lands;
- (iv) well-delineated (in terms of number of beneficiaries and boundary survey data); and
- (v) in an advanced state of preparation with respect to the availability of detailed designs and the process of stakeholder consultations.

4.07 The areas included in this project have satisfied all the criteria; most of the work at (e) and (f) having been completed under the SDP. Sub-projects are mainly located around rural and urban Castries, but also near Vieux Fort and Laborie. A Location Map is provided in Figure 4.1. Site selection for the sites and services component is mainly determined by the availability of suitable Crown lands within the Castries region (the area of greatest demand).

## **ECONOMIC ANALYSIS**

4.08 The sites and services nature of the project as well as the heterogeneity of the housing stock, and plot sizes in the target communities limits the use of conventional cost benefit approaches that would have entailed the estimation of economic rental value as a quantifiable direct project benefit, including the assessment of economic rates of return. However, the project is expected to generate qualitative socio-economic benefits, *viz*:

- (a) improved access to basic services;
- (b) reduced risk associated with damage, losses, and waterborne diseases;
- (c) improved land tenure security, and
- (d) improved efficiency and governance in the sector.

To facilitate the optimal use of project resources, sub-projects were evaluated on the basis of economic efficiency in achieving the desired benefits.

## **SOCIAL ASSESSMENT**

4.09 The project is classified as “Category B” under the Bank’s Social Analysis Guidelines. Adverse social impacts are likely to be minimal, mitigation measures can be implemented easily, significant social risks are not anticipated, and substantial positive impacts are expected for poor and low-income households.

4.10 The upgrading of community infrastructure which is part of the continued regularisation of the informal settlements, will contribute to enhanced living conditions and the overall well-being of the 551 households residing in the 6 sub-project sites. The social benefits will include easier access to social services such as fire and ambulance services – through improved roads and footpaths; the reduction of the risk to personal injury as a result of unsafe footpaths; and enhanced health and sanitation conditions, through access to piped water and better drainage.

4.11 Increased property value is also an essential aspect of the infrastructure upgrading activities in regularised informal settlements. Anecdotal accounts indicate that residents have been able to use the value of their properties to access loans to upgrade the quality of their houses and to extend their homes by adding extra rooms for their children, thereby eliminating over-crowded conditions. Ownership and the improved value of the property have also made it possible for the men and women residing in these areas to access resources to finance tertiary education and training for their children and thereby provide their families with an exit from poverty. Given the social structure of these settlements where women and single parent, female-headed households are in the majority, and the practice where a larger proportion of housing loans are issued to women, it is expected that this benefit will have significant positive impacts on women residents in particular.

4.12 A key success factor in regularisation programmes is the promotion of local ownership and involvement of residents through effective beneficiary participation at all stages of the project cycle. MOH pursues this through the services of a social planner and that of a resident in each location who serves as a volunteer community liaison officer (CLO). The CLO supports the social planner in the implementation of community outreach programmes and serves as the main conduit between the Ministry and the community. In addition, the Ministry draws on the expertise of field staff from the Ministry of Social Transformation, Human Resource Development, Youth and Sport (MOS) in organising activities with residents in each community. While these arrangements have facilitated stronger public relations and sensitisation in some of the communities, they have not been supported by adequate documentation of community action and socio-economic research. The regular collection, analysis and reporting of

pertinent habitat data on informal settlements is essential for the targeting of policies, successful project implementation, and assessing programme outcomes<sup>11</sup>. MOH is planning to address this deficiency by undertaking a comprehensive socio-economic survey in each of the project areas, to collect essential beneficiary information and to assess the programme impact. It will therefore be a condition of the loan for GOSL to provide the Bank with a copy of the socio-economic survey report by March 31, 2012.

4.13 Experience from similar projects indicates that most contractors tend to employ as many local residents as possible. It is, therefore, expected that the project will provide employment for men and women of the areas during the implementation phase. Such employment opportunities will likely contribute to increased demand for goods and services in the project areas and, as a result, men and women who are not directly employed by the project are also expected to benefit from the temporary increase in economic activity in the areas.

### **MACROECONOMIC IMPACT**

4.14 At the macroeconomic level, the project will trigger first round effects on GOSL's fiscal accounts through increased capital spending. The loan will also add marginally to the country's external liabilities. However, CDB has sought to blunt the fiscal impact through the use of very concessionary resources. At the microeconomic level, the project will generate positive wealth effects at the level of the household given the scope for job creation in the project area. Beyond this, the upgrading of critical infrastructure in target communities could allow for incremental gains in welfare and promote greater productivity.

### **ENVIRONMENTAL ASSESSMENT**

4.15 The project is assessed as a category "B" as potentially negative environmental impacts can be addressed through appropriate mitigation measures which will be incorporated into the project design. The informal settlement project sites are already approved by the DCA as SDA. However, DCA will be required to review requests for planning approval for the Bexon Development which is expected to incorporate effective mitigation against natural hazard events. The likely environmental issues identified include: air quality; safety and security; disruption and other nuisances to residents during implementation; increased drainage and run-off; and risks associated with landslides and land erosion.

#### **Construction**

4.16 The infrastructure works will mainly be on slopes which are sometimes impacted by heavy rainfall. In some areas there is evidence of land slips and land erosion by water which undermined some residences. The Hazard Assessment which will be undertaken as part of the project will inform the scope and nature of infrastructure works and the decisions for the relocation of houses. In addition, given the terrain and presence of water courses, construction works would have to be planned and executed with high regard for the natural environment and the safety of residents and construction workers. During construction the nuisances related to dust, noise and vibration would be addressed by appropriate management of construction materials (from storage and application to disposal of spoils) by the contractors, appropriate building techniques, and on-going discussions between the community and project management. Effective public relations will be facilitated by the CLOs. The contractors will be required to exercise due care as part of their contracts and the Engineering Consultants and the Project Manager will monitor the effectiveness of implementation of environmental safeguards during implementation.

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<sup>11</sup> Robin Rajack and Shrikant Barhate, *Urban Poverty and Habitat Precariousness in the Caribbean*, Sustainable Development and Human Settlements Division, the Economic Commission for Latin America and the Caribbean, Santiago, Chile, April 2004, pg 54

4.17 This project will improve living conditions and provide residents easier access to sanitation and emergency services. Improved paths will assist residents in transporting their solid waste to the curb for collection by the Solid Waste Management Authority (SWMA). Collection will be facilitated by the provision of storage areas at appropriate locations in the communities along the collection routes. It is expected that SWMA will also be involved in community meetings prior to the start of work at the project sites, as well as in some existing areas, so that public awareness and education of residents regarding the hazards associated with solid waste, and the need for its effective management, will be reinforced.

## **SUSTAINABILITY AND RISKS**

4.18 A key aspect of the sustainability of this and other regularisation projects is the continued involvement of the community. Under the SDP, CLOs had been established in each area and a public awareness campaign is being implemented to maintain community involvement in the project and address issues such as solid waste disposal. However, one of the key elements of sustainability is the functioning of community committees to facilitate broader community participation. The Enhanced Sector Capacity component will evaluate the need for support for these committees. This may include training for the Community Development Officers from the MOS who will provide assistance during the implementation and operational phases of the project. Post-implementation, infrastructure maintenance (roads and drains) will be the responsibility of the Ministry of Communications, Works, Transport and Public Utilities. There will also be some opportunity for cost-recovery through the sale of serviced lots at Bexon Development.

4.19 The major project risks include:

- (a) *Desired level of institutional development is not achieved* – outputs of the Institutional Strengthening TA will permit better planning in the provision of adequate housing, particularly for households in the lower quintiles. CDB and GOSL will agree priority actions arising from the assessment and funds have been set aside to permit implementation of key recommendations.
- (b) *Delays in project implementation arising from limited contractor response* – works have been packaged as sub-projects and scheduled so as to encourage responses from eligible contractors.

## **5. IMPLEMENTATION AND PROJECT MANAGEMENT**

5.01 The Borrower is GOSL. The project shall be executed through HURD in MOH. SLNHC will provide technical support to HURD for the execution of the building and civil works component.

### **Project Management**

5.02 The existing PIU within HURD that is involved in implementation of the SDP has adequate resources and capacity to provide project management services. The continued existence of the PIU with resources/expertise that are acceptable to CDB shall be a condition of the Loan. MOH shall engage or appoint a Project Coordinator (PC) who shall be responsible for the overall project implementation. A Project Manager, Civil Works (PMCW) shall be appointed to provide technical support for the civil works component and oversee construction-related activities. PC and PMCW shall be supported by the PIU, which shall include adequate accounting, clerical and other expertise to ensure satisfactory implementation of the project. A Project Management Organisational Chart is provided at Appendix 5.1.

### **Project Coordinating Team**

5.03 A Project Coordinating Team (PCT) will be established that shall, inter alia, have responsibility for resolving inter-agency coordination issues arising from sub-projects to be financed from the proceeds of the Loan. The PCT will be chaired by the Permanent Secretary of MOH and shall comprise, but not be limited to, representatives from; MOS, MOH, the Ministry of Finance (MOF), and SLNHC. The project management arrangements, including the duties and responsibilities of the PC, PMCW, PCT, and the engineering consultants providing construction supervision services, are outlined at Appendix 5.2. Formation of the PCT shall be a condition precedent to first disbursement of the Loan.

### **Engineering Consultancy Services**

5.04 Design services for settlement upgrading were provided under the existing SDP. HURD will, in accordance with the procurement procedures applicable to the Loan, select and engage engineering consultants to be financed from the Loan to provide additional design services, review contract documents and perform construction supervision services as necessary.

### **IMPLEMENTATION**

5.05 The project will be implemented over a period of approximately 50 months, commencing the last quarter of 2011 and ending in November 2015 with the finalisation of a Project Completion Report. A provisional Project Implementation Schedule is provided at Appendix 5.3 and relevant milestone dates are noted. Project start-up activities will include a Project Launch Workshop.

### **DISBURSEMENTS**

5.06 It is estimated that disbursements will be made over a period of 38 months. The first disbursement of the Loan is expected to occur by October 31, 2012 and final disbursement by December 31, 2015. The projected Quarterly Disbursement Schedule is presented at Appendix 5.4.

### **PROCUREMENT**

5.07 Procurement will be in accordance with CDB's Guidelines for Procurement and for consultancy services, CDB's Guidelines for the Selection and Engagement of Consultants by Recipients of CDB Financing. Procurement will require both National and International Competitive Bidding. A Procurement Plan is provided at Appendix 5.5.

### **MONITORING AND EVALUATION OF OUTPUTS, OUTCOMES/RESULTS**

5.08 Reports to facilitate monitoring of the project will be provided through the PC. As a condition of the Loan, the PC will furnish or cause to be furnished to CDB, the reports listed in Appendix 5.6, in such form or forms as CDB may require, no later than the times/period specified for so doing. The required format for the Quarterly Report on Investment Costs is provided at Appendix 5.7. CDB staff will be able to track the project's performance during implementation through the project reports submitted by the PC, field supervision and periodic consultations. The Draft Results Monitoring Framework (RMF) for the project is given at Appendix 5.8.

5.09 Apart from the implementation monitoring data, MOH will also collect data on beneficiaries through socio-economic surveys of the households in the project areas. This will assist tracking the overall performance of settlement regularisation in the sector. An M&E system will be established, including an appropriate Results-Based Matrix, to monitor and evaluate project performance and, in



particular, the effectiveness and efficiency of the delivery system for sites and services, tenure and basic infrastructure, the outcomes, and the impact. M&E activities are included in the draft TOR at Appendix 2.3.

5.10 In accordance with CDB's Project Performance Evaluation System, the project is accorded a composite rating of 6.2. This is a highly satisfactory rating; indicating that the project is very likely to achieve its development objectives and that the project performance is expected to be of a good standard. A summary of the project Performance Evaluation Matrix is shown at Table 5.1. This along with the Logical Framework Matrix at Table 2.1 and the RMF, will form part of the project's M&E framework.

