

PROJECT PAPER

LOW INCOME HOUSING POLICY AND PROGRAM ASSISTANCE

A USAID Housing Guaranty Program

with the National Housing Authority, Thailand

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Office of Project Development  
and Support, USAID/Thailand

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Note: An exchange rate of 20 baht per U. S. dollar is used throughout the paper.



## Part I SUMMARY

A. Face Sheet (see preceding page)

B. Recommendations

It is recommended that a \$50 million Thailand Housing Guaranty Program be approved to support implementation of the low income housing policy and programs of the National Housing Authority of Thailand (NHA) for fiscal years 1979-84 with an initial authorization of \$15 million for fiscal year 1979 and subsequent authorizations to be approved later in two additional phases of \$15 million and \$20 million based upon continuing reviews of the housing policies and programming of the NHA.

The terms of loans to be negotiated by the National Housing Authority and a private U. S. lender with guaranties by A. I. D. may include maturities of up to thirty years including grace periods of up to ten years and interest rates payable to the U. S. lender not to exceed the allowable interest prescribed by the A. I. D. Administrator pursuant to Section 223 of the Foreign Assistance Act and consistent with rates of interest generally available for similar loans. A. I. D. will require host government guaranties and will charge guaranty fees pursuant to Section 223 of the Foreign Assistance Act.

In addition, resident technical assistance will be provided to NHA for two years to help in the design and implementation of integrated regional cities projects and short-term consultants and studies to assist in policy, program and project planning. Resident and short-term assistance on the regional cities projects at a total estimated cost of \$310,000 will be funded from the resources of AID's integrated Improvement Project for the Urban Poor (IPUP) which is a centrally funded grant. Short-term consultants in Housing Policy will be funded from HG fee income.

C. Summary Description of Project

The Government of Thailand and the National Housing Authority (NHA) have for a number of years been attempting to develop policies and programs to deal with the housing needs of lower income groups. Efforts to provide standard housing at low cost have required a high level of subsidy and have fallen short of targets.

With support from A. I. D. and consultants provided by A. I. D., the NHA has been formulating alternative strategies and in June, 1978 its Board of Directors adopted a Policy and Development Plan which redirects the NHA programs primarily to slum upgrading and expandable core house projects at costs affordable by low income groups while considerably reducing subsidy levels and spreading them over a greater number of beneficiaries.

In September, 1978 the Government approved a priority investment program of 2.2 billion baht (\$110 million) which emphasizes slum upgrading and core house projects for families with incomes below 2500 baht per month or approximately the median household income for the Bangkok area in 1976. NHA has also submitted a supplementary program which would add 2.5 billion baht (\$125 million) to the investment program for additional core housing and a regional cities program.

To support this policy and program the proposed Housing Guaranty would make up to \$50 million available in three phases to finance approximately 50% of upgrading projects; 30% of core housing projects in Bangkok; and 50% of regional cities components of the NHA program. 

The priority investment program provides for 19,160 core houses in site and service new communities around Bangkok, upgrading of slums with approximately 26,000 homes and construction of 5,600 rental apartments including 2000 in regional cities or a total of over 50,000 units. The supplementary program adds about 30,000 core house units including over 8,000 in regional cities. All of the core housing in the priority program and over 75% of the total core houses in the combined programs will be targeted to households with incomes less than 2500 baht per month.

The proposed Housing Guaranty Loan is designed as a multi-year sector program which would, subject to specific criteria, finance identifiable components of the whole NHA program. Criteria for "eligible projects" and "eligible uses of funds" within those projects are included in this paper and will be further developed during negotiation of the Implementation Agreement.

The \$50 million Housing Guaranty will be divided into three phases with an initial authorization of \$15 million in fiscal year 1979 and two subsequent authorizations of \$15 million and \$20 million. The first phase is to be authorized with the approval of this project paper;

the subsequent phases will be authorized based on overall reviews of NHA policies and programming primarily to assure that the directions of the approved NHA policy and development plan are being sustained.

In addition, resident technical assistance will be provided in the design and development of regional cities projects. Short term assistance will be provided in the continuing development of housing policy.

The proposed Housing Guaranty will provide NHA with the basic financial commitment to make its program viable. Additional financing for parts of some projects will come from the Asian Development Bank and the World Bank. The World Bank is already financing small pilot slum upgrading and core housing projects. Resident technical assistance in the areas of organizational and financial management, estate management, small business promotion, and engineering design will be funded by the UNDP while the Bauwer Centrum of Holland will be helping set up a staff training and development program in conjunction with the Asian Institute of Technology. Support then for the NHA Program will be a coordinated activity with the Housing Guaranty financing complementing on a program basis the project specific inputs of other donors.

In addition to helping up to 80,000 households or about one half million of Thailand's urban poor improve their housing situation or the environment of their communities, the proposed Housing Guaranty Program would reinforce the Thailand Government's decision to redirect its programs and policies toward low cost alternatives and would provide significant incentives to expand and develop this approach.

#### D. Summary of Findings

The NHA Policy and Development Plan represents a major new direction. Slum upgrading has been emphasized instead of relocation; low cost expandable core housing will be the mainline activity instead of conventional apartment construction. The total investment required has been reduced from 10.4 billion baht (\$520 million) to 5.5 billion baht (\$275 million). The average cost per unit has been reduced from about 85,000 baht (\$4,250) to under 60,000 baht (\$3,000). Government support that previously subsidized almost all of the capital costs and set rents at levels not even covering maintenance costs have been limited to provision of infrastructure and community facilities. More

than 80% of the units in the new program are targeted to households in the range at least as low as the 20th to 50th percentiles of the urban income distribution, about twice the proportion in that range as earlier programs.

The slum upgrading programs will improve the living environment of 26,000 households in 108 of Bangkok's worst slums. In addition to physical improvements of the community infrastructure, land tenure will be secured for residents and socio-economic programs including skill training, health and family planning, day care centers, and small business credit will be sponsored.

The planning of core housing projects has been thorough and will result in integrated communities with modest but complete urban services. Two new satellite developments will be built just outside Bangkok near growing industrial areas. With further planning, these NHA activities could serve as the focus of rationalized growth in those directions of the city.

The regional cities component of the program will support the promotion of Regional Urban Centers emphasized in the Fourth National Development Plan. The projects there will, in addition, help strengthen local development capacity and coordination between national and local agencies while furthering understanding of the problems and the role of regional centers in development.

While the early programs of apartment construction made for an abrupt change in living patterns, the core housing and upgrading will help maintain and perhaps strengthen the social fabric. The program as a whole will make a significant contribution to improving the living standards of the urban poor in Thailand.

Although the financing required for the program is ambitious, it is estimated that annual debt servicing on all borrowing for the new comprehensive 80,000 unit program will be about 220 million baht (\$11 million) or 1,170 million baht (\$56 million) less than the annual debt servicing that would have been required to finance the earlier 120,000 unit program had it been completed.

The NHA, itself, is a young organization that is still striving to fill the great demand in Thailand for low income housing. There are areas both as an organization and in its programs where more growth and maturity is needed. Technical assistance being financed

by the UNDP will provide back-up in these areas. The process of planning and implementing the proposed program with the assistance of AID and the other donors will give NHA the experience it needs to meet its goals.

#### E. Issues

1) The place of an urban program in the USAID assistance strategy for Thailand when the primary focus is on rural problems and disparities.

While the main focus of the strategy for Thailand is on the rural poor, AID can play a role in the shaping of more rational policies and programs to deal with the problems of the urban poor. The Country Development Strategy Statement prepared by USAID, Thailand proposes to:

- a. "Encourage the Thai Government to direct a greater share of its housing investment to slum upgrading and low-cost, expandable core housing approaches that will benefit lower income groups, particularly in Bangkok;"
- b. "Assist the Thai Government to develop planning and administrative capabilities in regional cities to meet new demands for urban services from an expanding rural population. "

The rationale behind this strategy evolves from two important characteristics of population growth and expected development in Thailand.

Continued growth of Bangkok is inevitable, yet the physical, environmental and social infrastructure is already strained and will soon be insufficient to support that growth. The greatest impact of any further deterioration of the urban environment will be on the poor. The Government is now beginning to redirect a greater share of investments, in particular in housing, to slum upgrading and minimum cost expandable core house approaches that reach lower income groups with lower subsidy requirements. AID should encourage this policy and programming direction a) to help prevent the deterioration of the living conditions of the urban poor, and b) to maximize the impact of urban resource allocation.

Demographic projections indicate a growth in rural population of over 15 million people during the next 20 years. At the same time there are limits to new land that can be brought under cultivation, and improved methods with increased productivity will limit requirements for agricultural labor. While some off-farm rural employment can be generated, the combined effects of rural population growth, rural employment limitations, and the desire for economic opportunities will begin to translate into greater rural-urban migration. The regional cities can absorb much of this growth, and provide better linkages between rural areas and urban functions. Those cities, however, are today poorly prepared for such pressure. AID should help Thailand begin now to develop responses to present needs for housing and urban services in the regional cities and to develop administrative and planning capacity to meet new demand.

The place of an urban program in AID's assistance strategy for Thailand is then a complement to rural development programs in helping prevent the deterioration of present urban functions in Bangkok, helping in the development of regional cities to provide better rural-urban linkages and to help in the economic integration and urban absorption of excess rural population growth.

2) Approval of a program concept rather than identification and approval of specific projects.

The proposed program concept provides NHA with the basic financial commitment needed to make its program viable. It means AID support will focus on the continuing development of policy and programming, on the conceptual planning of projects, and the management of them. Specific projects will be identified by NHA. Authorization of the first phase recognizes the significance of the adoption by NHA of the new policy guidelines and the approval by the Government. Reviews prior to subsequent authorizations will require that NHA maintain this movement.

3) The NHA Program still has a high level of subsidies.

At this point it is felt that the most important step has been taken. Rather than direct subsidies of the capital costs of the whole project, Government support is now clearly identified and limited to the provision of infrastructure and community facilities. Even at that, only the on-site infrastructure can really be considered to be a subsidy. The off-site infrastructure and the community facilities included in the Government support for this program would normally

be provided anyway as the population and demand for urban services grows. Moreover, where before the Government repaid all borrowings and any costs recovered were retained by NHA as Government contribution to a capital fund; now NHA is responsible for servicing debts on the non-subsidized part of the program.

Subsidy levels have already been reduced from earlier programs allowing benefits to be spread more widely over lower income groups. A stated objective of NHA is to minimize subsidies, and a gradual reduction may be more realistic than complete elimination. The proposed program concept will enable AID to help NHA determine appropriate subsidy levels and to work toward their reduction.

4) The Project Identification Document (PID) included as one of the purposes: assistance in the development of a housing finance system through the Government Housing Bank. That component of the approved PID has not been included in the proposed project.

Eventually Thailand will have to address housing finance. Presently, the Government Housing Bank raises funds for its programs through commercial borrowings locally and internationally. Lending programs are primarily to middle income groups above the range that the Housing Guaranty resources are permitted to support though the demand and need for financing at that level is high. AID is not, however, in a position at this stage of initial involvement in shelter in Thailand to directly address housing finance systems. It is intended, however, that this area be included by the NHA in the development of long range national housing policy objectives, and AID as part of its short term technical assistance effort will include consultants to help analyze the housing finance needs of Thailand and to help identify systems and structures to meet them.

The PID also raised as an issue the need for NHA to acquire rights of eminent domain. Land acquisition problems are discussed in the project analyses, Part 3.

## Part 2 DETAILED DESCRIPTION

### A. Background

The AID Office of Housing in coordination with USAID, Thailand has been involved in discussions of housing policy and programming in Thailand for some time. In 1966 the Housing Guaranty financed a 677 unit project developed by private enterprises that successfully demonstrated the validity and feasibility of long term mortgage financing. In 1971 even before the National Housing Authority was founded, an AID team surveyed housing problems in Thailand and prepared recommendations on the development of low income housing projects. During the years 1972-75, AID provided a number of short-term consultants in housing finance and program development.

When various housing agencies in Thailand were consolidated and the National Housing Authority formed in 1973, an ambitious program to meet the nation's housing needs was undertaken. By 1975, the NHA had programmed to build 24,000 units per year for 5 years. The program, however, would have required tremendous government subsidies. Beginning in 1975 the AID Office of Housing provided short-term financial consultants, policy advisors, and technical advisors to help NHA's Policy and Planning Office analyze its programs and develop alternatives. In 1976 a Project Identification Document (PID) for a \$50 million 5 year Thailand Housing Guaranty Program was approved by AID that outlined the program concept developed in this paper. Also in 1976 the World Bank began helping the NHA put together pilot slum upgrading and site and service projects which are now getting underway.

The NHA in the meantime continued the study and development of a comprehensive housing policy. In June, 1978 the NHA Board of Directors adopted the policy guidelines including most of those that had been recommended by AID consultants and in September, 1978 the Government Cabinet approved a priority investment program that completely shifts NHA in new directions which will significantly increase the supply of low income housing with considerably reduced levels of subsidy. The proposed AID Housing Guaranty will support this program.

## B. Project Goals and Purposes

The sector goal is to improve the standard of living of the urban poor in Thailand. Housing and community conditions are significant factors influencing the quality of life. Increasing the supply of better housing at costs affordable by the poor and providing new or existing communities with basic urban services often lacking will help raise living conditions.

The goal includes preventing the deterioration of the standard of living of the urban poor. Bangkok continues to grow and will go on growing at least in the short run even if regional growth poles are developed. The fabric of existing housing and urban services is fragile enough that it could begin to break down under additional loading without additional supply and qualitative improvement. At the same time regional cities which do not yet have major urban problems are ill prepared to meet needs for housing and services that will come as rural population grows and surplus workers move in. Measures to build up absorption capacity are needed in both Bangkok and the regional cities.

Important assumptions are that careful planning and programming can produce better conditions than spontaneous growth; that financial constraints limit government responses; and that the lack of access by the poor to long term finance is an important constraint in their ability to obtain better housing.

The purposes of the proposed Housing Guaranty program are, then, to help the National Housing Authority implement effective housing policies and programs within the financial capacities of both the Government and target beneficiaries, the urban poor, and to strengthen the capacity of the Authority. At the end of the proposed program the NHA should be operating with well developed short and long range policy objectives; should be programming its activities with more efficient use of available resources; and should have increased delivery both in Bangkok and regional cities of affordable housing and distribution of urban services to the poor. Specifically, the proposed NHA program will have directly benefited almost half a million of the urban poor through improved shelter and community conditions.

## C. The Proposed Program or Sector Loan Concept

The proposed Housing Guaranty is designed as a multi-year activity which will finance any projects or part of the total cost of all projects in the NHA Program which meet specific criteria. The loans

would finance approximately 50% of NHA's total slum upgrading program; 30% of its expandable core housing program in the Bangkok area; and 50% of its expandable core housing program in the regional cities. The purpose for this breakdown is to include Guaranty financing in each of the major components of NHA's program. Adjustments in the distribution could be made during implementation where AID agrees it is appropriate. Total Guaranty financing would be \$50 million (1.0 billion baht). It would not finance NHA's subsidized rental units or components for income groups over the median income (2500 baht per month in 1976).

