

CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE  Low Income Housing Guaranty Program	2. PROJECT NUMBER 527-HG-009(I)	3. RHUDO/AID/W OFFICE USAID/Perú
	4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) <u>527-HG-009(I)</u> ; FY-80	
<input checked="" type="checkbox"/> REGULAR EVALUATION		<input type="checkbox"/> SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. IA Signed FY <u>77</u>	A. Total \$ <u>15,000,000</u>	From (month/yr.) <u>April, 1979</u>
B. Final Disbursement Expected FY <u>80</u>	B. HE \$ <u>15,000,000</u>	To (month/yr.) <u>June, 1980</u>
C. Final Input Delivery FY <u>80</u>	C. DL \$ _____	Date of Evaluation Review <u>June, 1980</u>
	D. DG \$ _____	
	E. OPG \$ _____	
	F. IIPUP \$ _____	

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR		
A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Adequate methodology and procedures for median income calculation and qualification of beneficiaries.	Vitale/Sorock GC/H	June 30, 1980
2. More rapid recuperations and information on delinquencies.	BVP-Admin.de Créditos	September 30, 1980
3. Time beyond which BVP can no longer charge construction interest and commissions (for future HGs) on AID projects.	Vitale/GC/H	527-HG-010 IA September, 1980
4. Shortening of project approval process within BVP.	BVP	
5. Establishment of an inter-agency committee for project implementation.	BVP	527-HG-011 Project Paper & IA
6. Establishment of an inter-agency committee on construction norms and standards to see where costs can be lowered.	BVP	527-HG-010, IA September, 1980
7. High level program coordination for AID programs within the BVP.	BVP	
8. BVP to establish a Promotion and Development Department.	BVP	527-HG-011 Project Paper & IA
9. BVP to strengthen and expand its evaluation capability.	BVP	
10. Mechanism for sharing information and experiences on low cost shelter.	DS/H	July, 1980

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT
Draft	A. <input type="checkbox"/> Continue Project Without Change
<input checked="" type="checkbox"/> Project Paper 527-HG-011	B. <input type="checkbox"/> Change Project Design and/or
<input type="checkbox"/> Project Delivery Plan	<input checked="" type="checkbox"/> Change Implementation Plan for future projects of a similar nature.
<input type="checkbox"/> Project Planning Tracking Network PPTN	C. <input type="checkbox"/> Discontinue Project
<input type="checkbox"/> Logical Framework	
<input type="checkbox"/> PIO/T	
<input type="checkbox"/> PIO/C	
<input type="checkbox"/> PIO/P	
<input checked="" type="checkbox"/> Other (Specify) <u>Draft Implementation Agreement 527-HG-010</u>	

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)	12. RHUDO/AID/W Office Director Approval
Paul G. Vitale, UDD, USAID/Perú	Signature
Howard R. Kramer, Evaluation Officer, USAID/Perú	Typed Name <u>Leonard Yaeger, Director</u>
	Date USAID/Perú <u>6/13/80</u>

HOUSING GUARANTY

REGULAR EVALUATION

527-HG-009(I)

\$ 15 million

13. Summary and Recommendations

1. A methodology and procedures for applying the median income test for program beneficiaries, mutually satisfactory to AID and the BVP must be established. (Responsibility: AID/BVP)
2. The BVP should furnish information on delinquencies to AID and take appropriate action to ensure that costs are recovered in a timely fashion. (Responsibility: BVP)
3. AID will require the BVP, in future HG programs, to begin recuperating costs (i.e. collecting on the loan) in a timely fashion so as to avoid prolonging the construction phase of the projects and the interest and commission charges associated therewith. (Responsibility: AID).
4. The BVP should review process followed for projects already approved for HG financing and should eliminate unnecessary Bank interventions. (Responsibility: BVP).
5. AID should require the BVP to establish an inter-agency coordinating committee for on-going and future programs to expedite project implementation. (Responsibility: BVP).
6. AID should require the GOP to form an inter-agency committee on construction costs and standards to ensure that the lowest cost appropriate technology is being employed and the need and capacity to purchase services of the target group are being met. (Responsibility: AID/GOP).
7. AID should require the appointment of a high level program coordinator within the BVP to ensure that overall project purposes and institutional objectives are being achieved. (Responsibility: AID/BVP).

AID should require that the BVP create an outreach capability in the form of a Promotion and Development Department to work with community groups interested in obtaining financing for basic infrastructure, core units and home improvement loans. (Responsibility: AID/BVP).

9. BVP should consider institutionalizing evaluation to better determine its performance in meeting program goals. (Responsibility: BVP).

10. AID should establish a mechanism for the systematic sharing of information on low cost shelter programs in the countries in which the HG program is being implemented. (Responsibility: DS/H).

#### 14. Evaluation Methodology

The evaluation of the referenced project was undertaken with the following purposes in mind:

A. Evaluation is part of the program design process, the last regular annual evaluation having been performed in April, 1979.

B. The provision of basic infrastructure (water, sewer and electricity) and home improvement loans begun under this HG are activities which both the GOP and the Mission wish to continue to finance. Since this program is the first tranche in a series of HGs contemplated for those purposes this evaluation sought to clarify project design, measure program progress, improve implementation and assess the viability of the pilot home improvement loan program.