**TABLE 5.1: PROJECT PERFORMANCE EVALUATION MATRIX**

<b>Criteria</b>	<b>Justification</b>	<b>Projected Performance Score</b>
Strategic Relevance	GOSL continues to assign a high priority to the regularisation of unplanned settlements and the project is consistent with GOSL's policies and strategy in the sector. The project also accords with CDB's strategic priority of promoting broad-based economic growth and inclusive social development.	7.0
Poverty Relevance	The project will improve the living conditions of low-income households in St. Lucia and will contribute to the reduction of poverty among beneficiaries in the targeted communities.	7.5
Efficacy	The project design incorporates lessons learned from previous similar interventions. Project objectives are achievable based on the progress of relevant components in the SDP.	6.0
Cost Efficiency	It is not possible to quantify all the benefits of this project, however, given the likely positive impact on the living conditions of low-income households, the employment generated in the construction sector and the multiplier effect of the income in local economies, project benefits will outweigh costs. The alternative of relocation and reconstruction was identified as being too costly and/or socially disruptive and options have been crafted to provide the required benefits at least cost.	5.5
Institutional Development Impact	The project will provide TA to enhance the capacity of MOH in the delivery of services in the housing sector and support improvements in efficiency and effectiveness. Funds have been set aside for the implementation of select recommendations.	5.5
Sustainability	Notwithstanding fiscal constraints, GOSL remains committed to the provision of adequate and affordable housing for its citizens. The continued participation of the affected communities will be mobilised through community committees. Mechanisms in the SDP (the revolving funds) for continuing the regularisation programmes and provision of adequate shelter will receive support from this project, and the achievement of secure tenure is expected to have a positive future impact on the socio-economic status of beneficiaries. In addition, there will be some limited recovery of costs associated with the sale of improved lots under the sites and services component.	5.5
<b>Overall Performance</b>	<b>Highly Satisfactory</b>	<b>6.2</b>

## **6. TERMS AND CONDITIONS**

6.01 It is recommended that CDB lend to GOSL an amount from CDB's SFR not exceeding the equivalent of six million two hundred and thirty-three thousand United States dollars (USD6.233 mn) (the Loan) to assist GOSL in providing improved access to basic infrastructure and services for residents in selected areas in St. Lucia (the Project) on CDB's standard terms and conditions and on the following terms and conditions:

(1) **Repayment**

Repayment shall be made in eighty (80) equal or approximately equal and consecutive quarterly instalments commencing ten (10) years after the date of the Loan Agreement.

(2) **Interest**

Interest shall be payable quarterly at the rate of two decimal five percent (2.5%) p.a., on the amount of the Loan withdrawn and outstanding from time to time.

(3) **Disbursement**

(a) The first disbursement of the Loan shall be made by October 30, 2012 and the Loan shall be fully disbursed by December 31, 2015 or such later dates as CDB may specify in writing.

(b) Except as CDB may otherwise agree:

- (i) the Loan shall be used to finance the components of the Project allocated for financing by CDB as shown in the financing plan for the Project up to the respective limits specified therein; and
- (ii) total disbursements shall not exceed in the aggregate forty-six percent (46%) of the cost of the Project.

(c) The Loan shall not be used to finance any part of the cost of the Project which consists of identifiable taxes and duties.

(4) **Procurement**

Procurement shall be in accordance with the procedures set out and/or referred to in the Loan Agreement or such other procedures as CDB may from time to time specify in writing. The Procurement Plan approved by CDB is set out at Appendix 5.5. Any revisions to this Plan shall require CDB's prior approval.

(5) **Conditions Precedent to First Disbursement of the Loan**

- (a) PC referred to in sub-paragraph (8)(f)(i) below shall be appointed;
- (b) PMCW referred to in sub-paragraph (8)(f)(ii) below shall be appointed; and
- (c) PCT referred to in sub-paragraph (8)(d) below shall be in place.

(6) Conditions Precedent to Disbursement of the Construction Works for each sub-project

The hazard assessment consultancy referred to in sub-paragraph 8(f)(iii) below shall have been completed and its recommendations incorporated into the final designs.

(7) Conditions Precedent to Disbursement of the Construction Works for Bexon Development

The competent authority or authorities in St Lucia controlling construction works shall approve the development and construction drawings and provide development permits as required in relation to the Bexon Development.

(8) Other Conditions

- (a) GOSL shall contribute to the project an amount of not less than seven million one hundred and seven thousand dollars (\$7,107,000) which shall be expended on a timely basis on the components of the Project allocated for financing by GOSL as shown in the financing plan for the Project, unless otherwise agreed with CDB.
- (b) GOSL shall:
  - (i) except as CDB may otherwise agree, execute the Project through HURD of MOH, which shall have direct and overall responsibility for implementation of the Project;
  - (ii) carry out the Project at all times with due diligence and efficiency, with management personnel whose qualifications and experience are acceptable to CDB and in accordance with sound technical, environmental, administrative, financial and managerial standards and practices;
  - (iii) institute and maintain organisational, administrative, accounting and auditing arrangements acceptable to CDB for monitoring the Project; and
  - (iv) by April 30, 2012, or such later date as CDB may specify in writing, provide CDB with a copy of the socio-economic survey report.
- (c) Except as CDB may otherwise agree, GOSL shall during project implementation maintain the existing PIU with the resources and expertise set out in paragraph 5.02; and
- (d) Except as CDB may otherwise agree, GOSL shall establish and during project implementation maintain a PCT with the composition and functions set out in paragraph 5.03 and set out in Appendix 5.2.
- (e) GOSL shall, in accordance with the procurement procedures applicable to the Loan, select and engage:

- (i) by October 31, 2012, or such later date as CDB may specify in writing, the consultants to provide the services set out in Appendix 2.3;
  - (ii) by February 28, 2012, or such later date as CDB may specify in writing, engineering/architectural consultants to provide the services set out in Appendix 5.2; and
  - (iii) a hazard assessment consultant to provide the services set out in Appendix 2.2.
- (f) GOSL shall:
  - (i) engage or appoint a PC to provide the services specified in the TOR set out in Appendix 5.2. PC shall serve as secretary to the PCT;
  - (ii) engage or appoint a PMCW, who shall be a member of the PIU, to provide the services set out in Appendix 5.2; and
  - (iii) engage a hazard assessment consultant to provide the services set out in Appendix 2.2.
- (g) The qualifications and experience of any persons subsequently appointed to the positions of PC and PMCW shall be acceptable to CDB.
- (h) GOSL shall submit to CDB for its review and no objection the final list of sub-projects to be implemented.
- (i) GOSL may substitute other sites/areas for inclusion in the Project after agreement with CDB on the scope, phasing and financing required for the individual sub-project areas.
- (j) No substantial alteration shall be made to the design, drawings and specifications for construction works for which CDB has previously given its “no objection” without CDB’s subsequent review and “no objection”.
- (k) GOSL shall, within a time frame acceptable to CDB, implement such of the recommendations arising out of the consultancy service set out in Appendix 2.3.
- (l) Except as CDB may otherwise agree GOSL shall furnish or cause to be furnished to CDB the reports listed in Appendix 5.6 to this Report in such form or forms as CDB may require, not later than the dates/periods stated for so doing.

**DETAILED MACROECONOMIC OVERVIEW**

**ECONOMIC PERFORMANCE**

1. After declining by 1.3% in 2009, indications are that the St. Lucian economy began to recover in 2010, posting growth of 4.4%. However, given sluggish performances in the tourism and construction sectors and a fall in agricultural production in the first 6 months of the year, real activity is projected to slow to 2% in 2011.

2. In the near term, the tentative global recovery coupled with reduced airlift and marketing will continue to adversely impact tourism, while construction activity may slow as existing work nears completion. Agricultural output is also expected to be hampered by the lingering effects of Hurricane Tomas and increased incidence of leaf-spot disease. The deterioration in public finances evident since 2008 is likely to persist as a number of fiscal pressures particularly on expenditures are expected in FY2011/2012. These include the need to stimulate activity in the tourism sector, reducing the burden on poor and vulnerable groups and a desire to accelerate the reconstruction effort following the impact of the hurricane. Activity in the financial sector may also continue to be characterised by sluggish private sector credit as households and businesses continue to adjust following the global economic crisis.

3. The medium term outlook is expected to be slightly more favourable as some capital works are expected and the global economy continues to recover, albeit at a very slow pace. Tourism and construction are therefore expected to be the main fillips of growth with activity in the tourism sector being supported by additional airlift, particularly out of Canada, and construction activity benefitting from slightly higher capital inflows and the implementation of government's capital works programme. While the future of agriculture is somewhat uncertain given its vulnerability to environmental conditions, the sector will nevertheless continue to be an important feature of the economy, providing a much-needed source of employment to the country.

4. There are however, significant downside risks to the growth prospects and include high fuel and food prices, the recent downgrade of the US credit rating, the on-going debt crisis in the Eurozone, and restrictive fiscal policies in some advanced economies. These issues, particularly those with respect to the US and Europe, have raised fears about contagion leading to a "double-dip" recession. Any spill-over effects to the region will likely occur through the main trade and investment channels i.e., tourism, foreign direct investment and remittances. GOSL will therefore need to heighten its surveillance of the global environment and adjust its policies accordingly.

**PUBLIC FINANCES**

5. There was notable deterioration in public finances in FY2010/2011, as satisfactory revenue growth given the still-uncertain global environment was outpaced by rising recurrent expenditures, and a sizable capital works programme compounded by restorative action in the wake of Hurricane Tomas. Fiscal savings are estimated to have fallen from 2.4% to 1.1% of GDP, while the overall deficit widened from 3.9% to 5.8% of GDP.

6. Total revenue and grants rose by 4.5%, mainly on account of rising capital receipts and collections of taxes on goods and services and international transactions. These categories were able to benefit from additional aid inflows to help St. Lucia address the fall-out from the hurricane, the general increase in economic activity in 2010 and rising fuel prices. Taxes on incomes particularly on individuals also contributed to the favourable outturn as taxes would have been levied on an expanded income base following wage increases.

7. Higher outlays on both recurrent and capital items precipitated a 13.6% rise in total spending in FY2010/2011. Within recurrent expenditure, which rose by 9.9%, wages and salaries recorded the largest increase (up 8.5%) on account of higher government employment and payments made in accordance with negotiated wage settlements. There were also greater outlays on goods and services as a result of higher rental fees and utilities, while the rise in interest payments mainly reflected the rescheduling of foreign interest payments. Transfers and subsidies also rose during the year as government increased support to the transportation sector, the fisheries sub-sector and further subsidised cooking gas. Capital expenditure expanded by an estimated 24.2%, since in addition to the on-going work on sites such as the National Hospital, National Wellness Centre, and the agro-processing plant, GOSL had to focus on significant road reconstruction/rehabilitation and restoration of buildings damaged by the hurricane.

8. Owing to the deterioration in fiscal performance, the total debt stock rose by 11.4% to \$2,036.6 mn. This reflected an 18.6% rise in domestic debt as GOSL continued to borrow on the regional government securities market, and a 5.5% rise in external commitments to multilateral agencies.

### **Prospects**

9. Further deterioration is likely in FY2011/2012 as a number of fiscal pressures are expected (see Table 1 below). These include higher tourism subventions to enhance the promotional effort in the wake of a relatively lacklustre year, higher fuel and food subsidies, some acceleration in the pace of the post Tomas reconstruction effort, and wages and salaries on account of rising employment in the public service and the salary increase awarded to senior public servants. Additionally, elections will be held this fiscal year and as such there may be further growth in capital expenditures.

10. Over the medium term there is a risk that public finances may continue to be strained in light of planned capital projects; particularly if measures to curtail the growth in wages and salaries, subventions to statutory corporations and to rationalise food and fuel price subsidies are not implemented. There is also the possibility that GOSL may be required to provide some support to the financial sector, particularly as it relates to the resolution of the BAICO/CLICO issue. However, the fiscal burden is expected to be eased with the planned implementation of a number of reforms, such as the implementation of a value added tax and new property taxes, improved Public Sector Investment Programme management and budgeting processes and enhanced procurement processes.

