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EVALUATION

CHF'S "COOPERATIVE NEIGHBORHOOD IMPROVEMENT AND JOB PROGRAM FOR CENTRAL AMERICA"

APRIL 1988

PADCO

AN INTERNATIONAL COLLABORATIVE FORMED TO PROVIDE GOVERNMENTS AND PRIVATE CLIENTS IN AFRICA, ASIA, LATIN AMERICA AND THE NEAR EAST WITH INTEGRATED RESEARCH, PLANNING AND MANAGEMENT SERVICES FOR URBAN AND RURAL DEVELOPMENT

E V A L U A T I O N

CHF'S "COOPERATIVE NEIGHBORHOOD IMPROVEMENT AND JOB PROGRAM FOR CENTRAL AMERICA"

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PREFACE

This evaluation was carried out by Planning and Development Collaborative International (PADCO). The evaluation team was composed of Lee Baker (Team Leader), Pedro Lasa and Anna Santana. Field work in Central America was undertaken during October through December 1987. The authors wish to thank the many local, CHF and AID officials who shared their time, views and information to make this evaluation possible.

EXECUTIVE SUMMARY

The Executive Summary presents the main findings and recommendations of this mid-term evaluation of CHF's "Cooperative Neighborhood Improvement and Job Pogram for Central America." The CHF program for Central America is a direct outgrowth of the recommendations of the National Bipartisan Commission on Central America (NBCCA, or Kissinger Commission as it is often known).

AID approved CHF's Central America shelter program in March 1985 in the form of a cooperative agreement. The four-year grant was initially for an amount of US$10 million. The total program was to benefit over 100,000 people.

The CHF program proposed to help develop strong private sector systems for self-help housing, community improvements and associated employment creation which was to function as a complement to public sector programs. The CHF program attempts to demonstrate that such private sector systems can reach lower-income households and produce shelter solutions more rapidly and at a lower cost than most public sector programs. As a result, the program hoped to attract and mobilize both local and external resources in order to promote additional shelter activities.

The statement of work from AID's Office of Development Resources stipulates that the evaluation should

> "... focus on the processes used by CHF in carrying out implementation steps to achieve the project objectives. Emphasis will be placed on understanding the project objectives, identification of activities, implementation steps and efficient use of resources."

This evaluation is essentially a mid-term review of the CHF program. It reviews the effectiveness to date in achieving project objectives and the efficiency in carrying out project implementation. The evaluation was undertaken after the program had been underway sufficient time to provide a solid basis for review, while at the same time allowing sufficient time and resources to be able to make significant adjustments if they are required.

The evaluation was carried out during October through December 1987. Just prior to beginning the Panama portion of the evaluation, the Government of Panama requested that AID close its Mission in Panama due to the political tension existing between the two countries. Based on the Mission's closing, the evaluation of the CHF/Panama program was cancelled on the advice of the Mission and AID/Washington.

I. CHF PROGRAM DESCRIPTION
(Chapter III of Main Volume)

CHF's Central America program directly responds to the recommendations of the Kissinger Commission. In its response to the Commission's broad goals of economic growth, equity in development, and promotion of democratic institutions, the program identifies three principal objectives:

- Develop permanent private cooperative systems in the Central America region for self-help community improvement, shelter and associated employment to complement public sector efforts and to increase local capacity to use resources effectively.

- 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.

- Mobilize both local and external resources to continue and expand the program in the future.

CHF's Central America program includes substantial inputs of technical assistance to carry out program implementation. CHF views the channelling of technical assistance resources to local organizations as a means to strengthen the capacity of these institutions over the mid- to long-term.

Capital assistance is provided to carry out demonstration projects which will maximize the benefits of the technical assistance. CHF's capital program contains the following principal elements:

- Capital assistance to private, non-profit organizations to develop demonstration projects in the areas of community services, new home construction, home improvement loans and credits to small-scale enterprises and producers of building materials.

- Provision of institutional support grants and technical assistance to help local private sector organizations improve and strengthen their capacity to implement low-cost shelter and community services programs.

- Provision of guarantees (in the range of US$50,000-500,000) to mobilize local resources into shelter activities similar to the demonstration projects.

- Development of training programs and systems to assist local private sector organizations and cooperatives in the design of self-help projects.

- Organizing regional workshops and national level conferences and workshops on subjects relating to the development of the demonstration projects.

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- Demonstration of lower-cost methods and techniques for producing shelter in squatter settlements and rural villages in order to encourage replication by local residents, private sector organizations and governments.
- Provision of credit and technical assistance for improving and increasing the efficiency of the production and distribution of building materials in squatter settlements and rural villages.
- Documentation on results and benefits of demonstration projects.

II. PERFORMANCE TO DATE IN ACHIEVING THE OBJECTIVES OF THE PROGRAM'S MAIN OBJECTIVES
(Chapter V of Main Volume)

Since the signing of the cooperative agreement in March 1985, CHF has successfully established its Central America program in Guatemala, Honduras, Belize, El Salvador, Costa Rica and Panama.

The original US$10 million grant has been amended twice to add additional funds to the CHF program in El Salvador (US$0.449 million) and Guatemala (US$2.3 million). Total AID financing now stands at US$12.749 million. Approval for further AID funding of US$5.16 million is pending in Honduras, Belize and El Salvador. Since the signing of the cooperative agreement, CHF has signed 25 loan contracts and 16 institutional support grants with Central America private sector cooperatives and non-profit organizations.

A. FINANCIAL STATUS

Table V.2 on page 30 summarizes the status of the financial inputs of CHF's capital lending program as of December 1987. Of the total US$7.855 million available for capital lending, CHF has been able to program or commit US$5.38 million (68.5 percent) and disburse (US$2.98 million (38.1 percent) in slightly over two and one-half years of operation.

From a purely organizational and capital disbursement standpoint, CHF has done a good job in establishing its six country programs and executing its first round of projects under the cooperative agreement.

B. PHYSICAL OUTPUTS

The original CHF program identified a wide-range of project activities. To date, CHF has focused almost exclusively on the production of new construction (both in new schemes and scattered site) and home improvement loans (see Table V.3 on page 32). CHF has exceeded to date the production targets on these components established in its proposal.

On the other hand, CHF has been unable to identify and execute any neighborhood programs for the improvement of services.

CHF has also not achieved very good results with its lending program for small-scale enterprise and producers of building materials. CHF has been able to initiate only one program in Honduras which has made 23 loans to date.

C. GENERATION OF ADDITIONAL PROGRAM FINANCIAL RESOURCES

Table V.4 on page 35 shows that CHF has been only partially successful in generating additional resources to support its Central America program. The primary source of additional funds to date has come from AID. The total of approved and pending additional AID funding of US$7.909 million surpasses CHF projections of US$6 million from the original proposal.

CHF has been less successful regarding the generation of local resources to support similar shelter activities. Table V.4 points out CHF's inability to generate local resources which would add to the total physical output of the program.

With few exceptions, CHF's local financial intermediaries have fulfilled their contractual obligation regarding the provision of direct counterpart funding. Unfortunately, this counterpart contribution is primarily in the form of in-kind contributions (mainly composed of land, labor, administrative support, etc.) which has a limited effect in adding to the total output of the CHF program.

D. PROJECT BENEFICIARIES

CHF's proposal projected that the initial US$10 million grant in combination with additional resources from other sources would provide direct benefits to more than 100,000 people. CHF's record to date indicates that the program will fall far short of this goal.

A lower than expected number of program beneficiaries is primarily due to CHF's inability to identify projects in the area of neighborhood improvement. Since this type of project has not materialized, proposed funding has been reprogrammed and committed to other projects with higher unit costs per beneficiary. This has reduced the number of overall beneficiaries.

Another reason for fewer beneficiaries is the lack of "additive" resources leveraged by the initial US$10 million grant.

It is possible to estimate the approximate number of program beneficiaries for the four-year grant on the basis of beneficiaries served to date. Extrapolating from the 20,065 beneficiaries served (see Table V.3 on page 32) by the US$4.790 million in committed and programmed loans as of December 1987 (excluding the Panama program), one can project a total of approximately 52,350 for the four-year program. These results indicate that if CHF cannot mobilize additional local resources over the remaining one and one-half years of the program, the number of program beneficiaries will be less than one-half of initial projections.

III. EVALUATION OF PROJECT EFFICIENCY AND EFFECTIVENESS
(Chapter VI of Main Volume)

A. PHYSICAL IMPLEMENTATION

Table VI.1 on page 53 compares and evaluates the efficiency and effectiveness of each country program on the basis of the following set of indicators:

- Achievement of project goals
- Efficiency of organizational procedures
- Timeliness of project implementation
- Total costs compared with original estimates
- Quality of project outputs
- Affordability of outputs by target group
- Replicability

With the exception of initial planning and design and final selection of sub-project beneficiaries, CHF has either instituted new systems and procedures, or built on existing ones, which allow it to provide shelter outputs of a high quality, on a timely basis and within budget. These systems and procedures would be replicable by the local implementing agencies to carry out similar sub-projects in the future.

With respect to initial planning and design, CHF feasibility studies have often not provided sufficient analysis to substantiate the design and institutional structure for specific project loans. The analyses carried out in the problematic feasibility studies were not sufficiently detailed to permit detection of potential problems eventually encountered during implementation, nor problems which might have questioned the project's overall feasibility.

With respect to the target group served by the CHF program, it is the impression of the evaluation team that the social and economic characteristics of this group differ from those initially envisaged by CHF's original proposal. While reliable income data normally do not exist for the urban areas served by CHF sub-projects, a good approximation is that the incomes of CHF beneficiaries would be found in a rather tight band between the 40-60th percentiles of the overall urban distributions. Since the Central America program has been unable to initiate infrastructure improvement programs in the informal neighborhoods that dot most urban areas, CHF is not reaching the "poorest of the poor" nor households much below the 35-50th percentiles. This is not necessarily a negative observation. Rather, the issue is whether an AID-financed grant agreement with such high administrative costs should primarily serve a target population with incomes which are marginally below the median.

B. FINANCIAL PERFORMANCE AND MANAGEMENT

The criteria used to evaluate and measure the financial performance of CHF's portfolio include return, turnover and replicability.

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1. Return

Return is defined as the yield level generated on the interest rate charged by the lender, CHF in the present case. Given the program's principal objective of demonstrating the feasibility of lending on the basis of market financial conditions, special attention is given to the analysis of the relationship between the financial terms applied by CHF and those of the market. The major parameters examined include interest rate structure and spreads of financial intermediaries, profitability and inflation, and loan guarantees.

a. Interest Rates and Financial Spreads

Practically all the interest rates charged to CHF financial intermediaries are lower than those of the various local market in which CHF operates. A comparison between lending and beneficiary rates for El Salvador and Honduras shows a financial margin or spread that is, as a general norm, greater than what the market allows to private financial intermediaries.

It is only partially correct to state that CHF lending activities in the region demonstrate the program's viability to operate under market conditions. The only program participant operating at market terms is the final beneficiary. If beneficiaries, regardless of social strata, are willing to pay for the cost of money, it seems reasonable that the lending institutions should do so as well.

b. Profitability and Inflation

The importance of applying the highest possible interest rates to shelter programs in Central America responds to two circumstances: inflation and the lack of maintenance of value mechanisms.

Currently, local resources are affected by strong devaluation pressures that can only be combated by way of an appropriate interest rate structure. In inflationary periods, every point of interest that is forgone increases the level of decapitalization of the institution.

Due to this inflationary environment, CHF investments and repayments which are in local currencies are continuously losing value in terms of their US dollar equivalent over time. This has a significant negative impact on the program's capacity to generate sufficient reflows for reinvestment.

c. Guarantees and Cost Recovery

The point of departure for any analysis on effective return on investment is the assumption that there will be recovery and that the portfolio contains the necessary guarantees to ensure the original investment.

- **Recovery**
  Up to the time of this evaluation, collection is not yet a critical factor. The program is still young, and overall recovery levels are satisfactory. For example, the scattered site program in Belize (B/L/3) currently has zero percent of loans with three or more payments in arrears. On the same basis, the home improvement program in El Salvador (E/L/1 and amendments) has an arrearage rate of 7.5 percent.

Although the problem of arrears is still minimal, it is beginning to manifest itself in several projects. The delay-plagued new construction project in El Salvador with FEDECASES/Sihuacoop (E/L/2), for example, already has an arrearage rate of 24.5 percent. Also, the CHF-financed home improvement program with FEHCOVIL in Honduras (H/L/1A) is 30 percent in arrears.

- Guarantees
  In order to recover costs at the level of the direct beneficiary, CHF uses two types of guarantees: mortgages for new construction and promissory notes in the case of home improvements.

  While the value of a mortgage instrument as a guarantor of debt is widely recognized in the region, promissory notes are relatively new debt instruments in the field of shelter finance.

  With respect to the CHF program, the mechanism designed to manage the operation of the promissory note is clear, but its management and control are relatively complex. First, there is a need to establish an effective control over the deposit and periodic updating of the individual loan documents. Second, the concept and mechanics involved in the requirement that loan agreements are transferable and negotiable in favor of CHF must be clarified.

2. Turnover
   Program turnover involves three stages in the investment cycle.

   a. Initial Turnover
      While the amounts have been relatively small in comparison to the sums currently invested in shelter by other intermediaries of the region's financial sectors, CHF has done a good job of organizing and disbursing against the first round of project loans.

   b. Portfolio Turnover
      This indicator measures the volume of "reinvestable" income originating from portfolio reflows. For the first six years of the recovery program, the estimate for total amount recovered is equivalent to about 85 percent of the original capital investment.

      In order to assess the capacity to replicate the program on the basis of reflows, the impact of inflation on local currencies must be considered. The results of this analysis show that inflation decreases the real value of the amount recovered by 13.2 percent in the first scenario (reinvestment of principal and interest) and 38.9 percent in the second senario (reinvestment of principal only).

      In the context of the prevailing inflationary cycle in Central America, the above results indicate the importance for the CHF program to optimize its lending terms and conditions, especially when the principal objective of the program is to generate local resources for similar shelter activities. Through

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higher returns on investment, CHF may "graduate" an increasing number of institutions into the marketplace during the program and while resources last.

c. **Portfolio Discount**
The discounting of a portfolio is one of the alternatives available to CHF to address the issue of resource mobilization. Unfortunately, the only CHF initiative identified by the evaluation team in this area was planned for Panama (loan to FEDPA). However, due to the current political situation, this idea never came to fruition.

3. **Replicability**
In the context of this evaluation, replicability is defined as the existence of a set of appropriate lending procedures and systems which would guarantee the continuation of similar shelter activities under strict market conditions by their intermediaries supported by CHF. This criterion should be applicable regardless of the availability of additional CHF resources.

The following analyses treat replicability from three perspectives: financial, institutional and market orientation.

a. **Financial Replicability**
Financial replicability is defined as the capacity of project reflows to support continued financing of similar future program activities.

As described previously, the volume of reflows that is available for reinvestment from the CHF program is not substantial in the short-term. Therefore, financial replicability from the standpoint of possible reinvestment of reflows is not an important factor.

b. **Institutional Replicability**
Institutional replicability considers the future operational capacity and permanence of the program's participating institutions, assuming the termination of CHF support. The team has categorized CHF participating institutions into two groups:

- Those with previous or ongoing activities in the provision of new construction and/or home improvement loan programs
- Those organizations which undertake an occasional shelter project or which specialize in non-shelter activities

The evaluation team found that the majority of the institutions contained in the first category (primarily national cooperative and credit union federations and some local cooperatives) do not have plans to increase their shelter activity as a result of their participation in the CHF program. This does not imply a lack of interest among participating institutions, nor does it imply that those institutions doubt the utility of the program. Rather, it basically shows that no one has, as yet, identified a plan for self-sufficiency in the financing of future shelter activities. CHF has not promoted specific actions for the preparation of such plans.

With respect to the second category of institutions, CHF has promoted projects with various institutions lacking traditional shelter experience. Generally, these institutions do not have the expertise nor inclination necessary to operate as shelter financial intermediaries. The possibility of replicating the projects executed by this type of institution is almost non-existent. This is due to the difficulty these institutions would have in mobilizing their own internal resources and/or funds from local financial markets.

c. Market Replicability
This component of replicability refers to the potential for incorporating a project, without substantial changes, into the permanent market mechanism.

The evaluation considers two aspects of market replicability: resource mobilization and access to lines of credit available in local financial markets.

- Resource Mobilization
  The federated cooperative system of Central America offers many opportunities to draw on additional funding. It would seem reasonable to tap this system's extensive membership base to mobilize resources for the housing sector. Some institutions, like FEHCOVIL in Honduras, are interested in this idea, but to date, have been unable to operationalize it.

- Access to Lines of Credit
  The governments of Central America have begun to target domestic lines of credit to support shelter activities for lower-income groups through private sector initiatives. While historically this has not been a financial resource available to the cooperative movement, the recent revitalization of the movement has demonstrated its capacity to develop projects on terms closer to those existing in local financial markets.

  Currently three local initiatives hold out promise for the region's cooperative movement: Fondo de Vivienda (Honduras), Banco Hipotecario de la Vivienda (Costa Rica), and Instituto de Fomento de Hipotecas Aseguradas and the Banco de la Vivienda (Guatemala).

  There are strong indications that options exist in local financial markets to support the replicability of CHF shelter projects. Unfortunately, CHF has not considered incorporating these options into the preparation of its project loans. These types of interventions are necessary for the continued viability of the program.

C. NON-PHYSICAL/FINANCIAL SERVICES AND PROGRAM ELEMENTS

1. Credits to Small-Scale Enterprise and Building Material Production Centers
Only one project in Honduras has been financed to date. The evaluation examined this project carefully and found most, if not all, the potential problems identified at the feasibility stage. Performance of the Honduras project has thus far been disappointing for the following reasons:

- The interinstitutional collaboration envisaged between FEHCOVIL and IDH to establish BMPCs in squatter areas proved not practical and demand for business credit in squatter areas was minimal.
- The institutiona' capacity of IDH was weak at first, is still insufficient to execute the project, and is wholly inadequate to sustain an expansion of activities in the future.
- Technical assistance and close credit supervision are unlikely to be supplied along with credit to small-scale entrepreneurs served by IDH under the project.

This Honduran experience suggests that CHF has not succeeded as yet in demonstrating the economic and institutional feasibility of credits for small-scale businesses and building materials production centers in the context of its Central America program. The economic justification for this element of the program is at best weak, its operational cost very high, the organizational base for credit and technical assistance delivery is not in place, and the presumed need for the activity as a complement to low-cost housing projects remains an assumption not confirmed in practice.

2. Technical Assistance Provided to Local Organizations

CHF provided technical assistance in a highly selective manner to the local participating institutions, concentrating its attention specially upon Guatemala. In general, the content of assistance given was skewed towards physical, construction-related aspects, and insufficient in legal, administrative, and financial management areas in all but the FENACOVI case in Guatemala.

Moreover, CHF investments in technical assistance did not follow an explicit operational plan nor were they systematically monitored or evaluated. The opportunity to use the feasibility studies as a planning tool to guide technical assistance activities at the local and national levels was largely lost. These studies did not contain an action program for institutional strengthening, but rather limited their scope to the identification of items for which grant resources were required for immediate project execution.

With the exception of FENACOVI in Guatemala, which indeed has entered a new organizational phase as a result of the assistance provided by CHF, the evaluation team has found the technical assistance benefits to have been modest, largely project-specific and not instrumental in expanding the permanent operational capacity of the majority of the participating institutions. However, the process of "learning by doing" which did take place during implementation of the demonstration projects deserves credit, as does the introduction of new administrative instruments in the management routine of some institutions. A case in point is that of Guatemalan credit unions which adopted a standard construction contract form as part of their home improvement credit procedures. This standard contract enabled beneficiaries to exercise better control over the use of their loans. Nonetheless, the critical elements that would ensure the institutional replicability of the program, including financial and administrative planning, collection practices, and local resource mobilization, were found to be lacking in the vast majority of cases. The leading technical assistance role assigned to COLAC in this area was not properly supported by CHF staff at the country level and results have been less than satisfactory.

3. **Institutional Support Grants**
This element of the CHF program has been largely effective in helping local organizations execute specific projects. In so far as they provided resources for computerization of office routines, the grants have also improved the administrative capacity of the benefiting institutions.

From the analysis of the use of grant resources, however, the evaluation team finds further support for largely personnel expenditures not conducive to long-term institutional strengthening, since that would perpetuate a pattern of inadequate internal financial provisions for necessary administrative costs.

4. **Country and Regional Level Workshops**
The two regional level workshops served the purpose of providing a forum in which private organizations working in similar programs could exchange experiences and ideas. In so far as this purpose has been served, they have achieved the proposed objective. The country workshops on the other hand, benefited almost exclusively the organization based in Honduras. Possibly more training of this sort should have been extended to the other five countries. However, the same comment made regarding technical assistance would apply in this case, namely, training activities do not seem to have been the object of a careful regional plan designed in response to needs previously identified.

5. **Participant Training Provided in US**
A two and one-half week seminar in Washington for 17 Central America trainers focused on the CHF's cooperative development system, democratic principles, cooperative principles and practices, leadership, preparation of training materials and training of trainers.

The benefits of this type of seminar are difficult to measure since results would only appear in the long-term within the training programs of each institution. Thus far only the housing cooperative federations in Honduras, Guatemala and El Salvador seem to have initiated training programs of their own. It might be too early, therefore, to offer conclusive comments with regard to this activity. In one respect, however, we feel confident that training costs could have been lower if seminars of this kind were conducted in the region. In our view, one single field visit to a cooperative in Washington does not justify travel expenses for 17 participants.

6. **Preparation of Audio-Visual Materials, Manuals and Training Materials**
As part of its program, CHF produced audio-visual and program promotion materials that illustrate its cooperative development approach to housing and neighborhood improvements in Central America. In addition, CHF encouraged the participant institutions to prepare their own training instruments, and some have done so. As far as the preparation of technical manuals, CHF contributed with core house construction models adapted to the conditions in each country. In purely technical terms and to the extent that these models were detailed at the

level of quantities and prices, as for example in El Salvador, Costa Rica and Guatemala they were helpful in the procurement of construction services and in the supervision of actual construction contracts.

Unfortunately, similar manuals on the operations of housing loans were not prepared. COLAC has developed one such manual to serve the administrative needs of the credit unions, but it was never finalized or distributed by CHF.

Based on the observation made by local level cooperatives, it seems clear to the evaluation team that simple operational manuals covering the basic administrative and financial aspects of housing loans would be useful. Many such manuals already exist and CHF could easily assist COLAC and the cooperative federations in the development of such a manual for the region.

7. Procurement and Delivery at the Neighborhood Level of Tools and Machinery
The evaluation team would expect that this proposed activity would have met with the same difficulties as those related to building materials production centers. It is, therefore, fortunate that CHF has not attempted to implement it in any of the six countries. In the context of a program restructuring, the evaluation team would recommend that such procurement of equipment be deleted.

IV. CHF PROGRAM MANAGEMENT AND ADMINISTRATIVE COSTS (Chapter VII of Main Volume)

The current chapter describes and reviews the administrative structure established by CHF to administer and manage its program. The chapter briefly analyzes the budgeted and actual costs incurred to date to implement the CHF program.

As a means of beginning to highlight the cost effectiveness of CHF project outputs vis-a-vis comparable public/private sector shelter solutions, the last section presents an illustrative exercise comparing the cost per unit of CHF output with similar private sector solutions.

A. PROGRAM MANAGEMENT

1. CHF Program Offices

CHF effectively established its six country offices in a reasonable timeframe following the signing of the cooperative agreement. With the exception of the Panama office which was closed in December 1987 due to the political tensions existing between the two governments, the other five country offices are functioning normally. All the country offices, except Guatemala and Belize, hired at least one local professional to assist in project development and in the management of ongoing programs.

The CHF/Washington office was initially established with full responsibility for program management. CHF delayed more than one year in setting up a regional office. The regional office finally was established in Panama during the fall of 1986, although only certain activities in the administrative and technical areas were actually transferred to Panama prior to its closing.

While in operation, the Panama office had a full-time regional program director and a resident architect who provided technical assistance to the six country offices in the areas of unit design and construction supervision. The program's training component and the bulk of the non-architectural technical assistance continued to be coordinated from the Washington office.

Actual results to date and programmed levels of future activities do not appear to justify maintaining CHF's complex and duplicative administrative structure. This is particularly true in terms of the separation of functions and responsibilities between the Washington and regional offices. One could possibly justify the high costs of this top-heavy administrative structure if greater levels of lending activity were achieved and administrative expenditures were self-sustaining.

2. CHF-AID Working Relationship

At the time of this evaluation, each of the CHF country directors had entered into a written agreement with its corresponding Mission as to the nature of Mission involvement in the implementation of the CHF program. With the possible exception of Costa Rica, all the agreements essentially provide the

Mission with an after-the-fact approval/disapproval role over the CHF project design activities. Mission concurrence/disapproval of CHF project design has resulted in minimum modifications to CHF feasibility studies in the past.

The AID Regional Housing and Urban Development Offices (RHUDOs), located in Tegucigalpa and Panama City, have had no formal role in CHF project review and approval. RHUDO staff does, however, often informally provide comments to the responsible Mission office. Its impact to date on program development has been minimal.

3. **Program Performance Reporting**
CHF quarterly reporting required for submission to AID/Washington lacks adequate discussion of achievement of country-specific goals and objectives, outstanding issues, problem areas and upcoming or scheduled events or activities. In overall terms, CHF reporting has not provided AID/Washington with sufficient information to properly monitor the program.

CHF/Washington has not established a uniform project and financial reporting system for its six country programs. The failure to develop such a comprehensive reporting system complicates the ability to monitor and compare physical project advancement and disbursements among countries.

With the exception of Guatemala and Costa Rica, CHF country directors have not, as a rule, produced regular quarterly reporting since the inception of the program. With the exception of Costa Rica, none of the CHF country directors submits, or is required to submit, any formal periodic reporting to its respective Mission. Given this lack of project reporting, the historical memory tracing the development of the individual CHF country programs is almost non-existent in the Mission archives.

4. **Evaluation and Monitoring System**
With very few exceptions, the CHF program has not undertaken specific evaluations of its sub-project loans. This general lack of adequate quarterly reporting only serves to underscore the almost total lack of any ongoing formal monitoring and evaluation system.

B. ADMINISTRATIVE COSTS

1. **Administrative Cost Expenditures**
Two and one-half years after the program's inception, their is a significant difference between CHF's proposal and actual results with respect to the scale of the CHF lending program versus the need for additional TA/administrative resources from AID. It is a conclusion of this evaluation that the program has not developed as envisaged in CHF's proposal, yet CHF has made numerous requests to AID for additional resources to maintain its administrative structure in-place. It is unclear, however, whether CHF intends to institutionalize the need for subsidized administrative funds.

Aside from the bigger question of whether the AID-CHF cooperative agreement should allocate funds 56/44 between capital lending and administrative costs, the core issue of this section, rather, is whether such a large percentage of total grant funding of a program whose goal is to address the shelter needs of low-income families should be allocated to non-productive administrative expenditures such as allowances for staff and travel.

2. **Comparison Between Administrative Expenditures and Capital Lending to Date**
CHF has committed and contracted US$4.67 million in loans as of September 1987. Administrative expenditures up to that date amounted to US$4.74 million. In other words, it cost CHF approximately one dollar to place each dollar in project loans. From a strict financial perspective, this relationship is completely outside the permissible bounds of market operations.

3. **Illustrative Cost Comparison Between CHF and Comparable Solutions**
This section illustrates how CHF shelter output compares to shelter solutions supplied by local private sector in the countries where CHF operates. This quick exercise compares available shelter solutions on the basis of type (i.e., serviced site, core unit, one bedroom, etc.)

The illustrative exercise of this section entails two stages. The first stage estimates the average CHF administrative cost per unit of output for each country office. Table VII.3 on page 110 shows the tremendous variation in the administrative cost per unit of output among the five CHF country programs visited. The unit administrative costs vary from US$552 in Guatemala to an astronomical US$15,142 in Belize. The latter amount is over 50 percent higher than the total cost of the most expensive new dwelling unit financed by CHF as part of the Belize Credit Union League home mortgage program (B/L/3).

Table VII.4 on page 112 presents the second stage of this illustrative analysis. It estimates the total cost of a CHF-financed unit and then compares this cost to the cost of a similar unit produced by the private sector.

The first conclusion that one can draw from this illustrative example (at least in the case of Guatemala and Honduras) is that CHF does finance the production of a smaller, more economical unit than those normally supplied by the private sector. Solely on the basis of total cost, the CHF solution would be more affordable than the lowest priced, comparable private sector model.

From Table VII.4, one can see that per square meter construction costs appear quite similar for the CHF and private sector solutions. At least for the two examples which attempt to fully cost a CHF-financed unit, it is clear that CHF has not developed a shelter solution which is particularly innovative with respect to cost. On the other hand, fully costing an illustrative CHF shelter unit does not price it out of the market when compared to private solutions. Obviously, this would not be true in the case of Belize. It is unclear what would be the impact of the greater per unit administrative costs in El Salvador and Costa Rica on cost comparisons with private sector contractors and developers in these two countries. Overall, it would appear that in a best case scenario, CHF costs compare favorable to similar private sector solutions, while in the worst cases, a full costing prices CHF products woefully out of local markets.

V. RECOMMENDATIONS

Both short- and long-term recommendations emerge from the findings and conclusions of this evaluation of CHF's shelter program for Central America. It is proposed that these recommendations be initially addressed and discussed within the context of an overall review of the CHF program, both at the regional and individual country levels.

AID and CHF should jointly carry out this program review on the basis of a detailed analysis of program accomplishments, program strengthens and weaknesses, outstanding issues including those involving the local organization level, and new directions/guidelines for the remaining one and one-half years of the grant agreement.

A principal output of this program review should be an accurate accounting of AID funding (both capital and TA/administrative) and anticipated reflows currently available to the program. There must be a clear understanding between AID and CHF regarding what portion of total funding is potentially available for reprogramming.[1]

The proposed program review and accounting of available funding form the basis for a reprogramming of the overall and individual country programs in the following areas: country program elements, investment strategy and budgets, program management structure, etc. The following sections present the evaluation team's recommendations and guidelines to define and structure this reprogramming exercise, as well as other short- and long-term recommendations.

A. IMMEDIATE ACTIONS

1. General

a. Overall Program Review (as discussed above)

b. Reprogramming of Program Elements

While individual country programs will exhibit slight variations witn respect to future programming (particularly if previously earmarked funds cannot be reprogrammed), it is recommended that the overall thrust of the program should be reoriented primarily toward the provision of home improvement loans and, secondly, toward the construction of new dwelling units. New construction should be sited, as much as possible, on individually-owned scattered sites in order to avoid the past problems associated with the provision of off-site infrastructure and land acquisition/title transfer.

It is further recommended that CHF management immediately dicontinue efforts to identify and design new projects in the areas of the improvement of

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[1]The evaluation team understands that pending amendments in Belize and El Salvador, and possibly Honduras, are earmarked for specific projects and, therefore, not readily available for reprogramming.

neighborhood services and lending to small-scale enterprise and building material production centers (BMPCs). CHF should contract no new loans in these two areas. Discussions and/or negotiations related to pipeline projects should be terminated, and ongoing loans to small-scale enterprise and BMPCs (primarily in Honduras) should be disbursed as rapidly as possible and placed in debt recovery.

c. **Local Intermediary Arrangements**
CHF should concentrate future lending activities with the principal TSO institutions (i.e., primarily housing cooperative and credit union federations) which have successfully implemented home improvement and new construction project loans during the first round of CHF lending activities. Appropriate TSOs for additional lending include, but are not limited to, FENACOAC, FENACOVI and HODE in Guatemala, FEHCOVIL in Honduras, and FEDECREDITO and the "solidarity movement" in Costa Rica. Institutionally strong independent cooperatives (such as "Sagrada Familia" in Honduras and "Holy Redeemer" in Belize) would also qualify.

It is proposed that no new loans be made to other non-profit institutions which lack traditional shelter experience and which have limited capacity to develop into financial intermediaries capable of operating in local financial markets (COSUDER/Guatemala and Centro San Juan Bosco/Honduras type organizations).

d. On the basis of a redefinition of program activities, the absorptive capacity of selected local financial intermediaries and the availability of reallocable funding, CHF should develop overall and country specific capital investment plans for the remaining one and one-half years of the grant agreement.

e. CHF should immediately modify its project management structure to best respond to the proposed new program directions and capital investment plans. The objective here should be to immediately "free up" previously programmed administrative resources for additional project lending activities.[2]

Any reorganization or reprogramming of the CHF program at this time is complicated by pending amendments to the grant agreement in several countries. In the cases known to the evaluation team, these amendments tie additional funding to specific, new program initiatives which differ from ongoing activities and which will require the close supervision of CHF staff, at least in the initial stages. Based on this constraint imposed by pending grant amendments, the following suggestions serve as a framework within which AID and CHF can negotiate the required project management changes.

[2]The proposed administrative reorganization should be driven by the outcome and results of the program review and reprogramming exercise (i.e., the CHF administrative structure should respond to program activities and investment criteria and not vice versa as has been the case in the past.

- **Washington Office**

  -- Cut back or abolish post of Washington-based Deputy Director

- **Regional Office in Panama**

  -- Closed as of December 1987; to remain closed

- **Country Offices**

  -- Panama; closed as of December 1987; to remain closed

  -- Guatemala; maintain based on available funding and continued diversity of program

  -- Belize; except for complicating factor of pending amendment which earmarks project funds for specific projects, this office should be closed. Consideration should be given to naming local representative, reducing scale of office and handling oversight of program directly from Honduras as soon as feasible

  -- Honduras; maintain office in order to manage scaled-back (in institutional terms) Honduran program and to provide oversight to Belize program in mid-term

  -- El Salvador and Costa Rica; close one of these offices as soon as feasible, oversee management from other office through local representative

f. CHF should prepare country and Washington office administrative budget estimates required to carry out implementation of new program directions, investment plans and project management structure for the life of the program. In order to correct present budgetary confusion, technical assistance should be disaggregated/differentiated from those expenditures related purely to staff salaries and allowances, other direct costs, etc.

g. CHF should immediately develop and implement an internal monitoring system for both the execution of new investment plans and for the follow-up of ongoing loan contracts. CHF should develop a standard financial and performance report for its individual country programs. This report should be submitted to the respective USAID Missions and CHF/Washington on a quarterly basis. CHF/Washington would synthesize the country-specific information contained in these reports and prepare a quarterly report of similar detail for AID/Washington.

h. It is recommended to maintain AID/Washington and Mission program management structure as it currently exists. AID should formalize the involvement of AID RHUDO and Mission Housing Officer staff in the review and approval/disapproval of CHF concept papers and feasibility studies.

2. Physical Implementation

a. Future feasibility studies for project loans should be strengthened to include sufficiently detailed economic/financial and institutional analyses to accurately substantiate or reject proposed project design components and institutional arrangements.

b. CHF should expand its micro "constructionist" approach to project development to place greater importance on the financial and operational/administrative aspects of its program. It should move away from its current overemphasis on project level technical aspects and the imposition of project designs external to local markets. CHF should continue to plan and design its project loans on the basis of the capacity to pay of the intended target group. It should, however, facilitate the opportunity for program beneficiaries to tailor the use of individual loans as to unit design and materials. This implies less reliance on new project development with all the inherent problems of land acquisition/titling and the timely provision of off- and on-site infrastructure to a greater emphasis on home improvement loans and scattered site new dwelling unit construction.

c. CHF should make every effort to serve a lower-income target group as part of the recommended reprogramming effort. While this proposed lower-income orientation has caused problems of an equity nature in the past with local cooperatives, CHF must significantly refocus the marketing of its program to serve, at a minimum, those families with incomes between the 35-50 percentiles of the relevant urban income distribution.

3. Financial Performance

a. CHF Lending Terms and Financial Spreads

- CHF should ensure that the interest rate structure for its different program elements, and particularly the spreads charged its financial intermediaries, are consistent and competitive with conditions existing in the local financial markets in which the program operates.
- In order to combat the high inflationary environment existing in several countries of the region, CHF should attempt to incorporate the use of adjustable interest rates in its lending activities.
- CHF should standardize the lending terms (interest rate and repayment period) for similar programs in the same country.

b. Capitalization

Due to a lack of formal maintenance of value mechanisms in the region, it is important for CHF to seek to optimize its lending terms and conditions with its financial intermediaries. This will assist the program in achieving increased levels of capitalization and in improving opportunities for the generation of reflows. It would also assist in creating a financial climate necessary to "graduate" an increased number of financial intermediaries into the marketplace during the program period and while funds last.

c. Guarantees

CHF should clarify the confusion currently existing in the wording of certain loan guarantees between the local cooperatives and the federation with respect to the clause that stipulates that all promissory notes be transferable and negotiable in the name of CHF.

d. **Internal Improvements in Program Execution**
CHF must give added attention and detail at both the federation and local cooperative level to monitoring and improving the critical areas of cost recovery and arrearages, selection of participating institutions, quality of loan guarantees (mortgages and promissory notes), and the use of reflows. (The following proposed modifications in the CHF technical assistance reinforce this recommendation.)

4. Technical Assistance/Institutional Grants/Training

a. CHF should reprogram its technical assistance/institutional support components to respond to the recommended program modifications in order to give more attention to the administration and financial aspects of its shelter program at the both the federation and local cooperative levels. The areas requiring CHF assistance to strengthen local intermediaries to the point where they could participate in local financial markets are the following:

- Formulation of operational plans and programs
- Savings mobilization
- Portfolio review, loan processing and control of delinquencies
- Organization and staff
- Financial management and accounting
- Data processing/information systems

b. CHF should provide assistance in the development of the recommended financial and operational instruments in each country program. This assistance should formalize the use of these instruments through the preparation of practical and usable operational manuals and procedures. These manuals should be amply disseminated among the local cooperatives.

c. Training at the federation and cooperative levels should be directly linked to the provision of technical assistance recommended in section 4.a. CHF should continue to support the ongoing training efforts of the federations.

B. SHORT- TO MEDIUM-TERM ACTIONS - MOBILIZATION OF RESOURCES

CHF should expand its micro or project relationship with its financial intermediaries to one which begins to prepare these institutions to play a more aggressive role in local financial markets. This new relationship would begin by assisting its local counterpart organizations to monitor and understand the workings of these markets. This activity should become an integral part of overall program activities. It should be given a high priority in the formulation of operational plans and programs. Specific areas of interest are that:

1. CHF intensify its efforts to mobilize domestic savings through the regional cooperative movement. In addition to the obvious internal benefits for the

cooperatives, increased savings would provide an opportunity to increase the proportion of counterpart to CHF funds for specific project loans. Specifically, CHF should assist local cooperatives and credit unions to introduce and/or expand their programs of savings deposits and capital contributions (beneficiary capitalization).

2. CHF should assist local institutions to increase the opportunities to access resources external to the CHF program through the rediscounting of the CHF portfolio. Modifications in project lending terms, conditions and guarantees toward a more market orientation are first steps in positioning the CHF portfolio to be able to access available rediscount mechanisms.

3. CHF should consider using its proposed loan guarantee mechanism as a means to facilitate and create interest in the rediscounting of its portfolio.

I. INTRODUCTION

The CHF "Cooperative Neighborhood Improvement and Job Program for Central America" is a direct outgrowth of the recommendations of the National Bipartisan Commission on Central America (NBCCA, or as it often known, the Kissinger Commission).[1] The Commission's analyses and recommendations examined the overall social, economic and democratic conditions in the region and advised the President on a comprehensive policy for Central America.

With respect to shelter, the Report highlights the region's critical needs and grim prospects for the future in the area of housing and the development of urban services. It points out that national and local governments are often unable to meet the needs of their residents in these areas.

According to the Commission's Report, the US Government and other donors have contributed toward meeting these shelter needs through the funding of shelter programs and projects, support for the establishment of housing banks and other financial institutions, as well as training and technical assistance. However, the problem still exists, and the Report emphasizes that the above programs are areas where the private sector, both in the US and Central America, can play a valuable role in mobilizing resources and bringing to bear the kinds of practical experience that government organizations often lack. The Report's shelter recommendations conclude with a call for an enlarged housing and infrastructure construction program for Central America.

The CHF program for Central America is tailored directly to the Kissinger Commission's recommendations for shelter. Subsequent to the issuance of this Report, CHF submitted an unsolicited proposal to the US Agency for International Development. AID approved this proposal for CHF's Central America shelter program in March 1985 in the form of a cooperative agreement. The four-year grant was initially for an amount of US$10 million. CHF proposed to leverage an additional US$9 million in the region for a total program sum of US$19 million. The total program was to benefit over 100,000 people.

CHF views its program, the details of which are described in Chapters II and III, as an important part of the ongoing effort to address the pressing economic, social and resulting political problems of the region. CHF program documentation states that its program will address the urgent need for better shelter, community services and employment for low-income households and for strengthened institutions to meet these needs.

Specifically, the CHF proposal outlines the program's purposes 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. As initially envisaged, the CHF program attempts to demonstrate that such private sector systems can reach lower-income households and produce shelter solutions more rapidly and at a lower cost than most public sector programs. As a result, the program hopes to attract and mobilize both local and external resources into such programs and thus promote their expansion.

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[1] "The Report of the President's National Bipartisan Commission on Central America," MacMillan Publishing Company, New York, New York, January 1984.

A. STATEMENT OF WORK

The statement of work from AID's Office of Development Resources stipulates that the present evaluation:[2]

> "... focus on the processes used by CHF in carrying out implementation steps to achieve the project objectives. Emphasis will be placed on understanding the project objectives, identification of activities, implementation steps, and efficient use of resources."

The evaluation of CHF's Central America program is essentially a mid-term review. The program has been in existence for more than half of its four-year life. The evaluation reviews the effectiveness to date in achieving project objectives and the efficiency in carrying out project implementation. The evaluation was undertaken after the program had been underway sufficient time to provide a solid basis for review, while at the same time allowing sufficient time and resources to be able to make significant adjustments if they are required.

