

I. PROJECT IDENTIFICATION

1. PROJECT TITLE
HOUSING AND URBAN DEVELOPMENT

APPENDIX ATTACHED
 YES NO 36p.

2. PROJECT NO. (M.O. 1095.2)
527-11-830-065

3. RECIPIENT (specify)
 COUNTRY **PERU**
 REGIONAL INTERREGIONAL

4. LIFE OF PROJECT
 BEGINS FY **1962**
 ENDS FY **1975**

5. SUBMISSION
 ORIGINAL **5/4/73**
 REV. NO. 2 **6/15/73** DATE
 CONTR. PASA NO.

II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US (U.S. OWNED)		
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY	
										(A) JOINT	(B) BUDGET	
1. PRIOR THRU ACTUAL FY	938	626	-	95	-	46	173	360				
2. OPRN FY 73	206	143	39	-	-	14	40	80	17			
3. BUDGET FY 74	598*	226	68	29	23	40	303	158	64			
4. BUDGET FY 75	500*	230	68	30	25	15	225	160	45			
5. BUDGET 12 FY												
6. BUDGET 13 FY												
7. ALL SUBQ. FY												
8. GRAND TOTAL	2,242	1,225		134		113	750	738				

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER AL Benjamin/EB Butler	TITLE Urban Development Officer Chief Community Participation	DATE 6/13/73
2. CLEARANCE OFFICER Charles B. Weinberg	TITLE Acting Mission Director	DATE 6/15/73

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

Clearances:

PRM: **AKnight**
 AD/O: **JEMartin**
 EVAL: **SWeinger**

* Includes Community Development Project.

2. CLEARANCES

BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE	DATE
LA/DR	Marshall D. Brown	7/21/73	LA/OPNS	Cecil Uyehara	7/21/73
LA/DP	John O'Donnell	7/23/73	LA/DR	John R. Breen	7/24/73
LA/DR	William Mann	7/21/73			
LA/DP	Richard Weber	7/23/73			
LA/MSD	Richard Greene	7/23/73			
LA/GC	Irwin Levy	7/24/73			

3. APPROVAL A/AS OR OFFICE DIRECTORS

SIGNATURE: **Herman Kleine** DATE: **27 JUL 1973**

4. APPROVAL A/AID (See M.O. 1025.1 VI C)

SIGNATURE: _____ DATE: _____

TITLE: **AA/LA** ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT

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Housing and Urban Development (PROP)

I. Background Information

A. Description

From 1967 through 1972, USAID's technical assistance in the housing and urban development sector was primarily directed at improving the effectiveness of the Housing Bank (BVP) and the Savings and Loan System as a viable credit mechanism in the housing field. To achieve this end, 43 participants received training in the United States and Puerto Rico in advanced savings and loan operations. Moreover the BVP, in particular, was provided with direct technical assistance in mortgage servicing, mortgage insurance, bank examination methods and secondary mortgage marketing.

The most recent Housing and Urban Development PROP (November 1970) and its first revision (March 1971) emphasized three primary areas of concentration. These were:

1. Continuation of technical assistance for the BVP and the Savings and Loan System in mortgage insurance, administration and management,
2. Planning and action to rehouse, albeit temporarily, the victims of the May 1970 earthquake, and
3. Initiation of a new program of investigation of low cost anti-seismic construction methods and materials.

B. Accomplishments

1. Savings and Loan

USAID's technical assistance inputs have made significant contributions in the upgrading of the institutional competence of the BVP and the Savings and Loan System through the transfer of advanced methods of credit and banking technology and by the actual training of Peruvian technicians. This type of assistance has helped the Savings and Loan System expand from two Lima Associations with 7,711 depositors and \$1.5 million in deposits in 1962 to 22 Associations with 72 branch offices throughout the country, more than 568,250 depositors, and almost \$162 million in savings in 1972.

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2. Earthquake Relief

a. Immediate Assistance

The earthquake of May 1970 completely destroyed or rendered uninhabitable about 160,000 homes, sheltering approximately 800,000 people, most of whom were poor. USAID emergency assistance played a major role in alleviating the plight of the victims of this disaster. Within a month of the earthquake, A.I.D. provided a \$10,555,000 grant to the Government of Peru. \$3,150,000 was immediately used for emergency relief, while the remaining \$7,400,000 was subdivided into a variety of sub-projects, including temporary housing, power generating equipment, schools, medical centers, construction equipment, agricultural credits, tools and repair of irrigation systems.

The temporary housing projects financed by the grant funds included the following:

1. Construction of 2,800 prefabricated, temporary housing modules at a cost of \$500,000.
2. Provision of 241,000 aluminum roofing sheets for emergency shelter of approximately 20,000 families at a cost of \$700,000; and
3. Through the Organization of American States (OAS), provision of roofing sheets for 14,438 families plus construction of shelters for 1,350 families at a cost of \$500,000.

As a result of this grant and other donor assistance, nearly every homeless family in the disaster zone was provided with some type of temporary shelter.

In addition to the grant assistance, several AID loans have been provided to the Government of Peru in the Earthquake Disaster Area. These include a Small Business Loan for \$2.5 million, an Agriculture Loan for \$5.0 million, a \$3.0 million loan for Community Development and Reconstruction with special emphasis on housing, and a \$15 million Urban Reconstruction Loan to finance core house construction, self-help housing, rehabilitation, utility services and infrastructure. This Reconstruction Loan is mainly directed toward activities in the Pueblos Jovenes. It is supplemented by \$10 million GOP counterpart. Moreover, a \$28,251 million loan to the BVP under the HIC Program has been made available.

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b. GOP Earthquake Relief Agency

In order to carry out the earthquake relief effort, the GOP created in 1970, a relief agency, the Commission for Reconstruction of the Affected Zone (CRYRZA), with the responsibility to coordinate the relief programs administered by the other GOP Sector Agencies in the Zone. Over the last three years, the GOP has increasingly decentralized its Sector programs in the Affected Zone. CRYRZA, through Governmental Decree has evolved into a Regional Development Organization (ORDEZA), with planning and budgetary control over the principal programs administered by other GOP Sector Agencies.

For example, the Ministry of Housing Regional Organization in the Earthquake Zone receives funding allocations from the ORDEZA Regional Budget and is responsible to it for program implementation. The GOP considers this institutional arrangement as a pilot model for future regional governments.

c. Investigation of low cost anti-seismic construction and material

A program to provide training and research for the development of low cost, anti-seismic adobe building materials and structural design is underway. The Fresno Institute of Technology and the National Bureau of Standards, in coordination with the National Engineering University, the BVP and the Ministry of Housing, are presently conducting such programs. Pilot projects were initiated in January of 1973.

C. New Considerations

The forementioned \$15 million Housing Loan was executed on July 25, 1972, and served to complement the \$28 million HIG Loan. Based upon the most recent information, including market studies it is clear that the effective demand for housing credits in the earthquake zone is more limited than was generally believed when the AID Housing Loan was approved. In the case of Huaylas, the largest town in the Callejon de Huaylas (population 25,000), at least 25% of the residents are unable to pay anything for housing. The situation in Chimbote is adversely affected by the current fishmeal industry problem, where the unemployment rate has risen to 50%. The presently unemployed fishermen were formerly one of the best potential markets for Housing in Chimbote. However, the large increase in unemployment and underemployment, the loss of income and the increase in indebtedness have substantially reduced resources available for housing. In addition to the fishermen, a significant number of other workers in industry and commerce dependent upon the fishmeal industry were also critically affected. Unfortunately, most of the workers affected lack the required skills to obtain jobs in the construction industry or other industries in the Earthquake Zone. The experience of the construction industry in the Affected Zone over the last two years clearly indicates that construction costs have dramatically increased because of the need to import skilled labor to the Zone. There are also clear indications of the poor quality of skilled labor, the shortage and poor quality of construction materials. In addition to the problems of market, manpower and materials in the housing construction industry, our experience indicates the inability of the GOP institutions to effectively plan and implement housing programs, particularly, low cost and self-help housing programs required by the low income market.

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These circumstances reinforce the need for AID's attention to the qualitative impact of the loan program. Accordingly, USAID has concluded that the key elements of the proposed Housing Construction and Finance System require grant activities in support of the loan (See description in Annex II).