AID reviews and involvement will focus primarily on NHA policies and programming though ultimately the use of Housing Guaranty resources will be identifiable on a project basis and will be constrained by definitions of "eligible projects" and "eligible uses of funds" within those projects. Some project review will still be required to assure acceptable standards of project preparation, but the focus will be on methodology, and where other donors are involved, duplicative reviews will be avoided. NHA's program will be financed from a number of sources probably including AID, the World Bank, the Asian Development Bank and some commercial borrowing. NHA will periodically prepare for AID updated summary projections of financing needs and expected cash flows for its whole program. The specific uses of Housing Guaranty resources will be agreed upon with NHA prior to disbursements and accounted for in the course of regular reporting and evaluation.

This allows NHA to program the Housing Guaranty financing as specific projects evolve. Phasing the Housing Guaranty commitment and reviewing NHA policies and programming prior to each subsequent authorization enables AID to work closely with NHA in the development and continuing evolution of policies, programming, conceptual planning of projects, and management. Authorization of the first phase recognizes the significant growth that the NHA has already achieved with the adoption of the new policy guidelines and the approval by the Government of the priority investment program. Reviews prior to subsequent authorizations will require that NHA maintain this progress. So long as the directions of NHA's Policy and Development Plan are maintained, NHA will be able to continue programming its activities with a Housing Guaranty commitment.

The following sections outline the policy guidelines that have been adopted by NHA and the investment program which the proposed

Housing Guaranty will support. The primary outputs - upgrading, core housing, and regional cities projects are described and the Housing Guaranty inputs including criteria mentioned above are specified. Part 4 of this paper discusses in more detail the process of reviews, reporting and evaluation indicated above.

D. NHA Policies and Programs or Project Outputs

The draft "1978-82 Policy and Development Plan"<sup>1/</sup> sets forth policies and directions adopted by the NHA Board of Directors in June, 1978. In summary, it says that:

- 1) The NHA will mainly develop housing for low income families in the form of:
  - a. new housing communities,
  - b. rehabilitation of existing communities or slum upgrading,
  - c. assisting private sector developers;
- 2) The NHA development program will be distributed in the following locations:
  - a. Bangkok Metropolises - which still has the bulk of the country's housing problems,
  - b. the regional cities designated in the Fourth National Economic and Development Plan as growth centers,
  - c. other cities with serious housing problems,
  - d. rural areas - where housing conditions will be studied for future NHA attention, if justified;
- 3) NHA policy will be to reduce government subsidy to a level that is feasible and compatible with long term commitments;
- 4) Government assistance will be equitably distributed to the most needy in the form of infrastructure and community facilities;
- 5) NHA will promote owner-occupancy and security of tenure as a basic development stage for equity consolidation and for economic and social upward mobility of low income groups;

<sup>1/</sup> The Policy and Development Plan and the NHA investment programs refer to projects to be started in the 1979-82 period and completed by 1984.

- 6) Affordability and the low income family's ability to pay will largely determine design standards for plot sizes, infrastructure and houses. This necessitates that some housing units will be not completely built - or core houses but will nevertheless be habitable immediately and can be extended as and when the tenants require and can afford to do so;
- 7) NHA waiting list data will be used as the primary data source for housing development targeting together with supplementary information on activities in other areas of housing supply;
- 8) Rental or welfare housing for those too poor to afford the least expensive core houses will have to be units completely built from the outset. This will require investments that cannot be recovered through rents necessitating substantial subsidies. NHA proposes to separate this type of project from normal less subsidized projects and to undertake them only in exceptional cases and on direct orders from the government;
- 9) NHA will increase its activities in profit making operations such as shopping center developments in its projects in order to provide adequate shopping facilities in the communities and to cross-subsidize low income housing.

The NHA has planned a program to build or upgrade 80,000 units starting over the 4 years 1979-82 and completed by 1984 at a total cost of 4.7 billion baht (\$237.1 million) in 1978 prices and 5.5 billion baht (\$276 million) projected in current prices through completion. Within that framework it has developed a priority program for 50,000 units which has already been approved by the Government and which concentrates on slum upgrading and income groups with household earnings below 2500 baht per month or approximately the median income for the Bangkok area in 1976. It has submitted to the Government a proposal for a supplementary program of 30,000 units with about 60% going to income groups below 2500 baht per month and 40% to groups between 2500 and 6000 baht per month to bring a balanced social mix to its new community projects. The program includes a small number of fully built rental units, but most of the new construction will be of the expandable core house type. Both the priority program and the supplementary program include a regional cities component.

Table I summarizes the different components of the NHA program. The approved priority program totals 2.2 billion baht (\$110.5 million) in 1978 prices; the proposed supplementary program totals 2.5 billion baht (\$126.6 million). The slum upgrading component comprises 26,000 or half of the number of units in the priority program though because of low costs per unit it does not take as large a proportion of the financing. The more highly subsidized rental units have been limited to under 5,600 units or less than 7% of the total in the program. The biggest part of both the priority and supplemental programs are expandable core houses with a total 48,400 units including 8,400 in regional cities.

Table II a. shows the estimated average unit cost for each of the different components, the part of that cost that is infrastructure or subsidized by the Government and the part that is recovered in payments by beneficiaries. Total costs including infrastructure in 1978 prices average under 60,000 baht (\$3,000) per unit and range from 8,000 baht (\$400) in upgrading projects to just over 100,000 baht (\$5,000) for rental apartments and income groups over 2500 baht per month. Since components to be financed under the proposed Guaranty would be limited to income groups below the median income or 2500 baht in 1976, the most expensive unit under the Guaranty would be 75,000 baht (\$3,750) in 1978 prices. Table II b. shows that the Government has already approved 1.5 billion baht (\$75 million) in support for the priority program which is significantly less than was required in previous programs.

Table I New NHA Programs

(costs: million baht)				
	Income group	Number of units	Total costs 1978 prices	Total costs in current prices
<u>Priority program</u>				
slum upgrading-Bangkok	all groups	26,000	208.00	237.97
core housing-Bangkok	under 2500	19,160	1,437.00	1,683.51
rental housing-Bangkok	under 2500	3,596	365.00	387.94
rental housing-regional cities	under 2500	<u>2,000</u>	<u>200.00</u>	<u>232.05</u>
		50,756	2,210.00	2,541.47
			(\$110 million)	(\$127 million)
<u>Supplementary program</u>				
(all core housing)				
Bangkok-lowest income	under 2500	11,630	872.25	1,041.86
Bangkok-mixed income	2500-6000	9,214	967.47	1,129.24
regional cities-lowest income	under 2500	6,300	472.50	535.27
regional cities-mixed income	2500-6000	<u>2,100</u>	<u>220.50</u>	<u>279.51</u>
		29,244	2,532.72	2,985.88
			(\$126 million)	(\$149 million)
<u>Total 1979-82 program</u>				
slum upgrading	all groups	26,000	208.00	273.97
rental housing	under 2500	5,596	565.00	619.99
core housing	under 2500	37,090	2,781.75	3,260.65
core housing	2500-6000	<u>11,314</u>	<u>1,187.97</u>	<u>1,408.75</u>
		80,000	4,742.72	5,527.35
			(237 million)	(\$276 million)

Table II a. Government Support Per Unit (baht)

<u>costs supported by the Government</u>	<u>slum upgrading</u>	<u>rental housing</u>	<u>expandable core houses</u>	
			<u>incomes under 2500</u>	<u>incomes 2500 to 6000</u>
land	none	} 100,000	none	none
building	none		none	none
infrastructure	} 5,000		20,000	12,500
community facilities			15,000	15,000
overhead			1,750	1,375
construction interest		5,250	4,125	
	5,000	100,000	42,000	33,000
<u>costs supported by the beneficiaries:</u>	3,000	rented	33,000	72,000
<u>average total costs per unit:</u>	8,000 (\$400)	100,000 (\$5,000)	75,000 (\$3,750)	105,000 (\$5,250)

Table II b. Total Government Support (million baht)

	<u>slum upgrading</u>	<u>rental housing</u>	<u>expandable core houses</u>	
			<u>incomes under 2500</u>	<u>incomes 2500 to 6000</u>
priority program	130.00	565.00	804.72	
supplementary program	-	-	753.06	373.36
total 1979-82 program	130.00	565.00	1,557.78	373.36
		<u>total support</u>	<u>total cost</u>	
approved priority program		1,499.72		2,210.00
proposed supplementary program		1,126.42		2,532.72
total 1979-82 program		2,626.14		4,742.72
		(\$131.3 million)		(\$237.1 million)

### E. Financial Plan and Housing Guaranty Inputs

Tentative sources of financing have been identified by the NHA for most of the requirements in the early years of its program. Thus far, the NHA has identified approximately \$15 million in financing to be provided by the World Bank and approximately \$15 million to be provided by the Asian Development Bank. It hopes to be able to increase the amounts of both of those loans. A consortium of Japanese banks with which NHA has negotiated financing on earlier programs has expressed a willingness to extend as much as \$50 million more in loans. With \$50 million in Housing Guaranty financing, then the NHA would have about half of its needs for the whole program. It has, however, tentatively identified financing for all of its first year needs including projected Housing Guaranty disbursements and most of the financing needed in 1980 and 1981. NHA has in the past been able to borrow some from local banks and plans to raise the remainder through additional international borrowings. AID reviews prior to authorization of each new phase of the Housing Guaranty program would assure that NHA has adequate commitments to complete work undertaken.

Tables III and IV list the principal projects in the NHA program and the proposed sources of financing for each including Housing Guaranty resources. The list is still indicative and some projects may change as the program evolves. The Housing Guaranty resource would be mixed with World Bank financing on the slum upgrading projects, regional city projects, and the Lad Krabang core housing project near Bangkok; and mixed with Asian Development Bank financing on the Bangplee-Bangbor core housing project also near Bangkok.

Table V summarizes cash flow schedules for project implementation by year with tentative financing resources and expected disbursements against them including the Housing Guaranty. Projects started in 1982 would be completed and funds full drawn down by 1984. The table also shows the expected phasing of Housing Guaranty authorizations.

The HG financing will support the total NHA program of 80,000 new or upgraded units. In the absence of other external financing, the HG financing would result in approximately 25,000 new or upgraded units of which 13,000 would be in the slum improvement program, 9,000 in Bangkok core housing and 3,000 in regional city core housing. (In dollar terms, no less than twenty percent of HG financing will assist regional city core housing.)

Table III New NHA Projects

Priority Program	Approximate costs (million baht) 1978 prices
a) slum upgrading: 26,000 units, Bangkok	<u>208.00</u>
proposed AID-HG financing 50%	104.00
World Bank, and other financing <u>1/</u>	104.00
b) core housing: Lad Krabang, Bangkok	
8,100 units for income groups under 2500 baht	<u>607.50</u>
proposed AID-HG financing 30%	170.00
World Bank and other financing	437.50
c) core housing: Bangplee-Bangbor, Bangkok	
8,300 units for income groups under 2500 baht	<u>622.50</u>
proposed AID-HG financing 30%	170.00
Asian Development Bank and other financing	452.50
d) core housing: Rangsit, Bangkok	
2,760 units for income groups under 2500 baht	<u>207.00</u>
proposed AID-HG financing 30%	60.00
other financing	147.00
e) rental housing (financing not yet identified)	<u>565.00</u>
2096 units at Din Daeng, Bangkok	209.60
1500 units at Thung Song Hong, Bangkok	155.40
2000 units in regional cities	200.00
	Total: 2,210.00
	Proposed AID-HG financing: 504.00
	(\$25.2 million)

1/ Financing has not yet been committed.

Table IV New NHA Projects

Supplementary Program	Approximate costs (million baht) 1978 prices
a) core housing, Bangkok-11,630 units for income groups under 2500 baht/month	<u>872.25</u>
1,900 units in Ram-Inthra area	
300 units at Nawa Nakhon	
5,980 units in Pra Pradant or Taling Chan	
3,450 units at Rangsit	
proposed AID-HG financing 30%	260.00
other financing	612.25
b) core housing, Bangkok-9,214 units for income groups 2500-6000 baht/month (financing not yet identified)	<u>967.47</u>
210 units in Ram-Inthra area	
1,000 units in Pra Pradant or Taling Chan	
2,700 units at Hua Mark	
1,340 units in Pracha Niwet	
1,200 units at Rangsit	
c) core housing, regional cities-6,300 units for income groups under 2500 baht/month	
proposed AID-HG financing 50%	<u>472.50</u>
World Bank, and other financing <u>1/</u>	236.00
	236.50
d) core housing, regional cities-2,100 units for income groups 2500-6000 baht/month (financing not yet identified)	<u>220.50</u>
total:	2,532.72
Proposed AID-HG financing:	496.00
	(\$24.8 million)

1/ Financing has not yet been committed.

**Table V Projected Cash Flow and Drawdown Schedules for Project Implementation**  
(millions of dollars in current prices)

	1979	1980	1981	1982	1983	1984	Totals <sup>2/</sup>
<b>Expenditures</b>							
Priority program	2.85	27.53	40.97	32.70	19.72	3.30	127.07
Supplementary program	2.18	25.79	44.23	44.06	28.24	4.80	149.30
Total	5.03	53.32	85.20	76.76	47.96	8.10	276.37
<b>Tentative financing identified by NHA (subject to negotiation)</b>							
AID	1.03	6.59	12.60	13.33	11.37	5.08	50.00
IBRD <sup>1/</sup>	0.90	2.50	5.90	4.05	2.04	-	15.39
ADB <sup>1/</sup>	0.64	2.50	5.64	5.00	2.34	-	16.12
Japan	2.46	22.54	25.00	-	-	-	50.00
Additional financing needed	-	19.19	36.06	54.38	32.21	3.02	144.86
Percent of financing identified	100%	64%	58%	29%	33%	63%	48%
<b>Summary of Housing Guaranty Financing</b>							
Authorizations	\$15.00		\$15.00	\$20.00			\$50.00
Cumulative authorizations	15.00	15.00	30.00	50.00	50.00	50.00	50.00
Disbursements	1.03	6.59	12.60	13.33	11.37	5.08	50.00
Cumulative disbursements	1.03	7.62	20.22	33.55	44.92	50.00	50.00

<sup>1/</sup> Projects totaling approximately 20 million dollars have, in addition, been identified by the NHA for other donor financing, but these loans have not yet been committed (see Table IV).

<sup>2/</sup> See Table X for projected cash disbursements by project in baht.

The Housing Guaranty financing will, in summary, be available for the NHA program as follows:

<u>Proposed AID-HG Financing</u>	<u>Income group</u>	<u>Percent of Approximate Total Cost</u>	<u>AID-HG financing (million baht)</u>
Slum upgrading-Bangkok	all groups	50%	104.00
Core housing:			
a) priority program-Bangkok	under 2500	30%	400.00
b) supplement program-Bangkok	under 2500	30%	260.00
c) regional cities	under 2500	50%	236.00
			<u>1,000.00</u>
			(\$50.0 million)

The 1.5 billion baht (\$75 million) which the Government has committed in support of the NHA program for infrastructure and other costs not directly recovered by NHA in its priority program and the 1.2 billion baht (\$60 million) which the NHA is seeking in its supplementary program are included in the total financing requirements of NHA. NHA will borrow these amounts as a part of its comprehensive financing schedule. NHA will itself service the debt that is recoverable from direct charges to beneficiaries. The Government will budget payments to NHA for debt servicing on the share it has agreed to support. Debt servicing and the Government's support of the NHA program is discussed more fully in Part 3.

