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F C H SERVICES, INC

A SUBSIDIARY OF THE FOUNDATION FOR COOPERATIVE HOUSING

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August 16, 1973

Dr. Robert M. Black, Director
ARA/LA/DCD/ Room 3923
Bureau for Latin America
Agency for International Development
Washington, D.C. 20523

BEST AVAILABLE DOCUMENT

Reference: Response to an Evaluation of AID and AID Committed Programs in Puerto Rico
Submitted to the American Technical Assistance Administration by the American Technical Assistance Administration

Dear Dr. Black:

After a careful examination of the reports recently submitted to AID in "Form E" by the American Technical Assistance Administration (ATAA), it is the considered opinion of the Foundation for Cooperative Housing (FCH) that the findings contained therein are, in parts, incomplete and erroneous to such an extent as to present a distorted picture of FCH's role and activities in Latin America under contract with AID. Furthermore, the evaluations and recommendations in certain instances are left unsubstantiated or even tend to contradict the reported findings.

More importantly still, FCH feels quite certain that ATAA's recommendations with respect to FCH in general seem to be based on the findings of the evaluation, but rather, by ATAA's own admission, on a false premise of what is reported by the privately obtained information on the "background" activities of the FCH. Information regarding the FCH's activities is available to the ATAA.

In contrast, the position of FCH and many others is that housing has, if anything, been neglected as a development tool and that its potential is just now beginning to be realized in development circles and among bilateral and multilateral aid donors as the enormous problems of internal migration and urbanization continue to proliferate in the less developed countries.

FCH was somewhat surprised to learn that the ATAC field study teams counted no housing expert or person knowledgeable in the field in their number. Nor did they consult with the appropriate AID officials, the director of the Office of Housing, A/H, and the chief of Housing and Urban Development Office of the Latin America Bureau, LA/HUD, or with FCH upon their return and before distributing their "draft" report.

Over its long association with AID, FCH has with some success prepared a number of evaluative reports whose objectives were not unlike those sought in the ATAC study. However, the methodology employed in all FCH reports is based on three procedural premises which we find lacking to a greater or lesser degree in the ATAC report: objectivity of analysis, expertise in the area of study, and close consultation with AID officers similarly knowledgeable in the field in report preparation.

Consequently, FCH as an institution feels itself constrained to refute many of the statements and conclusions set forth in the ATAC report in order to avoid further misunderstanding of its role vis-a-vis AID and the housing organizations in the developing countries of Latin America, and hopefully to put the record

straight!

As representatives of the Foundation for Cooperative Housing and the International Division of FCH Services, Mr. Dean and Mr. Edmondson and I appreciated the opportunity to participate in a review of the draft report, "Evaluation of AID and AID Contractor Programs in Promoting Cooperatives in Latin America."

We are sorry, however, that the American Technical Assistance Corporation (ATAC), whose task force prepared the draft, did not arrange for any consultations with us during the several weeks since they returned from their in-country study of the work of FCH in Honduras, Colombia, and Panama. Such a consultation would have made it possible to avoid a number of the serious errors which appear in the report and also to clear up some of the evident misunderstandings of the AID-supported FCH program in these countries. Even a telephone call to our Washington office could have eliminated the necessity for us to take such vigorous issue with some of the findings and conclusions stated in the report.

First, may we acknowledge some of the good things about the report.

We appreciate the recognition given to the high quality of the FCH technical assistance and the professional competence of our staff; for example:

The contractor's technical assistance has been of high quality with respect to the organization of TSO's (Technical Service Organizations) in Honduras, Colombia, and Panama and of a savings and loan institution in Honduras. The education program was also very competently conducted.

The report also states that:

Model projects are well conceived and executed. High costs in some instances are less the contractor's fault than the result of delays and complications involved in procedures of AID and other organizations providing financing and other support.

There were several other complimentary references to the work of FCH and particularly to the competence of the staff handling the international program. These are sincerely appreciated.

Understandably then, it comes as a shock for us to read the basic recommendation made by ATAC "that the program be phased out in orderly fashion at least with respect to regional activities and countries surveyed (Colombia, Panama, and Honduras)." This one statement alone discredits the authors' understanding of the FCH/AID program policy. Phasing out of a country program is an established policy. This has already been achieved in Chile and Brazil and is scheduled for September 30, 1971, in Panama, the next country program established to the agreed point of phasing out. The point needs to be made clear, however, that phasing out is not determined by a calendar, but rather by the reaching of a stage whereat the local, national cooperative housing institution is capable of forward progress without counterpart technical assistance. In the case of Panama, as was and still is the case in Chile and Brazil, short term specialized guidance or training is requested of the FCH regional office in Washington.

As to the phasing in of the cooperative movement in countries where no local, non-profit, development-oriented institution

exists, this relates to the place of cooperatives in resolving housing deficiencies discussed later in this reply to the draft report.

The material presented in the draft report does not indicate an in-depth analysis of the overall housing problem in the countries studied, nor does it indicate a clear understanding by ATAC of the contribution made by the FCH/AID-assisted programs. Unfortunately, no member of the ATAC team had a technical background or training in the field of housing, even though one of the major responsibilities of ATAC, it must be presumed, was to provide a professional appraisal of the results of AID/FCH efforts in the housing field. Each cooperative enterprise is a distinct field, and any attempt to lump cooperatives into a single category is a mistake. Some cooperative enterprises involve a relatively simple enterprise undertaking, while others, such as housing, require the combination of a number of professional disciplines into a sophisticated methodology. It is true that all cooperatives have a single purpose with respect to the social and economic escalation of cooperative members, but here again, housing is in a unique position: the members of the cooperative live in and form the community which comprises the cooperative, and the potential for both social and economic uplift through unity becomes a greatly magnified opportunity and responsibility.

It requires years of painstaking effort in the field of housing through multi-family projects to get an understanding

of the delays, obstacles, personal relationships, and technical expertise required to change a tract of land into a community of homes.

However, we feel that the shortcomings of the report stem primarily from a basic disagreement on the part of ATAC with the role assumed by AID, and the priority Congress has assigned to it, in housing development in the less developed countries. Consequently, it is not surprising that the ATAC report demonstrates the following shortcomings: a) A misunderstanding of the FCH/AID-supported role; b) a misunderstanding of the FCH development program; c) a grossly inadequate analysis of the FCH accomplishments in Latin America; and d) a misunderstanding of, or a strong bias against, the cooperative housing concept as it is developed in both the U.S. and Latin America.

The selection of countries to be studied contributed to this failure because in only two of the six countries were there any FCH/AID-supported cooperative housing programs. Panama was not in the original list of six countries chosen for evaluation. Evidently, only a cursory study was made in Panama, where AID and FCH have guided the development of several successful programs, and that study apparently ignored the facts which were readily available either in Panama or here in Washington.

FACTUAL ERRORS

The report says, for example, "The total of houses built or under construction is about 600 for the three countries."

The FCH summary report shows a total of 3,085 units completed in those three countries, or five times the number included in the draft report. Furthermore, the report describes the housing produced as "middle income or high income" housing. Actually, the facts show that more than half the dwellings were under \$1,000, and that the average cost was about \$2,600.

Had the researcher who gathered the statistics on which the study was based been more thorough, he would have found that in Panama, the FCH-assisted program included 359 rural homes, 600 shell houses, 1,000 self-help home construction or improvement loans, and 78 self-help urban coop homes at \$2,500 per unit, not to mention the three urban projects rapidly reaching completion in Panama City and Colon and an expansion of the first urban project in David.

The summary report on the FCH program to date, "Cooperative Housing in Latin America", recently up-dated, includes charts or tables showing the projects, the number of units, and unit cost of the projects. It also shows the downpayments involved and other local participation, which is evidence of the mobilization of local capital. (A copy of that report is included with this reply to the evaluation.)

These facts could have been secured by ATAC at any time, but they neglected to contact FCH upon return from their study. Other factual errors will be cited later in this reply. More important, however, is the misinterpretation of the FCH scope-of-work, its role in the host country, and the impact of the program. These points might also have been cleared up if the

team from ATAC had demonstrated the professional thoroughness and institutional courtesy such a meeting would have afforded.

MISUNDERSTANDING THE RELATION BETWEEN AID AND FCH

As pointed out earlier, the heart of the controversy is the belief expressed by the officials of ATAC that AID has no right to be in the housing development field, that the limited resources of the program should be used in agriculture and related fields and not in the creation of patterns and institutions to help people solve their housing needs.

The criticisms made by the draft report of the work of FCH are equally criticisms of AID and the AID professional staff in Washington and in the countries where FCH has served, for as you know so well, the role of FCH in its international program is to serve as advisor to AID, to the country Mission, to the government of the host country, to the housing agency in that country, and to the cooperative associations carrying forward the program within the country.