D. Restructuring of Loan and extension to Flood Zone

Early in 1973, it was determined jointly by USAID and the GOP, that due to (1) the limited effective demand in the earthquake zone, caused mainly by the fishmeal crisis, and (2) the greater need in the Pueblos Jovenes for credit for urbanization and infrastructure, as opposed to massive housing projects, it would be advisable to:

- a. extend both the \$15 million loan and the \$28 million HIG to include the flood area, and
- b. restructure the \$15 million loan to be more responsive to market demand.

The subsequent restructuring of the loan took the form of placing greater emphasis on credits for utility services, rehabilitation, and basic infrastructure. This reallocation will be more responsive to the needs of the lower income families which the loan was originally intended to serve. The dramatic nature of the change is indicated on the following chart which shows that the proposed number of units in large scale projects (average price per unit of 2,000 to 2,500 dollars per unit) has been reduced from 6,250 to 4,000. At the same time, proposed utility service loans (average loan of \$250) have been increased in number from 15,000 to 25,000.

RESTRUCTURING OF LOAN 527-I-058

	<u>Large Scale Projects</u>	<u>No. of Units</u>		<u>% Alloc. of Funds</u>	
		<u>Old</u>	<u>*New</u>	<u>Old</u>	<u>*New</u>
A-1	New Housing Projects and				
A-2	Relocation Projects	6,250	4,000	60	33
B-1	Provision of Utility Services	15,000	25,000	15	23
B-2	Housing Improvements	2,083	2,300	5	8
C	Community Facilities ^{1/}	--	--	5	5
D	Basic Infrastructure ^{2/}	--	--	--	11
E	Technical Assistance	--	--	--	5
F	Cost Escalation Provision			15	15
				<u>100%</u>	<u>100%</u>

*Approximate allocations in accordance with revised implementation plan.

- ^{1/} Schools, parks, community centers, etc.
- ^{2/} Trunk lines, sewage lagoons, etc.

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In addition to consideration of recommendations a and b above, it was determined that apart from the problem of limited effective demand, the major reason for lack of project identification was the limited technical capacity of the responsible agencies aggravated by inter-agency rivalries. Moreover, since the loan has been restructured to more readily facilitate availability to a lower income level, there is less likelihood that private developers will be interested in promoting projects at this level, thus placing greater responsibility on the public agencies involved in these programs. Consequently, it was decided to provide for critically needed technical assistance funds to identify, promote, plan and execute the projects under the restructured loan.

The areas in which the Institutions (BVP and ORDEZA) are weakest are in the areas of Self Help Housing, Project promotion and identification, and low cost credit delivery. USAID has been instrumental in helping these institutions to develop the machinery whereby these institutions would be capable of promoting, identifying, developing and implementing the projects to be financed under the loan. For example, USAID has already provided a \$50,000 grant to ORDEZA, to help set up a self help housing office. This office will have the responsibility for identifying and promoting self help projects to be financed by the loan. This office also works closely with the Adobe Commission (whose activities are also financed in part by USAID grant funds) in the development of low cost anti-seismic, impermeable building materials.

Moreover, a short-term Low income housing credit expert from FCH was made available to BVP and ORDEZA, to help them to develop a system to implement the Loan Program. The fruit of this work is represented by an Operations Agreement between the BVP and ORDEZA, which will be executed momentarily. The GOP has requested that the FCH credit advisor return for a long term assignment to assist in the planning, administration and financing of low income housing programs. Workshops in low cost and self help housing have also been financed by USAID, in addition to invitational travel to Colombia to study self help housing techniques.

The PROP anticipates a continuation of these kinds of activities, among others, all of which will serve to more expeditiously implement the \$15 million loan by strengthening the institutional capacity of those agencies charged with the responsibility for program implementation.

The PROP also anticipates such inter-agency relationships in the flood zone. Those tentatively identified as active participants are ORDEN (Oficina Regional de Desarrollo del Norte), SINAMOS and the Department of Civil Defense. We also anticipate that the Ministry of Housing will probably play a key role in the implementation of Housing programs financed by AID, in the Flood Zone.

In conclusion, the Mission believes that it is both logical and necessary for AID to continue the kind of technical assistance which is having a significant impact in providing the mechanism to implement the AID Housing Credit.

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E. Use of grant funded Technical Assistance to "Strengthen Institutional Capacity" in contrast to loan funded technical assistance

Technical Assistance Funds from the loan will be used primarily for the direct costs of specific sub-projects. For example, in the case of self-help housing, loan funds will be utilized to finance the personnel costs associated with the development of plans and specifications, and other data required for final sub-loan approval by the Housing Bank. TA funds may subsequently be used to finance the costs associated with project implementation. All such costs would be charged to the homeowner. AID Grant and GOP Budget funds, on the other hand, would be used for promoting, identifying, and preparing pre-project proposals which will be reviewed and approved by the Housing Bank prior to making Loan TA funds available for

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specific projects. Grant financed personnel would also support the further development and implementation of housing programs through consultation and training activities. It would not be appropriate to charge the homeowners for institutional development and other indirect costs of promotion, coordination, and training.

F. Flood Relief

The floods of February and March of 1972 destroyed approximately 9,500 housing units, most of them homes of poor people. About \$700 thousand in emergency grant assistance was provided by the U.S. government and was used to repair water and sewer systems, purchase block making machines and asphalt for street repairs, as well as to supply food, medicine and insecticides. The flood area extends from Trujillo north to the Ecuador border, and inland from the coast to Cajaxerca. Total area population is about 1.5 million and major population centers are Tumbes, Sullana, Piura, Chiclayo and Moquepa.

In addition to the emergency relief, it was anticipated that longer range capital assistance would be in the areas of agriculture, small business and housing. However, thus far, only an agriculture loan for \$5,100,000 has been approved. In April of 1973, at the request of the GOP, AID authorized the extension of the \$15 million Reconstruction Loan and the \$20 million MIG to include the flood zone. It is expected that the contract amendments reflecting the change will be executed early in July of 1973. Using the strategy that is being used in the earthquake zone, technical assistance of the same type will be used to expedite the use of the forementioned Credits in the flood zone. Preliminary studies by SINAMOS, ORDEN (Regional Office of the Instituto de Planificación), the Office of Civil Defense, supported by USAID field studies indicate that about 5,000 core housing loans, 4,100 rehabilitation and 1,150 utility service loans could easily be absorbed by the three major urban concentrations that were hardest hit by the floods - Moquepa, Chiclayo and Piura. In addition, some 500 units could probably be financed under the MIG Program. The GOP with AID grant assistance has already initiated a study to identify specific sub-projects for financing in the flood zone.

G. Peru's Current Housing and Urban Development Problems and AID's new Approach to Technical Assistance

Despite the progress made thus far, the output of Peru's Housing Sector continues to fall far short of the country's requirements. The total housing deficit, which was estimated at 1,537,200 units in 1971, continues to

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increase at the rate of 50,000 units per year. The number of families without essential services (water, electricity and sewage facilities) continues to rise, and low income families continue to encounter difficulties in obtaining credit for home construction or improvement. In the Disaster Zone*, the area to which USAID capital assistance has been directed, these problems have been exacerbated. The Government of Peru, being keenly aware of these problems, has emphasized in the National Development Plan for 1971-1975, programs of core housing, lots and services, low cost materials and construction techniques, employment in the construction industry, utility service programs and most importantly, the development of institutions capable of delivering these services to marginal and low income groups.

A.I.D. has responded to this reordering of GOP priorities by re-adjusting its approach to housing and urban development assistance. For example, the BVP and the Savings and Loan System have reached a degree of maturity and economic viability in applying housing credits for the middle income market which permits them to be self supporting. Technical assistance is therefore now being directed toward the marginal and low income groups that have not been reached by the Savings and Loan System or any other credit mechanism. In this context, it is clear that any future assistance for the Savings and Loan System or other credit institutions so involved in housing should be aimed at reorienting these institutions so that they become more responsive to the needs of the low income groups. Consequently, USAID assistance will now respond essentially to the GOP housing priorities heretofore listed. Technical assistance in these project areas will directly support the housing/urban development capital assistance efforts by strengthening the GOP institutional capacity to channel these funds into sound projects for the benefit of the population.