B. METHODOLOGY USED IN THE EVALUATION

The methodology used by the PADCO team in the evaluation of the CHF program is as follows:

1. Familiarization with CHF program in Washington prior to commencing field work.
   - Review of loan and grant documentation.
   - Review of CHF quarterly reports to measure progress to date.
   - Discussions/briefings by key Washington-based CHF staff.
2. Briefings by AID/Washington staff familiar with the CHF program.
3. In-depth briefing by CHF country director upon initiation of field work in six Central America countries.
4. Detailed review of specific country concept and feasibility studies, loan and grant agreements, quarterly reports (physical and financial progress), and other key documents and correspondence from CHF country files.
5. Selection of most relevant loans and/or grants for further analysis as case studies in countries with largest and geographically diverse programs (primarily used in Guatemala and Honduras).
6. Initial round of unstructured interviews with key staff from CHF implementing agencies, USAID Missions and other appropriate local public and private sector institutions in the respective capital cities of each country of the program.
7. Round of site visits and discussions with CHF implementing agencies in field.

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[2] Annex I presents AID's statement of work for this six person-month evaluation.

8. Ongoing follow-up discussions with CHF country directors and final exit debriefing with CHF country directors and USAID Mission staff.

9. Follow-up discussions to clarify key points with CHF and AID staff in Washington upon returning from field.

10. Drafting of final report in Washington.

C. CONTENTS OF EVALUATION

As mentioned previously, Chapters II and III present the socioeconomic context of the CHF program in Central America and a brief description of the goals and objectives and the program components.

Chapter IV provides a brief overview of the private sector institutions which are participating in the program.

Chapter V measures the effectiveness to date in achieving the objectives of CHF's program elements. This chapter examines program effectiveness in primarily quantitative terms through a general review of the progress of physical implementation and the status of non-physical program elements. The chapter also reviews the financial status of the program.

Chapter VI identifies and evaluates from the standpoint of efficiency and effectiveness the processes, procedures and tasks (collectively taken together as the delivery system) employed by CHF to carry out the implementation of the program's elements. The evaluation team reviews and analyzes these processes and procedures on the basis of a set of pre-determined indicators. The chapter addresses program elements dealing with physical implementation, financial performance and non-physical/financial services and programs.

Chapter VII examines the CHF management structure developed for the program and the working relationships established with AID/Washington and its Missions.

Chapter VIII reviews the contribution to date of the CHF program towards achieving the NBCCA recommendations.

Finally, Chapter IX presents our recommendations.

The evaluation was carried out during October to December 1987. Just prior to beginning the Panama portion of the evaluation, the Government of Panama requested that AID close its Mission in Panama due to the political tension existing between the two countries. Based on the Mission's closing, the evaluation of the CHF/Panama program was canceled on the advice of the Mission and AID/Washington.

In addition to canceling the evaluation of the specific CHF Panama program, the inability to travel to Panama resulted in the cancellation of the direct evaluations of CHF's institutional support grant with COLAC and of its regional office. The evaluation team has attempted to offset the lack of direct access to these latter two program elements through informal discussions with COLAC staff in Panama and discussions with CHF staff in Washington regarding the regional office. However, at the time of the writing of this report (January/February 1988), the team believes that the lack of first-hand information on the contribution of COLAC and the regional office to the achievement of the goals and objectives of the CHF program reduces the confidence that one can place in the specific recommendations regarding these two components. One should identify corroborating information in these two areas prior to making final decisions on the team's recommendations.

II. SOCIOECONOMIC CONTEXT OF THE CHF PROGRAM FOR CENTRAL AMERICA

The first part of this chapter describes the main socieconomic transformations observed in recent decades in the six Central American countries included in the CHF program.[1] The second part aggregates the available regional information in quantifiable socioeconomic indicators most directly related to the concerns addressed by the CHF program.[2]

A. THE ECONOMIC CONTEXT

Summary
Central America belongs to the group of middle-income developing economies with an average per capita income of $1,294 and a population of approximately 22.5 million in 1986. Panama stands at the upper end of the income range ($2,513 per capita) and Honduras at the lower ($780 per capita). Excluding Panama, the region derives approximately one quarter of its income from agriculture, 23 percent from industry, and 52 percent from services. Over the past 35 years, two decades of steady economic expansion were followed, in the 1980s, by economic stagnation and political unrest, accompanied by fiscal and financial imbalances and an increasing external debt burden. Efforts at structural adjustment to improve the chances of resuming growth have thus far not succeeded, and regional governments face mounting constraints to respond adequately to the growing needs of the region's lower-income groups.

1. Decline of Production and Incomes

Taken together, the economies of Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Panama grew on average by 5.0 percent per year in real terms during the 1961-80 period. The total gross domestic product (GDP) of these six countries increased from approximately US$9,872 million in 1960 to US$28,789 million in 1980, in constant 1986 dollars (Table A.II.1).

The sustained process of economic expansion made possible a rapid increase in average incomes. Although population almost doubled over the period -- there were 11.2 million people in the six countries in 1960 and 19.5 million in 1980 (Table A.II.2) -- per capita GDP increased in real terms by 2.6 percent a year, from US$881 to US$1,475, a gain of 67 percent in 20 years.

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[1] In this chapter, for reasons of simplicity, the countries included in the CHF Central American Program are occasionally referred to as the "region" or "Central America" instead of by name.

[2] Most of the data upon which this chapter is based were taken from IDB, Economic and Social Progress in Latin America, 1987 Report, Washington, D.C. 1987.

This pattern was broken in the early 1980s following the onset of the Latin American debt crisis. Starting in 1981, all Central American countries entered a period of economic recession when investment was sharply curtailed and imports and public expenditure were cut to help restore macroeconomic balance.

In general, the 1980s has been a difficult period for Central America. The growing political unrest in the region has compounded the problems of little or no economic growth, lower standards of living, high unemployment, and depressed levels of investment and trade. Among the countries included in the CHF program, Panama was the only one in which per capita income grew in real terms between 1980 and 1986. Even so, the gain (averaging 0.5 percent a year) was less than one-tenth the 3.1 percent annual growth rate of the 1970s. For the remaining countries, negative growth rates in real per capita incomes averaged -2.7 percent per annum in the six-year period (varying from from -1.1 percent in Belize to -3.8 percent in Guatemala [Table A.II.3]).

Thus far, the effects of the recession on the economic structure of the region show marked contraction of the industrial sector (with average negative growth rates of -0.4 per year), stagnation of agriculture, and a feeble increase in services (averaging 0.6 percent per year) between 1980 and 1986 (Tables A.II.4, A.II.5). Within the industrial sector, the construction industry contracted by an average of -5.4 percent per year during the 1981-86 period. Its share in GDP dropped from 4.6 percent (US$1,333 million in 1986 dollars) in 1980 to 3.3 percent (US$953 million in 1986 dollars) in 1986, representing a decline in investment of 28.5 percent in six years (Table A.II.6).

Due primarily to declining merchandise export receipts, the balance of payments had been under considerable pressure in these six countries in the first half of the 1980s, caused by a sharp drop in prices in the the world commodities markets and the consequent deterioration in the region's terms of trade (Table A.II.7).

Even though the region's economies have recently improved slightly, as indicated by an estimated 2.2 percent GDP growth rate in 1985, domestic investment remains sluggish at 13.5 percent of GDP in 1986 (approximately 25 percent below the 1980 level [Table A.II.8]). In general, expectations of higher rates of economic growth are not encouraging in the near future.

2. Increasing External Debt Burden and Reliance on Official Development Assistance

The economic policies adopted by the governments of the six Central American countries in the mid-1980s emphasized austerity measures aimed at reestablishing macroeconomic balance and financial stability. When possible, these governments also attempted to restructure their external debts. Borrowing has been the chief source of external financing available to the region from 1976 to 1981. Since then, official development assistance has become increasingly important.

The total outstanding external debt of the six countries grew by 10.0 per cent per year, from US$9.3 billion in 1980 to US$16.5 billion in 1986 (Table A.II.9).

The external debt burden for the region was equivalent to 56.7 percent of the aggregated GDP in 1986, a proportionally higher debt ratio than that found for the entire Latin American region.[3]

Service payments on the external debt have also increased rapidly. (Considering only the external public debt in 1985, service payments made by the five countries[4] totaled US$1.5 billion, or approximately 5.3 percent of GDP in aggregated figures for the region.) However, there are significant differences in the relative debt service position of each country. For example, in 1985, external debt service was greater as a proportion of GDP in Costa Rica (9.6 percent) and Panama (7.9 percent), than in El Salvador, Guatemala, and Honduras, where that ratio was only 3.4 percent on average for the three countries taken together (Table A.II.10).

In an attempt to compensate for the scarcity of alternative external financing, Central American countries have relied increasingly on official development assistance (ODA) in the 1980s. Net ODA disbursements in the five countries (excluding Belize) grew by 74 percent over five years, from US$504 million in 1980 to US$879 million in 1985, reflecting an average annual growth rate of approximately 12 percent for the period. In per capita terms, ODA disbursements increased from an average of US$26 per person per year in 1980 to US$40 in 1985 in current US dollars (Table A.II.11). This level of assistance is approximately 2.7 times higher than the average for all 36 lower middle-income countries members of the World Bank group.[5]

3. **Management of Budget Deficits and Financial Imbalances**

Concomitantly with a stagnant economy and recurring balance of payments deficit, the public sector finances of these six Central American countries have deteriorated during the early 1980s. Nonetheless, there were already some positive impacts from the fiscal adjustment measures thus far adopted by regional governments. The aggregated public sector deficit ratio to GDP for the region declined by more than one half, from -5.9 percent in 1980 to -2.9 percent in 1986 (Tables A.II.12 and A.II.13).

Economic recession in the region has also meant increasingly higher domestic inflation rates. The regional economies moved from a period of relative price stability in 1961-70 (when average domestic inflation varied from 9.7 percent per year in El Salvador to 2.5 percent in Costa Rica), to moderate inflation rates between 1971 and 1980 (varying from 7.1 percent in Panama to 11.2 percent in

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[3] In 1986, the disbursed total external debt for the 25 Latin American countries was estimated at US$395 billion, or 47 percent of the regional GDP estimated at US$843 billion.

[4] Excluding Belize for which comparable data are not available.

[5] The weighted average amount of official development assistance to lower middle-income countries was estimated at US$14.60 per person in 1985. See, World Bank (1987), Table 22, pages 244-245.

Costa Rica), to increasingly higher inflation rates after 1980 (particularly in Costa Rica, El Salvador, and Guatemala). Although inflation rates are still rather erratic, some progress has already been made. In Costa Rica, for example, average inflation rates declined from 36.4 percent a year between 1981-85 to 11.8 percent in 1986. But rates in excess of 30 percent were still found in Guatemala and El Salvador in 1986 (Table A.II.14). Although the problem is widespread, there are significant differences in the pattern of inflation fluctuations among the six countries. This suggests the importance of tailoring credit programs to the specific national financial conditions. This issue is brought up later in the report in connection with the lending terms established in the CHF program in each country (Chapter VI).

The combined impact of these financial imbalances has increased the constraints facing the public sector in the region to adequately manage the development process and provide efficient responses to the growing needs of the majority of the population. Looking at the ratio of central government expenditures for social services to GDP, for example, negative growth rates are found for the 1980-85 period in the countries comprising almost 70 percent of the regional population (Costa Rica, El Salvador and Guatemala). On average, social expenditures by central governments in the region declined as a proportion of GDP by -4.4 per year during the 1980-1985 period. The outstanding exception to this pattern was Honduras, which achieved a 10.8 percent yearly increase in public sector social expenditure in the first half of the 1980s (Table A.II.15), much of which has been financed by USAID. For the region as a whole, the growth momentum of public expenditure in education observed in past decades no longer exists, as educational expenditure declined by -3.0 percent in proportion to GDP.

B. SOCIOECONOMIC JUSTIFICATION BASED ON PROGRAM INDICATORS

1. Socioeconomic Context

The CHF program proposed to address a complex set of problems affecting preponderantly (but not exclusively) the lower-income urban population of Central America in the mid-1980s.

The original CHF proposal highlighted a set of constraints underlying the declining trend in the living conditions of lower-income groups in the region, some of which have already been mentioned in the previous section. These underlying conditions were not all negative and comprised, in the 1980s, the following: rapid urbanization rate[6] (Tables A.II.16, A.II.17); continued fast growth in the size of the labor force (Tables A.II.18) and, especially of the

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[6]Although the average rate of urban population growth is estimated to have declined during 1981-86 to 3.6 percent per year, compared to 4.1 percent per year during 1971-80. See Table A.II.17.

female labor force (Table A.II.19); continued transfer of labor from agriculture to the urban occupations, more often to services than to industrial activities (Table A.II.20); and higher incidence of open unemployment and underemployment in cities and towns (particularly during the 1983-1984 period (Table A.II.21), notwithstanding the relatively higher educational level of the labor force (Tables A.II.22 and A.II.23).[7]

When the incidence of these factors coincides with declining per capita incomes, credit scarcity, generally lower capacity utilization in industry and significantly lower levels of activity in the construction and building materials industries (these industries have high labor to capital ratios and are critical for the provision of housing related services [Table A.II.6]), the opportunities that people may have of overcoming their urban poverty dwindle.

Additionally, and possibly more importantly, the institutional systems in place in most of the countries appear weak to support a turnaround in the regional economies. The prevailing institutional arrangements seem to lack both efficiency and broad democratic support to properly mobilize, and decide on, the use of existing resources. In several ways, these institutions tend to restrict, instead of broaden, the democratic process of decision making associated with resource allocation, thus lowering the chances for improving the latter.

The following Chart II.1 summarizes the components of this general context in a set of quantified socioeconomic program-indicators that are most directly relevant to the assessment of the CHF strategy, and to the description of the program elements presented in the next chapter.

[7]The structural change in the distribution of the regional labor force deserves a comment. Services in Central America can be a very lucrative activity and that is probably the reason why it attracts so many workers. The widespread notion that services is a low-productivity sector is not correct. One must keep in mind that some services (such as financial and transportation services) command higher earnings and have expanded rapidly. These dynamic sub-sectors coexist, side by side with modest street vending activities. Much of Panama's current wealth, for example, originated from services and that sector represented 73 percent of the country's GDP in 1986. To illustrate this point, we divided the aggregated GDP per sector for the region (in 1986 dollars) by the size of the labor force in each sector. The result was that services showed the highest ratio of GDP to worker (US$7,633); industry came next with US$6,056 per worker and agriculture last with US$2,207 per worker. See Tables A.II.4 and A.II.20.

CHART II.1
SOCIOECONOMIC PROGRAM-INDICATORS FOR CENTRAL AMERICA[a]

Average Percentage Change per Year	1971-80	1981-86	Country Incidence[b] (1981-86) Highest	Lowest
Total Population*	2.8	2.4	GT (2.9)	ES (1.0)
Urban Population	4.1	3.6	HO (5.3)	CR (1.7)
Rural Population	2.2	1.6	CR (2.8) GT (2.8)	ES (-0.7)
Total GDP*	5.0	0.2	BE (0.8)	ES (-1.4)
GDP per capita*	2.6	-2.2	PA (0.5)	GT (-3.8)
GDP Sector Shares:[c]				
Agriculture	-2.4	none	CR (0.9)	ES (-1.3)
Industry	-0.4	-1.4	CR (-0.5)	GT (-1.6)
Services	1.0	0.6	PA (0.9)	GT (0.3)
Construction	2.1	-3.9	HO (-3.4)	GT (-7.0)
Size of the Labor Force:				
Total	2.8*	5.2[d]	HO (6.6)	CR (4.7)
Female	4.1*	4.0	HO (5.8)	CR (3.1)
In the service sector	4.9	n.a.		
In Agriculture	1.2	n.a.		
Public Expenditure($M):[e]				
In Social Services	n.a.	-4.5	HO (12.0)	GT (-20.7)
In Education	n.a.	-2.7	HO (5.5)	GT (-8.9)
Public Expenditure (% of GDP):				
In Social Services	n.a.	-4.4	HO (10.8)	GT (-19.7)
In Education	n.a.	-3.0	HO (4.3)	GT (-7.8)
Educational Enrollment[f]	4.3	2.8	HO (2.1)	CR (-3.1)
Domestic Inflation Rates*[g]			CR (36.4)	PA (1.2) BE (1.2)

Unemployment:* In 1985 unemployment rates exceeded 10 percent of the economically active population (EAP) in BE (15.1%), PA (15.2%) and HO (11.7%), but were lower in CR (6.7%). No information is available on unemployment in El Salvador in the 1980s.

Source: PADCO (1988), Tables A.II.1 through A.II.24 in this report.

See notes on following page.

NOTES ON CHART II.1

a/ When Belize is included in the weighted average, the indicator is marked (*).

b/ The countries included carry the following notations: BE (Belize), CR (Costa Rica), ES (El Salvador), GT (Guatemala), HO (Honduras) and PA (Panama).

c/ The structure of sector shares is skewed by the presence of Panama. See Tables A.II.4 and A.II.5 for estimates of GDP sector shares excluding Panama.

d/ The reference period is 1981-90, partly projected.

e/ Measured in 1986 US dollars using 1981-1985 as reference period.

f/ The reference period in the second and third columns is 1981-1984. Enrollment is combined for Levels I and II of education, comprising 11 or 12 grades depending on the country. The rate of percentage change per year is then calculated based on proportion of enrollment to total population, due to lack of age-cohort population data.

g/ Yearly average fluctuation in Consumer Price Indices (CPI).

2. **Socioeconomic Objectives**
   It seems apparent, in the context just described, that the selection of the CHF Central American program objectives were based on sound economic and social data. By promising to mobilize the private sector institutional, technical and financial resources to stimulate employment generation and expand the provision of community and housing services, this evaluation finds that the program responded to widely felt regional development priorities.

3. **Operational Strategy**
   From an economic perspective, the employment problem in Central America calls for a long-term structural approach to reactivating economic growth, for which the national economic policy instruments and resources of the region are not yet in place. In the short term, relief to the pressing unemployment problem may be realistically achieved through the reactivation of the construction industry -- a strategy used repeatedly in the past in several Latin American economies. In general, this is the approach to employment generation taken by the CHF program, as most of the jobs that would result from the program are expected to be indirectly created in construction through the supply of credit for home improvements and self-help housing construction.[8]

   The diverging aspect of the CHF program with respect to the economies of employment in the region, lies in proposing also to create employment through credit for building materials production in small-scale enterprises. This element, as will be discussed later in this report (Chapter VI), is economically flawed, given the excess capacity that exists in the building materials industry in all six countries.

   As to the problem of increasing access to community services and housing to lower-income groups, several points must be considered. In so far as there is installed productive capacity in the region for construction of housing and urban infrastructure services, the most serious constraint probably is not on the supply side but rather on the demand and financial side. Given the unquestionable need for both services and housing, a strategy which could be financially viable would likely comprise: (a) promotion -- meaning institutional arrangements capable of identifying, marketing, and aggregating large numbers of households potentially willing to pay for better housing and services; (b) capacity to pay -- meaning the realistic targeting of the demand promotion effort to income groups with sufficient earnings to pay for the additional consumption; and (c) financial support -- meaning that additional private domestic savings must be mobilized and that savings must be capitalized to sustain long-term mortgage credit operations. Considering the high external debt ratio of the region, it would not be enough -- from the standpoint of economic sustainability -- to create new channels for additional external assistance. Rather, what seems to be required is to direct higher levels of domestic savings to finance the greater part of the effort.

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[8]The CHF program proposal shows that 93 percent of the 7,700 jobs to be created by the program are expected to be generated indirectly in the construction industry through housing loans. See CHF Proposal (1985), Vol.I, Chart III-B, page 39.

This general strategy that emerges from the economic analysis of the region coincides in many respects with the CHF approach, but also differs from it in important ways.

The coinciding aspects include the choice made by CHF to operate through the cooperative system, a network of grass-roots credit institutions with the potential for (a) reaching large numbers of small savers, (b) operating with relatively inexpensive capital resources, and (c) knowing well the characteristics of its clientele to be able to properly identify potential housing-credit target groups. The view of the evaluation team is that the Central American cooperative system, as it existed prior to the inception of the CHF program, would require very little additional improvement to manage a large scale home improvement credit program in the region.[9]

The diverging aspects between the underlying economic rationale for the program and the approach taken by CHF pertain to the provision of community services and the long-term requirements of the system.

On the first aspect -- the provision of infrastructure community services -- this evaluation sees the participation of the public sector as a necessary program condition if significant environmental improvements of poverty-ridden squatter settlements in the six countries are sought. This is so for three main reasons. First, given the size and the seriousness of the problem, the investments involved would tend to be rather large and front-loaded. Second, this type of investment would most likely exceed the financial capacity of both cooperatives and residents. Third, technical considerations related to the integration of particular service distribution schemes in the overall trunk infrastructure production system of a given city must be taken into account. (One may ask, for example, how can a barrio-cooperative in Tegucigalpa properly supply itself with water when the entire public water system for the city is defective and subject to frequent cut offs of service.) The CHF program does not address this issue of public versus private comparative advantages at any length. An alternative approach, involving collaboration between private and public sectors through the establishment of institutional connections between community-based private sector provision of services and the technical and financial services of the state, has traditionally been a political process in Central America, and therefore not an appropriate area for external assistance. In sum, the point that must be stressed in connection with this issue is that, within a strictly private sector approach to servicing lower-income communities, CHF could not realistically have proposed to provide infrastructure services in the form of "permanent improvement in the physical conditions of the community" as stated in the proposal.[10]

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[9]The majority of the credit union federations included in the CHF program have been prior borrowers of IDB and USAID funds. Some of them are current borrowers, as will be discussed in the next chapter.

[10]See CHF Proposal (1985), page 36. Probably anticipating these difficulties, CHF allocated only 21 percent of the original investment program to community services.

Regarding housing, the expansion of demand may have a significant impact on the economy if it occurs in relatively large scale. While it is possible, and even desirable, to begin with small scale interventions to test a model -- as CHF chose to do -- it is important that the model be self-sustaining in the long term and capable of expanding the volume of operations. To achieve this goal, the local cooperatives and federations would need to be equipped with stable institutional arrangements and management procedures that allow for their operations to tie in the larger financial markets of their respective countries. These institutional-financial linkages are a necessary condition for capitalizing on the savings mobilized by the cooperative system so as to multiply their financial impact.

A related issue is that of external versus domestic financing. In light of the grave shortage of foreign exchange in the region, a desirable economic goal would be to minimize the use of foreign exchange. In contrast, the CHF financial plan establishes a 75 to 25 ratio of external to domestic funding for the program, which is clearly non-viable in the long term, if not immediately inappropriate.[11]

Admittedly, addressing these issues is not an easy task, particularly under erratic inflation and depressed economic conditions. Nonetheless, it is important to note that the CHF program does not appear to have addressed these issues thus far and, for that reason, has not yet contributed to the economic sustainability of the program.

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[11]In the short run, this strategy might be justified to the extent that it might creates the local conditions necessary to lower the high initial external finance dependency ratio in future operations.

III. CHF PROGRAM DESCRIPTION

The present chapter presents a brief overview of the CHF program from the perspective of its goals and objectives and principal program elements. The majority of this descriptive material is taken from CHF's own documentation on the program.[1]

A. GOALS AND OBJECTIVES

Initial CHF proposal documentation clearly indicates that the Central America program is structured to directly respond to the recommendations of the National Bipartisan Commission on Central America. In its response to the Commission's broad goals of economic growth, equity in development and promotion of democratic institutions, CHF stakes out three principal objectives:

- Develop permanent private cooperative systems in the Central America region for self-help community improvement, shelter and associated employment to complement public sector efforts and to increase local capacity to use resources effectively.
- 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.
- Mobilize both local and external resources to continue and expand the program in the future.

In regard to the program's target group, CHF stresses in its proposal that most existing housing programs in the region do not serve below median income households. In comparison, CHF clearly states that its program will benefit low-income families by increasing their access to shelter and community services. Strengthening the cooperative movement was the mechanism chosen by CHF to achieve increased access to shelter while allowing participation in the development process.

However, initial documentation is ambiguous regarding the identification and definition of the program's low-income target group. The CHF proposal states that "some or all ... sub-project components will be affordable to the below median income beneficiary group in each of the six countries."[2] An earlier section of the proposal attempts to equate its target group to residents of urban squatter settlements.[3] On the other hand, it was obvious throughout the review of CHF's proposal that AID/Washington placed great emphasis on the necessity to serve below median income households. CHF, later

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[1]See CHF Proposal to the Agency for International Development (AID), "Cooperative Neighborhood Improvement and Job Program for Central America," Volume I, CHF, Washington DC, February 1985 and CHF, Cooperative Neighborhood Improvement and Job Program for Central America, Progress Report, Washington DC, May 1986.

[2]CHF Proposal, Volume I, p.72.

[3]CHF Proposal, Volume I, p.15.

in a May 1986 Progress Report, clarifies its position by asserting that it "will be providing benefits to people who will mainly be in the 20-40 percentile on the income distribution scale of each country."[4]

Initial CHF program documentation and the experiences of the evaluation team in the field clearly indicate that CHF, in addition to the provision of shelter and improvements in services, assigns high priority to the idea of strengthening democratically run cooperative organizations at the regional and national levels. It plans to realize this objective through the provision of leadership training and through its program of technical and financial assistance. CHF envisaged its local counterpart agencies as non-profit, private sector consumer or service organizations which have economic and social goals. Principal among these was the cooperative federation.

B. PROGRAM STRATEGY

CHF has developed its Central America program within an institutional/programmatic framework which is based on its 20 years of worldwide experience. CHF calls this framework its Cooperative Development System (CDS). The principal institutional components of this hierarchical system include what CHF has named technical service organizations (TSOs), self-help housing cooperatives (SHHCs), neighborhood and village improvement cooperatives (NICs and VICs), and building materials production centers (BMPCs). The interaction and inter-relationship of these organizations comprise what CHF has defined for the purposes of its Central America program as its "permanent system for developing and improving shelter and community services."

CHF's initial proposal recognized that this system was not completely in place in all six Central America program countries. Two countries, Guatemala and Honduras, were the furthest along in having these institutional components in place at the initiation of program activities. This was due primarily to CHF's previous activities in the two countries. Based on these activities, CHF had already established working relationships and contacts with several national level cooperative institutions prior to the formulation of its Central America program. These organizations already had some experience in providing credit or other aspects of shelter and/or community services for lower-income households.

During the proposal preparation stage, CHF took advantage of these previous contacts to meet with cooperative and other non-profit organizations to begin to identify and develop demonstration projects. From the very beginning of its program, CHF made clear that it was taking a "micro" or project approach to the implementation of its program.

CHF's approach to program development short cut the traditional institutional analysis stage common to similar program design exercises. No written documentation was made available to the evaluation team showing that CHF carried out any comprehensive diagnostic of the public and private sector delivery system that serves the various CHF program elements outlined below. Rather, CHF almost immediately associated itself with

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[4]CHF Progress Report, p. 23.

several known institutions and began to plan and design a series of demonstration projects. This "bottom up" approach generated various projects at the initial proposal stage which allowed CHF to get a "jump start" on program implementation. CHF planned to evaluate this first round of projects when completed and make adjustments and improvements as required. During this early stage of program development, CHF was very specific in eschewing involvement in activities at the national shelter or financial policy level.

C. PROGRAM ELEMENTS

CHF's Central America program includes substantial inputs of technical and capital assistance to carry out its learning-by-doing or micro level approach to program implementation. CHF views the channeling of technical assistance resources to local TSOs, credit unions and other non-profit organizations as a means to strengthen the capacity of these institutions over the mid- to long-term. Its capital assistance is provided to carry out demonstration projects which will maximize the benefits of technical assistance. The original CHF proposal sets out the following principal elements of its program:

- Capital assistance to private, non-profit organizations to develop demonstration projects in the areas of community services, new home construction, home improvement loans and credits to small-scale enterprises and producers of building materials.
- Provision of institutional support grants and technical assistance to help local private sector organizations improve and strengthen their capacity to implement low-cost shelter and community services programs.
- Provision of guarantees (in the range of US$50,000-US$500,000) to mobilize local resources into shelter activities similar to the demonstration projects.
- Development of training programs and systems to assist local private sector organizations and cooperatives in the design of self-help projects.
- Organizing regional workshops and national level conferences and workshops on subjects relating to the development of the demonstration projects.
- Demonstration of lower-cost methods and techniques for producing shelter in squatter settlements and rural villages in order to encourage replication by local residents, private sector organizations and governments.
- Provision of credit and technical assistance for improving and increasing the efficiency of the production and distribution of building materials in squatter settlements and rural villages.
- Documentation on results and benefits of demonstration projects.

IV. PARTICIPATING INSTITUTIONS

The institutional base is one of the most important aspects of any program aiming at long-term sustainability. In the CHF program, the participating institutions are preponderantly federations of credit unions and housing cooperatives. Together they absorbed 86.6 percent of the program investment through the end of 1987. The cooperative movement has a strong tradition in the region and CHF has had direct experience in working with it during the 1970s. These two factors -- the existence of stable, well run institutions, and CHF prior familiarity with them -- guided the institutional choices for the present program and permitted the rapid commitment of funds in the first year. By December 1986, US$3.7 million in contracts for loans and grants had been signed, of which US$3.5 million were signed with cooperatives. On their part, the cooperatives brought to the program approximately US$1.7 million in counterpart funds or 84.3 percent of the total counterpart funds mobilized to date. Clearly the rapid pace of execution of the program in its start-up period can be attributed to the institutional capacity already installed in the six countries by the time of program inception (Table A.IV.1).

This chapter reviews the institutional aspects of the program including, in the first part, a description of the CHF approach, a summary of the main characteristics of the participating institutions, and an overview of their past operational performance. The second part comments on the institutional aspects of the CHF program by raising some issues and making suggestions for possible improvements.

A. CHF INSTITUTIONAL APPROACH

The CHF proposal argued the advantages of operating through the cooperative system convincingly. The most important arguments were that the system was private, democratically structured and run, concerned with increasing the welfare of its moderate and lower-income members, and experienced in delivering credit at the grass-roots level for various purposes, including home improvement, new housing, small-scale enterprises, consumption, and agriculture.

Central to the CHF institutional approach was the identification of potential "Technical Services Organizations" (TSOs), meaning private organizations with the capacity to provide continuous financial, technical, and administrative support services to local entities that would be directly responsible for project implementation. The structure of the cooperative system suited this TSO concept well. The system provides for the affiliation of local cooperatives to national federations which are rather stable and interconnected through a regional confederation. The operational linkages between these various organizational levels, although far from perfect, existed in all six countries.

CHF chose to operate through the second tier organizations -- the cooperative federations -- concentrating most of its technical assistance at that level with the expectation that the entire network of local cooperatives would be strengthened in the process. The role of the regional credit union confederation (COLAC), would be to provide technical assistance to its member federations in the area of management systems, as well as monitoring implementation of the program at the level of the local credit unions.

During the second year of implementation of the program, CHF expanded the range of institutions involved by incorporating several small private non-profit organizations. Few of these new organizations had direct previous experience in the execution of shelter projects. The specific reason of why and how these new organizations were added in the program is not clear. These institutions do not appear to have the potential to become national TSOs nor to have a significant institutional-multiplier. In general, they stand alone and have no established membership apart from their immediate personnel and local clientele.

Nevertheless, among these, a different type of organization was identified that might offer future promise. That was a workers' solidarity association ("asociacion solidarista"), ADEPSA, which recently became a part of the CHF program in Costa Rica. Workers' associations of this type are growing rapidly in Central America, in parallel and as an alternative to the labor unions. They are formally and operationally supported by workers and employers to provide services to employees on a firm-by-firm basis. Often these services include worker's housing. Potentially, this Costa Rican experience might be replicable on a larger scale in the rest of the region.

B. CHARACTERISTICS OF THE PARTICIPANT INSTITUTIONS

1. Types of Institutions

There are presently 22 private organizations directly benefiting from either loan and/or grants in the CHF program. These may be grouped, according to the type and share of program funds received, as follows:

- Savings and loans cooperatives, including one regional confederation (COLAC), six national federations, and three local cooperatives affiliated with their respective national federations. Together this group of cooperatives received 48 percent of the CHF funds in loans and grants and contributed approximately 45 percent of the total counterpart funds, maintaining an average ratio of 39 percent counterpart to CHF loan funds. (See Chapter V for a discussion of achievement of CHF's objectives in the area of counterpart contributions.)

- Housing cooperatives, including three national federations and one independent agency. Together these housing cooperatives received almost 40 percent of CHF investments in loans and grants and are responsible for a 40 percent share of the total counterpart funds. The ratio of counterpart to CHF loan funds in this group was approximately 42 percent.

- Private, non-profit, specialized, development organizations operated on a small scale, typically in a single country. There are eight participant institutions of this kind, which together received approximately 12 percent of the CHF funds. Their average ratio of counterpart to CHF loan funds was 53 percent. In total, this group contributed with slightly less than 16 percent of all counterpart funds.[1]

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[1]It should be noted that the higher ratio of counterpart to CHF loan funds for this last group was skewed by the presence of ADEPSA, which contributed almost 60 percent to the financing of its total project cost. Excluding ADEPSA, the average ratio of counterpart to CHF loan funds among private, non-profit institutions would decline to approximately 30 percent (Table A.IV.2).

These data also show significant differences among the three types of institutions with respect to the amount they receive in CHF grants relative to that of loans. While CHF grants to the cooperatives averaged 11 percent of the respective loan amounts, the smaller organizations (except ADEPSA) received twice that much (22.6 percent), on account of their comparatively higher institutional support requirements.

Moreover, the grant to loan ratio among the cooperatives would drop to nine percent if FENACOVI were excluded from the group. The particular needs of FENACOVI, which required a 28.9 percent grant to loan ratio, were related to the agency's instability at the time the program began. By then, after four years of inactivity, FENACOVI had a very high debt burden, several incomplete projects, and extensive arrearage. It had disbanded practically all its technical staff, and was barely surviving under conditions of managerial and financial disarray. The high level of institutional support and technical assistance provided by CHF to FENACOVI was intended, basically, to rescue the organization.

2. **Operational Indicators of Institutional Performance**

Since most of the projects financed by CHF are still in the early stage of implementation, the evaluation team sought historical indicators to help characterize the operational performance of the participating institutions.

For the savings and loans cooperatives, these indicators are summarized in Table A.IV.3. Many of these institutions were created over 20 years ago with USAID assistance under the CUNA/LARO program. As seen in Table A.IV.3, the typical Central American savings and loans federation is an institution with approximately 24 years of experience as a financial intermediary and a permanent staff of approximately 55 people. Each has access to more than 65,000 individual co-op members through an average of 67 affiliated local cooperatives. With an estimated total of 368,336 members, the system represents perhaps the single largest organized body of savers and borrowers in the region. In 1986, for example, approximately one out of every 14 Central American families had a savings and loan cooperative member. The system's coverage in relation to the total regional population would be even wider if data on the membership of large independent cooperatives could be added to the above figure.[2]

Comparable data on loan amounts channeled through the five credit union federations to date are not available, but information on some will suffice to indicate the relatively large loan portfolios managed by the system. By the end of 1986, for example, figures on accumulated loan amounts were US$317.5 million for FEDPA in Panama and US$31.5 million for FACACH in Honduras. In that same year FENACOAC made loans in the amount of approximately US$8.8 million in Guatemala.

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[2] In Belize, for example, the inclusion of the members of the Holy Redeemer independent credit union would raise the nation's total from 18,000 to 38,000, or the equivalent of one credit union member to every five families. Similarly, one independent credit union in Honduras (Sagrada Familia) is almost as large as FACACH, the national federation, which has 45,000 members.

Direct experience with lending for housing was reported by most credit union federations. Levels range from 20 to 30 percent of their total portfolio. In Guatemala, for example, FENACOAC indicated that housing loans comprised between 20 and 30 percent of its portfolio; FACACH, in Honduras, reported approximately 20 percent; FEDPA, in Panama, 25 percent; and BCUL, in Belize, reported lending for housing since 1982. Both FEDECACES, in El Salvador, and FEDECREDITO, in Costa Rica had had previous housing lending experience by the time the CHF Program began. Moreover, most of these federations have served as intermediaries in internationally financed projects, involving the World Bank, IDB, the Central American Development Bank, and USAID particularly, but not exclusively, during the 1970s.

In general, therefore, the credit union federations were a viable and potentially large institutional vehicle through which housing loans could be channelled in Central America. Nevertheless, from the standpoir.. of the CHF program, additional factors had to be considered, such as level of income of the membership, its rural and urban distribution, and the relative efficiency of the local cooperatives. These aspects, briefly discussed below, were not carefully considered during the preparation of the CHF program.

Regarding the income levels of the credit union members, no quantified information was available to the evaluation team, but the impression gathered during field visits was that members were preponderantly heads of middle- and lower middle-income families, with small savings and a stable source of income. In contrast, CHF's proposal suggested that its target group was to be predominantly lower-income. Furthermore, in many parts of the region the membership was found to be primarily rural, comprising small farmers who joined the co-ops expecting to receive agricultural loans. (In Guatemala, for example, FENACOAC estimates that 77 percent of its members are in the rural areas.) As to the relative strength of the local cooperatives, it varies widely. A large number of them seem to be facing administrative and/or financial problems.[3] As a rule, CHF left to the national federations the choice of the local cooperatives that would participate in the program in each country. In retrospect, although the choice of the cooperative credit union system as CHF's principal financial intermediary was largely correct, it is evident that only parts of the system were suitable for the program. CHF should have exercised more care in identifying these potential participants.

There are fewer indicators to help assess the performance of the four participant housing cooperatives. Table A.IV.4 assembles some basic characteristics which indicate that the largest of these cooperatives has produced, on average, no more than one hundred housing units per year. Three of these organizations are

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[3]A report on Guatemala shows that only 16 percent of the 67 cooperatives affiliated to FENACOAC had good financial performance in 1983. The great majority had collections in arrears ranging from 51 to 87 percent of their portfolios. See J.Peter Marion, "Analisis Financiero y Operativo del Sistema Nacional de Cooperativas de Ahorro y Credito," a report prepared for USAID Mission in Guatemala, 1985.

national federations and one (HODE) is a private, multi-purpose development assistance organization. Among the federations, FEHCOVIL in Honduras and FUNDAVICO in Panama, which were created in the 1960s, have the strongest technical capabilities in the group. Both have produced housing continuously through the last ten to fifteen years (although, in some years, production was reduced to a few units). FENACOVI and HODE, in Guatemala, were created in the mid-1970s to assist in the reconstruction effort following the country's earthquake. In the early 1980s, FENACOVI halted its housing production activities due to financial and administrative problems, but HODE continued to operate, in small scale, throughout the last decade. The sparse information on the kinds of housing produced by these institutions indicates that most of the output has been middle to lower-middle cost units, either grouped in projects or built on scattered sites. As a group, these four housing promoters represented approximately 75 community-level cooperatives.

Normally, the cooperative housing organizations produce, market and finance houses, taking upon themselves the functions of initiating, financing, and servicing long term mortgages, with more or less collaboration from the local cooperatives. For the most part, their funds originate from state-owned bank loans, made at preferential rates, as part of international development assistance agreements. There are both legal and financial constraints within this system which have not yet been overcome. (See Chapter VI.B, Financial Performance and Management.) In most cases, for example, housing cooperatives find it difficult to sell in the open market the mortgages they originate for lack of appropriate instrumentation. Several projects are financed through a single mortgage, held by the cooperative, while the individual home-buyers retain only user rights over their property until the entire mortgage debt is paid off. This form of collective mortgage is normally not negotiable in the banking community because it does not qualify for credit-risk mortgage insurance. Although FEHCOVIL does not, both FENACOVI and HODE operate with single rather than with individual mortgage loans in their housing projects.

Overall, it seems clear that housing cooperatives in Central America have only a limited development potential. The constraints often exhibited are the following:

- Small housing production capacity: in terms of the number of units that can be built per year.
- Restricted clientele: meaning that most housing cooperatives tend to exclude the very poor from their membership, favoring the middle-classes instead.
- Questionable economic justification: in their role as housing producers, cooperatives can easily become non-competitive; they provide their members with access exclusively to housing they themselves produce, thereby restricting, at times unduly, the market options of individual members.
- Questionable financial practices: the financial instrument used by most housing cooperatives is the single mortgage loan, which severely restricts access to freehold tenure for members while, at the same time, precludes mortgage rediscount operations.

These as well as other limitations tend to persist among housing cooperatives even when they operate in large scale, as shown in a study of the experiences in Brazil, Chile, and Colombia during the last two decades.[4]

In the case of the other type of institutions involved in new housing construction and community services within the CHF program, most have less experience and operate in smaller scale than the cooperatives. Although the projects under their responsibility appear to have been executed without major problems (See Chapter VI.A, Physical Implementation), there is no explicit explanation as to why they were included in the CHF program. These organizations appear to be duplicating the functions of the cooperatives without evident comparative advantages. A case in point is that of the Instituto para el Desarrollo Hondureno (IDH) whose small scale building materials production loans could have been channeled, at lower cost, through the credit union cooperative system.

C. INSTITUTIONAL ISSUES

Although this evaluation considers generally sound the CHF choice of operating primarily through the regional cooperative system, it noticed a few imbalances between the original program design and its institutional base which are worth commenting on.

First, there seems to be an imbalance between the composition of the original program and the institutions selected. Thus far, for example, CHF has not been able to identify an institution capable of delivering neighborhood improvements, in the sense of introducing infrastructure services in urban squatter areas. The initial attempts made in this area by FEHCOVIL in Honduras have not yet succeeded, and the proposed small project in rural Guatemala (under the responsibility of COSUDER) has also not started. Similarly, direct employment creation was originally planned for all the six countries and is presently only being attempted through IDH in Honduras.

The second imbalance pertains to the number of participating institutions. The number seems to be too large to allow for individual strengthening at both the national and the local levels. Among the credit unions, for example, several local cooperatives operated without adequate information concerning the program, lacked quality controls, promotion techniques, standardized loan evaluation procedures and accounting norms. The overall technical assistance program emphasized the physical aspects of home improvement and neglected the administrative and financial aspects of the program. This relative imbalance in the composition of the technical assistance inputs is partly a consequence of

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[4]See, Schweizer, Peter Jose, "La Vivienda Cooperativa en America del Sur: Los casos de Brasil, Chile y Colombia," paper presented at the Foro Latinoamericano y del Caribe de la Vivienda para las Personas Sin Hogar, convened by the Organization of American States (OAS), Costa Rica, Sept. 21-25, 1987.

the difficulties encountered by COLAC in the execution of its contract with CHF. Throughout that technical assistance contract, COLAC's effectiveness appears to have been hampered by lack of collaboration on the part of the CHF country directors.[5] Given its importance to the program, CHF/Washington should have taken steps to rectify this problem.