Government approval of the supplementary program is not a precondition to the first phase authorization because as can be seen in Tables III and IV the proposed Housing Guaranty financing of the priority program totals approximately \$25 million.

AID will require regular updating of schedules and cash flow projections for project implementation. If implementation goes more slowly than anticipated, the last phase authorization now planned for \$20 million in 1982 could be divided into two separate authorizations of \$10 million each or rescheduled. At the present time, however, it is felt that the program schedule is realistic.

The Implementation Agreement will define "eligible projects" and NHA will be able to use the HG authority to finance or partly finance any project that meets specific criteria including:

- a) Areas selected for slum upgrading must be predominantly low income. Areas included in NHA's current list of 108 priority projects meet this criteria. Incomes in any other areas to be included will have to be reviewed;
- b) New developments or parts of new developments for which the HG financing is to be used must be targeted to and affordable by households with incomes below 2500 baht per month. Adjustments of this target income level will be reviewed annually;
- c) Land and core house construction costs in a project must be affordable by and charged to the beneficiaries. Government support of on site infrastructure should be minimized and overall levels will be periodically reviewed;
- d) Maximum cost levels for units and infrastructure financed or partly financed with Housing Guaranty resources will be established in the Implementation Agreement and reviewed periodically. Initially, these will be set at 8000 baht per unit for upgrading projects and 75,000 baht for core housing;
- e) AID will periodically review planning for projects or parts of projects identified by NHA for Housing Guaranty financing. AID will at those times indicate projects or aspects of projects that will have to be reviewed further prior to the start of work. AID will propose joint reviews when appropriate with other donors and will not duplicate their reviews.

Some projects will have some elements which are "eligible uses of funds" under the Housing Guaranty and other elements which are not. For example, NHA's new community projects generally include some housing for households with incomes over 2500 baht per month in order to assure a social mix. That housing need not be physically segregated from the lower income housing, but the cost of that housing including its pro rata share of land, infrastructure, etc. would be apart from the project costs that can be financed with the AID-HG loan. Similarly, some community facilities and infrastructure included by NHA may be designed to serve an area or a community larger than the project itself. An access road, for example may be necessary, but to the extent that it is also providing access to non-project areas, that share of the costs would have to be excluded from the AID-HG financing. Small facilities to help generate cottage industry in the community, shop/house units,

neighborhood marketing areas all could be included in the costs financed with the AID-HG loan but development of land for industrial or wholesale facilities, for example, could not. A clinic or facilities for social programs serving the community could be included, but supplies or staffing could not. Careful definitions of "eligible uses of funds" will be included in the Implementation Agreement.

NHA project planning to be reviewed by AID will include estimated costs for all elements, all sources of financing and cost recovery. NHA can identify the AID-HG financing preferably as a percent share of the total financing required for each project or by showing the source of financing for each element in the project.

Authorization of each new phase of the Housing Guaranty will be on the basis of reviews and evaluation by AID of NHA development in: policy and program planning, project design, and management. AID will annually review NHA developments during the preceding year and plans for the next. Specific areas which these reviews will address include:

Policy and Programs

implementation of the policy guidelines set forth in the Policy and Development Plan

subsidies and cost recovery

development and implementation of regional cities strategy

land acquisition programming, development of economic and social programs

Planning and Design

Site selection and analysis

concept planning of new communities

design methodology; interdepartmental coordination in the design process

design standards.

Management and Operations  
cost accounting and financial planning

tendering, construction management,  
and supervision

allocations of units and improvement  
of collections

NHA has already made significant achievements in most of these areas, and the recommended authorization of the first phase of the Housing Guaranty reflects this confidence. The areas noted are judged to be important in the implementation of the proposed project and for the future growth and development of NHA programming. Reports prepared by AID consultants in March, 1976 and December, 1978 reviewing "... Policies, Program and Strategies of the NHA" will serve as reference points for measuring progress in future reviews.

F. Technical Assistance

The UNDP has already agreed to provide resident technical assistance in the areas of organizational and financial management, estate management, small business promotion, and engineering design. A total of approximately 80 person months will be provided. NHA has selected consultants to fill posts beginning in 1979. This will strengthen NHA's capacity to implement its program and improve its operations. The Bauwer Centrum of Holland is planning a staff training and development program with the NHA in conjunction with the Asian Institute of Technology which will complement the UNDP input and build a base for future growth.

The proposed AID program will provide additional assistance in the following areas:

a) Design and implementation of integrated regional cities projects

The NHA commitment to begin developing programs in the regional cities will require careful planning and development to assure that the programs are appropriate to the special characteristics of those cities which are quite different from Bangkok. Institutionally, NHA does not have a lot of experience in the regional cities and will have to develop the organization for this activity. NHA has already undertaken market surveys and studies in most of the designated regional growth pole centers.

AID's centrally funded grant program of Integrated Improvement Projects for the Urban Poor (IIPUP) administered by the Office of Housing will provide a two-part assistance. During 1979 multidisciplinary teams of consultants will be fielded to help NHA review the studies that have already been made; to help determine the program and design parameters appropriate to regional city projects; and to develop concepts of integrating social services and employment generation in projects. Up to 4-5 person-months estimated at \$50,000 will be funded. Schedules and specific scopes of work will be developed with NHA and in coordination with the World Bank which is planning teams to assist in the broad development planning of regional cities.

The second part of the IIPUP assistance will be a two year resident advisor with back up short term consultants to help the NHA plan and implement the regional cities projects including health, education, social services and employment components. The advisor will also help integrate NHA projects with urban development strategies for the regional cities. This part of the IIPUP project estimated at a total cost of \$260,000 will be detailed in an IIPUP Project Agreement with the Government of Thailand and NHA.

b) Continuing development of housing policy

The proposed Housing Guaranty program will lend financial support to NHA policy implementation but, to be most effective, it should be backed up by assistance in the studies, evaluation, and analysis necessary to further development. The Office of Housing will provide assistance funded from HG fee income in three ways:

In 1980, the Office of Housing will field a team to help the NHA review shelter problems in Thailand and develop long range national housing policy objectives. The study will be designed to complement the urban sector analysis recently completed by the World Bank, but in this case will focus on shelter including the housing finance system. The study will be a joint AID/NHA effort with professional staff seconded to work with AID consultants.

An integral part of the program is an annual review with NHA of the implementation of their program and policy and program development. Subsequent authorizations in 1981 and 1982 will be based on NHA implementation and further development of its policy and program. Prior to authorization of the second tranche the NHA will have to have initiated an analysis of Thailand's housing finance system needs and that prior to authorizing the third tranche there must be evidence of progress toward the development of a suitable housing finance system.

AID will also consider supporting research projects and studies to be undertaken jointly with local universities or similarly qualified institutions. AID will provide a short-term consultant with specialized experience to help the research or study group develop a work plan; and when the work is completed, to help the group analyze findings, prepare reports, and discuss them with policymakers in NHA and the Government. AID will consider centrally funded grant resources to support this research where there could be regional applications. NHA will develop a program, schedule, and cost estimates. Possible areas of study include:

land acquisition and site selection strategies;

alternative concepts for new community planning;

approaches in project planning to environmental concerns and development of environmental review procedures;

housing finance; mobilization of domestic resources for public and private sector housing;

graduated payment loans, sweat equity, and other alternative techniques to help extend unsubsidized financing to the poor;

design of evaluation systems; for housing programs;

integration of social services and economic opportunities in project design including opportunities for women.

### Part 3 PROJECT ANALYSES

#### A. Policy and Program Analysis

The NHA Policy and Development Plan represents a major new direction for NHA. Its significance can best be measured in comparison with previous programs. Except for a few small pilot

projects, NHA's earlier programming was directed at conventional housing, mostly rental apartments, with unit costs between 65,000 baht (\$3,250) and 120,000 baht (\$6,000) and higher. The Government planned to move slum dwellers into NHA rental apartments with rents set at a 5% annual interest charge on the cost of the dwelling and capital amortization fully subsidized by the Government. For households with incomes between 1,500 and 3,000 baht per month, rents were set by NHA at 7% annual interest and amortization of one half of the economic cost of the dwelling with one half of the capital amortization subsidized by the Government. Higher income groups purchased units with no capital subsidy at interest rates of 10-12%.

NHA planned to build 24,000 units a year or 120,000 in its earlier program. The total cost would have been 10.4 billion baht (\$520 million) of which about 5.9 billion baht (\$295 million) would have been direct capital subsidy excluding Government land contributions and amortization of inherited lands at below marked value. These total costs caused the Government and the NHA to rethink its program. Full implementation of the earlier program was halted and will be limited to the 6,500 units already completed and 23,900 presently under construction.

A review by AID consultants in March, 1976 of the Policies, Program and Strategies of the NHA summarized recommendations made to the NHA to rationalize its policies. Most of these recommendations have been adopted in the recently approved Policy and Development Plan.

The new program emphasizes slum upgrading instead of relocation; low cost core housing approaches instead of conventional construction; greater cost recovery; and more emphasis on lower income groups.

Costs have been reduced to as low as 8,000 baht (\$400) per unit in upgrading projects to a little more than 100,000 baht (\$5,000) for the largest core houses including all infrastructure and land purchase costs. Government support is now limited to infrastructure and community facilities which is at least partly recovered through user charges and tax revenues and which the Government in any case feels is its responsibility. All land and building costs are borne by the beneficiaries without subsidy and amortized at 12% over 20 years.

The total program of 80,000 units will cost 5.5 billion baht (\$276 million) or about half what the previous program would have cost. Because the cost of the housing has been so reduced, infrastructure and therefore Government support is still more than 50% of the total cost. Total Government support has however been reduced to 2.6 billion baht (\$130 million) also about half the level of the previous program and significantly less per unit thus spreading the support farther.

The pilot core housing and upgrading projects being financed by the World Bank attempt complete cost recovery without subsidy. It is still too early to evaluate results, but further improvement of cost recovery in its general programs is an objective of the NHA.

The new program places more emphasis on lower income groups with 33% of units in slum upgrading projects; and 46% core housing for income groups below the median. Conventional apartment construction will be limited to 7% of the total number of units. Much of these will be allocated to slum residents displaced by high priority public projects such as roads. In all then, 80-85% of the NHA program is targeted to income groups below the median, about twice the level of the previous program.

The commitment to a regional cities component will have a significant effect on NHA and planning in Thailand as attention is drawn to the needs and the potential of the smaller cities. The planning and implementation of these housing projects can help strengthen local development capacity and coordination between national and local agencies. They will also help further the understanding of the problems and the development role of the secondary and regional cities.

There are several areas of concern in policy and program planning. In addition to its own program, the NHA is committed to act as a developer of about 7,000 units for the Police Department and similarly to help the military on housing projects. These point to the need to develop a national housing policy that goes beyond NHA's programs.

The broader questions of housing finance, land use and the role of the private sector have not yet been fully dealt with by NHA but its Office of Policy and Planning will hopefully be able to begin studying these and other questions now that a sound working policy for NHA has been adopted.

## B. Technical Analysis

1) Slum upgrading: In 1975 NHA identified some 350 slums in Bangkok using aerial photos and with follow-up surveys selected 108 in greatest need of upgrading. These were studied in regard to land tenure, water and electricity supply, accessibility, drainage, density, incomes, debt and savings levels, education levels, health conditions, and future land use potentials. They were further classified according to their suitability for upgrading: a) slums to be upgraded as permanent communities where permanent land tenure or long term leases can be obtained. These include slums on Government owned land and areas where landowners are willing to negotiate; b) slums to be upgraded as temporary communities where long term tenure cannot be secured. In these areas upgrading will focus on socio-economic programs and extension of public utilities; and c) slums to be cleared, mainly those in areas scheduled for high priority public uses such as highways and ports. These will be removed and alternative housing allocated to residents on a priority basis in NHA's rental units or core housing projects.

Physical improvements include access and provision of dry walkways, repair and improvement of drainage systems, construction of garbage collection points, some street lighting, and provision of fire protection systems including mobile pumps. In some areas water supply systems will be repaired and improved. Improvements are designed to meet the specific needs of each area. Implementation of physical improvements are coordinated with the Bangkok Metropolitan Authority and with the public utility authorities which will operate and maintain services provided.

Management of Government owned land in slums to be upgraded, which are currently rented to residents on a short term basis - usually one year, will be transferred to NHA which will issue 20 year leases to residents. Where possible NHA is negotiating with private absentee landowners for similar 20 year leases. NHA will then sublet those parcels to residents. In other cases, NHA will negotiate direct leases between landowners and residents. NHA is also seeking rights of eminent domain to acquire land in some slums. Rents on lots in these slums vary but are typically 60 baht (\$3) per month for an 80 m<sup>2</sup> lot. This is readily affordable by even the lowest income groups and where NHA is managing the land, rents could perhaps be increased to improve cost recovery.

The NHA will also help set up socio-economic programs in upgrading projects. Generally, it will act as promoter and sponsor of community activities funded through agencies including the National Institute of Skill Development, Department of Industrial Promotion, the Family Planning Association of Thailand, the Bangkok Metropolitan Authority Health Services and the Ministry of Public Health. In one of its first projects, for example, NHA social workers have already helped set up sewing classes and facilities which women can rent for 10 baht (50¢). Some upgrading projects may also include facilities such as health and day care centers.

The NHA has established lines of credit through the Krung Thai Bank, a commercial bank wholly owned by the Ministry of Finance, whereby loans can be obtained by small businesses in NHA upgrading projects of up to 10,000 baht (\$500) at 12% interest repayable over 4 years. NHA workers will help businesses in the projects apply for these loans.

The NHA has recently started 10 pilot upgrading projects, 4 of them with World Bank financing. These are already providing good experience and cost data on which to build implementation plans for the rest of the program. Some of these first projects are showing cost overruns due to the design standards of physical improvements, but NHA is developing alternatives that should enable them to keep within the estimated 5,000 baht per family (1978 prices).

Some of those first pilot projects do include direct charges to beneficiaries for infrastructure improvements. The results of these tests will provide feedback on the feasibility of this mechanism for improving cost recovery. Present estimates of both the total costs to the Government of support for the upgrading projects in the program, 130 million baht (\$6.5 million), and the cost of this support per unit 5,000 baht (\$250) are, in any case, reasonable.

Implementation of the pilot projects has also identified the need improvement in coordination between NHA and the Bangkok Metropolitan Authority and other agencies. These are being worked out.

The NHA doesn't include costs for land acquisitions in its estimates for upgrading. NHA is currently negotiating lease arrangements with private absentee landlords in slums to be permanently upgraded. Another option being studied is purchase

of the land and resale or leasing to residents. It is estimated that the average lot would cost around 40,000 baht ( \$2,000), which amortized over 20 years for example at 12% interest or 440 baht monthly ( \$22) would be affordable by most residents and would offer the greatest security. Although total financing required for the project with this option would be increased, costs would be recovered through sale or lease payments. There are an estimated 5,550 lots in project areas to be permanently upgraded that are owned by absentee landlords.