With this reordering of housing priorities, the Mission is cognizant that the present lack of effective community participation in housing programs as well as the lack of a GOP system to promote such participation are serious impediments to achieving the housing sector goals. Community action components will therefore be fully integrated into the promotion, planning and execution of housing and urban development programs which are aimed at marginal communities. In pursuit of this objective, the Mission has taken steps to integrate the Housing/Urban Development and Community Development Programs in FY-1973. The Community Development grant-financed activities such as the self-help housing training program, the community action project, and the employment promotion/empower training program (all in the earthquake zone) have been initiated in FY-73. These projects directly support the GOP housing sector priorities and USAID housing/urban development capital assistance programs.

These, in summary, are the major changes in USAID assistance strategy that have required the preparation of a new TRDP.

* The geographical area affected by the 1970 earthquake and the 1972 floods.

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II. Project Structure

A. Statement of the Goal

1. The Goal

To increase the supply of adequate housing, supporting infrastructure and utility services in the Disaster Zone, promoting, by this process, the maximum utilization of locally available financial and human resources.

2. Measurement of Goal Achievement

a. Increased GOP Budget allocations to appropriate public institutions for the implementation of low cost housing and infrastructure programs;

b. Increased number of low cost housing units built, and urbanized lots, including utility services made available to low income communities; and

c. Increased utilization of A.I.D. capital assistance for low cost housing and utility service projects.

3. Basic Assumptions About the Goal

a. The GOP has devoted and is willing to continue to provide the necessary human and financial resources to reduce the country's housing deficit, and will continue to emphasize housing for low income groups;

b. A regional urban development strategy, including GOP guidance of public and private investment in the urban sector, as related to or affecting National Development Policy, will be established;

c. The improved performance of public and private institutions in meeting the low cost housing needs of the Disaster Zone will have a beneficial effect on the overall institutional system, which will thereby respond more effectively to needs on a national level.

B. Purpose of the Project

1. The Purpose

Develop a Housing Construction and Finance System in the public and private sectors, which is responsive to shelter and employment needs of low income groups in the Disaster Zone. (See Annex I for the elements of Housing Construction and Finance System).

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2. Conditions Expected at the End of the Project

A. Strengthened Public Institutional Capacity

1. SINAMOS and ORDEZA providing effective technical assistance to low income groups in the planning and implementation of low cost housing and infrastructure projects, financed by AID and other donors.

2. The BVP effectively channelling credits to low income groups in order to meet their basic needs for shelter and community infrastructure.

3. The Ministry of Housing, in conjunction with the Engineering University and other related institutions, developing, testing, and promulgating, on a ~~continuous~~ continuous basis, improved construction designs and materials, appropriate for the use in the Disaster Zone.

B. Strengthened Private Community and Local Organizations

1. Community based organizations (i.e. cooperatives, housing associations, block organizations, etc.) participating actively with Government Agencies in the identification, planning, execution, and maintenance of local housing and related infrastructure projects.

2. Credit Unions, savings and loan associations, and cooperative banks, utilizing AID and other capital resources for financing home construction projects and small business and industry.

C. Strengthened Building Material and Construction Industries and Increased Employment Opportunities for Unemployed and Underemployed Workers in the Disaster Zone.

1. Construction and related Industries in the Disaster Zone supplying materials in sufficient quality and quantity to substantially meet the demand.

2. A system operating in the Disaster Zone which will train and place skilled manpower in accordance with industrial requirements.

3. Basic Assumptions About the Achievement of Purpose

a) ORDEZA and SINAMOS will continue to have primary GOP responsibility for promotion and development of low income housing, utility service and infrastructure projects in the Disaster Zone.

b) ORDEZA and SINAMOS will work together as required by Decree Law 12298 in the areas of promotion and community organization.

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c) GOF will provide required support for that portion of population with limited financial capacity.

d) GOF maintains the desire and commitment to change the policies of housing financing institutions so that they can become more responsive to low income groups.

e) Continuation of GOF commitment to pursue research in low cost building materials and techniques.

f) Local and regional governments have a need to strengthen their general urban planning capacity.

C. Statement of Project Outputs

1. Outputs

A. Strengthened Public Institutional Capacity

A.1. Approximately 100 GOF housing and community development technicians will be trained yearly in self-help and low income housing program planning, administration and execution. All training, with the exception of a limited number of observation visits to other country programs, will be held in Peru.

A.2. Two 10 man Regional Self-Help housing offices to be created by ORDEZA and in operation by June 1973 to coordinate and promote self-help housing in the Earthquake Zone (ZAS). A similar coordinating/technical assistance office will be operating in the Flood Disaster Zone by January 1974. It is estimated that these offices will assist in the construction of 3,000 self-help homes, and the provision of urban infrastructure (water, sewage, electricity) to 2,500 families by June 1975.

A.3. Adequate basic infrastructure and urban development plans to be prepared and evaluated for at least 5 selected cities in the Disaster Zone by June, 1974; such plans to include specific projects, feasible for financing under the A.I.D. Housing Loan.

A.4. A feasible Implementation Plan to be completed by the BVP and ORDEZA by July of 1973, for low cost housing and infrastructure projects (including self-help housing) under the A.I.D. Housing Loan.

A.5. A specific low cost housing division established in the Housing Bank by September 1973, and an improved credit delivery system for self-help housing to be operative in the Housing Bank by November 1973.

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A.6. In addition to experiments being carried out at the Engineering University three pilot projects utilizing improved, anti-seismic building material and construction methods will be undertaken. One in Napafia is already under construction. A second in the sierra will be built in September and a third, in the Flood Zone, will probably be initiated by December of 1973.

A.7. Promotional campaign for the use of such improved materials and methods to be carried out by the Ministry of Housing and the Engineering University in FY-74. This will include the publication of manuals, local training work shops, and field promotion.

A.8. Five hundred housing units utilizing improved building materials and methods to be completed by end of FY-74, financed under the USAID Housing Loan.

B. Strengthened Private Community and Local Organizations

B.1. By June 1974, ten community organizations such as housing cooperatives and home owners associations will have been created and/or strengthened as vehicles for implementing A.I.D. financed low cost housing or infrastructure projects. By June 1975, ten additional organizations will have been established or strengthened.

B.2. By June 1975, approximately eight credit unions and savings and loan associations will have a significant role in the promotion and financing of housing and small business development projects, acting as intermediary institutions between the GOP and sub-lending clients for the utilization of USAID Housing and Small Business Loans.

C. Strengthened Building Materials and Construction Industries and Increased Employment Opportunities in the Disaster Zone

C.1. Survey of employment skills levels, manpower needs, and other employment data to be completed in the ZAS by October 1973 and in the Flood Disaster Zone by January 1974. Brief quarterly surveys to be completed in each area subsequent to initial surveys.

C.2. Expanded manpower training activities in the Disaster Zone to increase the number and improve the capability of skilled workers in the construction and related industries. Estimated number of workers to be trained* follows:

* The numbers and types of people who will be trained are only estimated at this time since the number and types of courses to be given will depend upon the needs identified in the periodic manpower surveys to be conducted in the area

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	<u>By 7/74</u>	<u>Additional</u> <u>By 5/75</u>
(a) Basic skills accelerated training (i.e. carpentry, plumbing, masonry, etc.)	200	250
(b) Special fields (i.e. accounting and record keeping, for small business operators, farm machinery maintenance, management of production coops, etc.)	325	375
(c) Skills upgrading (in-service training for employed persons in basic skills)	190	200

C.3. Employment Service to be established in Chimbote by August 1973 and in Chiclayo by February 1974. Periodic (at least quarterly) manpower surveys, job recruitment, testing, and placement to be the principal outputs of the Employment Services.

C.4. Supervised credits obtained by 15 small construction materials industries by June 1974; 20 additional credits obtained by June 1975.

C.5. 25 small entrepreneurs trained in business administration, and related skills by June 1974; 30 additional by June 1975. (These numbers are also included under C.2.(b) above).

2. Basic Assumptions About Outputs

A.1. Persons trained will continue to work in the planning and execution of low-cost housing projects.

A.2. ORDEZA will provide the counterpart funds required to establish the Self-help Coordinating Office.

A.3. Housing credit institutions will make the necessary changes in their credit delivery system for low-cost and self-help housing, as required.

A.4. The improved building materials and methods developed by the Engineering University will be generally accepted by the COP and the public as an effective low-cost housing solution.

