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Financial Audits

AUDIT OF A.I.D.'S HOUSING GUARANTY PROGRAM'S FISCAL YEAR 1992 ANNUAL FINANCIAL STATEMENT UNDER THE CFOs ACT OF 1990

Report No. 0-000-93-001

June 30, 1993



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

*Assistant Inspector General
for Audit*

June 30, 1993

MEMORANDUM

TO: AA/FA, Richard A. Ames
AA/PRE, Robert N. Bakley (Acting)

FROM: AIG/A, *James B. Durnil*
James B. Durnil

SUBJECT: Audit of A.I.D.'s Housing Guaranty Program's Fiscal Year 1992 Annual Financial Statement Under the CFOs Act of 1990

The Chief Financial Officers (CFOs) Act of 1990 requires the U.S. Agency for International Development (A.I.D.) to prepare an Annual Financial Statement for the Housing Guaranty Program. This statement is to include the presentation of program and financial performance information related to the program. The A.I.D. Office of the Inspector General is responsible for auditing the Annual Financial Statement. To fulfill this responsibility, we contracted with the independent certified public accounting firm of Price Waterhouse to perform, under our general oversight, the financial audit for fiscal year 1992. In addition, the A.I.D. Office of Inspector General reviewed the presentation of management performance information required by the Office of Management and Budget (OMB). This report presents the results of the audit.

The audit was made in accordance with the Generally Accepted Government Auditing Standards, established by the Comptroller General of the United States, and OMB Bulletin Number 93-06, "Audit Requirements for Federal Financial Statements." Those standards require the audit to provide reasonable assurance that financial statements are free of material misstatement. The audit included obtaining an understanding of the relevant internal control policies and procedures designed to achieve control objectives; determining that the controls had been placed in operation; and assessing the control risks. The audit also included tests of A.I.D.'s compliance with certain laws and regulations.

A.I.D.'s Office of Housing and Urban Programs, within A.I.D.'s Bureau for Private Enterprise (PRE), administers the Housing Guaranty Program. The Housing Guaranty Program was established to help host countries improve the level of housing available to the

less advantaged portions of their populations. This program enables the United States private sector to provide to foreign governments, new construction and home improvement loans for low-income families; the program also finances infrastructure improvements.

Financial Statement Audit

The accounting firm of Price Waterhouse made an audit of A.I.D.'s Housing Guaranty Program's fiscal year 1992 Annual Financial Statement. The audit objectives were to determine whether: (1) the Housing Guaranty Program's financial statements were presented fairly in accordance with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles, (2) the Housing Guaranty Program had an adequate internal control structure, and (3) the Housing Guaranty Program complied with laws and regulations that could have a direct and material effect on the financial statements and certain other laws and regulations designated by OMB and A.I.D.

Price Waterhouse determined that the Housing Guaranty Program's financial statements present fairly, in all material respects, the financial position at September 30, 1992, and the results of operations, cash flows, and budget and actual expenses for the year then ended in conformity with OMB Bulletin 93-02, "Form and Content of Agency Financial Statements."

Price Waterhouse's "Report on Internal Control Structure" identified three reportable conditions¹. The reportable conditions pertained to the following: (1) lack of documented financial management policies and procedures, (2) lack of due diligence procedures for claims receivable, and (3) not maintaining the Central Reserve Bank Account in a U.S. Treasury account nor reflecting it in the general ledger. Price Waterhouse's report includes recommendations concerning these issues.

These same three "reportable conditions" had been included as "material weaknesses" in Price Waterhouse's fiscal year 1991 audit report on the Housing Guaranty Program². Based on the fiscal year 1991 audit report, recommendations to correct these three weaknesses were included in the A.I.D. Office of the Inspector General's audit recommendation follow-up system (Audit Report No. 0-000-92-001, dated July 31, 1992). Final management resolution

¹ See Price Waterhouse's "Report on Internal Control Structure" for the definitions of a "reportable condition" and "material weakness", the difference between the two definitions, and an explanation for the changed designation.

² Ibid.

has not been taken on those recommendations. Accordingly, we will highlight the three recommendations in our semiannual report to Congress, dated September 30, 1993, unless final management resolution has been taken by that date.

Because Price Waterhouse's recommendations in its "Report on Internal Control Structure" for fiscal year 1992 are very similar to the three recommendations already in our follow-up system from fiscal year 1991, we are not repeating any recommendations. However, we will require evidence that the results of the fiscal year 1992 audit have been fully considered in resolution of our earlier recommendations.

Price Waterhouse's "Report on Compliance with Laws and Regulations" identified two instances of material noncompliance³ pertaining to the Debt Collection Act of 1982 and GAO Title 7. Price Waterhouse did not make any recommendations concerning these material noncompliances, since the recommendations contained in their "Report on Internal Control Structure" already address these issues.

Assessment of Progress in Developing Performance Measures

The A.I.D. Office of the Inspector General reviewed A.I.D.'s performance measurement system for the Housing Guaranty Program. Our objective was to determine whether A.I.D. had established a performance measurement system for the Housing Guaranty Program with an internal control structure that includes an audit trail as to the existence and completeness of performance information captured. In accordance with OMB guidance, our procedures were limited to reviewing basic descriptive material on the system, interviewing officials as to its design and operation, and tracing a small judgmental sample of information to source documentation. Review work was performed primarily at the Office of Housing and Urban Programs in Washington, D.C. and at the Regional Housing and Urban Development Offices (RHUDOs) in Jakarta, Indonesia and Tunis, Tunisia. Our work was completed between January and May 1993.

A.I.D. began to establish a formal program measurement system for the Housing Guaranty program during late fiscal year 1992. A.I.D. drew on the experience of the World Bank and the United Nations Center for Human Settlements in designing performance indicators for the A.I.D. Housing Guaranty Program. In selecting performance indicators for its program, A.I.D. applied criteria which we believe to be generally sound. For example, indicators were to be quantitative, obtainable from reliable secondary sources or sample surveys, and indicative of progress. This process led to the

³ See Price Waterhouse's "Report on Compliance with Laws and Regulations" for the definition of a "material instance of noncompliance".

selection by A.I.D. of 18 possible indicators in three subsets. For fiscal year 1992, the RHUDOs selected the indicators which are considered most applicable to individual countries--typically, three or four per country.

A.I.D.'s Program Overview and supplemental information give recognition to the evolving nature of the performance measurement system for the Housing Guaranty program. For example, A.I.D. notes that the system "yields a good first impression of conditions in the housing and urban sectors." Further, A.I.D. recognizes that the static "snapshot" is not enough to provide a clear indication of program impact, and states that, as data collection moves into its second and third years, the ability to measure program performance will increase substantially. (See "Survey Results and Program Highlights" on page 8 of A.I.D. Management's Program Overview.)

