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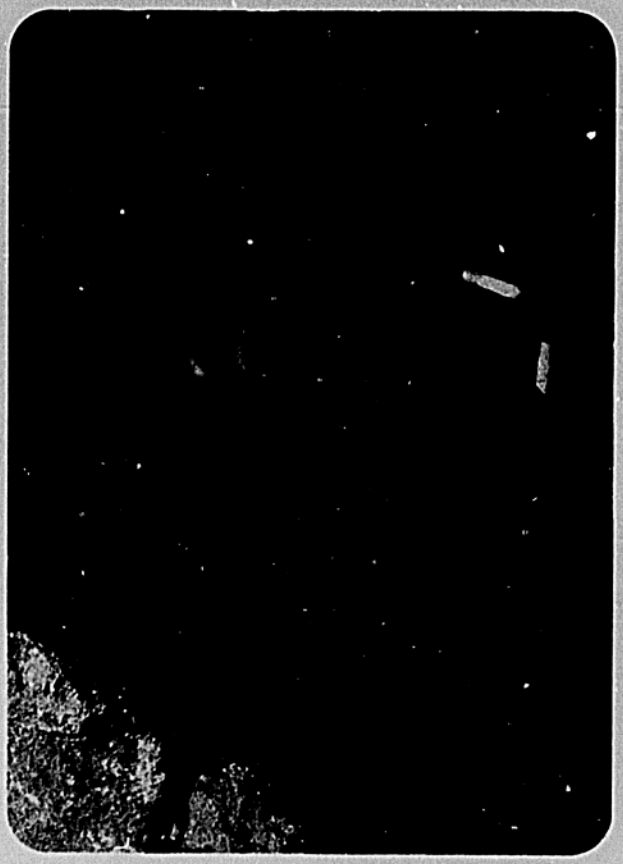
PROGRESS REPORT

COOPERATIVE NEIGHBORHOOD IMPROVEMENT AND JOB PROGRAM FOR CENTRAL AMERICA



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I. Introduction

In March 1985, the Agency for International Development (AID) approved a $10 million grant to The Cooperative Housing Foundation (CHF) for a neighborhood improvement and job program in Central America. The AID grant is being combined with an estimated $9.0 million in funds from sources within the region to develop cooperative self-help shelter and community improvement projects in urban squatter settlements and rural villages in six Central American countries. An estimated 100,000 people will directly benefit from the program.

The CHF program is an important part of a regional effort to implement the recommendations of the National Bipartisan Commission on Central America headed by Henry Kissinger. Following presentation of the Commission's report, Congress passed legislation which provided funding for a wide range of activities to address the crisis in the region. The Commission outlined four fundamental objectives, to which the CHF program contributes:

- Economic stabilization
- Long term growth
- Equity and broad participation in development
- Promotion of democratic institutions and human rights

The CHF program has three major purposes:

- to develop permanent private cooperative systems in the Central American region for self-help community improvement, shelter and associated employment to complement public-sector efforts and increase local capacity to use resources effectively;
- to demonstrate that private-sector systems can reach a much lower income level and produce less expensive housing and services more rapidly and more efficiently than most government programs;
- to mobilize both local and external resources to continue and expand such programs in the future.

Currently, most housing programs in the region do not reach much below the median income level. Under this program, CHF will be providing benefits to people who will mainly be in the 20-40 percentile on the income distribution scale of each country. This means that in urban areas of El Salvador, for example, beneficiaries' family incomes might range from about $157 to $208 per month, compared to a median of about $256 a month (1983 figures).

In addition to improvements in shelter and neighborhood services, the program will promote a better understanding of democratic values and the democratic system of government. The program model defines cooperatives as non-profit private-sector consumer or service organizations which also have both economic and social goals. Community-level neighborhood and village improvement cooperatives are really democracies in miniature where the members exercise decision-making according to democratic principles of one member/one vote.

The CHF Central American program not only provides support for democratic action at the community level, but is also designed to strengthen democratically controlled cooperative organizations at the regional and national levels by providing workshops, leadership training and technical and financial help.

AID Administrator, M. Peter McPherson, and Mrs. Neal Peden, Assistant Administrator for AID's Private Enterprise Bureau, both joined the CHF Trustees in inaugurating the grant program.

Executive Summary

The Cooperative Neighborhood Improvement and Job Program for Central America began in March 1985 when the U.S. Agency for International Development (AID) approved a four-year, $10 million grant to the Cooperative Housing Foundation. An additional $9.0 million is expected to be raised from within the region for a total program of $19.0 million benefiting 100,000 people.

The program is an important part of the ongoing effort to deal with the pressing economic, social and resulting political problems of the region, addressing the urgent need for better shelter, community services and employment for low-income people and for stronger institutions to meet these needs.

Specifically, the major purposes of the program are to help develop strong, private-sector systems for self-help housing, community improvement and associated employment creation which will function as a complement to public programs. The CHF program will demonstrate that such private-sector systems can reach lower income people and produce shelter solutions more rapidly and at lower cost than most public programs; and, as a result, to attract and mobilize both local and external resources into such programs and thus promote their expansion. Another purpose is to encourage the process of democratic decision making by the residents of poor urban neighborhoods and rural villages.

The strategy CHF is using to achieve these purposes includes providing credit, technical assistance and training for demonstration projects and institutional support. These are directed toward creating or strengthening, in each participating country, a viable cooperative development system consisting of technical service organizations and credit institutions, which in turn support individual housing, credit and community improvement cooperatives, as well as complementary building materials production, construction-related employment and small business promotion.

CHF provides local currency loans, and institutional support grants to private, non-profit technical service organizations, credit union federations, cooperative housing federations and other community development organizations. These then lend the funds to their member credit unions or cooperatives, which in turn make loans to their individual member families. Repayment is upward through these same levels.

The system operates on the revolving loan principle. All loans are at market rates, with sufficient spread between rates at the different levels to allow recipient institutions to cover operating expenses and risk, maintain capitalization and build some reserves to promote self-sustaining institutions and help attract further resources.

In order to build this type of system in Central American countries, CHF is taking a pragmatic approach. This program is beginning with demonstration projects in low-income areas, working with existing private non-profit institutions with some experience in low-income housing or credit. Initial projects emphasize home improvement lending, as well as contribution of small expandable "core" houses. It is expected that these projects will show that credit can be provided to low-income people without subsidies and without undue risk.

Progress to date includes program installation—setting up technical, administrative, monitoring and reporting systems in CHF's Washington office and offices in each of the six countries; establishing working relationships with USAID Missions and other organizations; and identifying and developing an initial set of projects.

Twenty loan projects for home improvement and core housing have been identified; nine have received final approval and are in the construction stage. Some core units have been completed and the first families have moved in. Eleven institutional support grants have been proposed; eight of these have already been approved. CHF funds allocated to these 31 loan and grant projects total over $4.176 million. Local counterpart funds in cash for the twenty loan projects total $1.6 million; it is estimated that an additional $2.3 million in local in-kind contributions (land, materials, labor) will have been added when these projects are finished. An estimated 29,500 people will directly benefit from these initial projects.

In addition to these loans and grants, CHF has initiated several regional activities. An institutional support grant of $118,400 was made to the Latin American Confederation of Savings and Loan Cooperatives (COLAC) to help it provide technical assistance, training, monitoring and evaluation services to the national credit union federations involved in the CHF program. CHF is also developing activities within its projects of special benefit to women, particularly in income generation. A pilot effort, currently underway in Honduras, will measure the impact of the program's housing and community improvement projects on the health of the residents. The first regional training activity took place in Guatemala with participation from all countries attending.

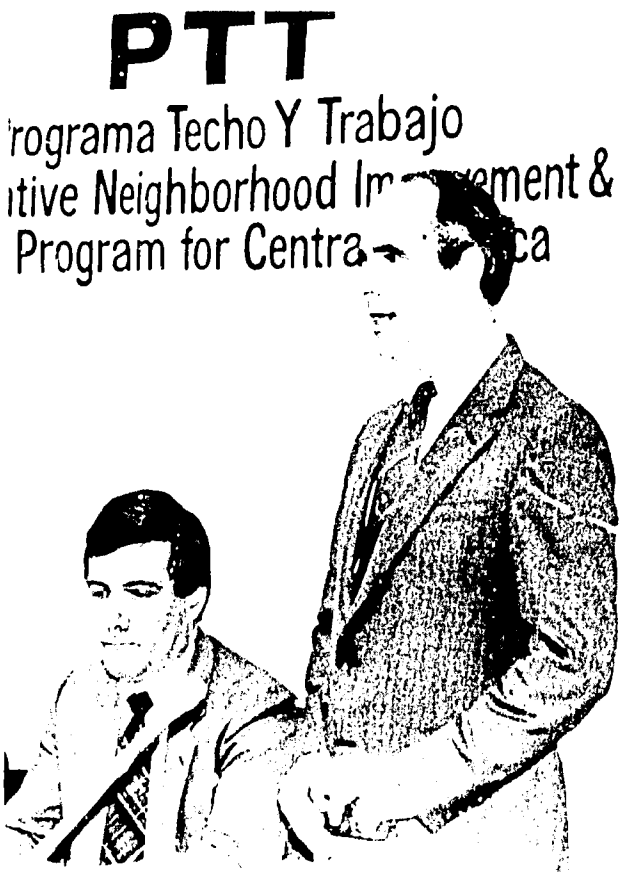
Steps to be taken during the program's second year include initiating loans for community services, building materials production and small business development; encouraging large industries in the region to invest in home improvement for their workers; and encouraging policy changes at the national level in each country by publicizing the progress made by the projects.

In future years, increased emphasis will be given to attracting a greater share of the local capital which is now used to finance upper income housing, to instead provide credit to lower income people through the newly developed private system.