2) Core Housing: The NHA has developed a system of expandable core housing which starts with simple one room structures and sanitary cores of about 20 m<sup>2</sup> on lots of 70-80 m<sup>2</sup>. Various options provide for a mix of unit and lot sizes. All are designed so as to be readily expandable by the purchasers and materials loans are included in pilot projects. Most of the units are row house or quadruplex types of lightweight block and reinforced concrete construction on piles with asbestos cement roofing. Some of the larger units are two-storied.

AID will review with the NHA and where appropriate other donors the technical aspects of projects proposed for HG financing prior to disbursement of HG funds. This review will interalia address the construction standards proposed for expandable core housing to assure units are capable of being expanded safely. In addition at the time of purchase home buyers will be provided information and advice in writing on the expansion capabilities and possibilities of core units.

Site planning is usually based on either filling or diking for flood control and surface drainage with about 60% of the land use for lots; 15% for circulation; 10% each for community facilities and open space; and 5% for small scale commercial and business facilities. Residential streets with 6-8 m rights of way and 3-4 m of paving provide basic access with footpaths around 1.5m wide with rights of way of 3-4m providing access to individual units. Water, electric and sewerage connections are provided to each plot. NEA projects include on-site sewage treatment ranging from aerated lagoons to activated sludge systems or oxidation ditches.

Primary school and community facilities including multi-purpose buildings, health centers, workshops for small-scale industries, retail shops, and markets are provided in NEA projects depending on the size of the community.

NEA plans two types of communities in its new Program. It will be developing two large new satellite communities in the Bangkok area. One of 10,800 units will be built at Lad Kranbang to the east of Bangkok near an industrial estate financed by the World Bank. Another of over 12,000 units will be built just outside Bangkok at Bangplee-Bangbor in the growing industrial area along the new road southeast to Chonburi. These and others already started at Rangsit and Nawa Nakhon to the north are attempts to establish integrated new towns as

satellites to the Bangkok Metropolitan area. Planners expect them to absorb some of the population growth. Land for these projects has already been assembled and acquired. Commitments to industrial investment have already been obtained for both Lad Krabang and Bangplee-Bangbor.

NHA has also acquired smaller sites in Bangkok close to existing industrial areas and is seeking additional locations. Basic community facilities will be provided in these as needed.

Table VI Monthly Payments and Affordability, Core Housing  
Four units types, Bangplee-Bangbor project

	(baht)			
	Type A	Type B	Type C	Type D
Target income group-baht/month	under 2000	2-3, 000	3-4, 000	4-6, 000
sales price excluding infra-structure	30, 334	52, 028	68, 494	89, 410
Materials loan (optional)	6, 000	8, 000	10, 000	12, 000
Downpayment (percent)	1, 520 (5%)	5, 200 (10%)	10, 275 (15%)	17, 885 (20%)
Basic monthly payment-20 years (interest rate)	280 (10%)	485 (11%)	645 (12%)	790 (12%)
Monthly service charge	50	50	80	80
Monthly payment <sup>1/</sup> / materials loan	60	85	115	135
Estimated monthly utility expenses	30	50	60	60
Total monthly costs (dollars)	420 (\$21)	670 (\$33.50)	900 (\$45)	1, 065 (\$53)
Percent of monthly income expended	20-30%	20-30%	20-30%	17-25%

<sup>1/</sup> Same loan terms as basic monthly payment.

The core housing system is designed to standards which will cost an average 75,000 baht (\$3,750) including land and infrastructure for unit types targeted to households with incomes below 2500 baht per month and an average 105,000 baht (\$5,250) for types targeted to income groups 2500-6000 baht per month. Table VI shows the terms and affordability of four unit types designed for the Bangplee-Bangbor project.

Infrastructure costs and Government support are designed to cost an average 42,000 baht (\$2,100) for unit types targeted to households with incomes below 2500 baht. Government support is limited to 33,000 baht (\$1,650) for infrastructure on unit types targeted to income groups 2500-6000 baht per month. Cost recovery is assumed indirectly through user charges and new tax revenues from the project. NHA has not, however, studied this. The standards of the core housing units could be reduced somewhat further and some of the infrastructure costs charged directly. The pilot project being developed by NHA at Thong Song Hong with World Bank financing attempts more complete cost recovery but it is too early to evaluate the experience. NHA expects to be able to gradually reduce subsidies in the core housing program. Open site and service schemes without core housing may be tried in some locations.

Land has already been acquired by NHA for the priority program but not for all of the proposed projects in the supplementary program. This will be an important factor in NHA's schedule.

The planning of NHA's large new communities at Lad Krabang and Bangplee-Bangbor has been thorough, but has not yet addressed broader plans for the area surround the project. Integration of concept planning with land use planning in the immediate area and the region is necessary for these communities to become the satellite towns that they are intended. NHA is, however, beginning to do broader concept planning of the communities, and assistance is being provided in project design.

### 3) Regional city projects

NHA is currently conducting a series of studies and surveys in each of the regional areas to help it understand the needs and the dimensions of the problems. AID will be providing assistance to help NHA design and develop specific strategies and projects. It has tentatively identified 2000 units of rental housing in its priority program and 8,400 units of expandable core housing in its supplementary program

for the regional cities. The planning and designs that have evolved for projects in Bangkok will provide a basis for replicability and technology transfer to the regional cities, but the problems and the housing needs differ, and AID will be fielding teams early in 1979 to review NHA's studies and help them develop a strategy and work plan.

NHA projects in the regional cities will be closely linked with the Offices of the Mayor and of the Provincial Governor. In addition, the Regional Planning Offices of the National Economic and Social Development Board (NESDB) will be involved. Part of the scope of work of the technical assistance provided by AID will be to help NHA determine administrative and project planning responsibilities both within NHA and as it relates to the administration of regional cities.

Nine Regional Urban Centers have been designated in the Fourth National Development Plan as growth poles to help reduce regional disparities. (Chonburi in the Eastern Region, Songkhla-Haat Yai and Phuket in the Southern Region, Chiang Mai and Phitsanulok in the Northern Region, and Khon Kaen, Korat (Nakorn Ratchasima), Udon Thani, and Ubon Ratchathani in the Northeastern Region.)

Six of these designated centers are in the north and northeast regions. These nine centers would be the most likely candidates for regional shelter programs, however, final determination would be made upon the basis of the study and analysis undertaken by the NHA and AID resident technical assistance.

#### 4) Environmental Considerations

The environment of many of the urban areas of Thailand is indeed fragile, especially Bangkok. The importance of preventing deterioration of housing and urban services in Bangkok comes, in part, from this concern as does the importance of assisting in the planned development of the regional cities.

Contamination of surface waters by sewage effluent is at present the principal environmental health problem in Bangkok. NHA project standards though far exceed all existing regulations governing sewage discharge, and it may well be that NHA practice for handling domestic effluent will be used as a model by Thailand's National Environment Board. Water supply and depletion of underground water resources are becoming concerns, both in Bangkok and the regional cities, that NHA will be taking into account in program planning. Sanitary

conditions in upgraded communities and NHA's new communities will be considerably improved over existing conditions. Community operated garbage collection systems and piped potable water will contribute to improved public health through reduction of exposure to diseases. The Bangkok Metropolitan Authority is also planning a program of flood protection in parts of Bangkok and dredging of canals that have been blocked by solid waste accumulation.

Dialogue on project planning for new communities between the NHA and responsible planning and regulatory agencies can contribute to Government policy in several broad areas of environmental concern including protection of prime agricultural land; alternative techniques for building on flood plains; and urban growth and land capability analysis.

The Government has adopted environmental policies, enacted supportive legislation, and established a National Environment Board. NHA will be encouraged to work with the Board in the development of guidelines for environmental impact assessments appropriate to housing projects in Thailand. AID project reviews discussed in Part 4 will include environmental considerations.

The initial Environmental Examination (I. E. E. ) for the proposed program reviewed NHA's standards and practices and recommended a negative environmental determination. The consultant's detailed findings are included in a separate report.

### C. Social Analysis

The beneficiaries of the NHA upgrading program will include some of the poorest families of Bangkok though there is a range and diversity of income and social levels in most of the communities. Beneficiaries of NHA's new community programs will range from households with monthly incomes from below 2,000 baht (probably down to 1500 baht or \$75) to a maximum of 6,000 baht (\$300). More than 80% of the whole program and all of the Housing Guaranty financing will be directed to households with monthly incomes below 2,500 baht (\$125).

These will include migrant families from rural areas or families who migrated earlier and are now stable enough to seek improved shelter and community conditions. Other beneficiaries will be long time residents of Bangkok's slums.

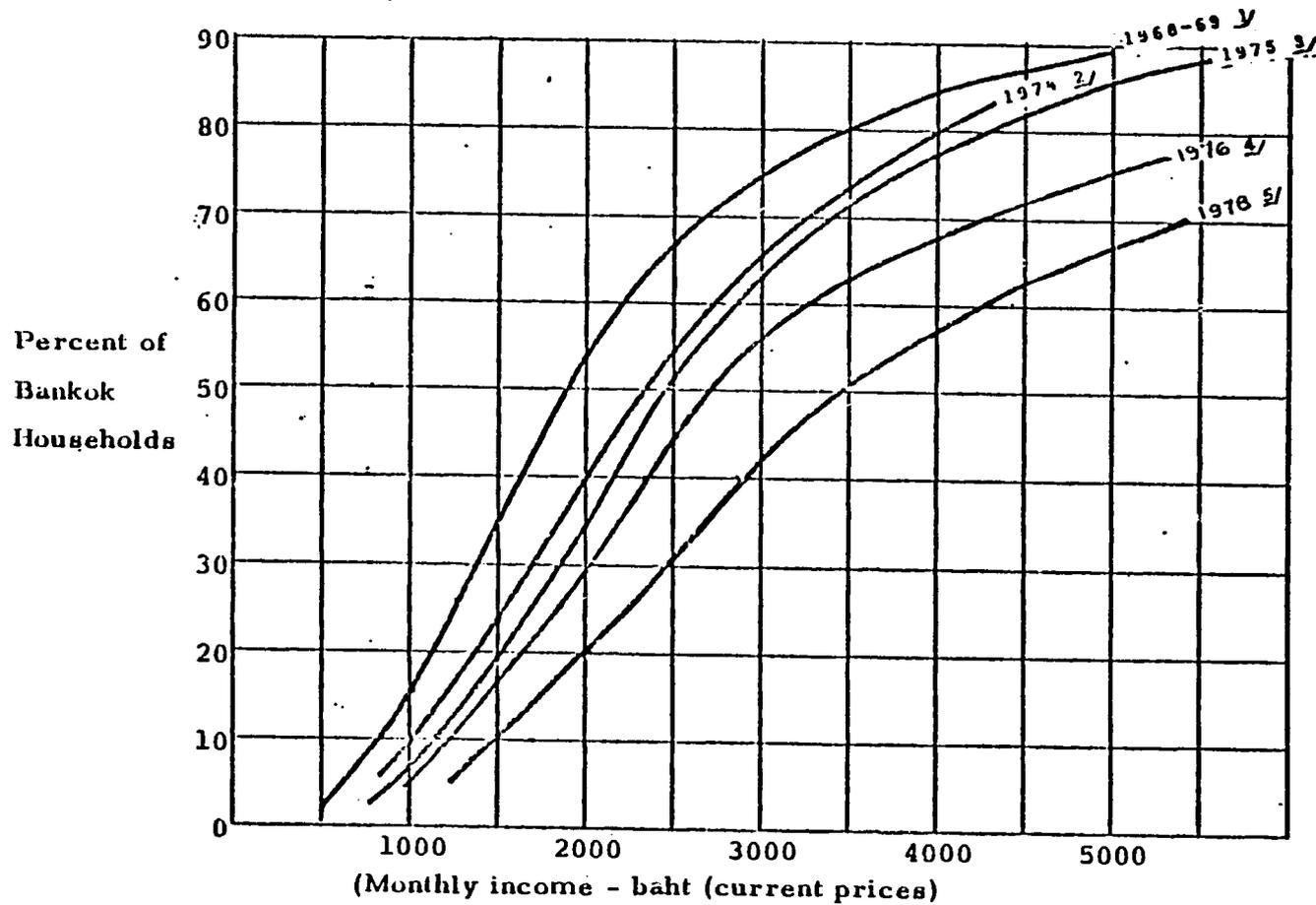
Verification of Income Eligibility

The Estates Management Department of NHA selects households on a first come, first served basis. A standard application form is used which provides, in addition to basic demographic data, a mechanism for verifying income eligibility. Applications must be accompanied by Income Certificates from Employers (subject to spot checking by NHA), or, if the applicant is self-employed, home interviews are conducted by Estates Management staff.

UNDP technical assistance to NHA will include, inter alia, review of the application process. AID will also review and approve the application and income verification procedure prior to the initial disbursement.

Since median incomes in regional cities will most likely be significantly lower than those in Bangkok, median income figures will be calculated for each of the cities included in the proposed program before HG financing would be available for those cities.

Table VII  
Income Distribution  
Bangkok Metropolitan Area



SOURCE: 1/ Southeast Asia Low Cost Housing Study; April 1974  
 2/ Draft Policy Document; NHA, 1974  
 3/ Updated by NHA, 1975 using price index  
 4/ studies by World Bank, 1976  
 5/ Updated October, 1978 using price index.

The urban poor of Thailand to whom this program is directed include laborers, low skilled workers, and low level government employees. Most of the families will have additional sources of income such as hawking or home industries.

Table VII shows estimated income distribution for Bangkok though the curves are based on outdated surveys. Using conservatively the 1976 levels the median income level would be more than 2500 baht. The 1,500 baht level would approximate the 20th percentile; 2,000 baht the 30th; and 3,000 baht the 60th. Using the less reliable 1978 levels indicated, the median would fall well over 3,000 baht and the 1,500 baht level would approximate the 10th percentile; 2,000 baht the 20th and 3,000 baht the 40th. Until new base surveys are made, it can be assumed that actual levels are somewhere between those ranges and that the beneficiaries of the proposed Housing Guaranty would be at least as low as the 20th to 50th percentiles; possibly as low as the 10th to 30th percentiles.

Affordability of core housing projects is calculated on the basis of expenditures on housing of 20% of income with a maximum allowed for eligibility of 30%. Average housing expenditures for slum households have been shown to be 15%. The demand for NHA projects including the pilot core housing projects, indicate that a 20% level is considered affordable by the applicants. NHA has a waiting list of over 90,000.

While the early programs of apartment construction made an abrupt change in the living patterns, core housing schemes allow owners more flexibility in fitting their home to their lifestyle and their needs. Lots are small but adequate for modest gardens and business projects. Slum upgrading projects are designed for minimal disruption of the social fabric. In fact by upgrading them to permanent status, the social structure may be made even more stable. Employment opportunities have been an important part of NHA's feasibility planning of new communities. Additional budgeting may be needed to give NHA staff start-up funding for socio-economic activities in vocational training, family budget training, nutrition classes, and business management assistance. Many of the activities being promoted by NHA are really the responsibility of other agencies, but in the early stages NHA help appears necessary to make programs work.