In all cases, the FCH program is worked out in advance with AID/Washington. Each step of the program within the country served is cleared with the AID Mission before the program proceeds, and there is a continuing review of the program with the AID Mission professional people as the program moves forward.

MISUNDERSTANDING OF THE FCH REGIONAL PROGRAMS

Another basic misunderstanding of the program -- evidenced by the ATAC report and recommendations -- is the role and the extent of the regional programs of FCH. The three country study -- inadequate as it was -- is even more inadequate when used as a

basis for evaluating the work of FCH regional programs in Latin America. The training program, for example, has arranged in-depth seminars serving 14 countries in Latin America.

No mention is made in the report of workshops developed in close cooperation with AID for all countries in Latin America on (a) project management, (b) squatter settlement solutions, and (c) efficient and effective site planning.

Another important factor in regional training programs is assistance to national housing agencies in meeting the problems that will face them in their new programs.

It is worthwhile noting that this portion of the FCH regional effort was especially singled out for elimination but was never evaluated in the body of the ATAC report.

The more general technical assistance program designed to develop Technical Service Organizations (TSO's) in a number of countries in Latin America serves a much wider area than the sample. The recommendation of the ATAC group that the FCH program be discontinued while the presently organized TSO's have five years to mature is an indication of a misunderstanding of both the role and the impact of the Technical Service Organizations now in existence and those which we plan to help establish in the near future. The team never interviewed the director of the FCH regional training program and mistakenly assumed that the FCH field training director based in Bogota was regional training director. They praised his work but recommended abolishing the regional training program.

BASIC ISSUES RAISED BY ATAC

There are at least three basic issues raised by the report which should be discussed in detail; 1) the income level which is served by AID assisted/FCH cooperative housing programs; 2) acceptability of cooperative methods in dealing with housing problems in Latin America; 3) the impact or potential impact of these programs on the overall housing problem in Latin America; and 4) the role of housing in the development process.

1. THE INCOME LEVEL OF COOPERATIVE HOUSING IN LATIN AMERICA.

The FCH programs are aimed at several levels of housing needs in Latin America. Cooperative housing programs as developed so successfully in Scandinavia, Western Europe and the U.S. can most effectively serve the lower middle income level in most Latin American countries. This level includes regularly employed people such as civil servants, teachers, policemen, skilled workers, employees of small business enterprises, etc. This is the level just above "public housing" and just below the higher income housing served by the savings and loans associations, private banks, insurance companies and other sources of conventional finance. In most countries this is not the largest group numerically. However, it is a fast growing segment of the population which is socially and politically important. For example, in Panama this group totals more than 30% of the urban population.

Cooperative housing techniques can also be used to provide

better housing for low and very low income families under some circumstances. Co-ops can be used in self-help housing to allow low income families to purchase material in wholesale quantities, jointly hire skilled labor, provide minimum utilities, maintain common areas and control speculation on resale. FCH has recommended programs of this type in several countries including Ecuador, Panama, and Honduras. The rural self-help cooperatives in Panama have produced housing in the \$300 to \$1,000 per unit range using these techniques. Also in Panama, the FCH-assisted urban improvement program produced housing for less than \$1,000 per unit. This program utilized co-op techniques although it did not involve formal, rigid, U.S. style co-ops.

In our AID financed work, FCH has consistently recommended approval of the lowest cost housing which is economically viable and acceptable to AID as lender and to the host government as borrower.

The cooperative housing technical service organizations (TSO's) established with AID and FCH help in Colombia, Honduras, and Panama -- the three countries covered in this study -- are private, non-profit organizations with a capacity as well as a strong interest in working at the lowest level possible. ATAC does acknowledge that to carry out these programs a subsidy is required. These TSO's are new organizations struggling to become self sufficient, and unless they receive long term, low interest loans from AID or local sources they will not be able to work at the very low income levels

for some time in the future. However, the trend is toward lower cost housing in all these countries. In Honduras, for example, the first projects constructed in 1967-68 were in the \$7,000 range. The current FEHCOVIL housing investment guaranty project under development is in the \$5,000 range and the most recently proposed new program is for an AID loan which would allow FEHCOVIL to construct housing in the \$2,500 range and to assist in site-and-service projects below \$1,000 per family. This exciting new sites-and-services program had not yet been approved when the ATAC team was in Honduras, but had the researchers met with FCH during the drafting of the report they would have been apprised of the program. This parallels the experience of FCH in the U.S. where the first programs were for middle income families; but later included large numbers of projects for lower income families.

2. ACCEPTABILITY OF COOPERATIVE METHODS IN LATIN AMERICA.

It has been stated in the draft evaluation that cooperative housing concepts, procedures and methods are not accepted by Latin Americans on the historical and cultural grounds that the Latins are too individualistic to embrace the cooperative approach in housing. While we will treat this matter in more substantive detail in the annex to this letter, we do wish to answer this allegation here.

What is Cooperative Housing? The ATAC report takes the stand that FCH's program in the development of cooperative

housing in Latin America is founded exclusively upon the precept of the blanket mortgage or mutual ownership of all property as opposed to individual ownership of dwelling units.

The FCH Program. FCH feels that mutual or cooperative ownership of properties offers many advantages over individual ownership. However, it does not rule out cooperatives with individual titles or those organized under horizontal property or condominium laws when these forms seem most appropriate. In the implementation of pilot demonstration programs through AID loans and through the Investment Guaranty Program this mutual ownership concept is being utilized with success and has encountered favorable acceptance by the public in various Latin American countries. A unique example is found in Honduras late in 1970 when 300 subscribers signed up in a matter of a few days for cooperative homes in the FEICOVIL-sponsored Housing Investment Guaranty Program in Honduras. This came about with little or no publicity. As stated in other parts of this reply, Chile has been utilizing the single mortgage cooperative concept successfully for more than a decade, with annual production in the thousands of units, and with projected output for the calendar year of 1971 at about 5,000 units.

On the other hand, Argentina has such a favorable law for "horizontal properties" or condominiums that most of the cooperatives in that country are built under an adaptation of that law. In Peru and Colombia cooperative housing movements have used cooperative assembly of the land and cooperative

construction with individual mortgages on completion. They are now trying the blanket mortgage system. In Chile, Venezuela, Panama, Honduras, Jamaica and Uruguay the contrary is true - there, common ownership in cooperatives is the norm. In Brazil multi-family housing uses cooperative mortgages. Developments of free standing single family homes have separate mortgages. Regardless of the form of title, we feel these different gradations are all legitimate cooperative programs. Thus, while FCH does have preferences, it has never imposed these preferences in carrying out its technical assistance program; witness the experimental rural low-income housing programs assisted by FCH in Panama.

Cooperative Home Ownership obviously takes various forms.

In the mutual ownership coops with single mortgages covering the entire project, the cooperative member not only shares the benefits derived from membership in the cooperative, but also is entitled to benefit from the appreciation of his unit as his share ownership in the cooperative (equity) increases. Single mortgage cooperatives will, of course, prevent speculation, but at the same time they afford the cooperative member home owner the right to receive a reasonable compensation when he disposes of his unit. This fundamental concept, included in all FCH programs in the U.S. as well as in Latin America, was misunderstood by ATAC. Their report implied that only with individual titles could one benefit from appreciation. This is not the case.

FCH also supports cooperative housing programs that

are being carried out in many countries in Latin America which tend towards individual ownership. These can and do bring many benefits that non-cooperative housing programs do not afford. Just a few of these advantages are mentioned here:

1. The limitation placed upon the cooperative members by the coops on re-sale to avoid speculation;
2. The community control and ownership of commonly held facilities;
3. The mobilization of savings through cooperative membership prior, during and after housing construction;
4. The association in a cooperative form to deal with community problems;
5. The multiplier effect of creating other forms of cooperatives such as credit unions and consumer cooperatives;
6. Perhaps most significant is the reduction in cost of cooperative housing regardless of its legal form. Non-profit sponsorship of housing can eliminate developer and occasionally general contractor profit, providing such services at cost.

Therefore, while cooperative housing may take distinct legal forms in different countries, it nevertheless offers innumerable benefits otherwise not obtainable. These programs merit our past and continuing support.

Non-Profit Sponsorship of Housing projects represent a most significant objective of FCH programs. The projects

sponsored range from the rural self-help programs in Panama to the US\$9,000,000 Housing Investment Guaranty Program in Venezuela. Through the elimination of intermediaries overall costs can be and are substantially reduced. With the exception of the various public housing institutes in every Latin country where the government provides formidable subsidies, including low cost or free technical services, to housing programs, the cooperative housing service organizations and cooperatives themselves are the other principal institutions fostering non-profit development. The concept of non-profit cooperative sponsorship has, to our knowledge, never been questioned, except possibly by those who traditionally have taken exorbitant profits from housing programs at the expense of the consumers.