Congressman Jack Kemp, Ranking Minority Member, House Subcommittee on Foreign Operations, spoke of the importance of providing self-help opportunities at the luncheon celebrating the inauguration of the grant program.

Congressman Dante Fascell, Chairman, Foreign Affairs Committee, U.S. House of Representatives, spoke of the 20 year history of CHF in developing democratic community organizations.

Dr. Karl L. Falk, CHF Chairman, emphasized the importance of self-help in shelter programs.



Charles Dean, CHF President, introduced Congressman Doug Bereuter who spoke in support of using private-sector channels for U.S. foreign assistance.

II. Problems Addressed by This Program

The shelter problem in Central America can be divided into two parts:

The Obvious Problem

Most poor people in urban and rural areas lack adequate shelter and services such as sanitary waste disposal, potable water, roads, walkways and electrical power. Unemployment is extremely high and low-income people often feel left out of the decision-making process. The social, economic and political impact of this problem cannot be accurately estimated, but the current crisis in the region is clearly related to the miserable living conditions of the poor, as is the migration north to the United States.

In recognition of this obvious problem, AID and other international organizations have been providing substantial amounts of financing and technical assistance for shelter and community services through the governments of the region for more than twenty years. However, the sheer arithmetic of the situation, stemming from rural to urban immigration, population growth, economic decline and political instability, has overwhelmed these efforts. The situation is worse today than yesterday and will be still worse tomorrow. Perhaps more important, the poor people of the region are now much better educated and better informed than they were twenty years ago. As a result, expectations are much higher, especially among young people, and their frustration level is rapidly rising.

The Less Obvious Problem

Local risk capital is not generally attracted to housing for people below the median income level. It is generally "understood" that this problem should be resolved by the public-sector housing agencies. However, these government agencies suffer common, and usually chronic, deficiencies. Their production is often low in both quantity and quality. More basically, their absorptive capacity is extremely limited by lack of technical competence, rapid turnover of high-level staff and low salaries. In spite of such problems, however, almost all AID and other external funding is currently channeled through, or guaranteed and controlled by, the public sector.

The Kissinger Commission recognized lack of absorptive capacity by the public sector as a chronic problem and, as a result, recommended that large amounts of US foreign assistance be channeled through the private sector. "Channeled through" are the key words, and this concept has since gained support as part of recent US foreign assistance legislation, as evidenced by the new AID emphasis on "privatization."

In summary, the less obvious problem is that even when funding is available from AID and other donors, the funds are often "bottled up" in public-sector agencies in Central America and other developing countries because these agencies lack the capacity to use these funds efficiently and within reasonable time periods.

The CHF Central American program was specifically designed to help address both the obvious and not so obvious problems outlined above.

More than 60 percent of the people in some urban areas live in houses made of scraps and discarded lumber.

Some settlements have community water taps while others have no source of potable water.

Governments no longer attempt to tear down housing in squatter settlements but, rather, seek to provide services and help residents improve what they have already built.

People in rural areas have especially inadequate housing, and their health suffers as a result.

III. CHF Approach to Problem

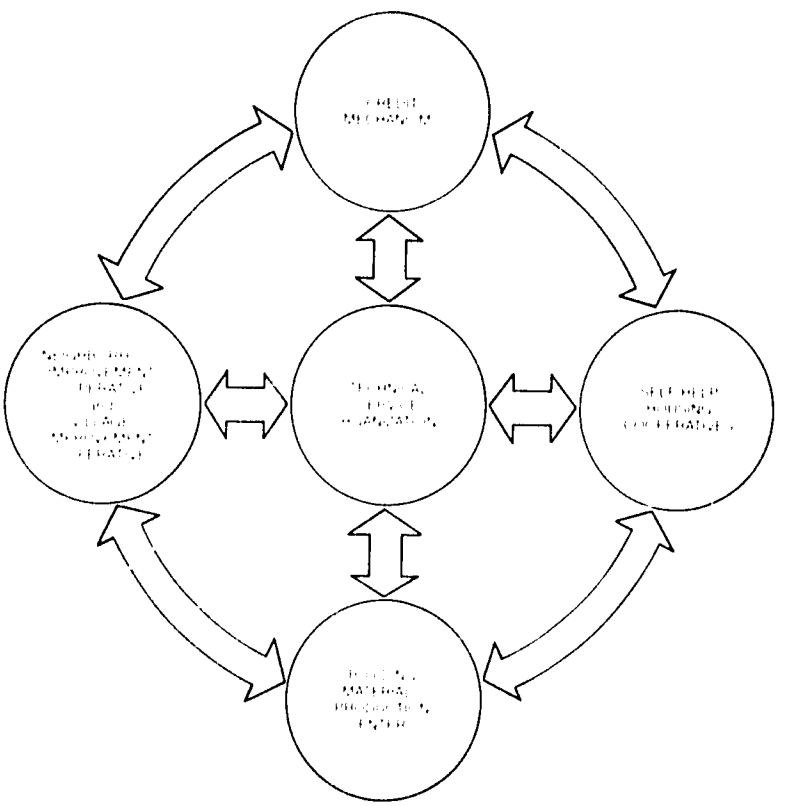
CHF has developed a private-sector Cooperative Development System (CDS) which is based on more than twenty years' worldwide experience. The components of the CDS are: technical service organizations (TSOs), self-help housing cooperatives (SHHCs), credit mechanisms (CMs), building materials production centers (BMPCs) and neighborhood and village improvement cooperatives (NICs and VICs). Each of these components interact and reinforce one another. Together, these components comprise a permanent, private system for developing and improving shelter and community services.

Some Central American countries, such as Honduras, already have most of the components of the system in place. Other countries have only one or two components; however, not all CDS components need to be in place for the system to work. A CDS might start in a particular country with the establishment of a technical service organization, which would work with existing credit mechanisms and subsequently develop housing or neighborhood improvement cooperatives and building materials production centers. Each locale must be evaluated to determine which components are needed. The system offers a long-range framework for cooperative development in Central America over the next ten to twenty years.

The idea is to begin in the private sector with a pragmatic approach which is "micro", rather than "macro", and build the system from the bottom up rather than the top down. Existing private-sector cooperative or other non-profit organizations which already have some experience in providing credit or are otherwise involved in housing and community services for lower income people have been identified within each country. Demonstration projects are starting at the community level in squatter neighborhoods and rural villages to show what works. These will be evaluated and the approach will be modified and improved as it expands. During the early development period, CHF does not stress national policy implications.

During the first year of the Central America program, credit union federations and cooperative housing organizations have been the main recipients of grants and loans. CHF is currently working with these organizations to develop demonstration projects incorporating elements of the CDS. The aim is to work with lower income groups than are normally served even by public-sector organizations, and to work within the squatter settlements where the people now live rather than develop new projects which involve relocation. During the second year CHF will begin to provide financing for small business development and building materials centers, to provide permanent jobs.

The success of these community-level projects is expected to contribute to achievement of the long-range goal, which is to demonstrate that credit can be provided for low-income people at *market rates* and at acceptable risk levels through private-sector entities. If this can be demonstrated, it is expected that local sources of financing previously only available to middle and upper income families, will redirect at least some portion toward this lower level so that self-sustaining, private-sector financing systems can be developed for the poor as well as the better off. It is also hoped that the success of the system will encourage international lenders to channel more loans and grants through private-sector organizations as a complement to public-sector programs, thus increasing the region's overall absorptive capacity and ability to meet its severe housing needs.



The Cooperative Develcpment System (CDS)

A major program goal is to create jobs in connection with the shelter and community upgrading projects.

Democratic participation by the residents is a key element in this program as is the improvement of the status of women, who head many of the households in urban and rural settlements.

IV. Program Description

Overview

The program addresses a wide range of problems by providing for self-help shelter improvement, community water and waste disposal systems, sidewalks, drainage and other services identified by community residents as high-priority items. However, the program is not limited to physical improvements. It is designed to build a permanent private cooperative framework for community development within each country, characterized by democratic control and decision making, which will continue in the future.

Specific program strategies include:

- strengthening cooperative institutions at all levels through funding support, technical assistance and leadership, management and skills training;
- providing loans for shelter and community facility improvement and construction;
- establishing or improving building materials production centers both to improve access to needed materials at reasonable cost and to provide employment;
- providing jobs and skills training in the building trades as a result of project construction activities;
- reinforcing or creating credit mechanisms for ongoing financing of further improvements and small business activity.

Funding

CHF is making loans, grants and guarantees from its Central American Fund according to criteria agreed upon with AID. All transactions are in local currency, to avoid subjecting beneficiary institutions to the risks of fluctuating foreign exchange. Therefore, while all monetary references in this document are in US dollars to facilitate clarity and comparability, in reality each country program is conducted entirely in local currency.

Loans are made to more established organizations, such as credit union federations and cooperative housing organizations. Grant funding, on a smaller scale, is being provided to help community service organizations improve their capability. This is mainly in the form of institutional support grants. Up to 1.0 million of the $10.0 million will be used as a reserve guarantee fund to induce local private organizations, such as credit unions and savings and loan associations, to contribute counterpart funds for sub-projects.

Many organizations receiving CHF loans establish revolving loan funds for lending to individual cooperatives or other community groups. These, in turn, lend to their members. All loans are at market rates, to maintain capitalization and promote self-sustaining institutions. Some "spread" is built into interest rates for these different loan levels, to allow recipient federations and cooperatives to cover operating expenses and risks and establish and maintain reserves.

The initial $10.0 million grant from AID in Washington is expected to leverage, over the life of the program, an estimated additional $9.0 million from within the region to produce shelter, service and employment benefits for more than 100,000 people.

