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PROJECT COMPLETION REPORT

HURRICANE RURAL RECONSTRUCTION AND RECOVERY II

RURAL SHELTER RECONSTRUCTION, A.I.D. LOAN No. 522-W-028

I. Background and Summary Status

In September, 1974 Hurricane Fifi struck Honduras and ravaged large areas of the country, particularly along the North Coast. A ROCAP - prepared report estimated that the gross damage to the economy in terms of physical and value added to production would amount to between \$330 and \$360 million by the end of 1976. A.I.D. provided both immediate and longer term assistance to the GOH in the wake of Fifi. Such assistance took various forms, including a \$15,000,000 Loan to assist the Government of Honduras (GOH) in providing agriculture credit, primary school reconstruction, and low-cost rural housing to residents in the affected zone along the North Coast. This Report will address only the housing component (Loan 028) of the broader Reconstruction Loan Program.

As originally designed, the Project sought to construct 2,400 permanent wooden housing units for low income families in the affected area. The housing units, using self-help construction methods, were to have averaged \$400 in cost to the consumer and be financed through 100% mortgage loans at medium to long-term repayment periods. The Project further intended to develop a capacity within the National Housing Institute (INVA) to coordinate and execute rural sector shelter projects with private non-profit institutions already working in the low-cost rural housing field. The Loan Agreement established the TDD at 15 months following the date of satisfactory compliance with the Conditions Precedent to Initial Disbursement; i.e., August 21, 1976.

The following summarizes the basic Loan Project data:

- Loan Authorization Date	12/31/74
- Loan Agreement Signed	2/19/75
- Initial Conditions Precedent Satisfied	3/21/75
- CPs for Rural Shelter Activity Satisfied	6/20/75
- Terminal Disbursement Date:	
- Original	8/21/76
- Final	9/30/77
- Number of Housing Units:	
- Planned	2,400
- Constructed	969
- Loan Amount:	
- Original	\$1,000,000
- Disbursed	663,025
- Deobligated	336,975

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II. Project Execution

Before discussing the particulars of the Project's execution, it should be noted that the Project design assumed that INVA would be able to secure the participation of several non-profit private institutions with experience in the low-cost rural housing field. At the outset disagreements developed between INVA and these private housing institutions over administrative control procedures as well as technical issues involving design specifications and site locations. Consequently, the private institutions disassociated themselves from the Project, leaving INVA with total responsibility for the Project's implementation. INVA's experience with low-cost housing had been exclusively in the urban sector; furthermore, the major portion of the affected zone lay in areas at considerable distance from urban and materials supply centers. Nevertheless, with assistance from a highly qualified FCH advisor, INVA proceeded to design a basic one room housing unit with several practical features (low-cost, good ventilation, concrete floor, easy to construct and enlarge, major construction materials of local origin, and easily secured) acceptable to the target campesino group. By minimizing labor expenses through self-help construction techniques, and constructing the housing subprojects on cooperative land holdings, INVA was able to hold the unit cost to the home owner at \$450, or only \$50 higher than originally estimated. ^{1/}

A major obstacle during the development of this Program was the lack of skilled human resources. Since the success of the Project was largely dependent on volunteer unskilled labor, emphasis was placed on creating a sizeable campesino labor force at all levels. Throughout the Program short intensive courses on teaching construction methods were conducted for the benefit of the crew chiefs who in turn trained additional volunteer labor from their respective communities. Despite work stoppages, strikes, material shortages, weak administration, and bad weather conditions, including a major flood, nearly a thousand units were constructed for 6,000 rural poor in accordance with the designs and specifications established under the Project, demonstrating that unskilled laborers, with minimal training and supervision, can learn to properly construct their own homes using permanent construction materials.

In addition to the construction accomplishment, the Program greatly enhanced INVA's institutional capacity for developing and managing low-cost rural housing projects. Currently, INVA is financing and supervising the development of two additional rural housing projects totaling 65 units and has several other requests under consideration.

III. Further Inputs and Recommended Actions

The Ministry of Health (MOH), which is responsible for providing drinking

^{1/} Actual unit costs were somewhat higher, \$563/unit for houses constructed in the Sula and Lean region and \$698/unit for houses constructed in the Aguan region, thereby affording the Project beneficiaries with a partial subsidy.

water and latrines for rural communities, agreed to install wells and construct latrines for all housing subprojects financed under the Loan. The MOH signed an Inter-Institutional Agreement accepting the responsibility to provide the technical assistance and materials (not available to the community) necessary for the construction of latrines and potable water systems or wells. Construction activity was started after the signing of the Loan Agreement but was discontinued for lack of funds and trained personnel. In June of 1977, the MOH agreed to renew their efforts in the construction of latrines, using Loan-funded construction materials, as well as continue installing wells or potable water systems with financial assistance from the ongoing A.I.D. Nutrition Loan, 029. Recent field inspections by the USAID Project monitor indicate that the MOH is complying with their commitments. USAID will continue to monitor this phase of the Project.

INVA has prepared a repayment plan acceptable to A.I.D. for the housing units constructed under the Project. The plan has been developed in accordance with each community's capacity to repay by tying amortization schedules to the harvest seasons, thereby facilitating repayments on a timely basis. The funds collected through such a mortgage payment agreement will be deposited in a special revolving low-cost housing fund for the continuation of rural shelter programs. USAID and RHIDD/ROCAP will monitor the repayments under this plan.