In recognition of the early stage of this performance measurement system in fiscal year 1992 and consistent with OMB guidance, our review approach was mainly limited to determining whether A.I.D. was maintaining supporting documentation to verify the existence and completeness of data being entered into the system. Reporting forms for the system require that the RHUDOs cite the specific sources for data used in preparing their reports. Our review of the reporting forms prepared for fiscal year 1992 showed that the sources cited are often governmental offices of the countries being assisted, and other RHUDO files or reports. Our tests of supporting documentation in RHUDO offices for two countries identified non-material weaknesses but no major deficiencies.

We concluded that A.I.D.'s steps during fiscal year 1992 to develop a performance measurement system for the Housing Guaranty program comply with the spirit and intent of the CFOs Act. Further, we concur with A.I.D.'s view that additional time and more data will be needed to enhance the ability to measure program performance. In light of the early stage of system development and our planned assessment of A.I.D.'s progress during the CFOs Act audit for fiscal year 1993, we are not making any recommendations at this time.

A.I.D.'s Program Overview on the Housing Guaranty program includes other data labeled as "financial performance." The data is a mixture of (1) descriptive information about the format and nature of the financial statements and (2) specific dollar amounts, such as the total loan guaranty commitments, estimated delinquent accounts receivable and loans receivable, and claims written off during fiscal year 1992. Amounts cited are from the financial statements and/or the same systems used to develop the statements. In light of the nature of this data, we did not perform separate audit procedures other than reviewing the financial performance data to assure that there were no obvious inconsistencies with the financial statements.

Management's Comments and Our Evaluation

We provided a copy of the draft report to the Associate Administrator for Finance and Administration (A.I.D.'s Chief Financial Officer), the Assistant Administrator for Private Enterprise, and other Financial Management and Housing Guaranty Program officials who were involved in this audit. These officials indicated they generally concurred with the audit results, and that the unqualified audit opinion recognizes the progress made by the Office of Financial Management and Office of Housing in dealing with the problems that caused a disclaimer for FY 1991.

Management officials stated that they plan to sustain these improvements and close the remaining recommendations resulting from the FY 1991 audit. However, these officials stated that this will be an expensive and long term effort to augment on-board staff. Management officials further commented that firm plans have been developed and funding sources identified to begin the effort, and that plans to resolve the outstanding recommendations from last year's audit should be in place by September 30, 1993. (A copy of management's written comments to the draft audit report is attached as Appendix I.)

We appreciate the courtesies and cooperation extended to both the staffs of the A.I.D. Office of Inspector General and Price Waterhouse during the course of this audit.

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Price Waterhouse



**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM**

**REPORT OF INDEPENDENT ACCOUNTANTS
ON THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991**

**REPORT OF INDEPENDENT ACCOUNTANTS ON
INTERNAL CONTROL STRUCTURE**

**REPORT OF INDEPENDENT ACCOUNTANTS ON
COMPLIANCE WITH LAWS AND REGULATIONS**

Price Waterhouse



To the Administrator
and the Inspector General
of the Agency for International Development

Report of Independent Accountants

We have audited the accompanying statements of financial position of the Housing Guaranty Program of the Agency for International Development (A.I.D.) as of September 30, 1992 and 1991, and the related statements of operations and changes in net position, of cash flows, and of budget and actual expenses for the years then ended. These financial statements are the responsibility of A.I.D.'s management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinions. In addition, except for portions of the Office of Management and Budget (OMB) Bulletin Number 93-06, *Audit Requirements for Federal Financial Statements*, that relate to the review of performance measures, which was performed by the A.I.D. Office of the Inspector General, we conducted our audit for the year ended September 30, 1992 in accordance with OMB Bulletin Number 93-06.

As described in Note 1, these financial statements were prepared on the basis of accounting prescribed in OMB Bulletin 93-02, *Form and Content of Agency Financial Statements*, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Our report on the financial statements of A.I.D.'s Housing Guaranty Program for the year ended September 30, 1991, dated July 17, 1992, stated that the scope of our work was not sufficient to enable us to express an opinion on those financial statements. This scope restriction was caused by a lack of accounting records and automated systems which had resulted in insufficient evidence to support various



transactions and account balances. Subsequent to September 30, 1991, A.I.D. management improved its guaranty portfolio accounting system and general ledger system for this program, and performed reconciliations of suspense account balances. These control improvements, while not complete, enabled us to apply adequate auditing procedures for fiscal 1992, and to assure ourselves regarding the opening balances in the Statement of Financial Position as of September 30, 1991. Therefore, we no longer disclaim our opinion on the Statement of Financial Position of A.I.D.'s Housing Guaranty Program for the year ended September 30, 1991. However, because corrections to the accounting records were not initiated until fiscal year 1992, we were not able to apply alternative auditing procedures with respect to the Statement of Operations and Government Equity, and Statement of Cash Flows for the year ended September 30, 1991.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Housing Guaranty Program at September 30, 1992 and 1991, and the results of operations, cash flows, and budget and actual expenses for the year ended September 30, 1992 in conformity with OMB Bulletin 93-02, *Form and Content of Agency Financial Statements*. For the reasons discussed in the preceding paragraph, we are unable to, and do not, express an opinion on the Statement of Operations and Government Equity, and Statement of Cash Flows for the year ended September 30, 1991.

As further discussed in Note 1 to the financial statements, in 1992 the Housing Guaranty Program changed its method of accounting for interest on rescheduled claims. The financial statements for prior years have been restated to reflect retroactive application of the changes.

The financial statements for fiscal 1992 are presented in accordance with OMB Bulletin 93-02, *Form and Content of Agency Financial Statements*. This Bulletin defines the format for presenting financial statements prepared pursuant to the Chief Financial Officers Act of 1990. The fiscal 1991 financial statements have been reclassified to conform to the 1992 presentation.

Price Waterhouse

June 5, 1993

AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 1992 AND 1991

(in U.S. \$ Thousands)
September 30,

1992 1991
(RECLASSIFIED)

ASSETS		
Financial Resources:		
Fund Balance with Treasury (Note 3)	\$ 6,704	\$ 9,250
Restricted Fund Balance with Treasury (Note 3)	19,351	
Commercial Bank Account (Note 3)	705	266
Funds with A.I.D.	140	
Accounts Receivable, Net – Non-Federal (Note 4)	1,692	3,929
Claims Receivable, Net – Non-Federal (Note 5)	18,834	33,103
Total Financial Resources	47,426	46,548
Non-Financial Resources:		
Furniture and Equipment, Net (Note 6)	571	679
Travel Advances and Other	80	70
Total Non-Financial Resources	651	749
Total Assets	\$ 48,077	\$ 47,297
LIABILITIES		
Funded Liabilities:		
Accounts Payable, Non-Federal	\$ 2,036	\$ 2,862
Liabilities for Loan Guarantees (Note 7)	686,621	682,418
Deferred Revenues	2,896	2,906
Borrowings from Treasury (Note 8)	125,208	130,000
Accounts Payable – Federal (Note 8)	5,319	5,134
Other Funded Liabilities – Federal (Note 9)	229	
Total Funded Liabilities	822,309	823,320
Unfunded Liabilities:		
Accrued Leave	356	403
Total Liabilities	822,665	823,723
NET POSITION		
Appropriated Capital, Pre-Fiscal 1992 (Note 10)	122,330	87,043
Appropriated Capital, Fiscal 1992 (Note 10)	18,661	
Cumulative Results of Operations	(915,223)	(863,469)
Less: Future Funding Requirements	(356)	
Net Position	(774,588)	(776,426)
Total Liabilities and Net Position	\$ 48,077	\$ 47,297

The accompanying notes are an integral part of these financial statements.

AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM
STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

	(in U.S. \$ Thousands)	
	September 30,	
	1992	1991
	(RECLASSIFIED)	
REVENUES AND FINANCING SOURCES		
Appropriations Expensed	\$ 6,143	\$
Interest and Penalties, Non-Federal	6,541	7,331
Other Revenues and Financing Sources	7,501	8,396
Total Revenues and Financing Sources	20,185	15,727
EXPENSES		
Operating Expenses (Note 11)	7,486	7,296
Depreciation	166	239
Provision for Doubtful Accounts	48,537	36,301
Provision for Guaranty Losses	5,265	(1,881)
Interest – Treasury Borrowing	10,841	9,344
Total Expenses	72,295	51,299
(Shortage) of Revenues and Financing Sources Over Total Expenses	(52,110)	(35,572)
Unfunded Expenses	(47)	
(Shortage) of Revenues and Financing Sources Over Total Expenses	\$ (52,157)	\$ (35,572)
Net Position, Beginning Balance	\$ (776,426)	\$ (740,854)
Current Year Deficiency	(52,157)	(35,572)
Non Operating Changes (Statement of Changes in Government Equity)	53,995	
Net Position, Ending Balance	\$ (774,588)	\$ (776,426)

The accompanying notes are an integral part of these financial statements.

AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM
STATEMENTS OF CHANGES IN GOVERNMENT EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

(In U.S. \$ Thousands)

	<u>Appropriated Capital</u>		Cumulative Results of Operations	Future Funding Requirements	Changes in Government Equity
	Pre-Fiscal 1992	Fiscal 1992			
BALANCE AT SEPTEMBER 30, 1990, as restated (Note 1.M)	\$ 87,043	\$ 0	\$ (827,897)	\$ 0	\$ (740,854)
Shortage of Revenues over Expenses as restated (Note 1.M)			(35,572)		(35,572)
BALANCE AT SEPTEMBER 30, 1991	87,043	0	(863,469)	0	(776,426)
Appropriations Received	47,801	25,034			72,835
Appropriations Withdrawn		(370)			(370)
Appropriations Expensed		(6,143)			(6,143)
Other A.I.D. Appropriations used		140			140
Shortage of Revenues over Expenses			(52,157)		(52,157)
Establish Unfunded Liabilities			403	(403)	0
Unobligated Funds returned to Treasury	(12,514)				(12,514)
Unfunded expenses				47	47
BALANCE AT SEPTEMBER 30, 1992	\$ 122,330	\$ 18,661	\$ (915,223)	\$ (356)	\$ (774,588)

The accompanying notes are an integral part of these financial statements.

AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

	(in U.S. \$ Thousands)	
	September 30,	
	1992	1991
	(RECLASSIFIED)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Shortage) of Revenues and Financing Sources Over Total Expenses	\$ (52,157)	\$ (35,572)
Adjustments Affecting Cash Flow:		
Provision for Uncollectible Claims & Fees Receivable	48,537	36,301
Provision (Credit) for Losses on Guarantees	5,265	(1,881)
Claim Payments, net of recoveries	(35,757)	(44,775)
Claim Losses Realized	(1,062)	(1,326)
Decrease in Accounts Receivable, before provision	3,725	(3,012)
(Increase) in Other Assets	(10)	(10)
(Decrease) Increase in Accounts Payable, Non-Federal	(964)	632
(Decrease) Increase in Deferred Revenues	(10)	2,906
Increase in Accounts Payable, Federal	184	1,898
Increase in Other Liabilities	229	
Depreciation	166	239
Net Cash (Used) by Operating Activities	(31,854)	(44,600)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Furniture and Equipment	(58)	(180)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Appropriations Received	72,835	
Increase in Restricted Fund Balance with Treasury	(19,351)	
Appropriations Expensed	(6,143)	
Appropriations Withdrawn	(370)	
Other A.I.D. Appropriations used	140	
Unobligated Funds returned to Treasury	(12,514)	
Repayment of Treasury Borrowing	(4,792)	
Borrowings from Treasury		48,000
Net Cash Provided by Financing Activities	29,805	48,000
Net Cash (Used) Provided by Operating, Investing, and Financing Activities	(2,107)	3,220
Fund Balance with Treasury and Commercial Bank Account, beginning of year	9,516	6,296
Fund Balance with Treasury and Commercial Bank Account, end of year	\$ 7,409	\$ 9,516

The accompanying notes are an integral part of these financial statements.

**AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM
STATEMENTS OF BUDGET AND ACTUAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991**

	(in U.S. \$ Thousands)	
	September 30,	
	1992	1991
		(RECLASSIFIED)
Budget Resources	\$ 110,050	\$ 89,343
Budget Obligations	89,154	84,551
Total Unobligated Balance	\$ 20,896	\$ 4,792
 BUDGET RECONCILIATION:		
Total Expenses	\$ 72,295	\$ 51,299
 Budget resources expended which are not included in actual expenses:		
Capital Acquisitions	58	180
Claim Payments, net of recoveries	35,757	44,775
Decrease (Increase) in Payables	551	(2,438)
Increase in Receivables	(3,715)	3,022
Increase (Decrease) in Commercial Bank Account	439	(295)
 Items not requiring outlays:		
Provisions for Guarantee and Claim Losses	(53,802)	(34,420)
Claim Losses Realized	1,062	1,326
Depreciation	(166)	(239)
Decrease (Increase) in Deferred Revenues	10	(2,906)
Revenues and Financing Sources	(20,185)	(15,727)
Accrued Expenditures	\$ 32,304	\$ 44,577

The accompanying notes are an integral part of these financial statements.

AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 1992 AND 1991

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the Housing Guaranty Program, as required by the Chief Financial Officers Act (CFOs Act) of 1990. They have been prepared from the books and records of the Housing Guaranty Program in accordance with the form and content for entity financial statements specified by the Office of Management and Budget's (OMB) Bulletin 93-02, *Form and Content of Agency Financial Statements*, and the Program's accounting policies, which are summarized in this Note.

OMB Bulletin No. 93-02 is considered to be a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The difference between GAAP and Bulletin No. 93-02 as it applies to the Housing Guaranty Program is in the accounting for the effects of the Credit Reform Act of 1990.