In sum, FCH feels that cooperative housing (in its multiple manifestations) and non-profit cooperative sponsorship of housing (both cooperative and non-cooperative) have clearly demonstrated their acceptability in eleven Latin American countries where such programs exist. We feel the APAC report has, on the basis of a narrow definition, a lack of understanding of cooperative housing in its broad context, arrived at conclusions as to preferences that seem to be unsubstantiated in fact.

3. THE ECONOMIC IMPACT OF FCH ASSISTED PROGRAMS IN LATIN AMERICA.

The major achievement of FCH in its Latin American program has been to assist AID and the host countries

in developing new institutions which will continue to grow and expand with local resources, an explicit directive of Title IX. The contribution of these local institutions in providing more housing for low and low middle income families in each country will depend on the success of the demonstration projects now nearing completion. These demonstration projects serve as models which can be multiplied as the institutions become increasingly effective.

FCH has played a major role in the establishment of private sector cooperative housing institutions in five countries; Honduras, Panama, Colombia, Venezuela, and Jamaica. FCH has also assisted in the establishment of similar institutions in Brazil and Chile. The number of housing units constructed by the cooperative housing technical service organizations to date has not yet had a significant impact on the overall housing problems in Panama, Honduras, Colombia, Venezuela, and Jamaica. However, there are clear indications that these new institutions have created new patterns of housing production which have the potential to make a major contribution in the years ahead.

The Multiplier effect in Chile. The earliest FCH involvement in Latin America was in Chile in 1958 and 1959. FCH representatives recommended the creation of technical service organizations in that country and AID loan support. Ten years later there are competent and experienced cooperative housing institutions in Chile producing several thousand new housing units per year with local resources. FCH and INVICA

of Chile have been joint sponsors of four Inter-American Seminars on Cooperative Housing. FCH, INVICA, and TECHNICOOOP of Chile are members of the International Cooperative Housing Development Association. INVICOOP is now working with FCH on management service. In other words, the TSO's in Chile have grown to the stage where they are partners of FCH in housing development. This is the type of growth expected of the other TSO's in Latin America.

The cooperative housing efforts in Brazil have taken another form. The National Housing Bank and its cooperative division have reached a take-off point. The Technical Service Organizations in the various states no longer require continuous technical assistance from the outside. In fact, they are producing tens of thousand new housing units each year with local resources. We will describe this work in more detail later to illustrate the role of housing in development.

In summary, the development of systems which can have a substantial impact on the housing problem in Latin America require considerable time and substantial amounts of money. Cooperative housing can help mobilize local financial and human resources and can be an important component of an effective housing system. Viewed in this manner, the FCH efforts have helped create new institutions which do have great potential to become self-sufficient and make a significant contribution to the solution of the housing problem. But this will not be true if AID support is withdrawn at this critical time.

4. HOUSING AND THE DEVELOPMENT PROCESS.

The most fundamental question raised by the ATAC report is the question of whether AID has any right to use its limited resources for technical assistance plus direct loans in the housing field. In the meeting between AID officials, the president and team leaders of ATAC, and representatives of FCH on July 14, Sol Chafkin, President of ATAC, stated in effect that he believed that AID should not be in the housing business because housing has such a low priority in development.

The traditional point of view of the average economist is that housing is a "consumer end product" and that it has nothing to do with the process of development, particularly in the less developed countries. This point of view overlooks the essential role of housing in providing shelter, better family relations, and greater productivity of the breadwinner in the family; it also overlooks the role of housing in the creation of jobs, the stimulation of the building materials industry, the mobilization of local savings and many other areas of development.

Perhaps it would be well to restate here a fundamental factor of housing development which we in the housing field take for granted -- but of which others may not be aware.

Housing development depends primarily on the mobilization of resources within the developing country.

There is not enough money in the World Bank or the U.S. Treasury or the regional development banks of all the UN member

countries to build the housing that is necessary to eliminate the world's housing deficit. That is true if you use the conventional approach to housing production.

What is not well known is that the answer lies in the mobilization of internal resources. The land on which the homes are to be built is all within the country -- an internal resource of the country. The materials with which homes can be built are found in abundance in most countries. The materials vary from country to country -- but they are there. The manpower is present in every country -- in many cases unemployed or underemployed. The professional skills -- architects, engineers and others exist in most countries -- often trained in more developed countries and anxious to exercise their skills. The money (Ah!!! There, you say, is the problem!) is there. It may be unbelievable but it is true. It's "mattress money", or "tea cup money", or "consumer consumables money", or pension fund money, or drug money, or cigarette money -- it is hidden or floating in many forms. AID, under the Humphrey Amendment adopted by the Congress in 1961, was directed to use some of its resources to help organize credit unions and savings and loan systems in Latin America (later, in the rest of the world). The results were two of the great success stories of modern development. Credit unions organized under the program in Latin America -- where the people, low income people, are not supposed to have any money -- now have assets of more than \$100 million. Savings and loans have done even better, dollar wise, and now have assets of a

quarter of a billion dollars -- \$250,000,000. This is just a beginning!!

The housing co-ops are small, but they are also a great savings device. People save for down payments and then save every month as they pay off the mortgage and build their own equity, in what is for most people the largest investment in their lifetime.

To summarize, the need is for 1) land, 2) materials, 3) manpower, 4) technical skills, and 5) money. These all can be developed internally. The external need is for experience, organizing ability, and seed capital. The job can be done!

Since this is a fundamental question, we would like to point to Brazil as a case study in housing development. Brazil now has underway the most dramatic revolution in housing in the modern world. That is a strong statement. In the next five pages we summarize what has happened, why it has been possible and what the impact is on the Brazilian economy.

Since the FCH reputation in this field is at stake, it is essential to outline the role of FCH in this dramatic development. The FCH participation was a modest but crucial factor in one aspect of the program.

In 1964, George Schechter, then a Vice President of FCH Services, went to the city of Belo Horizonte in the province of Minas Gerais on an AID funded FCH Task Order. During this short-term assignment he worked with Mr. Nylton Moreira Velloso who at that time was the Chief Executive

Officer of the Caixa Economica or savings bank system of the state of Minas Gerais. George Schecter assisted Sr. Velloso in establishing a technical service organization for cooperative housing to be financed through the savings bank system and later through a loan made by AID. The work he did led to the creation of 23 cooperative housing projects in the state. At last reports, all of these were thriving cooperative associations. Mr. Schecter returned for a follow-up visit later. I inspected several of the cooperatives produced under the plan the following year and was pleased with the result.

The National Housing Bank of Brazil (Banco Nacional da Habitaçao or BNH) was established that same year, in 1964, to deal with the national housing deficit which was increasing by 200,000 units per year. BNH immediately undertook a program of cooperative development as one aspect of its work. Two FCH technicians served as advisors to the Bank with special reference to the cooperative housing program.

The big breakthrough came, however, from officials of the Bank itself -- which is the way the development process should work.

With the approval of Dr. Mario Trindade, President of the Bank, Dr. Joao Machado Fortes and his associates participated in an Inter-American Seminar on Cooperative Housing sponsored by FCH and INVICA of Chile in Santiago in 1966. At the conclusion of the seminar, Dr. Fortes invited the

sponsors of the seminar to hold the next meeting in Rio. This was done and the National Housing Bank served as co-sponsor of the seminar with FCH and INVICA. The Housing Bank arranged for more than 100 of its middle level technicians to participate in the seminar. Dr. Trindade opened the seminar with a very dramatic review of the accomplishments and objectives of the National Housing Bank and the sympathetic support of BNH for cooperative housing as one of the fundamental factors in the Bank's program.

The following year BNH served as a sponsor of a similar Inter-American Seminar on Cooperative Housing held at Buenos Aires. The Brazilian delegation took an active leadership role in that seminar.

In the interim, under FCH sponsorship Dr. Fortes made a study tour of U.S. housing co-ops. Later arrangements were made for a similar study by eleven technicians and administrative officers of statewide Technical Service Organizations which had been set up with the assistance of the BNH to foster cooperative housing. The group studied cooperative housing in Washington, the Detroit area and New York and had meetings with officials of the U.S. government housing agency, HUD, as well as officials and principal housing officers of AID. The officials returned to important positions with BNH.

The latest report of the National Housing Bank, BNH, refers to cooperative housing as a factor in eradicating the favelas and other anti-social housing and declares:

"The housing cooperatives are one of the most effective instruments of BNH in its endeavor to solve the urban crisis in Brazil." The report shows that cooperative projects represented 11.6% of BNH investments in 1968; 18.6% in 1969; and 16.8% in 1970.