Women's opportunities are enhanced by many of the NHA programs and within NHA itself. Women can and do purchase or rent NHA units in their own name. The co-signature of a husband is not required when the woman is the head of household. About 38% of NHA's units are now in women's names. Thirty-three percent of the NHA staff are women, and a slightly

higher percentage are in management positions. A woman has recently been named Deputy Governor. NHA socio-economic programs include skill training open to and often designed for women. They also include assistance described in Section F below for small business that will provide economic opportunities.

NHA needs to develop a better system of project evaluation. Surveys are conducted and follow-up studies made, but an integrated and ongoing project evaluation system needs to be designed. AID short-term technical assistance in housing policy development will help NHA focus on this.

#### D. Financial Analysis

Earlier NHA programs were financed through bond sales, local commercial borrowings, and borrowings on Japanese and Euro-dollar markets. World Bank funds have been borrowed for some pilot projects. Table V shows projected resources for financing of the NHA's new programs and include AID, IBRD, ADB and commercial financing.

Under the earlier programs, the entire capital costs borrowed by NHA were repaid by the Government. Any costs recovered by NHA remained within NHA as capital contribution of the Government. Of the total 10.4 billion that would have been borrowed under the earlier 120,000 unit program, 5.9 billion would have gone to beneficiaries as subsidies.

Under the new program, that part identified as Government contribution will be borrowed by NHA and repaid by the Government. The remainder will, however, now be borrowed by NHA and NHA will be held accountable for the debt service rather than the Government. This, too, is a significant policy change that will help put NHA on a much more responsible basis.

This will require improvements in cost accounting, collection, and cash flow management. NHA recognizes this and has already begun some changes. Technical assistance will be provided by the UNDP in these areas beginning early 1979.

#### E. Economic Analysis

The Thai economy has progressed remarkably in terms of aggregate growth in recent years. Annual growth in GDP from 1960 to 1976 was high, an average of 7.6 percent per year, and widely spread among all sectors of the economy. During the same period per capita income expanded at

Table VIII  
FINANCING OF PREVIOUS NIIA PROGRAMS

Category	Number of units	Source of financing	Cost recovery	Ownership	Notes
1. Projects Inherited from Predecessor Agencies	10,000	Given as capital to NIIA, but NIIA responsible for old loans. NHA borrowed to complete some of these units	Low rents usually not even covering maintenance	Rentals & hire purchase	Buildings depreciated at 30 years for concrete structures; 20 years for wood. Proposals are being considered to raise rents and/or sell units.
2. Programs started before 1975 (eg Hua Marks, Rangsit)	4138	Commercial bank loans Hua Mark 100% grant to NIIA from government Rangsit 100% grant to NIIA	Hua Mark-high cost recovery to NHA Rangsit-About 50% cost recovery	Hire purchase	
3. 1976-80 Program	120,000 planned 6482 complete 23,910 in planning or construction	NIIA bonds-฿1 billion (5.5% interest) gov't repays principal in 10 yrs and interest for first 2 yrs Loans -Japanese bonds (7.4-7.7%) Gov't pays principal and interest over 7% Commercial banks Euro-dollar loans	Low cost recovery for low income units Cost recovery to NHA on middle income units	Hire purchase  Rents	Government will repay entire principal amount on bonds only after 10 years when they mature.
4. IBRD Projects	Sites & services 3000 units Slum Upgrading 2,300 units	50% IBRD loan  50% Borrowed by NIIA from various commercial sources on behalf of gov.	Almost complete cost recovery with government subsidizing community facilities & off-site infrastructure	Hire purchase	
5. Police Housing (dormitories & barracks near police stations)	About 7000 in Bangkok of which 70% complete 2,200 upcountry just starting	NIIA borrowed ฿1,100 million from Kung Thai Bank	Government will repay the entire loans from the police dept. budget	Police Dept. will own and manage	NIIA receives 3% fee on construction cost. Not yet determined whether 3% is sufficient to cover costs
6. Ministry of Justice	100	฿20 million from gov't capital ฿20 million borrowed by NIIA-local sources	Government will repay entire amount	Ministry of Justice will own and manage	3% fee on construction cost.

Table IX  
Balance Sheet  
NATIONAL HOUSING AUTHORITY - MAY 31, 1978

<u>Current Assets</u>				<u>Current Liabilities</u>	
Cash	57,925.02			Creditors & unpaid expense	5,067,640.93
Petty Cash	15,000.00			Savings, deposits & guaranties	22,659,167.60
Bank and other deposits	159,512,141.42			Advance payments for hire purchase	<u>99,896,125.00</u>
Notes	203,415,199.80				127,622,933.53
Rental accounts receivable (overdue)	3,051,109.92				
Other	<u>11,465,646.93</u>	377,517,024.09			
<u>Fixed Assets</u>				<u>Long Term Liabilities</u>	
Shares in Nara Nakorn Co.	10,000,000.00			Creditors, loans	779,046,500.00
Shares of building supply co.	1,748,250.00			Loan (flats, police)	344,000,000.00
Other assets	35,964,285.25			Note (Metro Co.)	71,982,118.00
Office and building	4,687,303.51			Bonds	<u>1,000,000,000.00</u>
Office building and staff residence	290,121,337.79				2,195,028,618.00
Land	<u>562,455,548.90</u>	904,976,725.45			
<u>Other Assets</u>				<u>Other Accounts</u>	
Accounts receivable not due	712,720,232.36			Sold hire purchase	244,931,180.00
Flats-police	212,839,583.70			Realized profit on hire purchase	<u>125,108,665.31</u>
Construction in process	929,243.56				370,039,845.31
Construction cost account	1,294,665,322.75				
Investments expenditure	30,970,016.71			<u>Capital</u>	
Pending account	736,000.36			Initial capital	805,162,750.50
Deficit FY 1973-77	163,024,783.59			Capital fund	196,146,408.24
Deficit FY 1978	<u>27,610,115.79</u>	<u>2,443,495,298.82</u>		Contribution fund	884,838.34
TOTAL		<u><u>3,725,989,048.36</u></u>		Revaluation of Assets	<u>31,103,654.44</u>
					<u><u>1,033,297,651.52</u></u>
					<u><u>3,725,989,048.36</u></u>

Table-X

Projected Cash Disbursements for the Comprehensive Plan\*

Project Name	Number of Units	Budgeting Year						Total
		1979	1980	1981	1982	1983	1984	
(Thousands of Baht)								
<b>Priority Project</b>								
1. Hua Mark 3	8,100	18,000	149,400	218,850	181,467	112,984	18,967	699,668
2. Bang Plee - Bang Bo	8,300	18,750	126,450	212,865	215,870	140,662	23,958	732,555
3. Rangsit 2	2,760	-	33,000	68,838	82,665	56,809	9,983	251,295
4. Slum Upgrading Projects	26,000	7,200	53,500	74,032	58,995	37,752	6,389	237,968
5. Din Daeng - Flats	2,096	3,960	69,256	105,538	47,212	6,970	-	232,936
6. Tung Song Hong - Flats	1,500	10,000	72,000	67,500	5,500	-	-	155,000
7. Regional Project - Flats	2,000	5,000	47,000	71,700	62,370	39,325	6,655	232,050
<b>Total</b>	<b>50,756</b>	<b>56,910</b>	<b>550,706</b>	<b>819,323</b>	<b>654,079</b>	<b>394,502</b>	<b>65,952</b>	<b>2,511,472</b>
<b>Additional Project</b>								
8. Ram Infra.	1,900	-	62,700	78,375	15,675	-	-	156,750
9. Nava Nakorn	300	-	9,900	12,375	2,775	-	-	24,750
10. Prapa Daeng	5,980	-	52,800	128,799	197,513	147,968	26,453	553,533
11. Rangsit (Add.)	3,450	3,375	49,875	91,050	93,555	58,997	9,983	306,925
12. Regional Project (Add.)	6,300	15,000	131,100	188,205	126,555	64,432	9,983	535,275
13. Ram Infra. (Add.)	210	-	-	10,672	13,340	2,668	-	26,680
14. Prapa Daeng (Add.)	1,000	-	-	33,033	60,857	32,715	4,391	131,496
15. Hua Mark (Add.)	2,700	2,100	33,600	88,095	125,202	82,533	13,775	345,555
16. Bang Plee-Bang Bo (add.)	2,764	9,072	73,080	101,430	84,176	56,537	9,783	334,078
17. Prachanivet 2 Phase 2	1,340	14,070	70,350	56,280	-	-	-	140,700
18. Rangsit (Add.)	1,200	-	32,340	40,425	36,036	34,938	6,983	150,727
19. Regional Project (Add.)	2,100	-	-	55,902	125,779	83,553	13,776	279,510
<b>Total</b>	<b>29,244</b>	<b>41,617</b>	<b>515,745</b>	<b>884,611</b>	<b>881,163</b>	<b>564,630</b>	<b>96,032</b>	<b>2,095,978</b>
<b>TOTAL</b>	<b>80,000</b>	<b>100,527</b>	<b>1,066,451</b>	<b>1,703,934</b>	<b>1,535,243</b>	<b>959,132</b>	<b>161,984</b>	<b>5,527,344</b>

The NIIA estimates that 10% of the cost of units will be spent in the year they are started, 50% will be spent in the second year and 40% will be spent in the third year.

an average annual rate of 4.2%. Both the industrial and the agricultural sectors expanded rapidly, but the share of agriculture in GDP fell from 40% to 30% during the same period.

The recent economic expansion has been fueled by high rates of investment and domestic savings. Combined private and public investment reached an average annual level of 25.6% of GDP during the 1971-76 period of which 12% was financed by household savings and only 1.9% was financed by foreign capital.

Recent economic growth should be seen in the context of current and predictable demographic trends. The Kingdom's urban population has increased from 10% in 1950 to 17% in 1976. The urban sector is dominated by Bangkok which accounted for 63% of the total urban population in 1976. NESDB estimates indicate that the population of Thailand will continue to expand at a rate of 2.8% during the 1976-80 period and at an annual rate of 2.4% in the 1980-85 period. Thus, the labor force will grow during the next few years considerably faster than in the past, and this will require even faster growth of employment and income earning opportunities.

The high rates of aggregate economic growth recorded in recent years have not been matched by an improved distribution of the benefits of development. The IBRD has noted the tax system to be somewhat regressive or at best to have a neutral impact. The distribution of the benefits of public expenditure has, however, been quite regressive. Expenditures benefitting the highest income households are ten times those benefitting the poorest households. Likewise, the gaps between the incomes of households in different regions appear to be widening.

It is likely that increasing constraints in the agricultural sector in the coming years will limit the growth of agricultural exports. This could exacerbate the country's balance of payments situation which already suffers from a continuing deterioration in terms of trade.

The government has an explicit policy of promoting urban growth in regional cities. At the same time, even if the policy of diverting urban growth to regional centers is moderately successful, the population of Bangkok can reasonably be expected to continue growing at near current rates (i. e. 5%) for some time. This will require an improved distribution of employment, essential services and shelter for the poor within Bangkok, in order to prevent further deterioration and to maximize efficiency.

The proposed NHA program will contribute to improved efficiency in urban development in a number of ways. Most of NHA's planned new low income settlements are to be coordinated with new industrial estates to minimize the transportation and other costs related to uncontrolled urban sprawl. The slum upgrading projects will eliminate the need for wasteful squatter removal. Although more difficult to measure, the proposed program should increase individual worker productivity by improving health conditions and increasing the availability of educational and vocational training opportunities.

The current development program focusing primarily on increased agricultural productivity and to a lesser extent on industrial expansion should lead to continued export expansion and a decline in the trade and current account deficits by the late 1980's. The current decline in the terms of trade and the import requirements of the Fourth National Development Plan should, however, lead to deficits in the current account during the early 1980's. To finance this deficit, Thailand will need to borrow an estimated \$5 billion during the next two years. The IBRD estimates that the debt servicing requirements for this proposed debt will not be too great even with substantial dependence on private borrowing. The debt service ratio, currently 14%, is projected to rise to about 19% by the mid-1980's.

The percentage of construction costs accounted for by imports under the proposed program is low, between 10% and 15%. The current NHA program involves lower import costs than previous higher standard programs. The remaining foreign exchange borrowed under the program will be available to finance other RTG priorities. The probable repayment terms of the proposed AID guaranteed loan should fit within the above outlined foreign borrowing strategy.

The Government will not provide its capital contribution proposed for this program directly. Rather, it will authorize NHA to borrow the amount of the government capital contribution each year and the GOT will repay the principal and interests amounts of the loans. In this case, government capital contributions of about 220 million baht will be required annually after 1984. This compares with previous NHA estimates of 1,346 million baht of government capital which would have been required annually if the old program had been fully implemented. Although the new figure is based on a 30 year debt repayment period instead of ten years, it does represent lower standards, higher cost recovery and, a greatly reduced burden on the government budget in the immediate future.

The central government deficit has grown in recent years from a level of 4.5 billion baht in FY 1975 to an estimated 12.5 billion baht in FY 1977. The projected average annual budget contribution after 1983 required for the proposed program will be only 1.8 percent of the 1977 total central government deficit and only 0.3% of 1977 central government expenditures.

To the extent that the NHA program must be financed within Thailand it will probably have to resort to further borrowings from commercial banks of the type already undertaken, i. e. short term. Previous bond issues which have been financed by effectively reducing the reserve requirements of the commercial banks have had an expansionary impact on the money supply. Further such borrowings are not advisable, especially in view of the higher rates of inflation that have prevailed in most recent years. It is also unlikely that NHA bonds which in the past yielded 5.5% could compete in the limited bond market with government issues. In any case, the recent policy decisions for a shelter program with reduced standards and lower government subsidies will leave greater amounts available for RTG priorities in other sectors.

#### F. Administrative Analysis

The NHA was founded in 1973 as a state enterprise attached to the Ministry of Interior. Its organizational structure is shown in Table XI. The Governor is responsible to a Cabinet appointed Board of Directors. The present organization chart contains several significant changes from 1976. First, the Office of Policy Planning has been made a separate office reporting directly to the Governor. Thus, new housing policy proposals along with their financial and socio-economic justifications can be submitted directly for action by the Board.

Secondly, a Slum Upgrading division has been created in the Research and Construction Department in order to undertake complete project development for the slum upgrading program. This is an important manifestation of the NHA's commitment to the new policy. It has the capacity to carry out socio-economic surveys, analyze aerial photos, and plan and design the improvements. It is also planning to undertake community development projects as part of the improvement program. UNDP-financed technical assistance will be providing a slum upgrading advisor to assist the office in organizing and implementing its program.