As more fully described in Note 7, loss reserves for guaranties under Credit Reform are established when the guaranties are committed, and are calculated as the net present value of all expected costs to the Housing Guaranty Program resulting from those guaranties, except for administrative costs, less the net present value of all revenues to be generated from those guaranties. This methodology is accepted procedure under Credit Reform guidelines. Under GAAP, however, reserves are established when loss is expected to occur, which is not necessarily upon commitment, and costs of defaults are not present-valued. In addition, under GAAP, future revenues are not considered in calculating the reserve and administrative costs would be included, where material.

Because no new commitments were issued in fiscal 1992, there is no loss reserve established under the Credit Reform methodology, thus for fiscal year 1992 there is no difference between these financial statements and GAAP-based financial statements.

Implementation of OMB Bulletin 93-02 resulted in significant changes in the form and content of the principal statements, which include:

Statements of Financial Position -- Assets are classified as financial and non-financial; liabilities are classified as funded and unfunded; and funds that would be required in the future to liquidate unfunded liabilities are reported as an offset to net position.

Statements of Operations and Changes in Net Position -- Expenses incurred are classified and reported by major type of program versus by object classification. The Agency for International Development's major programs are defined along organizational and issue area lines. Operating expenses by object classification are disclosed in Note 11.

Statements of Changes in Government Equity --The activity on this statement has been segregated to distinguish between the changes to government activity related to pre-Credit Reform and post-Credit Reform activity.

Statements of Budget and Actual Expenses -- This is a new statement that replaces the 1991 financial statement footnote reconciling budget and accrual basis information.

These changes affect disclosures and classifications, but do not constitute a change in accounting principle.

B. Reporting Entity

The Agency for International Development (A.I.D.) administers the Housing Guaranty Program. The Program was established by Congress to stimulate the participation of the private sector in the economic development of lesser developed countries.

The Housing Guaranty Program is jointly managed by the Office of Housing and Urban Programs within A.I.D.'s Bureau for Private Enterprise (PRE) and A.I.D.'s geographic bureaus. There are also seven Regional Housing and Development Offices (RHUOs), which are the overseas components of the Office of Housing and Urban Programs. The Loan Management Division in the Office of Financial Management (Financial Management/Loan Management) carries out the responsibilities of "Controller" for the Program. Financial Management/Loan Management maintains the official A.I.D. accounts and the accounting controls over the assets, liabilities, and capital of the Program.

The Housing Guaranty Program was established by Title III, Sections 221, 222, 223 and 238c of the Foreign Assistance Act of 1961 (FAA), as amended. The purpose of this Program is to assist in providing long-term financing for low-income shelter

and neighborhood infrastructure upgrading programs in developing countries. The Program is funded by two appropriations:

- 72-X4340 (Liquidating Account), which was established under the Credit Reform Act of 1990 to service loan guaranties arising from the Housing Guaranty Program. It includes all cash flows to and from the U.S. Government resulting from loan guaranty commitments made prior to October 1, 1991;
- 72-20401 (Program Account), which was established under the Credit Reform Act of 1990 to cover the subsidy and administrative costs of the Program. It includes all cash flows to and from the U.S. Government resulting from loan guaranty commitments made on or subsequent to 10/1/91.

In fiscal year 1992, under Public Law 102-266, there were six loans authorized and not under contract in the Program Account totalling \$83 million. The total amount of guaranties issued and outstanding under this law cannot exceed \$106 million.

U.S. private sector lenders provide unsecured financing at commercial rates for projects undertaken by eligible resident borrowers. The repayment of the principal and interest is guaranteed through A.I.D. by the full faith and credit of the U.S. Government. This guaranty promotes U.S. lender participation in providing financing at lower interest rates. In return, A.I.D. charges the borrowers guaranty fees and also requires that the host country government of the borrowers sign a full faith and credit guaranty to A.I.D. for the repayment of the loan and outstanding interest paid by A.I.D. on behalf of the borrower. The fees charged to borrowers are usually comprised of an initial charge of one percent of the amount of the loan and an annual fee of one-half of one percent of the unpaid principal balance of the guaranteed loan.

In the Liquidating Account, under FAA (Section 221 and 222), the total principal amount of guaranties issued and outstanding under this title cannot exceed \$2,558 million at any one time. The FAA limits the issuance of housing guaranties to any one country in any fiscal year to \$25 million, except for those issued to Chile, Poland or Israel, for which no limit has been established. In addition, except for the countries mentioned above, the FAA limits the average face value of guaranties issued in any fiscal year to \$15 million.

C. Basis of Accounting

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are

recognized when incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

D. Revenues and Other Financing Sources

Commencing with fiscal year 1992, the Housing Guaranty Program receives a significant amount of the funding needed to support its program through appropriations. It receives both annual and bi-annual appropriations that may be used, within statutory limits, for operating and capital expenditures (primarily equipment, furniture, and furnishings). For purposes of the principal statements, budgetary appropriations are realized as a financing source of revenue as accrued expenses are recognized.

Additional amounts of financing are obtained through collection of guaranty fees. The Program also receives interest income on rescheduled claims (loans) and penalty interest on delinquent balances. Receivables which are delinquent for 90 days or more are placed in a non-accrual status. Any accrued but unpaid interest previously recorded on loans placed in non-accrual status is reversed against current period interest income.

E. Fund Balance with Treasury

Cash receipts and disbursements are processed by the U.S. Treasury. Funds with Treasury are available to pay current liabilities and to finance authorized purchase commitments.

The Housing Guaranty Program defines cash and cash equivalents as short-term highly liquid investments with original maturities of three months or less and unrestricted funds with Treasury.

F. Restricted Fund Balance with Treasury

Appropriated funds received are deposited in a non-interest bearing account at the U.S. Treasury. These funds are available to the Program when the credit activity to which they relate takes place or administrative expenses are incurred. Credit activity occurs when loans are disbursed or guaranties are committed.

G. Commercial Bank Account

The Housing Guaranty Program maintains an account at a commercial bank. In prior years, the Program required borrowers to deposit reserves in trust into the A.I.D. commercial bank account. These reserves were designed to offset claims

resulting from borrower defaults and local currency devaluation. Interest accrued to the benefit of the borrowers and reserve account balances were to be refunded to the borrowers upon maturity. Due to borrower defaults, the account no longer contains borrower monies and is now comprised entirely of A.I.D. funds.

H. Funds with A.I.D.

A.I.D. holds funds in the U.S. Treasury from which it pays operating expenses that are not paid by the Housing Guaranty Program's operating expense fund. At September 30, 1992, amounts which are obligated by A.I.D. to pay for the Program's Accounts Payable are reflected in the statement of financial position as Funds with A.I.D.

I. Accounts Receivable and Claims Receivable

Accounts Receivable represents origination and annual fees on outstanding guaranties and interest and late charges. Claims Receivable (including rescheduled claims) are due from Host Country governments as a result of defaults under the Housing Guaranty Program. Receivables are stated net of an allowance for uncollectible amounts.

J. Furniture and Equipment and Depreciation

Furniture and equipment consists of office furniture and equipment and living quarters furniture and furnishings. Furniture and equipment assets are capitalized at cost if the initial acquisition cost is \$500 or more, and expensed if the acquisition cost is less than \$500. Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over 10 years for residential furniture and furnishings, 7 years for office furniture and equipment, and 3 years for computer software.