The evaluation is based upon the financial analysis performed by FM/LD, Oscar Fernandez in May, 1980, a socio-cultural study of a sample of program beneficiaries undertaken in May 1980 and personal interviews with key individuals at USAID/Peru, the Banco de la Vivienda del Peru (BVP, the Peruvian National Housing Bank), the major public utility concessionaries and the Foundation for Cooperative Housing. A list of the people who provided information for this evaluation is attached. Personal visits by the evaluator to project sites were also included.

#### 15. External Factors

More than any other single factor, the performance of the Peruvian economy during the project implementation period has been a source of difficulty for program implementation. Although the project paper written in 1976 took into account the poor performance of the economy and factored inflation into cost estimates, the very dire circumstances of the economy's performance as a whole and its implications for project costs and affordability by the target group have necessitated constant cost revisions.

An example of cost increases in the Pueblo Joven, Jose Olaya illustrates this point. The Peruvian Housing Bank (BVP) with Electrolima, the electric utility concessionaire brought electricity connections to 384 families. The individual families wanted the service and were told that they would have to make a down payment for the service and amortize the loan in monthly payments which, in May, 1978, were calculated at S/. 580 (\$2.90). Cost increases of 36% have resulted and the monthly payment as of February, 1980 now S/. 789 (\$3.95).

Tied to the spiralling costs and import policies of the GOP there have been and continue to be shortages of basic materials such as iron, cement and brick. There is a significant amount of illicit trade in these items and they are often withheld from the market in anticipation of price increases. Factories do not routinely produce and suppliers do not routinely stock items such as electric cable for example and each contractor must place a special order for the supply needed. The delays in obtaining the materials result in increased costs, ultimately borne by the beneficiary.

Another important factor which cannot be overlooked is the change in policy and personnel at the BVP. At the time during which this evaluation was undertaken in June, 1980, there was a change in the top management of the BVP and a rotation of all management personnel at the operations level. Furthermore, these changes are merely interim measures since a new government will assume office in Peru on July 28, 1980 and further changes will be made.

One of the issues the new government is expected to address is that of interest rates. The interest rate charged to the beneficiaries of this program has undergone significant upward revision. The project paper anticipated a rate of 12% and the recently approved rate for the home improvement loan program is now 25%. The bulk of the basic infrastructure loans carried a rate of 16.5% and various adjustments have been made during the program's implementation. Although these rates appear to be high, they are well below commercial rates in Peru which have fluctuated around 39%. This, combined with the 80% inflation rate for the economy as a whole, have resulted in negative interest rates. The members of the target group that have received services have received them at a subsidy.

#### 16. Inputs

From the AID perspective the inputs into this program were \$ 15 million in Housing Guaranty funds plus the financing of a resident advisor for the home improvement loan program. Program beneficiaries were required to make a 5% down payment for core units and infrastructure services. No contribution of BVP resources was contemplated.

As of June, 1980, the BVP has received \$ 14,900,000 of the total HG amount. The \$ 100,000 balance is in an escrow account in the United States. The money is expected to be drawn down no later than October 1980, when the implementation phase is expected to end.

Although the BVP did not anticipate putting its own resources into the program, Annex D, Status of Projects as of April 30, 1980, shows that some S/. 1'218,366 (\$6,092) of BVP funds actually financed the water, sewer and electricity connections and core units.

The project paper originally contemplated four consecutive months of technical assistance for the home improvement program to be followed by intermittent assistance during the implementation period; this input was substantially increased. The home improvement loan component, representing \$ 750,000 in HG resources (5% of the total) to be loaned to beneficiaries via the savings and loan system of Peru, has been very slow in its implementation. The Foundation for Cooperative Housing, through an OPG agreement has provided resident assistance for this program from March, 1978 to the present. The OPG will continue through February 28, 1981 for a total of 36 months.

#### 17. Outputs

Despite what was said earlier about the economic situation in Peru, materials shortages and the changes in personnel at the BVP, the program, in terms of outputs, has exceeded expectations. The original log-frame for the project (see Annex B) was prepared for a \$ 25 million HG. If 60% of that, representing the \$ 15 million first tranche is taken as what the expected outputs would be, the following comparisons can be made:

	<u>Project Paper</u>	<u>Actual Status (4/30/80)</u>
# electrical connections	7,080 costing \$ 285 per connection	7,965 costing \$ 190,50 per connection
# water and sewer connections	7,800 costing \$ 665 per connection	12,792 costing \$ 567 per connection
# core units	1500 at an average cost of \$ 2833	1,666 units at an average cost of \$ 3,168
# home improvement loans	540 loans averaging \$ 1,111 each	53 loans averaging \$ 716 each

All of the above calculations are based upon the utilization of HG resources only and do not contemplate the additional work done with BVP funds. Annex E, attached, compared program expectations at the time of the project paper and implementation agreement with actual program results as of April 30, 1980. In addition, the BVP has destined 60% of the resources for projects outside Lima, a requirement of the program.

The BVP has clearly demonstrated its ability to provide basic infrastructure services to Peru's Pueblo's Jovenes at prices that are affordable by the target group. There had been prior efforts to mount programs of this nature within Peru and, in fact, some of the savings and loan institutions had financed small projects of this nature. However, the first relatively large scale effort was mounted by the BVP with AID financing. A \$ 10 million second tranche for the same kind of projects is currently underway. A further HG authorization for \$ 15 million has been granted for the financing of basic infrastructure with the BVP as the borrower and the savings and loan associations as the implementing institutions.