Of the 667,000 homes financed through the National Housing Bank since 1964, more than 100,000 have been in cooperative projects.

15%

The above is only a small part of a much larger development. Here is the BNH story: the sources of finance for the housing program include funds from (a) the national pension system or "length of service guaranty fund"; (b) funds from the savings and loan system set up with the strong support of the BNH; (c) down payments of the participants; and (d) local or state sources of capital. The "length of service guaranty fund" is made up of approximately 8% of the salary of all industrial employees. The money goes directly to the National Housing Bank (BNH) for investment in housing. These funds are supplemented by investments from the savings and loan system -- also set up since 1964 with strong support of BNH.

Starting almost from scratch, the Brazilian system of savings and loans now has 1,300,000 investors. The most recent report of the bank points out that "it is important to stress that this sizable amount (approximately \$800,000,000) otherwise could have been channeled to the consumer goods market, thus contributing to increase the

inflation rate ... As it is, such savings are being employed in investment and therefore contributing to foster the country's development."

This important factor in controlling inflation is accompanied by a very substantial stimulation of industry. The BNH report says: "With regard to the building and building materials industries, it must be pointed out that this area of the Brazilian economy is undergoing a thorough revitalization, thanks to the housing and sanitation programs and the building materials financing program." This program has promoted investments with a total value of \$500,000,000. In 1970, the participating housing agencies received added financing in the amount of \$80,000,000 which was used to generate investments with the total value of \$600,000,000.

Thus, the housing revolution has stimulated the building materials industry and increased employment, both substantial factors in strengthening the Brazilian economy. In addition, more than 3,000,000 persons are benefitting directly from the new housing stimulated by the National Housing Bank and are either living in their own homes or will be living in these homes by the end of the current year.

Another factor that is often overlooked, is the effectiveness of internal financing once a program with technical assistance and institution building has developed far enough. The BNH report says "it should be stressed that the resources received by BNH from international entities represent only 8/10 of 1% of the grand total. This bears witness to the fact

that the National Housing Plan is being carried out with resources accruing from internal savings for all practical purposes." Eight tenths of one percent would total about \$13 million of external assistance of all kinds including technical assistance. This was a small investment in the housing revolution.

As is well known, Brazil has faced a fantastic problem of inflation. To meet that problem, all of the housing investments by BNH are tied to a program called a "monetary correction plan" and a "salary equivalence plan". In other countries these programs are known as "mortgage correction" or "maintenance of value". In essence, mortgages are repaid in money adjusted to current value in line with a cost of living index, a salaries and wages index or some other appropriate formula adopted by the government for mortgage repayments. As a result of this program, capital is readily attracted to investment in housing and there is no danger of depleting the capital investment of the BNH because of inflation which otherwise could deplete the capital of the Bank.

"In Brazil", Dr. Trindade declared, "the very high rate of inflation had caused the Brazilian people to forget the old saving habits, thus depriving the government of one of the most important and traditional pillars of the housing industry, that is to say, the private capital."

The BNH has tackled other directly related problems in water supply and sanitation. As a result of their invest-

ments, "fourteen million people in approximately 280 cities are now living in better sanitary conditions. By 1980 it is estimated that more than 63,000,000 people will benefit from such programs enjoying more adequate water supply and the basic sanitary program of BNH and all of that without expending a single penny of the Federal budget."

AID PRIORITIES, TARGETS, AND SUPPORT

The Foreign Assistance Act of 1961, as amended, states that,

The Congress... declares that in the administration of programs of assistance under this Act, the highest practicable emphasis should be given to: programs providing for loans or loan guarantees for use by institutions and organizations in making repayable low interest rate loans... for the purchase of small farms, the purchase of homes, the establishment, equipment and strengthening of small independent business concerns...

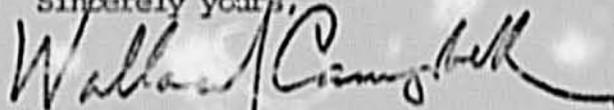
It further states that, "Maximum effort shall be made in the administration of this Act, to stimulate the involvement of the people in the development process through the encouragement of democratic participation in private and local government activities and institution building..."

Finally, the Foreign Assistance Act of 1961, as amended, establishes priorities for dispensing assistance by stating, "... the first objects of assistance shall be to support the efforts of less developed countries to meet the fundamental needs of their peoples for sufficient food, good health, home ownership, and decent housing..."

Both the Humphrey amendment and Title IX re-emphasize the role of cooperatives in development.

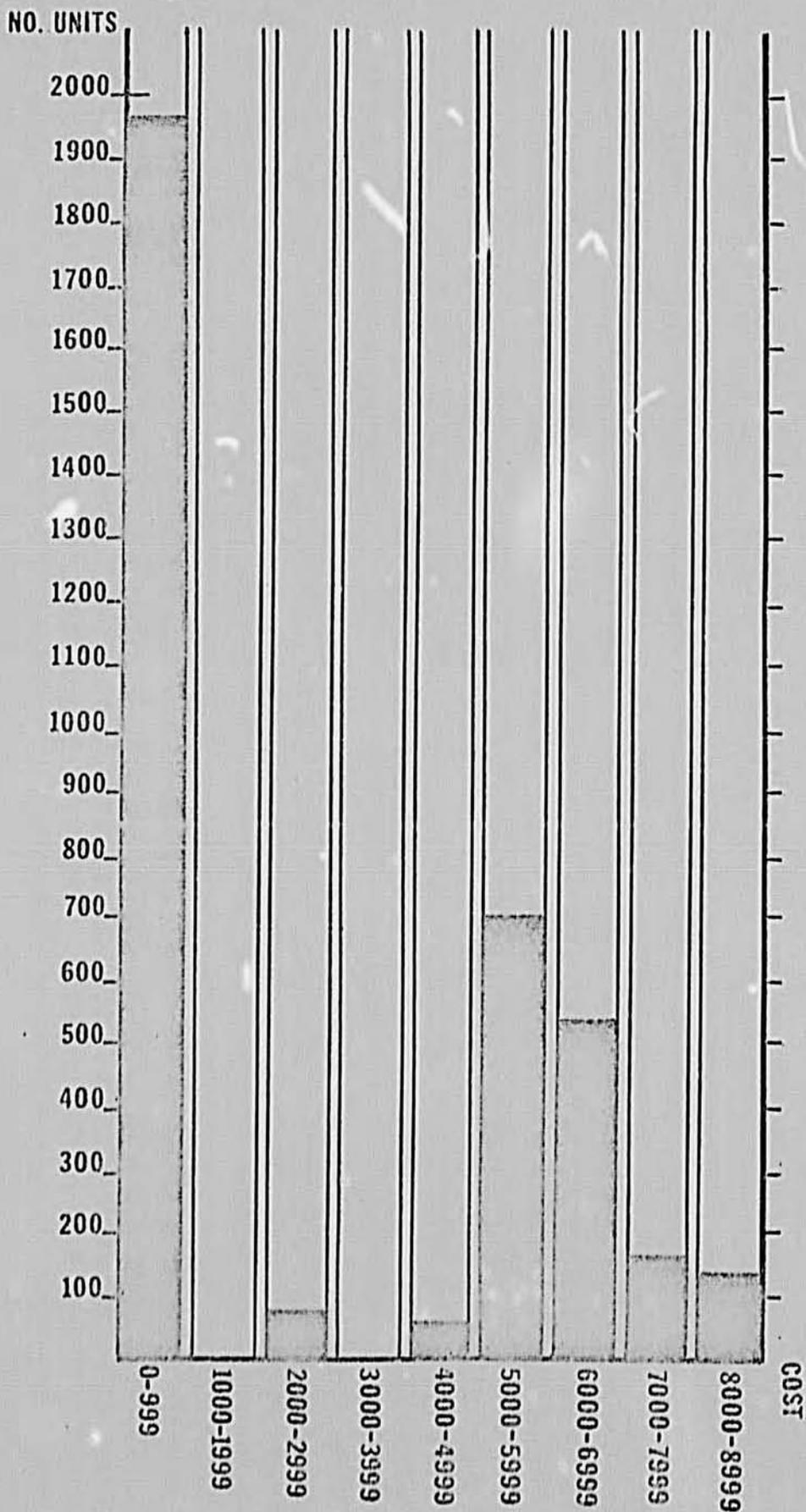
It is clear then that the Congress has helped AID to establish its priorities. Furthermore, it is also clear that "home ownership and decent housing" are among the primary objectives selected by the Congress to be recipients of U.S. assistance through AID. NTAC, in "setting" priorities for AID, has called for abandoning housing and cooperative housing development by stating, "In our judgment, whether viewed from the standpoint of housing or cooperative development, there are more advantageous uses of AID resources." FCH believes, in contrast, that the policies of AID and the intent of the Congress with respect to housing are abundantly clear.