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B.1. The GOP will encourage the participation of cooperative organizations in the financing and promotion of their housing and small business programs.

B.2. Selected credit cooperatives have sufficient administrative and promotional capacity to effectively participate in the Housing and Small Business Credit Programs.

C.1. Sufficient EA., promotion, and credit will be provided by the ORDEZA Small Business Team under USAID 2.3 million Small Business Loan approved in July 1972.

C.2. Construction industry expands with increased demand for construction industry skills and products.

C.3. Ministry of Labor has basic institutional/technical capacity to carry out an Employment Service and Manpower Training program in conjunction with ORDEZA.

D. Statement of Project Inputs

1. Inputs (See Annex 1)

Technicians

a) One manpower/employment specialist (PASA 20 m/m) to monitor USAID Grant Project and advise GOP on implementation of accelerated manpower training and employment services programs.

b) Short term specialists in self-help housing and community development training to assist GOP in planning and carrying out local training (4 m/m).

c) One long term specialist in the planning, administration, and financing of self-help housing and low income housing/infrastructure programs to advise GOP, primarily in relation to implementation of USAID Housing Loan No. 527-L-055 (18 m/m).

d) One long term specialist in Urban Planning/Development to assist the GOP, city and regional governments of Disaster area in the planning of feasible urban infrastructure/housing projects which could be financed under 527-L-055 (12 m/m).

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e) Short term specialists in research, design, and production of anti-seismic construction materials and construction methods (6 m/m).

Training

a) In-country training seminars for approximately 90 GOP and private Agency personnel in each FY-74 and FY-75 in self-help and other low cost housing administration, project planning and implementation techniques, and in community development techniques.

b) Short term training outside of Peru for GOP technicians primarily to observe housing programs of other Latin American countries, and attend special housing seminars. Approximately 10 in CY-73 and 10 in CY-74.

c) Short term training in the U.S. for approximately 10 specialists in manpower training employment services, low-cost housing credit, construction materials and techniques.

d) In-country workshops and limited participant training for GOP housing Agency Personnel and Private Contractors to promote the utilization of anti-seismic construction materials and techniques, and low-cost housing credit systems.

Other Costs

a) Operational costs involved in the establishment of Employment Service Offices and the expansion of skilled manual trades training in the Disaster Zone.

b) Operational costs for the establishment and operations of Regional GOP self-help housing coordinating offices in the Disaster Zone.

Commodities

Commodities will include a limited amount of audio-visual equipment, hand tools, and other equipment related to the training inputs described above.

A.I.D. Management Costs

Approximately \$200,000 is provided annually under the PROP for A.I.D. Management Costs to support the combined Housing-Urban Development and the Community Participation programs. These management costs cover the staff of two separate divisions in the Mission. Approximately 60% of the costs represents staff time allocated to the implementation and the monitoring of various Capital Assistance Projects, e.g.,

527-L-052 \$3 million Community Development Loan
 527-L-055 \$15 million Urban Reconstruction Loan
 527-HG-055 \$28 million Housing Investment Guaranty Program
 527-HG-008

Housing and Urban Development

This division is headed by an Urban Development Officer, grade FSR 3. He is assisted by an FCH contractor, who is also at an FSR 3 salary level. Both men are served by one secretary (local hire). The major function of this division is to monitor and insure proper implementation of the \$15 million Urban Reconstruction Loan, the HIG \$28 million Program and the various grant supported activities such as the Stabilized Adobe Program. Coordination of various programs with the BVP, ORDEZA, Ministry of Housing, et al.

Community Participation

This division is headed by a Community Development Advisor, Grade FSR 5. He is assisted by a Manpower Development Advisor (PASA from Department of Labor, who is at FSR 3 salary level). In addition there are two local hire community development specialists and two local hire secretaries. The major activities of this division are Community Participation, promotion of self-help housing, coordination of activities with ORDEZA and SINAMOS, in addition to implementation of \$7 million grant program for Disaster Zone and \$3 million Community Development Loan.

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2. Budget Breakdown (In thousands of U.S. dollars)

	FY-73 (Est.)		FY-74 (Est.)		FY-75 (Est.)	
	AID	GOP	AID	GOP	AID	GOP
A. <u>Manpower Development</u>						
-Establishment Employment Services	22	8	23	8	10	44
-Manpower Surveys	17	8	12	8	10	20
-Manpower Training Costs	28	10	150	76	125	155
-Participant Training	-	-	10	-	30	-
-Evaluation	-	-	5	5	5	5
TOTAL	<u>67</u>	<u>26</u>	<u>200</u>	<u>97</u>	<u>180</u>	<u>224</u>
B. <u>Strengthened GOP Institutional Capacity</u>						
Promotion planning and execution of projects.	-	-	-	-	-	-
b.1 Operational expenses for low cost housing project promotion coordination teams.	30	30	10	60	10	75
b.2 Costs for local training in self-help housing (publications, honorariums, short term local T.A. contracts, training equipment, etc.)	20	5	10	10	10	20
b.3 Technical assistance						
-Self-help Housing Training 4m/m and CD	10	-	10	-	10	-
-Low cost housing planning administration and financing 18 m/m.	-	-	75	-	25	-
-Urban Planning/Development 12 m/m.	-	-	30	-	30	-
b.4 Invitational Travel, participant training, and local workshops	-	-	25	5	25	5
TOTAL	<u>60</u>	<u>35</u>	<u>160</u>	<u>75</u>	<u>110</u>	<u>100</u>

1/ Includes funding for Community Development programs related to the housing area.

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C. Research and Design of anti-seismic building materials and construction techniques and establishment of Applied Research Program.

c.1	Operational expenses	-	20	-	-	-	-
c.2	Long term T.A. including in-country fellowships and internships	25	-	20	-	-	-
c.3	Equipment and Non-Expendable Supplies	22	-	-	-	-	-
c.4	Travel, transportation, part training, publication of promotional materials, etc.	6	-	10	-	5	-
c.5	Short term technical assistance	17	-	5	-	5	-
	TOTAL	70	20	35	-	10	-
D.	<u>A.I.D. Management Costs</u> [*]	200	-	203	-	200	-
E.	<u>GRAND TOTAL</u>	397	81	598	172	500	324

3. Basic Assumptions About Inputs

1. USAID can obtain long and short term contract advisors on a timely basis.
2. The GOP will provide the scheduled financial and technical project inputs.
3. The USAID Housing Loan \$15 will provide the necessary capital inputs for low cost housing construction and related infrastructure in CY-73 and by CY-76, and will also provide the required financing for the operational/administrative costs of the low cost housing programs in the Disaster Zone.
4. ORDEZA will give priority to providing credit to small business and industries related to housing construction under the USAID Small Business Loan.

* At least 60% of these costs represent expenses for the monitoring of various Capital Assistance Projects, e.g.: 527-L-052, 527-L-055, 527-HG-005, and 008; and various Cooperative Grant Projects.

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RATIONALE

In designing the Mission Housing/Urban Development Project, several factors were considered. Among the most significant, have been the restrictions placed upon AID's economic development programs, which limit assistance to the earthquake and flood zones of Peru. Equally significant is the great demand for housing in the Disaster Zones which stems almost entirely from families and communities with extremely low or subsistence level incomes. Another consideration, as described in the Background, is the nature of previous USAID/Peru housing programs, consisting mainly of assistance to the Savings and Loan System and Housing Guaranty Projects, neither of which helped to benefit low and marginal income families directly. The Mission also has recognized a primary objective of the Revolutionary Government which is to provide social and economic opportunity to marginal and low income groups. Inherent in this objective is the concept that housing and urban development assistance must be directed to those people that most need this kind of assistance, and that it must be more than merely the construction of houses alone. It is the kind of help which while providing shelter, within their particular capacity to pay, must also provide to these same people economic opportunities, social participation, development of skills, and self-esteem. It is the kind of assistance which will help to bring these marginal disadvantaged members of Peruvian Society into the mainstream of national development.

This assistance will take the form of promoting and strengthening institutional capability in Employment Generation, Manpower Training, Low Cost Housing, Credit Delivery, and investigation into low cost construction methods and materials. All of these elements form significant components of an integrated effort.