The area in which the BVP has not implemented the program as expected is that of home improvement loans. This was included in the program as a pilot effort to test the demand for the program and the willingness and ability of both the BVP and the savings and loan system to mount the program. The lack of initial success can be attributed to the following factors:

- The small amount of resources destined to the program
- The degree of effort required to do the necessary feasibility studies and produce program guidelines
- The fact that the program's acceptance was uncertain and its potential unforeseen.

Corrective measures have been taken to ensure the adequate functioning of the home improvement program. The OPG has been extended for a total of 36 months. The BVP has appointed a full time experienced employee to work with the program. A series of complex guidelines adopted in November, 1978 were simplified and reissued in June, 1979. As of June 1980, seven of Peru's seventeen savings and loan associations are participating in the program and all of the funds from the first and second tranches of this HG are committed. The demand for funds by the savings and loan associations exceeds the funds destined for the program and additional monies are being programmed for home improvement loans under future H.G.s.

18. Purpose

The project purpose, stated in the revised log-frame is as follows:

- To assist GOP to finance a minimum level of basic infrastructure and shelter projects in low income areas of Lima and other cities.
- Expand the institutional capacity to carry out shelter and related service programs responsive to needs of low income families.

As the program nears the end of the implementation period for the first tranche 22,423 families have been served by enabling them to obtain water, sewer and electricity connections and basic core housing units. Some 53 families have benefited from the home improvement loans which, at current loan levels have the potential to benefit some 1,047 families. The original log frame for the program envisioned serving 30,000 families with a \$ 25 million HG. For \$ 15 million, or 60% of that amount, some 18,000 families should have been served. Some 4,423 families, above and beyond that amount ( 24% more) have actually been benefited and these totals exclude the home improvement loan program.

The program is governed by provisions of the Foreign Assistance Act which require that the program be designed so as to be affordable by those families whose incomes fall below the urban median for the area to be served. The median income test is being applied in the case of eligibility for core units and home improvement loans. In the cases where basic infrastructure is being provided, Pueblos Jovenes residents both within and outside of Lima are prima facie eligible for credit to obtain these services.

There has been some confusion in establishing and applying the median income guideline. During the program's implementation period it was discovered that the BVP was applying the mean and not the median income test. (The mean income is approximately 30% higher than the median). The statistics gathered by the BVP and other Peruvian institutions, to the extent that they obtain income data, calculate the mean income, not the median. When this error was discovered, the Mission commissioned a study of median income which was done by a private Peruvian market research firm. Its findings are adjusted periodically to incorporate changes based upon inflation (consumer price index) and changes are communicated to the BVP through implementation letters.

A problem with the existing methodology, for example, is that it gives median family income figures without taking into account the number of people in the family. Perhaps "household" is the more appropriate unit to examine since that unit represents those who will actually benefit from any improvements to the shelter and infrastructure. The current methodology does not come to terms with informal sector earnings such as

money earned in domestic service, the income of self-employed persons, the income received from taking in boarders and in-kind contributions. The frequency with which adjustments should be made to account for changes in wages and prices should also be determined.

The above comments are made realizing that both the Mission and the BVP have attempted to come to grips with a difficult problem at a time in Peru's history when economic conditions are extraordinary. There is effective demand for basic infrastructure services in Peru and incomes below the median do allow for the purchase of water, sewer and electric connections and home improvement loans. The cost for example, of obtaining piped water is far lower than that for purchasing water from tank trucks and the hygienic condition is far superior. The program has enabled people who otherwise would not be able to obtain improved shelter to do so. However, both the BVP and AID must address the median income requirement in such a way as to serve the largest number of beneficiaries with incomes below the median as possible. This continues to be a condition contributing to the achievement of project purpose.

The project paper projected a delinquency rate no greater than 7% for all of the loans financed under the HG. There is virtually no information at the present time on delinquencies although BVP, Electrolima, and ESAL were asked if any services had been discontinued because of failure to meet monthly bills. At the level of the BVP, it is too early to tell whether or not payments are delinquent since so few of the projects are in the collection stage. However, a Financial and Management Review performed at the BVP by AID in May, 1980 highlighted some potential problems in the area of recuperating costs. The BVP appears to be somewhat slow in closing out projects - that is, in doing a final accounting of project costs and entering the project in its collections portfolio. This may be because the BVP charges commissions and interest related to construction financing on a monthly basis and the incentive to terminate this phase of the project activity has not existed. These commissions and interest charges have been included in the certificates of eligible costs presented to AID for financing; however, they are ineligible costs. For future programs the Implementation Agreements will contain cutoff dates, beyond which these charges will not be permitted and cannot be passed along to the project beneficiary.

Interagency coordination continues to be a source of some concern although a great deal has been achieved in this regard. The BVP has had to coordinate with the Ministry of Housing, the utility concessionaires (Electroperu, Electrolima, ESAL, ESAR, ESAT), the municipal governments, contractors, and community groups. This has not been an easy task. The technical department of the BVP visits each project, as does a representative from both the Mission's Engineering and Urban Development Divisions. In some instances the review process of the BVP is overly extensive. In the case of an electricity project in a Pueblo Joven, for

example, from the initial project approval by the BVP to the first disbursement of funds to Electrolima takes 207 days under optimum conditions. This is because the BVP's approval is involved at every stage of the public bidding process. Now that some experience has been amassed and procedures are in place, the BVP review could be shortened or eliminated.