Since the establishment of the NHA, its staff has grown nearly fourfold from about 400 inherited from the previous organization to a total 1,572 as of September, 1978. The professional staff, which is nearly 50 percent of the total, is distributed among the various departments as follows:

1) Office of the Governor	82
2) Office of Policy Planning	32
3) Research and Construction	428
4) Finance Department	112
5) Estate Management	115
6) Internal Auditor	<u>7</u>
Total	782

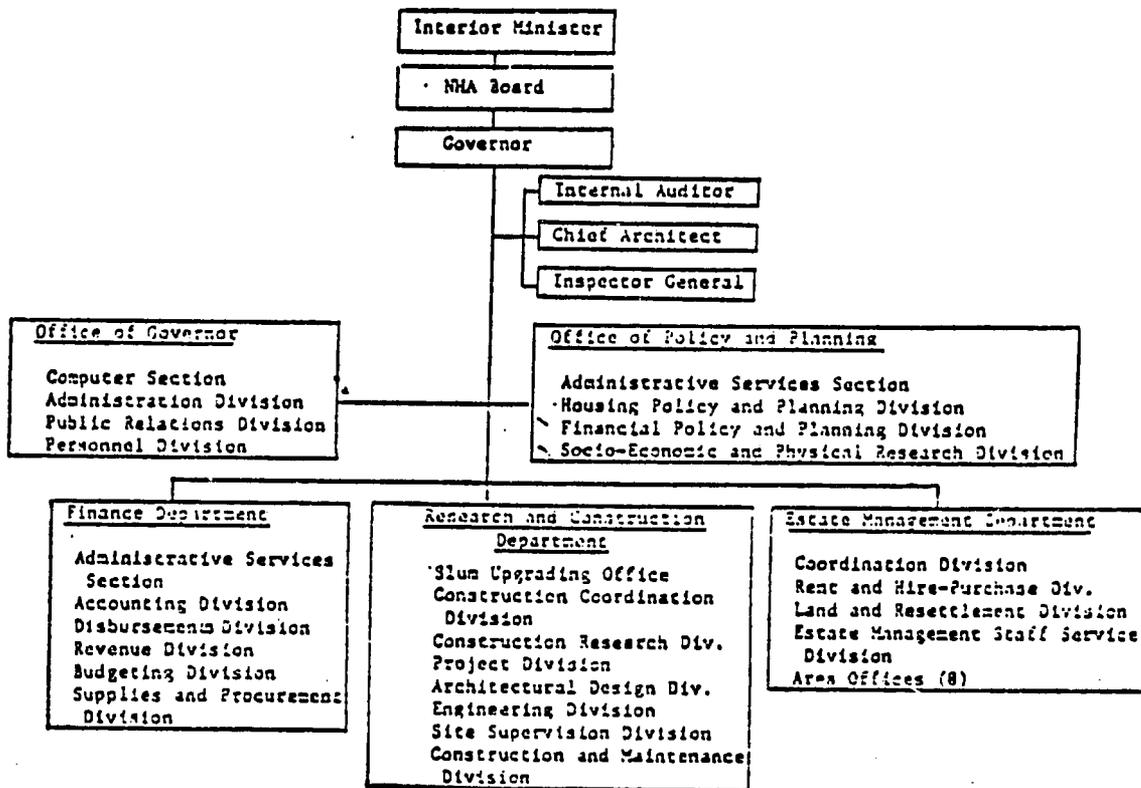
NHA has had difficulties in the construction management of its earlier programs. Construction targets were perhaps over ambitious; some of the contractors were not able to perform up to expectations; and projects have fallen behind schedule. The NHA has been aware of this and has taken steps to improve the situation. New projects are being scheduled with a more gradual build-up in production; a more reliable list of contractors has evolved based on experiences in the earlier programs; and the NHA construction staff is being reorganized to provide better continuity in project management. Though the UNDP technical assistance does not specifically cover construction management, some of the advisors selected have experience that will help. AID will also provide short term consultants with Housing Guaranty fee income as specific problems or needs emerge.

As NHA's program grows, a more careful system of cost accounting and financial management will be needed. The UNDP does include specific technical assistance in this area.

NHA is a young, growing organization. Many of its people are bright and dedicated. Its professionalism is evidenced by the thoroughness shown in the planning and implementation of its new policy and the pilot projects. The staff training and development program being planned with the Baucentrum of Holland will further strengthen their capabilities. Most important, will be the experience gained in the planning and implementation of the proposed program.

Table XI

National Housing Authority Organizational Structure



## Part 4 PROJECT IMPLEMENTATION

### A. NHA Project Management

Within NHA, the Office of Policy and Planning will have the prime responsibility for coordination with AID. The Governor of the NHA or his delegated representative will be responsible for negotiation of the Housing Guaranty agreements and for obtaining the necessary Host Country Guaranty. During implementation, the Office of Policy and Planning will be responsible for project monitoring and coordination with AID. It will prepare quarterly reports to AID summarizing implementation progress in a format to be specified in the Implementation Agreement.

### B. AID Project Management

The proposed project is an integral part of USAID's Bilateral assistance program to Thailand, and USAID Thailand will be responsible for the policy framework within which it is implemented. The AID Office of Housing (DS/H) is responsible for development, negotiation, and management of the proposed Housing Guaranty within the Mission policy framework. The Office of Housing responsibilities will be carried out by the Asia Regional Office of the Office of Housing (RHUDO) which will coordinate all activity with USAID Thailand.

Project Agreements for IIPUP activity will be negotiated by the RHUDO and cleared by USAID. Authority for AID reviews and approvals called for in the Guaranty Agreements have been delegated by the Office of Housing to RHUDO.

Technical and environmental reviews of projects to be included in the proposed Housing Guaranty will be conducted by short-term consultants from the Office of Housing. To keep these reviews within a program context, a schedule will be established for comprehensive technical reviews probably once each year. Prior to those meetings, NHA will prepare briefs on all projects or parts of projects it plans to propose for inclusion in the Guaranty financing and assemble preliminary plans which have been prepared to that point. The review team will evaluate each project for technical, financial, social and environmental soundness based on preliminary plans. It will submit a recommendation to AID on the "eligibility" of each project according to the terms of the Implementation Agreement and specify any particular problems or areas that need to be reviewed in detail. Similarly, regular financial reviews will be scheduled.

### C. Coordination with Other Donors

The AID Office of Housing has discussed the proposed Housing Guaranty with the UNDP, the World Bank and the Asian Development Bank. There is a commonality of policy objectives and the specific inputs of each donor complement the others. The UNDP technical advisors have already been selected and are beginning to arrive on assignment. They include well experienced people from respected consulting firms. Both the World Bank and the Asian Development Bank are currently reviewing proposals for the projects that NHA has asked them to participate in. The REUDO will coordinate with them on subsequent project reviews and consultant visits. To the extent possible, joint teams and reporting procedures will be designed. Joint consultative meetings will be scheduled periodically to coordinate activities.

### D. Evaluation Plan

#### (a) Evaluation

Evaluation of progress in meeting the outputs envisioned for the program as outlined in the Logical Framework will take place on a regular basis. The NEA will be expected to submit periodic Progress Reports which shall include projects being implemented as well as annual submissions on program, policy and new project development under consideration for HG financing. These will be carried out as outlined in the DS/H Evaluation Manual.

In addition, as an integral part of a continuing project evaluation and review, REUDO shall make regular trips to inspect project sites. It is expected that recommendations as to technical aspects of the program will result from these inspections.

At the conclusion of the multi-year sector program, a final Regular Evaluation will be undertaken to determine if the overall program purposes have been met.

Authorization of each new phase of the Housing Guaranty will be on the basis of reviews and evaluation by AID and NEA of further development in the areas of policy and program planning, project design, and management. AID will annually review NEA developments during the preceding year and plans for the next, as outlined in DS/H Manual. Specific areas which these reviews will address include:

#### Policy and Programs

Implementation of the policy guidelines set forth in the Policy and Development Pl:

Subsidies and cost recovery.

Development and implementation of regional cities strategy.

Land acquisition programming, development of economic and social programs.

Analysis of Housing Finance Requirements.

Planning and Design

Site Selection and Analysis.  
Concept planning of new communities.  
Design methodology; interdepartmental coordination in the design process.  
Design Standards.  
Environmental analysis.

Management and Operations

Cost Accounting and financial planning.  
Tendering, construction management, and supervision.  
Allocation of units and improvement of collections.

- (b) Data Requirements for Standard Evaluation - The NHA will submit periodic progress reports which shall include projects being implemented as well as annual submissions on program, policy and new project development under consideration for HG financing.

- (c) On-going Evaluation of Program Impact on Beneficiaries

When conditions precedent have been met by the NHA, funds from the Asia Regional PD&S account will be made available to establish baseline data and perform a continuing evaluation to be monitored by USAID. In addition to regular reporting requirements, NHA will provide information on data factors such as comparative housing unit prices at the time of the report and at the time the unit was constructed; the sales or "turnover" of the units; the original average family size of the units' occupants at the time the unit was constructed and changes over time; the average family income of the unit at the time the unit was constructed and changes over time; the average educational level of the adult members of those occupying the unit at the time the unit was constructed and changes over time; and the average daily caloric intake of those occupying the unit at the time the unit was constructed and changes over time. The report is not limited to these statistics, however, and such other objectively verifiable data as may be readily available should be provided to the individual(s) responsible for the evaluation in order to demonstrate the impact of the HG project on the intended beneficiaries.

- (d) Implementation Plan

The projected schedule for the various reviews is shown in the following Implementation Plan:

First and Second Quarter, CY 1979

- 1) NEA completes preliminary project planning for 1979 projects
- 2) AID, ADB, IBRD coordinate inputs
- 3) RHUDO and GC/H draft Implementation Agreement
- 4) DS/H fields an IIPUP consultant to help NHA plan regional cities program
- 5) RHUDO prepares draft Project Agreement for IIPUP regional city advisor.

- 6) Upon approval of project paper DS/H issues letter of advice for first phase authorization, \$15 million
- 7) UNDP technical advisors begin work
- 8) RHUDO drafts scopes of work for resident TA
- 9) AID and NHA select resident advisor on regional cities program

Third Quarter, CY 1979

- 1) RHUDO and NHA negotiate Implementation Agreement
- 2) NHA obtains necessary approvals for Host Country Guaranty
- 3) NHA/AID, complete technical, environmental and financial reviews for 1979 projects
- 4) NHA advertises and begins selection of HG Lender
- 5) Resident advisor on regional cities program begins work

Fourth Quarter, CY 1979

- 1) NHA begins work on 1979 projects
- 2) NHA, AID, and U. S. lender negotiate and sign Housing Guaranty Agreements
- 3) NHA and U. S. lender complete first HG disbursement
- 4) NHA develops detailed program for CY 1980
- 5) DS/H fields consultant team to review and evaluate NHA policies and programs
- 6) RHUDO and USAID prepare summary evaluation report

First Quarter, CY 1980

- 1) DS/H fields consultant team to help NHA develop long range national housing policy objectives

Frist Quarter Each Year, CY 1980-84

- 1) NHA completes preliminary project planning for the year
- 2) DS/H fields consultant team for technical, environmental and financial reviews of proposed projects for the year specifying any follow-up reviews that may be necessary

Fourth Quarter Each Year, CY 1980-84

- 1) NHA develops detailed program for following year
- 2) DS/H fields consultant team to review and evaluate NHA policies and programs
- 3) RHUDO prepares summary evaluation report

First Quarter, CY 1981

- 1) Authorization second phase Housing Guaranty, \$15 million

Second Quarter, CY 1981

- 1) Selection of lender and negotiation of 2nd HG Loan

First Quarter, CY 1982

- 1) Authorization third phase Housing Guaranty, \$20 million (note: this authorization may be adjusted to \$10 million if NHA is falling behind schedule. A fourth phase then of \$10 million would be authorized and negotiated in 1983).

Second Quarter, CY 1982

- 1) Selection of U. S. lender and negotiation of 3rd HG Loan

Each Quarter, CY 1979-84

- 1) NHA submits project implementation and financial report to AID, ADB, IBRD
- 2) NHA submits requests for AID support of research activities underway

Fourth Quarter, CY 1984

- 1) Final disbursement completed of HG loans.
- 2) RHUDO and USAID prepare final evaluation report.

E. Conditions and Covenants, Negotiation Status

1. Negotiation

After authorization of the HG , a Letter of Advice will be issued to the NHA, and a notice will be placed in the Federal Register to identify a U.S. lender. The NHA will enter into negotiations with an investor, seeking financing for the Project on the best possible terms. The NHA is required to inform DS/H of all proposals received and of its preference. Upon DS/H approval the NHA may accept a commitment for 90 days from the selected investor. The terms of the four basic HG documents to be negotiated are:

- a) The Loan Agreement (between the US investor and NHA) setting forth the terms of the loan and be signed by the Ministry of Finance, acting for the borrower, and the U.S. investor.
- b) The Contract of Guaranty (between AID and U.S. investor) signed by AID, will assure the U.S. investor against any loss.
- c) Host Country Guaranty (RIG and AID) signed by the Royal Thai Government, will provide a similar assurance to AID.
- d) The Implementation Agreement (AID and NHA) will set forth the implementation procedures and conditions precedent to disbursements for HG financed projects and covenants

The Implementation Agreement will be negotiated and signed first.

Subsequently, the other three documents will be negotiated and signed.

In addition, legal opinion of the NHA's counsel for each of the instruments, and designation of the NHA's representatives are required.

2. Terms and Condition of the Guaranty

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement and may include a grace period of up to ten years on repayment of principal. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.

2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.
  3. Kingdom of Thailand Guaranty: The Kingdom of Thailand shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.
  4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount of \$150,000 to be paid as A.I.D. may determine upon disbursement of the loans.
  5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.
3. Covenants and/or conditions precedent to disbursement:
1. Eligibility of Beneficiaries: Prior to the first disbursement, the Borrower shall present for A.I.D. review and approval, the procedures to be used by the NHA to assure that beneficiaries meet the below median income test. New sub-projects or parts of new sub-projects for which the loans are to be used must be affordable by households with incomes below the median urban income. Adjustments to this target median income level will be reviewed periodically.
  2. Construction Standards: Prior to disbursement for any sub-project, the Borrower shall present for A.I.D. review and approval the sub-project plans for: environmental and social soundness, technical soundness, and financial soundness. The plans shall be reviewed to assure, among other things, that all core house units are designed to support such additions as may be expected to be built in accordance with local custom and practice.
  3. Other Donors: The Borrower shall use its best efforts to secure the additional assistance for the housing sector that is identified in the Project Paper (PP) and work in a collaborative style with the other donors. In any event, procedures shall be adopted to assure that the amount of housing actually completed is commensurate with the level of the Housing Guaranty (HG) support.
  4. Regional Cities Program: The Borrower will agree to maximize the use of Program for shelter in the regional cities with special emphasis on cities in the North and Northeast. In any event not less than twenty percent (20%) of the total program shall be for the regional cities. Progress in meeting this goal will be reviewed with each successive guaranty request under the Program.