Capital Assistance provided by AID and others has stimulated a potential construction boom. This surge in housing construction will be increasingly supported by AID grant technical assistance to enable the responsible institutions to more effectively promote, identify, plan, and execute projects. However, to effectively realize this dramatic increase in housing construction, it will be necessary to provide additional skilled craftsmen and improve skills in the construction industry. Moreover, a system of employment services must be established

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to clearly quantify the industrial requirements to train and to place these skilled craftsmen. The stated goal of the project, is the desire to provide housing as cheaply as possible. In this respect, training in self-help techniques, both at the management and community levels will be indispensable, as a component in the reduction of costs. Also, of equal importance, is the continued investigation into cheaper construction materials and systems, which will be, to the extent practicable, resistant to earthquake and flood disasters, while still within the capacity to pay of the beneficiaries. Credit institutions must be able to provide a workable credit delivery system to channel financing down to this income level, as well as to collect mortgage payments. A primary consideration will be a strong commitment by these lending institutions to operate at this low, perhaps less secure, economic level of Peruvian Society. Finally, AID and the GOP want to insure that they are financing projects that are compatible with desirable growth patterns of the urban communities in terms of land use, infrastructure, traffic, transportation, and community facilities, in order to avoid mistakes that can only be remedied by costly renewal efforts in the future.

The physical, social, and economic factors described above must be recognized as essential parts of an integrated system, each being inseparably linked to the other. With this under consideration, the Mission, in close collaboration with the appropriate Peruvian Government Agencies, has identified the specific needs and priorities in the housing sector and is now directing available resources into the type of program which could help to achieve the forementioned objectives. Following are listed two major problem areas which have been identified. They are each followed by proposed USAID assistance inputs.

1. Major Problem Area

Public institutions involved in housing have not responded effectively to the needs of low and marginal income groups.

1.A Sub-Problem

SINAMOS, the Ministry of Housing, and ORDEZA area offices in the Earthquake Zone (ZAS) have limited manpower for the promotion, planning and implementation of low cost housing, lots and services, self-help projects, and infrastructure projects. The basic problem has been a lack of coordination and technical capability in the identification, administration, financing and implementation of these projects.

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Mission Inputs

The Mission plans to finance in-country training programs for technicians from ONDEZA and SINAMOS to cover all phases of low-cost housing, including self-help housing, lots and service projects, and community development. It is expected that 100 technicians per year can be trained. The Mission will also help the COP (ONDEZA) finance two 10 man professional teams composed of engineers, social promoters and organizers, lawyers, draftsmen, etc. These teams would operate in the coast and sierra regions of the ZAS and would coordinate the planning and execution of self-help housing or infrastructure projects as well as provide technical assistance to the different public and private agencies who are directly involved in the promotion, planning, community organization, land titling, self-help construction, securing of financing, for such projects.

The Mission will also assist ONDEZA in this effort to concentrate COP institutional resources on the organization, administration and financing of low-cost housing/infrastructure projects by providing the long term technical services of a low cost housing expert. This expert will also perform functions with respect to Sub-Problem 1.C.

1.B. Sub-Problem

ONDEZA, SINAMOS and local governments have completed basic plans for urbanization and infrastructure projects and additional plans are in the process of being drafted. There is a question as to the quality of these proposed projects, and whether or not they are feasible for USAID financing.

Mission Inputs

The Mission will assist the planning agencies in the Disaster Zone to improve their planning capability by providing them with a technician who will evaluate the urbanization and infrastructure plans of at least five cities in the Zone, and will help determine which projects could best be financed by USAID capital assistance.

1.C. Sub-Problem

The BVP and the Savings and Loan System, despite the tremendous growth noted previously, have not been able to extend the needed credits to low income families.

Mission Inputs

The Mission will provide the BVP and ONDEZA with the services of a U.S. technician who will help them to complete a feasible

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implementation plan for channelling A.I.D. housing credits to low income families. The technician will also assist the BVP in the establishment of a low income credit division.

1.D. Sub-Problem

One of the reasons why the 1970 earthquake and the 1972 Floods did such extensive damage to the housing in the area, was the poor quality of materials and design of the homes. Neither the Ministry of Housing, the National Engineering University nor other related institutions had the capabilities to carry out an extensive research program in the development of low cost anti-seismic building materials and anti-seismic home designs. Consequently, assistance in this area was requested.

Mission Inputs

In order to improve the capacity of these GOP institutions to do research in this area, the Mission, under the previous PROP has provided training and commodity assistance toward the production of stabilized adobe and new low-cost reinforcing and roofing systems. In conjunction with the research, the Mission has made available equipment and short term specialists from Fresno State College and the U.S. Bureau of Standards to assist in this project. Two demonstration projects are now under way to show the feasibility and to promote application of these new systems, one on the coast and one in the sierra. As a result of the successful efforts in connection with the Adobe Program, the GOP has requested additional assistance for a continuation of research in the low income housing field. Based on the success of the original project, the Mission will provide funding for additional research activities, technical assistance and materials to support the efforts of the GOP. Moreover, an additional pilot project will be undertaken in the flood zone, later this year.

2. Major Problem Area

The current levels of skilled manpower in the Disaster Zone are inadequate to meet the increasing demands of the construction and related industries, resulting in construction cost increases and inability of the unemployed local force to take advantage of newly created employment opportunities.

Mission Inputs

The Mission has contracted a FASA Employment specialist from the US Department of Labor to advise the GOP in: 1) developing an overall manpower development strategy for the ZAS; 2) expanding its capacity to carry out accelerated basic skills training for workers; and 3) establishing an employment service in the Earthquake Zone. The Mission

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will also provide grant assistance to the Ministry of Labor, through ONDEZA, for carrying out this program; such assistance will help to defray costs for local training, participant training, manpower surveys, and job placement activities. It is anticipated that the results of this combined effort of job identification, training, and placement, will increase the quality and quantity of the skilled labor force in the Earthquake Zone. A similar effort will subsequently be undertaken in the Area Affected by the floods of 1972.

3. Course of Action

1. Implementation Plan

See ANNEX II

2. Narrative:

Manpower Development

Due to the lack of locally available skilled manpower in the Earthquake Zone required for the rapidly expanding construction industry, USAID provided the short term services of a PASA Manpower/Employment specialist to ONDEZA in October 1972. The recommendations of the resultant report provided the basis upon which ONDEZA, USAID, and the Ministry of Labor developed a manpower training and employment service project, the first phase of which is being financed under a Project Agreement signed on February 29, 1973.

This activity was initiated with the arrival of a PASA Manpower/Employment advisor in March, who will monitor the project as well as provide advisory assistance to the Ministry of Labor as executing agent and to ONDEZA as overall planning and coordinating agency for the Earthquake Zone. An initial, in-depth, employment/manpower survey will be conducted in the third quarter of 1973, to be followed by less extensive quarterly surveys in the areas of greatest population concentration in the ZAS. Recruitment and training of personnel for the Employment Service to be established in Chinboto began in June 1973 and it is expected that the Ministry of Labor will have the Employment Service established and in operation by August 1973. The Ministry of Labor will also expand upon the numbers and types of manual skills and other training presently being provided in the Zone, starting in June 1973. These courses for approximately 100 trainees are designed to meet construction industry requirements as determined through an informal survey. Formal employment surveys will provide the data required to determine the quantity and types of courses to be provided in the future.

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During the last Quarter of CY-73, a similar program will begin in the area affected by the Flood of 1972.

It is anticipated that by the end of the first quarter of CY-73 these manpower training and employment service programs will be fully operative without further USAID assistance.

Strengthening of GOP Institutional Capacity

Scheduled USAID and GOP inputs in this area are designed to strengthen the GOP capacity to 1) generate, plan, and execute low-cost housing and infrastructure projects, particularly self-help housing, and 2) carry out research, design and subsequent pilot implementation for the utilization of anti-seismic building materials and construction techniques.