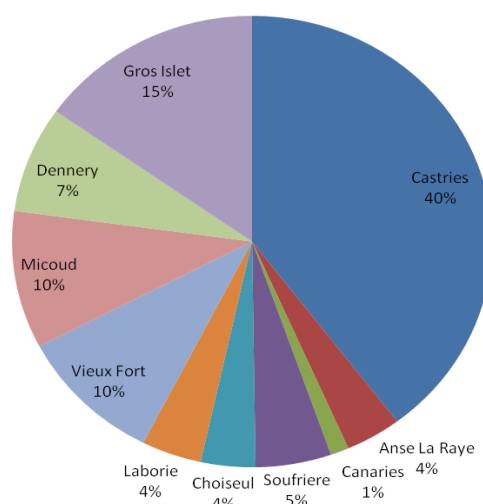
11. It is expected that GOSL will have to incur additional debt to meet its financing requirements. The impact on debt sustainability will depend on the extent to which it can successfully diversify its portfolio; especially given St Lucia's dominance on the regional government securities market and concerns of institutional investors about high exposure to the country. It is likely that GOSL will be able to leverage its decent economic performance vis-à-vis other Organisation of Eastern Caribbean States and perceptions of sound economic and fiscal management to attract rates that are favourable given the current climate. Additionally, the concessional financing provided by the Project should also contribute favourably to GOSL's efforts to achieve more sustainable debt dynamics.

**TABLE 1: SUMMARY OF FISCAL OPERATIONS (2009-2013) AS % OF GDP**

<b>Item</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Total Revenue</b>	<b>26.5</b>	<b>26.2</b>	<b>26.3</b>	<b>27.1</b>	<b>26.4</b>
Total expenditure	30.4	31.9	33.0	31.0	29.8
Wages and salaries	10.4	10.5	10.1	9.9	9.7
Goods and Services	4.3	4.3	4.4	4.4	4.4
Pensions	1.9	2.0	2.0	2.1	2.1
Transfers and subsidies	3.0	2.9	3.0	2.6	2.6
Interest	2.8	3.1	3.4	3.9	4.0
Capital Expenditure	7.9	9.1	10.1	8.1	7.0
<b>Primary Balance</b>	<b>-1.0</b>	<b>-2.7</b>	<b>-3.3</b>	<b>0.0</b>	<b>0.6</b>
<b>Overall Balance</b>	<b>-3.9</b>	<b>-5.8</b>	<b>-6.7</b>	<b>-3.9</b>	<b>-3.4</b>
<b>Total Debt</b>	<b>63.2</b>	<b>65.2</b>	<b>70.3</b>	<b>72.4</b>	<b>72.2</b>
External Debt	33.7	32.0	36.8	40.7	42.9
Domestic Debt	29.5	33.3	34.5	31.7	29.3

**DETAILED SOCIAL CONTEXT****Demography**

1. St. Lucia's 2010 Census puts the population at 166,526; an increase of 5% from 2001. This corresponds to a growth rate of 0.5% p.a.; well below that of the other English-speaking countries in the Region, which have an annual average increase of 1.0%. The population is almost evenly divided between males and females and is quite youthful with about 50% being under the age of 30. The 2010 Census also indicates an increase in household formation with the number of households increasing by almost 24% between 2001 and 2010. The increase in the number of households is, in part, associated with the population increase, but it is also a function of decline in the traditional extended family structure and the increasing number of single parent and nuclear family types. This has resulted in a significant reduction in the average household size in the last three decades. In 1991, the average household size was 4 persons per household, in 2001 it was 3.3 persons and it reduced further to 2.8 in 2010.

**FIGURE 1: POPULATION DISTRIBUTION BY DISTRICT**

2. High rural to urban migration<sup>1</sup> has also been an important demographic characteristic of the country for the last few decades. For example, population movement from the rural southern districts to the more urban northern districts resulted in the districts of Castries and Gros Islet accounting for 52% of the country's population in 2001. This movement continued in the last decade, to the extent that the share of the country's population residing in these districts, as indicated in Figure 1, increased to 55% in 2010. Along with this has been movement also from the city centre to areas on its periphery. Although the Castries district maintained its position as the most populous part of the country, accounting for 40% of the population, there was also significant movements from the more urban parts of the Castries district to other sections of the district as well as to some of the neighbouring districts. In 2010, the population residing in "Castries City" declined by 67% and that of "Castries Suburban" by about 30%, while the population in "Castries Rural" grew by 63%. Along with this, there were increased population shifts to some of the peri-urban districts like Canaries, which had a population increase of 14%, and Soufriere and Vieux Fort, each increasing by 11%. Gros Islet continued to be a major magnet for new residents. It grew by about 21% between the last two censuses.

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<sup>1</sup> While rural to urban migration is attributed to limited economic activities in the rural areas and consequential high poverty levels, the reasons for the movement out of the central parts of the Castries district to neighbouring communities is less apparent. However, some have associated it with an increasing incidence of urban crime, availability of land, and the movement of persons in the higher socio-economic groups to other parts of the county like Gros Islet where it is possible to obtain more secure and spacious housing and surroundings with convenient access to amenities.



## **Poverty**

3. The 2006 Country Poverty Assessment (CPA)<sup>2</sup> revealed that the proportion of the population living below the poverty line increased by 4 percentage points to 29% of the population between 1995 and 2006. However, indigence or extreme poverty fell from 7.1% in 1995 to 1.6 % in the same period. Poverty was more prevalent in the rural areas where the prospects for employment and income generation were few and as a consequence, several rural districts had poverty levels above the national average. This condition seems to have deteriorated further as with the onset of the global economic crisis from 2008, socio-economic conditions have declined. Data from the 2010 Census indicate that the level of unemployment increased from 13% to 17.6% thereby suggesting increased deprivation and poverty levels. Although employment prospects are usually better in the urban communities, high unemployment coupled with low wages in some sectors, have contributed to increased urban poverty and to the phenomenon of the *working poor*.<sup>3</sup>

4. Like other countries in the Region, the size of poor households also tended to be above the national average with higher numbers of dependents. These households were therefore more likely to be living in over-crowded conditions and in houses without indoor plumbing and cooking facilities. About 40% of the poor population consists of children less than 15 years of age.

5. Notwithstanding these challenges, persons at all socio-economic levels place a high priority on housing, as the need to secure safe and suitable housing is an essential aspect of the St. Lucia culture. Being cognisant of this, the need for adequate and affordable housing is included under the *Quality of Life and Social Well Being Strategic Pillar* of the country's National Poverty Reduction Strategy (NPRS) for 2009-2012. The NPRS indicates that the housing sector faces "*considerable unsatisfied demand exacerbated by an increase in the number of households; price increases; unavailability of land for housing; rural-urban migration, especially in the north of the island...*". In order to satisfy the increasing demand, GOSL will be encouraging greater private sector involvement in the housing sector.

## **Project Areas**

6. The project sites are in 6 host communities with a combined population of about 5,000 people. Like the rest of the country, the population is evenly divided between males and females and is quite youthful with the percentage of persons under 30 ranging from 48% to 57%. These communities are situated in close proximity to the main roads and bus routes thereby providing residents with relatively easy access to the main urban centres in their respective districts and to Castries City. Four of the sites: Bexon; L'Abbayee; Sarrot; and Cendre De Feu are situated in the rapidly growing Castries Rural area, La Ressource is on the outskirts of the town of Vieux Fort and La Croix is just outside the town of Laborie.

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<sup>2</sup> The 2006 CPA, conducted by GOSL with support from CDB, measured poverty in terms of the ability of a household to consume basic food and non-food requirements. The level of poverty is based on a *poverty line* which measured the minimum expenditure of \$5,086 p.a. by an adult to meet basic food and non-food requirements. A *vulnerability* measure, based on a consumption level of 25% above the poverty line, was also applied. This resulted in an additional 11.5% of the population being vulnerable to poverty in that they are likely to fall below the poverty line in the event of an economic shock or disaster.

<sup>3</sup> "Individuals engaged either in paid or self employment but who belong to households with an adult equivalent per capita household expenditure that falls below a specified poverty line", *Statistical Report on the Working Poor in the Caribbean*, Labour Market and Poverty Studies Unit, Department of Economics, UWI, St. Augustine, 2006 p. 2.

7. Overall living conditions in these communities are quite poor. In addition to a large number of low-income households with many of the residents engaged in low-skilled occupations in the tourism and agricultural sectors, the areas also suffer from an absence or poor state of the basic physical infrastructure, inadequate housing quality, over-crowded conditions, etc.

8. On the basis of the CSO's "Basic Needs Index" and the Poverty Map derived from the 2010 Census, four of the six host communities, as indicated in Table 1, are in Quintile 2 with the others being in Quintile 3. While none the host communities are in Quintile 1 (the poorest), residents of the project sites tend to comprise a larger proportion of low income households than the rest of the community and are therefore living in poorer socio-economic conditions than the surrounding areas.

9. This situation makes the residents in these communities highly vulnerable to disasters as was demonstrated by the effects of Hurricane Tomas on St. Lucia. The absence of adequate infrastructure such as proper pathways drainage resulted in extensive flooding in some of these communities and difficulties in accessing homes. Hence the combination of poor quality housing along with poor or non-existent social infrastructure are major development issues for these communities and therefore will need to be addressed in order for residents to attain a better quality of life.

**Box 1: The Types of Variables Making up the "Basic Needs" Index**

- "(1) Household based variables such as wall type, toilet type, light source and household assets. This is the dominant set of variables used in the index.*
- (2) Education of head variable which ascribes a score to the household based on the level of education achieved by the head of the household. The education of head is not a household based variable but it is a variable derived from a person characteristic of a household member who happens to be the head of the household.*
- (3) The remaining variables are a cross fertilization of the household and the person variables. That is, the number of persons per bedroom, which is an indicator of "overcrowding" and number of employed persons to the total number of persons which is the employment rate in the household, respectively, brings together both person based and household based characteristics to derive a score for the household.*

*The sum of the scores represents the score for the household. The dataset is then aggregated to the level of the community so the score for all households within a community are aggregated to generate a total household score for the community. To allow for the comparison of communities the total household score is normalized by dividing by the total number of households within the community to obtain an average household score for the community. This score will not exceed the total score possible for any individual household. This average "basic needs" score is the index used to rank the communities."*<sup>a</sup>

A community could achieve a maximum score of 30 and when ranked, placed in one of five poverty quintiles on the basis of the following score ranges:

1. Poor (5.00-10.54)
2. Lower Class (10.55-13.56)
3. Middle Class (13.57-17.13)
4. Upper Middle (17.14-22.33)
5. Upper Class (22.34-29.82)

<sup>a</sup>Extracted from Edwin St. Catherine - "A Basic Needs" Index for St. Lucia at the level of Small Areas for the 2010, Population and Housing Census, Central Statistics Office, St. Lucia, May 2011.

**TABLE 1: SELECTED SOCIAL INDICATORS OF HOST COMMUNITIES**

<b>Indicators</b>	<b>Bexon Castries</b>	<b>L'Abbayee Castries</b>	<b>Sarrot Castries</b>	<b>Cendre De Feu Castries</b>	<b>La Croix Laborie</b>	<b>La Ressource, Vieux Fort</b>
Population	1,501	486	881	182	300	1512
% Male/Female	49/51	48/52	48/52	60/40	49/51	50/50
% Pop>30	47.95	53.55	57.23	50.93	-	48.35
No. of Households	560	187	303	74	100	436
Avg. Household Size	2.7	2.6	2.9	2.5	3	3.5
Settlement background	Developed in close proximity to the banana plantation s in the area.	Same as Bexon	Same as Bexon	Same as Bexon	Former NDC*- owned land on which persons were allowed to settle.	Occupants were relocated to the area during construction of the airport in Vieux Fort as a US base during WWII.
Main economic activities	Farming, micro business, tourism industry	Farming, micro business, tourism industry	Farming	Farming	Farming, small business	Tourism industry, small business
Poverty Quintile	3	2	2	2	2	3

Source: St. Lucia CSO and MOH

\*NDC – National Development Corporation

**DETAILED HOUSING SECTOR ANALYSIS**

**BACKGROUND**

1. About 78 km<sup>2</sup> (30 mi<sup>2</sup>) or 13% of St. Lucia is designated as Forest Reserve, of the remainder, about 27% of land parcels are Crown Lands and 73% are privately owned. A significant portion of private lands is held as “family land”; where heirs jointly own and, in some cases, reside on parcels without any legal recognition of internal boundaries. About 23% of the island’s land area is devoted to permanent crops<sup>1</sup>. The portion of lands under residential versus commercial or agricultural usage is not known at present as detailed data on housing in St. Lucia is not readily available. The last known review of housing-related issues in St. Lucia was financed by the European Union and completed in 2007<sup>2</sup>, more up-to-date information was obtained through the 2010 Census<sup>3</sup>. However, neither of these sources provides sufficient detail on key aspects of the sector.