Notwithstanding the pending issues and areas where performance could be improved, there are several positive institutional aspects of the program which should be mentioned in closing.

On balance, all participating institutions used the funds provided by CHF for their intended purpose, followed satisfactory credit policies, and selected the beneficiaries according to fair, democratic criteria (albeit not always according to the established income criteria). Disbursements to the final beneficiaries were slow during the first year of the program but have accelerated since then in most countries. The areas of lesser achievement are related to planning for the development and expansion of the role of the S & L cooperatives in home improvement loans and housing production on the one hand, and in the mobilization of local resources, on the other.

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[5]COLAC has pointed out several limitations of the program design and shortcomings in the manner in which technical assistance was provided to the participating credit unions. See, COLAC, "Propuesta a la CHF para ampliar y extender los servicios de assistencia technica, de coordinacion y control del program CHF/COLAC, 1987.

V. PERFORMANCE TO DATE IN ACHIEVING THE OBJECTIVES OF PROGRAM'S MAIN ELEMENTS

This chapter examines in primarily quantitative terms the effectiveness to date of CHF in meeting the objectives established in the proposal for its Central America shelter program. This chapter assesses the extent to which project inputs are being used in accordance with the approved budget and timetable. Performance is measured through a review of the progress of physical implementation to date and the status of the program's financial plan. Finally, it provides the status of the various non-physical or financial program elements.

A. BACKGROUND

Since the signing of its cooperative agreement with AID in March 1985, CHF has successfully established its Central America program. It has set up and organized country offices in Guatemala, Honduras, Belize, El Salvador, Costa Rica and Panama.[1] After a delay of almost 18 months, the regional office was opened in Panama in the fall of 1986. Given this late start up, its current role only partially carries out the functions established for it in the CHF proposal. (See Chapter VII for a further discussion of the regional office.)

The original US$10 million grant has been amended twice to add additional funds. Funds were added to the CHF program in El Salvador (US$0.449 million) and Guatemala (US$2.3 million) in August and September 1986, respectively. Total AID financing now stands at US$12.749 million. Approval for further AID funding of US$5.16 million is pending in Honduras, Belize and El Salvador. Since the signing of the cooperative agreement, CHF has signed 25 loan contracts and 16 institutional support grants with Central America private sector cooperative and non profit organizations. Another seven loans and grants are currently in the design stage (a loan which is programmed in CHF terms) (see Table V.1).

Annex V presents individual CHF country program tables on the status of loans and grants, physical output, counterpart funding and program beneficiaries.

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[1]Due to the current political tension between Panama and the US, the USAID Mission was closed and future CHF programming was discontinued in December 1987.

TABLE V.1
SUMMARY: STATUS OF LOANS AND GRANTS
CHF CENTRAL AMERICA PROGRAM
DECEMBER 1987

STATUS OF LOANS/GRANTS	GUATEMALA	HONDURAS	EL SALVADOR	BELIZE	COSTA RICA	PANAMA	REGIONAL	TOTAL
Number of Loans Signed and Operational	5	7	2 a/	3	4	4	0	25
Number of Loans Programmed or In Process	2	0	3	1	0	1 b/	0	7
Number of Grants Signed and Operational	5	4	1	3	2	0	1	16
Number of Grants in Design Process	0	0	0	1	0	0	0	1
Total Number of Loans/Grants Signed and Operational	10	11	3	6	6	4	1	41
Total Number of Loans/Grants in Design Process	2	0	3	2	0	0	0	7

Source: PADCO Country Evaluations and CHF Quarterly Report, July 1-September 30, 1987.

a/ Loan E/L/1 includes two amendments. CHF canceled two loans at feasibility stage due to USAID/El Salvador decision to discontinue all further lending/disbursements to FEDECACES.

b/ New loan initiatives discontinued in December 1987 with closing of USAID Mission to Panama.

B. FINANCIAL STATUS

Table V.2 summarizes the status of the financial inputs of CHF's capital lending program as of December 1987.[2]

The table shows that total funding available for capital lending includes the original grant amount of US$5.6 million plus US$2.255 million from the two amendments (US$7.855 million total). Of this total amount, CHF has been able to program or commit US$5.38 million (68.5 percent) and disburse US$2.98 million (38.1 percent) in slightly over two and one-half years of operation.

CHF's good start in the initiation of its lending activities was facilitated by its previously established working relationships with several of the institutions with whom loans were initially developed. Progress in programming/committing and disbursing funds is even better if one considers only the US$5.6 million in capital funding available in the original grant.

Conclusion

From a purely organizational and capital disbursement standpoint, CHF has done a good job in establishing its six country offices and executing its first round of projects under the cooperative agreement. On this basis, CHF's record to date compares very favorably with local public sector institutions and AID experience with similar projects in the region.

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[2]The financial information provided in this table differs slightly from CHF figures due to the fact that the evaluation team collected its information during the period October-December 1987 and to minor errors in CHF/Washington reporting.

TABLE V.2
SUMMARY: FINANCIAL STATUS OF LOANS AND GRANTS (CAPITAL PROGRAM)
CHF CENTRAL AMERICA PROGRAM (US$)
DECEMBER 1987

FINANCIAL STATUS OF LOANS/GRANTS	GUATEMALA	HONDURAS	EL SALVADOR	BELIZE	COSTA RICA	PANAMA c/	REGIONAL c/	GRAND TOTAL
TOTAL FUNDS AVAILABLE	US$3,160,000	US$1,430,000	US$895,000	US$400,000	US$500,000	US$970,000	US$500,000	US$7,855,000
Original Grant	1,300,000	1,430,000	500,000	400,000	500,000	970,000	500,000	5,600,000
Amendments	1,860,000	-0-	395,000	-0-	-0-	-0-	-0-	2,255,000
Funds Committed (Signed & Operational)	1,431,204	1,370,987	401,763	356,165	483,000	432,620	197,498	4,673,237
Funds Programmed	501,600	48,000	-0-	-0-	-0-	159,250	-0-	708,850
Total Funds Committed/ Programmed	1,932,804	1,418,987	401,763	356,165	483,000	591,870	197,498	5,382,087
Funds Unprogrammed	1,227,196	11,013	493,237 a/	43,835	17,000	378,130	302,502	2,472,913
Funds Disbursed	852,945 b/	805,806	401,763	274,564	257,689 b/	295,885	100,640	2,989,292
Percentage of Total Funds Committed/Programmed (%)	61.2%	99.2%	44.9%	89.0%	96.6%	61.0%	39.5%	68.5%
Percentage of Total Funds Disbursed (%)	27.0%	56.4%	44.9%	68.6%	51.5%	30.5%	20.1%	38.1%

Source: Individual Country Evaluations by PADCO and CHF Reports.

a/ With the exception of US$75,000, all of these funds were previously committed to ongoing/new loans prior to USAID's termination of lending to FEDECACES. CHF/El Salvador is currently in the process of preparing feasibility studies to reprogram these remaining funds.

b/ Dollar amount disbursed is based on average exchange rate over period of loan disbursements.

c/ Financial status from CHF Quarterly Report, July 1-September 30, 1987.

C. PHYSICAL OUTPUTS

The CHF proposal for its Central America program calls for the provision of capital, grant and technical assistance to help local private sector organizations implement a wide-range of shelter and shelter-related activities. Project elements were to include:

- Improved community services in squatter areas. (This component was given particular importance in the CHF proposal.)
- Construction of new housing units.
- Home improvement loans.
- Credits for small-scale enterprises.
- Loans provided to what CHF calls building materials production centers or BMPCs (i.e., small, informal producers of building materials).

While the original proposal identified a wide-range of project activities, CHF to date has focused almost exclusively on the production of new construction (both in new schemes and scattered sites) and home improvement loans (see Table V.3). CHF has exceeded to date the production outputs on these components called for in its proposal.

With the exception of one loan in the pipeline in Guatemala (COSUDER) and preliminary discussions in Honduras with FEHCOVIL, CHF has been unable to identify and execute any neighborhood programs for the improvement of services. CHF has not benefited a single household through the provision of neighborhood services compared to estimates contained in its proposal of over 14,000 over the life of the cooperative agreement.

TABLE V.3
SUMMARY: STATUS OF PHYSICAL OUTPUTS AND PROGRAM BENEFICIARIES a/
CHF CENTRAL AMERICA PROGRAM
DECEMBER 1987

COUNTRY	COMMUNITY IMPROVEMENT AND SERVICES: NO. OF NIC/VIC	COMMUNITY IMPROVEMENT AND SERVICES: HOUSEHOLDS SERVED	SELF-HELP HOUSING: NO. OF CO-OPS.	SELF-HELP HOUSING: UNITS	HOME IMPROVEMENTS: NO. OF LOANS	SMALL BUSINESS LOANS	LOANS TO BUILDING MATERIALS PRODUCTION CENTERS b/	ESTIMATE OF TOTAL NUMBER OF BENEFICIARIES	INSTITUTIONS STRENGTHENED OVER LIFE OF PROGRAM
GUATEMALA									
Actual to Date	0	0	4	141	283	0	0	2,120	4 TSO/Federation
Pipeline	7	593	0	484	614	0	0	8,455	9 Housing Co-ops/ Credit Unions
Sub-Total	7	593	4	625	897	0	0	10,575	7 VICs
HONDURAS									
Actual to Date	0	0	4	60	513	0	23	2,980	2 TSO/Federation
Pipeline	0	0	3	160	160	0	117	2,185	4 Local PVOs
									9 Housing Co-ops
Sub-Total	0	0	7	220	673	0	140	5,165	4 Credit Unions
									3 IDH Branch Offices
EL SALVADOR									
Actual to Date	0	0	2	55	384	0	0	2,020	1 TSO/Federation
Pipeline	0	0	0	0	0	0	0	0	7 Credit Unions
Sub-Total	0	0	2	55	384	0	0	2,020	
BELIZE									
Actual to Date	0	0	3	23	0	1	0	115	1 TSO/Federation
Pipeline	0	0	0	19	0	0	0	95	3 Housing Co-ops
Sub-Total	0	0	3	42	0	1	0	210	
COSTA RICA									
Actual to Date	0	0	2	29	195	0	0	1,120	1 TSO/Federation
Pipeline	0	0	1	76	78	0	5	795	8 Housing Co-ops
Sub-Total	0	0	3	105	273	0	5	1,915	
PANAMA	N.A.								
TOTAL	7	593	19	1,047	2,227	1	145	20,065	9 TSO/Federation 40 Housing Co-ops/ Credit Unions 4 Local PVOs 3 Branch Offices Dev. Found.(Hond.) 7 VICs
Projected Beneficiaries-CHF Proposal (Excl. Panama)	42	14,049	10	731	1,867	32	34	85,575	

Source: PADCO Country Evaluations of CHF Program.

Based on CHF Central America programs funds committed/programmed as of December 1987 (excl. Panama).

Loans listed under this heading for Honduras should be presented under the category "Small Business Loan" since IDH (the implementing agency)

CHF has also not achieved very good results with its lending program for small-scale enterprises and producers of building materials. CHF has been able to initiate only one program in Honduras which has made 23 loans to date. Another small program is in the pipeline in Costa Rica. Based on policy decisions made by certain USAID Missions, all CHF country directors have not vigorously pursued the original intent to extend loans to small-scale enterprise. The one program exclusively dedicated to loans for small-scale enterprise which CHF has implemented in Belize was a failure from the standpoint that it did not meet its original lending objectives and had to be terminated and its funding reallocated. In the one case of lending to small materials producers in Honduras, the results are not conclusive. The CHF component for lending to small-scale entrepreneurs is discussed in more detail later in this chapter and in Chapter VI, Section C.

Conclusions

1. At the project level, CHF has been successful in identifying and executing shelter projects dealing with new housing construction and home improvement loans. It has exceeded output targets established in the original proposal.

2. CHF has been unable to organize activities to improve neighborhood services. There are various reasons why CHF has not been able to achieve this objective:

   - Unfamiliarity of CHF with local infrastructure implementing agencies, particularly the public sector's role in the provision of services.
   - More difficult and time consuming project design when compared to new construction and home improvement loans.
   - More difficult (i.e., lower income) target group to serve.
   - Availability of competing, highly subsidized or grant funding sources put CHF's program at a disadvantage.

The provision of major trunk urban infrastructure requires economies of scale available only to large public or private sector institutions. This requirement is not compatible with either the scale or the institutional structure of the CHF program. CHF certainly is aware and in agreement with this point. On the other hand, however, even the provision of secondary and tertiary distribution networks require participation, or at least coordination with the public sector. CHF has not systematically tested the feasibility of collaborating with the public sector in infrastructure provision to squatter areas in any of its country programs.

To attempt to approach the problem of infrastructure provision on a purely project-by-project basis, completely outside of the purview of the public sector, tends to lead to inefficiencies unless that is the only option available. That is, unless there are no public institutions formally responsible for this service. This is certainly not the case in Central America. The evaluation team would argue, further, that infrastructure provision for lower-income households exclusively through the private sector would not succeed in the region in the long term even if CHF were to apply larger amounts of its administrative and technical assistance resources.

D. GENERATION OF ADDITIONAL PROGRAM FINANCIAL RESOURCES

The principal objective established in the CHF proposal is to develop a self-sustaining, permanent system which can mobilize and channel resources for ongoing shelter programs such as community improvements and new construction. As a means of achieving this objective, CHF emphasized in its proposal the importance of leveraging the AID grant to produce funding for capital projects in addition to the original US$5.6 million. CHF particularly hoped to mobilize additional resources locally which would add to the total physical outputs of the program.

CHF projected that the US$10 million grant could leverage US$3.062 million in additional local funds over the four-year period of the cooperative agreement. CHF anticipated that these funds would come from existing local organizations such as TSOs, credit unions, savings and loan organizations, private companies and international donors. CHF also projected that an additional US$6 million in local currency could be provided from other AID sources such as ESF funds and PL-480. CHF estimated total program funding at US$19.062 million during the initial four-year disbursement period.

Table V.4 shows that CHF has been only partially successful in generating additional resources to support its Central America program. There is no doubt that the primary source of additional funds to date has come from AID. AID has already approved grant amendments totaling US$2.749 million, with approval pending for an additional US$5.160 million in AID and Mission funds. The total of approved and pending additional AID funding of US$7.909 million surpasses CHF projections of US$6 million contained in the original proposal.

CHF has been less successful regarding the generation of local resources to support similar shelter activities. What is particularly noteworthy from Table V.4 is CHF's inability to generate local resources which would <u>add</u> to the total physical output of the CHF program.

Table V.4 subdivides the total estimated host country contribution of the CHF Program into three principal categories:

- Direct counterpart contribution by local institutions (including cash contributions and beneficiary downpayments and in-kind contributions such as land, administrative support, and beneficiary labor and materials purchase,etc.) to specific CHF-designed projects.
- Additional resources made available by CHF-affiliated institutions for similar projects.
- Resources mobilized locally from other private or public sector institutions for similar projects.

In the case of the CHF Program, it is only the latter two categories which have the potential to mobilize significant resources to increase total physical output.

TABLE V.4
COMPARISON OF PROPOSED AND ACTUAL FINANCIAL PLANS (US$ MILLION)
CHF CENTRAL AMERICA PROGRAM
DECEMBER 1987

SOURCE

USE	ORIGINAL AID GRANT		OTHER AID			HOST COUNTRY CONTRIBUTION a/						OTHER		TOTAL		
						TOTAL BUDGETED	MOBILIZED/COMMITTED/PROGRAMMED									
	BUDGET	COMMITTED/ PROGRAMMED	BUDGET	MOBILIZED TO DATE	COMMITTED/ PROGRAMMED		TOTAL COUNTERPART c/	ADDITIONAL RESOURCES CHF FINANCIAL INTERMEDIARY FOR SIMILAR PROGRAMS	OTHER LOCAL PUBLIC/PRIVATE SECTOR INSTITUTIONS	TOTAL	BUDGET	COMMITTED/ PROGRAMMED	BUDGET	MOBILIZED TO DATE	COMMITTED/ PROGRAMMED
Capital Programs	4.785	4.300	5.600	2.200 (Appr.) 4.135 (Pending)	0.511	2.462	3.461	0.506	0.000	3.967	0.400	0.000	13.247	10.952 (Appr.) 4.135 (Pending)	8.778
Institutional Support	0.385	0.385	0.300	0.055 (Appr.)	0.108	0.000	0.000	0.000	0.000	0.000	0.100	0.000	0.785	0.440	0.493
Training Workshops	0.430	0.079	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.100	0.000	0.630	0.430	0.079
Sub-Total	5.600	4.764	6.000	6.390	0.619	2.462	3.461	0.506	0.000	3.967	0.600	0.000	14.662	15.957	9.352
Technical Assistance Administration	4.400	4.400	0.000	0.494 (Appr.) 1.025 (Pending)	0.357	0.000	0.000	0.000	0.000	0.000	0.000	0.218 b/	4.400	5.112 (Appr.) 1.025 (Pending)	4.975
TOTAL	10.000	9.100	6.000	7.909	0.976	2.462	3.461	0.506	0.000	3.967	0.600	0.218	19.062	22.094	14.325

Source: Individual PADCO Country Evaluations and CHF Loan Feasibility Studies.

a/ Does not include Panama.

b/ Portion of contract with USAID/Costa Rica for the FEDECREDITO/Peace Corps/CHF rural shelter program used to defray office operating costs.

c/ Includes primarily cash contribution of counterpart agencies and beneficiary down payments and in-kind contributions of land. TA/administration inputs of counterpart institutions, and beneficiary provision of building materials and labor.

With few exceptions[3], CHF's local financial intermediaries have fulfilled their contractual loan obligations regarding the provision of direct counterpart funding. In fact, actual counterpart funding committed or programmed to date exceeds by a factor of 40 percent the total host country contribution estimated in CHF's proposal (US$3.461 million vs. US$2.462 million).

Unfortunately, this counterpart contribution is primarily in the f rm of in-kind contributions (land, labor, administrative support, etc.) which has a limited effect in adding to the total output of the CHF Program.

The latter two categories of the above-mentioned sources of host country contributions which could add to the total output of the CHF Program have received minimal local inputs to date. The credit union federations in Guatemala and El Salvador (FENACOAC and FEDECASES) are CHF's only financial intermediaries which have invested significant quantities of their own resources to fund shelter solutions similar to those of the CHF Program. As far as the evaluation team knows, other local private or public organizations of the region's shelter or financial sectors have invested none of their own resources in similar eets.

CHF has not received any additional funding from other donors or lenders including private US corporations or foundations nor from international sources such as the UN, OAS or IDB. CHF/Costa Rica has signed an agreement with the Peace Corps to provide technical assistance and help in project implementation. This contract wil' provide approximately US$200,000 over the next two years to assist in defraying the administrative costs of CHF's Costa Rica operation.

Conclusions

1. AID and Mission funding has been the principal source of additional resources to the original US$10 million grant.

2. On the basis of local resources generated to date, CHF has clearly not achieved its principal objective to develop a self-sustaining, permanent system which can mobilize resources to provide increased output of shelter solutions.

3. The principal source of host country contribution has been in direct counterpart contributions to the CHF program. This type of resource generation has not significantly increased the total physical output of the program.

4. CHF has been unable to generate additional resources from other local private/public resources or international foundations and lending institutions. (Chapter VI, Section B discusses the reasons for the lack of local mobilization of additional resources.)

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[3] The CHF loan to FACACH in Honduras is the prime example of a local institution's failure to meet its contractual counterpart contributions. The percentage breakdown of CHF/FACACH/cooperative's contribution to this home improvement loan program was to be 50-25-25 percent, respectively. Unfortunately, CHF has already disbursed its full US$250,000 loan amount without receiving a single lempira in counterpart contribution from either FACACH or the cooperatives. Given their financial situation, it is doubtful whether either organization can fulfill the contractual commitment. CHF/Honduras must proceed immediately to negotiate a solution to this outstanding issue.

E. PROJECT BENEFICIARIES

CHF's proposal projects that the initial US$10 million grant combined with additional resources from other sources will provide direct benefits to more than 100,000 people. CHF's record to date indicates that the program will fall far short of this goal.

A lower than expected number of program beneficiaries is primarily due to CHF's inability to identify projects in the area of neighborhood improvements. Since this type of project has not materialized, proposed funding has been reprogrammed and committed to other projects with higher unit costs per beneficiary. This higher unit cost for a finite amount of program funding has reduced the number of overall beneficiaries.

Another reason for a lower than projected number of program beneficiaries is the lack of "additive" resources leveraged by the initial US$10 million grant. While CHF has surpassed its goal of generating a minimum of US$19.062 in total resources, the portion of total program resources available for capital lending is less than anticipated. CHF's original proposal estimated that US$14.662 million would be available for capital programs. However, estimates from Table V.4 indicate that only US$12.5 million in financial resources from all sources will actually be available.

It is possible to estimate the approximate number of program beneficiaries for the four-year grant on the basis of beneficiaries served to date. Extrapolating from the 20,065 beneficiaries served by the US$4.790 million in committed and programmed loans as of December 1987 (excluding CHF/Panama program), one can project a total of approximately 52,350 for the four-year program. These results indicate that if CHF cannot mobilize additional local resources over the remaining one and one-half years of the program, the number of program beneficiaries will be less than one-half of initial projections.

Conclusion

An anticipated significant reduction in the number of CHF program beneficiaries will decrease the already tenuous long-term impact of the program's intangible benefits in the areas of economic growth and stability, equity and broad participation in development, and the strengthening of democratic institutions and human rights. Furthermore, a reduction in beneficiaries will increase the cost per unit of output for a program already top-heavy in administrative costs.

F. NON-PHYSICAL/FINANCIAL SERVICES AND PROGRAMS

1. Loans for Small Businesses and Building Materials Production Centers

CHF proposed to make approximately 76 loans to small businesses and building materials production centers, with an investment of US$630 thousand distributed in the six countries. These loans were expected to create approximately 508 new jobs.[4]

As of December 1987, only 23 small-scale business loans have been made in Honduras, as part of a demonstration project financed by a CHF loan for US$80 thousand to the Instituto para el Desarrollo Hondureno (IDH). The project is estimated to have created 51 new jobs thus far (see Table V.5).

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[4] CHF Proposal (1985), pp.35, 46-53.

TABLE V.5
LOANS FOR SMALL BUSINESS AND BUILDING MATERIALS PRODUCTION CENTERS:
PROPOSED VS. ACTUAL RESULTS
(Thousands of dollars)

	PROPOSED					ACTUAL				
	Loans No.	Jobs[a] No.	CHF	Finance Other[b]	Total	Loans No.	Jobs[a] No.	CHF	Finance Other[b]	Total
SMALL BUSINESS										
TOTAL	42	-	320	100	420	23[c]	51	80	40	120
Belize	-	-	-	-	-	-	-	-	-	-
Costa Rica	5	-	50	-	50	-	-	-	-	-
El Salvador	4	-	40	-	40	-	-	-	-	-
Guatemala	12	-	75	50	125	-	-	-	-	-
Honduras	11	-	80	30	110	23[c]	51	80	40	120
Panama	10	-	75	20	95	-	-	-	-	-
BUILDING MATERIALS PRODUCTION CENTERS (BMPCs)										
TOTAL	34	-	310	200	510	-	-	-	-	-
Belize	5	-	75	-	75	-	-	-	-	-
Costa Rica	-	-	-	-	-	-	-	-	-	-
El Salvador	5	-	25	50	75	-	-	-	-	-
Guatemala	13	-	90	100	190	-	-	-	-	-
Honduras	11	-	120	50	170	-	-	-	-	-
Panama	-	-	-	-	-	-	-	-	-	-
BOTH LINES OF CREDIT										
TOTAL	76	508	630	300	930	23	51	80	40	120
Actual as percent of Proposed						30	10	13	13	13

Source: PADCO.

a/ The CHF Proposal did not specify the number of expected jobs per country.

b/ Other sources of finance include counterpart funds from host country in the case of small business loans and sources independent from USAID or host countries, for building materials production centers loans.

c/ Data as of 11/30/87. The loans made by IDH benefited small business engaged in the production and/or distribution of building materials. The reason why these loans are not classified as BMPCs is that most are located in small towns and not in squatter areas, as originally conceived by CHF (Proposal [1985] pp.5, 24-25).

Based on the amount invested, this component may be considered only 13 percent complete. As far as employment creation, it has reached a mere 10 percent of the original target. Through the experiment with the component in Honduras it became clear, moreover, that the concept of building materials production centers (BMPCs) -- which was presented by CHF as one of the four central elements of its development approach -- was not viable.[5] The BMPCs concept was replaced in Honduras by a traditional line of credit for small-scale enterprises in the building materials production and/or distribution sub-sector. This modified line of credit was neither exclusive to that sub-sector nor directly linked to provision of services and home improvement credit in squatter settlements. In fact, the location of the benefiting businesses was shifted for the majority of the sub-loans from the capital city's squatter areas to small towns due to weak demand and operational problems. In general, the component has achieved disappointing results to date. This is due to various reasons which will be discussed in Chapter VI.

A related component, described in the CHF Proposal as:

> "Procurement and delivery at the neighborhood level of tools and machinery for modest building materials operation; some will require the purchase of U.S. block machines, woodworking equipment and other material not available locally;"[6]

was not implemented in any of the six countries.

2. Institutional Support Grants

The CHF Central American Fund was to finance, inter alia, grants to at least 14 local organizations involved in the execution of the demonstration projects. These grants would be part of CHF's efforts to help local private sector organizations improve and strengthen their absorptive capacity to implement similar projects in the future.[7] The Latin American Confederation of Savings and Loan Cooperatives (COLAC) was specifically mentioned among the proposed grant beneficiaries, in its role as provider of "technical assistance, training, monitoring and evaluation of the national level credit union federations involved in sub-projects".[8] Tables V.6, V.7, and V.8 describe the grants actually made and how they were used, by country.

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[5]The BMPCs concept is shown in Chart A, p. 20 and discussed in pp.24-25 of CHF Proposal (1985).

[6]CHF Proposal (1985), p.35.

[7]CHF Proposal (1985), p.35.

[8]CHF Proposal (1985), p.20.

TABLE V.6
INSTITUTIONAL SUPPORT GRANTS: PROPOSED VS. ACTUAL
(Thousand of dollars)

COUNTRY	PROPOSED GRANTS FINANCED BY: No.[b/]	CHF	Other[c/]	Total	ACTUAL GRANTS[a/] FINANCED BY: No.	CHF	Other[d/]	Total
Belize	na	10.0	-	10.0	3	32.0	-	32.0
Costa Rica	na	15.0	60.0	75.0	2	8.0	-	8.0
El Salvador	na	-	110.0	110.0	1	39.5	-	39.5
Guatemala	na	115.0	20.0	135.0	5	59.1	111.6	170.7
Honduras	na	50.0	130.0	180.0	4	127.5		127.5
Panama	na	45.0	50.0	95.0	-	-	-	-
Regional	na	150.0	-	150.0	1	118.4	-	118.4
Unallocated	na	-	30.0[e/]	30.0[e/]	-	-	-	-
TOTAL	14	385.0	400.0	785.0	16	384.5	111.6	496.1
Actual as percent of Proposed	100	100.0	100.0	100.0	114	100.0	28.0	63.0

Source: PADCO

a/ Grants signed as of 12/31/87.

b/ The CHF Proposal did not specify the expected number of grants per country. See Proposal (1985) p. 35.

c/ Other sources of finance include, for Guatemala, other donors and lenders that are not AID, CHF or host country participating agencies; for Costa Rica, El Salvador and Honduras, other donors plus USAID-mission funds; and for Panama, only USAID-mission funds. See CHF Proposal (1987) pp.47-53.

d/ Financing provided by USAID-mission in Guatemala, under a 1985 Grant Amendment.

e/ Expected from other donors and lenders including private corporations, foundations and international sources. CHF Proposal (1985) item c, page 35. The Proposal does not specify the expected grants per country.

TABLE V.7
INSTITUTIONAL SUPPORT GRANTS BY ACTUAL USE, BY COUNTRY, 1985-1987

COUNTRY	GRANT AMOUNT ($000)	EXPENDITURE CATEGORIES Staff/Travel[a/]	Equipment[b/]	Training[c/]	Other[d/]
Belize	32.0	32.0	-	-	-
Costa Rica	8.0	8.0	-	-	-
El Salvador	39.5	23.4	8.0	8.1	-
Guatemala	170.7	108.9	22.6	36.6	2.6
Honduras	127.5	67.3	22.9	29.3	8.0
Panama	-	-	-	-	-
Regional	118.4	116.1	2.3	-	-
TOTAL	496.1	355.7	55.8	74.0	10.6
As percent	100.0	71.7	11.3	14.9	2.1

Source: PADCO.

a/ Includes staff salaries, consultants, travel and per diem.

b/ The equipment expenditure consisted of micro-computers (procurement and installation) and a few vehicles (one motorcycle and one pickup truck).

c/ Training in Honduras, includes one study on tenure status of residents of squatter settlements in Tegucigalpa, under the responsibility of Fehcovil.

d/ Includes construction of two model houses in Honduras and renovation of an office in Guatemala.

TABLE V.8
TECHNICAL ASSISTANCE PROVIDED BY COLAC UNDER CHF GRANT[a]
1986-1987

	Country	Schedule	No. Visits	Comments
Supervision, Evaluation & Auditing of CHF loans to S&L cooperatives	ES	quarterly	2 (86)	Country Reports Completed
	HO	quarterly	3 (86)	
	GT	quarterly	3 (86)	
	PA	quarterly	1 (87)	
Technical Assistance to S&L cooperatives in:				
Accounting	ES/HO/GT	quarterly	3 (86)	
Administration	ES/HO/GT	quarterly	3 (86)	
Finance	ES/HO/GT	quarterly	3 (86)	
Resource Mobilization	ES/HO/GT	quarterly	3 (86)	
Computerized Operations	ES/GT	quarterly	3 (86)	
Training & Preparation of Operational Manuals	(1) Colac gave a workshop at the 2nd Regional Conference (02/86) in HO. (2) "Manual para Proyectos de Financiamiento de Mejoras para la Vivienda": completed (86) but awaiting CHF's approval for distribution.			

Special Studies	Completion Date
1. FEDECACES computer systems (soft and hardware) including: accounting, financial planning, word processing, correspondence, project control and evaluation, statistical data base, and information for management control;	05/86
2. FEDECACES, FENOCOAC, FACACH analysis and recommendations regarding the guarantees and cost recovery of CHF loans to these cooperatives;	06/86
3. COLAC's experience in the area of cooperative financial administration;	07/86
4. Set of Financial Projections for CHF loans to S&L at federation and local levels;	09/86
5. Indicators of S&L Project Performance.	10/86

Source: PADCO based on COLAC Progress Report from 04/86 through 03/87.

a/ COLAC spent 75 percent of the $118,400 CHF grant during the contract period (04/01/86-09/30/87). Expenses included salaries of the coordinator (Alexis Varela), one secretary, 35 percent in overhead, one PC computer and travel expenses. The $29,366 balance is being used to extend the T.A. period thorough April 1988.

As of December 1987, CHF had committed US$384,500 in institutional support grants benefiting 15 local organizations. These grant funds represent nearly the entire US$385,000 allocation of institutional support grants proposed in the initial USAID $10 million grant. Thus, from the point of view of financial commitments, this component may be considered completed as planned. In addition to the resources from the original AID grant, CHF invested US$111.6 thousand more in grants in Guatemala using funds from the USAID-Mission, under the amended cooperative agreement. Combining these two sources, a total of US$496.1 thousand was committed in institutional support grants by the end of 1987.

The consistency between planned and actual achievement declines when we examine the distribution of grant resources by country. Table V.6 shows the actual distribution of these resources to be significantly different from the original plan: Belize, Guatemala and Honduras benefited considerably more from CHF grant investments than originally expected, while Costa Rica, El Salvador and Panama received less in grants than initially planned. Also apparent is that, so far, only 28 percent of the additional resources anticipated for grant investment were actually mobilized by CHF. It apears that these discrepancies resulted, on the one hand, from the fact that institutional support needs identified by CHF during the implementation of the program turned out to be different from what was expected, and, on the other hand, that more resources might still be mobilized before the end of the four year program.

The greatest part of the grant resources (71.7 percent) was used in personnel expenditures (including staff salaries, consultants, travel and per diem for each institution) made during the start-up period of the demonstration projects (Table V.7). This strategy assumed that each organization would be able to carry these expenses with their own resources once the sub-projects were well under way. In at least two cases however, institutions have already requested additional grants claiming they cannot afford to pay for the required staff on their own.

Grants were also used, albeit to a lesser extent, to purchase equipment (11.3 percent) expected to improve the long-term efficiency of the benefiting institutions. For the most part, the new equipment consisted of micro-computers and related software imported from the US. In addition, some 15 percent of the grant resources were employed in staff and materials for training activities. The emphasis on training was particularly noticeable in the support grants to the Guatemalan and Honduran housing cooperative federations. In these two countries, approximately 22 percent of the total grant resources was allocated for that purpose. It is interesting to note that this training is closely related to the market expansion of the two federations, since it focused on the process of transforming pre-cooperative groups into established housing cooperatives. Finally, a small proportion of grant resources (2.1 percent) was used for construction, involving, in one case, the refurbishing of office facilities and, in another case, the building of two model houses.

Regarding the US$118.4 thousand grant made to COLAC, the evaluation team has limited information since it was not possible to visit COLAC's central office in Panama. Nevertheless, a report on COLAC's activities under that grant was made available to the team and its contents are summarized in Table V.8. Judging by the list of activities, COLAC seems to have accomplished basically what was originally intended by CHF. However, as will be discussed in the next chapter, COLAC's own judgment of its achievements contradicts this expectation. It appears that many more technical assistance needs were identified among the savings and loan cooperatives than was possible to satisfy in the context of that grant.

3. Technical Assistance Provided by CHF

The CHF proposal emphasized the importance of technical assistance and allocated a portion of the US$4.4 million administrative support budget from the original US$10.0 million USAID grant for that purpose. The relative efficiency with which this activity has been carried out thus far is difficult to evaluate. This is true for several reasons, most importantly because the original budget and the current account statements presented by CHF do not distinguish between technical assistance and administrative support activities. Both types of expenditure are combined at the country, regional, and Washington-office levels (Table V.9).

In general, technical assistance was provided by the resident CHF staff in each country, by the Panama Regional office, and by consultants hired through CHF-Washington as well as locally. The Washington office also supplied CHF country-resident staff with backstopping and technical support, while serving as the general administrative and program control unit for the program as a whole. Table V.10 attempts to pull together the scattered information which was made available to the evaluation mission on the kinds of technical assistance activities carried out by CHF thus far. The person/day figures associated with each activity represent rough estimates based on travel time shown in the CHF quarterly reports to USAID.

It is apparent from Table V.10 that in-country technical assistance received the highest priority, surpassing by far the regional level activities. This outcome raises questions as to the actual justification for maintaining a regional office in Panama, which will be discussed later in Chapter VII. Overall, the technical assistance provided to Guatemalan institutions (either by CHF staff or by international and local consultants) exceeded that received by all other five countries participating in the program, representing approximately 64 percent of the recorded person/days of consultancy and in-country activities. Notwithstanding the weakness of the data as a base for specific conclusions, it seems evident that the objective of strengthening local institutions through technical assistance was not equally pursued by CHF in all six countries, even though the entire allocation from the original USAID grant for this purpose has been spent.

TABLE V.9
ADMINISTRATIVE SUPPORT/TECHNICAL ASSISTANCE PROVIDED BY CHF TO PARTICIPATING INSTITUTIONS:
PROPOSED VS. ACTUAL[a/]
(Thousand of dollars)

Country	PROPOSED		ACTUAL	
	Amount	No.Agencies	Amount[b/]	No.Agencies[c/]
Belize	408	1	na	2
Costa Rica	408	5	na	2
El Salvador	408	1	na	1
Guatemala	408	3	na	4
Honduras	408	2	na	6
Panama	408	2	na	3
Regional	1112	1	na	1
Washington	840[d/]		na	-
TOTAL	4400	20[e/]	4478[f/]	19
Actual as Percent of Proposed	100	100	102	95

Source: PADCO.

a/ Financed by CHF with the proceed of the original $10.0 million USAID grant No. 597-0012.

b/ CHF financial reports available to PADCO omit the distribution of TA and Administrative Support expenditure by country.

c/ Three local cooperatives which received CHF grants directly are excluded from this tabulation because the technical assistance from CHF was directed primarily at the second tier institutions. The 19 institutions included comprise: COLAC; 6 S&L Federations, 3 Housing Coop Federations; 1 independent housing agency, and 8 private development agencies.

d/ Figure increased by $2,000 in relation to amount shown in CHF Proposal (page 53) to account for rounding difference in the total.

e/ The number of institutions specified in the CHF Proposal under "Country Frameworks" (pp.29-34) does not add up to the total mentioned in "Results (Expected Achievements)" (pp.34-35).

f/ CHF data on T.A. and Administrative support expenditure as of 08/30/87.

TABLE V.10
LIST OF TECHNICAL ASSISTANCE ACTIVITIES SPONSORED BY CHF BESIDES THAT PROVIDED BY CHF COUNTRY STAFF, 1985, 1986, 1987
(Excluding COLAC)

(1985)

Regional	In-Country	Consultancies	CHF Staff
FUNDAVICO manager (PA) visited FEHCOVIL(HO) to exchange experiences. (5 pd) TA constr. project for 5 model core houses, and preparation of Design Manual(Regional Office)	TA to HODE & FENACOVI(GT) on investment strategy, Don Stout (C)(14 pd)		Directors' Meeting in HO (40 pd)

Total person/days: Regional 5? 8.5%
In-Country 14 23.7%
CHF Staff 40 67.8%

Total 1985..............59 100.0%

(1986)

Regional	In-Country	Consultancies	CHF Staff
Audio Visual Aid (filmed in GT,HO) Dick Owens (9 pd) Base-line survey instrument to evaluate health & other impacts of projects on squatter settlements, Bonnie Perez (C) (..pd)	TA Const. Design to FUNDAVICO(PA) & FEHCOVIL(HO) Gus Costa (9 pd) TA to FENACOVI(GT) on coop training by Dick Owens(9pd) TA to FENACOVI(GT) on property management, Mark Walker (C) (36 pd) TA on Const.Design (BE, HO, ES, GT)by Gus Costa (20 pd) TA to HODE & FENACOVI (GT) on legal matters, Jaime Rodriguez (26 pd) Const. Supervision to HODE (GT) by J. L. Gandara (C) (60 pd)	WID Study (HO) Patricia Martin (C) (24 pd) Feasibility Studies: (1)PA Phil Jones (C) (18 pd) (2)HO Tova Solo (C) (14 pd) (3)CR Phil Jones (C) (13 pd) (4)HO Bill Baez (16 pd) (5)ES Tova Solo (C) (7 pd) (6)ES Phil Jones (C) (16 pd) (7)HO Phil Jones (C) (21 pd) Const. Arquitectura y Proyectos (GT) const. program review (C) (60 pd)	US Conference T.Priftis(3 pd) Interamerican Cooperative Law Congress, Jaime Rodriguez(14 pd) Backstopping(ES, GT,CR,HO,PA) T. Priftis (37 pd) Assessment Report (ES): Dick Owens, T.D. Bruce(C) & Martin Zone (93 pd) Second Directors Meeting (PA) (50 pd) TA (BE) Paul Thompson (C) (21 pd)

TABLE V.10 (continued)

(1986)

Regional	In-Country	Consultancies	CHF Staff
		Project Team(GT) program review (4 Consultants) (20 pd)	TA(GT) Bill Baez Baez (C) (7 pd) TA (HO) Javier Garza (11 pd)

Total person/days:	Regional	9?	1.5%
	In-Country	160	26.1%
	Consultancies	209	34.0%
	CHF Staff	236	38.4%
	Total 1986	614	100.0%

(1987)
(as of 09/30/87)

Regional	In-Country	Consultancies	CHF Staff
	TA Const. Design (HO, GT, CR) Gus Costa (20 pd) TA to FENACOVI(GT) Mark Walker (C) (10 pd) TA to FENACOVI(GT) Dick Owens (21 pd)	Squatter Settlements Study (ES) Tova Solo (C) (35 pd) "Meson" Study (ES)Tova Solo(C) (26 pd) Universidad San Carlos (GT) Arq. School, constr. quality control (C) (130 pd)a/	Backstopping(CR, PA,ES) Ted Priftis (23 pd) Board Meeting Washington, Gus Costa (9 pd) TA to CHF (CR) Phil Jones(7 pd)

Total person/days:	Regional	none	
	In-Country	51	18.1%
	Consultancies	191	68.0%
	CHF Staff	39	13.9%
	Total 1987	281	100.0%
Grand Total p/d	Regional	14?	1.5%
	In-Country	225	23.6%
	Consultancies	400	41.9%
	CHF Staff	315	33.0%
	Total 1985-1987	954	100.0%

Source: PADCO.

a/ This Guatemalan contract involves two university students working part time during six-and-a-half months, one at Fenacovi and one at Cosuder. Their work program was originally conceived as continuous construction supervi-ion but, given the unrealiability of the students time schedule, it was changed to periodical construction quality control inspections.

4. Training Activities Directly Sponsored by CHF and Preparation of Audiovisual and Other Training Materials

Specific training goals are mentioned in the CHF proposal in connection with training to be carried out in the US (planned to benefit 40 Central American professionals) and at the regional and national levels (consisting of 12 national level workshops and one regional workshop).[9] A total of US$430 thousand was allocated for training from the original USAID grant and an additional US$200 thousand was expected to be provided for the same purpose from other sources. Table V.11 compares the achievements to date with this initial plan. Here again, the lack of detailed information on actual expenditures by country precludes meaningful financial analysis. Considering only the kinds of training activities involved, CHF did accomplish its goals in so far as US-based training and regional workshops are concerned. The same is true regarding the production of audiovisual and other training material, although we have no information on how extensively these materials have been distributed or used.

On the other hand, CHF appears to have failed thus far to meet its country specific training objectives (primarily through national level workshops) because this type of activity has been carried out preponderantly in Honduras, while local institutions in most other countries did not benefit.

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[9] CHF Proposal (1985), p.35.

