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PD-AAI-315

CLASSIFICATION  
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE  Paraguay Housing Guarantee Program			2. PROJECT NUMBER  526 HG 001	3. MISSION/AID/W OFFICE  USAID/Paraguay
5. KEY PROJECT IMPLEMENTATION DATES			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)	
A. First PRO-AG or Equivalent FY <u>77</u>	B. Final Obligation Expected FY <u>79</u>	C. Final Input Delivery FY <u>80</u>	<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
6. ESTIMATED PROJECT FUNDING			7. PERIOD COVERED BY EVALUATION	
A. Total \$ <u>NA</u>			From (month/yr.) <u>June/79</u>	
B. U.S. \$ <u>4000000</u>			To (month/yr.) <u>MAY/1980</u>	
			Date of Evaluation Review	

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
Monitor generation of loans and mortgages in relation to completion of project.	M. Pita	12/80
Monitor connection of water and sewer facilities and services to projects built.	M. Pita	12/80
Approve final disbursement or disbursements from Escrow Account.	M. Pita	9/80

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS			10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT	
<input checked="" type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input checked="" type="checkbox"/> Other (Specify)	A. <input checked="" type="checkbox"/> Continue Project Without Change	
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	Additional Agreements resulted from prior program review	B. <input type="checkbox"/> Change Project Design and/or	
<input checked="" type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C		<input type="checkbox"/> Change Implementation Plan	
<input checked="" type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P		C. <input type="checkbox"/> Discontinue Project	

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)		12. Mission/AID/W Office Director Approval	
(1) Luis Alarcón, Director of Operations, BNA (2) Eligio Tomás Franco, President BNA (3) Bill Oglesby, PO/USAID/Paraguay (4) William Gelman, RHO/PSA (5) Mario Pita, Chief, RHO/PSA		Signature <u>Paul A. Montavon</u>	
		Typed Name Paul A. Montavon, Director	
		Date <u>May 27, 1980</u>	

PROJECT EVALUATION SUMMARY (PES)

526-HG-001

MAY 1980

13. SUMMARY

The project has largely achieved its purpose of assisting BNAP to increase its capabilities in producing low income housing projects and utilizing the S and L system to carry this out through the establishment of institutionalized procedures. Some of the highlights are as follows:

(1) In May of 1971, the Housing Guaranty Review Committee approved using up to \$4 million of HG resources to support the growth of the then planned savings and loan system in Paraguay. In September of that year, AID made a \$100,000 technical assistance loan to the Government of Paraguay (GOP) related to the formation and development of that system. During 1972, AID and the GOP signed a development loan for \$2 million to be used by the newly created National Savings and Loan Bank (BNAP), to purchase mortgages from the new S&L associations.

In September of 1974, in response to BNAP's continued interest in obtaining a HG loan, and at the request of the Mission, a SER/H team went to Paraguay to carry out a Shelter Sector Study. The team recognized the need to continue to support the S&L system and recommended that AID support be used to help assist BNAP to initiate new programs within the system aimed at improving the housing situation for low-income families.

In 1975, a \$4 million housing guarantee (HG) Program was authorized to be channeled through the Banco Nacional de Ahorro y Préstamo (BNAP) after roughly four years of negotiations on the components of the program with Paraguayan officials. The purpose of the loan was to assist the savings and loan system and BNAP to finance and implement the development of new low income housing projects as well as the upgrading of existing units with home improvement loans.

(2) After the authorization of the \$4 million program BNAP went through a period of adjustments with respect to its lending policies which were in support of financing high and middle income housing through the Savings and Loan System. However, in 1977, BNAP made a drastic change in its lending policies and took the lead in promoting low income units using the leverage and resources available to it including the HG program.

(3) BNAP has used the HG program to show private developers and savings associations that housing for low income families can be built and sold at market rate of interest. BNAP has also, opened its operations to the credit unions so they can borrow funds from BNAP for home improvement loans which was an activity the savings and loan were reluctant to undertake.

(4) The lending to credit unions was facilitated by the assistance of a long term advisor under an OPG with the Foundation for Cooperative Housing assigned to BNAP who has assisted BNAP to set up a cooperative department to expand the activities initiated with the HG program.