2. Generally, St. Lucia’s housing sector is characterised by relatively high levels of home ownership (74% of households) and by private rental (18%). Furthermore, although only 0.1% of St. Lucian households were self-identified as squatting in the Census, MOH estimates that approximately 6,000 households reside in over 30 informal or unplanned settlements across the island. A list of these communities is provided at Table 1. Some of these communities have been in existence for decades.

3. Preliminary Census data recorded total housing units as 58,891; an increase in housing stock of 24% (11,350 units) over the previous census in 2001, suggesting an average rate of household formation of 1,261 units per year. On the other hand, the DCA, the agency responsible for building regulation, has provided an average of just over 600 approvals per year for residential construction between 2002 and 2010. Although approvals cannot be directly correlated to houses actually built, the rate of household formation indicated by the Census suggests that a significant portion of homes were built outside of the formal building approval process. This further supports the premise that unplanned residential development is a significant activity in the housing sector in St. Lucia.

**HOUSING CONDITIONS**

4. The Census data indicate that the standard of living within St. Lucian households has improved over the last 10 years, as more households have attained access to basic services. Some of the most noticeable positive outcomes are a 10% increase in the proportion of houses built with more durable material (i.e. concrete blocks), 6% more houses with access to electricity, a 20% increase in households that have access to water inside the dwelling, and increases in water closets and in the proportion of persons using gas for cooking. While Census data did not elaborate on the severity of the conditions within unplanned settlements, indications are that there are still significant housing quality issues in those areas; where basic infrastructure, in the form of paved roads and paths, is often lacking and access to electricity and water services is either non-existent or constrained by the lack of tenure and the haphazard nature of the development.

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<sup>1</sup> Property Rights and Land Markets in St. Lucia - USAID (2005)

<sup>2</sup> National Report on Housing and Resettlement in St. Lucia (2007)

<sup>3</sup> 2010 Population and Housing Census Preliminary Report (April 2011)

**TABLE 1: LIST OF INFORMAL SETTLEMENTS IN ST. LUCIA**

<b>Community</b>	<b>Location</b>
1. Conway	Castries
2. Barons Drive	Soufriere
3. Aux Lyons	Dennery
4. Faux a Chaud	Castries
5. Morne Du Don/Sunbuilt	Castries
6. Rock Hall	Castries
7. Anse Canot	Dennery
8. Bisee	Castries
9. Millenium Hwy/Morne Road	Castries
10. Plateau	Dauphin
11. Desrameaux	Dauphin
12. La Perle	Castries
13. Morne Panache	Dennery
14. Pumice Site/Millet	Anse La Raye
15. Bel Air	Anse La Raye
16. Babonneau	Castries
17. Grace	Vieux Fort
18. Shanty Town	Vieux Fort
19. Micoud	Micoud
20. Plateau	Castries
21. St. Urbain	Vieux Fort
22. Cantonement	Vieux Fort
23. Coolie Town	Vieux Fort
24. La Croix	Laborie
25. Pomme/ Augier	Vieux Fort
26. Eau Piquant	Vieux Fort
27. St. Judes	Vieux Fort
28. Hope Estate	Vieux Fort
29. Ravine Poisson/Bexon	Castries
30. Mabouya Valley (Dennery Farmco Lands)	Dennery
31. Jacmel	Marigot
32. La Croix, Marigot	Marigot
33. Roseau	Marigot

*\*Source: HURD, MOH as at April 2007*

## **HOUSING DEMAND AND SUPPLY**

5. Historically, private sector activities have dictated demand and supply conditions in the housing market. Supply is largely driven by demand within middle and upper income households but provision of affordable housing solutions for lower income households has been largely neglected. Over the past six years no government agencies have been able to supply lower income households with affordable housing solutions (i.e. land and house) on a consistent basis and interventions such as the SDP have had very limited impact on housing supply. Data from the MOH indicate that housing provision during the aforementioned period was primarily in the form of serviced lots or due to relocation after households were displaced by natural hazards. An assessment as to how many lots have been transformed into improved housing could not be done due to the absence of an appropriate M&E system within MOH.

6. Current data on housing demand and need in St. Lucia is not readily available. The National Housing Policy (2011) estimated the backlog of unmet demand as about 4,000 units at the end of 2005 and a requirement of 2,100 units per year for the 10-year period from 2008-2017.

7. Over the years, increases in the cost of imported material and of labour have pushed the cost of home ownership beyond the reach of many lower-income households (see Table 2). The estimated price (excluding land) of a new house constructed of concrete blocks for lower income groups is \$185<sup>4</sup> per sq. ft., up from \$140 per sq. ft., in 2003. This does not consider other costs and fees that may be incurred, including legal costs, insurances, design fees and costs arising from the building approval process. Table 2 indicates that if traditional mortgage financing through the commercial financial institutions is used, then only a Core Unit of about 600 sq. ft. (with basic fixtures, no internal partitions and grey water routed directly to surface drains) is likely to be affordable, at what is estimated to be the upper earnings threshold of the lower income bracket (about \$2,500 per month). Formal financing is therefore outside of the reach of most low-income earners – almost half the total population<sup>5</sup>. Consequently, it can be reasonably assumed that poorer households are experiencing housing affordability problems or housing stress which may oftentimes be addressed by squatting.

**TABLE 2: HOUSING OPTIONS AVAILABLE TO LOWER INCOME HOUSEHOLDS**

Options	1. House including land <sup>(i)</sup>			2. House only (legal tenure assumed)			3. Rent		
	CU <sup>(iii)</sup>	2b/r <sup>(iv)</sup>	3b/r	CU	2b/r	3b/r	CU	2b/r	3b/r
Housing Type <sup>(ii)</sup>									
Average Cost <sup>(v)</sup>	176,000	278,450	350,000	126,000	228,450	300,000	-	-	-
Average Monthly Payment XCD <sup>(vi)</sup>	1,376	2,177	2,737	985	1,786	2,346	600	1,000	1,500
Minimum Monthly Income (Gross) Required XCD	3,059	4,839	6,082	2,190	3,970	5,213	1,333	2,222	3,333

(i) The land area is based on the normal DCA minimum requirement of 5,000 sq. ft. Low-income residential plots sold within the housing market typically cost up to \$10 per sq. ft.

(ii) Only houses constructed of concrete block work are included in the analysis as the financial institutions are more amenable to lending for this type of home.

(iii) Core Units (CU)

(iv) b/r = # of bedrooms

(v) Cost includes an estimate of \$25 per sq. ft. (of structure) for legal fees and other charges, as well as land cost.

(vi) A loan repayment period of 20 years, a 10% deposit provided by applicants and interest rate 7% - 10%.

<sup>4</sup> The rate may increase to as much as \$200 per sq. ft.; depending on ground conditions and finishes. Alternatively, with no finishes, favourable ground conditions, and minimal fixtures and internal partitions, the price could be as low as \$140 per sq. ft. \$185 is taken as a representative price.

<sup>5</sup> Government Statistics Department

## **NATURAL HAZARDS**

8. In October 2010, Hurricane Tomas destroyed or damaged about 3.5% (1,860 houses) of St Lucia's housing stock<sup>6</sup>. The majority of these houses (534) were in the suburban and rural areas of the Castries district, but the greatest proportion of damage was incurred in the Soufriere area. Total damage to the sector, including secondary losses, was estimated at \$192 mn. Most of the damage was caused by landslides or flooding, with a few dwellings also damaged by wind. Secondary effects, in the form of the loss of potable water supply to large segments of the population, were noted as having a greater impact than direct damage to housing. In addition, the level of insurance among households was notably low, for example, only 10% of households in Bexon (a community in Castries Rural) were covered by appropriate catastrophe insurance.

9. The devastation caused by landslides in some areas, highlighted the need for more detailed hazard maps. Most of the existing mapping is at too large a scale to provide accurate, site-specific, guidance. In addition, the Organisation of Eastern Caribbean Development Bank States Building Code, although in use, has no formal legal authority in St. Lucia. The Code is generally followed by the DCA in assessing the fitness of proposed residential construction however, the Code itself notes that "*informal housing present in most countries will be outside of the regulatory stream... [and]...other mechanisms must be devised to improve such housing*". These and other deficiencies in the scope and specification of the Code were identified post-Tomas<sup>7</sup>. GOSL has recently given Cabinet approval to a National Housing Policy and Strategic Action Plan which seeks to address this and other issues within the sector.

## **HOUSING FINANCE**

10. The main providers of housing financing in St. Lucia are the commercial banks, the St. Lucia Development Bank, the St. Lucia Mortgage Finance Company and credit unions. Interest rates vary from 7 - 10%. These institutions mainly offer financing to middle and upper income households. There are no financial products either in the private sector or through any government agency, geared towards assisting lower income households in accessing housing finance. Consequently, low-income households often rely on self-help financing, incremental construction and/or informal settlement to alleviate their housing needs. CDB (the SDP) and European Union-funded projects have provided some access to financing for housing, but there has been limited use of the resources as the terms were either not seen as beneficial to the commercial entities through which they were passed or householders did not consider the conditions to be advantageous. CDB is currently appraising a line of credit to the St. Lucia Development Bank which will seek to provide financing for housing for low income persons on reasonable terms.

## **INSTITUTIONAL FRAMEWORK**

11. The major actors in the sector are summarised in Table 3 below. Indications are that the sector is fragmented, with key ministries and agencies acting in isolation on shelter-related issues. Coordination is somewhat limited. In addition, there appears to be overlap in the activities of some agencies, for example, the NDC and SLNHC. The lack of a current, cohesive national land use management or physical development plan – will be at least partially addressed through the World Bank-funded project following Hurricane Tomas. There is clearly a need for more coordination to ensure that critical data on the sector is readily available to the primary actors and to promote the efficient use of scarce national resources. Table 3 provides information on the main actors in the sector.

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<sup>6</sup> St. Lucia: Macro Socio-economic and Environmental Assessment of the Damage and Losses Caused by Hurricane Tomas: A Geo-environmental Disaster – ECLAC, February 2011

<sup>7</sup> *ibid*

**TABLE 3: HOUSING FRAMEWORK FOR ST. LUCIA**

<b>Institutions</b>	<b>Summary Role and Function</b>
<b>1. Ministry of Housing, Urban Renewal and Local Government</b>	<ul style="list-style-type: none"> <li>• To provide the policy framework to guide the provision of adequate and sustainable housing nationally.</li> <li>• To implement the social housing projects, including the rationalization and relocation projects.</li> </ul>
<b>2. Ministry of Physical Development and the Environment</b> <ul style="list-style-type: none"> <li>– Physical Planning Section</li> <li>– Architectural Section</li> <li>– Crown Lands Section</li> <li>– Land Registry Section</li> <li>– Surveys and Mapping Section</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of physical development/ land use plans.</li> <li>• To authorise and monitor development through the DCA.</li> <li>• Development of hazard mapping systems.</li> <li>• The design and sale of low-cost house plans to members of the public.</li> <li>• To assist with the conceptualization and design of housing developments.</li> <li>• The management and monitoring of Crown Lands.</li> <li>• The authorisation, facilitation and recording of the transfer of land parcels. The registration of land parcels.</li> <li>• The approval and mapping of land surveys and other topographical mapping information.</li> </ul>
<b>3. National Housing Corporation</b>	<ul style="list-style-type: none"> <li>• To acquire, hold and manage land and other property and sell, let or lease land and property</li> <li>• Ensure the development, building, maintenance and other operations related to housing and development schemes</li> <li>• To implement plans for settlement clearance and redevelopment</li> </ul>
<b>4. Ministry of Social Transformation, Youth and Sports</b> St. Lucia Social Development Fund	<ul style="list-style-type: none"> <li>• To encourage and promote the development of new and existing communities.</li> <li>• To provide and enhance social safety net policies and programmes in order to alleviate poverty.</li> <li>• To improve the standard and quality of living of persons living in poverty and indigence.</li> </ul>
<b>5. Ministry of Finance, Economic Affairs and National Development</b>	<ul style="list-style-type: none"> <li>• Establishment of the National Vision Plan and custodian of the same.</li> <li>• Land use planning activities.</li> <li>• Coordinating the activities of the Unit for National Reconstruction post Hurricane Tomas.</li> </ul>
<b>6. National Development Corporation</b>	<ul style="list-style-type: none"> <li>• To encourage, promote and facilitate investment in a manner that promotes economic activity and growth.</li> <li>• Responsible for the management of commercial and residential lands in the south around Vieux Fort, some of which are occupied by extensive informal settlements. NDC is also involved in the sale of housing units/developments to the public.</li> </ul>
<b>7. Ministry of Communication Works, Transport and Public Utilities</b>	<ul style="list-style-type: none"> <li>• The maintenance and repair of all public roads.</li> <li>• Inspection and certification of access roads to be assimilated into the official road network system.</li> </ul>