1. With respect to the former, USAID in the last Quarter CY-72 assisted ORDEZA to design and carry out two (2) one week training seminars in self-help housing for personnel of the many GOP and private agencies working in low cost housing in the Earthquake Zone. Partly as a result of the recommendations made in a joint ORDEZA/AID evaluation of this training activity, ORDEZA decided to create two (2) regional (one coastal and one sierr) offices for the promotion and coordination of self-help housing. The primary functions of these offices will be to provide technical assistance and training to other GOP and private agencies in the planning and execution of self-help housing projects in the Earthquake Zone, and establish uniform procedures for the financing of sub-projects. It is anticipated that these offices will have provided assistance in the construction of approximately 3,000 houses by June, 1975. ORDEZA, with its own funds supplemented by USAID assistance, will begin operation of these regional offices in June 1973. Starting in approximately September 1973, with limited contract technical assistance provided through USAID, additional training courses will be held for GOP agency personnel actually involved in specific self-help housing and low income housing/infrastructure projects. Such training will be provided by the ORDEZA Self-Help Housing Offices and will be oriented to practical problems encountered in actual project planning and execution.

2. Complementing this self-help housing program, contract technical assistance to ORDEZA was initiated in March, 1973 to assist ORDEZA and the SVP in the preparation of a feasible plan for channelling A.I.D. housing credits to low income families, and to advise ORDEZA in the initial operations of its Regional Self-Help Housing Office.

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Having completed this short term assignment in May, it is anticipated that this low cost housing specialist will be contracted for an 18 month period through the end of CY-74. His primary function will be to advise ORDEZA and the Housing Bank in the planning and execution of low cost self-help housing and infrastructure projects.

Starting December 1973 through December 1974, approximately 12 man/months of technical advisory services will be provided to the GOP for the planning and feasibility evaluation of urban infrastructure projects.

3. Research and Design of Anti-Seismic Construction Materials

On March 14, 1972, the Mission and the GOP entered into a contract providing \$96,000 matched by a GOP contribution of \$18,230 to assist the development of a Program for the Improvement of Adobe Construction Methods, Materials and Structural Designs. This amount supplemented an allocation of \$29,628 from a previous Project Agreement which was being used to finance the participation of the University of California at Fresno. The program comprises testing and research activities, to be carried out mainly at the Engineering University campus in Lima, in order to develop adequate stabilization methods and structural standards and design for use in anti-seismic adobe construction. A latter stage of the project includes the construction of pilot projects, one in the sierra and one on the coast, to demonstrate the technical and economic feasibility of the system. The cost of the Program is approximately \$150,000 of which a total of \$115,628 is contributed by A.I.D. A.I.D. funds are being used for financing the equipment for the Program, costs of research and testing and for a portion of the pilot projects. A.I.D. is also financing the technical services provided by Fresno University and the Bureau of Standards.

Research has now been underway for nine months and the results thus far have exceeded the original expectations. An experimental house, at the University, has been completed, and the program has now entered its second stage, which is construction of the pilot projects. It is anticipated that projects emanating from these pilot demonstrations will be financed by A.I.D. Loan 055. In the implementation of projects under the Adobe Program, the Ministry of Housing expects to take use of the findings resulting from the UN financed PRESVI project, with reference to the use of prefabricated elements, new plumbing and roofing systems. Since the technical advantages of the system have already been demonstrated, the focus of USAID assistance in CY 73 and 74 will be to determine the best medium for its extensive utilization in the Disaster Zone.

The purpose of the proposed project starting in July, 1973 is to continue the research that was initiated with the stabilized adobe program and to create a permanent research capacity in Peru that will serve the appropriate construction organizations, public and private. The program would include operational expenses, technical assistance, both National and U.S., fellowships, internships, travel, workshops and materials.

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ANNEX I : Elements of the Housing Construction
and Finance System

The Mission has analyzed the major components of the required Housing Construction and Finance System in the context of existing GOP housing and disaster relief policy, concluding that: 1) housing and urban development assistance should be directed to the marginal urban groups most in need of such assistance, 2) assistance should be integrated with and supportive of the social and economic development of these groups, 3) the direct and indirect economic benefits of construction activity in the Zone should provide maximum benefits to the inhabitants of the Zone, 4) all new construction must conform, to the extent practicable, to anti-seismic specifications.

The required System has five principal and interdependent components: 1) housing market, 2) credit, 3) institutional capacity to plan and implement projects, 4) production of construction materials in sufficient quantity and quality, and 5) availability of skilled manpower for the construction industry.

1. Housing Market

The unfulfilled demand for housing and infrastructure in the Zone, stems almost entirely from families and communities with extremely low or subsistence level incomes. Accordingly, shelter and services must necessarily be minimal and low cost, utilizing the labor and other resources of the beneficiaries.

2. Credit

There exists sufficient financing for housing in the Zone, including the \$ 43,000,000 in HIG and AID Development Loans. (AID Urban Reconstruction Loan N° 527-L-055; HIG 527-HG-005-008).

3. Institutional Capacity

Public and Private institutions must have the capacity to effectively plan and implement low cost housing and infrastructure projects, promoting and utilizing the active participation of the beneficiaries.

4. Construction Materials

An increase in construction activity will provide a greater demand for construction materials. To the extent that these materials can be produced locally with local labor and capital, construction costs will be decreased, and the economic benefits of production will remain in the Zone.

5. Skilled Manpower

An increase in construction activity requires a corresponding increase in the skilled manpower resources of the Zone, if the economic benefits to the local population are to be maximized. The use of unqualified or poorly qualified workmen causes significant delays in construction progress, increases construction costs, and results in construction defects. Moreover, cost increases also result from the prevalent practice of importing skilled labor into the Zone.

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ANNEX II

CY-73

CY-74

CY-75

Jan. Mar. May Jul. Sep. Nov. Jan. Mar. May Jul. Sep. Nov. Jan. Mar. May Jul. Sep. Nov.