Program Admistration

CHF has established offices in each of the six countries where the program is being developed. CHF Country Directors are being assisted by small staffs of CHF local employees. In addition, CHF is establishing a regional office in Panama for project coordination, training, technical assistance and evaluation. Back-up assistance is provided by the CHF Washington office in specialized technical fields and in administration, management and training. Fiscal audits are done by private local firms and by CHF.

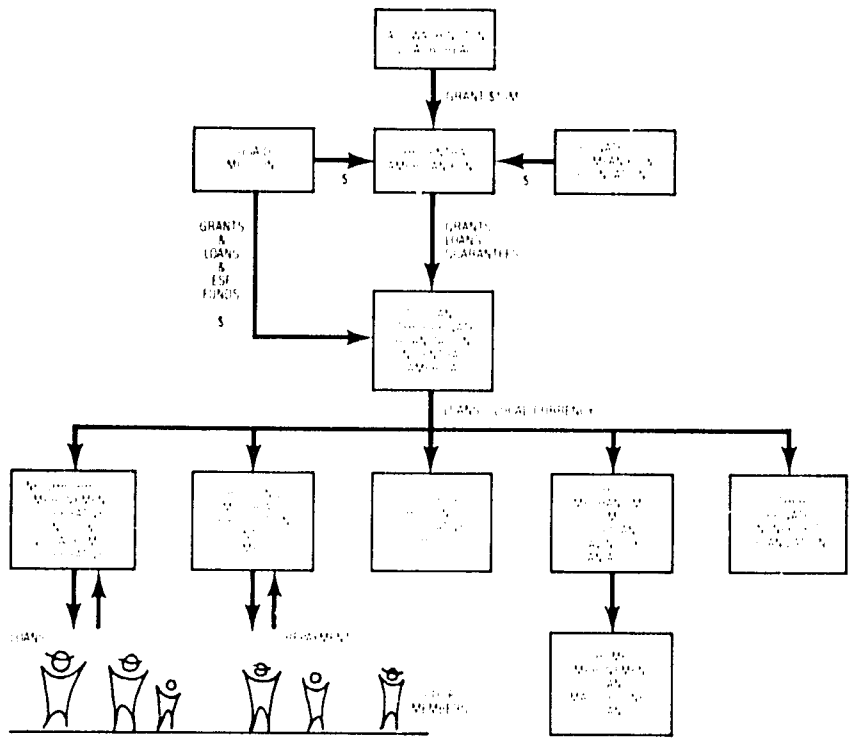
Evaluation

CHF is developing an evaluation system for the program which will work at several levels. The most important component is the evaluation of the impact of the project on the people living in the squatter settlements and rural villages. This evaluation will include not only the tangible benefits which are fairly easy to measure, such as the number of houses constructed and water and waste disposal systems installed, but also intangible benefits such as the additional time that children spend in school, the attitudes that people have about their community and themselves, and their general attitude toward the project.

CHF is using a computerized system called "Scan-tron" to tabulate and analyze initial data gathered in the communities identified so far.

Ted Priftis, CHF Vice President for Latin America, describes the new program at a recent regional conference in Guatemala.

Organizational Flow of Funds Framework for Cooperative Self-Help Program for Neighborhood Improvement, Shelter and Employment Generation in Central America



Credit for home improvement on individual lots is a major component of the program which allows many families to benefit with small loans of $600 to $1,000 to add rooms or install utilities.

V. Progress to Date

Overview

During the twelve-month period since the signing of the grant, CHF has established offices in the six countries of Guatemala, El Salvador, Honduras, Costa Rica, Panama and Belize, and has signed agreements with each USAID Mission outlining the procedures to be followed on each project.

Twenty loan projects have been initiated, with nine signed and underway and the rest in varying stages of development. These projects will directly benefit more than 29,500 people. In addition, eleven institutional support grants are being developed, with eight of these already in effect. CHF has approved or is considering loans and grants totaling $4.176 million for these 31 projects. Local organizations have committed cash contributions of $1.6 million. In-kind contributions, including land, building materials and labor, will add approximately $2.3 million in value when the projects are complete.

The first loan to reach low-income families was made in El Salvador. Loans are also reaching the "beneficiary" level in Honduras, Guatemala and Panama. Model houses have been completed or are under construction in almost every country, demonstrating the advantages of expandable "core" housing designs.

The borrowers and grantees are mainly organizations previously identified by CHF as having a "track record" in this field, with demonstrated capability to recover loans from their members. CHF has conducted several types of training for these organizations during the first year, including a regional training workshop which was held in Guatemala in March 1986. Small institutional support grants are being made to some organizations participating in the program to strengthen their staff, management and accounting techniques and, in general, help them increase their capability to carry out programs of this type.

A detailed review of program activities in the individual countries is contained in Section VII, Country Reports.

Specific Regional Activities

In addition to the range of activities indicated above and described in the Country Reports, other activities have been initiated which support region-wide institutions or may be applied in more than one country.

1. Regional Institutional Support

During the program's first year, CHF made one regional institutional support grant in the amount of $118,400 to the Latin American Confederation of Savings and Loan Cooperatives (COLAC). COLAC is a regional cooperative service organization charged with assisting the credit union movement throughout Latin America. It provides loans and technical assistance to its member national credit union federations.

The purpose of the CHF grant to COLAC is to help it provide technical assistance, training, monitoring and evaluation for the national federations receiving CHF loans, thus strengthening institutional capability and support systems at the international, as well as national and local, levels.

2. Women in Cooperative Development

Consideration is being given to the special problems faced by women in the region since it is not unusual for at least 50 percent of the households of any given squatter settlement to be headed by women. In order to help assure that women's particular situation and needs are considered in program activities, CHF has prepared and distributed guidelines on how to provide more assistance to women to each CHF office within Central America and to the organizations receiving loans from CHF.

The guidelines include a number of examples of successful cooperative activities which have improved women's rate of participation and access to services and increased the economic capacity of women in low-income communities.

CHF is now starting the next step in this effort, to identify and develop specific activities in participating communities, to more effectively meet women's needs.

3. Shelter and Health

CHF is interested in measuring the impact of its neighborhood improvement programs on the health of the residents. As an initial effort, baseline information on the health of residents is being gathered in several participating communities in Honduras. It is expected that improvements in water supply and storage systems and the introduction of sanitary latrines and showers, along with improved housing, will lead to substantial improvements in health. The evaluation system will seek to measure these improvements and compare them to nearby communities which have not received the benefits of the program.

During the first year of the grant, CHF completed preparation of guidelines which will lead to specific projects to help women improve their economic capacity.

SUMMARY SHEET
CHF Cooperative Neighborhood Improvement and Job Program for Central America

May 29, 1986

I. Loans/Grants Guarantees	Guatemala	Honduras	El Salvador	Panama	Belize	Costa Rica	Regional	Grand Total
1. No. of loans in process	0	1	1	3	3	3	0	11
2. No. of loans signed and operational	3	3	2	1	0	0	0	9
3. No of grants in process of design/ approval	0	1	0	1	1	0	0	3
4. No. of grants signed and operational	3	2	0	0	2	0	1	8
5. Total No. of loans & grants	6	7	3	5	6	3	1	31
II. Amount of Project inputs								
1. Total amount of loans/ grants from CHF	1,002,108	1,070,750	500,000	703,500	373,000	408,750	118,400	$4,176,508
2. Total amount of local counterpart inputs (cash)	509,176	495,120	227,000	288,750	53,000	51,250	0	$1,624,296
3. Local input in kind	290,125	259,050	140,025	175,271	21,200	30,750		916,421
4. Local input grand total	799,301	754,170	367,025	464,021	74,200	82,000		2,540,717

CHF has designed small, but expandable, "core" houses for construction in each of the six countries. This brick house in Honduras costs less than $2,000.

One of the first families to move into a new house in the program is shown here. The owner is a school teacher, and his wife also works in the school system.

VI. Next Steps

As noted earlier, the CHF program has begun with home improvement and core housing loans. As confidence is developed between the local TSOs and the residents of the squatter settlements, more complicated lending for community services, such as water systems, sidewalks, drainage ditches and garbage disposal, will take place. This will dramatically increase the number of direct beneficiaries in relation to loan amounts for each community. The first loans for small business development and building materials centers will also start during the second year.

Fund raising from private businesses will also be a more important part of the second, third and fourth years of the program as it can be demonstrated that credit can be provided in squatter settlements and repayment assured. Many large companies and industries in the area are concerned about housing for their employees; during the second and third years, CHF will be working with these business groups to interest them in providing funds and other support for housing for their workers.

Progress is also expected in effecting policy changes at the national level in each country. CHF will continue to publicize the less obvious problem of lack of absorptive capacity mentioned in Section II of this report. Policy changes are usually slow in coming, but will be encouraged by an active process of publicity, training sessions, workshops and site visits by government officials and others who influence policy in each country. The hope is that national policy will change so that the private sector is thought of as an important and complementary part of government efforts to solve lower income housing problems.

There are several ways that local resources are encouraged to contribute to this program. First, the loans which are being made by CHF to the credit unions are encouraging additional members to join, and savings are increasing as a result of the stimulation given to the credit unions by program activity. Second, the new housing which is being constructed is normally a small, core unit which is later expanded by the owner's self-help and may involve funding from other sources, including loans from family or friends, or simply additional savings which are used to purchase blocks and materials to expand the house.

However, the main target is the substantial amount of money in each country that is currently being used to finance upper income housing. Some of this money is in the private savings and loan system, but other public-sector monies, such as government pension and social security funds, are also used almost exclusively to finance housing for people above the median income level. One of the next steps is to focus attention on the success of the first CHF projects to encourage redirection of some of these local funds toward a lower level.

During the second year, a number of workshops and planning sessions will take place to explain the concepts in the new program and to seek local financing to complement the AID funds.