This first program has provided an opportunity for BVP to involve various institutions to obtain experience in providing shelter and services to low income families. What is lacking at this time is a way for these institutions to work together in an inter-agency committee to facilitate program implementation. For example, the home improvement program is currently faced with an obstacle concerning the requirements construction permits. These are needed if alterations and modifications are to be made to existing shelter. They can currently be obtained only by those who can show fee simple absolute title to the property they wish to improve but few target beneficiary families can produce such title. Although modifications to the requirement are being sought, an inter-agency coordinating group could be expected to analyze and resolve problems in a more expeditious fashion.

Another issue which would logically be addressed by an inter-agency coordinating group would be that of construction standards. At the present time these are set by the Ministry of Housing and Construction with the participation of the utility concessionaires, the Ministry of Mining and Energy and, in some instances, the municipalities. There has been little evidence of experimentation with new technologies to see where costs can be reduced. For example, underground electric cables are used when these are more expensive to install than above-ground wires, and individual water/sewer connections have been made without considering innovative cost reduction mechanism such as communal septic systems.

Both the Ministry of Housing and Electrolima claims to have begun a discussion of norms and standards with an eye to cutting costs and this effort should be encouraged and expanded to all of the implementing agencies.

The processing of documents and the quality of documentation required for AID approval has been reduced in the course of implementing this program. Progress has been made in this area yet there is definitely room for improvement. The BVP approval process is lengthy and, as inflation takes its toll the projects require more and more expenditures. The BVP calculates a 5% increase per month in construction costs, which over the life of most projects, represents a substantial increase for the project beneficiary.

Coordination within the BVP itself could be improved. The technical, financial and recovery divisions of the institution sometimes seem to be operating in isolation from one another. At the operating level, those who are charged with facilitating the processing of projects through the BVP, review process lack the authority to make the decisions

needed to accept or reject projects or ask for modifications. A high level coordinator for the HG loans within the BVP is missing and responsibilities are fragmented among a series of divisions and departments whose scope is limited to their particular operational function. The appointment of such a high level coordinator, possibly a new position of assistant general manager, would go a long way to resolving implementation difficulties.

#### 19. Goal/Subgoal

The goal of the project, to improve the quality of life for lower income families in Pueblos Jovenes and other economically marginal communities, remains valid. Other sections of this report have demonstrated that the outputs and the number of beneficiaries served have exceeded the expectations of the designers of the program. The program has demonstrated that low income families can be served at prices affordable by them and which enable costs to be recovered. This important demonstration has served to convince the GOP that programs of a similar nature are viable and should be undertaken. Furthermore, as Peru's economic performance improves and inflation is reduced, interest rates are expected to become positive and concomitantly the need for subsidized interest rates is reduced.

#### 20. Beneficiaries

The beneficiaries surveyed consider themselves to have received important benefits as a result of this HG program. When questioned they mentioned that the provision of electricity enabled them to improve their economic position by installing small repair shops in their homes. They also mentioned the improved source of light so that they could read, study, acquire a television or radio, sewing machine and other small domestic appliances.

Those who acquired water mentioned the fact that they no longer had to depend upon sporadic deliveries of expensive and polluted water from tank trucks. They also mentioned that domestic chores could be performed more easily and efficiently than before.

Residents of Pueblos Jovenes take great pride in their living space and recognize the value of the assets they have acquired. In the case of the core housing units, people tend to occupy their new homes and expand their structures as their budgets permit. Many core units now have second floors and additional rooms. What began as a 30 m<sup>2</sup> core unit is now a sizeable dwelling.

The beneficiaries interviewed had uniform complaints concerning cost escalations and time lags in program implementation. The beneficiary

of basic infrastructure services, for example, is given three different and successively higher costs for the services he or she will purchase. One estimate is made when the project is first conceived, another when the BVP approval is obtained and a third when the actual accounting is done once the work is completed.

There are no known incidents of discontinuance of services for non-payment of bills but at least 20% of the beneficiaries surveyed said they were behind in their monthly payments. Nevertheless, 75% of those interviewed said they would recommend the program to others and placed a high value on the services they are receiving.

One real lack in program implementation has been GOP facilitating beneficiary participation in the programming process. When the program was designed it was expected that the GOP's community development group, SINAMOS, would provide the technical assistance necessary to community groups to enable them to participate in the planning, design and implementation of their own projects. In 1978 the GOP abolished SINAMOS and transferred its functions to the Ministry of Housing and Construction. This understaffed, over-worked Ministry has not been able to perform the technical assistance role once assumed by SINAMOS.

The gap to be filled is of importance and the BVP is the logical institution to fill it. A more dynamic, promotional, service-oriented role for the BVP is absolutely indispensable. Up to the present time, the BVP has not developed projects but has responded to requests for financing. This it has done quite well. However, the low income beneficiary has needs not contemplated by the BVP's traditional programs. The low income family adopts an incremental approach to the acquisition and improvement of shelter and basic services. This family's relationship with project developers and lending institutions continues over a longer period of time than that of more affluent Peruvians. The institutions then, must respond adequately to the beneficiary's need. BVP is aware of this problem and is in the process of reorganization. It is to establish a promotional unit that will work directly with participating communities during project design, implementation and follow up activities.