TABLE V.11
TRAINING ACTIVITIES PROVIDED BY CHF: PROPOSED VS. ACTUAL
(Thousands of dollars)

Sub-Programs	PROPOSED Amount CHF	PROPOSED Amount Other	PROPOSED Number of: Events	PROPOSED Number of: Persons	ACTUAL Amount[a/] CHF	ACTUAL Number of: Events	ACTUAL Number of: Persons	ACTUAL P/D
Training in the US for leaders	350	na	na	40	79	1[b/]	17	306
Regional workshops	[c/]	na	na	na	na	2[d/]	na	205
In-Country:			(12)	(na)	(na)	(8)		
Belize	10	-	na	na	-	-		-
Costa Rica	10	35	na	na	-	-		-
El Salvador	-	35	na	na	-	-		-
Guatemala[e/]	20	20	na	na	na	1	na	60
Honduras[f/] [g/]	15	55	na	na	na	7	na	740
Panama	25	55	na	na	-	-		-
Abroad[h/]	na	na	na	na	na	1	2	14
TOTAL	430	200	12	40	79	12	na	1325

Source: PADCO. Excludes training financed through institutional support grants, reviewed in connection with said grants. The abbreviation P/D means person/days.

a/ CHF original AID Grant funds, expenditures as of 12/31/87.

b/ Seminar on "Training Aspects Related to CHF's Cooperative Neighborhood Improvement and Job Program for CA" to train trainers, Washington,DC, Oct. 14-31, 1986, attended by 17 persons from 6 C.A.countries. The Meridian House International and the American Institute of Cooperation assisted CHF. (Total 306 person/days)

c/ Regional workshops and training in the US share the same budget.

d/ There is no information regarding the first regional workshop held in Guatemala in 1986; the second workshop, held in Honduras in 1987, was attended by 19 agencies representing a total of 250 P/D.

e/ In 1986, marketing course for FENACOVI staff by Fernando Rosales(C).

f/ Including: (1) FAFH 950 hours course for 10 women's groups members of FEHCOVIL on democracy, housing & health and production in 1986 (505 P/D); (2) Workshop on house design for FEHCOVIL staff and local architects in 1987 (20 P/D) by Gus Costa & Leopoldo Perez (12 P/D); (3) FACACH local coop staff on home improvement loans in 1987 (20 P/D); (4) FEHCOVIL survey interviewers in 1987 (160 P/D); (5) IDH staff in 1987 (12 participant/days) by W. Baer (C) (7 P/D).

g/ The figures for Honduras exclude partial CHF funding for local local conferences: a housing congress held by Fehcovil in 1986; a seminar on community participation in housing and basic services projects (cofinanced by Consuplane, Unicef and others); training for the Honduran Emergency Committee (COPEN) on disaster management planning; and, training of Peace Corps volunteers working in the housing sector.

h/ Not originally planned; two FEHCOVIL (HO) board members visited Housing Co-op Federations in Chile in 1987 (14 P/D).

VI. EVALUATION OF PROJECT EFFICIENCY AND EFFECTIVENESS

This chapter examines the efficiency and effectiveness of the processes, procedures and systems established to carry out the principal elements of CHF's Central America program. This chapter divides these operational mechanisms into three broad categories: physical implementation, financial performance and management, and non-physical/financial services and programs (TA, training, etc.).

Taken together these processes and procedures form the program's delivery system. The evaluation of the CHF program delivery system is an essential component in understanding why a project was or was not able to achieve its desired objectives.

The present chapter evaluates the efficiency and effectiveness of CHF's delivery system on the basis of a set of indicators. This set of indicators will be used to measure and compare the efficiency of the CHF program loans.

The following section deals primarily with the physical implementation of CHF loans. Later sections look at the financial aspects of CHF program implementation and at the program's non-physical/financial components and services.

A. PHYSICAL IMPLEMENTATION

The team's rapid evaluation of each CHF country program did not permit a thorough analysis of all the various project design and implementation components of each and every CHF loan and grant (41 in total).[1] Rather, the present section reviews and analyzes each loan which is sufficiently advanced in the project implementation cycle. Each project loan included in this evaluation is evaluated and compared on the basis of a set of indicators. The key indicators employed in this section's comparative analysis are:

- Achievement of project goals.
- Efficiency of organizational procedures.
- Timeliness of project implementation.
- Total costs compared with original estimates.
- Quality of project outputs.
- Affordability of output to target group.
- Replicability.

In order to provide a quantitative dimension to this evaluation, the performance of each project is first evaluated from good to poor for each of the above indicators. These qualitative assessments are then given a ranking as follows:

- good = 3
- average = 2
- poor = 1

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[1]The evaluation team spent from one to six person-weeks on the individual country evaluations depending on the size and complexity of the program.

An average is then calculated for each project. Comparisons are made between projects and between CHF country programs. It was not possible to apply all indicators to all projects due to the stage of project implementation or type of project. Care must be taken in the interpretation of the resulting averages. They should only be considered as indicative comparisons between projects.

Table VI.1 highlights the results of this indicative analysis while the following paragraphs discuss the principal findings and conclusions.

TABLE VI.1
EVALUATION OF EFFICIENCY OF PROJECT IMPLEMENTATION
CHF CENTRAL AMERICA PROGRAM
INDICATORS OF PROJECT EFFICIENCY

Country/Loan	Achievement of Project Goals	Efficiency of Organizational Procedures	Timeliness of Project Implementation	Final Cost within Original Budget	Quality of Project Outputs	Affordability to Target Group		Replicability	Average (Quantitative/Qualitative)	Total Loan Amount US$ x 1,000	Weighted Average Quantitative/Qualitative
						Design	Beneficiary Selection				
GUATEMALA											
G/L/1	3	3	2	3	3	3	1	3	2.6 (good)	350.0	--
G/L/3	3	3	2	2	3	3	1	3	2.5 (good)	425.0	--
G/L/4	3	3	3	3	3	2	1	2	2.5 (good)	240.0	--
Sub-Total Average	3.0	3.0	2.3	2.7	3.0	2.7	1.0	2.7	2.5 (good)	1,015.0	2.53
HONDURAS											
H/L/1A	2	3	2	3	2	3	3	2	2.5 (good)	262.5	--
H/L/1B	1 (to date)	2	1	n.a.	3	3	3	3	2.3 (above average)	67.5	--
H/L/2	2	2	2	3	3	3	2	3	2.5 (good)	250.0	--
H/L/3	1 (to date)	1	1	n.a.	n.a.	3	2	3	1.8 (below average)	400.0	--
H/L/4	1	2	3	3	3	3	n.a.	1	2.3 (above average)	27.5	--
H/L/5	1 (to date)	2	1	3	n.a.	n.a.	n.a.	1	1.6 (below average)	80.0	--
H/L/6	3	3	3	3	3	3	2	1	2.6 (good)	120.0	--
H/L/7	3	3	3	3	3	3	3	1	2.8 (very good)	16.0	--
Sub-Total Average	1.8	2.3	2.0	3.0	2.9	3.0	2.5	1.9	2.3 (above average)	1,243.5	2.21
BELIZE											
B/L/1	2	3	1	2	3	3	n.a.	1	2.1 (average)	22.2	--
B/L/2	1	1	1	n.a.	n.a.	n.a.	n.a.	1	1 (poor)	2.0	--
B/L/3	3	3	3	2	3	3	3	3	2.9 (very good)	300.0	--
Sub-Total Average	2.0	2.3	1.7	2.0	3.0	3.0	3.0	1.7	2.0 (average)	324.2	2.83
EL SALVADOR											
E/L/1 E/L/1 (amendment no. 1) E/L/1 (amendment no. 2)	3	3	3	3	3	3	1	3	2.8 (very good)	257.7	--
E/L/2	2	2	2	3	3	3	1	3	2.4 (average)	104.5	--
Sub-Total Average	2.5	2.5	2.5	3.0	3.0	3.0	1.0	1.0	2.6 (good)	362.2	2.68
COSTA RICA											
CR/L/2	2	2	3	3	3	3	3	3	2.8 (very good)	170.0	--
CR/L/3	3	2	2	3	3	3	3	3	2.8 (very good)	90.0	--
CR/L/4	3	2	3	3	3	3	3	3	2.9 (very good)	100.0	--
Sub-Total Average	2.7	2.0	2.7	3.0	3.0	3.0	3.0	3.0	2.8 (very good)	360.0	2.83

Source: PADCO Analysis

NOTE: The performance of each project is evaluated from good to poor for each of the indicators as follows:

- good = 3
- average = 2
- poor = 1

1. Achievement of Project Goals

Individual CHF Program loans have two principal goals or objectives: the institutional strengthening of the local implementing agency and the provision of a specific number of physical outputs (new units, home improvement loans, small-scale credits, etc.).

The success which CHF has had to date in achieving its goals and objectives, specifically with respect to physical implementation, has depended primarily on the care given to project design at the feasibility stage. In the case of physical implementation, this refers to the thoroughness of technical and institutional analyses.

This is not to diminish the effort CHF has brought to project implementation itself, which overall has been of a high quality. However, the best efforts at project implementation are not a sufficient condition that can overcome faulty project design and/or the selection of a weak counterpart implementing agency. Where these two conditions are met, as in the majority of the more mature CHF loans in Guatemala, El Salvador, and Costa Rica, achievement of specific project goals is generally assured.

Problems which have arisen during the implementation of several loans in Honduras and Belize are due to a lack of a thorough understanding of all project components and/or a disregard for obvious weaknesses in the institutional structure proposed to carry out the project. Problem areas which have caused delays in the realization of CHF/Honduras project goals are summarized as follows:

- Inadequacy of initially identified new construction sub-projects (Honduras loan 1).
- Inability to obtain access or clear title to originally proposed site(s) for new construction (Honduras loan 3).
- Error in project design and cost estimate (electrical distribution network) (Honduras loan 4).
- Lack of sufficient market surveys to measure effective demand for proposed project output, selection of weak implementing agency in process of significant personnel changes (IDH), and unworkable implementation arrangements between two key implementing agencies, IDH and FEHCOVIL (Honduras loan 5).

Fortunately, after delays of up to one year, the above-mentioned CHF/Honduras project loans are now substantially on track. It is reasonable to expect that CHF will ultimately achieve the specific project goals proposed for these loans.

On the other hand, a similar lack of attention to detail at the project design stage, as well as weak implementing agencies, has lead to the failure or partial failure to achieve project goals in the case of two CHF/Belize loans. The feasibility studies for both loans dramatically overestimated the demand for loans from participating credit unions or cooperatives. In the case of B/L/1, only four of an anticipated 13 families took out loans for the construction of new housing.[2] For the program's second loan, there was insufficient demand for rental of a chain-saw purchased by the program to cut and sell lumber, as well as for financing to establish small-scale building materials operations in rural areas (B/L/2).

Even though original loan amounts had to be significantly reduced and funding reallocated for these two loans, one positive outcome achieved by the first loan was the establishment and strengthening of a new credit union in the designated project area. This was achieved through the technical assistance and institutional support grant provided by CHF/Belize.

Conclusion

CHF feasibility studies have often not provided sufficient analysis to substantiate the design and institutional structure for a specific project. Overall, there was no written documentation made available to the evaluation team which provides evidence that CHF carried out an initial institutional assessment of the public and private sector delivery systems which serve the various CHF program components.

As mentioned previously, the CHF country programs developed initially with institutions which it knew and had established previous working relationships. This by itself is not a bad strategy, since it gave CHF the opportunity to get a "jump-start" on program development. However, one would expect that CHF would undertake a broad institutional assessment after the first round of projects was in the ground to guide future program development. It apparently never undertook this broad assessment. On the contrary, new implementing agencies, previously unknown to CHF, have received loans after what appears to be a very ad hoc selection process.

Many of these second round institutions are institutionally very weak. The previously described problematic feasibility studies did not include adequate in-depth analyses which would have detected the problems encountered during implementation, or which might have questioned the project's overall feasibility. Many of these feasibility studies leave one with the impression that their purpose is primarily to provide "rubber stamp" approval for a programming decision taken previously by CHF management.

2. Efficiency of Organizational Procedures

The procedures and systems instituted by CHF, or already used by local implementing agencies, to implement specific shelter projects generally worked very well. Due to its micro level or project approach to its Central America program, CHF has placed great emphasis on successful project implementation. Most CHF technical assistance and institutional support grants (see Sections C of this chapter) have gone toward strengthening local counterpart organizations in this area.

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[2] One might also reasonably ask why a project was ever identified which would benefit only 13 families.

A lot of the time of the CHF country directors has gone into the "nuts and bolts" of project implementation. While not always well documented nor documentable (it is difficult to document the sustained levels of support provided), the positive results are evident.

Several examples are worth mentioning. CHF/Guatemala has worked closely with the local housing cooperative federation (FENACOVI) through an integrated program of capital lending, technical assistance and institutional support grants. This total package has assisted FENACOVI in overcoming severe technical and financial problems. Today it is an institution with a much improved public image and renewed access to local financial resources.

CHF/Honduras has developed loans with two local PVOs (APRHU and CSJB) previously inexperienced in the shelter sector, which have been very successful.

CHF/Belize has organized an excellent scattered site and home construction program with the Belize Credit Union League (BCUL). The procedures and systems established to utilize small, private contractors during the construction phase are particularly well thought out and innovative. Not only has CHF worked with these small contractors to improve local building techniques, but more importantly, it has assisted them in the mechanics of preparing simple bills of quantities and cost estimates. The CHF program has also served as the vehicle to introduce the small Belizean contractor to the commercial banking system in order to begin to obtain access to sustained lines of credit.

Finally, the combined efforts of CHF's systems and procedures, as well as those already existing in the credit union federations of FENACOAC (Guatemala), FACACH (Honduras), FEDECASES (El Salvador), and FEDECREDITO (Costa Rica), have produced good results for the financing of home improvement loans and new construction for these institutions and their affiliated credit unions.

The project specific systems and procedures recommended by CHF to implement its lending programs have generally been very solid. One area, however, has not met with success. This is CHF's attempt to demonstrate to prospective users less expensive methods for producing minimal shelter through the introduction of appropriate lower cost designs and the construction of on-site models. In CHF's "constructionist" philosophy, these designs and models were to assist project beneficiaries select their own unit type and to encourage imitation by adjacent local residents and governments, and private sector institutions.

The PADCO team evaluated two cases in which CHF has attempted to demonstrate the economies of using traditional local materials and reducing unit size. Unfortunately, neither example was accepted by the local residents. This is particularly true in the case where unit designs were developed extraneously to the local counterpart institution.

In the latter case of the FEDECASES/Sihuacoop project in El Salvador, a CHF consulting team identified and prepared the unit designs at the time of the feasibility study. Five model units of varying local materials were constructed at the Sihuacoop site prior to the initiation of overall construction. CHF hoped to demonstrate with these models that it was possible to construct a larger unit for a given total cost if less expensive, traditional materials (i.e., adobe) were used.

While this is a very sound technical hypothesis, and one practiced by foreign purveyors of technical assistance for the past decade, the Sihuacoop members rejected the CHF designs at the time of individual selection. The CHF designs were simply not acceptable to the cooperative members primarily because they had been told that the CHF feasibility study provided for the opportunity to choose his/her own unit design and building materials. After a significant disruption to project activities, CHF and the cooperative agreed on a compromise solution.

With the help of a local architect hired as part of CHF's institutional support grant to FEDECASES, the original CHF designs were modified to the satisfaction of the prospective beneficiaries. This solution worked well for several months. Various units were constructed. However, once again CHF interjected its control and insisted on using a unit design provided by the regional office in Panama. Several families dropped out of the program at this stage. The construction program was delayed and momentum was lost while an acceptable new design was agreed upon. The cooperative was eventually able to construct approximately 50 units before USAID/El Salvador terminated all disbursements to FEDECASES. The insistence by CHF on the use of a unit design which was not clearly acceptable to the cooperative membership severely undermined the success of this project.

Conclusion

CHF has generally done a good job in developing the project specific procedures and systems to implement its Central America Shelter program. In the case of the home improvement loan programs, it has successfully built on and refined the administration procedures which were already in place at the level of the national federations and local co-ops.

In the opinion of the evaluation team, however, the program has also inadvertently shown that there no longer is a need for designs or technicians from outside the region to demonstrate less expensive methods and techniques to produce minimal shelter. With minimal guidance from international specialists, the physical/technical capacity to design and construct less costly, affordable shelter clearly exists in the region today. CHF has demonstrated this point in various of its project loans. It has identified, and in many cases employed for its own projects, qualified local architects and engineers, small contractors, and individual masons and carpenters.

Furthermore, a corollary to the argument presented in the previous paragraph is that a complete, new construction project is not the most affordable nor acceptable means to resolve the region's existing shelter needs. Given the limited resources for shelter of below median families, most households would prefer to construct their dwelling units incrementally, when funds are available, with "prestige" materials (such as block, brick, reinforced concrete, etc.), rather than purchase an affordable core unit (as defined by a foreign expert) of less than acceptable materials or design.

CHF should continue to use the concept of affordable design based on a household's capacity to pay as a guide to program development. However, CHF must break out of its "constructionist" mode and begin to move away from a reliance on solutions which provide limited choices among a few model types to the intended beneficiaries. International experience has shown that low-income households have the ability to construct their own shelter over time at costs which are normally less than formal suppliers including CHF.

3. **Timeliness of Project Implementation**

CHF has shown the ability to implement on a timely basis the projects financed through its Central America Shelter program. This is particularly true when CHF has properly planned and designed its projects at the feasibility stage and has carefully analyzed and selected its counterpart implementing agencies. (See comments in point No. 1 under "Achievement of Project Goals".) Although several country-specific home improvement programs have experienced minor delays in fully disbursing loan funds, CHF has almost universally organized and carried out this component within acceptable time limits for this type of program.

CHF's new construction component of its program has encountered some difficulties which have caused delays or have inhibited timely completion. These delays are caused by the far greater complexity of this type of program, particularly when compared to home improvement loans. The most severe problem to date relates primarily to the inability of the counterpart agency to identify suitable land parcels for project or scattered site development (Guatemala, Honduras and Belize). In several instances, the land issue is complicated when there are delays in processing the transfer of title after the land is occupied and construction begun (Belize).

Another problem encountered has been the inability to coordinate the completion of the dwelling units with the installation of the site's infrastructure (water network in the case of the FEDECASES/Sihuacoop project in El Salvador). This has lead to a loss of momentum in project marketing and a certain resistance to timely payment of monthly quotas on the part of those households currently occupying the site. It has also necessitated the double payment of debt service and rent for those households who do not wish to occupy their plots until water is available.

Conversely, the demand for loans for the construction of complete units on scattered sites with clear title, and in many cases with access to public services, has been tremendous. This demand is particularly evident in all project loans related to home improvement. The loans which offer this option have been implemented very successfully and on a timely basis.

4. **Final Project Costs**

This section examines from two viewpoints the question as to whether individual CHF shelter projects are completed within budget.

First, CHF feasibility studies provide a general description and analysis of the proposed shelter project or program. Within this general program description, CHF also includes a range of cost estimates for the intended physical output. Many times these cost estimates are already exceeded by the time final designs and cost estimates are completed. Since the total loan amount is established in the feasibility study, an increase in final costs over original estimates will reduce the total target for project outputs. This type of cost increase is often due to delays in project implementation outside the direct control of the CHF country program.

Delays are often caused by the time-consuming approval process for feasibility studies required by CHF/Washington and the regional office in Panama. Other times, delays result from the time required by the local counterpart agency to review and approve the loan agreement. A six-month delay in signing Guatemala loan G/L/3 with Hogar and Desarrollo (HODE) caused an increase in project costs of more than 30 percent. The problems previously discussed with respect to Honduras loan H/L/3 (see Section 1 of this chapter) which caused significant delays in program start up and eventually necessitated the identification of a different project reduced the targeted outputs of the loan from 142 to 63 units.

An even more serious problem would exist if CHF were unable to deliver its projects within the final cost budget plus contingencies. Fortunately, this is not the case.

Once underway, CHF has a good record of bringing its projects in at budget. A good example of this is the completion of the 144 unit "El Modelo" project in Guatemala. The "El Modelo" project was a potentially very difficult project which presented unique problems in the preparation of an accurate cost estimate and construction management plan. The fact that this project involved the completion of units and infrastructure which had lain unoccupied for several years presented the possibility for slippage in cost control and contract construction period. To the credit of CHF and FENACOVI, the local implementing agency, the project was completed on time and slightly under budget.

The completed units in the excellent CHF scattered site construction program in Belize have also been consistently brought in under budget estimates.

The home improvement loan programs implemented in Guatemala, Honduras, El Salvador and Costa Rica have been completed within the proposed cost range.

5. Quality of Project Outputs

CHF has placed great emphasis on the physical aspects and construction of the shelter solutions financed by its Central America lending program. In all its individual country programs, CHF has maintained a consistently high quality in its final outputs.

6. **Affordability to Target Group**

The affordability of the CHF-financed shelter solutions to the intended target population is a principal indicator of the efficiency and effectiveness of its delivery system.

Regarding housing and other credit lending programs, the Foreign Assistance Act of 1961 defines affordability in such a way that not less than 90 percent of any funding shall be for housing suitable for families with incomes below the median urban income in the country in which the housing is located.[3] Suitable, or affordable housing, is normally defined in two ways.

The first criterion is that the proposed housing solution or project is designed to be affordable to those households earning below the median. This is a purely technical architectural or engineering exercise. It assumes a set of financial terms and percentage of household income spent on debt service.

The second criterion is that the housing solution, once designed and constructed, is sold to a household earning below the median. That is, that the actual beneficiary of the shelter project or program is a low-income household as defined by AID.

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[3]All practitioners of housing in developing countries know that current and accurate data on household income are rarely available. This is particularly true for urban areas other than the primate or larger secondary cities. Lack of reliable income data obviously makes it difficult to estimate a median household income. Fortunately, AID has undertaken this task for each Central American country in which CHF operates. Due to the lack of time or ready access to better secondary source information, the PADCO team has chosen to accept the AID figures for its analysis.

As a condition to CHF lending, the recipient local agencies must measure the incomes of each loan beneficiary. These incomes are to include all potential sources of household income. Definitions of household income vary significantly between CHF financial intermediaries. There is concern that in certain cases, particularly with respect to lending for home improvements through credit unions, the incomes as measured reflect only the formal wage income of the member. Given all of the above, the evaluation team will, nevertheless, conduct its analysis of the implementing agencies compliance with median income criterion on the basis of available information.

How does CHF's Program measure up against these two criteria?

As mentioned previously, CHF's original proposal is ambiguous regarding the identification of the program's target group and the definition of affordability. Its proposal states that "some or all ... sub-project components will be affordable to the below median income group in each of the six countries."[4] An earlier section of the proposal attempts to equate its target group to residents of urban squatter settlements.[5]

Overall, CHF's two and one-half year record of program implementation in Central America indicates a great emphasis was placed on designing shelter solutions to be affordable to below median income households, while generally looking the other way at the time of beneficiary selection.

This is not to say that the six CHF country directors have not shown a concern with beneficiary selection. Rather, each country program has addressed the question of beneficiary definition differently depending on its modus operandi with the local implementing agency and its written agreement with the AID Mission. With the exception of CHF/El Salvador and CHF/Panama (which were not visited by the evaluation team), it was the understanding of all the other CHF programs that benefited households would be below the median.

The CHF El Salvador program was the only example where it was agreed with the AID Mission that all sub-projects would only be designed to be affordable to below median income families. The median income criterion was not applied to sub-project beneficiaries.

Even though this second median income criterion was relaxed in the case of El Salvador, it is surprising, and disappointing, that fully 70-85 percent of all beneficiaries of the two CHF loans (including amendments) to FEDECASES had household incomes above the median.

Information on the beneficiaries of the other four country programs visited by the evaluation team was not readily available in the CHF offices. This by itself indicates a lack of attention to this particularly crucial detail of program development. This type of information on beneficiary income was normally obtained directly from the implementing agency. Overall, the results are mixed with respect to selection of sub-project beneficiaries from households below the median income.

Compliance has generally been good in Belize and Costa Rica. On the other hand, 30-60 percent of all beneficiaries of the three CHF/Guatemala loans evaluated are above the median household income. The Honduras program generally has selected beneficiaries from below median income families. Only small percentages of beneficiaries from three program loans (H/L/2, H/L/3 and H/L/6) are above the median.

[4] CHF Proposal, Volume I, p.72

[5] CHF Proposal, Volume I, p.10.

Conclusion

Having passed the mid-point in the implementation of CHF Central America program, it is the impression of the evaluation team that the social and economic characteristics of the CHF beneficiary population are different from that initially envisaged by the original proposal. This impression is anecdotal since only income data, and not in-depth socioeconomic surveys, are available for CHF program beneficiaries.

On the basis of the type of physical outputs produced by the CHF program to date, the great majority of CHF program beneficiaries are members of housing cooperatives and credit unions. In the context of urban Central America, the membership of this type of organization tends to be lower middle- to middle-income with stable, albeit low, formal sector incomes.

While reliable income data normally do not exist for the urban areas served by CHF sub-projects, a good approximation is that the incomes of CHF beneficiaries would be found in a rather tight band between the 40 to 60 percentiles of the overall urban distributions. Since the Central America program has been unable to initiate infrastructure improvement programs in the informal neighborhoods which dot most urban areas, CHF is not reaching the "poorest of the poor" nor even households much below the 35-40 percentiles. This is not necessarily a negative observation. Rather, the issue is whether an AID-financed grant program with such high administrative costs (see Chapter VII) should primarily serve a target population with incomes which, at best, are marginally below the median.

7. Replicability

In this section, the evaluation team defines "replicability" as the existence of systems and procedures instituted as part of the CHF-financed program which would permit the CHF counterpart institutions to continue to develop similar programs in the absence of additional CHF funding. Later sections of this chapter discuss this topic from the standpoint of financial replicability and replicability in terms of the role and cost of the technical assistance and support grants provided by CHF. The current section discusses replicability in terms of the administrative procedures and systems established to implement the CHF sub-projects.

The evaluation team's replicability question posed in the preceding paragraph in effect summarizes the findings and conclusions of this section. With the exception of initial planning and design and final selection of sub-project beneficiaries, CHF has either instituted new systems and procedures, or built on existing ones, which allow it to provide shelter outputs of a high quality, on a timely basis and within budget. These systems and procedures would be replicable by the local implementing agencies to carry out similar sub-projects in the future.

B. FINANCIAL PERFORMANCE AND MANAGEMENT

The purpose of this section is to conduct a quantitative and qualitative analysis of the use of CHF's financial resources in Central America -- how much has been invested and spent, under what conditions, and for what purposes. The analysis focuses on the way in which ongoing lending activities relate to CHF's program objectives.

Overall financial performance and management will be analyzed from the perspective of CHF's loan portfolio and administration/technical assistance budget. Taken together, these two items encompass 92 percent of the initial AID grant of US$10 million.

The analysis of the loan portfolio assesses the particular financial characteristics of the program from the standpoint of return, turnover, and replicability.

The combined line item for administration and technical assistance is one of the distinct characteristics of the CHF program. It differs from the normal application of administration/technical assistance resources, typically used by shelter finance institutions, in the sense that the amounts devoted to this activity are usually marginal when compared to the amounts destined for investment. In CHF's program, the amount devoted to administration/technical assistance is almost equal to the amount originally destined for portfolio investment.

Technical assistance is commonly understood as a service provided to third parties. In this case, technical assistance includes the costs of CHF's program administration. The overall technical assistance budget covers CHF's mobilization and operation expenses for its country, regional and Washington offices. CHF's original proposal combines administrative support and technical assistance under the sub-heading of "Technical Assistance."

The financial intermediation margins under which CHF operates are not directly measurable due to this special circumstance. Market financial institutions normally cover their costs of lending with a portion of the interest charged on a particular loan, together with one-time fees and "points." In CHF's case, these financial margins are included in the total administration/technical assistance budget.

The situation described above points out that the general parameters normally applied to portfolio evaluation are not as applicable to combined technical assistance and administration. Nevertheless, for the purposes of the evaluation, the administration/technical assistance component will be evaluated in Chapter VII using the following parameters:

- Variation and distribution of expenditures compared to the original budget.
- Adequacy and correlation between expenditures and portfolio investment.

The comparison between levels of portfolio investment and administration/technical assistance expenditures reveal financial performance characteristics and illustrate the future sustainability of the program.

Portfolio investments are defined as the total of program loans executed by CHF, regardless of credit line (shelter, home improvements, etc.) or borrowing institution. For the most part, the existing CHF portfolio is analyzed as a whole, without disaggregating it among its various components or lines of credit. The conclusions reached using this approach should be substantially the same as those reached analyzing each loan separately and then aggregating the results.

As mentioned before, the criteria used to evaluate the financial performance of CHF's portfolio include: return, turnover and replicability.

1. **Return**

Return is defined as the yield level generated via the interest rate charged by the lender, CHF in the present case. In the CHF program, return has two components: 1) the yield to CHF from its loans to local financial intermediaries; and 2) the yield to local intermediaries from their loans to participating cooperatives/credit unions and/or to the final beneficiaries.

Given the AID source of CHF program funds, absolute yield level (as return on investment) is not the critical issue. This is due to the fact that CHF has no financial cost for its resources. Nevertheless, it is important to look at the revenues generated by the program. Program objectives explicitly state that the program will demonstrate the feasibility of lending on the basis of market financial conditions.[6]

Due to the importance of this aspect of the program, special attention will be given to the analysis of the relationship between the financial terms applied by CHF and those of the market. The major parameters examined include interest rates, spreads of financial intermediaries, profitability and inflation, and guarantees.

The analysis of these issues, according to data collected during the field work, is presented below.

a. **Interest Rates and Financial Margins**

CHF operates in the region in local currencies. Its only source of income is the interest collected on loans from local borrowers. The analysis of CHF's interest rate structure vis-a-vis local market rates is presented below.

Table VI.2 shows the different financial conditions applied to CHF's Central America program. The CHF rate refers to the interest charged to the local financial intermediary. The final rate refers to the rate charged to loan beneficiaries. The first observation which is discussed later in this section is that practically all of the rates charged to the financial intermediaries are much lower than those of the various local markets. Panama is the exception. There CHF applies a rate similar to the one used commercially for long-term savings.

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[6]The role of CHF as a booster and promoter of providing low-income shelter through market mechanisms is explicit and well defined in the program. The compliance of CHF's program with market conditions would, in fact, allow participating institutions access to new and different sources of funding available in the market. It only makes sense to allocate subsidized resources to CHF in order to demonstrate the feasibility of this new lending activity if CHF objectives call for carrying it out.

TABLE VI.2
CHF FINANCIAL TERMS
CENTRAL AMERICA PROGRAM
(US$)

COSTA RICA					HONDURAS					GUATEMALA				
LOAN	TERM (YRS.)	AMOUNT (US$)	LENDING RATE (%)	BENE-FICIARY RATE (%)	LOAN	TERM (YRS.)	AMOUNT (US$)	LENDING RATE (%)	BENE-FICIARY RATE (%)	LOAN	TERM (YRS.)	AMOUNT (US$)	LENDING RATE (%)	BENE-FICIARY RATE (%)
L/2-1	13.0	70,000	11.5	20.5	L/1-1	9	262,500	8.0	14.0	L/1	8	350,000	5.0	15.0
L/2-2	7.0	75,000	11.5	20.5	L/1-2	21	87,500	8.0	14.0	L/3	11	378,000	6.0	12.0
L/2-3	7.0	20,000	11.5	20.5	L/2	6	250,000	6.0	16.0	L/4	20	240,000	6.0	12.0
L/3-1	13.0	50,000	11.5	20.5	L/3	15	400,000	8.0	12.0	L/5	15	261,600	6.0	12.0
L/3-2	5.0	70,000	11.5	20.5	L/4	3	27,500	12.0	18.0	L/6	6	117,000	6.0	12.0
L/4	5.0	100,000	10.5	20.0	L/5	7	80,000	3.0	16.0	L/8	6	132,000	6.0	12.0
L/5	1.5	115,000	19.0		L/6	9	120,000	8.0	14.0	L/9	15	240,000	6.0	12.0
					L/7	10	16,000	8.0	14.0					
	6.2	$[illegible]	13.1%			11	$1,243,500	7.3%			12.1	$1,718,600	5.8%	

EL SALVADOR					BELIZE					PANAMA				
LOAN	TERM (YRS.	AMOUNT (US$)	LENDING RATE (%)	BENE-FICIARY RATE (%)	LOAN	TERM (YRS.)	AMOUNT (US$)	LENDING RATE (%)	BENE-FICIARY RATE (%)	LOAN	TERM (YRS.)	AMOUNT (US$)	LENDING RATE (%)	BENE-FICIARY RATE (%)
L/1	8	150,000	5.0	15.0	L/1	11	22,000	10.0	14.0	L/1-A	15	26,500	7.0	12.0
L/1-A	8	100,000	5.0	15.0	L/2	5	3,000	10.0	14.0	L/1-B	7	26,500	7.0	12.0
L/2	21	206,000	5.0	15.0	L/3	15	300,000	9.0	14.0	L/3-A	7	18,900	7.0	14.0
										L/3-B	15	90,720	7.0	14.0
										L/4-A	7	130,000	7.0	12.0
										L/4-B	12	65,000	7.0	12.0
										L/4-C	3	65,000	7.0	12.0
										L/5	3	10,000	9.0	12.0
	14	$456,000	5.0%			14.6	$325,000	9.1%			10	$432,620	7.0	

SOURCE: PADCO Analysis of Individual Loan Agreements

A comparison between both rates (lending and beneficiary) shows a financial margin or spread that is, as a general norm, greater than what the market allows to private financial intermediaries.

In order to clarify this issue, two examples are presented below. The two countries chosen, Honduras and El Salvador, have the region's lowest and the highest inflation rates, respectively (see Table VI.6).

El Salvador
The uniform lending rate applied by CHF to all of its loans is 5 percent. The financial spread to local intermediaries (federation and cooperatives) is ten points (see Table VI.2). The lowest passbook savings rates in the market are 8 percent for normal savings and up to 15 percent for time deposits. These rates are, in fact, those paid by the savings and loan system to finance its shelter finance operations.

Table VI.3 shows current market interest rates approved by the Salvadorean monetary authority (Banco Central de Reserva).

FEDECACES, CHF's only borrower in El Salvador, obtains resources from CHF that are three points lower than the minimum rate at which it could obtain funds in local financial markets. This situation can only be explained according to two possibilities. FEDECACES needs resources at a lower than market cost in order to become involved in shelter activities, and in this case it is operating outside the market, and internal modifications are needed. Or, CHF wishes to benefit FEDECACES through its liberal lending policy. If FEDECACES continues to receive CHF program resources, it would tend to lose interest in entering the market in search of new financial resources.

A comparison between Tables VI.2 and VI.3 indicates that the final interest rates charged to CHF beneficiaries are definitely market rates (as recommended in CHF's proposal). Consequently, FEDECACES, the local intermediary, benefits from a spread superior to that found in local markets since it receives resources at a rate lower than the market and lends at the highest possible rate. In this case, it is the low-income beneficiary who ultimately pays the price for this excessive spread.

The following analysis compares the margins obtained by other market financial intermediaries and those of FEDECACES.

- The Savings and Loan System operated in 1985 with a margin of 4.1 percent over its loan portfolio, of which 3.6 percent corresponded to administrative expenses and 0.5 percent to earnings on capital. (Banco Central de Reserva de El Salvador, Memoria 1986.)

- The cooperative system, and specifically FEDECACES, received discounts from the Central Bank to operate with an intermediation margin of three points in cases where it lends directly to beneficiaries, and two points in cases where an affiliated cooperative is the borrower (see Table VI.4).

TABLE VI.3
EL SALVADOR
FINANCIAL SYSTEM INTEREST RATES

	Current Rates Up to 21/1/86	Actual Rates From 22/1/86
A. INTEREST RATES APPLIED TO FINANCIAL SYSTEM OPERATIONS		
I. Savings Accounts		
a. Withdrawal without previous notice		
• Banks	7.0	7.0
• Savings and Loans	8.0	8.0
b. Withdrawal with previous notice		
• Banks	7.5	7.5
• Savings and Loans	8.5	8.5
II. Programmed Savings Accounts in Savings and Loans Associations	11.0	13.0
III. Time Deposits in Banks		
a. 60 days	9.5	11.5
b. 120 days	11.0	13.0
c. 180 days (basic rate)	12.5	15.0
d. 360 days	13.0	15.5
IV. Certificates of Deposit in Savings and Loan Associations		
a. 60 days	9.5	11.5
b. 120 days	11.0	13.0
c. 180 days	12.5	15.0
d. 360 days	13.0	15.5
B. INTEREST RATES APPLIED TO FINAL BENEFICIARIES		
Loan type "A" (Basic rate)		
I. Less than 3 years		
• Banks and Insurance Companies	14.0	17.0
II. Three years or more		
a. Banks and Insurance Companies	15.0	18.0
b. Savings and Loans, Mortgage Bank		
• Old loans for homes from ¢40,000.00 up to ¢60,000.00 1/	17.0	17.0
• New loans for homes from ¢40,000.00 up to ¢60,000.00	17.0	18.0
Loan Type "A" (Preferential)		
III. Less than 3 years		
• Agricultural Sector	13.0	15.0
• Industrial Sector	13.0	15.0
• Small Bussiness (all sectors)	--	15.0
IV. Three years or more		
a. Banks and Insurance Companies	14.0	16.0
b. Sanvings and Loans, Mortgage Bank		
• Old loans for homes up to ¢40,000.00 1/	15.0	15.0
• New loans for homes up to ¢40,000.00	15.0	16.0
Loan Type "B"		
I. Less than 3 years		
• Banks, S & L's, Insurance Co.'s	16.5	20.0
• Loans to construction firms	15.0 + 2.5 commission	17.0 + 2.5 commission
II. Three years or more		
• Banks, S & L's, Insurance Co.'s	17.0	21.0
• S&Ls and Mortgage Bank for home loans of more than ¢60,000.00	17.0	21.0

Source: Banco Central de Reserva de El Salvador, Memoria 1986.

1/ Loans granted up to January 21, 1986.

TABLE VI.4
EL SALVADOR
INTEREST RATES OF CREDIT LINES
BANCO CENTRAL DE RESERVA (BCR)
(Current as of January 22, 1986)

CREDIT LINES	FEDERACION DE CAJAS DE CREDITO (FCC) Direct Loans		Through Agencies		
	BCR to FCC	FCC to User (%)	BCR to FCC	FCC to Caja (%)	Caja to User
PREFERENTIAL RATE					
• Cotton	13	15	11	13	15
• Basic Grains	13	15	11	13	15
• Other Ag.	13	15	11	13	15
EXTERNAL RESOURCES					
• Materials for Roya Control	15	17	13	15	17
• Roya Equipment	15	17	13	15	17
• Coffee Seeding	15	17	13	15	17
• Coffee Refinancing	3	6	2	4	6
BFA, FIGAPE, FEDECCREDITO, FEDECACES	9	13	9	11	13
• Reconstruction Line	2	6	2	4	6
• Handcrafts	7	10	4	7	10

Source: Banco Central de Reserva de El Salvador, Memoria 1986

Under CHF's program, FEDECACES receives five percentage points of spread, and the affiliated cooperative an additional five points, for a total of ten points. This is in addition to technical assistance which is provided through a different line of credit.

Due to the "captive" source of funds that are available from their members in the form of "no-cost" loan capitalizations and the absence of marketing costs, it is not reasonable to have a spread which is double that of other shelter finance institutions. This is particularly true since these other institutions must pay for not only savings, but also capital. Also, the differential provided by CHF is two and a half times that which the Central Bank authorizes in the case of domestic lending to FEDECACES (2 versus 5 percent).[7]

CHF lending conditions should be modified to meet market levels. It is difficult to evaluate the program's overall merits and opportunities until the financial terms are brought in line with those prevailing in the market. It is questionable whether intermediaries would be willing to continue with similar programs under existing market conditions.

It is only partially true that CHF lending activities in El Salvador demonstrate the program's viability to operate under market conditions. The only program participant operating under market conditions is the final beneficiary. If beneficiaries, regardless of social strata, are willing to pay for the cost of money, it seems reasonable that the lending institutions should do so as well.

Honduras

The Honduran financial system functions freely with respect to the interest paid on various savings instruments. The Central Bank limits its intervention in the sector to placing a cap of 17 percent on lending rates.

In the mortgage area, FOVI (Fondo de Vivienda) determines interest rates for social shelter programs through its portfolio discount mechanism (see Table VI.5). All public and private financial intermediaries such as INVA, savings and loans institutions, banks, and cooperatives (including FEHCOVIL) have access to this line of credit.

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[7]Through he use of high spreads, CHF has apparently attempted to demonstrate that low-income households can make good subjects of credit at terms they can afford. CHF's rationale for this lending policy is that the administrative costs of a smaller loan are often much higher than for a larger loan. CHF argues that low-income borrowers cannot afford larger loans so that, if they are to receive any loans at all, the terms must be attractive to the lending institutions. What is not clear is the impact of this policy on the future replicability of the program (i.e., how this experience can be used to attract additional funds for low-income families, given the low rates at which the intermediary institutions received CHF program funds).

TABLE VI.5
HONDURAS
FINANCIAL SYSTEM INTEREST RATES

I. MAXIMUM ANNUAL INTEREST RATES FOR ASSETS	
1. With internal resources: • Banks, Insurance Companies, and Savings and Loans.	17%
II. FOVI (Maximum Rates)	
1. With funds from Executive Branch authorized bonds. Maximum shelter unit cost of L 50,000.00	14%
2. With funds from Executive Branch authorized "Fomento de Vivienda" bonds.	15%
3. With funds from "Fomento de la Construccion y Desarrollo Agro-Industrial" bonds.	16%
III. FOVI (Discount Rates)	
1. With funds from "Fomento de Vivienda" bonds	10%
2. With funds from "Fomento de Vivienda" bonds up to 20. million Lempiras.	11%
3. With funds from "Fomento de la Construccion y Desarrollo Agro-Industrial" bonds.	12%
IV. MAXIMUM ANNUAL INTEREST RATES FOR LIABILITIES	
Interest rates will be open for all banks and S & L's, excluding those applied to fixed yield bonds, whose maximum rate is established at 10%.	

Source: Banco Central de Honduras, Boletin Estadistico, April 1987.

The maximum authorized margins for all these shelter credit lines is 4 percent. This spread is apparently acceptable to all market financial intermediaries. The most common rates are 11 percent for rediscounting with FOVI and 15 percent for the final beneficiary.

According to Table VI.2, the lending rates to the final beneficiary generally agree with market rates, 14 percent for new construction and 14 and 16 percent for home improvement loans. Unfortunately, these rates do not agree with the cost of funds that CHF charges its local financial intermediary. Lending margins range from six points for FEHCOVIL, ten for FACACH and thirteen for IDH. As is the case in El Salvador, the question arises in Honduras about the reason or need for such exceptions to market conditions.