K. Reserve for Guaranty Losses

The Reserve for Guaranty Losses provides for losses inherent in the guaranty operation. This reserve is a general reserve available to absorb losses related to guaranties outstanding which are off-balance sheet commitments. The provision for losses on guaranties is based on management's evaluation of the guaranteed loans. This evaluation is based upon analyses of the prior loss experience related to the developing country and credit risk assessments which incorporate evaluations of the economic and political conditions which could affect the country's repayment ability. The evaluations take into consideration such factors as the existence of other Host Country government guaranties, transfer risk, assessments of Host Country credit

risks by other federal financial assistance program sponsors, and the projected political stability within the country.

The Housing Guaranty Program did not issue any guaranty commitments in fiscal year 1992, but a new accounting policy was adopted for guaranties committed after October 1, 1991, which are subject to a different methodology for calculating loss reserves under Credit Reform guidance. Under the new policy, guaranty reserves are established for the net present value of any future costs relating to guaranties, net of future revenues. The reserve is established as guaranty commitments are issued, and administrative costs are not included.

L. Deferred Revenues

Loan origination fees are deferred and recognized over the life of the guaranty as an adjustment to fee income.

M. Change in Accounting Principle

The accompanying financial statements include the effect of a change in accounting principle, as discussed below, because, in management's opinion, adoption of the new principle represents a change to a more appropriate method. This change has been accounted for as a prior period adjustment. Accordingly, a retroactive adjustment has been made to the fiscal year 1991 financial statements.

Terms of rescheduling agreements frequently require that previously accrued interest be added to the claim receivable balance. In cases where interest had been accruing on receivables in non-performing status, the Housing Guaranty Program historically capitalized this accrued interest by increasing the principal balance of the rescheduled claims and the related allowance for doubtful claims receivable. Income was recognized when the interest receivable was originally established. Management elected to change their method of income recognition for interest capitalized on non-performing claims to be more consistent with prevalent industry practice. Accordingly, the Program now stops accruing interest on receivables in non-performing status, and records interest income resulting from capitalized interest only to the extent, in management's judgement, borrowers have demonstrated the ability to repay the debt in the normal course of business.

The effect of this change on the net position of the Housing Guaranty Program is as follows (dollars in thousands):

	1992	1991
Balance at beginning of year, as previously reported	\$ (769,223)	\$ (735,317)
Adjustment for effect of retroactive application of change in accounting principle	<u>(7,203)</u>	<u>(5,537)</u>
Balance at beginning of year, as adjusted	<u>(776,426)</u>	<u>(740,854)</u>
Fiscal 1991 shortage of revenues over expenses, as previously reported	-	(33,906)
Fiscal 1992 shortage of revenues over expenses	(52,157)	-
Effect of retroactive application of change in accounting principle	<u>-</u>	<u>(1,666)</u>
Shortage of revenues over expenses, as adjusted	(52,157)	(35,572)
Non-operating changes	<u>53,995</u>	<u>-</u>
Balance at end of year	<u>\$ (774,588)</u>	<u>\$ (776,426)</u>

Note 2. Intra-government Transactions

The Housing Guaranty Program is subject to the financial decisions and management controls of A.I.D., which in turn is subject to the financial decisions and management controls of OMB and the U.S. Treasury. As a result of these relationships, the program's operations may not be conducted nor its financial position reported as they would if the Housing Guaranty Program was an autonomous entity.

A.I.D. is reimbursed by its programs for miscellaneous agency support costs quarterly. Personnel costs charged to the Housing Guaranty Program are based on A.I.D. agency-wide estimated staffing requirements rather than actual personnel usage.

As discussed in Note 9, the Program's regional accounting stations receive support services from U.S. Embassies in the developing countries. The State Department charges the Housing Guaranty Program annually for these costs.

As discussed in Note 13, the Housing Guaranty Program does not account for those aspects of the pension liability, assets and expense which are the responsibility of the U.S. Office of Personnel Management and the Federal Retirement Thrift Investment Board.

Note 3. Fund Balance With Treasury and Commercial Bank Account

Fund Balance with Treasury and Commercial Bank Account are as follows (dollars in thousands):

	September 30, 1992		
	<u>Available</u>	<u>Restricted</u>	<u>Total</u>
Revolving Funds	\$ 6,704	\$ 19,351	\$ 26,055
Commercial Bank Account	<u>705</u>	<u>0</u>	<u>705</u>
Total	\$ <u>7,409</u>	\$ <u>19,351</u>	\$ <u>26,760</u>

	September 30, 1991		
	<u>Available</u>	<u>Restricted</u>	<u>Total</u>
Revolving Funds	\$ 9,250	\$ 0	\$ 9,250
Commercial Bank Account	<u>266</u>	<u>0</u>	<u>266</u>
Total	\$ <u>9,516</u>	\$ <u>0</u>	\$ <u>9,516</u>

Note 4. Accounts Receivable, Net -- Non-Federal

Accounts Receivable, Net -- Non-Federal, consists of A.I.D. fees receivable, interest receivable on rescheduled claims, and penalties (late charges) receivable. Accounts Receivable from major borrowing regions, net of an allowance for doubtful amounts, consists of the following (dollars in thousands):

	September 30,	
	1992	1991
Africa	\$ 294	\$ 659
Asia	509	92
Latin America	2,905	7,617
Near East	1,041	106
Total Accounts Receivable	4,749	8,474
Less: allowance for doubtful amounts	(3,057)	(4,545)
Accounts Receivable, Net -- Non-Federal	\$ 1,692	\$ 3,929

Changes in the allowance for doubtful amounts are as follows (dollars in thousands):

	September 30,	
	1992	1991
Balance, beginning of year	\$ 4,545	\$ 2,624
Provision charged to operations	(1,488)	1,921
Balance, end of year	\$ 3,057	\$ 4,545

Note 5. Claims Receivable, Net -- Non-Federal

Claims Receivable consists of subrogated claims and rescheduled claims receivable.

When the Housing Guaranty Program guaranties a loan to developing country borrowers, it requires that the developing country Host Governments also guaranty payment of the loans. When the borrower of a guaranteed loan defaults, the

Housing Guaranty Program makes claim payments to the lender, and obtains the right to receive claim payments from the Host Government.

The Housing Guaranty Program periodically reschedules claims according to the terms of bilateral agreements which are negotiated and agreed upon by the Paris Club, an informal, international group of sovereign creditor governments, which arranges the rescheduling of debts owed to or guaranteed by government agencies. Frequently, terms of rescheduling agreements require that previously accrued interest be capitalized. When claims in non-performing status are rescheduled under these terms, interest for the non-performing period is included in the rescheduled principal amount and capitalized as part of the new agreement.