#### 21. Unplanned Effects

The project has exceeded the expectations of its designers and has demonstrated its viability to the BVP. It has enabled basic services, core units and home improvement loans to reach people whose incomes fall below the urban median at a time when Peru's economy is undergoing severe readjustments. It represents a transfer of resources to the housing sector at a time when the construction industry is operating below capacity. More important, it is a program that will be replicated by the BVP using both internal and external sources of financing.

## 22. Lessons Learned

The lessons learned in this program are being applied to successive HGs for Peru. For example, the Implementation Agreement for 527-HG-010 will address the problem of slowness in recuperation of funds by requiring that interest and commissions charged during the construction phase be terminated after a certain agreed upon point in time. There will be a procedure established to determine median family income which more accurately reflects the family's capacity to pay for the services purchased. An inter-agency coordinating mechanism to facilitate project implementation will be set up. The BVP will be required to restructure its internal organization so that coordination of activities will be assured. The BVP will also be required to establish an outreach capability so that it can assist community groups in developing projects to improve their shelter and quality of life.

The Peruvian officials are very eager for information on the approaches taken to low cost shelter programs in other developing countries. They have no knowledge of what these experiences have been but they could definitely benefit from a sharing of ideas. The mechanism for such information sharing could be newsletters, seminars, conferences, etc. It was felt that AID should take the lead in this area.

With regard to evaluation specifically, the BVP does not now have a unit charged with an evaluation responsibility. For the future, the BVP should be encouraged to evaluate its various programs' performance on a regular basis.

For additional lessons learned please refer to # 13, summary.

## 23. Special Comments or Remarks

The Annexes to this evaluation which amplify and clarify the text are as follows:

- Annex A: Program Description
- Annex B: Project Paper Log Frame (May, 1976) Prepared for a \$ 25 million HG.
- Annex C: USAID/BVF revised Log Frame (April 30, 1980)
- Annex D: Status of Projects (April 30, 1980)
- Annex E: Program Expectations, Some Comparisons.
- Annex F: Persons Contributing to Evaluation Effort.

PROGRAM DESCRIPTION

Housing Guaranty

527-HG-009(I)

June 10, 1980

I. Basic Information

- a. Borrower : Housing Bank of Perú (BVP)
- b. Guarantor : GOP (Ministry of Economy and Finance)
- c. Lender : Federal Home Loan Bank of New York
- d. Loan Amount : \$15,000,000
- e. Terms : 8.35%, 30 years
- f. Executing Agency : BVP with contracts with Ministry of Housing Construction (DGOS), ESAL, ESAR, ESAT, ElectroLima, ElectroPeru, and private developers.
- g. Brief Project Description : To assist the GOP in the financing of up-grading programs in the Pueblos Jóvenes of Perú. The following three sub-programs constitute integral parts of the Program: (1) Provision of water, sewer and electrical services (60% or \$9.0 million); (2) Basic shelter units (35% of \$5,250,000); and (3) Home Improvement Loans (5% or \$750,000)  
  
40% of the program to be invested in the Pueblos Jóvenes of Lima with the remainder for the other urban centers of Perú.
- h. Date of Authorization : September 30, 1976
- i. Date of Authorization Amendment : October 1, 1976
- j. Date of Contract : April 11, 1977
- k. Date of Contract Amendment: February 26, 1979
- l. Number of Implementation Letters: 13
- m. Current Terminal Date : December 31, 1980

n. Disbursement Progress

1. HG funds disbursed to date : \$14,900,000
2. Final Liquidation of Project : October, 1980

LOGICAL FRAMEWORK

Date of Project: \_\_\_\_\_  
 From FY \_\_\_\_\_ to FY \_\_\_\_\_  
 Total U.S. Funding: \_\_\_\_\_  
 Date Prepared: \_\_\_\_\_