<b>Institutions</b>	<b>Role and Function</b>
<b>8. Financial Intermediaries:</b> Commercial Banks (7); Development Bank (1) Credit Unions (13); Merchant Banks & Insurance Companies	<ul style="list-style-type: none"> <li>• Mortgage Finance to Households.</li> <li>• Financing to Contractors/Investors.</li> </ul>
<b>9. Investors/Contractors – Small, Medium and Large</b>	<ul style="list-style-type: none"> <li>• Housing solutions – Infrastructure/Buildings.</li> <li>• Short-term employment – direct labour.</li> </ul>
<b>10. Suppliers &amp; Support Services</b>	<ul style="list-style-type: none"> <li>• Raw Material and Goods.</li> <li>• Engineering Designs and other Technical Services</li> </ul>
<b>11. Funding Agencies</b>	<ul style="list-style-type: none"> <li>• World Bank: Hurricane Tomas Emergency Recovery Loan.</li> <li>• CDB: SDP, lines of credit</li> </ul>

## **POLICY AND STRATEGY**

12. GOSL is committed to continue the programme of regularisation of informal settlements in accordance with the policy instruments developed over the three decades. However, the issues of enforcement, the magnitude of the problem as well as an effective housing information system have been major constraints the effectiveness of the policy instruments. The MOH is currently focused on addressing the issues of informal settlements as well as other critical sector challenges through the National Housing Policy and Strategic Action Plan which was approved by Cabinet in mid-2011. The objectives of the National Housing Policy are to:

- (a) facilitate the provision of adequate and affordable housing that meets the needs of communities;
- (b) provide an effective and comprehensive legislative and administrative framework that supports housing development;
- (c) increase private sector participation within the housing sector;
- (d) increase capacity-building and institutional development within the housing sector;
- (e) promote investment in housing;
- (f) encourage adequate growth, maintenance and improvement of housing stock to meet human conditions;
- (g) facilitate active participation of civil society, institutions, community-based organisations and individuals in the provision of sustainable housing; and
- (h) promote sustainable mixed-income housing developments that meet the needs of all socio-economic groups and also take cognizance of the needs of vulnerable groups.

13. Historically, government programmes and projects have been largely targeted at low-income groups and improving the availability of housing services (finance, infrastructure, relocation due to hazard vulnerability concerns, security of tenure and the quality of housing and serviced lots). However, current interventions have been limited to squatter regularisation, and relocation. Table 4 outlines the ongoing projects and programmes undertaken by the Housing and Urban Renewal Department during the financial year 2011-2012.

**TABLE 4: PROJECTS AND PROGRAMMES CURRENTLY UNDERTAKEN  
BY THE HOUSING AND URBAN RENEWAL DEPARTMENT**

<b>Activity</b>	<b>Cost XCD</b>	<b>Description</b>	<b>Status</b>
Shelter Development Programme	41,590,435	Squatter regularisation and infrastructure upgrading.	61% of committed funds disbursed STURF* component 90% completed. SSRF component ongoing. Work under CUC* to commence by October 2011.
Conway Relocation Project Phase II	4,602,245	Involves the relocation of households from Conway to various sites in the north of the island.	60% of committed funds have been disbursed. Relocation ongoing. Construction of 11 houses ongoing. Search for additional sites for relocation ongoing.
Barons Drive Relocation Project	22,351,723	Involves the relocation of households from Barons Drive, Soufriere to Cresslands, Soufriere.	5% of allocated resources disbursed. Activities under this project halted by Hurricane Tomas. Construction of 16 houses completed. Socio-economic assessment of disaster hit communities to be completed August 2011.
La Clery Relocation Project	31,655	Proposed redevelopment of the La Clery Housing Estate, Castries.	Feasibility and design completed. Demand analysis for redevelopment ongoing. Existing estate to be demolished and rebuilt. Awaiting approval of funds.
Bisee Redevelopment Project	568,000	Proposed Redevelopment of Crown Lands unplanned settlement at Bisee, Castries.	Topographical survey ongoing, approximately 10 plots to be developed.
Fiscal Incentives for Housing Programme	-	Involves the re-establishment of a fiscal incentive package targeted at developers of low to middle-income households.	Programme is being reviewed due to slow take by developers. Over the last four years only two developers have accessed the resources.
Establishment of a Database for Housing Land Bank	-	Involves the investigation of various land parcels to determine housing development potential and development of a database.	Data gathering and assessment is being undertaken in conjunction with Crown Lands Department and the Ministry of Physical Development.
Housing Assistance Programme	-	Providing TA to vulnerable households	Due to limited resources, scope of the programme has been inadequate based on the demand.
Establishment of Minimum Standards for Housing	-	Establishment of a minimum standard for housing provision in St. Lucia considering the available types of construction materials, affordability, durability and current building standards.	Research ongoing.

\* SSRF – Sites and Services Revolving Fund

\* CUC – Core Unit Construction

**ISSUES AND CONSTRAINTS**

14. Some of the main issues and constraints of the sector are summarised in Table 5 below:

**TABLE 5: MAIN SECTOR ISSUES AND REMEDIATION STRATEGIES**

<b>Main Sector Issues</b>	<b>Government Strategy</b>
Unavailability of land for Housing	<ul style="list-style-type: none"> <li>– Establish a flexible and responsive land bank which provides opportunities for developing both affordable housing for low and middle-income households.</li> <li>– Promote the expansion of residential development in areas where high standard of infrastructure have been implemented prior to establishing new areas where utilities are non-existent.</li> <li>– Continue the programme of regularisation of insecure land tenure and the restrictions of unplanned development.</li> <li>– Develop mechanism to facilitate the expeditious release and servicing of lands to be utilised for housing.</li> </ul>
High Cost of Housing Infrastructure	<ul style="list-style-type: none"> <li>– Establish housing developments in localities, which already offer community facilities.</li> <li>– Examine the land development regulations to ensure the provision of minimum standards for housing infrastructure for low and middle-income households.</li> <li>– Develop incentive regimes for developers to encourage their participation in the provision of housing infrastructure for low and middle-income households.</li> <li>– Review the performance bond instrument with a view to develop alternative options to reduce the cost of housing infrastructure.</li> </ul>
Increasing Rural-Urban Migration	<ul style="list-style-type: none"> <li>– Review tenantry upgrading programmes to support rehabilitation efforts in existing spontaneous developments.</li> <li>– Improve the quality of road network between rural and urban localities.</li> <li>– Promote the SDA Act to accelerate economic activities and employment in rural areas.</li> </ul>
Inadequate Housing Information System to support Decision-Making in Housing Delivery	<ul style="list-style-type: none"> <li>– Assess the institutional frame for M&amp;E the performance of the housing sector in order to create an effective and transparent system for collecting data which influence and impact the housing delivery process.</li> <li>– Strengthen the human, technical and financial capacity of MOH to conduct regular market research.</li> <li>– Examine mechanisms aimed at developing and up-dating household income distribution information an annual basis.</li> </ul>
Inadequacy of legislative and administrative framework	<ul style="list-style-type: none"> <li>– Strengthen the framework for housing delivery through revised legislation, consolidation of Government operations in the sector, establishment of a National Housing Board and implementing recommendations from previous reviews.</li> </ul>
Limited Private Sector Involvement	<ul style="list-style-type: none"> <li>– Review the current regime or tax import incentives to foster increased private sector participation.</li> </ul>

**DETAILS OF PROJECT COMPONENTS**

1. Table 1 provides further information on the proposed items under the Upgraded Settlements and Expanded Infrastructure component (Chapter 2, paragraph 2.15). The sites and services development at Bexon will provide 36 serviced lots over an area of 2.7 ha. The development is intended to be a mixed income development with some cross-subsidisation where lots are sold at market value to middle income persons and others at discounted rates (using the PMT) to low-income persons. It is estimated that 12 lots will be designated for general sale.

2. The hazard assessment is intended to address site-specific issues that may not have been assessed in the consideration of hazard impacts in the project areas. It will also consider possible impacts from surrounding areas (outside the boundaries of the project) with respect to landslide in particular. TOR and detailed budgets for the hazard assessment and sectoral support consultancies are included at Appendices 2.2, and 2.3

**TABLE 1: DETAILS OF UPGRADED SETTLEMENTS AND  
EXPANDED INFRASTRUCTURE  
(XCD)**

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

3. Table 2 provides some additional information on areas under the settlement upgrading component. The project includes the provision of 104 vacant lots with access to infrastructure and services that will form part of the MOH land bank for use in assisting persons who may require land/housing, or that need to be relocated as part of the wider regularisation programme.

**TABLE 2: LOCATION/LOT DATA**

<b>Area</b>	<b>Area (ha)</b>	<b>No. of Occupied Lots (Beneficiary Households)</b>	<b>No. of Vacant Lots</b>	<b>Total No. of Lots</b>
Bexon	6.75	129	14	143
L'Abbayee	2.55	81	13	94
Sarrot	3.95	54	6	60
Cendre De Feu	4.07	91	14	105
La Ressource	5.99	152	10	162
La Croix/Laborie	7.82	44	47	91
<b>Totals</b>	<b>31.14</b>	<b>551</b>	<b>104</b>	<b>655</b>

4. Baseline and follow-up socio-economic surveys will be undertaken by GOSL in order to provide more detailed information on beneficiaries/households in the project areas and assist in tracking project impact.

**DRAFT TERMS OF REFERENCE**  
**HAZARD ASSESSMENT**

**1. BACKGROUND**

1.01 The Government of St. Lucia (GOSL) has requested a loan from the Caribbean Development Bank (CDB) to assist in financing the regularisation of informal communities under its ongoing regularisation programme. The Loan is intended to improve access to secure tenure and to basic infrastructure and services in informal settlements situated in communities around Castries, Laborie and Vieux Fort. The project will support the longer term goal of improved living conditions of the citizens of St. Lucia, especially in the lower quintiles of the population.

1.02 Historically, the incidence of landslides in St. Lucia has been relatively high and their occurrence widespread. Heavy rainfall associated with the passage of Hurricane Tomas in October 2010 resulted in a number of major landslide events resulting in loss of life and significant damage to property. In addition, only limited detailed mapping of the risk has been undertaken – predominantly centred around the Castries area. Generally, this area, has a moderate to high risk of landslides. This consultancy is expected to investigate, identify and mitigate the risk associated with landslides and other hazards in and around selected sub-project areas.

**2. OBJECTIVE**

2.01 Consultancy services are required to assess the risk of land slippage, land erosion and slope wash at the proposed sub-project sites (Bexon, L'Abayee, Laborie, La Ressource, Cendre de Feu and Sarot) and, where appropriate, make recommendations as to remedial works, slope stabilisation, alternative lot layouts or other measures which might be required to avoid loss of life or major property damage due to a hazard event.