What has been described here for El Salvador and Honduras is also applicable, but to a lesser degree, in Costa Rica and Guatemala. Any strategic programming that CHF undertakes concerning its future role in the region must ensure that its interest rate structure is reasonable and compatible with those of the local market. This is a necessary condition for the sustainability and credibility of its program.

The use of subsidized financial spreads (i.e., those which don't respect the rules and efficiency requirements that economic conditions and competitiveness dictate to the private sector) lends itself to minimizing real benefits and long-term impacts.

The previous analysis has not mentioned variable interest rates. This financial mechanism is normally included in lending contracts through a clause which allows the lender to adjust the interest rate as economic factors dictate. The use of variable interest rates can diminish, to a certain extent, the effects of inflation.

CHF has only incorporated this mechanism into one of its loan agreements (Guatemala - G/L/2). CHF's initial contract with FENACOVI stipulated that initial interest rates can be adjusted for periods not less than three years, and that interest rate adjustments cannot exceed 2 percent in each period. Adjustments also cannot exceed 6 percent over the life of the loan.

Although the conditions included in the above case of Guatemala limit its effectiveness in strong inflationary periods, it is important as a financial tool. CHF should investigate the possibility of extending the use of this mechanism to other programs in Guatemala and other countries in the region. The specific mechanics of a variable program of interest rates can be adjusted to meet individual country requirements.

b. Profitability and Inflation

The importance of applying the highest possible interest rates to shelter programs in Central America responds to two circumstances: inflation and the lack of maintenance of value mechanisms.

Excluding Panama, varying degrees of inflation are present in all of the largest countries in the region. Table VI.6 shows the annual [illegible]tion rates for the six countries of the CHF program.

TABLE VI.6
ANNUAL INFLATION RATES IN THE REGION

COUNTRY	1984	1985	1986	AVERAGE
COSTA RICA	11.9%	15.1%	11.8%	12.9%
HONDURAS	4.7	3.4	4.4	4.2
GUATEMALA	2.4	18.7	36.9	19.3
EL SALVADOR	11.7	22.3	31.9	22.0
PANAMA	1.6	1.0	-0.1	0.8

COUNTRY	1981	1982	1983	AVERAGE
BELIZE	7.0	3.3	5.6	5.3

Source: Interamerican Development Bank, Annual Report 1987 for inflation figures on Costa Rica, Honduras, Guatemala, El Salvador and Panama and Belize: Financial Markets, E.A. Brady, 1983.

With respect to protecting the value of investments, the most often used mechanisms are general maintenance of value procedures (periodic adjustment of capital according to inflation) as used in Chile (Unidad de Fomento - U.F.) or in Colombia (Unidad de Poder Adquisitivo Constante - UPAC), and the execution of loan transactions directly in US dollars, or its equivalent upon maturity, as used in Bolivia.

Maintenance of value mechanisms have not been implemented in Central America due to the historically low levels of inflation. Even now with high inflation affecting several countries in the region, CHF cannot use the maintenance of value mechanism since this would require the intervention of local monetary authorities. This would not be consistent with the private sector role that CHF wishes to play in the region.

Therefore, local resources are currently affected by strong devaluation pressures that can only be combated by way of interest rate structures. Due to the absence of the aformentioned mechanisms, the finance sectors of Guatemala, El Salvador, and to a certain extent Costa Rica, are operating with negative real interest rates.

In a scenario such as the one described, every point of interest that is foregone increases the level of decapitalization of the institution, since there is no real financial margin.

The fact that all CHF financial reporting is in US dollars gives the impression that investments and repayments are in that currency. This is not the case. Investments and repayments are in local currencies which are continuously losing value in terms of their US equivalent. As the following sections point out, this fact has significant impact on the program's capacity to generate sufficient reflows for reinvestment.

c. Guarantees and Cost Recovery

In terms of an effective return on investment, the point of departure for any analysis is the assumption that there will be recovery and that the portfolio contains the necessary guarantees to ensure the original investment. The analysis that follows deals with these two aspects.

Recovery

Recovery is defined as the effective payment made by the end users of a credit. In the case of the CHF program, the end user is the beneficiary household. The presence of three institutional levels in the CHF program, CHF - Federation - Cooperatives, complicates the availability of information and the effective control of recovery.

With respect to this hierarchical structure, it is possible that CHF has its own collections up-to-date vis-a-vis the contractual obligations of its financial intermediary. This may not, however, necessarily ensure effective collection at the level of the cooperative or credit union. At this level, it should interest CHF to know the results of recovery operations. This is a critical element that will determine the reinvestment opportunities for the intermediary. It is also a major factor in guaranteeing the success and financial replicability of the program.

Up to this moment, CHF expresses confidence in the cooperative system's capacity to collect payments. Collection is not yet a critical factor. The program is still young, and recovery levels are satisfactory. For example, the scattered site program in Belize (B/L/3) currently has none of its loans with three or more payments in arrears. On the same definitional basis, the home improvement program in El Salvador (E/L/1) and amendments has an arrearage rate of 7.5 percent.

Historically, however, this has not always been the case with the cooperative movement. Since a certain level of arrears will undoubtedly exist in the long term, there should be a system that identifies and standardizes procedures to collect and evaluate information on arrearages at the local and regional levels. The attention given to this element should become one of the most important items of future technical assistance.

Although the problem of arrears is still minimal, it is beginning to manifest itself. For example, the delay-plagued new construction project in El Salvador with FEDECACES/Sihuacoop (E/L/2) already has an arrearage rate of 24.5 percent. In addition, Table VI.7 presents the arrears of the CHF-financed home improvement program with FEHCOVIL in Honduras (H/L/1A).

TABLE VI.7
ARREARS - FEHCOVIL HOME IMPROVEMENT PROGRAM
H/L/1A
OCTOBER 1987

PARTICIPATING COOPERATIVE	TOTAL LOAN AMOUNT (LPS.)	TOTAL ARREARS (LPS.)	ARREARS AS % OF TOTAL LOAN	TOTAL NO. OF HOUSEHOLDS	NO. OF HOUSEHOLDS IN ARREARS a/	% OF TOTAL HOUSEHOLDS IN ARREARS
Guillermo Matute	54,400	10,063	18.5	39	25	64.1
Centroamericana	186,500	7,310	3.9	56	23	23.2
Zapote Norte	78,000	5,332	6.8	44	13	29.6
Nueva Suyapa	25,100	1,459	5.8	18	6	33.3
Guamilito	36,500	3,604	9.9	21	8	38.1
CASMUL	133,200	0 b/	0.0	74	0	0.0
TOTAL	513,700	27,768	5.4	252	75	30.0

Source: PADCO Analysis, Finance Department, FEHCOVIL, October 1987

a/ Households with three or more payments in arrears.

b/ Collections at Casmul Cooperative through payroll deductions.

For this Honduran example, the cooperative "Guillermo Matute" presents the highest degree of arrears. This is an interesting case since this cooperative is located in a still consolidating squatter area on the periphery of Tegucigalpa. It contains lower-income families with less stable incomes than found in other FEHCOVIL project arrears. It would be a worthwhile task for CHF to evaluate the origin of this arrearage problem and the implications for future programs. An overall plan to tackle the problem of arrears would benefit a broad range of local and regional institutions.

Although collection problems might exist at the level of the direct beneficiary, it is still possible for the financial intermediary to repay CHF in the short term and to report this as a recovered loan. The reality of the situation, however, would be a reduction in internal reinvestment and, consequently, a weakened position for the financial intermediary. Historically, a weak collection record at the level of the individual cooperatives eventually affects the arrearage picture of the national federation. This would eventually endanger CHF's capacity to recover.

Guarantees

In order to recover costs at the level of the direct beneficiary, CHF uses two types of guarantees. They are mortgages for new construction programs and promissory notes in the case of home improvement loans.

While the value of a mortgage instrument as a guarantor of debt is widely recognized in the region, promissory notes are relatively new debt instruments in the field of shelter finance. In the case of a promissory note, there is no real guarantee of recovery from the borrower. Promissory notes are, in essence, recognition of debt and a commitment to pay. They are as valid, therefore, as the solvency of the institution and/or individual that enters into the agreement.

In order to address this inherent degree of risk, CHF requires the right to take possession of individual loans as collateral to promissory notes. CHF may collect directly from the program beneficiary when it deems necessary. The mechanism designed to manage the operation of the promissory notes is as follows.

> The cooperative federation issues a promissory note on CHF's behalf for the amount received. It has the obligation to repay the borrowed amount in the period and under the conditions stipulated in the contract. The two parties then sign a global guarantee which pledges the institution's assets against the loan. This guarantee does not give CHF special priority in case of a borrower's insolvency or bankruptcy.
>
> The cooperative or cooperatives issue promissory notes on behalf of the federation for the amount received from it under the stipulated conditions. The amount of these promissory notes may be equal or higher than the amount lent, depending on whether there are any counterpart funds contributed by the financial intermediary. This promissory note is a recognition of the debt owed to the federation; it doesn't create any rights for CHF.

- The cooperative is then obliged to transfer and deposit the individual loan contracts at the federation. The final loan agreements must be transferable and negotiable in favor of CHF or its designee.

  The structure is clear, but its management and control are relatively complex. Two comments are in order based on CHF's experience to date in this area. First, there is a need to establish an effective control over the deposit and periodic updating of these documents. These documents represent the only collateral guarantee that CHF can count on. This control implies a permanent updating of the individual outstanding balances, since CHF cannot collect more than what the beneficiaries actually owe. This is true regardless of the outstanding debt owed to CHF by the federation.

  Second, the concept and the mechanics involved in the requirement that loan agreements are transferable and negotiable in favor of CHF must be clarified. For example, the loan received by "Cooperativa Alianza" in Costa Rica (CR/L/3) illustrates the confusion inherent in this requirement. FEDECREDITO, the CHF financial intermediary, required that the loan contracts and individual guarantees authorized by the cooperative be written in the name of FEDECREDITO, transferable and negotiable in favor of CHF. This leaves the local cooperative with a debt for funds received without the corresponding loan portfolio to back this liability. The individual loans are in the name of FEDECREDITO, so they cannot be shown on the cooperative's balance sheet.

  While this is not a procedure established by CHF, it lends itself to a confusing interpretation. CHF should clarify this situation now. The text of the loan agreement signed between CHF and FACACH in Honduras also lends itself to the same type of confusion.

2. Turnover

Program turnover involves three stages in the investment cycle. The first stage (initial turnover) measures the speed at which program resources are allocated. The second (long-term turnover) measures the volume of "reinvestable" income originating from portfolio reflows. The third (market turnover) measures the anticipated generation of new resources by discounting the original portfolio.

a. Initial Turnover

Chapter V, Section B (Financial Status) essentially covers the relevant issues with respect to the initial turnover of available CHF funding. (See Table V.2 of Chapter V for a summary of the status of the financial inputs of CHF's capital lending program as of December 1987.)

In summary, while the amounts have been relatively small in comparison to the sums currently invested in shelter by the other intermediaries of the region's financial sectors, CHF has done a good job of organizing and disbursing against the first round of project loans.

b. Portfolio Turnover

Table VI.2 showed the financial conditions for current lending activities in the six country programs. As noted in this table, repayment period and interest rates are the principal variables of a recovery program.

Table VI.2 highlights that the average loan period exceeds ten years in every country, except Costa Rica. The Costa Rica exception (six years) is due to the interim financing loan to ADEPSA. In general, home improvement loan periods range between five and seven years, and new construction loans between 12 and 21 years. A portfolio with such loan periods is common in the shelter sector. The effect of these typical repayment periods is always the slow recovery of initial investment. The slow rate of recovery implies the need to identify alternate sources of funds in order to maintain the expected levels of program activity and to justify this type of initial investment.

Table VI.8 presents estimated repayment schedules for the six country programs during the first six years of the program's life. The table approximates the reflows expected in each country due to current investments.

TABLE VI.8
ESTIMATED RECOVERY SCHEDULE - CHF PROGRAM
(000 $ Dollars)

COSTA RICA			
PERIOD	PRIN.	INTEREST	CUMULAT.
1	37.84	39.83	77.67
2	42.04	35.63	77.67
3	46.69	30.98	77.67
4	51.87	25.80	77.67
5	57.60	20.07	77.67
6	37.32	13.68	51.00

HONDURAS			
PERIOD	PRIN.	INTEREST	CUMULAT.
1	94.48	88.24	182.72
2	100.76	81.92	182.68
3	107.52	75.16	182.68
4	114.77	67.91	182.68
5	122.53	60.15	182.68
6	130.83	51.85	182.68

GUATEMALA			
PERIOD	PRIN.	INTEREST	CUMULAT.
1	125.64	99.58	225.22
2	132.80	92.42	225.22
3	140.40	84.82	225.22
4	148.42	76.80	225.22
5	156.90	68.32	225.22
6	166.39	58.83	225.22

EL SALVADOR			
PERIOD	PRIN.	INTEREST	CUMULAT.
1	32.05	22.70	54.75
2	33.55	21.20	54.75
3	35.22	19.53	54.75
4	36.99	17.76	54.75
5	38.83	15.92	54.75
6	40.77	13.98	54.75

BELIZE			
PERIOD	PRIN.	INTEREST	CUMULAT.
1	12.07	29.60	41.67
2	13.18	28.49	41.67
3	14.38	27.29	41.67
4	15.69	25.98	41.67
5	17.14	24.53	41.67
6	17.64	22.97	40.61

PANAMA			
PERIOD	PRIN.	INTEREST	CUMULAT.
1	51.69	30.32	82.01
2	55.38	26.63	82.01
3	59.32	22.69	82.01
4	34.82	18.47	53.29
5	37.26	16.03	53.29
6	39.87	13.42	53.29

CONSOLIDATED			
PERIOD	PRINCIPAL	INTEREST	CUMULAT.
1	353.73	310.27	664.00
2	377.71	286.29	664.00
3	403.53	260.47	664.00
4	402.56	232.72	635.28
5	430.26	205.02	635.28
6	432.82	174.73	607.55
TOTAL	$2,400.61	$1,469.50	$3,870.11

Source: PADCO Analysis

The situation presented in Table VI.8 can be considered as the repayment scenario for 1988. As a means of comparison, reflows estimates for 1988 included in CHF's letter of January 15, 1988 amount to US$642,143 versus our estimate of US$664,000.[8]

During 1987, the majority of the program loans were still in grace periods for principal or principal and interest. However, certain project loans had already begun to generate small amounts of reflows. For example, CHF/Honduras had recovered US$55,400 by November 1987. According to disbursement levels, these reflows will increase during the present year. Nevertheless, it is not foreseeable that our projections will vary in a significant way from actual program reflows.

Important questions to ask regarding Table VI.8 are the relationship between total reflows for the first six years of repayment and initial investment (see Table VI.2), and the real value of amounts recovered.

According to the consolidated figures from Table VI.8, the total amount recovered that could be reinvested is equivalent to about 85 percent of the original loan amounts. This is if we assume, optimistically, that all resources (including interest) are reinvested. Assuming this is the case, the average annual amount (in current dollars) available for reinvestment (reflows) would be about 56 percent of the average annual investment of the original four-year CHF program.

In order to assess the capacity to replicate the CHF program on the basis of reflows, the impact of inflation on local currencies must be considered. To illustrate this point, the reflows of each country program have been discounted for assumed inflation during the initial six years of the program (see Table VI.9). (Average inflation rates for each country have been taken from Table VI.6.)

Table VI.9 shows the invested amounts and discounted value of the reflow streams according to two scenarios. Scenario A assumes the reinvestment of all recovered amounts including principal and interest. Scenario B assumes reinvestment of only the principal portion of repayment; it is assumed that interest is used to cover operational expenses.

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[8]See CHF letter of January 15, 1988 which identifies sources for revenue and proposes budget estimates to cover the expenditures of CHF's recommended administrative structure through March 1989.

TABLE VI.9
ILLUSTRATIVE DISCOUNTED CASH FLOWS
(US$000's)

COUNTRY	INITIAL INVESTMENT	SCENARIO A a/	SCENARIO B b/
COSTA RICA	355.0 c/	(17.05)	(135.24)
HONDURAS	1,243.5	127.25	(246.53)
GUATEMALA	1,718.6	(662.47)	(947.43)
EL SALVADOR	456.0	(210.22)	(344.26)
BELIZE	325.0	56.79	(77.30)
PANAMA	432.6	107.87	-
TOTAL	4,530.7	(597.83)	(1,764.36)

Source: PADCO Analysis

a/ Reinvestment of principal and interest.

b/ Reinvestment of principal only.

c/ Interim financing amount of US$115,000 is not included due to its special repayment conditions.

The results of this analysis show that inflation decreases the real value of the amount recovered by 13.2 percent in the first scenario. The amount available for reinvestment in the second scenario decreases by 38.9 percent. In the context of the prevailing inflationary cycle in Central America, the above results indicate the importance for the CHF program to optimize lending terms and conditions, especially when the principal objective of the program is to generate local resources for similar shelter activities.[9]

Given the preceding illustrative analysis, one can conclude that the application of different financial terms in similar programs in the same country (Table VI.2) is extremely harmful to an effective sectorial activity. The damage is compounded when varying financial terms do not respond to a predetermined operational or financial strategy.

We do not recommend the establishment of rigid rules that make lending a non-viable activity. Rather what is required is to establish realistic financial and operational parameters against which to assess the adequacy of a lending program according to its stated goals and objectives. The terms and conditions of any lending program should also respond to the particular characteristics of the market in which it operates. The following examples evaluate the CHF program on this basis.

The CHF program in Costa Rica and Honduras illustrates this point. In Costa Rica, there are three home improvement programs (CR/L/2, CR/L/3 and CR/L/4). FEDECREDITO is the financial intermediary in each loan with onlending to very similar cooperatives. Nevertheless, loan repayment periods vary between seven, six and five years, and interest rates from 11.5 to 10.5 percent.

In Honduras, there are currently two home improvement loans (H/L/1 and H/L/2) being implemented by FEHCOVIL and FACACH, respectively. Lending rates to these intermediaries vary from 8 to 6 percent and from 9 to 6 years for repayment. In spite of the fact that CHF likely had good reasons for approving these varying terms, it is not clear to the evaluation team what benefits CHF hoped to achieve with this lending policy. This is particularly true in light of such a policy's negative impact over time on cost recovery.

Given the fact that CHF resources are limited and subject to devaluation over time, one of the important conclusions derived from the preceding analysis is that CHF should give priority to lending to institutions which have the capacity for replication through the mobilization of market or internal resources.

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[9]The purpose of the preceding analysis is illustrative in nature. While inflation rates will most likely not remain constant during this period, it is a safe assumption that this analysis is indicative of the short-term. Furthermore, average regional inflation levels could remain relatively stable as individual country variations balance overall fluctuation.

Another conclusion is that CHF should strive to maximize its lending conditions, so that, through a higher return on investments, it may "graduate" an increasing number of institutions into the marketplace during the program period and while resources last.

Under these criteria, the reflows which are ultimately most important to CHF are those which would result from the program's replicability in local markets. Future sections deal with this theme.

c. Portfolio Discount

The discounting of its portfolio is one of the alternatives available to CHF to help resolve the problem of resource mobilization. Unfortunately, the only CHF initiative identified in this area was planned in Panama (loan to FEDPA). However, due to the current political situation, this idea was never carried out.

CHF has experimented with one lending instrument which has the potential to improve the program's liquidity. A CHF loan to ADEPSA in Costa Rica provides short-term construction financing to an institution with access to long-term financing. While this loan program does not have the characteristics necessary to qualify for rediscounts, it does provide a potential mechanism to increase liquidity and roll over funds. In addition, it benefited a project that otherwise could not have taken advantage of available long-term financing.

In the ADEPSA case, it is important to emphasize that this type of lending activity should be oriented to institutions which do not have access to other short-term market resources. Otherwise, CHF financing would simply act as a line of credit similar to one offered by any commercial bank.

Without diminishing the positive impact that interim financing can have in providing funds to eligible programs, it should be CHF's objective to create the conditions necessary to be able to liquidate the long-term portfolio through a rediscount mechanism at a local financial institution. A loan portfolio will be attractive to this type of institution only if it contains the following typical market conditions and guarantees.

Typical conditions vary according to type of shelter program (i.e., new construction versus home improvement).

- **New Construction.** The two basic requirements are a first mortgage guarantee and a market interest rate. Progressively, greater importance is given to variable interest rates. Loan periods are traditionally up to 20 years.

- **Home Improvement Loans.** Non-mortgage guarantees, like promissory notes, are acceptable. Market interest rates are sometimes higher than those used for new construction. In general, loan periods do not exceed five years.

Liquidity and experience in portfolio management play a vital role in a borrower's ability to take advantage of a rediscount facility. In the great majority of loans executed to date by CHF, CHF's financial intermediaries are not able to participate in rediscount activities due to the existence of non-market financial terms and conditions or to the absence of sufficient mortage guarantees.

Access to market lines of credit by CHF financial intermediaries is further limited by the fact that some of the participating non-cooperative institutions (COSUDER in Guatemala; Centro San Juan Boscos, Asociacion San Jose Obrero, Asociacion de Promocion Humana in Honduras; and the Agency for Rural Development in Belize) are service-oriented or charity institutions. By definition, these institutions are less likely to be credit worthy or qualified as financial intermediaries. (The need/interest to strengthen this type of institution to the point where they could participate in local financial markets is an area which requires more thought and possibly technical assistance by CHF.)

Furthermore, CHF has not used the guarantee mechanism mentioned in its proposal. This mechanism was supposed to support the entry of non-traditional institutions into the market. There are no indications that the use of this mechanism is planned. Up to the present, CHF has not developed the mechanisms nor procedures for the application of this guarantee mechanism.

In practical terms, there is a good reason not only for the absence, but also the lack of interest in the use of this guarantee mechanism. To date, the initial AID grant and subsequent amendments are the only source of "additive" resources which CHF has been able to mobilize for its Central America program. Obviously, it does not make sense to think in terms of CHF insuring its own lending activities with the guarantee mechanism.

CHF's lack of interest in applying the guarantee mechanism would be justifiable if local markets lacked discount mechanisms. As the next section on replicability shows, however, there now exist great expectations in the region's public finance sectors for renewed opportunities in financing low-income housing through available discount mechanisms.

3. Replicability

In the context of this section, replicability is defined as the existence of a set of appropriate lending procedures and systems which would guarantee the continuation of similar shelter activities under strict market conditions by the intermediaries supported by CHF. This criterion should apply regardless of the availability of additional CHF resources.

This section analyzes the existing program in terms of its replicability. The analysis is conducted from a general perspective which, however, does not deny the possibility of isolated divergent points of view.

The following sections analyze replicability from three perspectives: financial, institutional and market orientation.

a. Financial Replicability

Financial replicability is defined as the capacity of project reflows to support continued financing of similar future program activities.

As described in section B.1.a. on investment reflows, the volume of resources that is available for reinvestment from the CHF program is not substantial in the short-term. Therefore, financial replicability, from the standpoint of possible reinvestment of reflows (i.e., an average of US$67 thousand in local currency per country per year) is not an important factor (see Table VI.8).

b. Institutional Replicability

Institutional replicability considers the future operational capacity and permanence of the program's participating institutions, assuming the termination of CHF support.

In order to simplify the analysis, CHF participating institutions are categorized into two groups:

- Those with previous or ongoing activities in the provision of new construction or home improvement loans.

- Those organizations which undertake an occasional shelter project or which specialize in non-shelter activities.

The first category encompasses the national cooperative and credit union federations and some local cooperatives with an ongoing activity in new construction and/or lending for home improvements. It is not envisaged that these organizations will experience changes in program activities due to a cessation of CHF funding.

On the other hand, the evaluation team found that the majority of these institutions do not have short-, mid- or long-term plans to increase their shelter activity as a result of their participation in the CHF program. This does not imply a lack of interest among participating institutions, nor does it imply that those institutions doubt the utility of the program. Rather, it basically shows that no one has, as yet, identified a plan for self-sufficiency in the financing of future shelter activities. CHF has not promoted specific actions for the preparation of such a plan.

Adequate institutional replicability at the level envisaged by the CHF program cannot be achieved without an in-depth analysis of the procedures and systems required for a more intensive incorporation of shelter activities into these institution's annual operational plans. In order to achieve this, it is necessary to have a clear understanding of a project or program's financial feasibility and of the financial benefits that would accrue to an institution as a result of this activity. The majority of CHF's intermediaries are currently not qualified to undertake these analyses by themselves. This is true not only for technical reasons, but due to a lack of understanding of the sector as a whole. This is an area that should clearly be a part of CHF's technical assistance activities.

With respect to the second category of institution, CHF has promoted projects with various institutions without traditional shelter experience. Generally, these institutions do not have the expertise nor inclination necessary to operate as shelter financial intermediaries.

Under these circumstances, interesting projects do exist. These include the cases of the Asociacion de Promocion Humana (APRHU) in Honduras (a pre-fab housing supplier) and COSUDER in Guatemala (a non-profit organization dedicated to rural development programs). Unfortunately, the possibility of replicating these projects under the conditions set forth in this section is almost non-existent. This is due to the difficulty these institutions would have in mobilizing their own internal resources and/or funds from the local financial markets.

The viability of some of these non-profit organizations is uncertain and their long-term impact in the shelter sector (which is the essential condition of replicability) is doubtful. Future participation of this type of institution in the program should be clearly thought through.

With respect to future directions for the replicability of the CHF program, it is worth noting CHF's interesting program under preparation in Costa Rica with the solidarity association ADEPSA. This upcoming program could serve as a pilot project with a national, social welfare organization which is potentially as important as the cooperative movement itself.

In the field of institutional strengthening, it is important to mention the assistance given to FENACOVI in Guatemala. Poor management and problems with unfinished projects had closed this institution's access to local financial markets. CHF program funds and an institutional support grant allowed FENACOVI to develop plans to complete the problem projects and re-start its traditional shelter activity. FENACOVI's institutional capacity to replicate similar activities in the future was certainly enhanced by the CHF program.

c. **Market Replicability**

In many respects, this is the most important component of replicability. It refers to the potential for incorporating a project without substantial changes into the permanent market mechanism. This would provide an additional vehicle to contribute to a country's supply of shelter. Institutional strengthening, to effectively operate under market conditions, is not quickly accomplished. However, the startup of this process is of critical importance.

This section considers two aspects in the area of market replicability: resource mobilization and access to lines of credit available in the local financial markets.

1) **Resource Mobilization**

Local counterpart funds, raised as part of program implementation, can be considered as an initial mobilization of resources. However, when one speaks of replicability as defined in this section, it is most meaningful to examine actions which could be taken or planned to generate "additive" or alternative sources of funding through participating institutions. This particularly applies to the cooperative system in the case of the CHF program.

The federated cooperative system of Central America has a large pool of over 350,000 affiliates to draw on for additional resources. All of this membership contributes to and saves in their respective cooperatives, as well as in other financial institutions. Given the diverse socioeconomic level of affiliates and the stable character of their incomes, the cooperative system constitutes the logical market for the housing saver. It would seem reasonable, therefore, to tap this membership base to mobilize resources for the housing sector. Some institutions, like FEHCOVIL in Honduras, are interested in this idea. But presently, the involved institutions have taken no action in this area.

The savings capacity and the opportunity to mobilize resources through the CHF program is demonstrated by two important developments in the region, one internal and the other external to the cooperative movement.

Internal Development

Cooperatives participating in CHF-financed shelter programs have experienced an immediate and positive change in some critical variables. These are in the areas of contributions and number of active members. As an example, Table VI.10 shows a comparative analysis of the before and after condition of the four savings and loans cooperatives that participated in the CHF/Honduras home improvement program with FACACH (H/L/2). All of these cooperatives had serious financial and "image" problems at the beginning of the program. The program helped their financial recovery, but more importantly, it improved the local population's view of the cooperative.

External Development

The other factor which underscores the potential for mobilizing savings within the cooperative movement is the past achievement of the region's housing finance sectors, especially the national savings and loan systems. In El Salvador, for example, the savings and loan system has financed the construction of more than 100,000 units in 23 years. This system has its own long-term portfolio of 36,400 units, with total savings as of June 30, 1987 of US$220 million (see Table VI.11). On a more modest scale, the Honduran S & L System has a portfolio of more than US$100 million and savings and capital of US$60 million. Similar situations are found in Costa Rica and Panama.

TABLE VI.10
COMPARATIVE ANALYSIS OF PARTICIPATING COOPERATIVES
HOME IMPROVEMENT PROGRAM
(Lempiras '000)

A. CAMPAMENTO

	1986	% OF TOTAL ASSETS/ REVENUE	1987	% OF TOTAL ASSETS/ REVENUE	% CHANGE 86-87
ASSETS	407.6	100%	577.5	100%	42%
PORTFOLIO	181.7	45%	289.2	50%	59%
SAVINGS	118.3	29%	125.1	22%	6%
BORROWING	20.7	5%	156.2	27%	655%
CONTRIBUTIONS[a]	128.6	32%	136.0	24%	6%
REVENUES	25.2	100%	32.8	100%	30%
EXPENSES	-31.7	-126%	-46.5	-142%	47%
RESULTS	-6.5	-26%	-13.7	-42%	111%
ACTIVE MEMB.	207.0	-	-	-	-

B. RENOVACION PACENA

	1986	% OF TOTAL ASSETS/ REVENUE	1987	% OF TOTAL ASSETS/ REVENUE	% CHANGE 86-87
ASSETS	411.9	100%	585.7	100%	42%
PORTFOLIO	235.7	57%	384.2	66%	63%
SAVINGS	0.8	0%	3.3	1%	-
BORROWING	143.7	35%	202.7	35%	41%
CONTRIBUTIONS[a]	189.7	46%	192.7	33%	2%
REVENUES	35.5	100%	73.8	100%	108%
EXPENSES	-30.8	-87%	-34.8	-47%	13%
RESULTS	4.7	13%	39.0	53%	730%
ACTIVE MEMB.	89.0	-	237.0	-	166%

C. SAN PABLO

	1986	% OF TOTAL ASSETS/ REVENUE	1987	% OF TOTAL ASSETS/ REVENUE	% CHANGE 86-87
ASSETS	1005.3	100%	1339.0	100%	33%
PORTFOLIO	739.1	74%	1140.7	85%	54%
SAVINGS	39.6	4%	118.6	9%	199%
BORROWING	250.0	25%	457.9	34%	83%
CONTRIBUTIONS[a]	530.2	53%	669.5	50%	26%
REVENUES	91.7	100%	49.5	100%	-46%
EXPENSES	-86.1	-94%	-39.5	-80%	54%
RESULTS	5.6	6%	10.0	20%	79%
ACTIVE MEMB.	553.0	-	682.0	-	23%

D. CACIEL

	1986	% OF TOTAL ASSETS/ REVENUE	1987	% OF TOTAL ASSETS/ REVENUE	% CHANGE 86-87
ASSETS	610.2	100%	664.0	100%	9%
PORTFOLIO	470.3	77%	538.1	81%	14%
SAVINGS	97.6	16%	106.2	16%	9%
BORROWING	44.6	7%	41.7	6%	-7%
CONTRIBUTIONS[a]	416.9	68%	486.8	73%	17%
REVENUES	78.3	100%	56.0	100%	-28%
EXPENSES	-73.9	-94%	-55.4	-99%	25%
RESULTS	4.4	6%	0.6	1%	-86%
ACTIVE MEMB.	-	-	-	-	-

Source: PADCO Analysis of FACACH Information

[a] Contributions to Cooperative Capital (Capitalization)

TABLE VI.11
EL SALVADOR
SAVINGS AND LOAN SYSTEM

YEAR	SAVINGS (¢ Million)	SAVERS (000's)
	TOTAL	TOTAL
1983	559.8	426.1
1984	569.4	436.4
1985	589.7	461.1
1986	668.5	482.6
1987 (June)	755.8	493.2
	TIME DEPOSITS	SAVERS
	TOTAL	TOTAL
1983	247.7	8.8
1984	313.0	10.3
1985	360.8	13.5
1986	494.9	18.8
1987 (June)	510.3	21.9

SHELTER UNITS FINANCED
(1964-1987)

ITEM	NUMBER OF UNITS UP TO JUNE 1987
TOTAL	101,260
On-going Construction	9,761
Completed	91,499
Units Sold Cash	51,486
Units Sold with Long-Term Financing	33,963
Completed Units to be Sold	6,050

Source: PADCO Analysis of Financiera Nacional de la Vivienda Information

Guatemala presents a slightly different situation. Due to the absence of specialized shelter finance institutions in the country, the government is in the process of approving a new law for the creation of a savings and loan system. The purpose of this new law is to mobilize resources for the shelter sector.

The cooperative system presents an excellent opportunity to mobilize resources. It is crucial at this point in time to begin studying and developing a plan for the mobilization of resources for shelter within the cooperative movement. This initiative could serve as one of CHF's priority technical assistance activities in the region.

2) Access to Lines of Credit

The governments of the Central America region are beginning to place greater emphasis on shelter as a priority social good and as a means to revitalize local economies. They have begun to target domestic lines of credit to support shelter activity for lower-income groups through private sector initiatives. Historically, this has not been a financial resource accessible to the cooperative movement.

The cooperative movement has traditionally complained that it has had only limited access to market lines of credit. This is principally due to the financial sector's lack of understanding of the cooperative movement, a distrust of its financial soundness and strength, and specific operational procedures that in some instances are incompatible with market lending conditions. These doubts still exist within the region's financial institutions. They are rooted in past poor financial performance on the part of many cooperatives and federations. Such was the case of FEDECACES in El Salvador and FACACH in Honduras which suffered from chronic arrearages; and FENACOVI in Guatemala, with its aforementioned problems.

Nevertheless, the recent revitalization of the cooperative movement has demonstrated its capacity to develop on terms closer to those existing in local financial markets. AID is currently assisting several local housing finance initiatives which would be accessible to the cooperative movement.

The following sections briefly describe three of these initiatives.

- Honduras - Fondo de Vivienda (FOVI)

  As previously mentioned, Honduras' Fondo de lá Vivienda (FOVI) is a rediscount window for shelter located in the nation's Central Bank. It mobilizes internal resources through the sale of housing bonds ("Bonos de Fomento de Vivienda") and external resources through US AID's housing guaranty (HG) program. FOVI to date has mobilized over US$20 million. It plans to raise additional resources both locally and in international financial markets.

  FEHCOVIL is the only local cooperative organization which currently has access to FOVI. It has not yet used this mechanism due to a lack of appropriate projects. On the other hand, FACACH has not received approval from FOVI to act as an authorized financial intermediary due to its continuing institutional weaknesses.

If the CHF program were to reorient its lending activities to use this line of credit, it would greatly improve the long-term viability of the participating institutions and increase the potential for program replicability. To achieve this objective, however, will require the preparation of strategic and implementation plans with the explicit assistance of CHF.

With respect to strengthening FACACH's institutional capacity and thus increasing its options vis-a-vis access to the FOVI line of credit, the evaluation team discussed with CHF the possibility of experimenting with the credit guarantee originally discussed by CHF in its proposal. The team does not know if CHF has pursued this alternative.

- Costa Rica - Banco Hipotecario de la Vivienda (BANHVI)
  The Banco Hipotecario de la Vivienda initiated activities in 1987. It has two basic sources of financing. One is subsidized (FOSUVI) while the other is at market conditions (FONAVI). The law creating BANHVI expressly identifies cooperatives, and especially cooperative federations, as legal entities with access to both lines of credit.

  In many cases, the cooperatives which have already begun to utilize BANHVI financing have done so without sufficient experience in specialized project preparation. Unfortunately, CHF has remained on the periphery of these activities to date. However, it now has the opportunity to play an important policy and technical assistance role within Costa Rica's cooperative movement in this new initiative.

- Guatemala - Instituto de Fomento de Hipotecas Aseguradas (FHA) and Banco de la Vivienda (BANVI)
  A previous section of this evaluation discussed the creation of a new savings and loan system for Guatemala. In addition to the future possibilities offered by this new financial system, cooperatives have access to Guatemala's mortgage insurance system (FHA), and through this mechanism, to the Central Bank's secondary mortgage market.[10] Concurrently, the local housing bank (BANVI), which operates as a "second line" bank for the country's cooperative system, has a shelter investment program that exceeds US$45 million. These funds include lines of credit for the construction of basic core houses and serviced sites. From BANVI's perspective, the principal bottleneck in the program is the housing sector's (including cooperatives) inability to prepare and execute shelter projects for lower-income households on a timely basis.

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[10] To date, Guatemala's cooperative movement has never used the mortgage insurance facility offered by FHA. However, there exists no legal impediment to doing so.

CHF's counterpart organizations, FENACOVI and FENACOAC, have previously received financing from BANVI. The strengths and weaknesses of these organizations are well known to BANVI. The institutional revitalization of FENACOVI and a possibie new "construction" orientation by FENACOAC should stimulate these institutions to use BANVI's lines of credit. Access to these funding sources would greatly benefit the replicability of CHF's current Guatemala program.

It is not the intent of this discussion to give the impression that there exists an excess of funds in the financial markets where CHF operates. On the contrary, current demand far outweighs the supply of available funding. Rather, the evaluation team recommends that, when addressing this situation in the future, CHF should incorporate all local alternatives and opportunities for accessing available lines of credit into strategic planning and programming. There are indications that options exist in local financial markets to support the replicability of CHF shelter activities. Unfortunately, there is no indication that CHF has considered incorporating these options in the preparation of its program loans. If replicability is a desired objective, and it certainly was in CHF's original proposal, then these types of interventions are necessary for the continued viability of the program.

C. NON-PHYSICAL/FINANCIAL SERVICES AND PROGRAMS

1. Credits to Small-Scale Enterprises and Building Materials Production Centers

While reviewing the CHF proposal in 1985, several staff members at USAID Central American missions questioned the viability of this element of the program. The argument was then clearly made that small-scale building materials production in the region would likely be unprofitable and difficult to justify as part of the program, particularly when so much else remained to be done. It was also stated at the time that most countries in the region were operating with idle capacity in the sector and thus had no need for expanded supplies. Furthermore, the implementation strategy proposed by CHF -- involving small investments in each of the six countries and physical and institutional linkages between business credit lines and investments in housing and neighborhood improvements -- appeared overly complicated. It recommended that if the component was to be included it might best be approached in a simpler and less expensive manner, such as a small trial project in one country followed by careful evaluation. Mission members also indicated that USAID country programs already included lines of credit for small-scale enterprises. These ongoing programs could effectively be used for the same purposes as those advanced by CHF without undue duplication of efforts.

CHF received discouraging advice on this component from its own consultants as well. In Guatemala, for example, an analyst explicitly stated that small-scale enterprises in that country faced general contraction in demand, high levels of competition, and had few expansion options.[11] Moreover, the country

[11] See CHF Proposal (1985), Volume III, Attachment 3, pp. 1-19.

lacked institutions with experience in providing both credit and technical assistance to small-scale enterprises, i.e. the best existing credit organizations were not good technical assistance providers. In order to justify a joint venture among local institutions a relatively large volume of credit would have to be involved, otherwise the operational costs would be too high relative to the average sub-loan amount.

The investment constraints facing the building materials sub-sector were basically the same as those affecting the small-scale enterprise sector in general, with the added difficulty of excess productive capacity and a well-developed wholesale and high-volume retail activity. Under these circumstances, possible investments in building materials could only cater to small retail operations. Those normally did not represent sufficient demand to justify a special line of credit.

As to the specific concept of Building Materials Production Centers (BMPCs) in squatter areas in the region, the above cited CHF consultant demonstrated that the incidence of development in a given area is an insufficient justification for assuming a significant volume of business for local distributors or producers. Only in very specific and unusual circumstances would the concept make good economic sense.

Notwithstanding these strong warnings about the non-viability of the component, CHF retained the credit lines for small-scale businesses and building materials production centers in its program in all six countries, possibly for lack of time to revise the proposal. In practice, only one project in Honduras has been financed to date. The evaluation team examined that project carefully and found most, if not all, the predicted problems.

Performance of the IDH project in Honduras has thus far been disappointing for the following reasons:

- The inter-institutional collaboration envisaged between FEHCOVIL and IDH to establish BMPCs in squatter areas proved not practical and demand for business credit in squatter areas was found to be feeble; these two factors led to modifications in the project design involving the transfer of the credit line to small market towns.

- The institutional capacity of IDH was weak at first, is still insufficient to execute the project, and is wholly inadequate to sustain an expansion of activities in the future. The project is presently 80 percent late in i's implementation schedule, with completion likely to be postponed by at least a year beyond the original target date. IDH had very inexperienced staff that had to be trained by CHF even before promotion activities could begin. Internally, the operational systems used by the organization comprise inadequate policies and procedures in the areas of marketing, identification of potential clients, evaluation of credit applications, supervision of loans, and financial controls and collection of loan payments. The collections' record for other credit lines is poor. For example, in a US$800 thousand line of credit financed by the Inter-American Development Bank, arrearage represented 38.4 percent of the outstanding loan balance as of September

1987. The IDB funds were made available to IDH at a 1 percent annual interest rate. It is indeed inexplicable that such a level of subsidy was not sufficient to support an efficient collections' system. On collections of loans financed by IDH's own resources arrearage was even higher, at 59 percent of the outstanding balance by the same date.

Although desirable, technical assistance and close credit supervision are unlikely to be supplied along with credit to small-scale enterprises served by IDH under this project. IDH's technical assistance capacity is thoroughly inadequate. Deficiencies in this area were apparent, for example, in the priority assigned by IDH to personnel administration courses offered to clients who have on average a single employee.

CHF has attempted to compensate for these institutional shortcomings by providing IDH with: (a) a very large financial margin as part of its loan conditions;[12] (b) an additional 15 percent over the loan amount as grant to support staff salaries; and (c) by directly training IDH staff. These conditions are obviously noncompetitive and could not be replicated on a larger scale.