(5) The program has been used by ENAP to support the expansion of the savings and loan system. Two new associations were promoted by BNAP with the understanding that they will finance and help develop low income housing projects.

(6) The program has served to increase their awareness of the need for greater coordination with infrastructure agencies to allow for the installation of the required services on timely basis.

(7) The program has demonstrated BNAP's commitment to low income shelter and to indicate that such commitment can be used for future HG programs in Paraguay.

(8) The tasks ahead are related to the monitoring of the completion of the program which is expected to take place o/a December, 1980.

#### 14. EVALUATION METHODOLOGY

Pursuant to Section 4.08 of the Implementation Agreement, the parties agreed to an evaluation program which would evaluate progress toward the attainment of goals and evaluate the overall development impact of the program among other things. The PES evaluation is particularly relevant at this time since a new program is being discussed with BNAP and the results of the evaluation may be incorporated into future program design.

While this may be the first broad-scale evaluation effort, the program has been subject to a series of field inspections and program reviews in Paraguay which have provided a framework of data on which this PES is based. Among the reviews and inspections were periodic visits by regional housing office professionals and consultants from the National Savings and Loan League (NSLL).

The most recent visit was made by a NSLL analyst who carried out a management and financial review of the program during the end of April, 1980. Their reports, documentation submitted by BNAP and interviews with USAID/Paraguay and BNAP staff served as the basis for this PES.

#### 15. EXTERNAL FACTORS

Rapidly rising construction material costs affected the estimated outputs which were reduced from 1125 to 960 shelter solutions financed with HG resources.

The lack of interest on the part of the associations in the home improvements component required that inputs be reallocated with the amount of Sub-Program I being increased from US\$2.75 million to \$3.25 million and Sub-Program II being decreased from \$.75 million to \$.25 million. The associations sought to reduce their administrative costs by developing larger projects and larger individual mortgages. Sub-Program II was a problem specifically because it was difficult to market the lot improvement program.

Program implementation was slowed after an area in Asuncion where small brick production plants are concentrated was devastated by flooding. This brought construction to a halt for several months since bricks from those plants were a key input. This affected the disbursement schedule.

Finally, the infrastructure agencies, because of budget limitations and lack of proper planning, failed to deliver the required infrastructure on timely basis. In a number of cases, even though units were completed, they were not connected to necessary infrastructure which had the effect of delaying the delivery of units and the generation of mortgages which, in effect, affected the disbursement schedule.

16. INPUTS

The program inputs involved a Housing Guarantee Program of \$4 million, 10 percent downpayments from homeowners and technical assistance. All inputs were delivered in a timely fashion. While the level of the HG remained constant, the allocation of funds changed as indicated below.

<u>Sub-Program</u>	<u>Description</u>	<u>Original Amount in \$000</u>	<u>Revised Amount in \$000</u>
I	Low Cost Housing	2750	3250
II	Low Cost Houses on Individual Lots	750	250
III	Home Improvement Loans	<u>500</u>	<u>500</u>
		4000	4000

The inputs for Sub-Program I were increased to cover the rising cost of construction and still meet the demand for 625 units in urbanizations located in suburban Asuncion and secondary cities. The funds for the increase were drawn from Sub-Program II where demand for such loans was weakest.

The \$4 million HG resources were scheduled for disbursement based on the assumption that BNAP will have to undertake the financial and development role (including the marketing of the units) with the associations acting as administrators of the completed project. The purpose was to show the savings associations that if BNAP was able to produce and market low income housing, the associations could also undertake such task.

Technical Assistance was not a component of the original design of the program. However, BNAP demonstrated its interest in securing long term technical assistance to better deal with low income groups including cooperative groups. This long term TA, through an OPG with the Foundation for Cooperative Housing, has served to expedite the implementation of Sub-Programs II and III and to assist BNAP in developing a cooperative department, in conducting a shelter sector assessment and in better understanding the marginal sector.

As of this writing BNAP has received all but \$550,000 of the \$4 million HG loan. It is expected that BNAP should complete all the sub-programs o/a December 1980.