VII. Country Reports

Guatemala

Overview

The CHF program in Guatemala has been developed in close consultation with the USAID Mission and with Guatemalan private, non-profit organizations. AID has identified as major goals the promotion of real economic growth and greater participation by the poor in the benefits of that growth. USAID emphasizes rural development and shelter improvement, and especially encourages private-sector involvement in the financing, development and construction of shelter for lower income groups.

The newly-elected government of Guatemala has also given housing for the poor a very high priority and encourages democratic cooperative development in both urban and rural areas.

CHF has had considerable experience working in Guatemala and is well aware of both the severity of community shelter and service problems and the constraints affecting their resolution.

First Projects

The following is a brief description of the initial projects undertaken by CHF in Guatemala. They are at various stages of development, ranging from feasibility study to implementation.

1. *Federation of Cooperative Credit Unions (FENACOAC)—Home Improvement/Institutional Support*

FENACOAC is a federation of 83 Guatemalan cooperative credit unions, representing more than 90,000 members throughout the country. FENACOAC makes many different kinds of loans, including consumer, production, small business, home improvement and some mortgage loans.

CHF has provided a loan to FENACOAC of $350,000 to lend to the five credit unions participating in this pilot project. These credit unions will provide a total of $87,500 in counterpart financing and will, in turn, make home improvement loans to their members. The estimated 990 loans to be made initially will benefit about 4,950 people.

This loan project will enable FENACOAC and the participating credit unions to expand their services in home improvement lending; it also encourages them to institute realistic interest rates and thus improve their financial position.

The loan agreement was signed in May, and the project is currently being implemented.

In addition, FENACOAC has received an institutional support grant of $10,000 from CHF to improve its administrative capabilities and ability to provide technical assistance and training to its member credit unions.

2. *Hogar y Desarrollo (HODE)—Self-Help Housing Cooperative*

HODE is a private foundation established in 1972, working in social, economic, and community development in the poorest neighborhoods of Guatemala City. It has received funding from a number of national and international organizations. HODE has completed several housing projects for families with incomes in the $80-$250 per month range, far below Guatemala City's median family income of about $450 per month. Although they are not exclusively committed to the formalized cooperative structure for community organization, they have developed housing cooperatives, and clearly employ cooperative techniques. CHF and HODE share many objectives and have agreed to collaborate to improve the quality of life for low-income Guatemalan families.

The first CHF funded project will be a self-help housing cooperative in the satellite community of San Juan Sacatepequez, outside of Guatemala City. The project will include construction of 200 core housing units on land already purchased by HODE. In addition to the construction of the core housing units, $25,000 will be made available to finance home expansion and improvement loans. The CHF loan to HODE for lending to this cooperative will total $353,000, with an additional $90,000 in local resources.

The loan agreement is signed and project implementation should start in June of 1986.

The Hogar y Desarrollo (HODE) is typical of the private-sector non-profit organizations receiving support from CHF under this program.

The population of Central America is predominantly young and the need for housing and employment during the next 15 years is tremendous. These four young men represent one of the best resources for producing that housing since it must be produced by the people who live in the squatter settlements because the problem is too great for governments to solve. The CHF program seeks to mobilize these human resources in squatter settlements and help them by providing credit and technical assistance. The program will also encourage employment and give people a chance to participate in democratic decisions affecting their communities.

El Salvador

Overview

El Salvador needs a tremendous amount of assistance to solve its social, economic, political and security problems. USAID is supporting the democratically elected government in its efforts to improve the economy and social services, extend participation in the political process and improve security.

As a result of the conflict, the rate of rural to urban migration has increased dramatically, substantially exceeding that of other countries in the region. Most urban areas are extremely overcrowded. More than 500,000 people, out of a total population estimated at 5.0 million, are considered displaced persons, having fled areas of conflict for safety in government-controlled zones. Approximately one-half of the urban population (and 25 percent of the total population) is now located in the metropolitan area around the capital city, San Salvador.

Public-sector agencies dominate the shelter sector, but have been unable to meet housing demand. They suffer from lack of coordination and lack of a clear policy framework with regard to interest rates, target group strategies and marketing and financing. Such problems limit the implementation capability of public-sector institutions and hence their ability to use additional funding effectively. With the nationalization in 1980 of the National Housing Finance Agency (FNV) and the savings and loan industry, private-sector participation in housing production and financing was reduced substantially. Therefore, a major objective of the CHF program is to strengthen existing private institutions which can provide or finance housing and home improvements.

The only private-sector organization currently dealing directly in housing for lower income people is a foundation known as FUNDASAL, which works primarily in and around the capital city, with funding from external lenders and donors at concessional rates. There is currently no organized effort to produce housing for lower income people outside of the capital city. The existing private credit union system has lacked resources for housing and home improvement lending on any significant scale, although most credit unions are aware of the demand and have made some such loans. However, no Salvadoran institution had a specific home improvement loan program prior to the CHF program.

First Projects

The following projects have been identified and are currently at the various stages of development indicated below.

1. *Federation of Cooperative Credit Unions (FEDECACES)—Pilot Home Improvement Project*

CHF, in collaboration with FEDECACES, designed a pilot home improvement loan project, involving three FEDECACES-affiliated credit unions located in the towns of Nueva Concepcion, San Vicente, and Sonsonate. CHF made a loan of $150,000 and FEDECACES is providing a local cash counterpart of $37,500 to support home improvement loans by the credit unions to their members with incomes below the median ($153 monthly per family nationally in 1985).

Important purposes of this program are to strengthen credit union systems and procedures for making home improvement loans; and to encourage other credit unions to undertake such loan programs for low-income families.

The demand for such credit, not previously readily available to lower income groups, is very strong and widespread. To more accurately measure effective demand, and to protect the Federation and participating credit unions from unnecessary accumulation of interest charges, it was agreed that drawdowns from CHF could only be "triggered" by approved and processed applications from credit union members. The pent-up demand was clearly demonstrated when 100 percent of the initial loan fund was disbursed within two months of the January 1986 signing of the loan agreement between CHF and FEDECACES. It is estimated that this loan program will directly benefit about 1,775 people.

In order to reduce costs, model houses are being constructed of adobe in the town of Santa Ana in El Salvador.

3. *Guatemalan Cooperative Housing Federation (FENACOVI)—TSO Institutional Support/Self-Help Housing Cooperatives*

FENACOVI was established as a TSO in 1977 in an effort to meet the emergency shelter demands arising from the 1976 earthquake. However, although it expanded rapidly, FENACOVI lacked access to sufficient technical and organizational assistance to function as an effective TSO. While it did develop several housing cooperatives, as a result of its own weaknesses, it was unable to provide the cooperative education, training and organizational development assistance necessary to develop viable cooperatives. Several of its projects soon were in difficulty: some suffered payment arrears because of faulty collection procedures, and others because the inability to complete all units resulted in inadequate revenues and hence accumulated arrears in paying the construction debt. In 1985 FENACOVI elected a new Board of Directors, which promptly hired a new Executive Director; together they undertook an analysis of the situation and developed a plan of action to improve collections and resolve the problems of their two incomplete projects. CHF provided an institutional support grant of $24,108 to FENACOVI as an initial program activity, as well as technical assistance and training in administration, financing, and project development and implementation.

This resident of the San Juan Sacatepequez community is expanding his home with a home improvement loan.

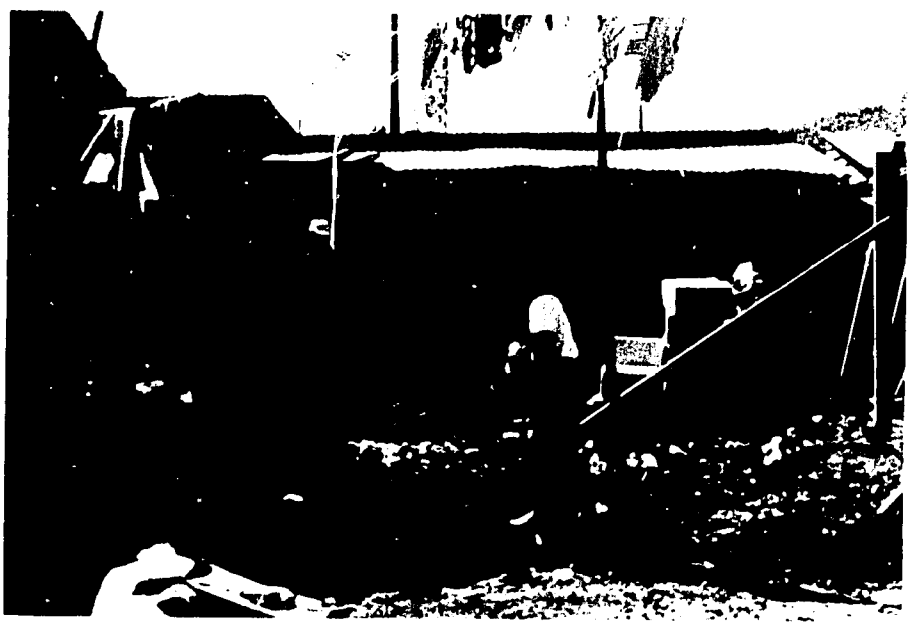
As a result of the institutional improvements achieved, CHF has agreed to lend funds to FENACOVI to complete two self-help housing cooperatives in Esquintla and Gualan. This will put the organization on a solid financial basis by enabling it to recover costs sunk in incomplete, unsold units, and help it develop into an effective TSO for Guatemala in the years ahead. CHF has provided a loan to FENACOVI of $240,000 which, together with $330,000 in local resources, will finance completion of 311 units in these two cooperatives, benefiting approximately 1,555 people.

The loan agreement was signed in May and project implementation is expected to commence in June 1986.