5. Evaluation: Evaluation of progress in meeting the outputs envisioned for the Program as outlined in the Logical Framework will take place on a regular basis. The Borrower will be expected to submit periodic Progress Reports which shall include projects being implemented as well as annual submission on program, policy and new project development under consideration for HG financing. Evaluation will be carried out as outlined in the Evaluation and Monitoring Guidelines of the A.I.D. Office of Housing dated November 1978, as amended. In addition, baseline data will be established prior to project implementation to enable ongoing measurement of program impact on beneficiaries.
6. Housing Finance System: Prior to the Borrower requesting a second HG authorization, there will be studies underway with respect to a comprehensive housing finance system for Thailand and prior to the Borrower requesting a third authorization, there will be evidence of progress, satisfactory to A.I.D., in the development of a suitable housing finance system.
7. Areas Selected: Areas selected for slum upgrading must be predominantly low income. Areas currently included in the NHA's list of 108 priority projects meet this criteria. Incomes in other areas to be included shall be reviewed by A.I.D. prior to their inclusion.
8. Cost Recovery: Land and core house construction costs shall be charged to the beneficiaries in order to assure cost recovery to the fullest extent. Public costs of on-site infrastructure to the extent not recoverable through user charges shall be minimized and shall be the subject of A.I.D. reviews under paragraph 2 above.
9. Maximum Cost Per Unit: Maximum cost levels for units financed under the Program in whole or in part will be established in the Implementation Agreement and reviewed periodically.
10. Other Terms and Conditions: The Implementation Agreement shall be subject to such other terms and conditions as A.I.D. may deem necessary.

LIST OF ANNEXES

- A. Project Design Summary Logical Framework
- B. Cabled Approval of PID
- C. Letter of Request
- D. Statutory Checklist
- E. Guaranty Authorization

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY 79 to FY 84  
Total U.S. Funding \$50,310,000  
Date Prepared: February, 1979

Project Title & Number: Thailand Housing Guaranty 493-0284 (HG 003)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>Project Purpose: (B-1)</b></p> <ol style="list-style-type: none"> <li>1. improve and extend potable water, drainage, access, and basic urban services in low-income settlements of Bangkok.</li> <li>2. expand production of Low-income shelter.</li> <li>3. increase National Housing Authority shelter programs in regional cities and develop integrated shelter and community development concepts in those cities.</li> <li>4. establish long range national shelter policies and objectives.</li> </ol>	<p>Conditions that will indicate purpose has been achieved: End of project status. (B-2)</p> <ol style="list-style-type: none"> <li>1. completion of upgrading by 1984 of existing low-income communities in Bangkok now providing shelter for 26,000 families.</li> <li>2. completion nationally of 54,000 low-cost units and annual construction by the National Housing Authority of 10,000 units or more by 1984 (excluding upgrading) of which 65% or more are for households with incomes equivalent to 2500 baht per month or less in 1976 prices.</li> <li>3. completion in regional cities of 10,000 low-cost units or more out of the total production of the National Housing Authority by 1984 (see 2. above) including two or more projects demonstrating integrated shelter and community development.</li> <li>4. completion by 1980 of draft long range national housing policy objectives for inclusion in the 5th Development Plan and completion by 1982 of a draft comprehensive national housing policy.</li> </ol>	<p>(B-3)</p> <ol style="list-style-type: none"> <li>1. records of the Bangkok Metropolitan Authority and the National Housing Authority.</li> <li>2. records of the National Housing Authority.</li> <li>3. records of the National Housing Authority.</li> <li>4. submission of draft documents by the National Housing Authority to the National Economic and Social Development Board.</li> </ol>	<p>Assumptions for achieving purpose: (B-4)</p> <ol style="list-style-type: none"> <li>a. continued acceptance of upgrading and minimum shelter concepts by the Government and the beneficiaries.</li> <li>b. the construction industry, especially housing contractors, have the capacity to meet the targets of the National Housing Authority.</li> <li>c. continued cooperation between the National Housing Authority and other agencies of the national Government and the regional cities.</li> </ol>

ANNEX A  
PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Project Title & Number: Thailand Housing Guaranty 493-0284 (HG 003)

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.)

Life of Project:  
From FY 79 to FY 84  
Total U.S. Funding \$50,310,000  
Date Prepared: February, 1979

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p>	<p>Measures of Goal Achievement: (A-2) (see note column A-4)</p>	<p>(A-3)</p>	<p>Assumptions for achieving goal targets: (A-4)</p>
<ol style="list-style-type: none"> <li>1. Improve living conditions in existing low-income settlements in Bangkok in order to prevent a deterioration of the environment of the urban poor.</li> <li>2. Increase the availability of safe sanitary shelter affordable by low-income families in Bangkok and regional cities.</li> <li>3. Increase the flow of resources devoted to improving shelter and community conditions for low-income families in regional cities in order to help build up the capacity of the regional cities to absorb rural-urban migration.</li> <li>4. Increase efficiency in the use of available resources for financing shelter needs.</li> </ol>	<ol style="list-style-type: none"> <li>1. potable water, drainage, access, and basic urban services reach to 50% or better of the low-income population of Bangkok during the 6th national economic and social development Plan Period beginning in 1987.</li> <li>2. production of low-income shelter units reaches 30% or better of total units built nationally during the 6th Plan Period beginning in 1987.</li> <li>3. per capita level of government investment devoted to shelter in regional cities increased during the 6th Plan Period to equivalent per capita government investment in Bangkok.</li> <li>4. incorporation of long range national housing policy objectives in the 5th Plan Period (1982-1986) and reduction by the end of the Plan Period of Government subsidies to 25% of the total cost of public shelter programs.</li> </ol>	<ol style="list-style-type: none"> <li>1. records of the Bangkok Metropolitan Authority.</li> <li>2. records of the Bangkok Metropolitan Authority, the Ministry of the Interior, the National Economic and Social Development Board, and of the National Housing Auth.</li> <li>3. records of the National Housing Authority and the Bureau of the Budget.</li> <li>4. records of the National Economic and Social Development Board and the National Housing Authority.</li> </ol>	<ol style="list-style-type: none"> <li>a. the rate of growth the population of Bangkok, especially the low income population does not increase.</li> <li>b. the shelter needs of the urban poor continue to be perceived as an important concern and necessary public investments are approved</li> <li>c. regional cities are able to absorb increased levels of investment and that increased economic activity will be necessary, not just housing per se, to make them more attractive to rural-urban migrants.</li> <li>d. national economic growth and development continues.</li> </ol> <p><u>note:</u> The Government has not yet defined its sector goals in terms of the measures indicated in column A-2. One of the purposes of the Housing Guaranty Program is to help the Government establish long range shelter policies and objectives. The measures shown in column A-2 are indicative suggestions for consideration.</p>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY 79 to FY 84  
Total U.S. Funding \$50,310,000  
Date Prepared: February, 1979

Project Title & Number: Thailand Housing Guaranty 493-0284 (HG 003)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																				
<p><b>Outputs: (C-1)</b></p> <p>1. potable water lines, drainage systems, walkways, access roads, fire protection, home improvement loans, small business loans, social and economic programs, improved land tenure arrangements.</p> <p>2. new communities of expandable core housing including infrastructure, community facilities, home improvement loans, small business loans, social and economic programs; also some rental housing.</p> <p>3. draft documents on long range national housing policy and objectives.</p>	<p><b>Magnitude of Outputs: (C-2)</b></p> <p>1. up to 100 individual community upgrading projects by 1984 providing improved services for 26,000 households; specific outputs vary from project to project and totals have not yet been determined.</p> <p>2. by 1984:</p> <table border="0" style="margin-left: 20px;"> <tr> <td colspan="2"><u>in Bangkok</u></td> </tr> <tr> <td>lowest income</td> <td style="text-align: right;">30,800</td> </tr> <tr> <td>mixed income *</td> <td style="text-align: right;">9,200</td> </tr> <tr> <td>rental *</td> <td style="text-align: right;"><u>3,600</u></td> </tr> <tr> <td></td> <td style="text-align: right;">43,600</td> </tr> <tr> <td colspan="2"><u>regional cities</u></td> </tr> <tr> <td>lowest income</td> <td style="text-align: right;">6,300</td> </tr> <tr> <td>mixed income *</td> <td style="text-align: right;">2,100</td> </tr> <tr> <td>rental *</td> <td style="text-align: right;"><u>2,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">10,400</td> </tr> </table> <p>3. studies and policy reviews in 1980; draft long range policy objectives in 1980; further studies and reviews in 1981; draft comprehensive national housing policy in 1982.</p> <p>* note: not financed by AID Housing Guaranty</p>	<u>in Bangkok</u>		lowest income	30,800	mixed income *	9,200	rental *	<u>3,600</u>		43,600	<u>regional cities</u>		lowest income	6,300	mixed income *	2,100	rental *	<u>2,000</u>		10,400	<p><b>(C-3)</b></p> <p>a. records of AID and the National Housing Authority (for all outputs).</p>	<p><b>Assumptions for achieving outputs: (C-4)</b></p> <p>a. approval by the RTG of the 2nd part (supplementary or comprehensive program) of the National Housing Authority.</p> <p>b. continued participation with the National Housing Authority of the Krung Thai Bank and other Government agencies involved in the social and economic programs in the projects.</p> <p>c. sufficient effective demand for the programs of the National Housing Authority.</p> <p>d. acquisition of suitable sites and adequate management of project development by the National Housing Authority.</p> <p>e. no major increases in inflation or project costs are incurred beyond the levels of projections already included in project cost estimates.</p>
<u>in Bangkok</u>																							
lowest income	30,800																						
mixed income *	9,200																						
rental *	<u>3,600</u>																						
	43,600																						
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lowest income	6,300																						
mixed income *	2,100																						
rental *	<u>2,000</u>																						
	10,400																						

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project: From FY 79 to FY 84  
Total U.S. Funding \$50,310,000  
Date Prepared: February, 1979

Project Title & Number: Thailand Housing Guaranty 493-0284 (IG 003)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs: (D-1)</p> <ol style="list-style-type: none"> <li>1. Housing Guaranty Loans.</li> <li>2. World Bank and Asian Development Bank loans.</li> <li>3. other commercial loans.</li> <li>4. AID funded technical assistance.</li> <li>5. UNDP funded technical assistance.</li> </ol>	<p>Implementation Target (Type and Quantity) (D-2)</p> <ol style="list-style-type: none"> <li>1. U.S. \$50 million.</li> <li>2. U.S. \$50 million or more.</li> <li>3. up to U.S. \$176 million.</li> <li>4a <u>IIPUP Grant:</u> two person years resident assistance on integrated regional cities projects; estimated cost \$250,000  short term consultants to assist on integrated regional cities projects; estimated cost up to \$60,000.</li> <li>4b <u>IG fee funded assistance:</u> short term consultants to assist on continued development of housing policy and short term consultants as needed to assist on project development.</li> <li>5. 80 person months</li> </ol>	<p>(D-3)</p> <ol style="list-style-type: none"> <li>a. AID records.</li> <li>b. records of the National Housing Authority.</li> <li>c. records of other donors.</li> </ol>	<p>Assumptions for providing inputs: (D-4)</p> <ol style="list-style-type: none"> <li>a. approval in 1979, 1981, and 1982 by AID of successive tranches of Housing Guaranty authority.</li> <li>b. approval by the Asian Development Bank, the World Bank, and other commercial lenders of proposed loans to the National Housing Authority.</li> <li>c. completion of a Grant Agreement between AID and the RTG for IIPUP technical assistance.</li> </ol>



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PAGE TWO

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CN: 1537 U

BILITY OF DEVELOPING A JOINT IBRD/AID PROGRAM. FOR WHICH  
HAS RECENTLY REACHED AN AGREEMENT WITH IBRD TO JOINTLY  
FUND A LARGE SHELTER PROGRAM FOR THE IVORY COAST. KISSINGER  
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BEST AVAILABLE COPY



ANNEX D

STATUTORY CHECKLIST

The Kingdom of Thailand  
Housing Guaranty 493 -HG-003

The National Housing Authority of Thailand

Section 221:

The total face amount of guaranties issued, outstanding at any one time, shall not exceed \$

Sections 221 and 222 (b):

The proposed Guaranty will finance self-liquidating housing projects under one or more of the following criteria:

- (a) Private housing projects of types similar to those insured by HUD and suitable for conditions in Thailand.
- (b) Credit institutions in Thailand engaged directly or indirectly in the financing of home mortgages.
- (c) Low-income housing projects.

Section 223 (a):

The A. I. D. guaranty fee has been determined by A. I. D. in accordance with the authority delegated by the President.

Section 223 (f):

The maximum rate of interest allowable to the eligible U. S. investor to be prescribed by the Administrator will not be more than one percent above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development.

Section 223 (h):

No payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

Section 223 (i):

The project is designed and planned by A. I. D. so that at least ninety percent (90%) of the face value of the proposed guaranty will be issued for housing suitable for families with incomes below the median income (below the urban median income for the housing in urban areas) in Thailand.

\$15,000,000 of the housing guaranty will be authorized in Fiscal Year 1979. It is planned that the average face value of all housing guaranties issued (i. e. authorized) in any fiscal year shall not exceed \$15 million.

Section 238 (c):

The guaranty agreement will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued.

Section 620/620A:

There is no available information as to facts which would prohibit the furnishing of assistance to Thailand.

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

ANNEX E

ASSISTANT  
ADMINISTRATOR

GUARANTY AUTHORIZATION

PROJECT 493-HG-003

Provided From: Housing Guaranty Authority

For : Kingdom of Thailand

Pursuant to the authority vested in the Assistant Administrator, Bureau for Asia by the Foreign Assistance Act of 1961, as amended (FAA), and the delegation of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FAA of not to exceed fifteen million dollars (\$15,000,000) in face amount, assuring against losses (of not to exceed one hundred percent (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing projects in the Kingdom of Thailand (Borrower). This guaranty will assist in financing the low income housing program of the National Housing Authority of Thailand (NHA). This is part of an intended multi-year housing guaranty program involving \$50 million (the Program) with remaining amounts subject to subsequent authorization by A.I.D. and the mutual agreement of the parties. The sub-projects receiving the guaranteed loans will emphasize slum upgrading and core housing solutions, affordable by below median income families.

This guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement and may include a grace period of up to ten years on repayment of principal. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.

3. Kingdom of Thailand Guaranty: The Kingdom of Thailand shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.
4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount of \$150,000 to be paid as A.I.D. may determine upon disbursement of the loans.
5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

The Implementation Agreement shall contain covenants and/or conditions precedent to disbursement which in effect require:

1. Eligibility of Beneficiaries: Prior to the first disbursement, the Borrower shall present for A.I.D. review and approval, the procedures to be used by the NHA to assure that beneficiaries meet the below median income test. New sub-projects or parts of new sub-projects for which the loans are to be used must be affordable by households with incomes below the median urban income. Adjustments to this target median income level will be reviewed periodically.
2. Construction Standards: Prior to disbursement for any sub-project, the Borrower shall present for A.I.D. review and approval the sub-project plans for: environmental and social soundness, technical soundness, and financial soundness. The plans shall be reviewed to assure, among other things, that all core house units are designed to support such additions as may be expected to be built in accordance with local custom and practice.
3. Other Donors: The Borrower shall use its best efforts to secure the additional assistance for the housing sector that is identified in the Project Paper (PP) and work in a collaborative style with the other donors. In any event, procedures shall be adopted to assure that the amount of housing actually completed is commensurate with the level of the Housing Guaranty (HG) support.
4. Regional Cities Program: The Borrower will agree to maximize the use of Program for shelter in the regional cities with special emphasis on cities in the North and Northeast. In any event not less than twenty percent (20%) of the total program shall be for the regional cities. Progress in meeting this goal will be reviewed with each successive guaranty request under the Program.