Project Title & Number: Housing Guaranty 537-BQ-09

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Improve the living conditions and environment for lower income families in Poblitos Jovencos and other economically marginal communities.</p>	<p>Measures of Goal Achievement:</p> <p>Ongoing GOP attention to the shelter needs of its low income citizens.</p> <p>Ratio of population achieving basic shelter standards continues to improve.</p> <p>Increased financing available for low income families and less reliance on external sources of funding.</p> <p>Delivery systems pre available in communities not previously served and improved elsewhere.</p>	<p>Comparison with base line data.</p> <p>Policy statement of GOP.</p> <p>Annual shelter goals established and met.</p> <p>Census data, independent sampling.</p> <p>Financial records of BVP, MOHC, SCL, BCH, etc.</p> <p>On-site inspection.</p>	<p>Assumptions for achieving goal targets:</p> <p>-Continued GOP priority will be given to the needs of urban poor.</p> <p>-Alternate sources of financing exist and can be tapped.</p> <p>-Effective market for programs will not be eroded by inflation or other economic considerations.</p>
<p>Project Purpose:</p> <ol style="list-style-type: none"> <li>Demonstrate that lower income family needs for shelter and related services can be met with market rate financing.</li> <li>Expand the institutional capacity to carry out shelter and related service programs, responsive to needs of lower income families.</li> </ol>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ul style="list-style-type: none"> <li>-30,000 families living in new settlements or benefiting from improved conditions in existing communities.</li> <li>-Lowest possible percentile grouping below median, being served..</li> <li>-Loan delinquency rates are no greater than seven percent.</li> <li>-Improvement in interagency coordination</li> <li>-Technical documents improved and projects processed more rapidly.</li> </ul>	<p>Joint USAID/GOP progress evaluations.</p> <p>Major USAID/GOP evaluation after second year.</p> <p>On-site inspection.</p> <p>BVP, MOHC, USAID records.</p> <p>SCL's, BCH, etc. actively interested in financing low income development projects.</p>	<p>Assumptions for achieving purpose:</p> <ul style="list-style-type: none"> <li>-People will be willing to pay for improved services, etc.</li> <li>-Agencies have incentives to continue and expand their operations.</li> <li>-Financial institutions will have economic, social and political incentives to serve low income population.</li> </ul>
<p>Outputs:</p> <ol style="list-style-type: none"> <li>Infrastructural Services             <ol style="list-style-type: none"> <li>Electrical connections</li> <li>Water hook ups</li> <li>Sewer connections</li> </ol> </li> <li>Serviced lots w/o shelter</li> <li>Home Improvement Loans</li> </ol>	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> <li> <ol style="list-style-type: none"> <li>11,000 loans averaging \$285</li> <li>13,000 loans averaging \$240</li> <li>13,000 loans averaging \$425</li> </ol> </li> <li>2,900 loans averaging \$2,832</li> <li>900 loans averaging \$1,111</li> </ol>	<p>Monthly reports.</p> <p>Six month and second year evaluations.</p> <p>On-site inspections.</p> <p>Project monitoring by USAID.</p> <p>BVP, MOHC records.</p>	<p>Assumptions for achieving outputs:</p> <ul style="list-style-type: none"> <li>-Economic conditions are such that target group continues to be able to afford options offered.</li> <li>-Construction materials are available and construction industry is capable of carrying out its role.</li> <li>-Program will be adequately publicize and people want service and are willing to pay for it.</li> </ul>
<p>Inputs:</p> <ol style="list-style-type: none"> <li>AID             <ol style="list-style-type: none"> <li>Housing Guaranty Loan</li> <li>Technical Assistance</li> </ol> </li> <li>Local In-kind Contributions</li> <li>Others</li> </ol>	<p>Implementation Target (Type and Quantity)</p> <ol style="list-style-type: none"> <li> <ol style="list-style-type: none"> <li>\$25,000,000</li> <li>Home Improvement Program Advisor</li> </ol> </li> <li>Admin. &amp; tech. staffs (MO funded)</li> <li>Office space and equipment</li> <li>Donated land</li> <li>F.J. remedialization</li> <li>GOP guaranty</li> <li>Down payments by participants</li> </ol>	<p>SER/N records</p> <p>USAID, BVP, MOHC, etc. records.</p>	<p>Assumptions for providing inputs:</p> <ul style="list-style-type: none"> <li>-U.S. Investor available.</li> <li>-Suitable land available for urban development.</li> <li>-SINAMOS can replace F.J.'s on a timely basis.</li> <li>-Recipients have sufficient funds to make downpayments.</li> <li>-Additional personnel can be hired, as needed.</li> </ul>

PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY 76 to FY 80  
Total U.S. Funding \$ 15.0  
Date Revised 5/8/80