Summary

In summary, the Guatemala program's first year has seen CHF's legalization and establishment of working arrangements with USAID and with local, private-sector organizations. The first projects have been identified and are now underway. The total amount of loan and grant funds already approved or provisionally allocated is $1,002,108, with cash contributions from local organizations totaling $507,500. In-kind contributions are estimated at $1,320,000 during the first four years of these projects, from which an estimated 7,755 people will benefit. The build-up of funds from repayments will provide credit to many more people in the years ahead.

Most importantly, the program is expected to strengthen these private organizations and demonstrate the efficiency of channeling both national and external funds through the private sector to help meet the shelter and community services needs of low-income people.



The tradition of self-help home construction is well-established in Guatemala.

2. *FEDECACES—Self-Help Housing Cooperative*

CHF, FEDECACES and the Sihuatehuacan Credit Union (SihuaCoop) in Santa Ana are combining efforts and resources to produce 113 new core housing units for credit union members with incomes below the median. Median monthly family income for members is currently $128; 63 percent of the members fall below this median. CHF has made a loan of $206,000 to FEDECACES for lending to the credit union; local contributions total $126,500 in land provided by SihuaCoop and beneficiary down payments.

Santa Ana, like many "safe" urban centers in El Salvador, has experienced a sharp influx of families fleeing guerrilla activities. Due to the general lack of long-term financing, particularly for low-income people, the formal sector has produced very little such housing over the last several years. Virtually no housing for low-income people has been produced outside the capital city of San Salvador. This project is a modest, but meaningful response to the need for new housing, affordable by low-income families, in the Santa Ana area.

With this project, CHF is assisting the credit union system to expand its role and extend loans for the construction of new core housing units. Given the modest nature of planned core unit construction and contemplated CHF technical assistance, the step from home improvement lending, which frequently provides one- and sometimes two-room additions, to the present project does not appear to be beyond the capabilities of FEDECACES and SihuaCoop.

Mortgage terms to the beneficiaries will be for fifteen years, at prevailing market interest rates. The project will be constructed by small, local contractors, and will directly benefit 565 people.

The loan agreements were signed in April and the project is currently being implemented.

3. *FEDECACES—Home Improvement/New Construction*

The towns of Metapan, La Union and Sonsonate face problems similar to those in Santa Ana. Families fleeing guerrilla activity have sought shelter and safety in the towns. Since the housing stock has grown very little over the past decade, the need and demand in these towns is strong.

CHF, in collaboration with FEDECACES, has done preliminary identification and design work for a project with three FEDECACES-affiliated credit unions to finance a "build on your own lot" project. The project will demonstrate that a credit union, with support from FEDECACES, can provide long-term financing to qualified members to build their own homes, combining contractor-built elements and self help. This pilot project will finance approximately 65 new core houses for below-median-income families who already own their own lots, directly benefiting approximately 325 people.

CHF will lend $144,000 to FEDECACES for lending to the three participating credit unions, which in turn will lend to their qualifying members. The credit union system will provide a cash counterpart of $63,000.

CHF is now conducting a feasibility study of this project.

Summary

During this first year, CHF has been legally established in El Salvador and has set up working relationships with relevant organizations. Three projects are under development. The total amount of CHF loan funds budgeted for El Salvador, $500,000, has been allocated to these three projects. Local contributions for the projects total $227,000. Approximately 2,665 people will benefit directly.

In addition to these benefits, the CHF program is making a substantial institutional contribution by strengthening private-sector capacity and giving private institutions a chance to demonstrate the feasibility of cooperative solutions to the housing problems faced by El Salvador's low-income and war-displaced population.

CHF has requested technical help from IFEC, the International Foundation for Earth Construction, to assist in improving the adobe construction techniques to resist moisture.

Honduras

Overview

Honduras is the poorest country in Central America. Its estimated population of four million people is 40 percent urban and 60 percent rural. The economy's growth rate has actually dropped in recent years, and real per capita income is 14 percent lower than 1981 levels. Unemployment is estimated at 20 percent, and underemployment between 30 and 35 percent.

Despite these problems, Honduras shows signs of economic improvement and, perhaps most encouragingly, has just held fair, democratic elections and installed a new President who is giving high priority to social and economic development goals, including housing and employment. The new President, Jose Azcona, is the former Director of FEHCOVIL, the Honduran cooperative housing technical service organization (TSO). He is a firm believer in the democratic, social and economic value of cooperatives.

The USAID program in Honduras, one of the largest in Central America, seeks to support the government's economic development plan. USAID goals include supporting Honduras' further advancement toward a democratic society, increasing its economic growth, and preserving its territorial integrity.

The need for housing is acute. The number of people living in squatter settlements surrounding Honduran cities is increasing at an alarming rate.

An important advantage in trying to meet this need is the fact that Honduras already has a strong TSO—FEHCOVIL—with twenty years' experience in developing housing cooperatives. FEHCOVIL is a key participant in the CHF program in Honduras. It has demonstrated its effectiveness in promoting self help, in cost recovery, in quality design and construction and in managing major loans from external donors.

The second strong private-sector organization in Honduras which will be involved in this program is FACACH, the Honduran Federation of Credit Unions. FACACH also has a good record of providing credit for a wide variety of uses, including housing, small business development and production credit.

CHF has also identified other housing-related private-sector organizations in Honduras and hopes to work with them during the subsequent years of the program implementation period.

First Projects

The following projects have been identified in Honduras and are at various stages of development, ranging from feasibility study to the initial stages of implementation.

1. *FEHCOVIL—NIC/Home Improvement*

The purpose of this CHF loan to FEHCOVIL is to fund lending by FEHCOVIL to affiliated low-income housing cooperatives for individual member home improvement loans. The project also will provide loans to the cooperatives for neighborhood projects such as improved water and sanitation systems, drainage and sidewalks. In addition, FEHCOVIL will form neighborhood improvement cooperatives (NICs) in surrounding areas.

Home improvement loans to housing cooperatives and NIC members are expected to average about $650 each. Individual core housing loans can be up to a maximum of $2,000. Collective neighborhood improvement loans should average about $5,000 each.

Projects are being undertaken in four separate neighborhoods in and around Tegucigalpa and one located in San Pedro Sula. The total loan package is $400,000, with $350,000 from CHF and $50,000 from FEHCOVIL.

Project "outputs" will consist of 400 home improvement loans, 50 new core houses, and eight neighborhood improvement loans for small bridges and walkways, simple water distribution systems and drainage improvements. These are expected to benefit about 5,000 people.

The loan agreement for this project was signed March 31, 1986.

In addition, CHF has made an institutional support grant to FEHCOVIL of $32,250 to provide for additional staff and equipment and thus strengthen its capability to carry out the CHF loan projects and assist its affiliates.

2. *FACACH—Home Improvement Loan Project*

FACACH is the Honduran Federation of Cooperative Credit Unions, with 89 affiliated credit unions serving more than 39,000 members. CHF and FACACH are collaborating on a pilot home improvement loan project involving five individual credit unions, to serve members whose monthly family income is below the median level, which averages about $358 in urban areas. CHF has made a loan of $250,000 to FACACH, to be combined with $125,000 of FACACH funds and an additional $125,000 from the participating credit unions, for a total of $500,000. The funds will flow from CHF to FACACH, from FACACH to the credit unions,

This community is typical of hundreds surrounding the capital city of Tegucigalpa which need community services and credit for home improvement.

and from the credit unions to the members. All loans to beneficiary families will be at market rates of interest, with maximum loan terms of five years. Repayments will flow back up the same chain. The project should benefit an estimated 7,000 people.

The loan agreement was signed in May and implementation is scheduled to start in June 1986.

An institutional support grant of $10,000 to FACACH has also been made. This will strengthen FACACH's capacity to implement the home improvement loan program by covering part of the cost of a professional to administer and promote the program and provide technical assistance and training to affiliated credit unions; and by providing funds for educational and promotional materials for the program.

3. *FEHCOVIL — Self-Help Housing Cooperatives*

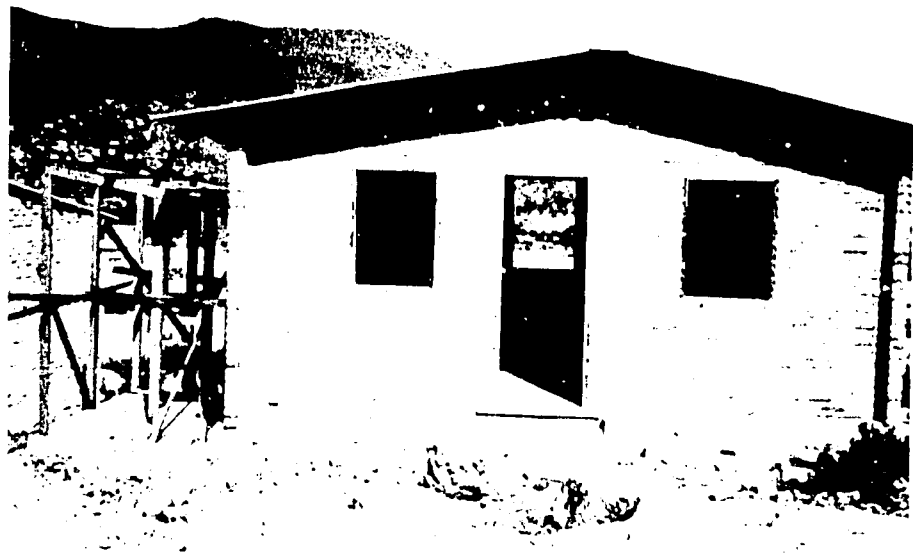
This project includes a $400,000 loan by CHF to FEHCOVIL to finance the construction of approximately 150 new core houses for three separate cooperative groups at three separate sites, two in Tegucigalpa and one in San Pedro Sula. In addition to the CHF loan, FEHCOVIL will provide a cash counterpart loan contribution to the project of $50,000. The beneficiary families will contribute additional cash down payments totaling about $45,000, or about $300 per family, with the mortgages to run for a term of 15 years. The project will directly benefit an estimated 750 people.