17. OUTPUTS

The outputs of the program included: (a) the assignment of a management staff by BNAP and the S and Ls to implement the program, (b) new standards for

credit reviews of low income families, and (c) the production of shelter for low income families.

(a) Shelter Loans

The production targets and their estimated achievement are as follows:

<u>Sub-Program</u>	<u>Units Financed Imp. Agreement</u>	<u>Units Financed Prelim. Est.</u>
I	625	660
II	250	80
III	<u>250</u>	<u>220</u>
	1125	960

As explained in Section 15, rising construction costs reduced the number of new units and loans that could be made with the amount of HG resources.

It is important to note that while 660 units under Sub-Program I are to be built with HG resources, a total of 828 low income units actually will be built by the associations with 168 financed exclusively by S and Ls. If these units were taken into consideration, overall Implementation Agreement Program targets of 1125 units would be met. Sub-Program II targets, however, were not achieved because of problems with the S and Ls, lack of promotion, and difficulty in marketing.

(b) Financial and Administrative Procedures

1. Financial Procedures

New procedures have been adopted which have opened up the opportunity for low income families to obtain credit for home improvements and new housing through BNAP and the S and Ls. Three key changes in procedures were the following: (1) closing costs were eliminated; (2) downpayments were reduced from 20 to 10 percent and (3) year end monetary readjustments to mortgage balances were reduced to half the level charged by the system to its more economically endowed clients.

2. Administrative Procedures

To undertake the development role BNAP was disbursed HG funds, pursuant to the terms of the Implementation Agreement, for \$2.1 million to purchase land, cover administration expenses including the marketing of the units, and to cover the costs of the design of project. BNAP assumed this role because the three established S and Ls preferred to serve the middle income housing market. This approach was changed in view of the difficulties encountered by BNAP to take on full responsibility for the development of the program. BNAP and AID concluded that the best way was to produce the low cost units using the regular procedure set by BNAP to deal with the associations.

However, BNAP undertook an aggressive campaign with two of the newest associations "Hogar Propio" and "Ahorro Paraguayos" to fund developers for the low income projects. They were more willing to serve the low income housing market. BNAP required that some of the projects proposed for financing by the associations included low income units. In this manner, the associations were responsible to deal with the prospective builders, review the credit background of the potential beneficiaries and to sign the mortgages with families meeting the low income criteria.

BNAP using the regular procedures in existence before the HG 001 was authorized, reviewed the proposed projects and issued a commitment to provide resources for construction to the builders (through the associations) with the conversion of such construction financing to long term mortgage financing when the units were completed and the mortgages executed.

The manner in which the HG was converted into Eligible Mortgages described above is related to Sub-Program I (Low Cost Housing). With respect to Sub-Programs II and III the participation of the individual savings and loan associations proved to be impossible to secure. However, the original Implementation Agreement permitted the participation of cooperatives in all the Sub-Programs.

Sub-Programs II and III are essentially now being channeled through credit unions working outside Asuncion. For BNAP the credit unions offered the opportunity to channel resources with minimum administration cost for the institution. The loans are made to the credit unions (nine are now participating) which are responsible, through their existing mechanisms, to control the allocation of resources and the completion of the units and improvements.

BNAP signs a global loan agreement with the cooperatives, provides an advance for initiation of works and the credit unions present to BNAP evidence of the loans completed. The credit unions assume responsibility for the repayment of the loan to BNAP.

(c) Technical and Financial Management Staff

That the program soon will be completed is testimony that the financial and technical capacity of the BNAP and S and Ls have been developed for implementing low income housing projects. Private design and engineering firms were used to help implement the program and a few individual architects and engineers were contracted to supervise day to day implementation on behalf of BNAP. Direct hire BNAP staff supervised the BNAP contract staff. This proved to be an efficient, low cost technique for managing the project.

18. PURPOSE

The purposes of the program were to assist BNAP to adapt its capabilities and resources to producing low income housing projects in suburban Asuncion and secondary cities and establish institutionalized procedures in the S and L system for providing mortgages and loans for such housing in those areas. Both objectives have been achieved with varying degrees of success.