Sincerely yours,



Wallace J. Campbell
Senior Vice President for
International Programs

CHART 1



In the 3 countries surveyed (Honduras, Colombia, and Panama), FCH has assisted in developing 3,627 units, more than 6 times the 600 units ATAC credited FCH with developing. Of these, 1900 units or more than one-half of the total were under \$1,000 per dwelling.

CHART 2

FCH ASSISTED HOUSING

cumulative percentages of cost per dwelling
(Colombia, Honduras, and Panama)

Over 40%
of units cost
over \$5,000 per

PERCENTAGES

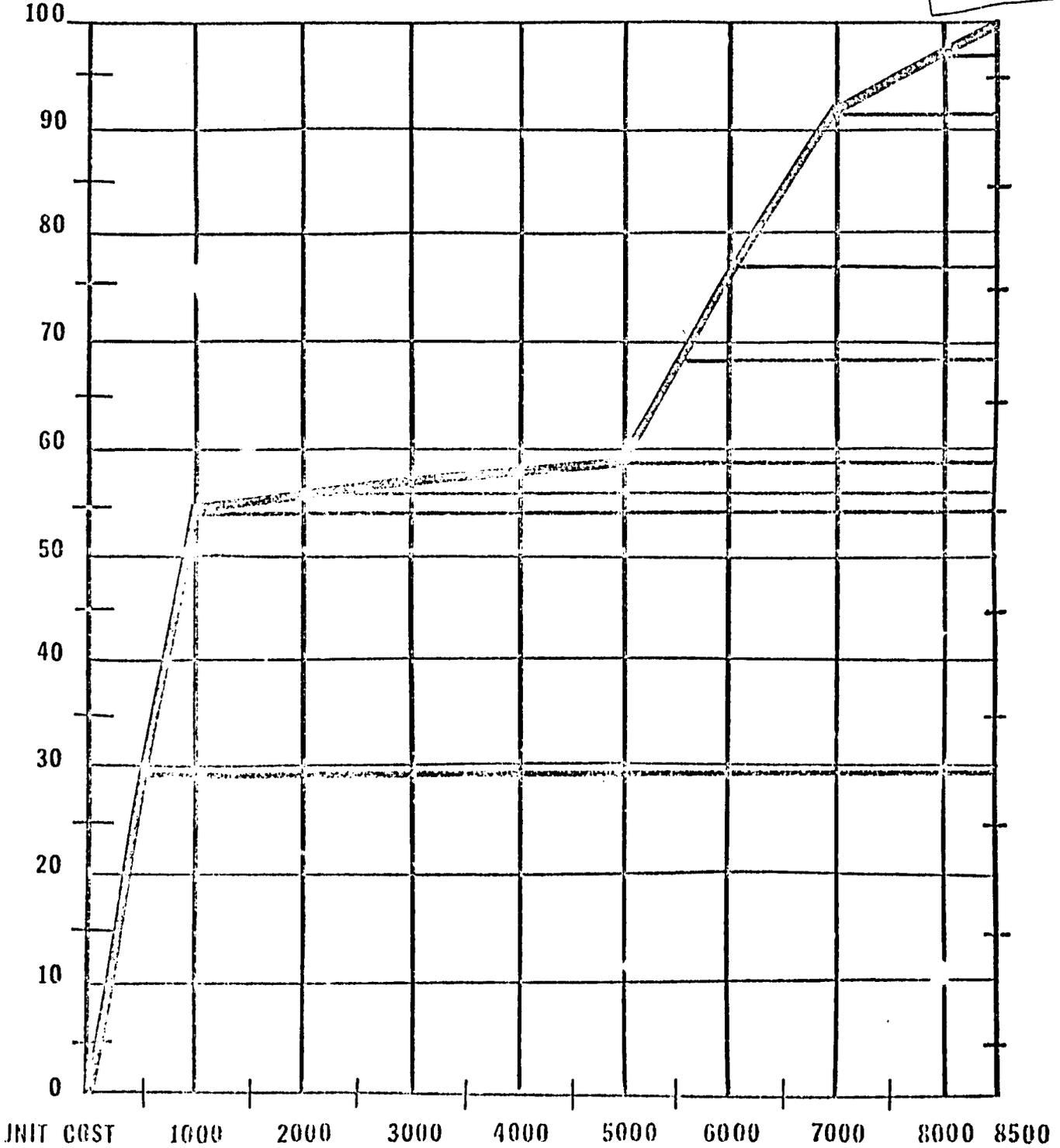
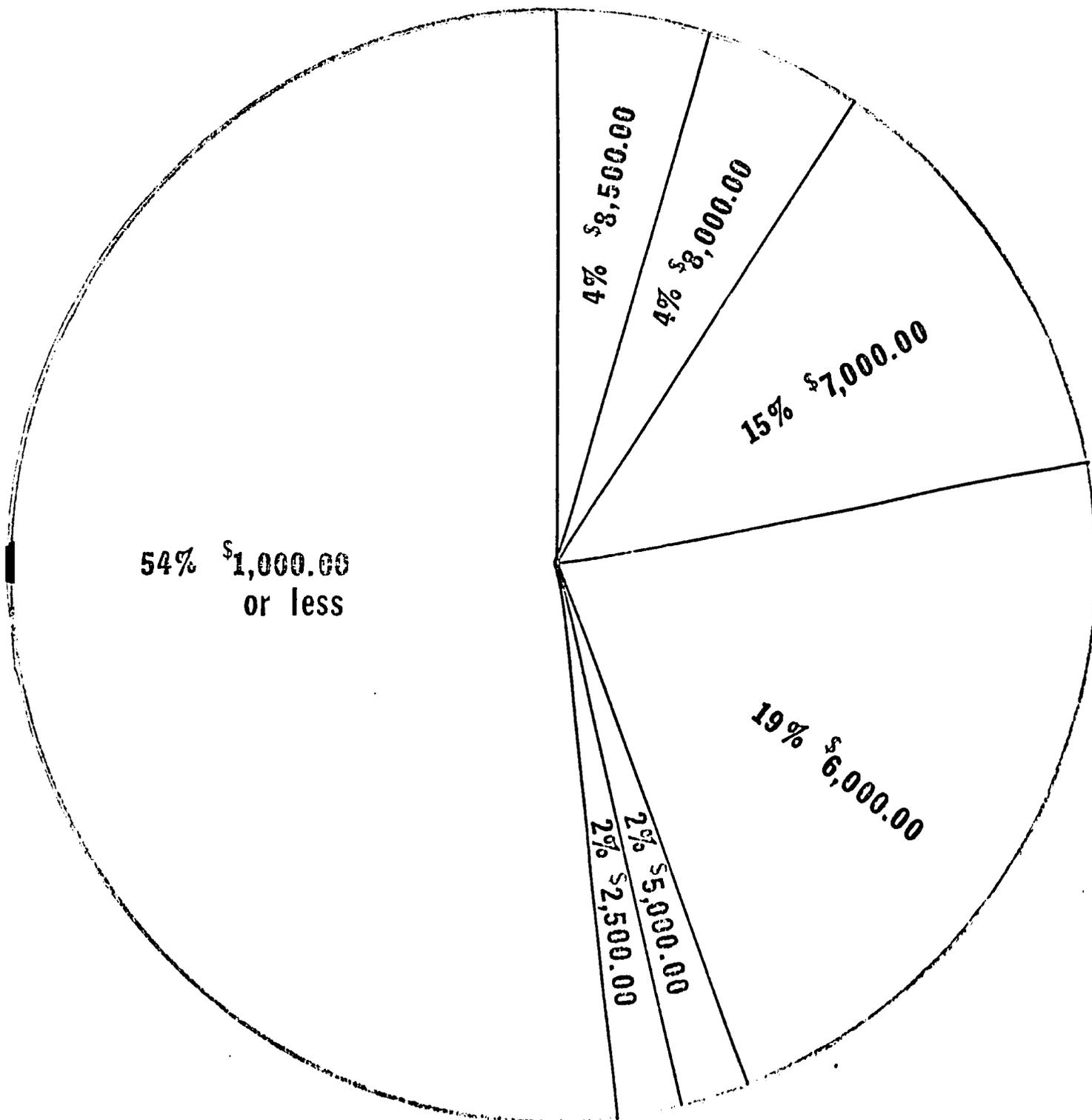


CHART 3

COST PER DWELLING UNIT

51 42%
over \$6,000



AID / ECH
ASSISTED HOUSING IN HONDURAS, COLOMBIA
AND PANAMA

POINT BY POINT ANALYSIS OF ATAC REPORT

Evaluating the Programs of FCH Services

Prepared by
FCH Services, Inc.