5. Evaluation: Evaluation of progress in meeting the outputs envisioned for the Program as outlined in the Logical Framework will take place on a regular basis. The Borrower will be expected to submit periodic Progress Reports which shall include projects being implemented as well as annual submission on program, policy and new project development under consideration for HG financing. Evaluation will be carried out as outlined in the Evaluation and Monitoring Guidelines of the A.I.D. Office of Housing dated November 1978, as amended. In addition, baseline data will be established prior to project implementation to enable on-going measurement of program impact on beneficiaries.
6. Housing Finance System: Prior to the Borrower requesting a second HG authorization, there will be studies underway with respect to a comprehensive housing finance system for Thailand and prior to the Borrower requesting a third authorization, there will be evidence of progress, satisfactory to A.I.D., in the development of a suitable housing finance system.
7. Areas Selected: Areas selected for slum upgrading must be predominantly low income. Areas currently included in the NHA's list of 108 priority projects meet this criteria. Incomes in other areas to be included shall be reviewed by A.I.D. prior to their inclusion.
8. Cost Recovery: Land and core house construction costs shall be charged to the beneficiaries in order to assure cost recovery to the fullest extent. Public costs of on-site infrastructure to the extent not recoverable through user charges shall be minimized and shall be the subject of A.I.D. reviews under paragraph 2 above.
9. Maximum Cost Per Unit: Maximum cost levels for units financed under the Program in whole or in part will be established in the Implementation Agreement and reviewed periodically.
10. Other Terms and Conditions: The Implementation Agreement shall be subject to such other terms and conditions as A.I.D. may deem necessary.

i

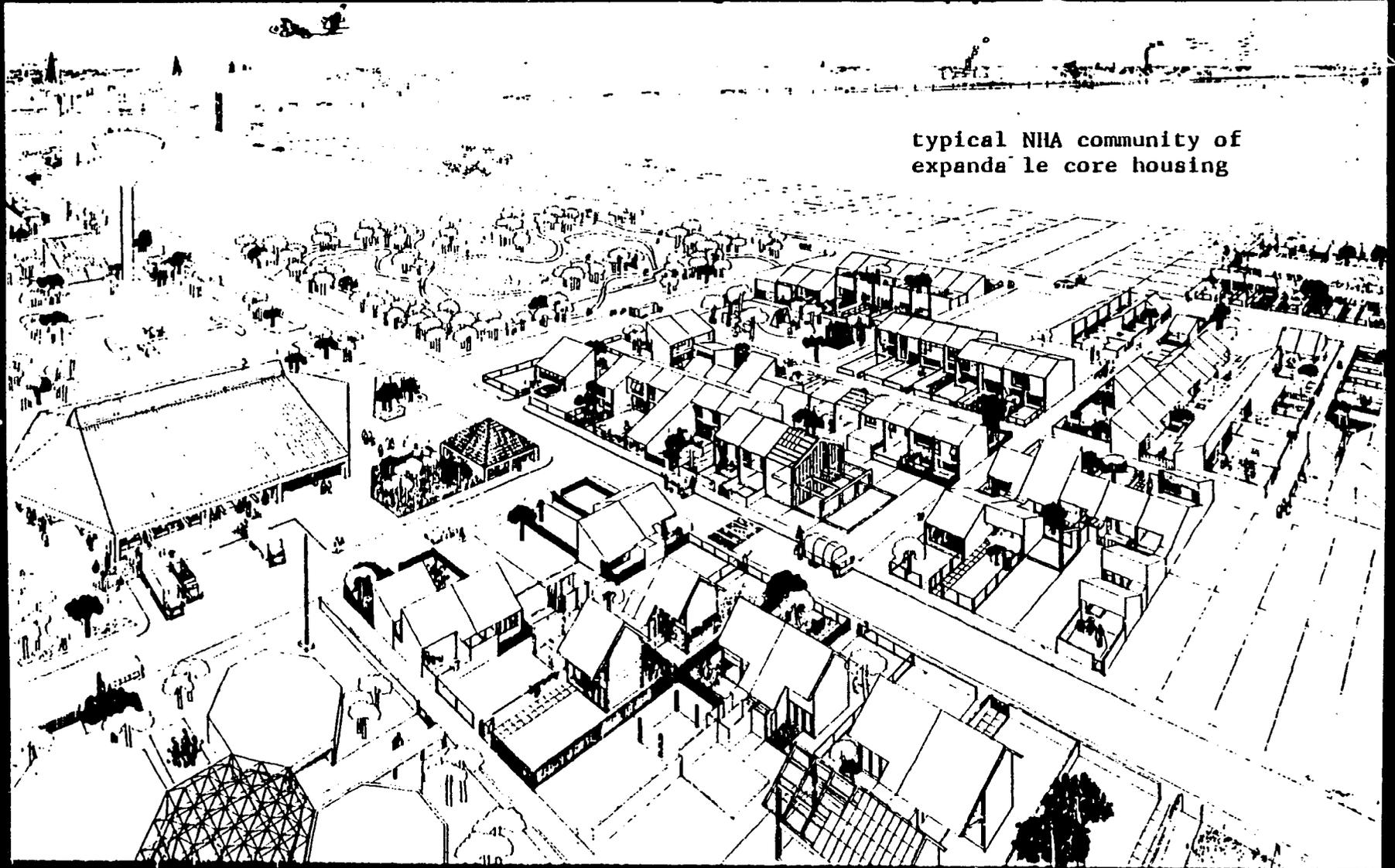
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John H. Sullivan  
Assistant Administrator  
Bureau for Asia

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Date

typical NHA community of  
expanda le core housing



UNITED STATES GOVERNMENT

# Memorandum

TO : DISTRIBUTION

DATE: July 5, 1979

FROM : ASIA/PD/EA, M. K. Sinding *uks*

SUBJECT: THAILAND - Low Income Housing Policy and Program Assistance  
Project Paper (493-0284)

Attached is finalized version of subject document.

Distribution\*

AA/ASIA:JHSullivan/FWSchieck  
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\*DS/H and GC/H as well as USAID/Thailand have received copies.



UNITED STATES GOVERNMENT

# Memorandum

7p

TO : Distribution

DATE: June 11, 1979

FROM : ASIA/PD/EA, M. K. Sinding *MKSinding*

SUBJECT: Project Authorized by AA/ASIA  
THAILAND - Housing Policy and Program Assistance (493-0234)  
Guaranty, Authorization

Subject document. was signed by Mr. Frederick W. Schieck on  
June 8, 1979.

Attached is copy of subject document.

Distribution

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GC/H:MKitay	
DS/H:JGrossman	



(List A)

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

ACTION MEMORANDUM FOR THE A/AA/ASIA

4 JUN 1979

FROM: A/ASIA/PD, G. R. Van Raalte

SUBJECT: THAILAND - Housing Policy and Program Assistance (493-0284) -  
Guaranty Authorization

Problem: Your signature is required on the attached Guaranty Authorization (TAB A) to authorize a Housing Guaranty for the Royal Thai Government in the amount of \$15 million for FY 1979.

Discussion: The proposed Housing Guaranty (HG) program consists of up to \$50 million life-of-project financing to support implementation of the low income housing policy and programs of the National Housing Authority (NHA) of the Royal Thai Government (RTG) for fiscal years 1979-84, with an initial authorization of \$15 million for 1979, and subsequent tranches in the amounts of \$15 million and \$20 million to be authorized later based upon a continuing review of NHA housing policies and programs.

The proposed HG for Thailand was approved by the Asia Project Advisory Committee (APAC) on March 16, 1979. Minor revisions in the draft authorization and Project Paper (PP) (TAB B) were made by AID/W at the request of the APAC and were forwarded to USAID/Thailand for review. USAID notified AID/W of its concurrence with the revisions on May 29, 1979.

In addition to the HG, centrally-funded resident technical assistance will be provided to the NHA for two years in order to assist the NHA to design and implement the integrated regional cities' projects as well as short-term consultants to assist in policy and program planning. Resident and short-term technical assistance, at an estimated cost of \$250,000, will be funded from the resources of A.I.D.'s Integrated Improvement Program for the Urban Poor (IIPUP), a centrally funded grant. Short term consultants in housing policy will be funded from HG fee income.

The project has been examined for its overall soundness, including technical, financial, economic, social, environmental and institutional soundness. Accordingly, the project is ready for your approval.

Recommendation: (1) That you approve the PP and approve in principle a \$50 million life-of-project guaranty, it being understood that separate guaranty authorizations in the amounts of \$15 and \$20 million will be presented for your signature in future years under cover of an Action Memorandum indicating progress on the project; and, (2) That you authorize a guaranty of up to \$15 million in FY 1979 by signing the attached Project Authorization.

Attachments:

- (A) Guaranty Authorization
- (B) Project Paper

Clearance:

PHalligan, ASIA/DP BH 6-5-79

RTaylor, ASIA/PT RT 6-5-79

HEMorris, GC/ASIA HEM 6-6-79

DMcVoy, DS/H \_\_\_\_\_

MKitay, GC/H \_\_\_\_\_

MMPehl, ASIA/PD \_\_\_\_\_

MKSinding, ASIA/PD MKSinding

**DEPARTMENT OF STATE**  
**AGENCY FOR INTERNATIONAL DEVELOPMENT**  
WASHINGTON, D. C. 20523

ASSISTANT  
ADMINISTRATOR

GUARANTY AUTHORIZATION

PROJECT 493-HG-003

Provided From: Housing Guaranty Authority

For : Kingdom of Thailand

Pursuant to the authority vested in the Assistant Administrator, Bureau for Asia by the Foreign Assistance Act of 1961, as amended (FAA), and the delegation of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FAA of not to exceed fifteen million dollars (\$15,000,000) in face amount, assuring against losses (of not to exceed one hundred percent (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing projects in the Kingdom of Thailand (Borrower). This guaranty will assist in financing the low income housing program of the National Housing Authority of Thailand (NHA). This is part of an intended multi-year housing guaranty program involving \$50 million (the Program) with remaining amounts subject to subsequent authorization by A.I.D. and the mutual agreement of the parties. The sub-projects receiving the guaranteed loans will emphasize slum upgrading and core housing solutions, affordable by below median income families.

This guaranty shall be subject to the following terms and conditions:

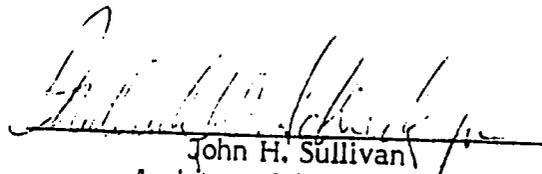
1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement and may include a grace period of up to ten years on repayment of principal. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.
2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans made in the long term U.S. capital markets.

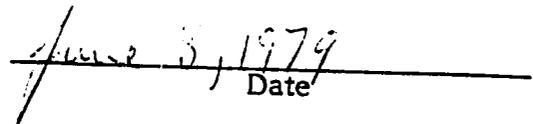
3. Kingdom of Thailand Guaranty: The Kingdom of Thailand shall provide for a full faith and credit guaranty to indemnify A.I.D. against all losses arising by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.
4. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount of \$150,000 to be paid as A.I.D. may determine upon disbursement of the loans.
5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

The Implementation Agreement shall contain covenants and/or conditions precedent to disbursement which in effect require:

1. Eligibility of Beneficiaries: Prior to the first disbursement, the Borrower shall present for A.I.D. review and approval, the procedures to be used by the NHA to assure that beneficiaries meet the below median income test. New sub-projects or parts of new sub-projects for which the loans are to be used must be affordable by households with incomes below the median urban income. Adjustments to this target median income level will be reviewed periodically.
2. Construction Standards: Prior to disbursement for any sub-project, the Borrower shall present for A.I.D. review and approval the sub-project plans for: environmental and social soundness, technical soundness, and financial soundness. The plans shall be reviewed to assure, among other things, that all core house units are designed to support such additions as may be expected to be built in accordance with local custom and practice.
3. Other Donors: The Borrower shall use its best efforts to secure the additional assistance for the housing sector that is identified in the Project Paper (PP) and work in a collaborative style with the other donors. In any event, procedures shall be adopted to assure that the amount of housing actually completed is commensurate with the level of the Housing Guaranty (HG) support.
4. Regional Cities Program: The Borrower will agree to maximize the use of Program for shelter in the regional cities with special emphasis on cities in the North and Northeast. In any event not less than twenty percent (20%) of the total program shall be for the regional cities. Progress in meeting this goal will be reviewed with each successive guaranty request under the Program.

5. Evaluation: Evaluation of progress in meeting the outputs envisioned for the Program as outlined in the Logical Framework will take place on a regular basis. The Borrower will be expected to submit periodic Progress Reports which shall include projects being implemented as well as annual submission on program, policy and new project development under consideration for HG financing. Evaluation will be carried out as outlined in the Evaluation and Monitoring Guidelines of the A.I.D. Office of Housing dated November 1978, as amended. In addition, baseline data will be established prior to project implementation to enable on-going measurement of program impact on beneficiaries.
6. Housing Finance System: Prior to the Borrower requesting a second HG authorization, there will be studies underway with respect to a comprehensive housing finance system for Thailand and prior to the Borrower requesting a third authorization, there will be evidence of progress, satisfactory to A.I.D., in the development of a suitable housing finance system.
7. Areas Selected: Areas selected for slum upgrading must be predominantly low income. Areas currently included in the NHA's list of 108 priority projects meet this criteria. Incomes in other areas to be included shall be reviewed by A.I.D. prior to their inclusion.
8. Cost Recovery: Land and core house construction costs shall be charged to the beneficiaries in order to assure cost recovery to the fullest extent. Public costs of on-site infrastructure to the extent not recoverable through user charges shall be minimized and shall be the subject of A.I.D. reviews under paragraph 2 above.
9. Maximum Cost Per Unit: Maximum cost levels for units financed under the Program in whole or in part will be established in the Implementation Agreement and reviewed periodically.
10. Other Terms and Conditions: The Implementation Agreement shall be subject to such other terms and conditions as A.I.D. may deem necessary.

  
John H. Sullivan  
Assistant Administrator  
Bureau for Asia

  
Date

Clearances:

GC/ASIA:HMorris Hm Date 6/6/79  
ASIA/PD:DBrennan \_\_\_\_\_ Date \_\_\_\_\_  
ASIA/PT:RTaylor RT Date 6-6-79  
ASIA/DP:RHalligan RH Date 6/5/79  
DS/H:DMcVoy DM Date 5/8/79  
FM/LD:ASmith \_\_\_\_\_ Date \_\_\_\_\_

*mkj*

*[Signature]*

GC/H:MGKITAY/DS/H:JGROSSI ~~\_\_\_\_\_~~ NN:prj:05/08/79