**3. SCOPE OF CONSULTANCY SERVICES**

3.01 The Consultant(s) scope of services will include, but not necessarily be limited to:

- (a) consulting with relevant stakeholders, including residents of the areas, officers of the Ministry of Housing, Urban Renewal and Local Government (MOH), the St. Lucia National Housing Corporation, other government departments or agencies, and any other relevant parties;
- (b) reviewing existing hazard and vulnerability maps, or other data pertaining to the hazards being considered, and identifying hazards that are likely to occur at the sites and advising on the vulnerability of the proposed development and any future housing construction to those hazards;
- (c) assessing the level of risk at each site based on the relevant hazards identified and the vulnerability based on tests associated with slope stability, hydrology and hydrogeology;
- (d) defining and recommending the most cost-effective alternative measures to mitigate the risks where appropriate through additional civil works or labelling lots as unsuitable for housing; and
- (e) preparing designs and cost estimates in conjunction with MOH. Design features will be incorporated in existing designs, and may include slope stabilisation/protection, alternative lot arrangements, drainage improvements and/or the identification of prohibited areas where housing construction should not be permitted.

3.02 In the conduct of this work, the Consultant(s) shall cooperate fully with the lending institutions and government agencies responsible for the development and implementation of this project. Participatory methodologies should be utilised in data gathering and action planning. The MOH will provide counterpart services to facilitate the work of the Consultant(s).

#### **4. CONSULTANT REQUIREMENTS**

4.01 The Consultant(s) should have post-graduate qualifications and a minimum of 10 years experience in geotechnical engineering, drainage and/or hydraulic engineering and should have a sound understanding of disaster risk management practice.

#### **5. REPORTS AND SCHEDULES**

5.01 The Consultant(s) will commence field work within two weeks of the effective date of the contract and will be required to submit the following reports to GOSL and CDB within the time periods indicated:

- (a) three and two copies respectively of an Inception Report within two weeks after commencement of field work providing details of the proposed approach and methodology, and work programme. GOSL and CDB will provide comments on this report within one week and the Consultant(s) will adjust the work programme and/or methodology accordingly;
- (b) three and two copies respectively, of a Draft Final Report within six weeks of commencement of field work containing a detailed summary of the main findings, conclusions and recommendations related to hazards and site vulnerability, and proposed alternatives to address same. GOSL and CDB will provide comments on this Report within two weeks of receipt and the Consultant(s) will amend the Report according to the comments received; and
- (c) three and two copies, respectively, of a Final Report within four weeks of GOSL and CDB's acceptance of the Draft Final Report. The Final Report shall include an executive summary which contains the main findings, conclusions and recommendations of the consultancy and shall also include preliminary designs and costs for any necessary remedial or mitigating works.

Electronic copies of all reports shall be provided on compact disk in a file format that is agreeable to GOSL and CDB. Note that if no significant site vulnerabilities are identified, the content of and work required for the Final Report will be adjusted accordingly.

#### **6. MANPOWER SCHEDULING AND COSTS**

6.01 The Consultant(s) is/are to support their submission with the provision of the following information:

- (a) methodology to be used in the assignment;
- (b) name(s), experience, qualifications of staff who will be assigned to this consultancy;

- (c) a Gantt chart showing the input for the assignment indicating the overall length of time required for each stage and the man-weeks required; and
- (d) full submission of costs with detailed breakdown which should include:
  - (i) consultant(s) fees;
  - (ii) support staff services;
  - (iii) equipment hire;
  - (iv) communication costs;
  - (v) report production costs; and
  - (vi) travel expenses and per diem requirements (if applicable).

**7. SUPERVISION OF CONSULTANTS**

7.01 The MOH will monitor the progress of this Study. Direct project supervision will be carried out by a Project Coordinator (PC) and all reports should be submitted to the PC.

**BUDGET**  
**(USD)**

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**DRAFT TERMS OF REFERENCE**  
**SECTOR SUPPORT – ASSESSMENT OF THE INSTITUTIONAL ARRANGEMENT**  
**FOR HOUSING IN ST. LUCIA**

**1. BACKGROUND AND INTRODUCTION**

1.01 The Government of St. Lucia (GOSL) requested a loan from the Caribbean Development Bank (CDB) to assist in improving access to basic infrastructure and services for residents in selected informal communities. The Loan is intended to facilitate access to secure tenure as well as improve basic infrastructure and services in informal settlements situated in the Castries, Laborie and Vieux Fort areas. The project will support the longer term goal of improved living conditions of persons in the lower quintiles of the population. CDB is considering a loan of USD6.2 mn to GOSL. The Ministry of Housing and Urban Renewal and Local Government (MOH) will execute the project on behalf of GOSL.

1.02 The institutional framework for housing in St. Lucia is characterised by public, quasi-public and private sector organisation. MOH is mandated to formulate and implement policies and programmes aimed at providing adequate and affordable housing for all in St. Lucia. As such, the Ministry is required to perform the lead role in the execution of GOSL's National Housing Policy<sup>1</sup>. The National Housing Policy document has indicated that the sector is fragmented, with key ministries and agencies acting in isolation or at cross-purposes on shelter-related issues, especially the provision of housing for lower income households. This has resulted in overlapping/duplication of efforts which has challenged these agencies ability to effectively and efficiently address issues related to the inadequacy in the provision of affordable housing solutions in St. Lucia. The situation is exacerbated by the lack of integrated housing management information system, cohesive national land use management and physical development plans. There is clearly a need for more coordination of effort and resources to ensure the efficacious use of nation's scarce resources. There is need for an appropriate M&E system to assist in planning and tracking the results of the project.

**2. OBJECTIVE**

2.01 The objective of the assignment is to assist GOSL in improving the strategic and operational efficiency of MOH as well as other public and quasi-public agencies so that they can effectively contribute to the strategic goals of the National Housing Policy.

**3. METHODOLOGY**

3.01 The Consultants are expected to utilise various methods that will facilitate successful completion of the assignment to include:

- (a) review of existing documentation related to the housing sector in St. Lucia including the Population Census, National Housing Policy and the Survey of Living Conditions, etc.;
- (b) meetings and consultations with critical stakeholders including the MOH, the Physical Planning Department, the Development Control Authority, St. Lucia National Housing Corporation (SLNHC), private sector (e.g. relevant financial institutions), civil society, and Ministry of Finance; and
- (c) field study and investigations.

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<sup>1</sup> The Strategic goals of the policy are: (i) develop an effective housing delivery system which meets the needs of the populace; and (ii) establish a housing delivery system that promotes sustainable development of communities



#### **4. SCOPE OF WORK**

4.01 The Consultants will report to the Permanent Secretary in the MOH or his designate and will work collaboratively with the Heads of Departments, SNLHC and other stakeholders in the housing sector. The Consultants are required to analyse the key constraints, deficiencies and gaps in the MOH and its agencies and propose recommendations for improving effectiveness and efficiency in the, planning, development and delivery of housing. In particular, the Consultants are required to:

- (a) Part A: Review and assess the institutional arrangements for provision of housing in St. Lucia:
  - (i) Review and analyse the mandate, policies, systems, and processes that the MOH and other key public, quasi-public and private sector organisations use to legislate, plan, regulate and manage activities in the housing sector.
  - (ii) Identify and assess areas of institutional overlapping/duplication in the sector and their effects on the achievement of the strategic goals of the National Housing Policy and make recommendations for improvement.
  - (iii) Review the activities of the MOH and other key agencies that serve the sector, and identify key factors that influence the Ministry's performance and the outcomes of selected past or ongoing interventions aimed at improving the housing conditions (especially lower income households).
  - (iv) Examine the ability of the current institutional arrangements to respond to the concerns of women, men, youth, physically challenged, etc.
- (b) Part B: A Training Needs Assessment for MOH and other critical agencies in the sector:
  - (i) Assess the role, legislative and administrative frameworks of the MOH and other key public, quasi-public and private sector organisations focused on the delivery of housing, especially for lower income households.
  - (ii) Identify and examine the key short and long-term needs within the MOH and other key public and quasi-public organisations.
  - (iii) Based on the analysis in Part A above, recommend an appropriate communication strategy and plan to manage public education and sensitisation on critical development issues in the sector.
- (c) Part C: Monitoring and Evaluation (M&E) for the project and support to the Housing Information System (HIS):
  - (i) Develop and implement an appropriate M&E system for the project based on key outcome and impact indicators.
  - (ii) Examine the system of database management in the MOH and its related agencies and determine the appropriate institutional framework, human resources, materials, equipment, software and methodologies that should be required to make the projects M&E system operational as well as inform the development of a Housing Information system.

- (iii) Assess and identify:
  - (aa) sources of data, information and reporting requirement that may be common across the MOH and other key agencies, and
  - (bb) range of data and information required for the M&E of the project. The Consultants should review the Draft Results Based Framework in the CDB Appraisal Report and make necessary adjustments to indicators and targets.
- (iv) Determine a mechanism of systematic capacity development of the staff with respect to the usage of HIS to be developed.
- (v) Undertake a base line survey of project sites with a view to measuring impact on livelihoods;
- (vi) Develop a terms of reference for mid-term evaluation of the project.
- (vii) Based on Part A ,B and C:
  - (aa) prepare a report on the institutional framework of St. Lucia's Housing Sector outlining the issues, constraints, opportunities, and best practices taking into consideration the various public and private stakeholders and their contribution to the effectiveness and efficiency of the sector.
  - (bb) prepare and present a report on the development HIS to stakeholders in a sensitisation seminar, demonstrating the identification, collection, analysis and reporting of data and information; and
  - (cc) documentation of the project M&E system.

## **5. KEY OUTPUTS/DELIVERABLES**

### **5.01 The Consultant(s) will:**

- (a) prepare an analytical report on the institutional framework of St, Lucia's Housing sector outlining general recommendations to improve MOH and its related agencies effectiveness, efficiency and sustainability in the planning, enforcing of housing-related regulation, development of low-income housing and regularisation of informal settlements;
- (b) prepare and cost:
  - (i) an Institutional Strengthening Plan for relevant agencies involved in, squatter management, shelter upgrading and new housing development. The Institutional Strengthening Plan should incorporate Results-Based Monitoring methodology to generate selected indicators and targets;
  - (ii) a Public Educations/Sensitisation Plan;
  - (iii) an implementation plan for a Housing Information System for MOH , which incorporates the M&E framework for the project;
  - (iv) draft terms of reference referred for the mid-term review
  - (v) documentation of the M&E system

- (c) present findings, conclusions and recommendations at a Stakeholders' consultations to discuss and agree on issues and priorities to be addressed in the Institutional Strengthening ,Public Education/Sensitisation Plans, the M&E plan and Housing Information System for the sector.

With respect to items 5.01(a) and (b), the Consultant(s) should identify high or medium priority short-term actions which might be funded by CDB's Settlement Upgrading Project; the final list of actions to be financed by CDB shall be agreed on by CDB and GOSL.

## **6. TIMING AND QUALIFICATIONS**

6.01 The assignment will be conducted over a six-month period. The Consultant should have at least a Masters' Degrees or equivalent professional qualification in a relevant area, for example, urban development, Information technology, Results based management, financial analysis, social marketing/public relations and institutional assessment with the principal member having at least ten years experience in the Caribbean or developing countries with similar conditions. The Consultants should also have a good understanding of the housing sector and the provision of housing for lower income households.

## **7. REPORTING REQUIREMENTS**

7.01 The Consultant(s) shall be required to submit through the Project Coordinator, three hard copies and an electronic copy of the following reports to the MOH and CDB, for review and comments:

- (a) Within two weeks of commencing the assignment, the Consultant(s) are required to submit an Inception Report. The Inception Report shall provide details of the work programme, including any additional activities which may be deemed necessary based on initial review. The report will also detail the timing of each component of all activities to be undertaken in accordance with the terms of reference, the initial findings and preliminary recommendations. MOH and CDB will provide comments on this report within two weeks of receipt for the purpose of clarification of methodology, verification of data and agreement on approach. Consultant(s) will adjust the work-programme in accordance with the comments received and agreed upon.
- (b) Within 14 weeks of commencing the consultancy, the Consultants will be required to present and facilitate discussions on a first draft report on each of the key components of the assignment at a Consultative Workshop to solicit feedback on the report.
- (c) A Draft Final Report on each of the key components of the assignment not later than 17 weeks after the commencement of the assignment, incorporating feedbacks from the consultative workshop. MOH and CDB will provide comments on this report within two weeks of receipt. The draft report should include: Analytical Report, Action Plan and Notes from the Consultative Workshop.
- (d) A Final Report incorporating comments of MOH, and CDB within two weeks of receiving such comments.