CHF has completed and approved the feasibility study for this project, which has been submitted to USAID-Honduras for concurrence.

4. *Asociacion San Jose Obrero — Community Services*

The Asociacion San Jose Obrero (ASJO) is a private, non-profit group assisting the poor of Choluteca and its surrounding rural villages with a broad spectrum of programs. The project funded by CHF involves the redesign of the water system for a sites and service project in Choluteca, construction of a water storage tank, and installation of an electrical network. This will substantially improve services to the housing cooperative and make the entire project more attractive and viable. CHF has made a loan of $27,500; with $70,245 coming from ASJO funds, donated land and a separate AID grant, total investment in the project is approximately $98,000. The CHF loan has a term of 24 months, and will directly benefit an estimated 560 people.

The loan agreement was signed recently and implementation of the CHF funded components is expected to start in June 1986.



This brick house will cost less than $2,000 including a small kitchen, latrine and shower.

Hand-operated machines for making concrete block can reduce costs and provide jobs within the community.

Summary

In summary, the first year of work in Honduras has seen the establishment of CHF as a legal entity in Honduras, working arrangements have been made with AID and with local, private sector TSOs and other organizations, and the first projects have been identified and are now underway. The total amount of CHF funds which have already been approved or provisionally allocated for these projects is $1,070,750; cash contributions from local organizations total $475,245. In-kind contributions are estimated to reach $1,225,000 during the first four years for these projects. An estimated 13,000 direct beneficiaries will participate.

Costa Rica

Overview

Although Costa Rica is one of the most developed countries in Central America and has a very high standard of living and level of education, it is currently suffering from an economic recession and high unemployment. There are many people in urban and rural areas who are living in very difficult conditions in squatter settlements and in rural communities without services.

The squatter settlements in the capital city of San Jose are not as obvious as those in other countries, though they do exist. They are more evident in secondary cities, marginal urban and semi-rural areas. An autonomous social development agency of the Costa Rican Government, IMAS (Instituto Mixto para Avuda Social), has recently identified 495 squatter settlements nationally, with a population of over 200,000 people, about eight percent of the total population. Squatter family income averages only about $48 a month, in contrast to the national median monthly family income of about $360. In addition, Costa Rica has a problem with refugees as a result of the people fleeing Nicaragua.

The National Housing Institute (INVA) and IMAS are the public-sector institutions which work to meet the shelter and community service needs of lower income people. In recognition of their limited capabilities, the Government of Costa Rica encourages private efforts as a complement to public programs.

Fortunately, there are a number of private sector, non-profit organizations involved in shelter construction and credit in Costa Rica. USAID has requested that CHF direct its initial assistance to FUNDASOL, a recently formed foundation which focuses on rural and semi-urban low-income housing.

First Projects

The following CHF projects are in the early development stage:

1. *FUNDASOL—Neighborhood Improvement Cooperative*

The neighborhood of Juanito Mora is located approximately 12 kilometers from the port city of Puntarenas. The land was invaded in January 1985 and now includes approximately 1,000 families. The occupation of the land has been accepted by the authorities, and lots have been divided and numbered in an orderly fashion and streets laid out. The government is now going through the process of registering the lots.

CHF is proposing a home improvement and new core unit construction loan program, to be funded by a $175,000 CHF loan and $30,000 in local contributions. It is estimated that about 1,750 people will benefit from these loans.

A major goal of the project is to help the residents of Juanito Mora establish a neighborhood improvement cooperative and possibly a building materials production center, which will allow them to construct various community facilities and continue to improve their homes.

The program is also designed to help FUNDASOL develop as a technical service organization for housing and community improvement.

The feasibility work for the project is now taking place in cooperation with FUNDASOL.

2. *COOPEALIANZA—Home Improvement*

San Isidro is the main city in the region known as Perez Zeledon. High in the Talamanca mountain range, this largely agricultural district has a population of approximately 82,000. San Isidro is located near the Inter-American Highway, 140 kilometers south of San Jose.

COOPEALIANZA is a cooperative credit union operating for over fifteen years in the city of San Isidro. One of their long-term goals is to provide loans for home expansion and improvement and new core unit construction. In conjunction with FUNDASOL, CHF is considering assisting this project with $144,375 in loans for home improvement and expansion. A program of this size would directly benefit 525 people.

At present, the cooperative owns a subdivided and partially serviced site for the home construction phase of their program. CHF's future involvement in the core unit construction portion of this project is dependent on COOPEALIANZA's presentation of a feasible plan for the further development of this property and on concurrence from the Costa Rican Federation of Credit Cooperatives, FEDECREDITO. CHF anticipates providing the cooperative with technical assistance in formulating this plan.

The community of Juanito Mora is near the city of Puntarenas and is typical of many organized squatter settlements in Costa Rica which need credit for home improvement and community services.

3. *FUNDASOL—Home Improvement*

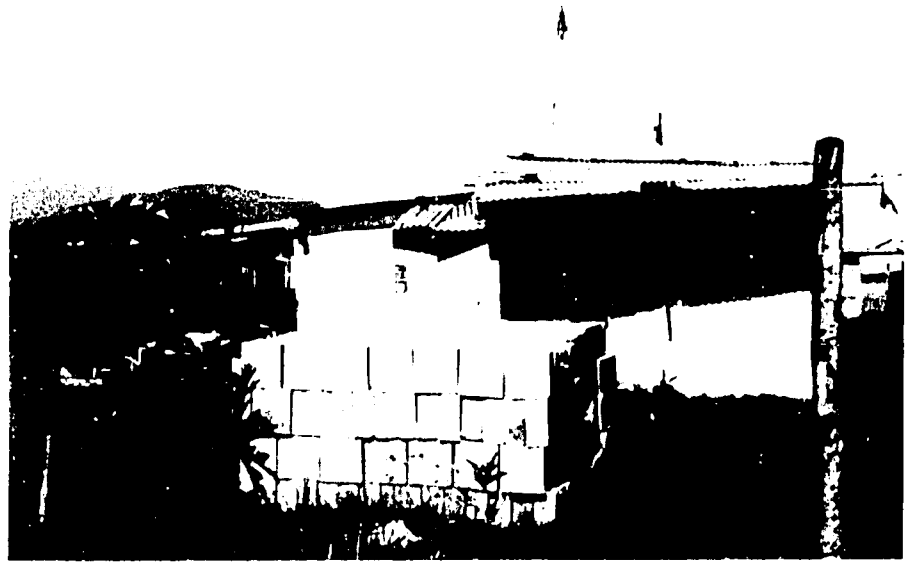
Esparza lies some 80 kilometers from San Jose, near the Inter-American Highway. The city lies between the fringes of the central mountain range and the dry coastal plains of the Pacific.

CHF has prepared a concept paper for a home improvement and new core house construction project to be carried out with FUNDASOL through a 250-member cooperative credit union, COOPESPARZA. This credit union has demonstrated administrative efficiency in the handling of various small rotating credit funds and has some limited experience in the field of home improvement loans. The contemplated project will involve two separate squatter communities within one kilometer of Esparza Centro (approximately 70 families, or about 350 people). Funds are needed for the construction of electrical and water systems, completion of the legal title process, and core unit and home improvement construction. Total amount of funding from CHF would be $89,375 with local cash contributions of approximately $8,000. This project will directly benefit 250 people.

Summary

In addition to securing CHF's status as a legal entity and establishing contacts with relevant organizations, three potential projects have been identified, with one of these well into the feasibility study stage. CHF has provisionally allocated $408,750 to these three projects. If all three projects are carried out, approximately 2,525 people would benefit directly.

CHF's collaboration with FUNDASOL is also expected to strengthen this new organization's ability to serve as an effective private-sector TSO for rural and semi-urban low-income housing.



Typically, residents purchase materials a little at a time to improve their housing. Credit from the CHF program will accelerate this process and make it more efficient.

Panama

Overview

One of the highest priorities of the Government of Panama is to provide employment opportunities and improve shelter for lower income people. The USAID Mission is supportive of these efforts and has been very helpful to CHF in developing its program there. In the housing sector, USAID has concentrated on providing assistance to the government in developing a new national housing policy and providing assistance to the national housing finance system.

CHF has a long history of working in Panama, starting in the early 1960's when it assisted the Panamanian Government and cooperative organizations with some of the first expandable core housing and site and service projects ever financed by AID. CHF also assisted in the creation of FUNDAVICO, the Panamanian cooperative housing TSO, and has a good relationship with the Credit Union Federation (FEDPA) and its members.

When FUNDAVICO was established, it was generally expected that it would provide housing for middle-income families and that shelter for the poor would be handled by government agencies. However, in recent years it has become clear that the government agencies alone cannot meet the demand. FUNDAVICO has now become more involved in low-income housing and is currently assisting families in a large squatter settlement known as Belen. CHF is encouraging FUNDAVICO in these efforts and is also working with FEDPA to develop specific projects for its credit cooperative members.

First Projects

Following is a description of the projects identified and or approved so far in Panama.

1. *FUNDAVICO—Neighborhood Improvement Cooperative*

A project in support of a neighborhood improvement cooperative (NIC) near the city of David in western Panama has been developed by CHF and FUNDAVICO. The Loma Colorada community consists of approximately 300 families. There is a small, existing cooperative (La Union) formed many years ago by FUNDAVICO when this was still a rural area. The new project will build upon this cooperative base to form a more effective NIC, by enabling the cooperative to provide credit for home construction and improvement. It is expected that this will be followed by community improvements identified by the residents and financed through the cooperative, as its capital grows with loan repayments. The cooperative will also benefit from education and training provided through the project.