Claims receivable, net of an allowance for doubtful amounts, consists of the following (dollars in thousands):

	September 30,	
	1992	1991
Subrogated claims receivable	\$ 16,025	\$ 94,252
Rescheduled claims receivable	294,347	133,135
	<u>310,372</u>	<u>227,387</u>
Less: Capitalized interest	(68,300)	(21,071)
	242,072	206,316
Less: allowance for doubtful amounts	(223,238)	(173,213)
Claims Receivable, Net -- Non-Federal	<u>\$ 18,834</u>	<u>\$ 33,103</u>

Claims receivable, by geographic area are as follows (dollars in thousands):

	September 30,	
	1992	1991
Africa	\$ 39,347	\$ 33,037
Latin America	197,356	171,207
Near East	5,369	2,072
Total Claims Receivable	<u>\$ 242,072</u>	<u>\$ 206,316</u>

Changes in the allowance for doubtful amounts were as follows (dollars in thousands):

	September 30,	
	1992	1991
Balance, beginning of year	173,213	\$ 138,834
Provision Charged to Operations	50,025	34,379
Balance, end of year	\$ 223,238	\$ 173,213

Note 6. Furniture and Equipment, Net

Furniture and Equipment consists of the following (dollars in thousands):

	September 30,	
	1992	1991
Office Furniture & Equipment	\$ 957	\$ 899
Living Quarters Furniture	319	319
Less: Accumulated Depreciation	(705)	(539)
Total Furniture & Equipment, Net	\$ 571	\$ 679

Note 7. Liabilities for Loan Guaranties

For loan commitments made prior to fiscal year 1992, the Housing Guaranty Program has established a reserve to cover any future guaranty losses. Loan guaranty commitments made after fiscal year 1991 and the resulting loan guaranties are governed by the Federal Credit Reform Act of 1990 (PL 101-508). The Act provides that the present value of the subsidy costs associated with loan guaranties be recognized as a cost in the year the loan guaranty is made. No guaranties were issued in fiscal 1992, therefore the guaranty reserve relates entirely to pre-fiscal 1992 credit activity. As stated in Note 12, the Program is also subject to off-balance sheet risk associated with guaranties on unsecured loans.

Note 8. Borrowings from U.S. Treasury

Until the end of fiscal year 1991, the Housing Guaranty Program had indefinite borrowing authority from Treasury. Subsequent to September 30, 1991, pursuant

to the Credit Reform Act of 1990, the program will be financed by appropriations. Interest paid during the year ended September 30, 1992 was \$10.7 million, and during the year ended September 30, 1991 was \$7.4 million. Interest payable at September 30, 1992 was \$5.319 million and at September 30, 1991 was \$5.134 million.

The Housing Guaranty Program's outstanding debt to Treasury matures as indicated below (dollars in thousands):

Maturity	Average Rate on Outstanding Balance	September 30, 1992	September 30, 1991
9/30/97	8.51%	\$ 15,208	\$ 20,000
9/30/98	8.78%	25,000	25,000
9/30/99	8.82%	13,000	13,000
9/30/00	8.33%	24,000	24,000
9/30/01	8.32%	48,000	48,000
Total Debt		\$ 125,208	\$ 130,000

Note 9. Other Funded Liabilities - Federal

The Regional Housing and Development Offices receive support services from U.S. Embassies in the developing countries. The State Department charges the Housing Guaranty Program annually for these costs. Fiscal 1992 charges totalled \$229 thousand and were unpaid at September 30, 1992. The fiscal 1991 charges of \$220 thousand were paid prior to September 30, 1991.

Note 10. Appropriated Capital

Appropriated capital is disclosed separately for pre-fiscal 1992 and for fiscal 1992 to reflect the effects of Credit Reform on the Housing Guaranty Program's equity. Capital accumulated through September 30, 1991 can only be used to finance credit activities which were originated prior to September 30, 1991. Capital appropriated in fiscal years 1992 and beyond, under Credit Reform, is designated for specific years' credit activities.

Note 11. Operating Expenses

The Housing Guaranty Program operating expenses are as follows (dollars in thousands):

Operating Expenses by Object Classification	September 30, 1992	September 30, 1991
Salaries and Benefits	\$ 2,773	\$ 3,526
Contract & Audit Expense	499	698
Overhead	963	1,075
Regional Offices and Other	3,251	1,997
Total Operating Expenses	<u>\$ 7,486</u>	<u>\$ 7,296</u>

Note 12. Commitments and Financial Instruments With Off-Balance Sheet Risk

In addition to the risks associated with its Claims Receivable, the Housing Guaranty Program is subject to risk for financial instruments not included in its Statement of Financial Position. These financial instruments are guaranties on unsecured loans which provide principal and interest repayment protection to U.S. lenders against political and economic risks of lending to the developing countries. A.I.D. does not hold collateral or other security to support its off-balance sheet risk. However, for most guaranties, a third-party guaranty from the host government of the debtor is required for principal and interest disbursed by A.I.D. on behalf of the borrower.

The Congressionally authorized guaranty limit is as follows (dollars in thousands):

Congressional Authority	\$ 2,664,000
Less: Repayments on Section 223(d) not available for new guaranties	0
	<u>\$ 2,664,000</u>

The financial guaranties committed by Housing Guaranty, including loans pending contractual agreements, at September 30, 1992, amount to \$2,851 million, before reduction for \$280 million of partial payments. Of the total authorized guaranties, \$2,332 million has been contracted (including \$10 million which remains to be

disbursed). Loans authorized but not yet under contract amount to \$519 million. Outstanding guaranties and guaranty commitments that management estimates may ultimately result in uncollectible claims have been reflected as a liability in the financial statements.

Partial payments are paydowns on guaranteed loans where some of the guaranteed amount remains outstanding. When the loan is entirely repaid, it is not included in authorized or outstanding guaranties. To monitor its compliance with the Congressional Authority, the Housing Guaranty Program reduces the outstanding guaranteed loan balances for any payments to date (partial payments) on loans with guaranties.

A summary of outstanding loan guaranty authorizations by region and totals at September 30, 1992 is as follows (dollars in thousands):

	Program Authorization	Partial Payments	Authorized Outstanding
Africa	\$ 207,349	\$ (24,947)	\$ 182,402
Asia	623,400	(38,479)	584,921
Latin America	933,299	(142,566)	791,114
Near East	1,022,000	(74,122)	947,497
Inter-Regional	65,067		65,067
Total Loan Guaranties	\$ 2,851,115	\$ (280,114)	\$ 2,571,001

Note 13. Retirement Plan

Housing Guaranty Program employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For the CSRS, 7 percent of the employees' gross earnings was withheld and the Housing Guaranty Program contributed a matching amount. For FERS, 0.8 percent of employees' gross earnings was withheld and the Housing Guaranty Program contributed approximately 13 percent in 1992. An additional 7.65 percent of the FERS employees' gross earnings was withheld and sent to the Social Security Administration. Additionally, foreign direct hire personnel are covered by the Foreign Services Pension System (FSPS). Under FSPS, 1.3 percent of employees' gross earnings was withheld and the Housing Guaranty Program contributed 21.9 percent in 1992.