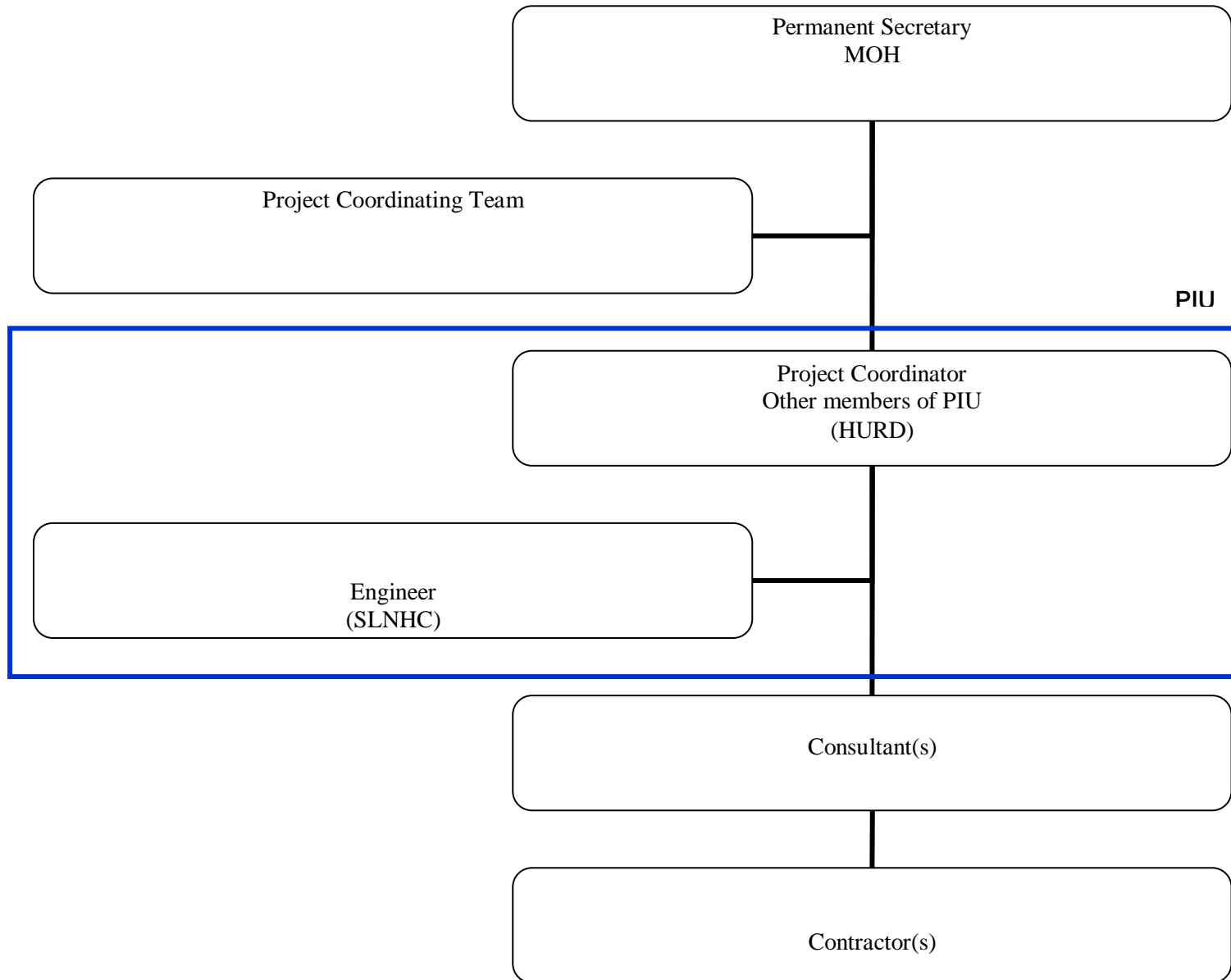
**BUDGET**  
**(USD)**

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

**PROJECT COST, PHASING AND FINANCING PLAN**  
**(\$'000)**

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

**PROJECT MANAGEMENT ORGANISATIONAL STRUCTURE**



**PROJECT MANAGEMENT RESPONSIBILITIES AND DUTIES**

**PROJECT COORDINATOR**

1. The PC will head the project implementation team. It shall be a condition precedent to first disbursement of the loan that GOSL appoints a PC whose qualifications and experience are acceptable to CDB. The PC shall be responsible for overall coordination of all project activities. The qualifications and experience of any person subsequently appointed to the position of PC shall be acceptable to CDB.
2. Responsibilities of the PC include, but are not limited to:
  - (a) monitoring the implementation of all components of the project and informing the PCT and CDB of any events likely to impact negatively on the project's implementation;
  - (b) overseeing all contracts for services, goods and works under the project, delegating where appropriate to project implementation team staff;
  - (c) executing procurement in accordance with CDB's Loan Agreement;
  - (d) providing public information on the status of construction activities and their likely impact on the public and facilitating community meetings;
  - (e) representing GOSL in dealings with the consultants;
  - (f) providing cost control and keeping separate accounts for project-related expenditures and disbursement activities;
  - (g) preparing and submitting to CDB claims for disbursement or reimbursement;
  - (h) liaising with CDB on all technical and administrative aspects of the project;
  - (i) serving as secretary to PCT and attending PCT meetings on at least a quarterly basis;
  - (j) preparing and submitting to CDB, quarterly reports on the investment cost of the project in the form shown in Appendix 5.7 of this report, or in such form or forms as may be specified by CDB, within six weeks after the end of each calendar quarter commencing with the quarter following the appointment of the PC;
  - (k) submitting to CDB, within two weeks after the end of each calendar month, and on a monthly basis, a report on the progress of project implementation; and
  - (l) submitting to CDB by September 30, 2013 and a Project Completion Report (PCR) within 6 months after practical completion of all project activities.

**PROJECT COORDINATING TEAM**

3. A PCT will be established by MOH to provide policy direction for the project and to assist in the resolving coordination issues affecting the project. Its Chairperson will be the Permanent Secretary, MOH. A Deputy Chairperson, appointed by the Chairperson, will assume the responsibilities in the absence of the Chairperson.

4. The PCT will have a membership composed of, but not limited to, a representative from each of the MOH, MOF, SLNHC, DCA, and MOS as well as the PC. Each organisation represented on the PCT will be required to nominate their representative and an alternate. Other persons may be invited to participate in PCT meetings based on the subject matter being addressed. These special invitees will, however, not be authorised to vote.

5. The PCT shall:

- (a) review all implementation and financial reports required by the respective loan agreements prior to their submission to the MOF and CDB;
- (b) provide assistance and guidance to the PIU in handling implementation and coordination problems brought to its attention;
- (c) review any alternative projects to be included in the presentation to CDB for consideration and disbursement; and
- (d) monitor the efficiency and effectiveness of the targeting mechanism (PMT) in allocating properties/lots, and the resource allocation requirements for the project.

The PCT will meet at least quarterly, and more often if required. The PC may request additional meetings when faced with extraordinary situations. The Chairperson shall convene the PCT meetings.

**PROJECT MANAGER – CIVIL WORKS**

6. The PMCW shall provide the following services:

- (a) advertise for, and assist in, the procurement of engineering consultants and contractors
- (b) represent GOSL in all its dealings with the engineering consultants and the contractors;
- (c) review prequalification and bid documents prepared by the consultants;
- (d) assist the PC in issuing invitations to bid, evaluation of bids and recommendations for award of construction contracts;
- (e) manage construction contracts;
- (f) provide cost control of the construction works;
- (g) review completion reports and as-built drawings for each construction contract, referred to in paragraph for submission to CDB through the PC within three months after the date of issue by the engineering consultants of the certificate of practical completion; and
- (h) perform any other duties that may be assigned.



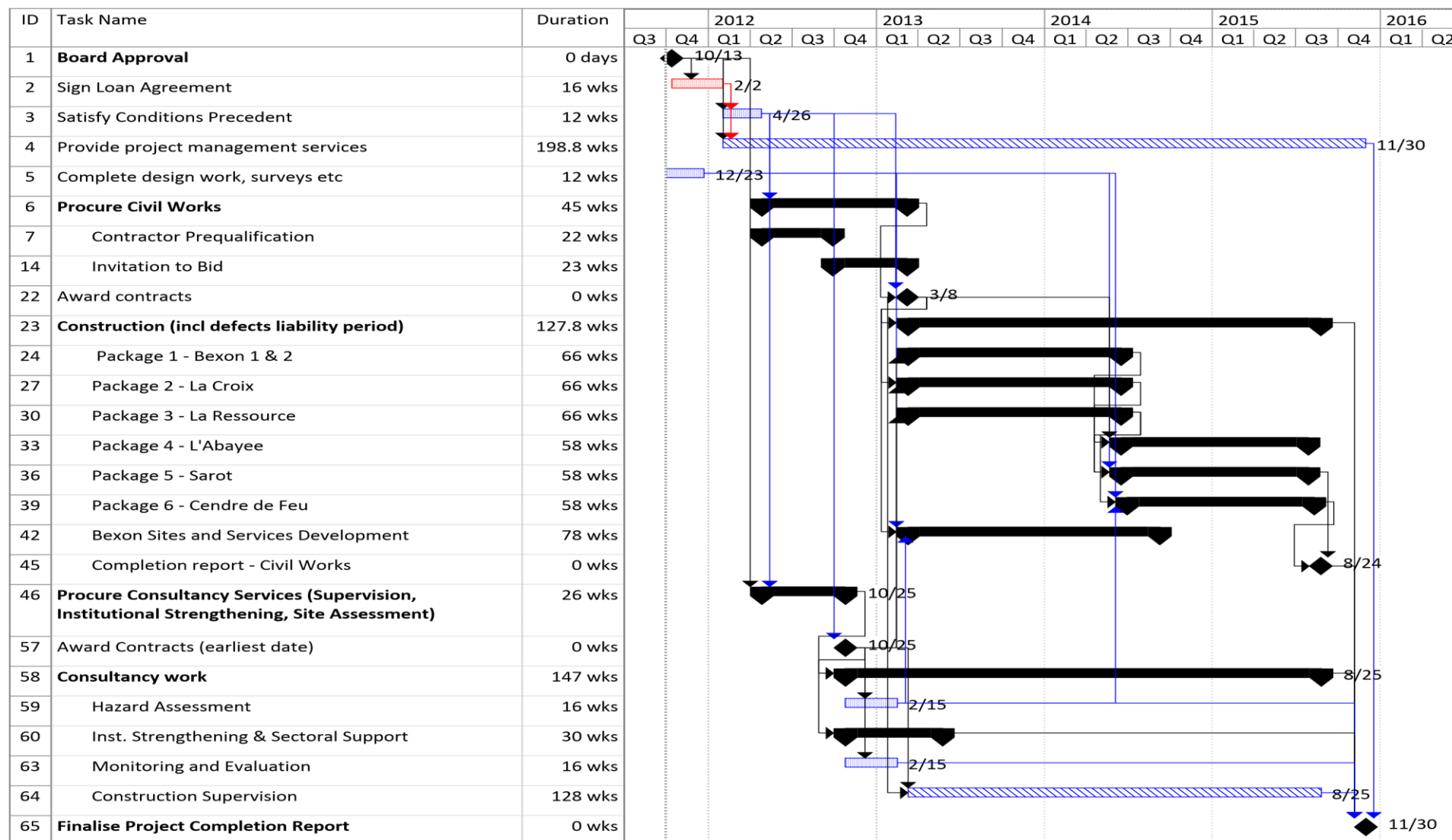
7. The qualifications and experience of any person subsequently assigned to the position of PMCW shall be acceptable to CDB.