CHF has a made a $65,000 loan to FUNDAVICO, which is investing $15,000 of its own funds and then on lending the entire $80,000 to the La Union Cooperative to fund home improvement and core unit construction loans to approximately 21 member families with monthly incomes averaging about $216, considerably below Panama's national median of $400 a month. The loan agreement was signed in May and implementation is expected to start in June 1986.

2. *FUNDAVICO—Neighborhood Improvement Cooperatives*

The Belen squatter community has grown up during the past few years on a large section of land near Panama City's Tocumen International Airport. It consists of approximately 1,500 families who are subdivided into sectors of about 100 to 300 families each. After the government assured them that they would not be forcibly removed, the residents began efforts to purchase the land from its private owners.

They requested help from FUNDAVICO in carrying out the land transactions. The FUNDAVICO role was unique and could be a model for other communities and even other countries. FUNDAVICO served as a "broker" between the families and the landowners in negotiating sales contracts, and guaranteed payment by the residents. FUNDAVICO then worked with the local government authorities to register the lots. FUNDAVICO also provided technical help by preparing aerial photographs and plans, dividing the community into lots and developing a street layout pattern. This process has worked very well and is now almost complete, much to the satisfaction of the private landowners and the residents. Other landowners have come to FUNDAVICO and inquired whether they might get similar assistance.

FUNDAVICO has also assisted the residents with preliminary cooperative education and self-help construction and community improvements. A number of drainage ditches have been dug and several community buildings constructed. In some cases, FUNDAVICO provided materials, with the residents providing self-help labor.

FUNDAVICO and CHF are now studying the feasibility of developing several neighborhood improvement cooperatives (NICs) in Belen. CHF will provide a loan of $225,000 and FUNDAVICO will contribute $60,000 to fund NIC loans for home improvements and construction of new housing. Approximately 2,700 people will benefit.

Credit will also be provided by CHF and FUNDAVICO, as the NICs gain strength, for a number of projects to improve community services in Belen. The potential project would complete a provisional water system installed by the residents in cooperation with the government water supply institution. The government would provide the water tank and FUNDAVICO and CHF would loan money for tower construction. The residents would assist in the installation of the distribution lines and the users would pay not only for the water, but also for the cost of construction.

3. *FUNDAVICO—Village Improvement Cooperatives*

Several villages have been identified for the development of village improvement cooperatives (VICs), beginning with Boquete and Montijo. These two VICs will start with home improvement and construction loans and later be expanded with credit for community services and employment-generating activities.

A concept paper for this project has been developed and approved by CHF Washington which calls for $100,000 of CHF loan funds and will directly benefit 400 people.

4. *Panamanian Federation of Credit Cooperatives (FEDPA)—Home Improvements/Scattered Site Construction*

Some time ago, CHF made a small grant to FEDPA to help it develop a home improvement program. This activity was successful, but failed to evolve into a formalized, ongoing home improvement lending operation. As part of the new Central American program, CHF and FEDPA have agreed to move ahead with home improvement and construction loans for lower income people through FEDPA's member credit unions.

Projects have been identified in two FEDPA credit union cooperatives, in Santiago and Las Tablas. Each cooperative has a large number of members who are below the median income level and who have applied for credit for home construction or improvement. Each of the credit unions already has a history of making housing-related loans, although generally for people above the median income level.

A concept paper has been approved by CHF Washington.

Under the proposed program, CHF will loan $275,000, which will be augmented by an additional $163,750 from FEDPA and the cooperatives. These funds will be used for home improvement loans of $2,000 to $3,000 each and for construction of core units and some completed houses costing up to $8,000. This project will directly benefit 875 people.

Summary

The first year of program activity in Panama encompassed the requisite legalization, establishment of procedures and contacts; and identified and developed four home improvement and construction loan projects. To date, $665,000 in CHF loans have been allocated for two of these projects, while $288,750 in local counterpart funds have been committed.

In addition, CHF is planning to provide an institutional support grant of $38,500 to FUNDAVICO, for a total provisional CHF first-year allocation of $703,500.

These projects are designed not only to meet the housing needs of the direct beneficiaries, but also to build institutional capacity and help FUNDAVICO, particularly, to become an increasingly effective resource for low-income cooperative housing in Panama.

This family in the community of Belen, on the outskirts of Panama City, was selected for the model house constructed by FUNDAVICO with support from CHF.

Belize

Overview

Belize is the newest nation in Central America and is quite different in both culture and size from the other Central American countries. Its official language is English and its focus is toward the Caribbean. However, it does share similar problems of overcrowding, inadequate housing and lack of community services for many of its low-income people. In recent years, these problems have been aggravated by a large influx of refugees from El Salvador and Guatemala; many of these people are settling in small, rural communities.

Belize also has a high unemployment rate. The decline in the price of sugar has hurt the nation's economy and further damage has occurred as a result of the financial problems of neighboring Mexico.

CHF has been working in Belize for about two years, assisting the credit union federations to develop a home improvement loan program. Funding for this program has been provided through a $2 million AID Housing Guaranty loan. Last year, when CHF's Central American program began, CHF shifted toward developing small demonstration projects involving credit unions and other private organizations.

First Projects

The following projects have been identified and are being developed.

1. *Belize Credit Union League—Ringtail Village Self-Help Housing Cooperative*

CHF will make a loan of $39,000 to the Belize Credit Union League (BCUL), to be combined with $8,000 in local resources and lent to the Hummingbird Credit Union, to in turn provide loans to members for the construction of 13 new core housing units in Ringtail Village.

This small pilot project will serve the first of approximately 100 small-farm families in the Ringtail Village area, and is intended as a model for replication in this and other agricultural areas undergoing the small-scale colonization and development typical of sparsely-populated Belize.

Ringtail Village came into existence as the result of a demonstration project for small family farm production of cocoa, for which technical and funding support comes from Hershey Foods Corporation, the Government of Belize, USAID, the Pan American Development Foundation, VITA and Peace Corps.

CHF is providing the technical and financial assistance required to provide housing in the Ringtail Village area as the land is cleared and the first group of families is relocated. This assistance is channeled through BCUL and the Hummingbird Credit Union, formed by employees and farmers associated with Hershey's Belize subsidiary. The housing loan program is limited to credit union members with monthly family incomes below Belize's rural median of $400.

It is hoped that the experience gained in this pilot project will enable BCUL to set up similar programs in other parts of the country and demonstrate the capability of Belizean credit unions in financing small-scale housing projects, an area in which they have not previously been involved. The project is designed to strengthen systems and procedures for home construction lending in both BCUL and the credit union.

The feasibility study for the loan project has been completed and is now being reviewed.

In addition to the housing and institutional development components to be financed by the CHF loan, CHF is also providing a grant of $4,000 to the Ringtail Village Improvement Committee to construct a small community building to serve as a meeting place, training site and storage facility; and a water catchment system for the new housing cooperative.

2. *Belize Rural Development Association (BARD)—Building Materials Production Center*

Throughout rural Belize there are new farming communities being established. The land that is being settled is mostly secondary jungle growth located near major highways or rivers. Most of the settlers are refugees from El Salvador and Guatemala, although many native Belizeans are also farming small plots. Several of the new communities have formed cooperatives to assist members with production and marketing. The catalyst for this cooperative movement has been the Belize Association for Rural Development (BARD).

BARD is a local grass-roots organization formed in 1984, serving communities in the Belize and Cayo districts of the country. The Board of Directors is comprised of representatives of the cooperatives with which it works.

CHF is considering a loan of $15,000 to BARD to establish a revolving loan fund for the start-up of small building materials production centers (BMPCs). The centers would use portable saw mills, block-making equipment and other low-tech methods to produce building materials from local natural resources.

Housing for low income people in urban areas is typically overcrowded and in a state of disrepair in Belize.

This project is currently in the feasibility study stage.

In addition, CHF has made a $10,000 institutional support grant to BARD to help it become more self-sufficient and effective in implementing the BMPC loan and providing services to its affiliates. This grant is supporting staffing and operations costs, project development activities and development of management systems.

3. *BCUL—NICs/New Core House Construction on Scattered Sites*

This program will involve a CHF loan to the Belize Credit Union League (BCUL) to finance construction and long-term financing for four separate urban groups, three in Belize City and one in Ladyville. The groups are currently organized into neighborhood associations. Construction of approximately 70 core housing units will require a CHF loan of US$305,000, with local cash, land and in-kind contributions totaling $60,000. The shell units will be contractor built with some self-help inputs by the beneficiaries. BCUL will continue providing community organization assistance to the four groups, to help them develop into formal neighborhood improvement cooperatives.

The beneficiaries will provide buildable lots, thanks to a government policy of allotting serviced lots, under long-term lease with option to buy, to families able to build a home on the lot.

This project is being readied for feasibility analysis.

Summary

As in the other countries, the first year of the CHF program saw the establishment of operations and identification of projects. Three loan projects are now being developed, with currently allocated CHF funding for the first two loans totaling $359,000, plus $43,000 from local sources. Two CHF grants, totaling $14,000, have already been made, bringing the CHF total to $373,000.

Major objectives of the Belize projects, in addition to providing the direct benefits of housing and BMPCs, are to strengthen the participating institutions and to develop replicable models for wider use throughout the country.

In rural areas, many low income people are building temporary shelter while they develop their farms in hopes of building more permanent housing later.

Annex A

The Cooperative Development System (CDS)

Technical Service Organizations

One of the most important components of the CDS system is the Technical Service Organization (TSO). A TSO is usually a non-profit institution that provides the technical assistance needed to develop housing cooperatives and related community improvement projects. Technical, organizational, managerial, financial and legal services and coordination are critical elements to the successful development of other parts of the CDS. The TSO may, for example, organize the village or neighborhood improvement cooperative. Or a TSO can secure financing from a credit mechanism for a self-help housing cooperative or a building materials production center.