In so far as results achieved to date by this project, the evaluation team noticed that 72 percent of the sub-loan amount was used as working capital by the benefiting firms in order to meet the seasonal summer surge in the demand for products such as hand made earth bricks and roof tiles. The jobs thus created, averaging 2.2 per subloan, were necessarily also seasonal jobs, each corresponding to approximately five month's worth of work. The permanence of these jobs for an additional production season (assuming that similar demand patterns continue in the following year), would depend upon an additional supply of working capital which is not contemplated in the project. Most likely, therefore, the new jobs would be eliminated with the next rainy season. By reporting the creation of 51 new jobs under this project, we are, in fact, grossly overreporting the actual results, since only an estimated 21 person-years of work has been generated. As investments in fixed capital represented only a small proportion of the subloans disbursed thus far, the project has only marginally contributed to increase the productive capacity of these small firms. Finally, although the training needs of the IDH staff have not been fully met (loan supervision and collections have not been covered, for example), neither CHF nor IDH plan to continue training due to budget constraints.

This Honduran experience suggests that CHF has not succeeded as yet in demonstrating the economic and institutional feasibility of credits for small-scale businesses and building materials production centers in the context of its Central America program. The economic justification for this element of the program is at best weak, its operational cost very high, the organizational base for credit and technical assistance delivery is not in place, and the pre-

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[12]The CHF loan to IDH was made at an annual interest rate of 3 percent and IDH is expected to onlend at 16 percent p.a. to the final beneficiaries. In addition, IDH is allowed to charge a 2 percent loan initiation fee directly to borrowers.

sumed need for the activity as a complement to low-cost housing projects remains an assumption not confirmed in practice.

Our recommendation in light of the preceding analysis is that the component be discontinued from the program.

2. Technical Assistance Provided to Local Organizations

As indicated in the previous chapter, CHF provided technical assistance in a highly selective manner to the local participating institutions, concentrating its attention specially upon Guatemala. In general, the content of assistance given was skewed towards physical, construction-related aspects, and insufficient in legal, administrative, and financial management aspects in all but the FENACOVI case in Guatemala.

Moreover, CHF investments in technical assistance did not follow an explicit operational plan nor were they systematically monitored or evaluated. The opportunity to use the feasibility studies as a planning tool to guide technical assistance activities at the local and national levels was largely lost. These studies did not contain an action program for institutional strengthening, but rather limited their scope to the identification of items for which grants resources were required for immediate project execution.

As discussed in the following chapter on CHF Program Management, the costs associated with technical assistance in the program have been quite high. If we assume, for example, that CHF country directors spent the bulk of their time providing technical assistance to local institutions, a total of 180 person-months has been used thus far (6 directors x 30 months). Even without adding the costs from other CHF staff and outside consultants, the program would have used the 180 person-months in technical assistance at an average cost of US$15.2 thousand per month ($2.74 million CHF country program expenditure/180). These are, of course, imprecise figures, since detailed use of funds statements were not available to the evaluation team. The point nevertheless is clear. The unit costs for technical assistance exceed the current international rates for comparable services and the overall expenditures are disproportionally high considering the US$4.3 million loan investment.

On the other hand, the argument could be made that relatively large technical assistance investments can be justified if and when they result in creating a stable institutional framework for the promotion of self-help housing and community improvement in the region. Unfortunately, it is not possible to affirm that this objective has been achieved through the initiatives taken by CHF in the area of institution building. The best institutional performances within the program, to date, coincide with the best organizations already established at the time of program inception. Such is the case of FENACOAC in Guatemala, FEDECREDITO in Costa Rica, and FEHCOVIL in Honduras. There is reason to believe, therefore, that much of what was possible to achieve in terms of projects, might be due to the institutional capacity which was already in place before CHF initiated its program. In parallel, the weakest institutions, such as IDH in Honduras, still remain weak after CHF's involvement. Not much has changed, in other words, and although institutional change is normally a slow process, the actual achievements seem marginal in relation to the expenditure.

In fact, with the single exception of FENACOVI in Guatemala, which indeed has entered a new organizational phase as a result of the assistance provided by CHF, the evaluation team has found the technical assistance benefits to have been modest, largely project-specific, and not instrumental in expanding the permanent operational capacity of the majority of the participating institutions. However, the process of "learning by doing" which did take place during implementation of the demonstration projects deserves credit, as does the introduction of new administrative instruments in the management routine of some institutions. A case in point is that of Guatemalan credit unions which adopted a standard construction contract form as part of their home improvement credit procedures that enabled beneficiaries to exercise better control over the use of their loans. Nonetheless, the critical elements that would ensure the institutional replicability of the program, including financial and administrative planning, collection practices, and local resource mobilization, were found to be lacking in the vast majority of the cases. The leading technical assistance role assigned to COLAC in this area was not properly supported by CHF staff at the country level and results have been less than satisfactory.

3. **Institutional Support Grants**

This element of the CHF program has been largely effective in helping local organizations execute specific projects. In so far as they provided resources for computerization of office routines, the grants have also improved the administrative capacity of the benefiting institutions.

From the analysis of the use of grant resources, however, the evaluation team finds further support for largely personnel expenditures not to be conducive to long-term institutional strengthening, since that would perpetuate a pattern of inadequate internal financial provisions for necessary administrative costs.

4. **Country and Regional Level Workshops**

The two regional level workshops served the purpose of providing a forum in which private organizations working in similar programs could exchange experiences and ideas. In so far as this purpose has been served, they have achieved the proposed objective. The country workshops on the other hand, benefited almost exclusively the organizations based in Honduras. Possibly more training of this sort should have been extended to the other five countries. However, the same comment made regarding technical assistance would apply in this case, namely, training activities do not seem to have been the object of a careful regional plan designed in response to needs previously identified. Given the time consuming and costly nature of this type of activity, we would recommend that in-country training be incorporated in the technical assistance reprogramming exercise of each institution and be carried out only when clear needs are detected. Further, it might be more economical to use intensively the available local training resources rather than rely almost entirely on expatriate trainers. This strategy has been successfully attempted in Honduras, and deserves to be tried in other countries.

5. **Participant Training Provided in the US**

A two-and-half week seminar in Washington for 17 Central American trainers focused on the CHF's cooperative development system, democratic principles, cooperative principles and practices, leadership, preparation of training materials and training of trainers. In addition, the participants requested and received an orientation on cooperative housing in the USA. One field visit to a housing cooperative in Washington was arranged for the participants. Didactical material was prepared and distributed to all participants, and a training program ori ntation guide was specially prepared for the two participating housing cooperatives.

The benefits of this type of seminar are difficult to measure since results would only appear on the long-term within the training program of each institution. Thus far only the housing cooperative federations in Honduras, Guatemala and El Salvador seem to have initiated substantial training programs of their own. It might be too early, therefore, to offer conclusive comments with regard to this activity. In one aspect, however, we feel confident that training costs could have been lower if seminars of this kind were conducted in the region. In our view, one single field visit to a cooperative in Washington does not justify travel expenses for 17 participants.

6. Preparation of Audio-visual Materials, Manuals and Training Materials

As already mentioned, CHF produced audio-visual and program promotion materials that illustrate its cooperative development approach to housing and neighborhood improvements in Central America. In addition, CHF encouraged the participant institutions to prepare their own training instruments, and some have done so. As far as the preparation of technical manuals, CHF contributed with core house construction models adapted to the conditions in each country. To the extent that these models were detailed at the level of quantities and prices, as for example in Costa Rica, they were very helpful in the procurement of construction services and in the supervision of actual construction contracts.

Unfortunately, similar manuals on the operations of housing loans were not prepared. COLAC has developed one such manual to serve the administrative needs of the credit unions, but it was never finalized or distributed by CHF.

Based on the observations made at local level cooperatives, it seems clear to the evaluation team that simple operational manuals covering the basic administrative and financial aspects of housing loans would be useful. Many such manuals already exist and CHF could easily assist COLAC and the cooperative federations in the devel pment of such a manual for the region.

7. Procurement and Delivery at the Neighborhood Level of Tools and Machinery

The evaluation team would expect that this proposed activity would have met with the same difficulties as those related to building materials production centers. It is, therefore, fortunate that CHF has not attempted to implement it in any of the six countries. In the context of a program restructuring, the evaluation team would recommend that such procurement of equipment by CHF be deleted.

VII. CHF PROGRAM MANAGEMENT AND ADMINISTRATIVE COSTS

The first six chapters of this evaluation report examined CHF's Central America program primarily from the physical/financial standpoint of capital lending. They looked at the program's effectiveness in achieving physical goals and objectives and the efficiency and effectiveness of the procedures and systems developed to implement the program.

The current chapter, on the other hand, describes and reviews the administrative structure established by CHF to administer and manage its program. In this respect, the chapter briefly analyzes the budgeted and actual costs incurred to date to implement the CHF program.

As mentioned in the introductory chapter, this mid-term evaluation cannot hope to measure the impact of the program on the designated target group. Also, given the objectives of this evaluation, this chapter will not attempt to compare the effects of the CHF shelter delivery system with alternative strategies in order to determine which produces the greatest benefits for a given investment. However, as a means to begin to illustrate the cost effectiveness of CHF project outputs vis-a-vis comparable public/private sector shelter solutions, the last section of this chapter presents an illustrative exercise comparing the cost per unit of CHF output with similar private sector solutions. The difficulty of identifying all project costs and of comparing small demonstration projects to ongoing government or private sector programs makes it possible to draw only the most general conclusions at this early stage.

A. PROGRAM MANAGEMENT

CHF's original proposal (particularly Chapter VI, "Administration Arrangements and Implementation Plan") and the AID-CHF cooperative agreement provide the details on the administrative arrangements CHF has used to manage its Central America program and to define its working relationship with AID. The following sections describe and review CHF's network of country, regional and Washington offices, CHF's written agreements with the individual USAID Missions, program reporting to AID/Washington and the USAID Missions, and ongoing efforts in monitoring and evaluation.

1. CHF Program Offices

CHF's proposal calls for the establishment of offices in each of the six Central American countries where the program will operate. Each of the six country offices was to include one CHF direct hire (foreign) and at least one qualified local employee who would work closely with the CHF direct hire. Each office would have a minimal support staff.

CHF's proposal also called for the establishment of a regional office which would coordinate regional activities including training, workshops and technical assistance. This office would also assist in the supervision of the individual country programs. Its staffing would include a director, a training advisor and a technical assistance director.

The CHF Washington office was to include one full-time program coordinator responsible for overall program management.

As mentioned in a previous chapter, CHF effectively established its six country offices in a reasonable timeframe following the signing of the cooperative agreement. With the exception of the Panama office which was closed in December 1987 due to the political tension existing between the two governments, the other five country offices are functioning normally. All the country offices, except Guatemala and Belize, hired at least one local professional to assist in project development and in the management of ongoing programs.

The CHF/Washington office was initially established with full responsibility for program management. CHF delayed more than one year in setting up a regional office. The regional office finally was established in Panama during the fall of 1986, although only certain activities in the administrative and technical areas were actually transferred to Panama prior to its closing.

While in operation, the Panama office had a full-time regional program director and a resident architect who provided technical assistance to the six country offices in the areas of unit design and construction supervision. The program's training component and the bulk of the non-architectural technical assistance continued to be coordinated from the Washington office.

This overlap of management functions and responsibilities between Washington and Panama has caused delays in the approval of project feasibility studies and in the execution of certain lending programs. In addition, the need for and the use of the services of the very competent Panama-based architect varied greatly among the six countries. The evaluation team believes that this architectural assistance, if required at all in the context of the development of the CHF program, could just as easily have been handled from the Washington office at much lower cost.

Conclusion

Actual results to date and programmed levels of future activities do not appear to justify maintaining CHF's complex and duplicative administrative structure. This is particularly true in terms of the separation of functions and responsibilities between the Washington and regional offices. One could possibly justify the high costs of this top-heavy administrative structure if greater levels of lending activity were achieved and administrative expenditures were self-sustaining.

However, assuming that CHF is able to lend all its available US$7.855 million in the four years of the program, this represents US$1.96 million per year distributed among the six country programs. The administration of US$330,000 per year per country does not require the elaborate administrative structure established by CHF.

2. **CHF-AID Working Relationship**

The AID cooperative agreement calls for a written agreement between CHF and each USAID Mission on the nature and degree of review and involvement which each Mission will have in the approval, monitoring and evaluation of sub-project loans. At the time of this evaluation, each of the country directors has entered into a written agreement with its corresponding Mission as to the nature of this working relationship.

The intent of CHF's proposal, which was corroborated in discussions with the CHF country directors, was to operate as independently as possible from the USAID Missions vis-a-vis this approval and monitoring process. The CHF/Mission agreements vary greatly in length and detail among the six countries. However, with the possible exception of Costa Rica, all the agreements essentially provide the Missions with an after-the-fact approval/disapproval role over CHF project design activities. CHF, and not the Missions, has almost exclusive responsibility for the preparation of concept papers and feasibility studies. With respect to lines of communication between CHF and the Missions, most of the CHF country directors have been good at keeping the Missions informally briefed on the status of program development and the progress of project implementation. Mission concurrence/disapproval of CHF project design has resulted in minimal modifications to CHF feasibility studies in the past. There is no record of a Mission having ever flatly rejected a CHF project design.

The Missions, in most cases, believe that the intent of a cooperative agreement does not provide for nor require their direct involvement in detailed project design. In broad terms, this hands-off approach has not hindered AID's objective that the CHF program comply with Mission shelter objectives and strategies.

The AID Regional Housing and Urban Development offices (RHUDOs), located in Tegucigalpa and Panama City, have had no formal role in CHF project review and approval. RHUDO staff does, however, often informally provide comments to the responsible Mission office. Its impact to date on program development has been minimal.

3. Program Performance Reporting

The AID cooperative agreement calls for CHF to submit financial and program performance reports on a quarterly basis. The evaluation team has not reviewed in any great detail CHF's financial reporting, since we understand that this item forms part of the scope of a review of project financial reporting and accounting systems which was undertaken by the firm of Price Waterhouse parallel to the present evaluation.

With respect to the status of the program's performance the cooperative agreement states that CHF will submit quarterly reports which briefly present the following information:

- Actual program accomplishments and findings in comparison with the goals and objectives established for the reporting period.
- Reasons why established goals were not met.
- Other pertinent information including, where appropriate, analysis and explanation of cost overruns or high unit costs.

The narrative portion of the quarterly report submitted to AID woefully lacks adequate discussion of achievement of country-specific goals and objectives, outstanding issues, problem areas and upcoming events or activities scheduled for the next quarter. CHF reporting has not provided AID/Washington with sufficient information to properly monitor the program. In all fairness to CHF, however, AID/Washington, until recently, has never requested additional information on a quarterly basis.

The lack of proper CHF-AID reporting in Washington begins with improper reporting from the six CHF field offices to CHF/Washington. While not specifically mentioned in the cooperative agreement, CHF/Washington has not established a uniform project and financial reporting for its six country programs. The failure to develop such a comprehensive reporting system obviously complicates the ability to monitor and compa.e physical project advancement and financial disbursements among countries.

Guatemala and Costa Rica were the only country programs visited which have had regular quarterly reporting since the inception of the program. The other countries either do not produce periodic reports or prepare them sporadically. Surprisingly, with the exception of Costa Rica, none of the CHF country directors submits, or is required to submit, any formal periodic reporting to its Mission. While the CHF country directors gave the impression that they would resist submitting such a report, they claim that they have never had this information requested from them. The Mission officers appear to be content without it.

The Missions normally request information on an "as needed" basis. It is usually collected through telephone conversations or informal briefings. Most Mission personnel responsible for the CHF program believe this informal reporting system works well. However, given this approach to record keeping, the historical memory tracing the development of the individual CHF country programs is almost non-existent in the Missions' archives.

4. Evaluation and Monitoring Systems

The CHF proposal mentions that it will develop an evaluation and monitoring system which is designed to measure both the tangible results of the CHF-financed projects, 's well as to provide some indication of the intangible results. This evaluation system was to be established at the regional, national and community levels. The system was to evaluate the networking and exchange of information among the counterpart institutions at the regional level to the gathering of baseline social and economic data in communities earmarked for project development.

With very few exceptions, the CHF program has not undertaken specific evaluations of its sub-project loans. This general lack of adequate quarterly reporting only serves to underscore the almost total lack of any ongoing formal monitoring and evaluation system.

B. ADMINISTRATIVE COSTS

CHF's original proposal lumped all technical assistance and administrative costs under one major sub-heading (Part II) of its overall budget. This sub-heading amounted to US$4.4 million. It encompassed 44 percent of the total original budget. This major budgetary sub-heading does not distinguish between technical assistance and purely administrative expenses. The present section analyzes the use of the resources allocated to this TA/admin budget component during the two and one-half years of the grant agreement.

1. Changes in Administrative Support Expenditures

The alternative budgets presented in CHF's original proposal imply that the US$4.4 million in administrative costs would be sufficient to support a capital lending program significantly larger than the initially envisaged US$19.062 million. Annexes F-1 and F-3 in Volume II of the proposal present two scenarios: (1) a minimum scenario (F-1) in which the US$4.4 million would support a total program of US$19.062 million; and, (2) a "high option" where US$5.9 million in TA/administrative resources are required to support a total program of US$113.66 million.[1]

The question has recently arisen as to whether the initial US$4.4 million was to cover CHF administrative costs for four years or only for 18 months. The CHF proposal is sufficiently vague in this respect to permit the latter interpretation. However, the important issue to address here is not whether the initial proposal did or did not provide for the US$4.4 million to cover a four-year program. Rather, as CHF's proposal seems to suggest, the intention of the original amount budgeted for administrative costs (which is a substantial percentage of the total grant) was to launch a program that would require minimal additional subsidies to manage significantly increased program activities. Presumably, additional technical assistance or administration requirements would be supported by program revenues (i.e., reflows) on a self-sustaining basis.

In actuality, CHF has requested and received from AID and the Missions additional direct subsidies for TA/admin (US$0.444 million approved and US$1.025 million pending). CHF has received this additional funding without having reached the minimum goal of US$14.662 in total investment from all sources as called for in its original proposal. (Table V.4 shows that only US$9.35 million is committed or programmed as of September 1987.)

CHF argues that its program called for a massive infusion of administrative expenditures over an initial 18-month period in order to ensure that the six-country program was successfully initiated. CHF hoped that this rapid start up of activities would generate significant new resources for capital investment and TA/admin from sources other than AID.

CHF made clear in its proposal that if it became apparent after two or three years that the program was not going to be able to expand substantially, CHF would begin an orderly phase out of its administrative structure and technical assistance. CHF would begin to pass increasing responsibility to the local counterpart organizations who would continue disbursements under ongoing loans and would carry on the programming of new projects as reflows become available.

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[1]CHF proposal, Volume II, Annex F, Financial Charts and Supporting Data, Annexes F-1 and F-3.

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Two and one-half years after the program's inception, there is significant divergence between the proposal and actual occurrence with respect to the scale of the lending program versus the need for additional TA/admin resources from AID. The program has not taken off, yet CHF has made numerous requests to AID for additional resources to maintain its administrative structure in place. What is unclear is whether CHF intends to institutionalize the need for subsidized administrative funds?

The evaluation team believes strongly that if subsidies are required (and in some cases they are justified), they must have an explicit objective and use, and hopefully a timetable for their phase out. This was the stated objective contained in CHF's proposal.

In order to achieve this objective, the program's financial systems and procedures must be placed on a self-sustaining basis. On the contrary, if CHF continues to require subsidized resources for long-term sustainability, it can hardly speak of a "market orientation" or private sector approach to its program. Conversely, CHF's current criticisms of the "more expensive" operations of the public sector are not warranted.

Based on financial information provided by CHF, the following section briefly analyzes the variations to date in the amounts of CHF program resources originally budgeted to TA/admin expenditures.

a. Country Budget Allocations

Table VII.1 shows the original, actual and projected distribution of the CHF administrative budget by country. The table points out that the original budget was distributed on a uniform basis among the six countries with the Washington and regional offices together absorbing 44 percent of the total budget. During the first two and one-half years of program implementation, the distribution of country budgets has varied according to the size of the individual programs. This appears reasonable. What is not easily explained (even if one can justify allocating 42 percent of the original budget to the Washington and regional offices) is the continued allocation of almost 42 percent of the administrative budget to the Washington and regional offices two and one-half years after starting up the program and establishing the six country offices. One would assume that the amounts allocated to these two offices would decrease over time.

TABLE VII.1
VARIATIONS IN CHF ADMINISTRATIVE BUDGETS
CENTRAL AMERICA PROGRAM

	ORIGINAL BUDGET APRIL 1988		ACTUAL EXPENDITURES SEPTEMBER 1987		PROJECTED BUDGET MARCH 1989	
	Amount (US$ 000s)	Percent of Total (%)	Amount (US$ 000s)	Percent of Total (%)	Amount (US$ 000s)	Percent of Total (%)
Guatemala	US$408	9.3	US$475	10.0	US$794	11.3
Honduras	408	9.3	531	11.2	840	12.0
Belize	408	9.3	382	8.1	566	8.1
El Salvador	408	9.3	453	9.6	743	10.6
Costa Rica	408	9.3	537	11.3	695	9.9
Panama	408	9.3	357	7.5	439	6.3
Washington-Regional	1,950	44.2	2,006	42.3	2,932	41.8
TOTAL	US$4,400	100.0%	US$4,741	100.0%	US$7,009	100.0%

Source: PADCO Analysis of CHF Budgets

At this juncture in the program, future budgeting exercises should differentiate between normal operational expenses related to the placement of loan funds (normally covered by a reasonable spread) and specific technical assistance requirements. TA requirements which are justifiable should have separate budgets whose results and outputs are measurable through a set of performance parameters. Specific recommendations on this point (Chapter VIII) underscore the need to revise proposed CHF budgets through March 1989 in light of the activities recommended for each of the country, regional and Washington offices. These recommendations will try to eliminate, where possible, duplication in function and responsibility.

b. Distribution of Administrative Budget According to Use

It is far from the purpose of this evaluation to undertake a financial audit of the CHF program. In fact, we understand that just such a parallel exercise to the present evaluation is currently underway. However, we believe a few observations on the use of the administrative budget are in order since it forms such a significant portion of the overall grant.

Table VII.2 breaks down the principal uses of the original, actual and projected CHF administrative budget. The table divides the total budget between the six country and Washington/regional offices. The table's bottom portion then consolidates these two sub-totals. It is interesting to note the variations in these global figures with respect to the percentage share of the individual line items.

TABLE VII.2
PROJECTED AND ACTUAL BUDGET
CHF CENTRAL AMERICA PROGRAM

ITEMS	(1) ORIGINAL BUDGET APRIL 1985		(2) EXPENDITURES AS OF SEPTEMBER 1987		(3) EXPENDITURES PROJECTED TO MARCH 1989		(2)/(1)	(3)/(1)
	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	(%)	(%)
CHF COUNTRY OFFICES								
SALARIES	837,000	34%	740,074	27%	1,035,447	25%	88%	124%
INDIRECT COSTS	468,450	19%	627,479	23%	976,049	24%	134%	208%
CONSULTANTS & P.S.	237,600	10%	159,691	6%	243,466	6%	67%	102%
ALLOWANCES	174,540	7%	296,345	11%	431,475	11%	170%	247%
TRAVEL & TRANSP.	192,720	8%	223,307	8%	357,392	9%	116%	185%
O.D.C.	537,560	22%	688,446	25%	1,032,290	25%	128%	192%
SUB-TOTAL (A)	2,447,870	100%	2,735,342	100%	4,076,119	100%	112%	167%
WASHINGTON AND REGIONAL								
SALARIES	766,776	39%	612,845	31%	859,713	29%	80%	112%
INDIRECT COSTS	622,960	32%	836,997	42%	1,168,503	40%	134%	188%
CONSULTANTS & P.S.	103,400	5%	72,585	4%	129,279	4%	70%	125%
ALLOWANCES	85,470	4%	53,905	3%	81,046	3%	63%	95%
TRAVEL & TRANSP.	153,668	8%	143,761	7%	249,533	9%	94%	162%
O.D.C.	219,856	11%	286,025	14%	443,924	15%	130%	202%
SUB-TOTAL (B)	1,952,130	100%	2,006,118	100%	2,931,998	100%	103%	150%
CONSOLIDATED								
SALARIES	1,603,776	36%	1,352,919	29%	1,895,160	27%	84%	118%
INDIRECT COSTS	1,091,410	25%	1,464,476	31%	2,144,552	31%	134%	196%
CONSULTANTS & P.S.	341,000	8%	232,276	5%	372,745	5%	68%	109%
ALLOWANCES	260,010	6%	350,250	7%	512,521	7%	135%	197%
TRAVEL & TRANSP.	346,388	8%	367,068	8%	606,925	9%	106%	175%
O.D.C.	757,416	17%	974,471	21%	1,476,214	21%	129%	195%
TOTAL (A+B)	4,400,000	100%	4,741,460	100%	7,008,117	100%	108%	159%

SOURCE: CHF's Administrative and Financial Division
PADCU Analysis

Table VII.2 highlights that the "productive" components of the administrative budget, the line items which refer to "Salaries, Consultants and Professional Services," have decreased as a percentage of total administrative expenditures over the life of the CHF program. Interestingly enough, as of September 1987, these line items were the only two which had not exceeded the original budget estimates.

With respect to budget projections through the end of the grant agreement (March 1989), total administrative expenditures are projected to increase by almost 60 percent. Over the same period, the combined line items for Salaries, Consultants and Professional Services decrease from 44 to 22 percent of total administrative costs. Having completed mobilization of the six country and regional offices, and given the ongoing requirements for additional technical assistance, it would appear that this tendency should be opposite to what it is.

The scope of this evaluation does not permit greater examination of CHF's administrative budget at this time. One can conclude that the budget information obtained from CHF reveals significant changes from the originally programmed amounts. While these changes might well have occurred for very plausible reasons, variations of this magnitude normally form part of an explicit strategic plan. Unfortunately, the documentation made available to the evaluation team does not adequately explain these variations.

It would be interesting to understand what caused these changes in order to accurately establish the real cost of future technical assistance.

Aside from the bigger question of whether this cooperative agreement should allocate funds 56/44 between capital lending and administration costs, the core issue of this section, however, is whether such a large percentage of total grant funding of a program whose goal is to address the shelter needs of low-income families should be allocated to non-productive administrative expenditures such as allowances for CHF resident staff, travel and transportation.

Specific recommendations on this point which are included in Chapter VIII highlight the need to implement a decentralized planning system for the CHF program. This program which would develop an implementation plan for each of the country, regional and central offices would assign definite responsibilities in monitoring actual and future expenditures. The recommended system would disaggregate local costs on the basis of different program characteristics and uses, rather than on the basis of the very general information provided to the evaluation team.

2. Comparison Between Administrative Expenditures and Capital Lending To Date

There are obviously certain intangible outputs of the CHF program which are difficult to quantify in financial terms. However, at this juncture in the program, there should exist some measurable relationship between expenditures on the one hand, and output in terms of levels of capital lending. This is especially true for a program which seeks to operate under private sector conditions.

The current status of the CHF capital lending program in thousands of US dollars is as follows:

• Total funds available (approved)	US$7,855
• Total New Funds Pending	4,135
• Total Available Funding (approved + pending)	11,990
• Loans Committed and Contracted	4,673
• Loans Programmed (feasibility stage)	709

The above summary shows that US$4.67 million in loans have been committed and contracted as of September 1987. Administrative expenditures up to that date amounted to US$4.74 million. In other words, it cost CHF approximately one dollar to place each dollar in project loans.

Assuming optimistically that CHF is able to lend all available approved funds (US$7.85 million) in the remaining year and one-half of the original program, corresponding administrative expenditures would total approximately US$7.0 million. This represents about ninety cents in administrative costs for each dollar invested. From a strict financial perspective, this relationship is completely outside the permissible bounds of market conditions.

Rationalizing administrative expenditures is thus a critical element for the future of the CHF Program. Assuming that the currently available funding of US$7.85 million is invested by March 1989 at an average interest rate of seven percent, these terms would generate approximately US$400,000 in interest per year.

If one assumes that only interest were used to finance operational expenditures, CHF would have to reduce administrative costs by approximately US$1.6 million over the period through March 1989. Since recovery is in progressively devalued local currencies, the actual value of the amount recovered in US dollars would be less than that cited above. The capacity to pay for services rendered in US dollars would, therefore, be reduced.

Consequently, the rationale for the program will decline markedly to one of monitoring the collection of devalued repayments and reinvesting those sums remaining after operating expenses are netted out. This bleak situation would continue until the funds run out.

This situation clearly points out the need to define the program's immediate and mid-term objectives, as well as the strategies to achieve these objectives. It is impossible to judge whether the expenditures proposed by CHF to sustain the program through March 1989 are realistic or not. One thing that is clear is that the proposed expenditures in no way respond to the original intent of CHF's proposal.

3. Illustrative Cost Comparison Between CHF and Comparable Solutions

Essentially, the purpose of this mid-term evaluation is to measure the achievements to date of CHF's program and to understand and recommend ways to improve the delivery of its services. It would be premature at this time to attempt to estimate the impact of the CHF program on its low-income target group. Likewise, the evaluation's scope does not call for a comparison of the effectiveness of the CHF program with alternative strategies to achieve similar goals and objectives.

However, it is of interest to undertake a quick illustrative exercise to determine how CHF shelter output compares to shelter solutions supplied by the local private and public sectors in the countries where CHF operates. For the sake of simplicity, this exercise will compare available shelter solutions on the basis of type (i.e., serviced site, core unit, one bedroom, etc.) and cost.

Due to the difficulty in quickly estimating the total costs of comparable public sector solutions, the present illustrative exercise only examines comparable private sector solutions. There is no question that the public sector produces shelter solutions similar to those financed by CHF. However, comparison of similar public and private sector solutions is difficult since the public sector solution is traditionally "less expensive" than the comparable private sector unit. This is often due to a less than full costing of physical inputs (land, labor and materials), the failure to include all direct and indirect administrative costs, and the charging of less than market financial terms to the beneficiary. The intent of CHF's program is to finance shelter through local private sector institutions. It is only reasonable, therefore, to compare the outputs of this program with comparable shelter provided by the private sector.

The local CHF counterpart institutions also fail to fully recover the costs of their shelter output. For example, it has not been a policy of these institutions to factor in a share of CHF's direct and indirect administrative costs nor the costs of institutional support grants when estimating the selling price of a particular CHF-financed shelter solution. We are not necessarily advocating the inclusion of a share of these costs in the selling price of CHF-financed units. Rather, in order to even draw the most general conclusions from this illustrative example, it is necessary to estimate the total cost of a CHF-financed unit to be able to compare it to the presumably fully costed private sector solution.

The illustrative exercise of this section entails two stages. The first stage estimates the average CHF administrative cost per unit of output for each country office. There exist many possible ways to allocate CHF administrative costs. Table VII.3 shows a method whereby the administrative costs for CHF's Washington and regional offices are proportionally allocated to the country offices on the basis of the individual office's direct labor expenditures (salaries plus consultants and professional services). For simplicity, this method assumes that each unit of output for a particular country program requires the same amount of administrative inputs from these two CHF offices. An average administrative cost per unit of output is then estimated by dividing total administrative costs (including the country office's own administrative costs) by the total number of outputs.

Table VII.3
Estimate of Average Administrative Cost per Unit of Output
September 1987

(1) Country Program[a]	(2) Total Output[b]		(3) Direct Administration Expenses (US$)	(4) Allocation of DC Office Expenses (US$)[c]	(5) Allocation of Regional Office Expenses (US$)[c]	(6) Total Expenses (US$) (3) + (4) + (5)	(7) Average Administrative Cost per Unit of Output (US$)[d] (6) / (2)
GUATEMALA	625 NDU 897 HIP	1,522	US$ 474,893	US$ 253,387	US$ 111,779	US$ 840,059	US$ 552
HONDURAS	220 NDU 673 HIP 140 SSC	1,033	531,293	288,528	127,281	947,102	917
BELIZE	42 NDU 1 SSC	43	381,631	187,030	82,506	651,167	15,143
EL SALVADOR	55 NDU 384 HIP	439	453,058	202,172	89,186	744,416	1,696
COSTA RICA	105 NDU 273 HIP 5 SSC	333	537,382	295,623	130,411	963,416	2,515
		3,420	US$ 2,378,257	US$ 1,226,740	US$ 541,163	US$ 4,146,160	US$ 1,212

Source: PADCO analysis of CHF budget information.

a/ Panama not included due to closing of USAID mission and cancellation of evaluation.

b/ Total output includes completed and programmed shelter units as of September, 1987.
NDU = New Dwelling Unit; HIP = Home Improvement Loan; SSC = Small-Scale Credit.

c/ DC and Regional Office administrative expenses are allocated proportionally to the country offices on the basis of direct labor (salaries + consultants and professional services).

d/ Assumes that three types of individual outputs require equal administrative expenses to produce.

Table VII.3 shows the tremendous variation in the administrative cost per unit of output among the five CHF country programs visited. Per unit administrative cost varies from US$552 in Guatemala to an astronomical US$15,143 in Belize. This latter amount is over 50 percent higher than the total cost of the most expensive new dwelling unit financed by CHF as part of the Belize Credit Union League Home Mortgage program (B/L/3).

Table VII.4 presents the second stage of this illustrative analysis. It estimates the total cost of a CHF-financed unit and then compares this cost to the cost of a similar unit produced by the private sector. Due to time constraints during the evaluation's field work and dissimilarities between the individual CHF country programs and private sector output, only two cases are studied.

Table VII.4 estimates total unit cost for CHF-financed solutions in Guatemala and Honduras. It combines the current selling price charged the user by the local counterpart agency, the administrative cost per unit of output (Table VII.3), and the per unit cost of the specific CHF institutional support grant (see relevant country tables from Annex V). The table compares the total cost of the CHF unit with the selling price of the most similar private sector unit.

The first conclusion that one can draw from this illustrative example, at least in the countries selected for analysis, is that CHF does, in fact, finance a smaller, more economical unit than that supplied by the private sector. Solely on the basis of total cost, the CHF solution is more affordable than the lowest priced, comparable private sector model.

Differences in unit size make cost comparisons difficult in the illustrative example. In this case, comparisons of cost between the CHF and the private sector units must be done on the basis of unit costs (for example, cost per square meter). One must be careful in comparing the unit costs of similar units of different sizes since larger units will tend to have lower unit costs than smaller units. This occurs because the additional area of the larger unit is normally allocated to less expensive bedroom space.

Given the cautionary words of the previous paragraph, it is still possible to make general observations concerning comparisons of unit costs between the CHF and private sector solutions. From Table VII.4, one can see that per square meter costs appear quite similar. At least for the two examples which attempt to fully cost a CHF-financed unit, it is clear that CHF has not developed a shelter solution which is particularly innovative with respect to cost. On the other hand, for the illustrative example, fully costing an illustrative CHF shelter unit does not price it out of the market when compared to private sector solutions. Certainly, this would not be true in the case of Belize. It is unclear what would be the impact of the greater per unit administrative costs in El Salvador and Costa Rica on cost comparisons with private sector contractors and developers in these two countries. Overall, it would appear that in a best case scenario, CHF costs compare favorably to similar private sector solutions. While in the worst cases, a full costing prices CHF products woefully out of local markets.

Table VII.4
Cost Comparison between CHF and Comparable Private Sector Shelter Solutions

COUNTRY	INSTITUTION	TYPE OF UNIT	SIZE (m^2)	COST BREAKDOWN: Direct/Indirect Project Costs Implementing Agency (US$)	CHF Institutional Support Grant per Unit (US$)a/	CHF Administrative Cost per Unitb/ (US$)	Total Cost per Unit (US$)	Total Cost per Square Meter (US$ / m^2)
GUATEMALA								
	CHF (HODE - San Juanero II)	1-BR Core (Row)	25	US$ 2,244	US$ 130	US$ 552	US$ 2,926	US$ 117
	Private developerc/	2-BR (Duplex)	48	--	--	--	6,462	135
HONDURAS								
	CHF (FEHCOVIL - COVIDEPROL)	1-BR Core (Duplex)	28	7,251	169	917	8,337	298
	Private developerd/	2-BR (Detached)	47	--	--	--	12,825	273

a/ Estimated on basis of CHF institutional grant to implementing agency per unit of output.

b/ From Table VII.3, p. 175.

c/ Residenciales Terranova, Constructor Terrano S.A., Guatemala City, Guatemala

d/ Costs based on discussion with local developers.

Source: PADCO

VIII. CONTRIBUTION TO NBCCA RECOMMENDATIONS

The CHF program proposed to implement the recommendations of the NBCCA for Central America, by directly contributing to:

- The economic growth and stability of the region.
- Equity and broad participation in development.
- Strengthening of democratic initiatives and human rights.

On the first item, CHF contribution to regional economic growth has been largely symbolic, given the small size of the investment. As to stability, the program thus far has not eliminated credit subsidies in its activities thus perpetuating one component that accounts for the region's financial instability.

The second and third recommendations are intertwined. To the extent that membership in local cooperatives have grown as a result of the CHF program, it has made a contribution to both equity and broader popular participation in the development process. And as far as decisions within the cooperatives tend to be made on the basis of democratic voting procedures, it is possible to say that the program has in fact contributed to strengthen existing or established democractic processes in Central America.

IX. RECOMMENDATIONS

Both short- and long-term recommendations emerge from the findings and conclusions of this evaluation of CHF's shelter program for Central America. It is proposed that these recommendations be initially addressed and discussed within the context of an overall review of the CHF program, both at the regional and individual country levels.

AID and CHF should jointly carry out this program review on the basis of a detailed analysis of program accomplishments, program strengthens and weaknesses, outstanding issues including those involving the local organization level, and new directions/guidelines for the remaining one and one-half years of the grant agreement.

A principal output of this program review should be an accurate accounting of AID funding (both capital and TA/administrative) and anticipated reflows currently available to the program. There must be a clear understanding between AID and CHF regarding what portion of total funding is potentially available for reprogramming.[1]

The proposed program review and accounting of available funding form the basis for a reprogramming of the overall and individual country programs in the following areas: country program elements, investment strategy and budgets, program management structure, etc. The following sections present the evaluation team's recommendations and guidelines to define and structure this reprogramming exercise, as well as other short- and long-term recommendations.

A. IMMEDIATE ACTIONS

1. General

a. Overall Program Review (as discussed above)

b. Reprogramming of Program Elements

While individual country programs will exhibit slight variations with respect to future programming (particularly if previously earmarked funds cannot be reprogrammed), it is recommended that the overall thrust of the program should be reoriented primarily toward the provision of home improvement loans and, secondly, toward the construction of new dwelling units. New construction should be sited, as much as possible, on individually-owned scattered sites in order to avoid the past problems associated with the provision of off-site infrastructure and land acquisition/title transfer.

It is further recommended that CHF management immediately dicontinue efforts to identify and design new projects in the areas of the improvement of

[1]The evaluation team understands that pending amendments in Belize and El Salvador, and possibly Honduras, are earmarked for specific projects and, therefore, not readily available for reprogramming.

neighborhood services and lending to small-scale enterprise and building material production centers (BMPCs). CHF should contract no new loans in these two areas. Discussions and/or negotiations related to pipeline projects should be terminated, and ongoing loans to small-scale enterprise and BMPCs (primarily in Honduras) should be disbursed as rapidly as possible and placed in debt recovery.

c. **Local Intermediary Arrangements**
CHF should concentrate future lending activities with the principal TSO institutions (i.e., primarily housing cooperative and credit union federations) which have successfully implemented home improvement and new construction project loans during the first round of CHF lending activities. Appropriate TSOs for additional lending include, but are not limited to, FENACOAC, FENACOVI and HODE in Guatemala, FEHCOVIL in Honduras, and FEDECREDITO and the "solidarity movement" in Costa Rica. Institutionally strong independent cooperatives (such as "Sagrada Familia" in Honduras and "Holy Redeemer" in Belize) would also qualify.

It is proposed that no new loans be made to other non-profit institutions which lack traditional shelter experience and which have limited capacity to develop into financial intermediaries capable of operating in local financial markets (COSUDER/Guatemala and Centro San Juan Bosco/Honduras type organizations).

d. On the basis of a redefinition of program activities, the absorptive capacity of selected local financial intermediaries and the availability of reallocable funding, CHF should develop overall and country specific capital investment plans for the remaining one and one-half years of the grant agreement.

e. CHF should immediately modify its project management structure to best respond to the proposed new program directions and capital investment plans. The objective here should be to immediately "free up" previously programmed administrative resources for additional project lending activities.[2]

Any reorganization or reprogramming of the CHF program at this time is complicated by pending amendments to the grant agreement in several countries. In the cases known to the evaluation team, these amendments tie additional funding to specific, new program initiatives which differ from ongoing activities and which will require the close supervision of CHF staff, at least in the initial stages. Based on this constraint imposed by pending grant amendments, the following suggestions serve as a framework within which AID and CHF can negotiate the required project management changes.

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[2]The proposed administrative reorganization should be driven by the outcome and results of the program review and reprogramming exercise (i.e., the CHF administrative structure should respond to program activities and investment criteria and not vice versa as has been the case in the past.

- **Washington Office**

  -- Cut back or abolish post of Washington-based Deputy Director

- **Regional Office in Panama**

  -- Closed as of December 1987; to remain closed

- **Country Offices**

  -- Panama; closed as of December 1987; to remain closed

  -- Guatemala; maintain based on available funding and continued diversity of program

  -- Belize; except for complicating factor of pending amendment which earmarks project funds for specific projects, this office should be closed. Consideration should be given to naming local representative, reducing scale of office and handling oversight of program directly from Honduras as soon as feasible

  -- Honduras; maintain office in order to manage scaled-back (in institutional terms) Honduran program and to provide oversight to Belize program in mid-term

  -- El Salvador and Costa Rica; close one of these offices as soon as feasible, oversee management from other office through local representative

f. CHF should prepare country and Washington office administrative budget estimates required to carry out implementation of new program directions, investment plans and project management structure for the life of the program. In order to correct present budgetary confusion, technical assistance should be disaggregated/differentiated from those expenditures related purely to staff salaries and allowances, other direct costs, etc.

g. CHF should immediately develop and implement an internal monitoring system for both the execution of new investment plans and for the follow-up of ongoing loan contracts. CHF should develop a standard financial and performance report for its individual country programs. This report should be submitted to the respective USAID Missions and CHF/Washington on a quarterly basis. CHF/Washington would synthesize the country-specific information contained in these reports and prepare a quarterly report of similar detail for AID/Washington.

h. It is recommended to maintain AID/Washington and Mission program management structure as it currently exists. AID should formalize the involvement of AID RHUDO and Mission Housing Officer staff in the review and approval/disapproval of CHF concept papers and feasibility studies.