Employees may elect to participate in the Thrift Savings Plan (TSP). Based on the employee elections, 0 to 10 percent of CSRS employee gross earnings are withheld. FERS and FSPS employee elections are partially matched up to a total of 5 percent of earnings. FERS and FSPS employees also receive an automatic 1 percent contribution.

Although the Housing Guaranty Program funds a portion of employee pension benefits and makes necessary payroll withholdings, it has no liability for future payments to employees under the programs, nor is it responsible for reporting the assets, actuarial data, accumulated plan benefits, or any unfunded pension liability. Reporting of such liability is the responsibility of the U.S. Office of Personnel Management and the Federal Retirement Thrift Investment Board. Data regarding actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability are not allocated to individual departments or agencies.

Note 14. Credit Reform

The Federal Credit Reform Act of 1990, which became effective on October 1, 1991, has significantly changed the manner in which the Housing Guaranty Program finances its credit activities. The primary purpose of this Act is to more accurately measure the cost of Federal credit programs and to place the cost of such credit programs on a basis equivalent with other Federal spending.

In fiscal year 1992, the Program received appropriations totalling \$25.034 million. Of that amount, \$17.630 million was available for the subsidy costs of new credit activity. In fiscal 1992, \$11.970 million was obligated for projected credit guaranty activity (\$5.660 million is available for 1993 credit subsidy activity). None of the guaranties authorized in fiscal 1992 have resulted in legal binding commitments. Once these commitments are established, the subsidy and corresponding liability will be accrued and recorded in accordance with the requirements of Credit Reform. The remaining \$7.404 million that was appropriated to the Program was used for fiscal 1992 Program operating and administrative costs.

Price Waterhouse



To the Administrator
and the Inspector General
of the Agency for International Development

Report of Independent Accountants on Internal Control Structure

We have audited the financial statements of the Housing Guaranty Program of the Agency for International Development (A.I.D.) as of and for the year ended September 30, 1992, and have issued our report thereon dated June 5, 1993.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, and prescribed in Office of Management and Budget (OMB) Bulletin Number 93-06, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Housing Guaranty Program for the year ended September 30, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Housing Guaranty Program is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that: (1) transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and to maintain accountability over assets; (2) funds, property and other assets are safeguarded against loss from unauthorized use or disposition; and (3) transactions, including those related to obligations and costs, are executed in compliance with (a) laws and regulations that could have a direct and material effect on the Principal statements and (b) any other laws and regulations that the Office of Management and Budget (OMB), entity management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures



may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories: origination of guaranties, cash receipts, claims receivable, investments, purchasing, cash disbursements, salaries and benefits, accounts payable and accrued expenditures, appropriations, project monitoring, and financial statement preparation and reporting.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants and OMB Bulletin 93-06. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions follow this letter and form the remainder of this report.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions specified in this report to be a material weakness.

We also noted matters involving the internal control structure and its operation that we will communicate to management separately.

In addition to the objectives referred to in the fourth paragraph of this report, management is responsible for providing reasonable assurance that data which support performance measures reported in the "Overview of the Reporting Entity"



are properly recorded and accounted for to permit preparation of reliable and complete performance information. OMB Bulletin Number 93-06 requires that auditors obtain an understanding of the internal control structure as it relates to the AICPA's existence and completeness assertions and assess control risk relative to policies and procedures designed to provide reasonable assurance of achieving this objective. The scope of our work did not include obtaining and evaluating evidential matter to assess control risk concerning management's assertions regarding performance measures. This audit requirement was addressed by the Office of Inspector General as reported in its transmittal letter regarding the audit report of A.I.D.'s Housing Guaranty Program for fiscal year 1992.

This report is intended for the information of the Congress, the A.I.D. Office of the Inspector General, and the management of the Agency for International Development. This restriction is not intended to limit the distribution of this report, when it becomes a matter of public record.

Pricewaterhouse

June 5, 1993



Reportable Conditions

A.I.D. has no established and documented billing, delinquency identification, collection, write-off, and collection effort documentation procedures (collectively known as due diligence procedures) for Housing Guaranty Program (HG) claims receivable.

Condition:

Host countries (HCs) owe the United States Government for the \$306,000,000 of claim payments made by A.I.D. on behalf of HC borrowers. The Loan Management Division, which carries out the controller function for the Program, follows informal due diligence (collection) procedures for these debts. A.I.D. has no formal policies which define: (1) personnel in Loan Management and overseas Missions responsible for issuance of bills and execution of collection efforts; (2) the manner, frequency, and documentation requirements of collection efforts; (3) accounting requirements which comply with Credit Reform guidance; (4) internal and external reporting requirements; (5) Loan Management's follow-up with Missions on their collection assistance actions; and (6) documentation of claim collection effort histories.

Notices of Payment Due (bills) are sent to the Ministry of Finance, or similar body, in HCs to alert the country of the debt owed to the United States Government. The bills are manually produced by the Loan Management Division for all outstanding debt and any new claim payments. In fiscal year 1992, there were approximately 360 claim disbursements for which initial billings should have been issued. However, for 100% of the claim disbursements tested during the audit, initial bills were not prepared in time with the claims which were paid. In fact, bills were not processed at all this year for more than half of the claim disbursements tested.

Claims receivable delinquency reports are developed manually from information maintained outside the Housing Guaranty Portfolio Management System (HGPMS), a new PC database system. HGPMS does not comply with OMB's functional requirements of guaranteed loan accounting systems because, among other things, it does not track the current status and history of new and outstanding guaranteed loans.



Cause:

According to the Chief of Loan Management, resources have not been sufficient to enhance HGPMS, including billing and delinquency monitoring functions or, alternatively, to adequately perform the billing, collection, monitoring, and reporting functions manually.

Furthermore, HGPMS was not reviewed for application defects or data integrity problems. System flaws in the claims receivable aging function have resulted in the need to maintain delinquency information outside of the system.

Criteria:

OMB Circular A-129 and the Treasury Financial Manual Credit Supplement require agencies to properly service debts by making all reasonable efforts to collect, and to make those efforts in a timely fashion.

As stated in its Statement of Recommended Accounting Standards No. 2 (Exposure Draft), the Federal Accounting Standards Advisory Board believes that whether a credit program can perform a sound accounting for its credit activities depends on whether it has an adequate historical database and forecasting capability.

Effect:

As a result of incomplete information and procedures, A.I.D. may be incurring losses from inadequate collection efforts because it is not applying timely billing, delinquency notification, and collection procedures. Claim payments made by A.I.D. in fiscal year 1992 amounted to approximately \$59 million and claims outstanding at September 30, 1992 were \$306 million. Opportunity costs may be occurring because bills are not issued and procedures have not been implemented to ensure pursuit of repayment of these debts to A.I.D. At the time of the audit, three countries were in violation of Section 620q of the FAA as a result of delinquent Housing Guaranty Program debts.