After reviewing and analyzing the ATAC evaluation of AID Cooperative Contractors, FCH Services, Inc., has prepared the following documented response to specific points raised in the ATAC report.

Unfortunately, ATAC, upon returning from its field studies in Latin America, failed to meet with FCH, to assure clarification, accuracy, up-dating, relevance of its data, and the necessary comprehension of FCH programs, goals, and activities.

It is hoped that the information contained in the following pages will enable ATAC to better understand the objectives and accomplishments of the FCH Latin American programs and their relation to the overall policy and programs of the Agency for International Development in implementing Foreign Assistance Act of 1961 as amended and particularly Title IX. It is further hoped that ATAC will gain a better understanding of the potential of the FCH programs for contributing over the years to a reduction in the Latin American housing deficit.

In this analysis, the points raised by ATAC have been divided into four categories:

- 1) FCH PROGRAMS, OBJECTIVES AND ACCOMPLISHMENTS.
- 2) AID PRIORITIES, TARGETS AND SUPPORT.
- 3) ACCEPTABILITY OF COOPERATIVE HOUSING, AND THE INFLUENCE OF COOPERATIVES IN THE COMMUNITY.
- 4) COOPERATIVE HOUSING -- ITS PLACE IN THE DEVELOPMENT PROCESS.

Finally, FCH feels compelled to point to: 1) faulty comprehension of housing cooperatives and their acceptability; 2) misunderstanding of the role of FCH in AID programs; 3) inadequate research; 4) inadequate sampling; and 5) failure to document value judgements relating to the utility of FCH-TSO cooperative housing programs.

FCH PROGRAMS, OBJECTIVES AND ACCOMPLISHMENTS

PROGRAMS, OBJECTIVES

The criticism made by ATAC on FCH programs indicate that the authors had a rather superficial idea of FCH and AID program objective in the cooperative housing field.

FCH Services, Inc., in its international program seeks to stimulate the creation of housing for middle and lower income families through the use of cooperatives and cooperative techniques. It is not in the home building business per se.

Its programs aimed at accomplishing the aforementioned objectives include: 1) Training, which will provide cooperative and cooperative housing skills to technicians and cooperators; 2) Institution Building by assisting the creation and development of Technical Service Organization (TSO's) equipped to provide the technical, organizational, legal, financial and managerial skills needed for on-going cooperative housing development; 3) Demonstration Projects involving the organization and construction of demonstration housing cooperatives both to provide models for future projects and to serve as laboratories and training grounds for TSO staffs; 4) Otherwise, working with AID, AID country missions, and the national housing institutions of Latin American countries in studying and recommending methods of assisting families of limited means to acquire more satisfactory shelter.

1) TRAINING

Technical assistance that hopes to make a lasting impact on a country must train local people so that they themselves are capable of developing and carrying out programs on their own. This has been an important aspect of the FCH cooperative housing programs. It has involved in-country, on the job training for technicians and cooperative specialists in connection with the organizations and construction of demonstration projects. It also conducts a regional training program under a Memorandum of Understanding in collaboration with the Organization of American States and with AID.

ATAC has called for the phasing out of the FCH regional training program. The report states that "(The training program) has, however, had a sufficiently long time to have made its impact, and should now be phased out."¹

Training in a field as complex as housing is not a short term undertaking, a fact recognized by AID, the Inter-American Development Bank and the Organization of American States, all of whom have supported and participated in this program.

This program which is headquartered in Washington, not Bogota as ATAC has stated, is reaching cooperative housing technicians and others concerned with housing throughout Latin America.

¹
p. 134

FCH believes that as long as the Latin American housing deficit runs in the terms of millions there is good reason to continue this program as a means for preparing individuals and institutions to help alleviate this need.

This recommendation to phase out this program was evidently made without any attempt by the ATAC team to understand the scope or importance of the program. For example, the Director of this training program was never interviewed or questioned about the program at any time during the ATAC study.

2. INSTITUTION BUILDING

One of the major aspects of the FCH program lies in the field on institution building. FCH has helped to create Technical Service Organizations in Colombia, Honduras, and Panama, the three countries covered in this study.

These are local, private, non-profit organizations with a growing capacity to generate financing and provide the technical, organizational, legal, managerial and financial skills needed to carry out long range programs in cooperative housing.

While on the one hand, ATAC calls for continued support for institution building, on the other it calls for phasing out AID support to these vital organizations in the housing sector.

The report states -- "AID should emphasize cooperative institution building ... both in terms of developing agricultural

cooperative movements and in fostering cooperative development generally."² FCH regional activities are strongly directed at strengthening and supporting national institution building, a program supported by ATAC. It comes as a surprise then to read that "...the (FCH) program be phased out ... at least with respect to regional activities and countries surveyed..."³

If this were done the support and guidance FCH is rendering to these relatively new institutions will be lost just at a time when they are becoming involved in the intricacies of the AID Housing Investment Guaranty Program and are attempting to obtain local capital and organize new cooperative housing programs.

ATAC asks, "whether credit unions might not be a potential tool for more extended action to stimulate savings for home acquisition..."⁴ FCH concurs wholeheartedly and would like to underline its efforts to promote credit union activity both for the savings of down-payments, as well as secondary mortgage functions in stimulation cooperative housing, primarily in Colombia.

It has also worked with the credit unions in Panama. In fact it was credit union members in Los Pocitos who participated in the cooperative rural housing program there. The credit union also served as the fiduciary and administered the revolving fund.

²
p. 3 (Recommendation 3).

³
p. 4 (c), p. 47 (c).

⁴
p. 69.

However, it should be pointed out that cooperatives themselves generate substantial amounts of capital for housing, and that credit unions are not prepared to render the kinds of help to housing cooperatives that TSO's can. The TSO's which FCH has helped to organize can and should have a substantial multiplier effort in years to come if they can be adequately supported for a reasonable length of time.

3. DEMONSTRATION PROJECTS AND THE HOUSING DEFICIT

In the FCH program the organization and construction of demonstration projects serve as models for future undertaking and even more importantly as a means of training the staffs of the Technical Service Organizations by having them participate in all phases of cooperative organization, financing, planning construction and management. In other words they are tools in the AID/FCH Technical Assistance Program.

However, ATAC seems to have missed the point and evaluates FCH as though it were a developer or 'builder and criticizes FCH for the small number of housing units built under these programs. Even in doing this they grossly underestimated the number of units completed.

a) Housing Production

The ATAC report states:

"The AID impact through cooperative housing in the countries visited has been minor."⁵

⁵

p. 75, p. 127.

"FCH cooperative housing program -- built only a few hundred houses."⁶

"The total of houses built or under construction is about 600 for the three countries."

In the three countries ATAC studied (Panama, Honduras, and Colombia), FCH-assisted housing amounts to 3,085 units -- more than five times the number ATAC has credited FCH with doing. If the number of homes in the development state are included this totals 3,627.

While FCH is cognizant that even this increased figure does not relieve the suffering of the millions of families lacking adequate housing, it has improved the shelter of some 14,000 people.

To repeat, the FCH programs have been focused on institution building, training and education using a limited number of demonstration housing projects primarily as a means of training the staffs of the local technical course organizations so that they in turn can provide the leadership and the organizational skills needed to carry on expanded housing programs in the future. The multiplying factors are most important in the long range program. FCH programs are therefore not quantifiable and ATAC is not justified in evaluation of FCH accomplishments solely on the basis of the number of housing units built under these programs.

b) Income Levels Served

In criticizing the demonstration projects, ATAC states that the "Contractor's programs tend to settle down on emphasis on middle-class and even upper income housing with maids' rooms, etc."⁷

However, a little research would have shown that, of the 3,085 units completed, 54% cost under \$1,000, 56% cost under \$2,500 and 58% cost under \$5,000.

Middle Income Housing

The two projects in Honduras which draw the fire of ATAC cost from \$7,500 to \$8,500 for a three bedroom home. This is modest by U. S. standards and these are the only projects involving AID loans that can be considered primarily as middle or high-middle income housing. Furthermore, the cost of these homes resulted from circumstances largely beyond FCH control. This is admitted in ATAC's statement. "High costs in some instances are less the contractor's fault than the result of delays and complications involved in procedures of AID and other organizations providing financing and other support."