The End of Project Status (EOPS) have not been fully achieved. The HG resources have been fully disbursed. However, only 1125 of the 1950 families identified in the log frame EOPS were reached. The short fall is attributed to the fact that five years lapsed between the PP preparation and final program execution during which time inflation forced loan limits upward thereby reducing the original numerical estimate of solutions to be financed. The last EOPS having to do with domestic financing support for low income housing amounted to 25% rather than 100% of HG financing.

BNAP has cautiously but very effectively adapted to design, finance and implement low income housing projects. Not only has BNAP utilized the S and L system to carry out Sub-Program I, but it was quick to respond to the conditions that precluded carrying out the remaining sub-programs with the S and Ls and sought the support of the cooperative movement. That BNAP is seeking Banco Interamericano de Ahorro y Préstamo (BIAPE) loans in addition to domestic financing for additional low middle income housing and desires new HG resources to develop more creative initiatives in meeting low income housing needs are indications of how BNAP has sharpened its institutional focus of intervention and mobilized its organizational capacity. Moreover, BNAP efforts in sustaining the momentum of the program with the S and Ls while new investment opportunities were becoming rapidly available and keeping housing costs down in the context of sharply rising construction prices were outstanding. Finally, while Paraguayan institutions have produced low income housing in the past, no institution, until this program, has developed the financial practices necessary to avoid government subsidy and/or decapitalization of the institution financing low income housing. This has been an important breakthrough.

The S and Ls have developed the institutional procedures for providing most of the housing under this program but were reluctant to carry out Sub-Programs II and III because the loan levels were small and costly to administer. Moreover, the bigger, more prosperous associations became increasingly disenchanted with low income housing when other markets with greater profit opened up very rapidly in Paraguay. But smaller, newer associations along with the cooperative movement filled this vacuum that developed as Paraguay's economy began to explode. Unfortunately, domestic financing for low income families equal to HG financing has not yet materialized.

#### 19. GOALS

The principal goal of increasing the availability of lower income housing by stimulating the private and public sectors to undertake financing and implementation of shelter projects has been achieved in the sense that the low and middle income housing stock is expanding, annual production rates are increasing and home improvements are being carried out. The BIAPE has been sought out as a source for financing housing which will be developed using the model developed in this program, and RHO/PSA has secured agreement from BNAP to use these for lower income housing. Another important dimension of the program vis-a-vis the goal has been the enlistment of the cooperative movement in the development of Sub-Programs II and III, new units on existing lots and home improvement loans respectively. This event has added to the housing delivery system a vital new factor whose potential has only begun to be explored. While the S and L

system may not play the key, future role in low income shelter delivery in Paraguay, the program opened up a dialogue on low income housing, demonstrated that such a program can be self-sustaining without government subsidy, established a role for the cooperative movement and identified the need for government involvement in urban development and low income housing production.

#### 20. BENEFICIARIES

Records of two S and L institutions were checked on a sample basis and of the 190 mortgages examined all had monthly incomes that ranged from \$185 to \$207 or around the 35th to 40th percentile of the national urban income distribution. In the case of the cooperatives sub-programs, of the first 83 loan recipients, almost all had monthly incomes of around \$190.

#### 21. UNPLANNED EFFECTS

When the program was designed the cooperative movement's role and potential were not fully known. In Paraguay, cooperatives have demonstrated a capacity and interest in facilitating home improvement loans and low income housing throughout the country. The program served to identify an important link in the low income housing delivery system.

#### 22. LESSONS LEARNED

The lessons learned in this program are those learned in other countries; shelter projects and programs are significantly more complicated than building a house. They require a great deal of initial planning and coordination with local governments and infrastructure agencies and must be carried out in the context of broader and long range development considerations.

Another lesson has to do with the potential impact of pilot projects of this nature. Despite the long delays in the initial formulation of the program, it has developed into recognition by the GOP of the need to broaden its role in low income housing delivery. Of course, this realization might not have evolved had it not been for the excellent performance of BNAP.

The final lesson learned concerned the initial inclination of BNAP and AID to circumvent the existing institutional structure by selecting one to assume roles and responsibilities that others had traditionally carried out. BNAP ultimately had to rely on the S and Ls to perform the development function that it was not fully equipped to handle and support them where they could.