Project Title & Number: Housing Guaranty 527-IIG-009 (1)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Improve the quality of life for lower income families in Pueblos Jovenes and other economically marginal communities.</p>	<p>Measures of Goal Achievement:</p> <p>Increase in number of low income urban dwellers who have water, sewerage and electricity and basic core units as well as access to credit for home improvement loans.</p>	<p>Annual shelter goals established and met.</p> <p>Financial records of BVP, MOHC, S &amp; L's, Electrolima, ElectroPeru, ESAL, ESAR, DGOS, etc.</p> <p>On-site inspection.</p>	<p>Assumptions for achieving goal targets:</p> <ul style="list-style-type: none"> <li>- Continued GOP priority will be given to the needs of urban poor.</li> <li>- Alternate sources of financing exist and can be tapped.</li> <li>- Effective market for programs will not be eroded by inflation or other economic considerations.</li> </ul>
<p>Project Purpose:</p> <ol style="list-style-type: none"> <li>1. To assist GOP to finance a minimum level of basic infrastructure and shelter projects in low income areas of Lima and other cities.</li> <li>2. Expand the institutional capacity to carry out shelter and related service programs responsive to needs of lower income families.</li> </ol>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ul style="list-style-type: none"> <li>- 22,423 families are benefitting from improved conditions in existing communities.</li> <li>- Lowest possible percentile grouping below medians being served.</li> <li>- Loan delinquency rates are no greater than seven percent.</li> <li>- Improvement in interagency coordination.</li> <li>- Technical documents improved and projects processed more rapidly.</li> </ul>	<p>Joint USAID/GOP progress evaluations</p> <p>Major USAID/GOP evaluation after second year.</p> <p>On-site inspection.</p> <p>BVP, MOHC, USAID records to compare performance (# loans, institutions)</p> <p>S &amp; L's, BCH, etc. actively interested in financing low income development projects.</p>	<p>Assumptions for achieving purposes:</p> <ul style="list-style-type: none"> <li>- People will be willing to pay for improved services, etc.</li> <li>- Agencies have incentives to continue and expand their operations.</li> <li>- Financial institutions will have economic, social and political incentives to serve low income population.</li> </ul>
<p>Outputs:</p> <ol style="list-style-type: none"> <li>1. Infrastructural Services             <ol style="list-style-type: none"> <li>a. Electrical connections!</li> <li>b. Water connections.</li> <li>c. Sewer connections.</li> </ol> </li> <li>2. Low cost shelter including sites and services.</li> <li>3. Home Improvement Loans.</li> </ol>	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> <li>1. Infrastructure             <ol style="list-style-type: none"> <li>a. 7,965 loans for electricity averaging S/.38,110 (\$190.50)</li> <li>12,792 loans for water and sewerage averaging S/.113,382 (\$567.00)</li> </ol> </li> <li>2. Core Units             <ol style="list-style-type: none"> <li>1,666 loans averaging S/633.630 (\$3,168)</li> </ol> </li> <li>3. Home Improvements Loans             <ol style="list-style-type: none"> <li>Loans average S/143.165 at the writing of this evaluation in June, 1980. 53 families have received credit.</li> </ol> </li> </ol>	<p>Monthly Reports</p> <p>Six month and second year evaluations.</p> <p>On-site inspections.</p> <p>Project monitoring by USAID</p> <p>BVP, MOHC records.</p>	<p>Assumptions for achieving outputs:</p> <ul style="list-style-type: none"> <li>- Economic conditions are such that target group continues to be able to afford options offered.</li> <li>- Construction materials are available and construction industry is capable of carrying out its work.</li> <li>- Program will be adequately publicize and people want service and are willing to pay for it.</li> </ul>
<p>Inputs:</p> <ol style="list-style-type: none"> <li>1. AID             <ol style="list-style-type: none"> <li>a. Housing Guaranty Loan</li> <li>b. Technical Assistance</li> </ol> </li> <li>2. Local In-Kind Contributions</li> <li>3. Others</li> </ol>	<p>Implementation Strategy:</p> <ol style="list-style-type: none"> <li>1. AID             <ol style="list-style-type: none"> <li>a. US\$ 15,000,000</li> <li>b. Home Improvements Program Advisor plus other Mission Administrative and technical support.</li> </ol> </li> <li>2. GOP             <ol style="list-style-type: none"> <li>c. Admin. &amp; Tech. staffs (IIG funds)</li> <li>B. Office space and equipment</li> <li>c. GOP guaranty</li> <li>d. Exchange Risk</li> <li>e. Subsidy to sector</li> </ol> </li> <li>3. Down payments by participants</li> </ol>	<p>USAID, BVP, MOHC, etc. records.</p>	<p>Assumptions for providing inputs:</p> <ul style="list-style-type: none"> <li>- U.S. Investor available</li> <li>- Suitable land available for urban development.</li> <li>- MOHC can replen P.J.'s funds to make down payments.</li> <li>- Additional personnel can be hired as needed.</li> </ul>

STATUS OF PROJECTS AS OF APRIL 30, 1980  
Housing Guaranty 527-HG-009(I): \$15 million  
(in millions soles)

I. Sub-Program I: Basic Infrastructure ServicesA. Water and Sewerage

<u>Project</u>	<u>Location</u>	<u>Number of Connections</u>	<u>Total Value</u>	<u>AID Financing</u>	<u>Amount Disbursed</u>	<u>Percent Disbursed (AID share)</u>
<u>Lima</u>						
1. Sangarara	Comas (Lima)	1,760	334'544	139'000	139'000	100%
<u>Outside Lima</u>						
2. Santa Julia	Piura	1,762	222'434	161'296	90'832	56%
3. Alto de la A./S. Martín	Tacna	1,343	112'593	87'593	75'661	86%
4. Parachico-A.B. Leguía	Tacna	646	130'326	123'810	83'200	67%
5. Natividad-J. María	Tacna	1,049	52'173	40'122	36'458	90%
6. Zona "D" Hunter	Arequipa	76	3'427	2'838	2'838	100%
7. Zona "E" Hunter	Arequipa	138	10'694	8'350	5'372	64%
8. Daniel A. Carrión	Arequipa	237	23'821	18'500	16'008	86%
9. Huaranguillo/Pampa C.	Arequipa	578	126'211	59'858	34'904	58%
10. Sachaca	Arequipa	260	19'994	14'145	7'097	50%
11. Pedro P. Díaz	Arequipa	132	11'292	8'597	8'597	100%
12. Vista Alegre/Buenos Aires	La Libertad	1,991	222'161	178'775	130'248	72%
13. La Tinguiña	Ica	2,820	691'959	607'500	607'500	100%
<u>Water and Sewerage Sub-Total</u>		12,792	1'961'629	1'450'384	1'237'715	79%