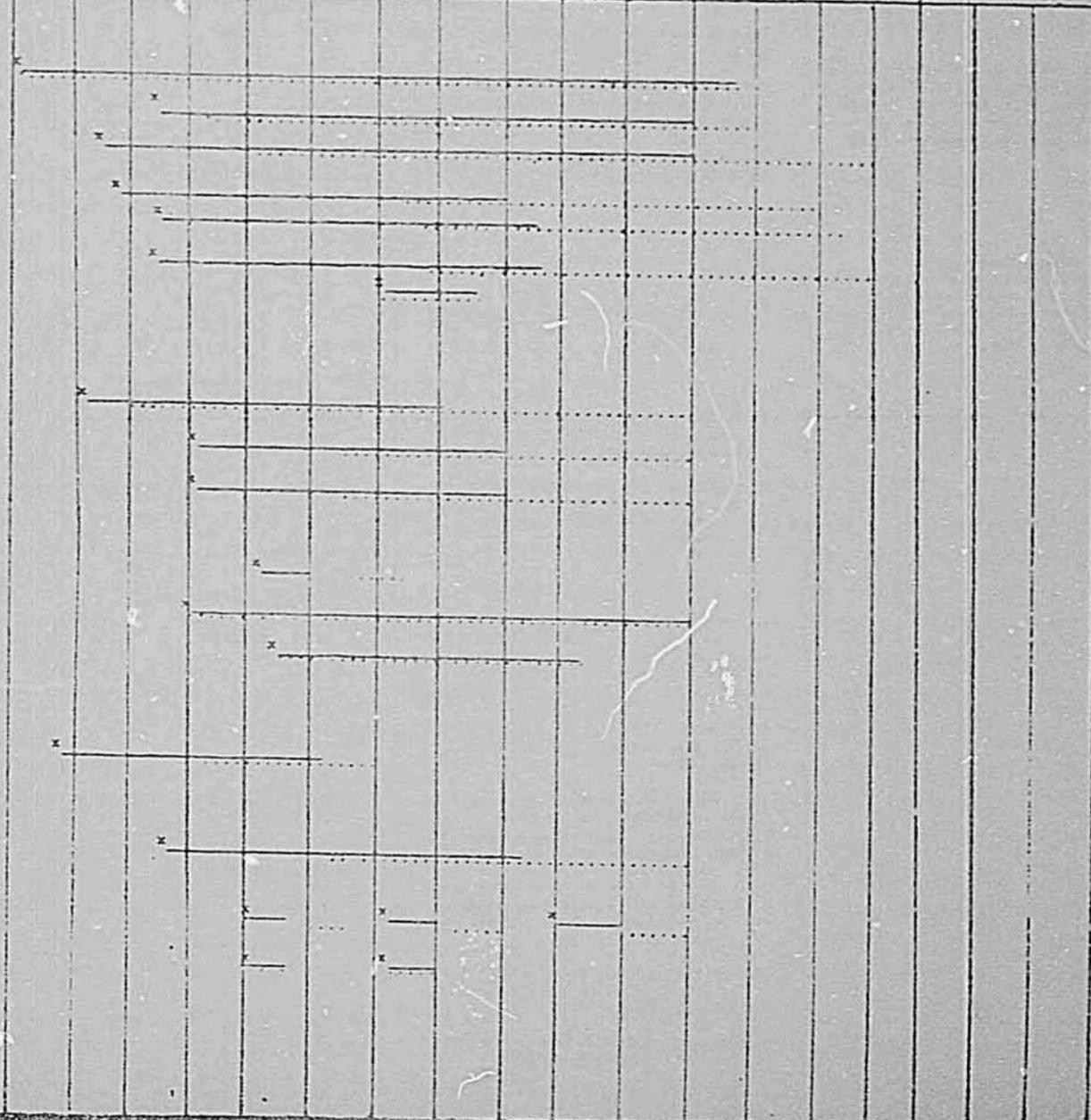
Skilled Manpower Development

1. PASA Manpower Advisor
2. Manpower Surveys (Initial 90 day in depth survey-periodic thereafter)
 1. Recruitment, training personnel for employment services and subsequent operations
 1. Accelerated basic training for unemployed workers
 5. Skills up-grading courses for employed workers
 1. Special skills courses
 7. Participant Training

Strengthen COP Institutional Capacity

1. Establishment of COP operational capacity
 - A. promote plan, and execute aided self-help housing
 - B. Recruitment and employment of promotional and T. A. teams
 - C. Local training courses in self-help housing and CD for COP housing technicians
 - D. Construction of self-help homes
2. Technical Assistance
 - A. Self-help housing training (4 m.m.)
 - B. Low cost housing planning, administration, and financing (18 m.m.)
 - C. Urban Planning, Sub-Project Review (10 m.m.)
3. Research and Design of Anti-Seismic Building Materials and construction techniques
 - A. Construction of Standardized Adobe joint projects
 - B. Promotion activities for improved materials and designs and utilization of such methods and materials in projects financed under the AIDS Housing Loan
 - C. Short-term technical assistance in promotion and construction of anti-seismic buildings
 - D. Short-term technical assistance in joint participation

Legend
 _____ Activity in Earthquake Zone
 _____ Activity in Flood Zone



ANNEX III
PROJECT LOGICAL FRAMEWORK

Page. - 1

Project Title: Housing and Urban Development

Evaluation
for Period 7/1/73 to 7/1/75
Date Prepared June 1973

NARRATIVE SUMMARY	OBJECTIVELY MEASURABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>GOAL</p> <p>To increase the supply of adequate housing, supporting infrastructure and utility services in the Disaster Zone, promoting, by this process, the maximum utilization of locally available financial and human resources.</p> <p>PURPOSE</p> <p>Develop a Housing Construction and Finance System in the public and private sectors, which is responsive to shelter and employment needs of low income groups in the Disaster Zone. (See Annex I for the elements of Housing Construction and Finance System).</p>	<p>EOPS</p> <ol style="list-style-type: none"> 1. Budgets allotted to MOH, BVP, SINAMOS and ORDEZA for Housing Projects. 2. Increased low cost housing units built and lots and services made available to low income communities. 3. Capital assistance being utilized for construction purposes <ol style="list-style-type: none"> 1. Strengthened Public Institutional Capacity <ol style="list-style-type: none"> a. ORDEZA and SINAMOS capable of promotion, identification, planning and implementation of Housing, L & S, and Self-Help Projects. b. Increased capacity of credit and financing institutions to reach low income families by November 1973. c. Increased capacity of MOH, UNI and related public institutions for research, design and materials for low cost construction 2. Strengthened Private Community and Local Organisations <ol style="list-style-type: none"> a. Strengthened community based organisations that participate in identification, planning, execution and maintenance of local housing and facilities projects. b. Strengthened Credit Unions, Coop Banks and other coop organizations to implement home financing and small business credit operations. 3. Strengthened Building Material and Construction Industries, and Increased Employment Opportunities <ol style="list-style-type: none"> a. Creation and development of small industries b. Manpower training institutions 	<ol style="list-style-type: none"> 1. Review of Budgets 2. Housing construction reports and on-site observation 3. AID, BID, UN and GOP reports <ol style="list-style-type: none"> a. Review of personnel placements <ul style="list-style-type: none"> - Review of plans for Urban Development issued - Visits to project sites b. Reports of loans made to low income families c. Reports on new materials, designs, pilot projects, and on-site inspection of work being done <ol style="list-style-type: none"> 1. On-site visits to determine extent of Community Participation <ul style="list-style-type: none"> - reports on nature and extent of community participation in housing projects 2. Reports of loans granted and for what purpose 3. On-site visits: Reports and Census information 4. On-site visits 	<ul style="list-style-type: none"> - GOP willing to devote necessary human and financial resources for housing needs and will emphasize housing for low income groups - The establishment of a regional urban development strategy - Improved performance in disaster zone will benefit the overall institutional system to respond effectively - ORDEZA and SINAMOS will continue to have primary responsibility for promotion and development of housing projects in Disaster Zone; they will develop satisfactory inter-agency working relationships in the Earthquake Zone - GOP will provide required support for low income population - Local and regional governments have a need to strengthen their urban planning capacity - GOP maintains the desire and commitment to change policies and procedures of financial institutions to become more responsive to low income groups - GOP continues commitment to pursue research in low cost materials and techniques

PROJECT LOGICAL FRAMEWORK

Project Title: Housing and Urban DevelopmentEvaluation for Period 7/1/73 to 7/1/75
Date Prepared June 1973

NARRATIVE SUMMARY	OBJECTIVELY MEASURABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS									
<p>2. Strengthened Private Community Based Organizations</p> <p>a. Community organizations (housing coops, home owners ass'n, etc) created and/or strengthened</p> <p>b. Credit coop groups financing housing and small business activities and acting as intermediary between GOP system and clients</p>	<p>a. Ten organizations implementing low cost housing or infrastructure projects by June 1974. Ten additional by June 1975.</p> <p>b. Eight credit unions and Savings and Loans Associations promoting and financing with AID capital resources by June 1975.</p>	<p>On-site visits</p> <p>On-site visits Reports of loans made, for what purpose to what clientele</p>	<p>- GOP will encourage participation of coops in promotion and financing housing and small business programs</p> <p>- Coops have capabilities to participate</p>									
<p>1. Strengthened Building Materials and Construction Industries and Increased Employment Opportunities in Disaster Zone</p> <p>a. Employment surveys.</p> <p>b. Trained manpower for construction and related industries.</p> <p>c. Establishment of Employment Service offices in Disaster Zone</p> <p>d. Small business supervisory credit program operating</p> <p>e. New designs and materials developed for low cost and seismic houses</p>	<p>a. 1 Initial in-depth survey completed by June 1973 for Earthquake Zone and by January 1974 for Flood Zone. Quarterly surveys thereafter.</p> <table border="1" data-bbox="819 925 976 982"> <tr> <td></td> <td>7174</td> <td>5175</td> </tr> <tr> <td>b. Basic skills training</td> <td>200</td> <td>250</td> </tr> </table> <p>Special fields (accounting, record keeping for small business, machine maintenance, management, etc.)</p> <table border="1" data-bbox="840 1079 976 1112"> <tr> <td></td> <td>325</td> <td>375</td> </tr> </table> <p>c. Offices equipped and in operation with trained personnel by August, 1973 (Chimbote) and by February, 1974 (Chiclayo)</p> <p>d. Loans made to 15 small construction materials organizations by June 1974. Twenty additional loans by June 1975</p> <p>e. Housing plans, structural materials demonstrated in pilot projects utilizing a subsidized design in December 1973</p>		7174	5175	b. Basic skills training	200	250		325	375	<p>Quarterly Project Reports</p> <p>Reports of training centers</p> <p>On-site observation</p> <p>On-site observation</p> <p>Reports of loans made</p> <p>On-site survey</p>	<p>- Demand for skilled trainees in housing industries</p> <p>Ministry of Labor has technical capacity to carry out Employment Service and Manpower Training Programs.</p> <p>New materials and designs developed will be accepted by GOP and public</p>
	7174	5175										
b. Basic skills training	200	250										
	325	375										