Both the FCH programs and other AID housing programs have assisted some middle-income families to acquire housing. Such families also need housing and often find it as difficult to

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p. 33. The housing in question was provided to families for their own use. The families determine who occupies the rooms, whether children, mothers-in-law, maids, or pets. Furthermore, servants are common additions to Latin families at middle and even low-middle income.

obtain as do lower income families. ATAC recognizes this in their statement "It appears that many buy coops because it is a way to get financing for a home (often difficult in Latin America) or because not many homes are available on the market."⁸

On the other hand FCH has assisted larger numbers of families in programs for low-middle and very low income families both urban and rural despite ATAC's criticism that housing projects intended to deal with the urban housing crisis were squeezed out by pursuit of easier middle-class housing projects,⁹ and that the FCH program did not show promise in any of the countries observed of making a significant impact on low cost urban housing.¹⁰

Low-Income Housing (Urban)

At the request of AID/Panama, FCH helped plan and assist the Panamanian National Housing Institute (IVU) to carry out a sites-and-service and shell-house program for squatters which resulted in the relocation of over 1,000 of these unfortunate families from squalid urban slums to an urbanized sub-division, Nuevo Veranillo. ATAC insinuates that the program failed and "--has been suspended and the government is proceeding on a program without FCH along different lines--."¹¹ Actually, this AID supported program was successfully completed and IVU went on, with this experience under its belt to promote similar programs

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p. 133.

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p. 21

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p. 75

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p. 127

in San Miguelito and other areas. Furthermore, many unemployed residents of Nuevo Varanillo were provided jobs, received job training and learned new skills as a result of this project, particularly in connection with the production center which was a unique feature of the project.

The fact that others do not agree with ATAC's opinion of this program is evidenced by the fact that FCH was asked by the Colombian National Housing Institute (ICT) to assist with a program of production and artesian cooperatives. These are intended to help increase economic development in secondary cities so that inhabitants can gain income necessary for housing.

Low-Middle Income Housing (Urban)

In their effort to pin the middle and upper middle income label on FCH, ATAC seems also to have overlooked the urban cooperative project at David, Panama with houses costing \$2,500, which is now being expanded, as well as the projects in Panama City and Colon which are now nearing completion.

Low-Income Housing (rural)

As in the squatter relocation program, FCH also initiated and assisted in rural cooperative self-help home improvement and housing construction programs for low-income campesinos.

In discussing the rural cooperatives in Panama, ATAC states, "The rural cooperatives in Panama appear to be purely construction cooperatives; there are no on-going services."¹²

¹²p. 132.

In the first place, FCH sees nothing wrong with "construction cooperatives". (The homes were built on scattered plots of land owned by the campesinos themselves). They serve a very useful role especially in rural areas. Furthermore, it should be pointed out that the Los Pocitos rural cooperative housing project which started with a grant of \$3,000 to build 10 dwellings at about \$300 each has now financed some 24 dwellings solely from the repayments of principle and interest by the members without a further injection of capital. FCH believes that the revolving fund and the cooperative organization administering it certainly are providing an on-going service. More importantly the project has served as a model for the present rural housing program which has already produced 359 rural dwellings and is still continuing. Furthermore, those who participated in this program received training in skills which have enabled them to further improve their modest homes and to assist others in the community thus contributing to the project's multiplier effect.

AID PRIORITIES, TARGETS, AND SUPPORT

The Foreign Assistance Act of 1961, as Amended, states that,

The Congress..... declares that in the administration of programs of assistance under this Act, the highest practicable emphasis should be given to: programs providing for loans or loan guarantees for use by institutions and organizations in making repayable low interest rate loans..... for the purchase of small farms, the purchase of homes, the establishment, equipment and strengthening of small independent business concerns....

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the development process through the encouragement of democratic participation in private and local government activities and institution building..." Finally, the Foreign Assistance Act of 1961, as Amended, establishes priorities for dispensing assistance by stating, "... the first objects of assistance shall be to support the efforts of less developed countries to meet the fundamental needs of their peoples for sufficient food, good health, home ownership, and decent housing..."

Both the Humphrey Amendment and Title IX reemphasize the role of cooperatives in development.

It is clear then that the Congress has helped AID to establish its priorities. Furthermore, it is also clear that "home ownership and decent housing" are among the primary objectives selected by the Congress to be recipients of U.S. assistance through AID." ATAC, in "setting" priorities for AID, has called for abandoning housing and cooperative housing development by stating, "In our judgment, whether viewed from the standpoint of housing or cooperative development,¹³ there are more advantageous uses of AID resources."

In its recommendations to AID, ATAC states "Programs.... should be instituted.... to establish a well organized and viable cooperative movement with emphasis on agriculture."¹⁴ While FCH supports the development of agricultural cooperatives, it does not

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p.135.

14
p.4 (Recommendation 5), p. 38 (B.).

believe that these cooperatives and cooperative housing programs are mutually exclusive as AID-supported programs. Furthermore, the United Nations has projected that by the year 2000, 80% of Latin America's inhabitants will live in its cities. Would this data not justify further support to urban development and housing programs? ATAC's rationale for curtailing support to cooperative housing activities appears to be summed up in its observation that:

"Concentration of monies spent on relatively costly housing and rural electrification projects has meant that the bulk of program expenditures have reached relatively small numbers of people..."¹⁵

Naturally, demonstration programs in housing require substantial outlays as do prototypes in many fields.

However, such initial expenditures are necessary in providing the technical assistance and training which can lead to locally initiated and financed programs of an on-going nature.

Curiously enough, ATAC supports rural electrification programs, which it has identified along with housing programs as reaching relatively small numbers of people.¹⁶ But at the same time recommends phasing out programs which provide help to people badly in need of shelter. This, despite the mandates of Congress mentioned earlier.

¹⁵
p. 14.

¹⁶
p. 26.

Rural Housing

ATAC correctly supports aid to the campesino:

"The campesino... has not the power to form his own destiny or to create his own coop plan. The future of his economic social development and the extent to which he will be helped to participate in its shaping depends upon those who do. This to some extent depends upon AID and the type of programs it formulates in the light of Title IX."¹⁷

ATAC's research should have revealed the importance of FCI's role in assisting the rural residents of Panama with their housing needs.

Coops Are Private Enterprise

ATAC's misunderstanding of cooperatives becomes evident in this section of their report. It states, "AID also has, however, a broad mandate to protect private enterprise. While this should not lead to discrimination against the coop form of business..."¹⁸

What are cooperatives if they are not private enterprise? Did this misunderstanding of cooperatives color ATAC's observations, research, and recommendations? Certainly a quick reference to the Foreign Assistance Act of 1961 and the Humphrey amendment should have made the thinking of the Congress clear on this point.

Institution Building and Continuing Regional Support

While on the one hand, ATAC calls for continued support for institution building, on the other it calls for phasing out

¹⁷p. 88.

¹⁸p. 89.

AID support to such vital organizations in the housing sector.

ATAC states, "AID should emphasize cooperative institution building... both in terms of developing agricultural cooperative movements and in fostering cooperative development generally."¹⁹

FCH regional activities are strongly directed at strengthening and supporting national institution building, a program supported by ATAC. It comes as a surprise then to read that ".... the (FCH) program be phased out.... at least with respect to regional activities and countries surveyed....."²⁰ If this is done how will AID render support to national institution building in the housing cooperative field for which it has a congressional mandate.

To sum up, FCH fails to understand why ATAC should make recommendations on AID priorities which contradict those established by the Congress in the Foreign Assistance Act of 1961 as amended.

ACCEPTABILITY OF COOPERATIVE HOUSING AND THE
INFLUENCE OF COOPERATIVES IN THE COMMUNITY

Few items received the attention ATAC gave to its unsupported observations that cooperative housing is not readily acceptable to the families for whom it is designed. The "impressions", "conclusions", and "observations" of ATAC in this area came as a surprise to FCH, particularly in the absence of any data to support these conclusions; i.e.

¹⁹p.3 (Recommendation 3).

²⁰p.4 (c), p. 47(c).

"Program encounters substantial resistance from Latin American preference for individual ownership as compared with cooperative ownership".²¹

"We gained the impression that most people, and most cooperativists in other fields, want their own house with their own individual title".²²

"If AID regards development of.... cooperative housing as a legitimate objective of its program, the FCH program provides a well-organized and well-administered vehicle for its achievement to the extent that resistance to this form of home ownership can be overcome".²³

These statements appear to reflect ATAC's own resistance to cooperative home ownership, not that of cooperators and other citizens of the countries surveyed. FCH questions the validity of these statements since it has not encountered such resistance from people who want homes. FCH wonders as to the size of the sample interviewed, what coop residents were interviewed, and where?