Self-Help Housing Cooperatives

Self-help housing cooperatives (SHHCs) provide housing and related services for members and their families. SHHCs take different forms in different countries. Normally, cooperatives are private-sector, non-profit organizations owned by their members and operated under a set of principles which include open membership, democratic control and one-member, one-vote.

Building Materials Production Centers

Building materials production centers (BMPCs) produce and supply basic building materials in the locations where these materials are needed. BMPCs can be small "backyard" operations that expand as the need increases, or larger scale new businesses established in rapid growth areas not already served by the formal building sector.

Neighborhood and Village Improvement Cooperatives

Neighborhood and village improvement cooperatives (NICs and VICs) are formal organizations which facilitate self-help shelter and community service improvements. The improvements are decided upon by the members of the NIC or VIC and may include the installation of water or sewer lines, walkways, drainage canals or home improvements. NICs and VICs may also construct community centers, schools, clinics and other community facilities needed by members.

Credit Mechanisms

Credit mechanisms (CMs) are devices that promote savings and or provide credit for housing, community services, building materials production centers or small business for lower income families organized in some type of cooperative. CMs can include cooperative credit unions, commercial banks, worker banks, pension and social security funds, insurance companies and savings and loan associations.

About CHF

The Cooperative Housing Foundation (CHF) is a non-profit organization dedicated to the development of better housing and related community services for low- and moderate-income families in the United States and throughout the world.

Domestic operations began in 1952, the year the Foundation was established, patterned on the Scandinavian cooperative housing organizations. The Foundation, which was formerly known as the Foundation for Cooperative Housing, has two wholly owned subsidiaries: CHF International and CHF, Inc. CHF International, established in 1965, has over 20 years of experience in over 50 developing countries. CHF, Inc., is the Foundation's housing development and consulting service arm.

CHF is a 501(c)(3) non-profit organization. Policy for CHF is set by a 40 member Board of Trustees composed of distinguished private citizens with records of achievement in housing and social programs.

In the United States, CHF has been responsible for the development of more than 60,000 homes in over 400 housing cooperatives. Overseas, CHF has worked in more than 50 countries providing technical assistance in the development of over 200,000 homes for moderate and low income families.

Annex C

Trustees of The Cooperative Housing Foundation

Mr. Knox Banner: Chairman, Banner Associates, Ltd.; Former Executive Director, District of Columbia Office of Business Economics Development.

Mr. Shirley F. Boden: Former President, Metropolitan Mutual Housing Association, Inc.

Mr. Samuel E. Bunker: Administrator, International Programs Division, National Rural Electric Cooperative Association.

Mr. Paul Campbell: Former United Nations Housing Advisor; CHF International Training Director; Manager of the Greenbelt Cooperative, Greenbelt, Maryland.

Dr. Eric Carlson: President, International Foundation for Earth Construction (IFEC); Former Chief, Housing Section, United Nations.

Mr. Gordon Cavanaugh: Attorney, Roisman Reno and Cavanaugh; Former Administrator of the Farmers Home Administration.

Ms. Fern Colborn: Former Secretary for National Federation of Settlements and Neighborhood Centers.

Mr. Lawrence Connell: Partner, Prather Seeger Doolittle & Farmer; Former President, Washington Mutual Savings Bank; Former Chairman, National Credit Union Administration.

Mr. Charles F. Dean: President, Cooperative Housing Foundation.

Dr. Karl L. Falk: Chairman, Cooperative Housing Foundation; Former Chairman of the Board and Founder, First Savings & Loan, Fresno, CA; Former National President of NAHRO.

Mr. William French: Executive Director, Rural Community Assistance Corporation.

Ms. Dorothy Gazzolo: Former Deputy Executive Director, National Association of Housing and Redevelopment Officials, and Editor/Publisher of the Journal of Housing.

Mr. Paul Hebert: Vice President, World Council of Credit Unions, and Treasurer, CARE.

Mr. Floyd Hyde: Chairman of the Board, National Housing Conference.

Mr. Richard G. Jones: Former Executive Director, Aurora Colorado Housing Authority.

Ms. Lydia Joseph: Vice President, The John Stewart Company; Senior Vice President, California Association of Housing Cooperatives; Former President, National Association of Housing Cooperatives.

Amb. Joseph John Jova: President, Meridian House International; Former U.S. Ambassador to Mexico.

Mr. Robert W. Maffin: Executive Director, National Association of Housing and Redevelopment Officials.

Mr. Robert Marshall: Director, Self-Help Enterprises.

Mr. Donald H. McCreary: Executive Director, Community Housing Ministry, Inc., St. Joseph, Missouri.

Ms. Mary K. Nenno: Associate Director, National Association of Housing and Redevelopment Officials.

Mr. Othello Poulard: Director, Employment and Training, Center for Community Change.

Dr. Dennis Reinmuth: Director of Special Projects, League Insurance Companies.

Mr. Gene Schaefer: President, Schaefer Holdings; Former Executive Director, National Housing Conference.

Mr. Henry B. Schechter: Director, Office of Housing and Monetary Policy, AFL-CIO.

Mrs. Marie McGuire Thompson: Housing Specialist, International Center for Social Gerontology.

Mr. Dwight D. Townsend: Former Special Assistant for Cooperative Housing, Federal Housing Administration; Former Vice President, Cooperative League of the U.S.A.

Mr. T. Graydon Upton: Former Vice President of the Inter-American Development Bank; Former Chairman of the Board of Directors of Pierce International.

Mr. Thomas W. White: Senior Vice President, Bear, Sterns, Inc.; Former Executive Vice President of the Council of State Housing Agencies.

Mr. Roger Willcox: President, Community Cooperative Development Foundation, Former President, National Association of Housing Cooperatives.

Mr. E. Morgan Williams: President, National Cooperative Business Association (formerly Cooperative League of the U.S.A.); Former Director of Farmers' Home Administration of Kansas.

Mr. Harold Wilson: Executive Director, Housing Assistance Council, Inc.

Dr. Gregory Wolfe: President, Florida International University.

Honorary Trustees

Mr. Winslow Carlton: Chairman Emeritus, Cooperative Housing Foundation.

Mr. Wallace J. Campbell: President Emeritus, Foundation for Cooperative Housing; President, CARE.

Mr. Ashley A. Foard: Attorney; Former Deputy General Counsel, HUD.

Mr. Lawrence M. Orton: Founding Member of the Foundation for Cooperative Housing; Former Commissioner and Vice Chairman of the New York City Planning Commission.

THE COOPERATIVE HOUSING FOUNDATION
A NON-PROFIT ORGANIZATION DEDICATED TO BETTER HOUSING AND BETTER COMMUNITIES
2501 M STREET, N.W., SUITE 450, WASHINGTON, D.C 20037 • (202) 887-0700

June 11, 1986

Ronald Levin
AID Mission Director
Panama

REFERENCE: CHF REGIONAL OFFICE

Dear Ron:

This is to let you know that we are moving ahead with the Regional CHF Office in Panama in accordance with our earlier correspondence and the Mission's letter of March 7, 1986. Initially, we will be posting two people to the Regional Office in July and hope to add the third person before the end of 1986.

Because this is a prototype program for CHF, I will continue to be personally involved and will be working out of the Regional Office during the first 12 months of its operation. In addition, we have recruited a very well qualified architect, Gus Costa, for the position of Regional Technical Director.

For your information I have enclosed a copy of our progress report for the first year of the program. Also, I want to thank you once more for the support we have received from USAID/Panama.

With best regards,

Charles F. Dean
President

Enclosure

cc: Mike Viola, CHF/Panama
AID/Washington

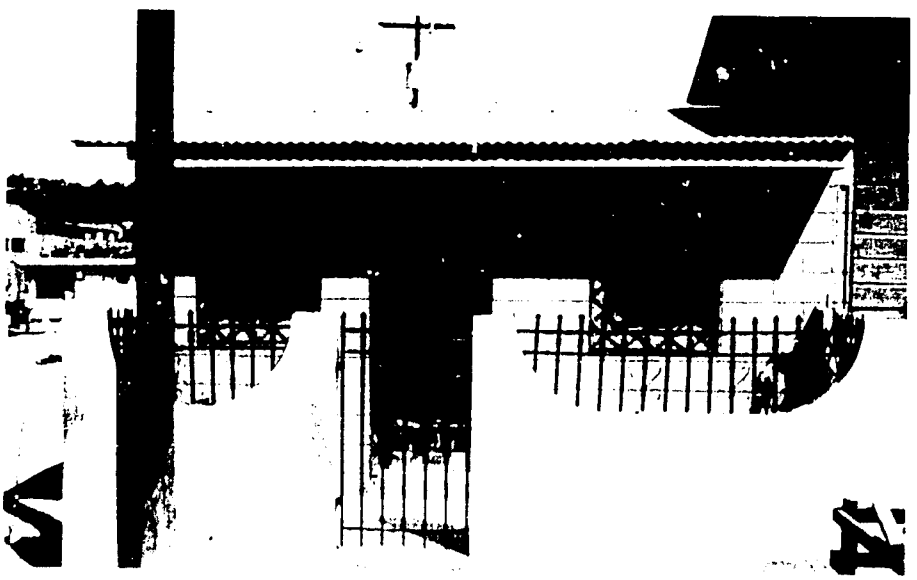
NOTE: Same letter hand delivered by CHF/Panama to USAID/Panama on June 12, 1986.

YES, YOUR HELP IS NEEDED

I want to help the:

☐ **CHF Central American Fund**
☐ **$10** ☐ **$25** ☐ **$50** ☐ **$100 or more**

Make your check payable to the Cooperative Housing Foundation and mail to:

Cooperative Housing Foundation
Development Funds Program
2501 M Street, N.W., Suite 450
Washington, D.C. 20037

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