**ENGINEERING/ARCHITECTURAL CONSULTANTS**

8. Consultants, financed by the loan, will be selected and engaged to prepare the detailed designs and bid documents for new construction and to provide construction supervision services. GOSL will be required to engage those consultants prior to first disbursement of the construction works. The services to be provided will include:

- (a) preparation of designs, bid documents and related construction cost estimates;
- (b) assistance in the pre-qualification of contractors including the preparation of pre-qualification reports;
- (c) assistance in the evaluation of bids including the preparation of bid evaluation reports;
- (d) assistance in negotiation of the contracts for construction;
- (e) monitoring compliance with environmental specifications (provided in the contract documents) during construction and reporting same as part of the monthly report;
- (f) revision of designs as appropriate to deal with unforeseen conditions which may arise during construction;
- (g) preparation of monthly reports on the progress of works indicating any engineering difficulties affecting their efficient and timely execution, commencing one month after the start date as defined in the construction contract;
- (h) inspection and certification of payment for construction work accepted;
- (i) consultation and advice to GOSL during construction;
- (j) certification of practical completion by the contractor(s) upon completion of construction contracts; and
- (k) preparation of a completion report on each construction contract of the project, including as-built drawings, within three months after the date of issue by the engineering consultants of a Certificate of Practical Completion.

**PROJECT IMPLEMENTATION SCHEDULE**



**ESTIMATED QUARTERLY DISBURSEMENT SCHEDULE**

<b>Year</b>	<b>Quarters</b>	<b>Disbursements</b>	<b>IDI</b>	<b>Total Disbursements</b>	<b>Cumulative Disbursements</b>
<b>2012</b>	1	-	-	-	-
	2	-	-	-	-
	3	-	-	-	-
	4	578	2	580	580
<b>Sub-total</b>		578	2	580	
<b>2013</b>	1	1,532	8	1,540	2,120
	2	3,771	25	3,796	5,916
	3	3,535	48	3,583	9,499
	4	2,946	69	3,015	12,515
<b>Sub-total</b>		11,784	150	11,934	
<b>2014</b>	1	624	79	704	13,218
	2	297	82	379	13,598
	3	1,011	86	1,097	14,695
	4	1,041	93	1,133	15,828
<b>Sub-total</b>		2,973	340	3,313	
<b>2015</b>	1	298	97	395	16,223
	2	122	98	220	16,443
	3	97	99	196	16,639
	4	91	99	191	16,830
<b>Sub-total</b>		608	393	1,001	
<b>Grand Total</b> */		15,945	885	16,830	

\*/ Any variance in totals is due to decimal rounding.

**PROCUREMENT PLAN**

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

**MONITORING AND REPORTING REQUIREMENTS**

<b>Report</b>	<b>Time of Submission</b>
1. Monthly Progress Status Report by the Engineering Consultants/SLNHC Engineer.	Within 30 days after the end of each calendar month until construction is completed, commencing one month after the start date as defined in the construction contract.
2. Tender Evaluation Report by Engineer.	Within three weeks of the closing date for each tender package.
3. Report on Investment Costs of the project prepared by PC.	Within four weeks of the end of each quarter until completion of all project activities.
4. Completion Report prepared by the engineering consultants.	Within four weeks after the date of issue by the engineering consultants of the Certificate of Practical Completion of construction.
5. Consultants' Reports.	As per the TORs.
6. Audited Financial Statements.	Annually, within two months of completion of the Audit.
7. Project Completion Report prepared by PC.	Three months after final disbursement of the loan

**QUARTERLY REPORT ON INVESTMENT COSTS**  
**(\$'000)**

Elements of Project	Expenditure for this Quarter	Cumulative Expenditure to Date	Projected Expenditure for the Quarter			Estimated Expenditure to Complete Project	Latest Estimate of Expenditure	Project Estimate as per Appraisal Report Expenditure	Variance Favourable/ (Adverse)	Comments/Reasons for adverse Variance and Financing Proposals to Meet Cost Overrun
			Ending	Ending	Ending					
(1)	(2)	(3)	(4)	(4)	(4)	(5)	(6)	(7)	(8)	(9)
1. Land								16,524		
2. Civil Works								10,454		
3. Institutional Strengthening – Sector Support								1,110		
4. Socio-economic Survey								135		
5. M&E								118		
6. Relocation Cost and Cadastral Survey								625		
7. Design Services and Construction								974		
8. Hazard Assessment								154		
9. Project Management								1,162		
<b>Base Cost</b>								<b>31,256</b>		
10. Physical Contingency								2,208		
11. Prince Contingency								1,670		
<b>Total Cost before Finance Charges</b>								<b>35,134</b>		
12. IDI								885		
<b>Total Cost</b>								<b>36,019</b>		
<b>CDB</b>								<b>16,830</b>		

**GUIDELINES FOR COMPLETION OF,  
REPORT ON INVESTMENT COST OF PROJECT**

1. Elements of Project – The elements of the project as outlined in the Appraisal Report must be recorded in this column. If it becomes necessary to further sub-divide the main elements of the project, then the sub-elements should be grouped to facilitate the determination of the expenditure related to the main elements identified in the Appraisal Report.
2. Expenditure for this Quarter – The expenditure incurred in the quarter to which the report relates in respect of each element of the project must be recorded in this column.
3. Cumulative Expenditure to Date – The expenditure incurred in respect of each element of the project from the commencement of the project to the end of the quarter to which the report relates must be recorded in this column.
4. Projected Expenditure for Quarter – An estimate of the expenditure to be incurred in each of the next three quarters must be recorded in the columns 4<sub>1</sub>, 4<sub>2</sub>, and 4<sub>3</sub>.
5. Estimate of Expenditure to complete Project – This column should be completed only in respect of those elements of the project, construction/installation of which stretches beyond three quarters from the end of the quarter to which the report relates. Where a project extends over more than one year - four quarters - an estimate of the expenditure to be incurred in the period subsequent to the year must be recorded in this column.
6. Latest Estimate of Expenditure – The amounts to be recorded in this column should be derived by adding columns 3, 4<sub>123</sub>, and 5. The amounts recorded in this column should be the best estimate of expenditure to be incurred in respect of each element of the project. These amounts may be less or greater than the appraised expenditure.
7. Project Estimates as per Appraisal Report – The estimate of expenditure to be incurred in respect of each element of the project, as outlined in the Appraisal Report, must be recorded in this column.
8. Variance – The difference between columns 6 and 7 must be recorded in this column. Where the amount in column 6 is less than that in column 7, there is a favourable variance results. An adverse variance results where the amount in column 6 is greater than that in column 7.
9. Comments – An explanation should be given for each variance which is more than 10% of the project estimates as per Appraisal Report.

## RESULTS MONITORING FRAMEWORK

Project Objectives	Project Outcome Indicators					Use of Indicator/Comment					
Improved access to basic infrastructure by households in selected areas of St. Lucia.	– 36 lots allocated or sold in sites and services development by December 31, 2017. – 551 households with access to basic infrastructure, piped water and electricity services by December 31, 2015.					– To assess the effectiveness of the intervention: <ul style="list-style-type: none"><li>• Number of properties owned/occupied by beneficiary households.</li><li>• Determine number of households with access to basic infrastructure and services</li></ul> – Follow-up socio economic survey will provide more detailed information (on gender, housing, etc) and will be used to assess changes in household living conditions (impact evaluation).					
Results Monitoring Indicators	During Implementation					Post-Implementation			Totals	Responsibility for Data Collection	Reports <sup>1</sup> and Frequency
	Baseline 2011	Year 1	Year 2	Year 3	Year 4	Year 7	Year 12	Year 17			
Impact Indicators											
No. of residents with access to title deeds (sites and services)	0	0	0	0	0	36	-	-	36	HURD	Impact evaluation reports
No. of residents with access to title deeds (settlement upgrade)	0	-	-	-	-	10	30	45	85 <sup>2</sup>	<sup>3</sup> HURD	“
Outcome Indicators											
Lots allocated or sold in sites and services development (no.)	0	0	0	0	0	36	-	-	36	HURD	PCR, impact evaluation reports
Households with access to basic infrastructure (no.)	0	0	0	362	189	-	-	-	551	HURD	PCR
Output Indicators											
Roads and footpaths constructed (km.)	0	0	0	4	5.6	-			9.6	HURD	Consultant’s reports
Drains constructed (km.)	0	0	0	8	8.6	-			16.6	HURD	“
Households relocated (no.)	0	4	-	-	-	-			4	HURD	“
Surveys of lots completed	0	210	0	0	0	-			210	HURD / Survey Dept	“

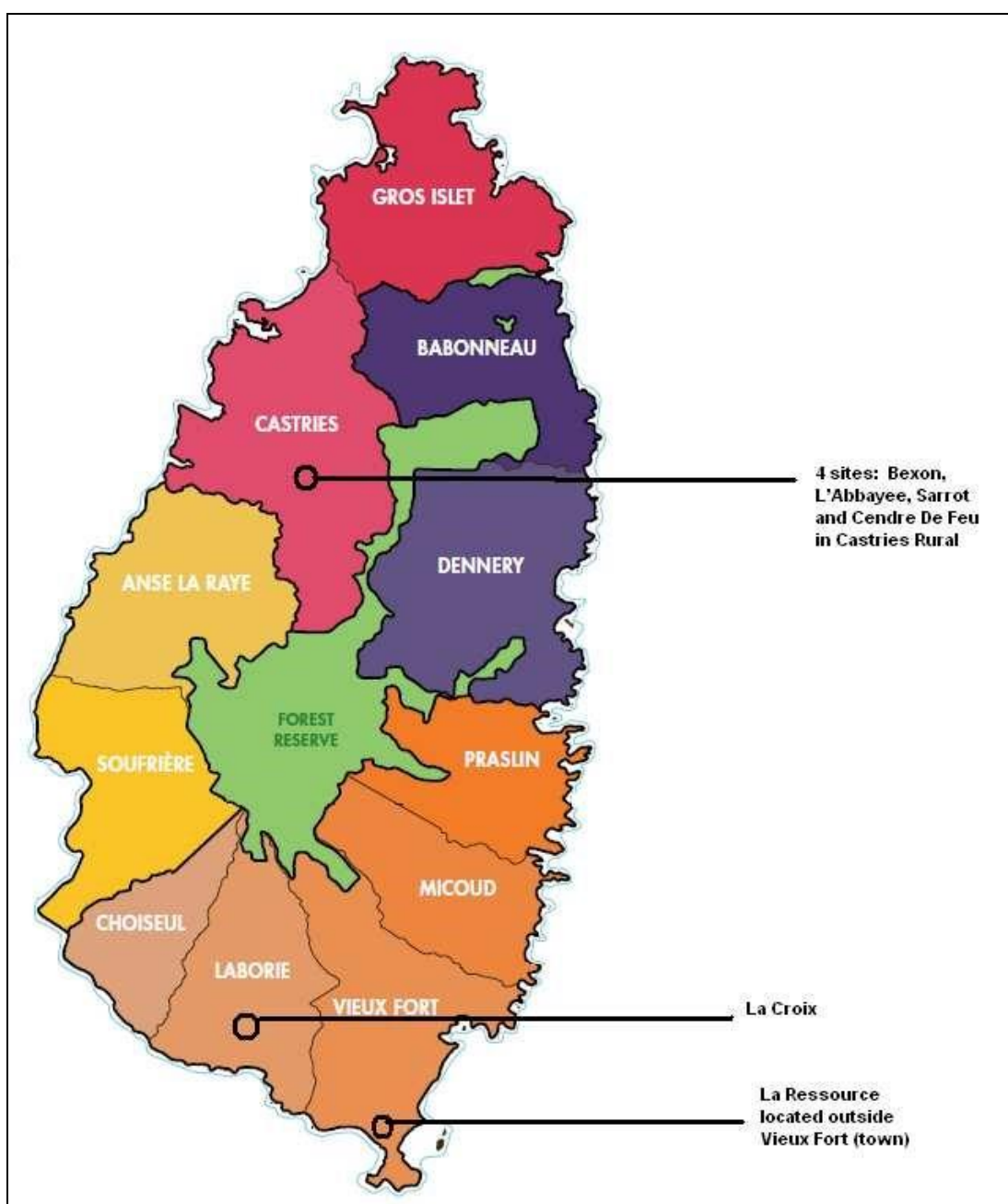
<sup>1</sup> Data to be disaggregated by gender

<sup>2</sup> Number projected here is based on current rate under SDP



**FIGURE 4.1**

**LOCATION MAP**



Source: National Vision Plan, St. Lucia