ATAC assumes that people buy coop housing only in the absence of alternatives. The report states:

"It appears evident that many buy cooperative homes not because they are attracted by cooperatives per se, but rather because it is a way of getting financing for a home (often difficult in Latin America) or because there are simply not many homes available in the market",²⁴

²¹p. 33.

²²p. 74-75.

²³p. 33.

²⁴p. 133.

This conclusion of ATAC's ignores the fact that thousands of people in Latin America have voluntarily formed housing cooperatives over the years. Furthermore, cooperatives provide one means of generating capital and thus financing, which ATAC admits is difficult to obtain.

The FCH experience in the U.S. and in each of the countries in Latin America in which it has worked has shown that people like cooperative housing when they have an opportunity to live in it.

ATAC identifies benefits in the single-mortgage system, then calls for its exclusion from AID programs with a curious contradiction of opinions. The report says:

"Another claimed advantage of the cooperative community is that its residents own the whole community in common (single title and mortgage), rather than individual titles and mortgages. This does make it possible for the community as a whole to set its rules as to maintenance and improvement of property. It also prevents people from buying homes principally on (for) speculation rather than interest in living in the community".²⁵

But then states:

"The object should be housing and not the imposition of a home ownership system that may not be in accord with local or group preferences".²⁶

²⁵p. 132

²⁶p. 136.

Although FCH believes that "mutual ownership" coops offer many advantages and economies, it does not rule out coops which provide individual titles or are organized under "horizontal property" or condominium laws when they are most appropriate. The rural coop program in Panama is an example.

It should further be pointed out that the FCH cooperative housing program rather than "imposing" a home ownership system, is in fact, giving people a choice. Most housing built by Government agencies and private builders with AID loans or guaranties in Latin America are sold with individual titles. What objection can there be to offering the cooperative form of ownership to those who want it.

Equally questionable is ATAC's statement that:

"However, it is our impression that a great majority of home seekers in Latin America (as we think also in the United States) would prefer to have title to their own homes, and the possibility of benefitting ultimately from any appreciation in value, should they at sometime want to sell".²⁷

ATAC, in its assessment of U.S. and Latin American home buyers, fails to note that in the U.S.A. more than 250,000 (one quarter of a million) families have bought cooperative housing as the means of satisfying their housing needs, and they certainly bought from choice rather than because it was imposed on them. Of these, FCH has developed more than 50,000 cooperative homes.

²⁷p. 136.

FCH would further point out that speculation frequently causes housing which has received favorable financing or even subsidy to appreciate to a point where the families of the income level whom it was intended to serve cannot afford it when it is re-sold. This is particularly true in countries with large housing deficits. Under FCH programs, coop home owners build equity and can often, with coop approval, benefit from appreciation when they must sell. On the other hand, cooperatives discourage the speculator from buying simply to realize an unearned profit. This was nowhere noted in ATAC's report. In short, the above illustrations of cooperative housing readily show why it should be supported and not deleted from AID programs.

In a further effort to show the unacceptability of cooperative ownership, ATAC states, "Even among organizers and leaders of other types of coops, we found enthusiasm for the coop system of home ownership to be slight".²⁸ FCH is very interested in this statement, and after thorough review of this report, finds that nowhere are these organizers and leaders identified; neither are their cooperatives or organizations. FCH would like to know how many such individuals were interviewed. Is there in fact any data to support the conclusions ATAC has made relative to the acceptability of cooperative housing?

²⁸p. 133.

Influence of Cooperatives

On the subject of the powerlessness of cooperatives, FCH, while not challenging this "conclusion", would like to illustrate how influence has been achieved by some cooperative groups. FEHCOVIL, the Honduras Federation of Housing Cooperatives, studied by ATAC, was able to gain presidential candidates' support for its work when Mr. Oscar Pinto, its General Manager, sought out the two candidates during the campaign period. Both committed themselves to assisting cooperative housing development and supporting the cooperative housing movement upon entering into office. Certainly a cooperative or group can exert a great deal more influence than can individuals.

Confederations of Cooperatives

In response to ATAC's statement that "above the federation level no confederation of coops has been created in any of the six countries",²⁹ FCH would call ATAC's attention to INTERVICO, an association of TSO's from Panama, Colombia, Venezuela, Chile, and the United States. This was formed in order to share technical and cooperative techniques and information and to undertake cooperative housing development techniques and information and to undertake cooperative housing development techniques and information collectively in other Latin American countries lacking

²⁹p. 18

their own bodies to perform these services.

Finally, we were surprised by a gratuitous comment by ATAC which states: "this development (teamwork among coop members) is the more important for its rarity in many Latin American countries, torn as they are by mistrust and divisions of all sorts".³⁰ FCH feels that this does not apply significantly to housing cooperatives. The annual conferences of cooperative housing organizations from many countries throughout Latin America which have been held for the past seven years, certainly does not support ATAC's observation.

COOPERATIVE HOUSING: ITS PLACE IN THE DEVELOPMENT PROCESS

Two topics remain to be discussed which FCH believes were not covered sufficiently in the ATAC report. These deal with the applicability of cooperatives in furthering the development processes in Latin America and the value of cooperatives in furthering democracy and the democratic process in the countries in which they are operating.

ATAC appropriately noted the attention given to cooperatives at the Punta del Este conference in 1961:

"The Charter of the Punta del Este (conference) of August, 1961..... the cornerstone of the Alliance for Progress, also calls for aid specifically for coops.... the American Republics

³⁰
p. 101.

recognize for example that coops are institutions that should be strengthened for the increasing and effective use of domestic resources".³¹

It is significant in supporting this statement to note the exemplary role that housing and housing cooperatives can play in furthering the "increasing and effective use of domestic resources".

Housing comes close to being a complete economic undertaking. It employs labor and creates jobs, it generates capital but also helps generate a system of financing, it utilizes engineering, architectural, legal and managerial services. Housing construction requires tools and equipment, electrical supplies and components, plumbing and materials such as steel, cement, stone, wood, and other domestic products. Furthermore, the new home owner provides a substantial market for appliances and household furnishings of all kinds. Particularly in its cooperative form, housing would appear to represent exactly what the Charter conference had in mind.

The direct and indirect benefits of cooperatives and cooperative housing could in themselves be a topic for major discussion. However, it is the FCH intention only to respond to AFAC's question and subsequent answer, "Has this success (democracy) carried over into societies in which these coops exist? The answer is no in most cases"."³²

³¹P. 94.

³²P. 102.

The intangible benefits of cooperatives, are at best difficult to measure and identify and impossible to quantify.

What happens to a family when it moves into a housing cooperative? Is there a side effect or direct effect on the society in which these families live? Many people who buy homes in housing cooperatives frequently have little knowledge of cooperatives when they purchase their homes. Often they buy because the cooperative housing unit represents a good economic value and sometimes a unique opportunity for them. Often they have saved for two years or more in order to satisfy the downpayment. Once they occupy their dwelling, the family is exposed to mutual decision-making, becomes part of a body working for a common good, and soon learns that in its housing cooperative, it is a member of a small community dependent for success upon its membership and created for their benefit.

As AFAC has noted, teamwork among cooperative members is a "joy" to behold. Great personal benefits are derived which are supplementary to the shelter provided. In creating the cooperative, the steps of incorporation and the writing of by-laws enable many to include their views and ideas in the rules which will guide their community. Frequently, this is the first time they have been able to participate in community decision-making. The selection of leadership, the staffing of committees, the membership meetings, all give the cooperator a voice in his community, a voice he is encouraged to use. New skills are

learned as cooperators debate, evaluate, explore, and discover how they may make optimum use of their new vehicle. Whether these efforts involve establishing a credit union, a child care center, nursery school, a coop market, or recreation facilities, is not important. What is important is the way in which previously powerless families begin together to harness their new power and achieve, as a result, a better living environment.

Cooperative experience is an education in itself.

Cooperators who may barely be literate learn the importance of writing, of keeping minutes. They learn the necessity of order, whether in record-keeping or in meetings of their peers. They learn to use the democratic political process and to cooperate with others to achieve their desires. They learn to accept and support decisions made by the membership for the common good. Furthermore, they learn the importance of saving and of meeting financial obligations.

It is hard to believe that, once in possession of this newly-acquired knowledge, cooperative residents have no impact on their larger communities, their places of employment, or their local governments, though it is difficult to measure. On the contrary, the newly-created participant having witnessed the value of participation and cooperation, participates further. What the member of a cooperative learns may help him in better comprehending the problems of government, in developing leadership skills, or in becoming a leader, having been a

life-time follower. Does the cooperator exercise influence in the larger community? Do cooperative practices, including a respect for democratic processes and fiscal responsibilities, influence the societies in which these cooperatives exist? FCH believes that they can and often do.