% Connections in Lima : 14

% Connections outside Lima: 86

% AID Financing in Lima : 9.6

% AID Financing outside Lima: 90.4

**B. Electricity**

<u>Project</u>	<u>Location</u>	<u>Connections</u>	<u>Total Value</u>	<u>AID Financing</u>	<u>Amount Disbursed</u>	<u>Percent Disbursed (AID share)</u>
<u>Lima</u>						
14. El Progreso	Lima	2,732	61'379	48'338	48'338	100%
15. Virgen de Lourdes	Lima	1,188	22'310	19'324	17'871	92%
16. José Olaya	Lima	384	6'107	5'480	5'101	93%
17. 7 de Octubre	Lima	291	6'679	5'532	5'119	92%
18. Santa Luzmila	Lima	2,472	211'522	189'130	181'877	96%
<u>Outside Lima</u>						
19. San Martín (BF)	Piura	328	11'952	10'720	10'720	100%
20. San Martín (AT)	Piura	n.a.	1'183	1'100	0	0%
21. Tupac Amaru/11 de Abril	Piura	570	26'424	25'024	12'932	51%
<b>Electricity Sub-Total</b>		<b>7,965</b>	<b>347'556</b>	<b>304'648</b>	<b>281'958</b>	<b>78% (average)</b>

% Connections in Lima : 89  
 % Connections outside Lima: 11

% AID Financing in Lima : 88  
 % AID Financing outside Lima: 12

**II. Sub-Program II: Core Units**

<u>Lima</u>						
22. Previ-Bocanegra	Lima	720	544'490	410'978	406'423	98%
23. APFL	Lima	296	342'922	310'327	284'937	91%
<u>Outside Lima</u>						
24. El Trupal	Trujillo	150	192'704	115'000	115'000	100%
25. Parcela "C"	Piura	500	639'724	219'322	219'322	100%
<b>Core Units Sub-Total</b>		<b>1,666</b>	<b>1'719'840</b>	<b>1'055'627</b>	<b>1'025'682</b>	<b>97%</b>

% Units in Lima : 61  
 % Units outside Lima: 39

% AID Financing in Lima : 68  
 % AID Financing outside Lima: 32

III. Sub-Program III: Home Improvement Loans

<u>Project</u>	<u>Location</u>	<u>Number of Loans</u>	<u>Total Value</u>	<u>AID Financing</u>	<u>Amount Disbursed</u>	<u>Percent Disbursed (AID share)</u>
<u>Lima</u>						
26. Mutual Metropolitana	Lima	0	56'547	56'547	0	0
27. Mutual Tacna	Tacna	0	26'618	26'618	7'985	30%
28. Mutual Arequipa	Arequipa	0	60'000	60'000	30'000	0
Home Improvement Loans <u>Sub-Total</u>			143'165	143'165	37'985	10% (average)

\* % Loans in Lima : 0                      % AID Financing in Lima : 61%  
 % Loans outside Lima: 100                % AID Financing outside Lima: 39%

\* NOTE: These are allocations of funds based upon requests made as of 4/30/80. Since only 10% of the monies allocated to this activity have been loaned to beneficiaries, the percentages within and outside of Lima are subject to change. An estimated number of 53 loans have been made in Tacna since April 30, 1980.

GRAND TOTAL: # Families Served : 22,423  
 % AID Financing in Lima : 40  
 % AID Financing outside Lima: 60

Some Comparisons Program Expectations  
Housing Guaranty 527-HG-009(I)  
\$15 Million

	<u>Anticipated in Project Paper Log. Frame <u>a/</u></u>	<u>Anticipated in Implementation Agreement for \$15 M</u>	<u>Actual Status As of 4/30/80 for \$15 M</u>
No. of benefici- aries	30,000 for a \$25 M program or 18,000 for a \$15M program <u>b/</u>	16,480	22,423 <u>d/</u>
No. Electrical Connections	11,800 for a \$25M program or 7,080 for a \$15M program at an average cost of \$285 per connection.	6,800 at an average cost of \$300.	7,965 at an average cost of S/.38,110 (\$190.50)
No. Water and Sewer Connec- tions <u>c/</u>	13,000 for a \$25M program or 7,800 for a \$15M program at an average cost of \$665 per connec- tion.	7,370 at an average cost of \$700.	12,792 at an average cost of S/.113,382 (\$567.00)
No. Core Units	2,500 for a \$25M program or 1,500 for a \$15M program at an average cost of \$2,833	1,410 at an average cost of \$3,108.	1,666 at an average cost of S/.1,633,630 (\$3,168).
No. Home Improve- ment Loans	900 for a \$25M program or 540 for a \$15M program at an average of \$1,111.	I.A. does not specify.	53 loans at an average of S/.143,165 (\$716). <u>e/</u>

### Notes

- a/ Project Paper was written for \$25M and divided into two tranches. The first tranche, under consideration here is for \$15M (or 60% of the total \$25 Million).
  
- b/ These were rounded off to 30,000 and 18,000 respectively when the log frame was prepared.
  
- c/ The same families got water and sewer connections which are counted as one service to one family.
  
- d/ This excludes the 53 beneficiaries of the home improvement loan program. If they are added the number of families served becomes 22,476. If 1,047 families benefit from the home improvement loan program then the total number benefitted becomes 23,490.
  
- e/ At this rate the program would serve an estimated 1,047 families. The average exchange rate for these calculations is US.\$1.00 = S/.200.