2. Physical Implementation

a. Future feasibility studies for project loans should be strengthened to include sufficiently detailed economic/financial and institutional analyses to accurately substantiate or reject proposed project design components and institutional arrangements.

b. CHF should expand its micro "constructionist" approach to project development to place greater importance on the financial and operational/administrative aspects of its program. It should move away from its current overemphasis on project level technical aspects and the imposition of project designs external to local markets. CHF should continue to plan and design its project loans on the basis of the capacity to pay of the intended target group. It should, however, facilitate the opportunity for program beneficiaries to tailor the use of individual loans as to unit design and materials. This implies less reliance on new project development with all the inherent problems of land acquisition/titling and the timely provision of off- and on-site infrastructure to a greater emphasis on home improvement loans and scattered site new dwelling unit construction.

c. CHF should make every effort to serve a lower-income target group as part of the recommended reprogramming effort. While this proposed lower-income orientation has caused problems of an equity nature in the past with local cooperatives, CHF must significantly refocus the marketing of its program to serve, at a minimum, those families with incomes between the 35-50 percentiles of the relevant urban income distribution.

3. Financial Performance

a. CHF Lending Terms and Financial Spreads

- CHF should ensure that the interest rate structure for its different program elements, and particularly the spreads charged its financial intermediaries, are consistent and competitive with conditions existing in the local financial markets in which the program operates.

- In order to combat the high inflationary environment existing in several countries of the region, CHF should attempt to incorporate the use of adjustable interest rates in its lending activities.

- CHF should standardize the lending terms (interest rate and repayment period) for similar programs in the same country.

b. Capitalization
Due to a lack of formal maintenance of value mechanisms in the region, it is important for CHF to seek to optimize its lending terms and conditions with its financial intermediaries. This will assist the program in achieving increased levels of capitalization and in improving opportunities for the generation of reflows. It would also assist in creating a financial climate necessary to "graduate" an increased number of financial intermediaries into the marketplace during the program period and while funds last.

c. Guarantees
CHF should clarify the confusion currently existing in the wording of certain loan guarantees between the local cooperatives and the federation with respect to the clause that stipulates that all promissory notes be transferable and negotiable in the name of CHF.

d. Internal Improvements in Program Execution
CHF must give ad[illegible] attention and detail at both the federation and local

cooperative level to monitoring and improving the critical areas of cost recovery and arrearages, selection of participating institutions, quality of loan guarantees (mortgages and promissory notes), and the use of reflows. (The following proposed modifications in the CHF technical assistance reinforce this recommendation.)

4. Technical Assistance/Institutional Grants/Training

a. CHF should reprogram its technical assistance/institutional support components to respond to the recommended program modifications in order to give more attention to the administration and financial aspects of its shelter program at the both the federation and local cooperative levels. The areas requiring CHF assistance to strengthen local intermediaries to the point where they could participate in local financial markets are the following:

- Formulation of operational plans and programs
- Savings mobilization
- Portfolio review, loan processing and control of delinquencies
- Organization and staff
- Financial management and accounting
- Data processing/information systems

b. CHF should provide assistance in the development of the recommended financial and operational instruments in each country program. This assistance should formalize the use of these instruments through the preparation of practical and usable operational manuals and procedures. These manuals should be amply disseminated among the local cooperatives.

c. Training at the federation and cooperative levels should be directly linked to the provision of technical assistance recommended in section 4.b. CHF should continue to support the ongoing training efforts of the federations.

B. SHORT- TO MEDIUM-TERM ACTIONS - MOBILIZATION OF RESOURCES

CHF should expand its micro or project relationship with its financial intermediaries to one which begins to prepare these institutions to play a more aggressive role in local financial markets. This new relationship would begin by assisting its local counterpart organizations to monitor and understand the workings of these markets. This activity should become an integral part of overall program activities. It should be given a high priority in the formulation of operational plans and programs. Specific areas of interest are that:

1. CHF intensify its efforts to mobilize domestic savings through the regional cooperative movement. In addition to the obvious internal benefits for the cooperatives, increased savings would provide an opportunity to increase the proportion of counterpart to CHF funds for specific project loans. Specifically, CHF should assist local cooperatives and credit unions to introduce and/or expand their programs of savings deposits and capital contributions (beneficiary capitalization).

2. CHF should assist local institutions to increase the opportunities to access resources external to the CHF program through the rediscounting of the CHF portfolio. Modifications in project lending terms, conditions and guarantees toward a more market orientation are first steps in positioning the CHF portfolio to be able to access available rediscount mechanisms.

3. CHF should consider using its proposed loan guarantee mechanism as a means to facilitate and create interest in the rediscounting of its portfolio.

ANNEX I

AID'S SCOPE OF WORK

AID'S SCOPE OF WORK

A. PURPOSE

The purpose of the evaluation is to (a) review the Cooperative Housing Foundation (CHF) management and operational effectiveness in achieving the project objectives, and (b) recommend ways and means of strengthening CHF performance when problems are identified.

B. SCOPE OF WORK

The evaluation will focus on the processes used by CHF in carrying out implementation steps to achieve the project objectives. Emphasis will be placed on understanding the project objectives, identification of activities, implementation steps, and efficient use of resources.

The following is an outline of specific topics to be included in the evaluation.

1. The extent of private sector involvement in neighborhood improvement and village improvement and self-help housing cooperatives.

2. The status of home improvement and small business loans. Are revolving loans in place?

3. Degree of success in developing permanent, private sector system which can mobilize resources and provide increased opportunities for self-help community improvements, shelter and employment.

4. How many building materials production centers were created? How many jobs were created accordingly?

5. How is the guarantee mechanism to work?

6. Is the program providing adequate technical assistance to participating agencies and individuals?

7. Is CHF staff in place, including regional coordinator, training advisor, and technical advisor?

8. Is CHF training program addressing the needs of cooperating entities?

9. Does the program contribute to the NBCCC recommendations for: (a) economic stability; (b) long-term economic growth; (c) equity and broad participation in development; and (d) strengthen democratic institutions and human rights.

10. The degree of coordination between CHF field offices and USAID Missions.

11. Project Management: Is the present AID/Washington management arrangement appropriate? Should project management be relocated to the field? If so, where?

C. REQUIRED REPORTS

The Contractor will submit to LAC/DR, not later than 45 days from the date the Contract was signed, two copies of a complete report in English. This report will describe, in details, the activities performed by the Contractor including all site visits, a listing of all personnel interviewed and met, the methodology used in the evaluation, findings, conclusions and recommendation. The Report should contain a copy of the Statement of Work under which the evaluation was carried out.

D. AID LIAISON OFFICIALS

Chief, Central America Division, or his designee
Office of Development Resources
Bureau of Latin America and the Caribbean
Agency for International Development
Washington, DC 20523

ANNEX II

SOCIOECONOMIC CONTEXT OF THE CHF PROGRAM FOR CENTRAL AMERICA

TABLE A.II.1
GROSS DOMESTIC PRODUCT BY COUNTRY AND GROWTH RATES,
1965-1986
(in millions of 1986 dollars)

COUNTRY	1960	1970	1980	1986	Average Percentage GDP change per year[a/] 1961-80	1981-86
Belize/b	55	97	158	166	5.4	0.8
Costa Rica	1595	2149	4764	4987	5.8	0.8
El Salvador	1985	3437	4723	4343	4.4	-1.4
Guatemala	3766	6435	11151	10503	5.6	-1.0
Honduras	1224	2097	3234	3520	5.0	1.4
Panama	1297	2784	4759	5597	6.7	2.7
TOTAL	9872	17602	28789	29116	5.0	0.2

Source: Except for Belize, IDB, Economic and Social Progress in Latin America, 1987, Washington, D.C. 1987. For Belize, World Bank, Report No. 6550-BEL, "Belize Economic Report," Washington, D.C., 1986.

a/ The regional GDP grew by an average 2.2 percent between 1985 and 1986, according to preliminary estimates from the IDB (1987).

b/ Figures for Belize for 1960 and 1986 were estimated based on World Bank data for 1978-1985. All Belize figures are at factor cost.

TABLE A.II.2
TOTAL POPULATION AND GROWTH RATES, BY COUNTRY,
1960-1986
(thousands of persons)

COUNTRY	1960	1970	1980	1986a/	Average Annual Growth Rates(%) 61-80	71-80	81-86
Belize	97	119	146	164	2.1	2.1	2.0
Costa Rica	1320	1726	2217	2530	2.6	2.5	2.2
El Salvador	2661	3539	4575	4867	2.7	2.6	1.0
Guatemala	3921	5206	6913	8195	2.9	2.9	2.9
Honduras	1988	2709	3707	4514	3.2	3.2	3.3
Panama	1220	1544	1955	2227	2.4	2.4	2.2
Total	11207	14843	19513	22497	2.8	2.8	2.4

Source: IDB (1987) for all countries except Belize.
For Belize, World Bank (1986).

a/ Preliminary estimates.

TABLE A.II.3
GROSS DOMESTIC PRODUCT PER CAPITA AND ITS CHANGE, BY COUNTRY,
1960, 1970, 1980, 1986
(in constant 1986 dollars)

COUNTRY	1960	1970	1980	1986[a]	Percentage Change	
					1970-80	1980-86
Belize	567	815	1082	1012	32.8	- 6.5
Costa Rica	1170	1245	2149	1971	42.1	- 8.0
El Salvador	746	971	1032	892	6.3	-13.6
Guatemala	960	1236	1613	1282	30.5	-20.5
Honduras	616	774	873	780	12.7	-10.6
Panama	1063	1803	2435	2513	35.0	3.2
Wgt Average	881	1145	1475	1294	22.4	-12.3

Average Percentage Change per Year

COUNTRY	1961-80	1971-80	1981-86
Belize	3.3	2.9	-1.1
Costa Rica	3.1	5.6	-1.4
El Salvador	1.6	0.6	-2.4
Guatemala	2.6	2.7	-3.8
Honduras	1.8	1.2	-1.9
Panama	4.2	3.1	0.5
Wgt Average	2.6	2.6	-2.2
Wgt Average without Panama	2.4	2.5	-2.7

Source: PADCO (1988) Tables A.II.1 and A.II.2 in this report.

a/ Preliminary estimates.

TABLE A.II.4
SECTORAL DISTRIBUTION OF GDP: VALUED ADDED BY SECTOR, BY COUNTRY, 1980, 1986
(Millions 1986 dollars)a/

Country	Agriculture b/		Industry c/		Services d/		Total e/	
	1980	1986	1980	1986	1980	1986	1980	1986
Belize f/	38	39	29	28	91	99	158	166
Costa Rica	857	955	1456	1479	2451	2553	4764	4987
E.Salvador	1214	1051	1152	1055	2357	2237	4723	4343
Guatemala	2821	2720	2398	2080	5932	5703	11151	10503
Honduras g/	986	1084	728	760	1520	1676	3234	3520
Panama	490	560	995	968	3274	4069	4759	5597
Total	6406	6409	6758	6370	15625	16337	28789	29116

(Percentages)

Country	Agriculture			Industry			Services		
	1970	1980	1986	1970	1980	1986	1970	1980	1986
Belize	na	24	23	na	18	17	na	58	60
Costa Rica	25	18	19	26	31	30	49	51	51
El Salvador	29	26	24	25	24	24	46	50	52
Guatemala	29	25	26	20	22	20	51	53	54
Honduras	41	31	31	24	22	21	35	47	48
Panama	18	10	10	27	21	17	55	69	73
Wgt Average	28	22	22	23	24	22	49	54	56
Wgt average w/out Panama	30	25	25	23	24	23	47	51	52

Source: IDB (1987) pages 426, 430-434.

a/ All 1986 figures are preliminary estimates.
b/ Includes mining, except for Costa Rica where mining is combined with manufacturing in the national accounts.
c/ Includes manufacturing, electricity, and construction.
d/ Includes commerce, transportation, financial services, government, and other services.
e/ Discrepancies between the aggregated GDP figures and the sectoral figures are caused by lack of adjustments in the sectoral data as presented by IDB. Thus, sectoral figures above were adjusted to conform to the aggregated GDP in IDB Table 3 shown on page 426. The larger distortions were found in the data for Honduras and Panama.
f/ Belize data for 1986 are projections by the World Bank (1986).
g/ At factor costs.

TABLE A.II.5
SECTOR SHARE OF GDP, BY COUNTRY, 1971-1980, 1981-1986
(Average Percentage Change per year)[a]/

Country	1971-1980			1981-1986		
	Agr.	Ind.	Ser.	Agr.	Ind.	Ser.
Costa Rica	-3.2	1.8	0.4	0.9	-0.5	none
El Salvador	-1.1	-0.4	0.8	-1.3	none	0.7
Guatemala	-1.5	1.0	0.4	0.7	-1.6	0.3
Honduras	-2.8	-0.9	3.0	none	-0.8	0.4
Panama	-5.7	-2.5	2.3	none	-3.5	0.9
Wgt. Average	-2.4	-0.4	1.0	none	-1.4	0.6
Wgt. Average w/out Panama	-1.8	0.4	0.8	none	-0.7	0.3

Source: IDB (1987) pages 430-434.

a/ This measure reflects the gradual process of structural economic change in different stages of the development process. In Central America the leading growth sectors in the 1970s were industry in Costa Rica and Guatemala, and services in Honduras and Panama. In the 1980s much less structural change takes place in the region but still a small shift towards increased importance of the service sector is seen in Panama, El Salvador, and Honduras, while agriculture seems to be playing a comparable higher role in the economies of Costa Rica and Guatemala.

TABLE A.II.6
CHANGES IN THE SHARE OF CONSTRUCTION IN GDP, BY COUNTRY, 1960, 1970, 1983-85
(Millions 1986 dollars)

Country	1960	1970	1980	1983	1984	1985	1986a/
Costa Rica	66	113	298	166	205	208	228
El Salvador	58	92	160	132	125	131	136
Guatemala	74	102	351	272	195	176	181
Hondurasb/	72	97	185	182	174	173	159
Panama	78	186	339	290	240	237	249
Total	348	590	1333	1042	939	925	953

Country	(Percentage of GDP)			(Average Percentage Change in Share of GDP per year)	
	1970	1980	1986	1971-80	1981-86
Costa Rica	5.3	6.3	4.6	3.9	-5.1
El Salvador	2.7	3.4	3.1	1.6	-1.5
Guatemala	1.6	3.1	1.7	6.2	-9.5
Honduras	4.6	5.7	4.5	0.5	-3.9
Panama	4.6	7.1	4.4	-1.4	-7.7
Wgt Average	3.4	4.6	3.3	3.1	-5.4
Wgt Average without Panama	2.7	4.1	3.0	4.3	-5.1

Source: IDB (1987) pages 430-434.

a/ Preliminary estimates.

b/ At factor cost.

TABLE A.II.7
CURRENT ACCOUNT BALANCE, BY COUNTRY, 1980, 1984, 1986
(Percentage of GDP)

Country	1980	1984	1986[a]
Belize	-5.8	-13.9	-9.3
Costa Rica	-13.9	-3.2	-2.6
El Salvador	0.7	-1.3	1.2
Guatemala	-1.5	-3.6	-0.3
Honduras	-9.8	-9.0	-4.4
Panama	-6.4	1.9	7.9
Wgt Average	-5.0	-2.9	0.6

Source: IDB (1987) and World Bank (1986).

a/Preliminary estimates

TABLE A.II.8
GROSS DOMESTIC INVESTMENT, BY COUNTRY, 1980, 1984-1986

Country	(Proportion of GDP)			Average Growth GDI p.a. (%)	
	1980	1984	1985	1986[a]	1980-1986
Belize	25.3	21.1	17.5	...	-3.7
Costa Rica	28.5	19.8	21.2	22.5	-3.2
El Salvador	12.5	11.4	10.6	13.0	-0.7
Guatemala	11.4	9.9	8.0	8.2	-6.4
Honduras	25.0	20.1	18.5	16.3	-5.6
Panama	23.6	15.8	14.0	13.6	-6.2
Wgt Average	18.1	14.1	13.1	13.5	-4.6

Source: IDB (1987) and World Bank (1986).

a/ Preliminary estimates.

TABLE A.II.9
DISBURSED TOTAL EXTERNAL DEBT OUTSTANDING, BY COUNTRY, 1980-1986
(Millions of dollars at the end of the year)a/

Country	1960	1970	1980	1983	1984	1985	1986
Belize	49	57	63	68	70	88	95
Costa Rica	2745	3265	3463	4315	4122	4191	4206
El Salvador	915	1131	1405	1680	1709	1735	1770
Guatemala	1166	1394	1601	1853	2437	2596	2665
Honduras	1469	1682	1801	2082	2308	2712	2844
Panama	2969	3316	3933	4389	4413	4710	4929
Total	9313	10844	12265	14388	15059	16032	16509
As % of GDP	32.3						56.7
Per capita ($)	477						734

The wgt average growth rate per year for 1980-85 was 10 percent.

Source: IDB (1987) Table 57 page 463.

a/ Figures may not add due to rounding.

TABLE A.II.10
SERVICE PAYMENTS ON THE EXTERNAL PUBLIC DEBT, BY COUNTRY
(Millions of dollars)

Year	Costa Rica	El Salvador	Guatemala	Honduras	Panama	Total
1970	27.7	9.5	26.1	6.1	30.5	99.9
1975	64.2	54.1	14.1	16.9	72.3	221.6
1977	87.0	69.4	17.2	42.0	161.4	377.0
1978	238.4	29.9	26.1	59.6	565.9	919.9
1979	255.5	33.4	37.3	109.0	386.3	821.5
1980	205.0	41.7	44.9	98.4	465.2	855.2
1981	196.6	47.6	60.4	117.3	493.3	915.2
1982	137.6	68.1	102.7	149.0	618.0	1075.4
1983	600.7	156.0	145.8	120.8	479.7	1503.0
1984	350.1	194.2	194.6	129.9	536.1	1404.9
1985	464.1	195.9	254.8	170.5	431.6	1516.9
As % of GDP(1985)	9.6	4.6	2.4	5.0	7.9	5.3

Source: IDB (1987) Table 65 page 471.

TABLE A.II.11
OFFICIAL DEVELOPMENT ASSISTANCE (ODA), BY COUNTRY, TOTAL, AND PER CAPITA
(Net ODA disbursements from all sources)

Country[a]	Total (millions of dollars)			Per capita (dollars)	
	1980	1985	1980-1985	1980	1985
Costa Rica	65	280	950	29	111
El Salvador	97	345	1390	21	72
Guatemala	73	83	436	11	10
Honduras	223	102	852	60	23
Panama	46	69	314	24	32
Total	504	879	3942	26	40
Wgt Average Annual Change 1980-85 (%)			11.8	9.0	

Source: World Bank (1987), Table 22 pages 244-245.

a/ Comparable data for Belize are not available.

TABLE A.II.12
CENTRAL GOVERNMENT OVERALL SURPLUS OR DEFICIT, BY COUNTRY, 1970, 1980, 1986
(Percentage of GDP)

Country	1970	1980	1986[a/]
Belize[b/]	n.a.	-6.3	-7.9
Costa Rica	0.1	-8.0	-3.6
El Salvador	-1.1	-6.7	-1.8
Guatemala	-1.3	-4.7	-1.4
Honduras	-3.1	-7.7	-5.6
Panama	-4.8	-5.9	-2.0
Wgt Average	n.a.	-5.9	-2.9

Source: IDB (1987) page 438, except for Belize.

a/ Preliminary estimates.

b/ World Bank (1986) estimates for 1985/86.

TABLE A.II.13
CENTRAL GOVERNMENT CURRENT REVENUES, EXPENDITURES, AND OVERALL BALANCE BY COUNTRY, 1980, 1986
(Millions of dollars)

Country	Revenue		Expenditure		Overall Balance		Balance as % of GDP
	1980	1986	1980	1986	1980	1986	1986
Belize[a/]	41	58	54	68	- 13	- 10	6.1
Costa Rica	610	828	991	1007	-381	-180	3.6
El Salvador	538	643	879	817	-340	-174	4.0
Guatemala	1059	945	1583	1134	-524	-189	1.8
Honduras	482	553	734	810	-252	-257	7.3
Panama	947	1228	1136	1254	-189	- 26	0.5
Total	3677	4255	5377	5090	-1700	-835	2.9

Source: IDB (1987) Tables 19 and 20, page 437, except for Belize.

a/ Figures for Belize are for fiscal year starting on April 1 through March 31, for the consolidated nonfinancial public sector, 1980/81 and 1985/86. The most recent figures are preliminary World Bank estimates. See World Bank (1986) Table 5.3 page 143.

TABLE A.II.14
VARIATION IN CONSUMER PRICE INDICES,
BY COUNTRY, 1961-70, 1971-80, 1981-85, 1986
(Percentages)

Country	1961-70	1971-80	1981-85[a/]	1986
Belize	n.a.	1.2	1.2	n.a.
Costa Rica	2.5	11.2	36.4	11.8
El Salvador	0.7	11.0	11.6	31.9
Guatemala	0.8	9.3	7.4	36.9
Honduras	2.2	8.0	5.4	4.4
Panama	1.3	7.1	1.2	- 0.1

Source: IMF, International Financial Statistics, May 1987.

a/ Average annual rate of inflation, estimated by the World Bank (1987) pages 202-203.

TABLE A.II.15
CENTRAL GOVERNMENT SOCIAL EXPENDITURE, BY COUNTRY, 1980, 1985
(Millions 1986 dollars)

Country	Social Expenditure[a]			Education		
	1980	1985	Trend[b] 1980-1985	1980	1985	Trend[b] 1980-1985
Costa Rica	467	412	2.5	295	203	-7.2
El Salvador	293	219	-5.6	161	120	-5.6
Guatemala	669	210	-20.7	201	126	-8.9
Honduras	159	280	12.0	123	161	5.5
Panama	390	446	2.3	214	256	3.6
Total	1978	1567	-4.5	994	866	-2.7
Wgt Average w/out Honduras			-6.7			-4.1

(Percentage of GDP)

Country	Social Expenditure[a]			Education		
	1980	1985	Trend[b] 1980-1985	1980	1985	Trend[b] 1980-1985
Costa Rica	9.8	8.5	-2.8	6.2	4.2	-7.5
El Salvador	6.2	5.1	-3.8	3.4	2.8	-3.8
Guatemala	6.0	2.0	-19.7	1.8	1.2	-7.8
Honduras	4.9	8.2	10.8	3.8	4.7	4.3
Panama	8.1	8.2	0.2	4.5	4.7	0.9
Wgt Average	6.9	5.5	-4.4	3.5	3.0	-3.0

Source: IDB (1987) pages 64, 68.

a/ Including education, health, social security, housing and other social services.

b/ Average percentage change per year during the period.

TABLE A.II.16
URBAN AND RURAL POPULATION, BY COUNTRY, 1960-1986
(Thousand of persons and percent urban)

Country	1960			1970			1980			1986		
	Urb.	Rur.	%	Urb.	Rur.	%	Urb.	Rur.	%	Urb.	Rur.	%
BE a/	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	55	111	33
CR	410	910	31	672	1054	39	1132	1085	51	1252	1278	50
ES	935	1726	35	1089	2450	31	1626	2949	36	2034	2833	42
GT	1347	2574	34	1672	3534	32	2244	4669	33	2680	5515	33
HO	438	1550	22	737	1922	29	1338	2369	36	1824	2690	40
PA	441	779	36	639	905	41	922	1033	47	1147	1080	52
Total	3571	7539	33	4859	9865	33	7262	12251	37	8992	13507	40

Source: IDB (1987) page 422.

a/ For Belize, data on the urban/rural distribution of the population are not available for the period before 1981 (pre-independence). The 1986 figures above are based on World Bank estimates of the number of residents in Belize City when the country gained independence. The proportion of Belize residents to the total in 1981 was used to project the 1986 urban population.

TABLE A.II.17
GROWTH RATES OF THE URBAN POPULATION, BY COUNTRY, 1960-1986
(Average annual percentage change)

Country[a]	1961-70	1971-80	1981-86	1961-86	1971-86
Costa Rica	5.1	5.4	1.7	3.2	4.2
El Salvador	1.5	4.1	3.8	2.2	4.3
Guatemala	2.2	3.0	3.0	2.0	3.2
Honduras	6.0	5.5	5.3	4.2	1.8
Panama	3.8	3.7	3.7	2.8	4.0

(Wgt average population growth rates)

	1961-70	1971-80	1981-86	1961-86	1971-86
Urban Pop.	3.1	4.1	3.6	2.7	3.6
Total Pop.	2.8	2.8	2.4	2.0	2.8

Source: IDB (1987) page 422.

a/ Data for Belize are not available.

TABLE A.II.18
SIZE OF THE LABOR FORCE AND THE FEMALE LABOR FORCE BY COUNTRY, 1950-2000

Country	LABOR FORCE (Thousands of persons)						Percentage per year, 1970-80
	1950	1960	1970	1980	1990	2000	
Belize	n.a.	27	33	46	n.a.	n.a.	n.a.
Costa Rica	294	379	531	777	1023	1297	2.8
El Salvador	684	841	1183	1586	2155	2964	3.1
Guatemala	996	1243	1587	1967	2628	3665	2.9
Honduras	467	618	790	1076	1576	2299	3.9
Panama	314	382	515	657	873	1111	2.9
Total	2755	3490	4639	6112	8282	11336	3.1

Country	FEMALE LABOR FORCE (Thousands of persons)						Percentage per year, 1970-80
	1950	1960	1970	1980	1990	2000	
Belize	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Costa Rica	44	60	96	165	223	293	3.1
El Salvador	112	141	241	295	541	749	3.2
Guatemala	128	153	208	272	430	716	4.7
Honduras	54	76	112	169	297	512	5.8
Panama	60	80	130	172	237	319	3.3
Total	398	510	787	1173	[illegible]	2598	4.0
Percentages	14	15	17	19	21	23	

(Wgt Average Percentage Change per year)

	1961-70	1971-80	1981-90
Total Labor Force	2.9	2.8	3.1
Female Labor Force	4.4	4.1	4.0

Source: IDB (1987) page 98.

TABLE A.II.19
AVERAGE GROWTH OF THE LABOR FORCE, ACTUAL AND PROJECTED, BY SEX, BY COUNTRY, 1950-2000
(Average percent rate per year)

Country		1951-1960	1961-1970	1971-1980	1981-1990	1991-2000
Belize	Total	n.a.	2.1	3.4	n.a.	n.a.
	Male	n.a.	2.1	2.7	n.a.	n.a.
	Female	n.a.	2.0	5.9	n.a.	n.a.
Costa Rica	Total	2.6	3.4	3.9	2.8	2.4
	Male	2.5	3.1	3.5	2.7	2.3
	Female	3.2	4.3	5.6	3.1	2.8
El Salvador	Total	2.1	3.5	3.0	3.1	3.2
	Male	2.0	3.0	2.4	3.1	3.2
	Female	2.3	5.5	5.1	3.2	3.3
Guatemala	Total	2.2	2.5	2.2	2.9	3.4
	Male	2.3	2.4	2.1	2.6	3.0
	Female	1.8	3.1	2.7	4.7	5.2
Honduras	Total	2.8	2.5	3.2	3.9	3.9
	Male	2.8	2.3	3.0	3.5	3.4
	Female	3.5	4.0	4.2	5.8	5.8
Panama	Total	2.0	3.0	2.5	2.9	2.5
	Male	1.7	2.5	2.3	2.7	2.2
	Female	2.9	5.0	2.8	3.3	3.0
Wgt Average	Total	2.4	2.9	2.8	3.1	3.2
	Male	2.4	2.6	2.5	2.8	3.0
	Female	2.6	4.4	4.1	3.9	4.2

Source: IDB (1987) pages 90-91, except for Belize, for which World Bank (1986) data are used.

TABLE A.II.20

DISTRIBUTION OF THE LABOR FORCE BY SECTOR, CENTRAL AND LATIN AMERICA, 1950, 1960, 1970, 1980

Year	CENTRAL AMERICAa/				LATIN AMERICAb/			
	AGR	IND	SER	Total	AGR	IND	SER	Total
	(Thousands of persons)							
1950	1812	373	566	2756	29568	10561	14553	54682
1960	2167	501	794	3462	32702	14095	20931	66728
1970	2588	748	1269	4605	35766	19987	31024	86777
1980	2903	1116	2047	6066	38233	30413	49460	118106

Year	CENTRAL AMERICAa/			LATIN AMERICAb/		
	AGR	IND	SER	AGR	IND	SER
	(Percentage)					
1950	66	14	21	54	19	27
1960	63	14	23	48	21	31
1970	56	16	28	41	23	36
1980	48	18	34	32	26	42

Years	CENTRAL AMERICAa/				LATIN AMERICAb/			
	AGR	IND	SER	Total	AGR	IND	SER	Total
	(Average Percentage Change per Year)							
1951-60	1.8	2.9	3.4	2.3	1.0	2.9	3.7	2.0
1961-70	1.8	4.1	4.8	2.9	0.9	3.6	2.7	2.7
1971-80	1.2	4.1	4.9	2.8	0.7	4.3	3.1	3.1
1951-80	1.6	3.7	4.4	2.7	0.9	3.6	2.6	2.6

CENTRAL AMERICAN RATIO OF GDP BY SECTOR TO LABOR FORCE SIZE, 1980

Sector	GDP (US$ 1986 M)	Workers (Thousands)	Ratio: GDP per Worker	Rank (%)
Agriculture	6,406,000	2,903	$2,207	47
Industry	6,758,000	1,116	$6,056	128
Services	15,625,000	2,047	$7,633	161
Total	28,789,000	6,066	$4,746	100

Source: IDB (1987) pages 89-99.

a/ Excluding Belize and Nicaragua.

b/ Listed in IDB (1987) page 89.

TABLE A.II.21
FLUCTUATIONS IN URBAN UNEMPLOYMENT RATES, BY COUNTRY, PER YEAR, 1978-1986
(Percentages)

Country	1978-80	1981	1982	1983	1984	1985	1986
Belize	14.2a/	n.a.	n.a.	14.2	14.0	15.1	n.a.
Costa Rica	5.7	9.1	9.9	8.7	6.6	6.7	6.7
El Salvador	16.2b/	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Guatemala	2.2c/	2.7	4.7	7.6	9.7	12.9	16.3
Honduras	8.8c/	9.0	9.2	9.5	10.7	11.7	n.a.
Panama	10.3	11.8	10.4	11.2	11.1	15.2	14.2

Source: For all countries but Belize and El Salvador, IDB (1987 page 20) prepared with PRELAC and ECLA data, based on official figures. Figures for Belize are based on World Bank (1986) data and include both rural and urban unemployment. For El Salvador, the data are from World Bank, Report No. 5939-ES, "El Salvador Country Economic Memorandum," Washington, D.C. 1986.

a/ Urban and rural unemployment.

b/ Urban and rural unemployment estimated for 1980.

c/ Figure is for 1980 only.

TABLE A.II.22
ENROLLMENT IN FIRST, SECOND AND THIRD LEVELS OF EDUCATION, BY COUNTRY, 1950-1984
(Thousands of persons)a/

Countries	1950		1960		1970		1980		1984	
	I+II	III	I+II	III	I+II	III	I+II	III	I+II	III
Costa Rica	110	2	226	5	410	16	485	56	468	60
El Salvador b/	155	1	332	2	598	10	907	17	968	57
Guatemala b/	173	2	327	5	582	16	960	51	1155	47
Honduras c/	81	1	220	2	422	4	728	26	902	34
Panama	129	2	201	4	334	8	509	40	521	52
Total	648	8	1306	18	2346	54	3589	190	4014	250

(Average Percentage Change per Year)

Country	1950-1984	
	Levels I+II	Level III
Costa Rica	4.4	11.5
El Salvador	5.5	12.0
Guatemala	5.7	9.2
Honduras	7.3	11.6
Panama	4.2	11.0
Wgt Average	5.5	10.9

Source: IDB (1987) pages 107-108.

a/ Figures may not add up due to rounding.

b/ The last figures (1984) for Level III are for 1983.

c/ The last set of figures (1984) are for 1985.

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TABLE A.II.23
ENROLLMENT IN FIRST AND SECOND LEVELS OF EDUCATION, BY COUNTRY, 1960-1984
(Percentage of total population)a/

Country					Average Rate Percentage rate of change per year	
	1960	1970	1980	1984	1960-84	1980-84
Costa Rica	17.1	23.8	21.9	19.3	0.5	-3.1
El Salvador	12.5	16.9	19.8	20.5	2.1	0.9
Guatemala	8.3	11.2	13.9	14.9	2.5	1.8
Honduras	11.1	15.6	19.6	21.3	2.8	2.1
Panama	16.5	21.6	26.0	24.4	1.6	-1.6
Wgt Average	11.7	15.8	18.4	18.8	2.0	0.5

Source: Table III-22.

a/ Because population figures by age cohorts were not available, a less precise indicator (the ratio enrollment to total population) had to be used.

ANNEX III

LIST OF PERSONS CONTACTED

LIST OF PERSONS CONTACTED

WASHINGTON, DC

Alex Sundermann, Project Officer, Development Resources Office, Bureau for Latin America and the Caribbean, AID

Ted Priftis, Vice President, Cooperative Housing Foundation (CHF)

Bill James, Controller, CHF

GUATEMALA

Ray Ocasio, Country Director, CHF

Joe Lombardo, Office of Private Enterprise Development, USAID/Guatemala

Barry Lennon, Office of Agriculture and Rural Development, USAID/Guatemala

Rodolfo Samayoa, Managing Director, Instituto de Fomento de Hipotecas Aseguradas (FHA)

Marco A. Cornejo, Managing Director, Federacion Nacional de Cooperativas de Vivienda (FENACOVI)

Francisco Perez, Managing Director, Federacion Nacional de Cooperativas de Ahorro y Credito (FENACOAC)

Antonio Ronquillo, Deputy Managing Director, FENACOAC

Hildebrando Cumes, Executive Director, Hogar y Desarrollo (HODE)

Lesbia Galvez, Chief, Social Work Division, HODE

Guillermo Lainfiesta, Administrator, HODE

Rafael Escobar, President, Banco de la Vivienda (BANVI)

Zoemia Prado, Executive Director, Consejo Superior de Desarrollo Rural (COSUDER)

Roberto Suarez, Project Manager of "El Modelo," FENACOVI

Cecilio H. Batres, Manager, "El Modelo" Cooperative (Escuintla)

Luis Salazar, Manager, "Union Popular" Cooperative (Tiquisate)

Wilma Leiva, Credit Officer, "Union Popular" Cooperative (Tiquisate)

Cristofer Ordonez, Technical Officer, "Union Popular" Cooperative (Tiquisate)

Fredy Hernandez, Salesperson, Rosales Castro (Firm in charge of sales for private developer)

HONDURAS

Eduardo Perez, Country Director, CHF

Florencia Garcia, Deputy Country Director, CHF

Lars Klaussen, Chief, Finance Division, USAID/Honduras

Peter Kranstoner, Deputy Chief, Finance Division, USAID/Honduras

Margarita C. Burchard, Financial Officer, USAID/Honduras

Alexi Panchal, Acting Assistant Director, RHUDO/Tegucigalpa

Pompilio Torres, Managing Director, Federacion Hondureno de Cooperativas de Vivienda (FEHCOVIL)

Alfredo Romero, Chief, Administration, FEHCOVIL

Marco Tulio Mejia, Chief, Social Work, FEHCOVIL

Emilio Nasser, Chief, Engineering, FEHCOVIL

Ismael Velasquez, Construction Supervisor ("Esperanza de Jesus"), FEHCOVIL

Arnando Guiza, Managing Director, Federacion Associaciones Cooperativas de Ahorro y Credito (FACACH)

Rolando Cruz, Financial Manager, FACACH

Eduardo Aguilar, Manager, "Renovacion Pacena" Cooperative (La Paz)

Harold Nightinger, Peace Corps Volunteer, "Renovacion Pacena" Cooperative (La Paz)

Dulce de Ochoa, Managing Director, Centro San Juan Bosco (Tela)

Angel Velasquez, Manager Housing Program, Centro San Juan Bosco (Tela)

Robert Love, Peace Corps Volunteer, Centro San Juan Bosco (Tela)

Enrique Villanueva, Construction Supervisor, Centro San Juan Bosco (Tela)

Rodolfo Gradiz, Executive Director, Instituto para el Desarrollo Hondureno (IDH)

Nedy Zelaya, Regional Supervisor (Siguatepeque), IDH

Osman O. Medina, Manager, Asociacion de Promocion Humana (APRHU)

Marcial Flores, Chief, Credit Department, Fondo de Vivienda (FOVI)

BELIZE

Dennis Wallace, Country Director, CHF

Neboysha Brachich, Mission Director, USAID/Belize

Sam Dowding, Health Officer, USAID/Honduras

Ned Pitts, President, Belize Credit Union League (BCUL)

William Tillett, Chairman, BCUL

Dennis Jones, Former Executive Director, BCUL

Nick Jones, Acting Executive Director, BCUL

Tom Morrison, Building Technician, BCUL

George Smith, Field Project Officer, BCUL

Glennis Hernandez, Administrative Officer, Belize Agency for Rural Development (BARD)

Eloy Waight, Field Officer, BARD

Ariel Mitchell, Partner, Mitchell-Moody Associates (CHF local architects)

EL SALVADOR

Henry Richards, Country Director, CHF

Jesus Valencia, Architect, CHF

Mabel Artiga Engineer, CHF

Manibel Granadeno, Social Worker, CHF

Bastiaan Schouten, Deputy Mission Director, USAID/El Salvador

Kraig Baier, Housing Officer, USAID/El Salvador

Arcides Flores, PSC, USAID/El Salvador

Roberto Carrion, PSC, USAID/El Salvador

Hector Cordova, General Manager, Federacion de Asociaciones Cooperativas de Ahorro y Credito de El Salvador (FEDECASES)

Berta Mena Chavez, Credit Analyst, FEDECASES

Rene Garcia, Manager, "ACCOVI" Cooperative (San Vincente)

Luisa E. de Arevalo, Manager, "Sihuacoop" Cooperative (Santa Ana)

Maria Teresa Ramirez, Manager, "ACACME" Cooperative (Sonsonate)

COSTA RICA

Mike Doyle, Country Director, CHF

John Jones, General Development Division, USAID/Costa Rica

Ray Baum, General Development Division, USAID/Costa Rica

Jeff Boyer, Housing Officer, USAID/Costa Rica

Miguel Murillo, General Manager, Banco Hipotecario de la Vivienda (BANHVI)

Rodolfo Taesan, Program Director, BANHVI

Edwin Salas, Manager, Operations, BANHVI

Jorge Vargas, Credit Director, Fondo Subvencionado de Vivienda (FOSUVI)

Oscar Alvarado, Manager, Housing, Federacion Nacional de Cooperativas de Ahorro y Credito y Serveios Multiples (FEDECREDITO)

Alicia Soto de Cordero, Credit Officer, "CoopeAlianza" Cooperative

ANNEX IV

INDICATORS OF CHF COUNTERPART INSTITUTIONS

TABLE A.IV.1
CHF CENTRAL AMERICAN PROGRAM:
INVESTMENTS BY INSTITUTION, 1985-87
(Thousands of Dollars)

Source of Funds	Type of Institution				
	Cooperatives:		Co-op Total	Other	Total
	Credit Union	Housing			
CHF Loans and Grants:					
1985-86	1912.7	1601.6	3514.3	201.5	3715.8
1987	372.5	277.7	662.0	386.0	1036.2
Counterpart Funds:					
1985-87	883.4	786.9	1670.3	310.7	1981.0
TOTAL[a/]	3164.4	2666.2	5829.6	898.2	6727.8
(As %)	(47.0)	(39.6)	(86.6)	(13.6)	(100.0)

Source: PADCO, based on CHF data on loans and grants signed as of 12/31/87.

a/ Excludes $79,098 in CHF funds used for regional training.

TABLE A.IV.1(a)
CHF CENTRAL AMERICAN PROGRAM - INVESTMENTS BY INSTITUTION, 1985-86, 1987
(Thousands of dollars)

No.	Institutions/ Country	CHF Investments in Loans and Grants		Total by Source 1985-87		
		1985-86	1987	CHF	Counterpart	Total
(10)	Credit Unions	1912.7	372.5	2285.2	883.4	3168.6
1.	Colac (RE)	118.4	0.0	118.4	0.0	118.4
2.	Fenacoac (GT)	360.0	0.0	360.0	87.5	447.5
3.	Facach (HO)	260.0	3.3	264.5	250.0	514.5
4.	Fedecaces (ES)	539.5	0.0	539.5	164.0	703.5
5.	Fedpa (PA)	260.0	0.0	260.0	162.2	422.2
6.	BCUL (BE)	318.0	0.0	318.0	60.0	378.0
7.	Ring Tail (BE)	56.8	0.0	56.8	31.9	88.7
8.	Coopalianza (CR)a/	0.0	5.0	5.0	62.4	67.4
9.	Coopesparza (CR)a/	0.0	3.0	3.0	40.4	43.4
10.	Fedecredito (CR)	0.0	360.0	360.0	25.0	385.0
(4)	Housing Coops	1601.6	277.7	1879.3	786.9	2666.2
1.	Hode (GT)	450.0	0.0	450.0	181.4	631.4
2.	Fenacovi (GT)	312.7	132.0	444.7	330.0	774.7
3.	Fehcovil (HO)	785.9	36.1	822.0	165.0	987.0
4.	Fundavico (PA)	53.0	109.6	162.6	110.5	273.1
(14)	All Cooperatives	3514.3	650.2	4164.5	1670.3	5834.8
(8)	Others (Percentage)	201.5	386.0	587.5 (65.4)	310.7 (34.6)	898.2 (100.0)
1.	Cosuder (GT)	0.0	153.0	153.0	0.0	153.0
2.	ASJO (HO)	27.5	0.0	27.5	70.2	97.7
3.	IDH (HO)	0.0	92.0	92.0	37.5	129.5
4.	CSJB (HO)	149.0	0.0	149.0	22.8	171.8
5.	APRHO (HO)	0.0	16.0	16.0	4.6	20.6
6.	NCHC (PA)	0.0	10.0	10.0	2.0	12.0
7.	BARC (BE)	25.0	0.0	25.0	5.0	30.0
8.	ADEPSA (CR)	0.0	115.0	115.0	168.6	283.6
(22)	GRAND TOTALb/	3715.8	1036.2	4752.0	1981.0	6733.0

Source: PADCO based on CHF data on loans and grants signed as of 12/31/87

a/ The loan funds for Coopalianza and Coopesparta in the amount of $170,000 and $90,000 respectively, were made through Fedecredito.

b/ Excludes $79,098 in CHF funds budgeted for regional training.