PROJECT LOGICAL FRAMEWORK

Housing and Urban Development

Evaluation Period 7/1/73 to 7/1/75
Date Prepared June 1973

NARRATIVE SUMMARY	OBJECTIVELY MEASURABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>Strengthened Public Institutional Capacity</u>	<u>MAGNITUDE OF OUTPUTS</u>		
Trained staff of technicians	<p>2.1 Approximately 100 COP housing and CD technicians trained yearly in self-help low income housing planning, administration and execution</p> <p>a.2 Regional self-help housing offices of ORDEZA in operation by June 1973. Flood Zone (January 1974)</p>	<p>On-site visits and observation</p>	<p>- Trained personnel will continue to work in areas for whom trained</p> <p>- ORDEZA will provide necessary funds to establish and maintain programs</p>
Construction programs for low cost housing planned and in process	<p>b.1 By June 1975 - 1,000 self-help houses constructed. Infrastructure (water, sewerage/ electricity) provided to 2,500 families by June 1975.</p> <p>b.2 Urban Development plans prepared and evaluated for at least five selected cities which lead to financing under AID loan by June 1974 (Nepeña & Engineering University)</p> <p>b.3 Pilot projects utilizing improved, anti-seismic building materials and construction methods completed by June, 1973 in Nepeña; by December 1973, in the Sierra Region of the Earthquake Zone, and by March, 1974 in the Flood Zone.</p> <p>b.4 Five-hundred housing units to be constructed June 1974, utilizing stabilized adobe and other improved building materials, financed by the AID Housing Loan using newly developed anti-seismic materials and designs. Additional pilot project completed in the Sierra by December, 1973.</p>	<p>On-site visits and observation Housing Reports</p> <p>Review of plan</p>	
Credit delivery system for low cost housing	<p>c.1 Feasible Implementation Plan completed by ORDEZA and BVP by July 1973</p> <p>c.2 Improved credit delivery system operational by November 1973</p>		<p>- Housing credit institutions will make necessary legal and procedural changes in their credit delivery system</p>

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Manpower Development

The manpower training program to help meet the demands for skilled labor in the disaster zone will be carried out by ORDEZA (Regional Development Organization for the Earthquake Zone) in coordination with the General Direction of Employment in the Ministry of Labor. The first phase of the program will be concerned with conducting surveys and the analysis of findings to determine more precisely the existing demand for and supply of skilled manpower in the disaster zone. Based upon the study results, accelerated basic training courses in the skilled trades, skills upgrading courses and special courses for administrative personnel working for the production cooperatives and participating government development agencies will be designed and implemented. A complementary facet of the program will be the establishment of an Employment Service in the City of Chimbote to organize the labor market and assist in the development of a comprehensive employment program for the area of Chimbote. An integrated training program of this nature is considered essential to the successful implementation of the housing and urban infrastructure elements of the \$15 million housing loan and the \$2.5 million small enterprise loan.

The basic skills training courses will be conducted by the Manpower Training Division of the Ministry of Labor in areas of the Zone where the demand for skilled workers is most urgent, either utilizing its own shops in Huaraz or through deployment of mobile units to Chimbote and other areas. The training shops of the Regional Technical College of Chimbote will also be made available for the program. Instructors will be experienced journeymen in the selected trades. Initially approximately 180 unemployed, unskilled workers will receive basic training in occupations related to the construction industry. The training courses will last approximately five and one half months, eight hours a day, five days per week.

The administrative skills training program will, in addition to training government reconstruction agency personnel, also emphasize the development of such enterprises as production cooperatives and small businesses in the Pueblos Jovenes where the income and employment generation benefits would directly affect the most economically depressed portion of the population. Many of the actual and potential small business development operators lack the knowledge and experience necessary to efficiently organize and manage their business enterprise. A major objective under the PROP would be to provide training in management, accounting, machine maintenance, etc. to persons who have the actual or potential capacity to operate a feasible business successfully. Emphasis would be placed on training loan applicants under the A.I.D. Small Enterprise loan and providing them with such technical assistance as necessary during the

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early phases of the development of the enterprise. Both Chimbote and Huaraz offer excellent opportunities for the development of small and medium sized industry, especially with relation to construction. The need for restoration of the economic life of the Disaster Zone makes it imperative to make an effort to develop the small business capacity of the area. Many small businesses in the Disaster Zone suffered complete destruction. The lack of capital and technical assistance has seriously hindered the reconstruction of the area. Consequently, this PROP makes a special effort to provide the small businessman with the technical assistance, essential at the early stages of the small business, which will complement the capital inputs of the A.I.D. \$2.5 million small business development loan. Preliminary estimates indicate a requirement for training some 700 personnel in administrative skills. During 1974-75 training will be provided by ORDEZA in Chimbote and Huaraz (each covers 3 months).

The following data indicate the financial breakdown of A.I.D. and GOP contributions to the manpower training program:

	<u>Source of Financing</u>			
	(thousands of U. S. dollars)			
	FY 74		FY 75	
	AID	GOP	AID	GOP
1. <u>Basic Skills Program</u>				
a. Instructors salaries	-	12	-	24
b. Teaching aids	2	2	4.5	4.5
c. Basic individual tools	25	-	15	--
d. Training facilities	-	5	-	9
e. Equipment	25	42	26.5	70
f. Training allowances	45	-	30	15
g. Other costs	10	5	10	10
Sub-total	<u>107</u>	<u>66</u>	<u>86</u>	<u>132.5</u>
2. <u>Skills Upgrading Program</u>				
a. Instructors salaries	-	4	-	12
b. Special instructors (contract)	20	-	25	-
c. Teaching aids	-	3	-	3
d. Training facilities	-	1	-	2.5
Sub-total	<u>20</u>	<u>8</u>	<u>25</u>	<u>17.5</u>

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3. <u>Special Training Program</u>	<u>Source of Financing</u> (thousands of U. S. dollars)			
	<u>FY 74</u>		<u>FY 75</u>	
	<u>AID</u>	<u>GOP</u>	<u>AID</u>	<u>GOP</u>
a. Special instructors (contract)	20	--	10	--
b. Teaching aids	3	1	4	2
c. Training facilities	--	1	--	3
Sub-total	<u>23</u>	<u>2</u>	<u>14</u>	<u>5</u>
 <u>GRAND TOTAL</u>	 <u>150</u>	 <u>76</u>	 <u>125</u>	 <u>155</u>

Most of the A.I.D. local cost financing will be limited to those features of manpower training programs which have not been included in previous GOP programs. Outstanding among these new elements are training allowances, donations of tools to individuals trained, and direct technical assistance to production coops. Moreover, the geographical coverage of GOP training programs to provide emphasis on earthquake and flood zones has resulted from joint AID/GOP programming and therefore constitutes another important new element. As these new elements were not contemplated by the GOP in its 1973-74 bi-annual budget.

Since the GOP is unable to fund these elements, and failure of AID to fund them will result in their elimination from the program, USAID believes AID local cost funding appropriate. The deletion of these activities would seriously diminish the effectiveness of reconstruction programs in the disaster areas and the speed by which they can be implemented because of the increasing high cost of imported skilled labor from large urban centers. This importation denies badly needed jobs to area residents. This importation denies badly needed jobs to local citizens who could be trained to supply skilled manpower needs. Also, the high cost of imported labor dilutes the reconstruction efforts of GOP, USAID and other donors by increasing the cost of housing and urban development to the local populace whose economic capacity was severely reduced by the disasters. The high cost of reconstruction programs also results from the increasing cost of supplies and materials. Training of local labor to produce some of the necessary materials will increase local supply and provide the base for long-term economic opportunities in the disaster zones.

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The GOP has already diverted as much financial support as possible from the present authorized budget to develop these new initiatives. AID's two year contribution enables the GOP to incorporate the long-term financing of these programs in its new bi-annual budget to replace AID's short-term inputs as the latter gradually phases down and out. The Peruvian Government has agreed to the following plan for increased GOP support: By the beginning of CY-75 the GOP will assume all costs of these training programs in the earthquake zone, while increasing its financial support in the flood zone until the end of CY-75 when the GOP will assume the total cost of the entire program and AID will phase out completely.