TABLE A.IV.1(b)
CHF CENTRAL AMERICAN PROGRAM - INVESTMENTS BY INSTITUTION, 1985-86, 1987
(Percentages)

No.	Institutions/ Country	CHF Investments in Loans and Grants		Total by Source 1985-87		
		1985-86	1987	CHF	Counterpart	Total
(10)	Credit Unions	51.5	35.9	48.1	44.6	47.1
1.	Colac (RE)	3.2		2.5		1.8
2.	Fenacoac (GT)	9.7		7.6	4.4	6.6
3.	Facach (HO)	7.0	0.4	5.6	12.6	7.6
4.	Fedecaces (ES)	14.5		11.3	8.3	10.4
5.	Fedpa (PA)	7.0		5.5	8.2	6.3
6.	BCUL (BE)	8.6		6.7	3.0	5.6
7.	Ring Tail (BE)	1.5		1.2	1.6	1.3
8.	Coopalianza (CR)a/		0.5	0.1	3.2	1.0
9.	Coopesparza (CR)a/		0.3	0.0	2.0	0.6
10.	Fedecredito (CR)		34.7	7.6	1.3	5.7
(4)	Housing Coops	43.1	26.8	39.5	39.7	39.6
1.	Hode (GT)	12.1		9.5	9.1	9.4
2.	Fenacovi (GT)	8.4	12.7	9.3	16.7	11.5
3.	Fehcovil (HO)	21.2	3.5	17.3	8.3	14.7
4.	Fundavico (PA)	1.4	10.6	3.4	5.6	4.0
(14)	All Cooperatives	94.6	62.7	87.6	84.4	86.7
(8)	Others	5.4	37.3	12.4	15.7	13.3
1.	Cosuder (GT)		14.8	3.2		2.3
2.	ASJO (HO)	0.7		0.6	3.5	1.5
3.	IDH (HO)		8.9	1.9	1.9	1.9
4.	CSJB (HO)	4.0		3.1	1.2	2.6
5.	APRHO (HO)		1.5	0.3	0.2	0.3
6.	NCHC (PA)		1.0	0.2	0.1	0.2
7.	BARC (BE)	0.7		0.5	0.3	0.4
8.	ADEPSA (CR)		11.1	2.4	8.5	4.2
(22)	GRAND TOTAL b/	100.0	100.0	100.0	100.0	100.0
	(US$ thousands)	3715.8	1036.2	4752.0	1981.0	6733.0
	(Percentages)	55.2	15.4	70.6	29.4	100.0

Source: PADCO, Table VI-1.

a/ Figures correspond to grants only, CHF loans to these two cooperatives were made through Fedecredito.

b/ Excluding CHF funds budgeted for regional training.

TABLE A.IV.2
DISTRIBUTION OF CHF LOANS AND GRANTS BY TYPE OF INSTITUTION, 1985-87
(Thousands of Dollars)

Source of Funds	Type of Institution				
	Cooperatives:		Others:		Total
	Credit Union	Housing	All	without ADEPSA	
CHF Loans					
($)	2072.8	1682.6	500.5	385.5	4255.9
(%)	48.7	39.5	11.8	9.1	100.0
CHF Grants					
($)	212.4	196.7	87.0	87.0	496.1
(%)	42.8	39.6	17.5	17.5	100.0
CHF Total					
($)	2285.2	1879.3	587.5	472.5	4752.0
(%)	48.1	39.5	12.4	9.9	100.0
Counterpart Funds					
($)	883.4	786.9	310.7	142.1	1981.0
(%)	44.6	39.7	15.7	7.2	100.0
Counterpart/CHF Ratio (%)	38.7	41.9	52.9	30.1	41.7
Grant/Loan Ratio (%)	10.2	11.7	17.4	22.6	11.7

Source: PADCO, based on CHF data on signed loans and grants as of 12/31/87.

TABLE A.IV.3
BASIC CHARACTERISTICS OF THE CENTRAL AMERICAN NATIONAL CREDIT UNION FEDERATIONS

Country[a]	Name[b]	Foundation Year	Affiliated Coops (#)	Estimated Membership	Permanent Staff
REG	COLAC	1970	15	n.a.	n.a.
CR	FEDECREDITO	1963	51	132,763	n.a.
ES	FEDECACES	1966	44	18,000	49
GT	FENACOAC	1963	67	88,600	42
HO	FACACH	1966	90	45,000	75
PA	FEDPA	1961	128	41,000	54
BE	BCUL	1957	22	13,000	n.a.
Wgt. Average[c]		1963	67	67,673	55
Total[c]			402	338,363	

Source: PADCO.

[a]The country codes are the following:
REG (Regional), BE (Belize), CR (Costa Rica), ES (El Salvador), GT (Guatemala), HO (Honduras), and PA (Panama).

[b]In Honduras the two local cooperatives (Alianza and Esparta) are affiliated with Fedecredito, and in Belize, one local cooperative (Ring Tail) is affiliated with BCUL.

[c]Excluding COLAC, which is the regional savings and loans cooperative confederation.

TABLE A.IV.4
BASIC CHARACTERISTICS OF THE HOUSING COOPERATIVES
PARTICIPATING IN THE CHF CENTRAL AMERICAN PROGRAM

Country	Name	Foundation Year	Affiliated Coops (#)	Estimated # of Housing Units Produced (1970-85)
GT	Fenacovi	1976	20	a/
GT	HODE	1972	14b/	330
HO	Fehcovil	1963	32	2,620
PA	Fundavico	1967	9	1,200c/

Source: PADCO.

a/ Fenacovi executed nine projects in the 1970s, as part of the earthquake reconstruction effort but information on the number of units built is not available. Between 1980 and 1985, Fenacovi completely halted its housing production.

b/ The majority of the cooperatives affiliated to HODE are not housing cooperatives; 11 are communities receiving assistance for collective betterment project.

c/ Incomplete data.

ANNEX V

INDIVIDUAL CHF COUNTRY PROGRAM DATA

- FINANCIAL PERFORMANCE
- PHYSICAL OUTPUTS
- COUNTERPART FUNDING
- AFFORDABILITY ANALYSIS

TABLE A.V.1
FINANCIAL PERFORMANCE - CHF/GUATEMALA a/
CENTRAL AMERICA PROGRAM
OCTOBER 1987

LOAN/GRANT/TA	INSTITUTION	AMOUNT BUDGETED (Q)	AMOUNT DISBURSED (Q)	PERCENT DISBURSED
1. G/GR/1	FENACOVI	Q 60,470	60,470	100.0
2. G/GR/4	"	188,990	96,133	50.9
3. G/L/4 (EL MODELO)	"	600,000	600,000	100.0
4. TA-G/L/4	"	13,000	12,330	94.9
5. G/L/9 (MOFANG)	"	600,000	0	0.0
6. TA-G/L/9	"	0	0	0.0
7. G/L/8 (KA CHOCHE)	"	330,000	54,225	16.4
8. G/L/5 (XELAJU)	"	594,000	0	0.0
9. TA-G/L/8	"	15,625	14,640	93.7
sub-total	FENACOVI	Q 2,402,085	Q 837,798	34.9
1. G/GR/2	FENACOAC	Q 26,000	Q 26,000	100.0
2. G/L/1	"	1,000,000	507,737	50.8
3. TA-G/L/7 (S. JOSE OBRERO)	"	41,118	41,118	100.0
4. TA-G/L/1	"	11,100	10,849	97.7
sub-total	FENACOAC	Q 1,078,218	Q 585,704	54.3
1. G/GR/3	HODE	Q 62,500	Q 45,000	72.0
2. G/L/3	"	1,062,500	563,532	53.0
3. TA-G/L/3	"	8,184	5,484	67.0
sub-total	HODE	Q 1,133,184	Q 614,016	54.2%
1. G/GR/6	COSUDER	Q 92,250	Q 64,818	70.3
2. G/L/6	"	60,000	0	0.0
3. TA-G/L/6	"	1,625	1,500	92.[illegible]
sub-total	COSUDER	Q 153,875	Q 66,318	43.1
	LOANS	Q 4,246,500	Q 1,725,494	40.6
	GRANTS	430,210	292,421	68.0
	TA	90,652	85,921	94.5
		Q 4,767,362	Q 2,103,836	44.1%

TOTAL GRANTS/LOANS BUDGETED US$ 3,160,000

PERCENT PROGRAMMED/COMMITTED 61.2%

Source: PADCO elaboration of CHF budget information

a/ Assumes average exchange rate on lending of Q 2.47 = US$ 1.00.

TABLE A.V.1 (continued)

LOAN/GRANT/TA	LOAN/GRANT AMOUNT (US $)
G/GR/1	$ 24,108
G/GR/4	75,596
G/L/4 (EL MODELO)	240,000
G/L/9 (MOFANG)	240,000
G/L/8 (KA CHOCHE)	132,000
G/L/5 (XELAJU)	261,600
G/GR/2	10,000
G/L/1 (FENACOAC)	350,000
G/GR/3	25,000
G/L/3	425,000
G/GR/6	32,500
G/L/6 (COSLDER)	117,000
	US$ 1,932,804

TABLE A.V.2
PHYSICAL OUTPUTS AND NUMBER OF BENEFICIARIES BY LOAN - CHF/GUATEMALA
CENTRAL AMERICA PROGRAM
OCTOBER 1987

LOAN	Community Improvement & Services		Self-Help Housing Coops		Home Improvements	Small Business Loans	Loans to Building Materials Production Centers	Estimates of Total Number of Beneficiaries	Institutions Strengthened
	Number of NIC/VIC	Households	# of Coops	Units	Number of Loans				
G/L/1 (FENACOAC)	-	-	-	-	261 (to date) 253 (programmed) a/	-	-	1,305 (to date) 1,265 (programmed)	1 TSO (FENACOAC) 4 Credit Unions
G/L/3 (HODE)	-	-	1	193 (total) urbanization: 80% complete units: 10% complete	0 (to date) 63 (programmed) b/	-	-	0 (to date) 1,290 (programmed)	1 TSO (HODE) 1 Housing Coop
G/L/4 (EL MODELO)	-	-	1	141 (complete & repair units, finish infra.) finished	-	-	-	705 (actual)	1 TSO (FENACOVI) 1 Housing Coop
G/L/5 (XELAJU)	-	-	1	93 (infra. & core units) to construct	-	-	-	0 (to date) 465 (programmed)	1 TSO (FENACOVI) 1 Housing Coop
G/L/6 (COSUDER)	7 (programmed)	593 (programmed)	-	-	0 (to date) 100 (programmed) c/	-	-	0 (to date) 3,465 (programmed)	1 TSO (COSUDER) 7 VICs
G/L/8 (KA CHOCHE)	-	-	-	-	22 (to date) 198 (programmed) d/	-	-	110 (to date) 990 (programmed)	1 TSO (FENACOVI) 1 Housing Coop
G/L/9 (MOFANG)	-	-	1	198 (complete infra. & units)	-	-	-	0 (to date) 990 (programmed)	1 TSO (FENACOVI) 1 Housing Coop
TOTAL ACTUAL/PROGRAMMED CHF/GUATEMALA PROGRAM	7 (programmed)	593 (programmed)	4	141 (completed) 193 (under construct'n) — 625 291 (programmed)	283 (authorized) — 897 614 (programmed)	-	-	2,120 (to date) — 10,575 8,455 (programmed)	4 TSOs (actual) 9 H.C.T.U. (actual) 7 VICs (programmed)
PROPOSED CHF/GUATEMALA PROGRAM (original)	8	2,720	2	121	455	12	13	17,375	-

Source: PADCO elaboration of CHF information

a/ Based on average HIP loan of Q 2,432 as of September 30, 1987.

b/ On basis of Q 1,000 per loan.

c/ On basis of Q 300 per loan (Q 30,000 available).

d/ On basis of Q 1,500 per loan.

TABLE A.V.4
AFFORDABILITY ANALYSIS - CHF/GUATEMALA
CENTRAL AMERICA PROGRAM
OCTOBER 1987

LOAN	FINANCIAL TERMS	LOAN AMOUNT (Q)	MONTHLY PAYMENT (Q)	MONTHLY PAYMENT AS A PERCENTAGE OF ESTABLISHED MEDIAN %	AFFORDABLE BELOW MEDIAN	BENEFICIARIES BELOW MEDIAN a/
G/L/1 (FENACOAC)	15%, 5 yrs.	Q 2,432	Q 58	12 b/	yes	39.4% above
G/L/3 (HODE)	12%, 10 yrs., Q 200 down	4,100	59 (m.p.) 6 (admin./oper.)	14 b/	yes	31.5% above
G/L/4 (EL MODELO)	12%, 20 yrs., Q 325 down	11,000	135 (m.p.) 8 (admin./oper.)	30 b/	marginally	58.2% above
G/L/5 (XELAJU)	12%, 12 yrs., Q 950 down	8,939	117	21 c/	yes	yes
G/L/6 (COSUDER)	12%, 3 yrs.	300	10	10 d/	yes	n.a.
G/L/8 (KA CHOCHE)	12%, 5 yrs.	1,500	33	17 e/	yes	n.a.
G/L/9 (MOFANG)	12%, 12 yrs., Q 200 down	5,253 f/	69 (m.p.) 3 (admin./over.)	15 b/	yes	yes

Source: PADCO elaboration of CHF information.

a/ Calculated from household income distribution of beneficiary group.

b/ Assumes median non-metropolitan area income of Q 467 per month.

c/ Assumes median income of Q 550.

d/ Assumes median income of Q 100.

e/ Assumes median income of Q 200.

f/ Effective loan amount based on recovery of CHF/FENACOVI loan at 12%, 12 years, plus recovery of historic BANDESA/FENALCOVI loans at various recovery periods and zero interest.

TABLE A.V.5
FINANCIAL PERFORMANCE - CHF/HONDURAS a/
CENTRAL AMERICA PROGRAM
OCTOBER 1987

LOAN/GRANT/TA	INSTITUTION	AMOUNT BUDGETED (Lps)	AMOUNT DISBURSED (Lps)	PERCENT DISBURSED
1. H/L/1A (HIP/NIC) 2. H/L/1B (SHHC) 3. H/GR/1 4. H/L/3 (SHHC)	FEHCOVIL " " "	Lps 525,000 175,000 144,013 800,000	Lps 508,638 35,000 108,013 0	96.9 20.0 75.0 0.0
sub-total	FEHCOVIL	Lps 1,644,013	Lps 651,651	39.6
1. H/L/2 (HIP) 2. H/GR/3	FACACH "	Lps 500,000 28,960	Lps 500,000 28,960	100.0 100.0
sub-total	FACACH	Lps 528,960	Lps 528,960	100.0
1. H/L/4 (COM. SERVICES)	ASJO	Lps 55,000	Lps 55,000	100.0
1. H/L/5 (BMPC) 2. H/GR/5	IDH "	Lps 160,000 24,000	Lps 40,000 6,000	25.0 25.0
sub-total	IDH	Lps 184,000	Lps 46,000	25.0
1. H/L/6 (HIP/SHHC) 2. H/GR/4	CSJB "	Lps 240,000 58,000	Lps 240,000 58,000	100.0 100.0
sub-total	CSJB	Lps 298,000	Lps 298,000	100.0
1. H/L/7 (SHHC)	APHRU	Lps 32,000	Lps 32,000	100.0
		Lps 2,741,973	Lps 1,611,611	58.8

TOTAL FUNDS AVAILABLE	US$ 1,430,000
LOANS/GRANTS COMMITTED	1,370,987
LOANS/GRANTS PROGRAMMED	48,000
TOTAL GRANTS/LOANS COMMITTED/PROGRAMMED	1,418,986
PERCENT OF AVAILABLE FUNDS COMMITTED/PROGRAMMED	99.2

Source: PADCO elaboration of CHF budget information

a/ **Assumes** exchange rate on lending of Lps 2.00 = US$ 1.00.

TABLE A.V.6
PHYSICAL OUTPUTS AND NUMBER OF BENEFICIARIES BY LOAN - CHF/HONDURAS
CENTRAL AMERICA PROGRAM
NOVEMBER 1987

LOAN	Community Improvement and Services		Self-help Housing Coops		Home Improvements	Small Business Loans	Loans to Building Materials Production Centers	Estimates of Total Number of Beneficiaries	Institutions Strengthened
	# of NIC/VIC	house-holds	Number of Coops	Units	Number of loans				
H/L/1A - HIP/NIC (FEHCOVIL)	-	-	-	-	294 (completed) 34 (programmed) a/	-	-	1,470 (actual) 170 (programmed)	1 TSC 5 Housing Coops 1 NIC
H/L/1B - SHHC (FEHCOVIL)	-	-	1 (actual) 1 (programmed)	15 (under construction) 20 (programmed) a/	-	-	-	0 (actual) 175 (programmed)	1 TSC 1 Housing Coop (actual) 1 Housing Coop (programmed)
H/L/2 (FACACH)	-	-	-	-	178 (actual) 106 (programmed)	-	-	890 (actual) 530 (programmed)	1 TSC 4 Credit Unions
H/L/3 (FEHCOVIL)	-	-	0 (actual) 2 (programmed)	0 (actual) 75 (programmed)	-	-	-	0 (actual) 375 (programmed)	1 TSC (actual) 2 Housing Coops (programmed)
H/L/4 (ASJO)	-	-	1 (actual)	50 (specific infra. components under constr.)	-	-	-	250 (programmed)	1 Local PVO
H/L/5 (IDH)	-	-	-	-	-	-	23 (actual) 117 (programmed)	115 (actual) 585 (programmed)	1 Main PVO Office 3 Branch Offices
H/L/6 (CSJB)	-	-	1	47 (complete)	41 (complete)	-	-	440 (actual)	1 Local PVO
H/L/7 (APHRU)	-	-	1	13 (complete)	-	-	-	65 (actual)	1 Local PVO
TOTAL ACTUAL/ PROGRAMMED CHF/HONDURAS PROGRAM	-	-	4 (actual) 3 (programmed)	60 (completed) 65 (under constr.) 95 (programmed) = 220	513 (authorized) 160 (programmed) = 673	0	18 (auth.) 122 (prog.) = 140	2,955 (to date) 2,110 (prog.) = 5,065	[illegible] TSCs 4 Local PVOs 5 Housing Coops (actual) 3 Housing Coops (programmed) 4 Credit Unions 3 IDH Branch Offices
PROPOSED CHF/HONDURAS (original)	17	5,723	3	306	504	11	11	33,435	-

Source: PADCO elaboration of CHF information

a/ Based on average loan amount to date.

TABLE A.V.7
COUNTERPART FUNDING AND MOBILIZATION OF ADDITIONAL RESOURCES - CHF/HONDURAS
CENTRAL AMERICA PROGRAM
NOVEMBER 1987

LOAN	COUNTERPART FUNDING (Lps)			ADDITIONAL RESOURCES GENERATED BY CHF FINANCIAL INTERMEDIARY FOR SIMILAR PROGRAMS (Lps)	RESOURCES GENERATED BY OTHER LOCAL PUBLIC/PRIVATE SECTOR INSTITUTIONS (Lps)	OTHER (AID, etc.)
	CASH	IN-KIND	OTHER			
H/L/IA (FEHCOVIL)	Lps 72,663 (actual) 2,337 (programmed) (FEHCOVIL %)	--	--	--	--	--
H/L/1B (FEHCOVIL)	5,000 (actual) 20,000 (programmed) (FEHCOVIL %)	--	--	--	--	--
H/L/2 (FACACH)	0 (actual) 250,000 (programmed - FACACH) 250,000 (programmed - Coops)	--	--	--	--	--
H/L/3 (FECOVIL)	106,000 (programmed) (admin., etc.)	126,000 (programmed) (land)	--	--	--	--
H/L/4 (ASJO)	0 (actual)	0 (actual)	--	--	--	--
H/L/5 (IDH)	17,000 (actual) 63,000 (programmed)	--	--	--	--	--
H/L/6 (CSJB)	--	46,000 (actual) (land) 36,000 (actual) (office space, use of company vehicles, etc.)	--	Lps 27,762 (actual)	--	--
H/L/7 (APHRU)	6,743 (actual) (water & sewage) 3,414 (actual) (drainage) 2,197 (actual) (labor) 2,602 (actual) (admin., etc.)	8,390 (actual) (land)	--	--	--	--
TOTALS	Lps 109,609 (actual) 691,337 (programmed) US$ 54,805 (actual) 345,669 (programmed)	Lps 57,390 (actual) 126,000 (programmed) US$ 28,695 (actual) 63,000 (programmed)	--	Lps 27,762 (actual) US$ 13,881	--	--

Source: PADCO elaboration of CHF information.

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TABLE A.V.8
AFFORDABILITY ANALYSIS - CHF/HONDURAS
CENTRAL AMERICA PROGRAM
NOVEMBER 1987

LOAN	FINANCIAL TERMS	LOAN AMOUNT (Lps)c/	MONTHLY PAYMENT (Lps)	MONTHLY PAYMENT AS A PERCENTAGE OF ESTABLISHED MEDIAN d/ %	SOLUTION AFFORDABLE BELOW MEDIAN	BENEFICIARIES BELOW MEDIAN
H/L/1A (FEHCOVIL)	14%, 4 yrs.	Lps 1,730	Lps 51.5	5.3	yes	yes
H/L/1B (FEHCOVIL)	14%, 20 yrs.	4,500	56.0	5.7	yes	yes
H/L/2 (FACACH)	16%, 5 yrs.	3,516	85.5	15.6	yes	15% (26/178) over median
H/L/3 (FEHCOVIL)	12%, 20 yrs.a/	12,502	137.7	14.1	yes	3 of 62 slightly over median
H/L/4 (ASJO)	18%, 5 yrs.	2,520	64.0	11.6	yes	n.a.
H/L/5 (IDH)	16%, 4 yrs.	3,739	109.1	19.8	yes	b/
H/L/6 (CSJB)	14%, 9 yrs. 14%, 5 yrs.	3,979 (core unit) 1,667 (home impr.)	65.0 38.8	11.8 7.1	yes yes	5 of 70 over median (Lps 550-600)
H/L/7 (APHRU)	14%, 10 yrs., Lps 500 down	3,780	58.7	17.1	yes	yes

Source: PADCO elaboration of CHF information.

a/ FEHCOVIL terms to beneficiary established for FOVI discounting.

b/ AID median income criteria not applied to this loan component.

c/ Actual loan amount for core housing or average home improvement loan to date.

d/ Based on following AID median incomes (1986):

Telucigalpa	-	Lps 977
San Pedro Sula	-	727
Secondary Cities	-	550
Other urban	-	343
Rural	-	180

TABLE A.V.9
FINANCIAL PERFORMANCE - CHF/BELIZE a/
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN/ GRANT/TA	INSTITUTION	AMOUNT BUDGETED (BZ$)	AMOUNT DISBURSED (BZ$)	PERCENT DISBURSED
1. B/L/1	BCCUL	BZ$ 104,676 b/	BZ$ 44,000	100.0
2. B/GR/1	RINGTAIL VILLAGE IMPROVEMENT COMMITTEE	7,930	7,406	93.4
3. B/L/3	BCCUL	594,750	433,500	72.9
4. B/GR/3	BCCUL	35,685	35,685	100.0
	sub-total	n.a.	BZ$ 520,591	76.3
1. B/L/2	BELIZE AGENCY FOR RURAL DEVELOPMENT (BARD)	BZ$ 29,738 c/	BZ$ 3,907	100.0
2. B/GR/2	BARD	19,825	19,825	100.0
	sub-total	n.a.	BZ$ 23,732	100.0
	TOTAL	n.a.	BZ$ 544,323	77.1

TOTAL FUNDS AVAILABLE	US$ 400,000
LOANS/GRANTS COMMITTED (FINAL)	356,165
TOTAL FUNDS UNCOMMITTED	43,835
PERCENT OF TOTAL AVAILABLE FUNDS COMMITTED	89.0

Source: PADCO elaboration of CHF budget information

a/ Assumes exchange rate on lending of BZ$ 1.9825 = US$ 1.00.

b/ Budgeted loan amount of BZ$ 104,676 was reduced to BZ$ 44,000 due to a reduction in number of units to be constructed from 13 to 4.

c/ Budgeted loan amount of BZ$ 29,738 was reduced due to a scaling back of the project's scope.

TABLE A.V.10
PHYSICAL OUTPUTS AND NUMBER OF BENEFICIARIES BY LOAN - CHF/BELIZE
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN	Community Improvement and Services		Self-Help Housing Coops		Home Improvements	Small Business Loans	Loans to Building Materials Production Centers	Estimates of Total Number of Beneficiaries	Institutions Strengthened
	# of NIC/VIC	House-holds	Number of Coops	Units	Number of loans				
B/L/1 (BCCUL)	-	-	1	4 (under construction)	-	-	-	20 (programmed)	1 TSC 1 Housing Coop
B/L/2 (BARD)	-	-	-	-	-	1	-	5 (actual)	1 TSC
B/L/3 (BCCUL)	-	-	2	23 (complete) 7 (under construction) 5 - 8 (programmed)	-	-	-	115 (actual) 60 - 75 (programmed)	1 TSC 2 Housing Coops
TOTAL ACTUAL/ PROGRAMMED CHF/BELIZE PROGRAM	0	0	3	23 (complete) 11 (under construction) 5 - 8 (programmed) = 39 - 42	0	1	0	120 (to date) 80 - 95 (programmed) = 200 - 215	2 TSC 3 Housing Coops
PROPOSED CHF/BELIZE (original)	2	416	1	10	2 a/	0	5	2,380	-

Source: PADCO elaboration of CHF information

a/ Proposed as part of the program. None carried out due to existence of similar ongoing AID Housing Guranty Program.

TABLE A.V.11
COUNTERPART FUNDING AND MOBILIZATION OF ADDITIONAL RESOURCES - CHF/BELIZE
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN	COUNTERPART FUNDING (BZ$)			ADDITIONAL RESOURCES GENERATED BY CHF FINANCIAL INTERMEDIARY FOR SIMILAR PROGRAMS (BZ$)	RESOURCES GENERATED BY OTHER LOCAL PUBLIC/PRIVATE SECTOR INSTITUTIONS (BZ$)	OTHER (AID, etc.)
	CASH	IN-KIND	OTHER			
B/L/1 (BCCUL)	BZ$ 3,425 (actual) 7,991 (programmed) (labor)	BZ$ 8,000 (actual) (land)	-	-	-	-
B/L/2 (BARD)	-	-	-	-	-	-
B/L/3 (BCCUL)	7,257 (actual)	105,000 (actual) (land)	-	-	-	-
	1,664 (programmed) (cash deposit)	49,389 (actual) 12,347 (programmed) (building materials and labor)				
		12,384 (actual) 2,064 (programmed) (project administration/management)	-	-	-	-
TOTALS	BZ$ 10,682 (actual) 9,655 (programmed)	BZ$ 174,773 (actual) 14,411 (programmed)	-	-	-	-
	US$ 5,388 (actual) 4,870 (programmed)	US$ 88,158 (actual) 7,269 (programmed)	-	-	-	-

Source: PADCO elaboration of CHF information.

TABLE A.V.12
AFFORDABILITY ANALYSIS - CHF/BELIZE
CENTRAL AMERICA PROGRAM
DECEMBER 1967

LOAN	FINANCIAL TERMS	LOAN AMOUNT (BZ$)	MONTHLY PAYMENT (BZ$)	MONTHLY PAYMENT AS A PERCENTAGE OF ESTABLISHED MEDIAN a/ %	SOLUTION AFFORDABLE BELOW MEDIAN	BENEFICIARIES BELOW MEDIAN
B/L/1	14%, 10 yrs.	BZ$ 6,000 (2-BR) 12,667 (3-BR) c/	BZ$ 93 (2-BR) 197 (3-BR)	10.3 (2-BR) 21.9 (3-BR)	yes	d/
B/L/2 b/	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
B/L/3	14%, 15 yrs.	16,064 (2-BR) 18,096 (3-BR)	214 (2-BR) 241 (3-BR)	17.1 (2-BR) 19.3 (3-BR)	yes	yes

Source: RADCO elaboration of CHF information.

a/ Assumes median household income of BZ$ 1,250 for Belize City and BZ$ 900 for rural areas.

b/ Due to inability to execute this loan as initially envisaged, there was only one beneficiary--the man who bought the chainsaw mill from BARD when there were no other individuals interested in renting it.

c/ Average construction cost of three 3-BR units constructed at Ringtail Village.

d/ While median household income criterion was not applied to this loan, it is worth noting that three of the four beneficiaries of this program have income above the rural median.

TABLE A.V.13
FINANCIAL PERFORMANCE - CHF/EL SALVADOR a/
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN/GRANT/TA	INSTITUTION	AMOUNT BUDGETED (¢)	AMOUNT DISBURSED (¢)	PERCENT DISBURSED
1. E/L/1	FEDECACES	¢ 750,000	¢ 750,000	100.0
2. E/L/1 (amendment no. 1)	"	500,000	500,000	100.0
3. E/L/1 (amendment no. 2)	"	250,000	38,720 b/	100.0
4. E/GR/1	"	197,500 c/	197,500	100.0
5. E/L/2	"	1,030,000	522,593 d/	100.0
	TOTAL	¢ 2,008,813 e/	¢ 2,008,813	100.0

TOTAL FUNDS AVAILABLE	US$ 895,000
LOANS/GRANTS COMMITTED	401,763
LOANS/GRANTS DISBURSED	401,763
LOANS/GRANTS PROGRAMMED	0
LOANS/GRANTS UNPROGRAMMED	493,237 f/
PERCENT OF TOTAL FUNDING COMMITTED/PROGRAMMED	44.9

Source: PADCO elaboration of CHF budget information

a/ Assumes exchange rate on lending of ¢ 5.00 = US$ 1.00.

b/ Funds available for this amendment to E/L/1 were reduced to ¢ 38,720 when disbursement to FEDECACES was terminated by USAID/El Salvador. All available funds have been disbursed

c/ US$ 4,000 (¢ 20,000) added to original grant amount of US$ 35,500.

d/ Due to termination of further disbursement to FEDECACES by USAID/El Salvador, funds available to this loan were reduced to ¢ 522,593. All available funds have been disbursed.

e/ Based on new budget amounts caused by termination of E/L/1 and E/L/2.

f/ With the exception of US$ 75,000, all of these funds were committed to ongoing/new programs prior to USAID's termination of lending to FEDECACES. CHF/El Salvador is in the process of preparing feasibility studies to program these remaining funds.

TABLE A.V.14
PHYSICAL OUTPUTS AND NUMBER OF BENEFICIARIES BY LOAN - CHF/EL SALVADOR
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN	Community Improvement and Services		Self-Help Housing Coops		Home Improvements	Small Business Loans	Loans to Building Materials Production Centers	Estimates of Total Number of Beneficiaries	Institutions Strengthened
	# of NIC/VIC	Households	Number of Coops	Units	Number of loans				
E/L/1 (FEDECACES)	-	-	-	-	253 (completed)	-	-	1,164 (actual)	1 TSO 3 Credit Unions
E/L/1 (FEDECACES) (amendment no. 1)	-	-	1	2 (completed)	96 (completed)	-	-	451 (actual)	1 TSO 1 Credit Union
E/L/1 (FEDECACES) (amendment no. 2)	-	-	-	-	35 (completed)	-	-	161 (actual)	1 TSO 2 Credit Unions
E/L/2 (FEDECACES)	-	-	1	53 (completed)	-	-	-	244 (actual)	1 TSO 1 Credit Union
TOTAL ACTUAL/PROGRAMMED CHF/EL SALVADOR PROGRAM	-	-	2	55 (completed)	384 (completed)	-	-	2,020 (actual to date)	1 TSO 7 Credit Unions
PROPOSED CHF/BELIZE (original)	5	1,540	2	112	248	4	5	9,830	n.a.

Source: PADCO elaboration of CHF information

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TABLE A.V.15
COUNTERPART FUNDING AND MOBILIZATION OF ADDITIONAL RESOURCES - CHF/EL SALVADOR
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN	COUNTERPART FUNDING (¢)			ADDITIONAL RESOURCES GENERATED BY CHF FINANCIAL INTERMEDIARY FOR SIMILAR PROGRAMS (¢)	RESOURCES GENERATED BY OTHER LOCAL PUBLIC/PRIVATE SECTOR INSTITUTIONS (¢)	OTHER (AID, etc.)
	CASH	IN-KIND	OTHER			
E/L/1	¢ 187,510 (actual) (HI loans)	¢ 139,000 (actual) a/	-	¢ 362,500 (actual) (additional HI loans)	-	-
E/L/1 (amendment no. 1)	-	44,000 (actual) a/	¢ 49,980 (actual) (beneficiary capitalization)	-	-	-
E/L/1 (amendment no. 2)	-	22,000 (actual) a/	22,600 (actual) (beneficiary capitalization)	187,200 (actual) b/	-	-
E/L/2	12,600 (actual) (down payment)	259,990 (actual) (land) 13,133 (actual) a/	-	48,901 (actual) b/	-	-
TOTALS	¢ 200,110 (actual) US$ 40,020	¢ 478,123 (actual) US$ 95,625	¢ 72,580 (actual) US$ 14,516	¢ 598,601 (actual) US$ 119,720	-	-

Source: PADCO elaboration of CHF information.

a/ TA to design and conduct promotion campaigns for credit unions, instruction in accounting/bookkeeping procedures, project monitoring, and office supplies and equipment.

b/ Additional funds loaned by FEECACES to coops to finance unattended loan applications caused by USAID/El Salvador termination of disbursements to FEDECACES.

TABLE A.V.16
AFFORDABILITY ANALYSIS - CHF/EL SALVADOR
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN	FINANCIAL TERMS	LOAN AMOUNT (¢)	MONTHLY PAYMENT (¢)	MONTHLY PAYMENT AS A PERCENTAGE OF ESTABLISHED MEDIAN %	SOLUTION AFFORDABLE BELOW MEDIAN	BENEFICIARIES BELOW MEDIAN
E/L/1	15%, up to 5 yrs.	¢ 6,162 (max.)	¢ 147	20 a/	yes	d/
E/L/1 (amendment no. 1)	15%, up to 15 yrs. (new construction)	14,361 (max.)	201	25 b/	yes	
	15%, up to 5 yrs. (HIP)	8,449 (max.)	201	25 b/	yes	e/
E/L/1 (amendment no. 2)	15%, up to 5 yrs.	8,449 (max.)	201	25 b/	yes	
E/L/2	15%, up to 20 yrs.	13,916 (max.)	183	25 c/	yes	f/

Source: PADCO elaboration of CHF information.

a/ Assumes median household income of ¢ 733 per month (July 1985).

b/ Assumes median household income of ¢ 805 per month (Oct. 1986).

c/ Assumes median household income of ¢ 737 per month (July 1985) for El Salvador's secondary cities.

d/ Median income criterion not applied; 168 of 253 beneficiaries of this program (66.4%) have incomes above the median.

e/ Home improvement and new construction components were designed to be affordable by households earning up to the median income.

f/ While median household income criterion was not applied to this loan, 40 of the 53 beneficiaries of this loan have incomes above the established median.

TABLE A.V.17

FINANCIAL PERFORMANCE - CHF/COSTA RICA [a/]
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN/GRANT/ TA	INSTITUTION	AMOUNT BUDGETED (¢)	AMOUNT DISBURSED (¢)	PERCENT DISBURSED
1. CR/L/1 [b/]	FUNDASOL	¢ 10,587,500	¢ 0	0.0
2. CR/L/2	COOP/ALIANZA	10,361,500	8,123,000	78.4
3. CR/GR/1	COOP/ALIANZA	309,800	206,513	66.7
4. CR/L/3	COOP/ESPARTA	5,445,000	4,508,000	82.8
5. CR/GR/2	COOP/ESPARTA	187,860	125,240	66.7
6. CR/L/4	FEDECREDITO	6,562,000	2,705,818	41.2
7. CR/L/5	ADEPSA	7,342,750 [c/]	520,000	7.1
TOTAL		¢ 30,208,910 [d/]	¢ 16,188,571	53.6

TOTAL FUNDS AVAILABLE	US$	500,000
LOANS/GRANTS COMMITTED		483,000
LOANS/GRANTS DISBURSED		257,689
LOANS/GRANTS PROGRAMMED		0
LOANS/GRANTS UNPROGRAMMED		17,000
PERCENT OF TOTAL FUNDING COMMITTED/PROGRAMMED		96.6

Source: PADCO elaboration of CHF budget information

[a/] Exchange rate varied from ¢ 60.95 to ¢ 66.25 to the US dollar for loan disbuisements to date; average exchange rate over period was ¢ 62.82 = US$ 1.00.

[b/] CR/L/1 was cancelled and its funds distributed to other loans.

[c/] CHF will provide the construction financing for this proposed 40-unit housing project.

[d/] Total does not include initial FUNDASOL budgeted amount of ¢ 10,587,500.

TABLE A.V.18

PHYSICAL OUTPUTS AND NUMBER OF BENEFICIARIES BY LOAN - CHF/COSTA RICA
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN	Community Improvement and Services		Self-Help Housing Coops		Home Improvements	Small Busi-ness Loans	Loans to Building Materials Production Centers	Estimates of Total Number of Beneficiaries	Institutions Strengthened
	# of NIC/VIC	House-holds	# of Coops	Units	Number of loans				
CR/L/1 (FUNDASOL) (canceled)	-	-	-	-	-	-	-	-	-
CR/L/2 (ALIANZA)	-	-	1	21 (completed) 14 (under construction)	78 (completed)	-	5 (programmed)	[illegible] (actual) 95 (programmed)	1 Housing Coop
CR/L/3 (ESPARTA)	-	-	1	8 (completed) 22 (programmed)	37 (completed) 2 (under construction)	-	-	225 (actual) 120 (programmed)	1 Housing Coop
CR/L/4 (FEDECREDITO)	-	-	-	-	80 (completed) 57 (under construction) 19 (programmed)	-	-	400 (actual) 380 (programmed)	1 TSO 5 Housing Coops
CR/L/5 (ADEPSA)	-	-	1	40 (programmed)	-	-	-	200 (programmed)	1 Housing Coop
TOTAL ACTUAL/PROGRAMMED CHF/COSTA RICA PROGRAM	-	-	3	29 (completed) 14 (under construction) = 105 62 (programmed)	195 (completed) 59 (under construction) = 273 19 (programmed)	-	5 (programmed)	1,120 (actual) 795 (programmed)	1 TSO 8 Housing Coops
PROPOSED CHF/COSTA RICA (original)	10	3,650	2	181	660	5	0	22,555	n.a.

Source: PADCO elaboration of CHF information

TABLE A.V.19
COUNTERPART FUNDING AND MOBILIZATION OF ADDITIONAL RESOURCES - CHF/COSTA RICA
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN	COUNTERPART FUNDING (¢)			ADDITIONAL RESOURCES GENERATED BY CHF FINANCIAL INTERMEDIARY FOR SIMILAR PROGRAMS (¢)	RESOURCES GENERATED BY OTHER LOCAL PUBLIC/PRIVATE SECTOR INSTITUTIONS (¢)	OTHER (AID, etc.)
	CASH	IN-KIND	OTHER			
CR/L/1 (FUNDASOL)	-	-	-	-	-	-
CR/L/2 (ALIANZA)						
CORE HOUSING	¢ 705,882 (actual) 124,198 (programmed) (coop/beneficiary)	¢ 3,382,047 (actual) (land)	-	-	-	-
HOME IMPROVEMENT	458,111 (actual) 24,089 (programmed) (coop/beneficiary)		¢ 551,316 (actual) 28,989 (programmed) (beneficiary labor)	-	-	-
CR/L/3 (ESPARTA)						
CORE HOUSING	¢ 224,647 (actual) (coop/beneficiary)	¢ 1,075,513 (actual) (land)	-	-	-	-
HOME IMPROVEMENT	359,444 (actual) 132,608 (programmed) (coop/beneficiary)	-	432,483 (actual) 159,564 (programmed) (beneficiary labor)	-	-	-
CR/L/4 (FEDECREDITO)	676,455 (actual) 973,301 (programmed) (coop/beneficiary)	-	167,460 (actual) 202,020 (programmed) (beneficiary labor)	-	-	-
CR/L/5 (ADEPSA)	-	-	10,000,000 (programmed (long-term financing, including land)	-	-	-
TOTALS	¢ 2,424,539 (actual) 1,254,196 (programmed) (coop/beneficiary) US$ 38,595 (actual) 19,965 (programmed)	¢ 4,457,560 (actual) (land) US$ 70,958 (actual)	¢ 1,151,259 (actual) 390,573 (programmed) (beneficiary labor) 10,000,000 (programmed) (long-term financing, incl. land) US$ 18,326 (actual) 165,402 (programmed)	-	-	-

Source: PADCO elaboration of CHF information.

TABLE A.V.20
AFFORDABILITY ANALYSIS - CHF/COSTA RICA
CENTRAL AMERICA PROGRAM
DECEMBER 1987

LOAN	FINANCIAL TERMS	LOAN AMOUNT a/ (¢)	MONTHLY PAYMENT (¢)	MONTHLY PAYMENT AS A PERCENTAGE OF ESTABLISHED MEDIAN %	SOLUTION AFFORDABLE BELOW MEDIAN c/	BENEFICIARIES BELOW MEDIAN d/
CR/L/1	-	-	-	-	-	-
CR/L/2 (ALIANZA)	20.5%, 12 yrs. 20.5%, 6 yrs.	¢ 181,900 (core unit) 59,230 (home impr.)	¢ 3,404 1,436	22.7 9.6	yes yes	yes yes
CR/L/3 (ESPARTA)	20.5%, 12 yrs. 20.5%, 5 yrs.	136,875 (core unit) 66,700 (home impr.)	2,562 1,786	17.1 11.9	yes yes	yes yes
CR/L/4 (FEDECREDITO)	20.5%, 3 yrs.	46,791 (home impr.)	1,751	11.7	yes	yes
CR/L/5 (ADEPSA)	11%, 15 yrs. b/	237,500 (core unit)	2,700	18.0	yes	e/

Source: PADCO elaboration of CHF information.

a/ Average loan amounts for core housing and home improvements to date.

b/ Interest rate for long-term financing is based on blending of funds from various sources including beneficiaries.

c/ Based on a CHF-recommended median income for project design of ¢ 15,000 per month.

d/ Based on the USAID/Costa Rica median income of ¢ 24,500 for actual loan beneficiaries to date.

e/ Beneficiaries not yet selected.