Information required to facilitate due diligence and default analysis is not readily available to Loan Management or Mission personnel. Loan Management's analyses and decisions must be made without the benefit of aging and exception reporting. Foreign Assistance Act Section 620q violations, debt rescheduling eligibility, cash flow projections, collection performance, and portfolio risk assessments are determined based on limited delinquency data.



Fiscal personnel are unaware of the billing and collecting requirements for which they are responsible, and there is a lack of accountability among Loan Management and Mission personnel for ensuring that due diligence is performed.

Recommendation:

We recommend that the Office of Financial Management, review the Housing Guaranty Portfolio Management System and modify it to comply with OMB Circular A-34, including the provisions on the billing and aging of receivables, and the generation of required management and Treasury reports.

We also recommend that the Associate Administrator for Finance and Administration, in consultation with the Office of General Counsel, review the requirements of OMB Circulars A-129 and A-34, and the Treasury Financial Manual Credit Supplement to determine those that apply to the Housing Guaranty Program. Waivers from the Office of Management and Budget should be sought where provisions in the federal guidance are not reasonable, and approval for alternative procedures should be obtained. Policies and procedures specific to the Program should be established and documented.

Financial management policies and procedures have not been adequately formalized and documented.

Condition:

Standard general ledger controls have not been established which require: 1) financial activity to be recorded and accumulated as transactions occur; (2) monthly reconciliations of guaranteed loans committed, lender disbursements and receipts, obligations and accruals, and cash transactions; (3) supervisory review and approval of reconciliations; (4) standardized procedures to account for accrued operating and administrative expenses; and, (5) systematic consolidation of world-wide transactions in the underlying financial records to provide to the centralized general ledger, in a standard format, all data necessary to produce accurate reports submitted to OMB and Treasury.

Cause:

Financial resources have not been allocated to Loan Management to define and document required control techniques and to train personnel on the



implementation and review of these techniques. Financial Management has not placed a high priority on formalizing and documenting policies and procedures or providing training specific to the financial management and accrual accounting of credit programs to both Loan Management and the overseas Missions.

Criteria:

In "Financial Management and Accounting Objectives", OMB states that the information and other outputs must result from formal processing systems comprised of appropriate policies, procedures, forms, and records. Such systems should be documented to facilitate adherence to prescribed procedures, meaningful evaluation, and timely revision. The documentation should include a complete description of the processes, data elements, and documents.

Effect:

Informal policies and procedures increase susceptibility to error in the recordkeeping and reporting functions of Loan management, create vulnerability to personnel turnover since institutional knowledge is not retained, make assignment of responsibility and accountability difficult, and cause orientation of newly hired personnel to be inefficient since documentation is not available to facilitate their learning process.

Recommendation:

We recommend that the Associate Administrator for Finance and Administration formalize, document and distribute policies and procedures specific to Loan Management. Procedures should make clear the: (1) responsible party; (2) accountable party (i.e., authorizing official); (3) required frequency of the duty; (4) forms, checklists, and reports necessary to facilitate the function; and, (5) reporting requirements to management.

Federal funds maintained in a commercial bank account were not recorded in the general ledger. Furthermore, the account was not included in A.I.D.'s reports to Treasury during the year.

Condition:

Funds were held in a commercial bank account rather than in the U.S. Treasury as required by GAO Title 7, Fiscal Procedures. During the year the account balance was approximately \$500,000 to \$800,000. The account



balance at fiscal year end of approximately \$705,000 was not captured in the general ledger or reported to Treasury.

Cause:

Policies and procedures were not sufficient to facilitate proper accounting of this account. Furthermore, Loan Management resolved to seek, but did not yet obtain a waiver from Treasury authorizing this commercial bank account.

Criteria:

Loan management is required under A.I.D. Handbook 19 to maintain general ledger accounts which maintain complete and current information on A.I.D.'s cash position, i.e., cash on hand, transit for deposit, fund balances with Treasury and/or U.S. Disbursing Officers, and cash held for others.

GAO Title 7 requires all funds to be held in the custody of the U.S. Treasury. The Federal Treasury Manual prescribes review, monitoring, and reporting requirements of agency cash management. These requirements include the deposit of all public funds with Treasury, unless there is specific statutory authority to do otherwise, and the elimination of idle cash balances.

Effect:

Controls are not adequate to ensure that these transactions are properly recorded and accumulated in the Agency's underlying financial records. Additionally, A.I.D. is not in compliance with the General Accounting Office or the U.S. Treasury regulations which govern the safeguarding and reporting of Federal funds.

Recommendation:

We recommend that the Associate Administrator for Finance and Administration should pursue its decision to obtain the required authorization through Treasury and OMB to maintain the account. Furthermore, policies and procedures should be implemented which require the Branch Chief's review of reconciliations of the general ledger cash account to the bank statements and to the subsidiary cash journal, as well as adequate disclosure in Loan Management's reports to Treasury.



* * * * *

All of the control weaknesses cited in this report remain as reportable conditions which have not been rectified since the 1991 financial audit of the Housing Guaranty Program. The change in classification of these weaknesses from material to reportable has resulted from improvements in the general control environment of the Loan Management Division. Such improvements include the automation of the guaranty portfolio system (HGPMS) and the related claims activity as well as the partial automation of the general ledger activities. The implementation of information systems has made it possible to more readily detect errors in the normal conduct of operations.

Price Waterhouse



To the Administrator
and the Inspector General
of the Agency for International Development

Report of Independent Accountants on Compliance with Laws and Regulations

We have audited the financial statements of the Housing Guaranty Program administered by the Agency for International Development (A.I.D.), as of and for the year ended September 30, 1992, and have issued our report thereon dated June 5, 1993.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and as prescribed in Office of Management and Budget (OMB) Bulletin 93-06, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to A.I.D. is the responsibility of A.I.D.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the A.I.D.'s compliance with certain provisions of laws and regulations. Applicable laws included: Eligibility provisions of Title III of the Foreign Assistance Act of 1961, as amended; the Chief Financial Officers Act of 1990; the Budget and Accounting Procedures Act of 1950; the Federal Managers' Financial Integrity Act of 1982; the Debt Collection Act of 1982; the Prompt Payment Act; and the Federal Credit Reform Act of 1990. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes or regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements, or if the sensitivity of the matter would cause it to be perceived as significant by others. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have been corrected in the Housing Guaranty Program's 1992 financial statements.



Our report on the internal control structure of A.I.D.'s Housing Guaranty Program for the year ended September 30, 1992, dated June 5, 1993, reported several reportable conditions. These reportable conditions indicate management's lack of compliance with (a) certain provisions of the Debt Collection Act of 1982 which are applicable to the Housing Guaranty Program with respect to the billing and collection of claims receivable and (b) requirements that program funds cannot be maintained in a commercial bank in the United States without proper authorization.

We considered these instances of noncompliance in forming our opinion on whether the Housing Guaranty Program's fiscal year 1992 financial statements are presented fairly, in all material respects, in conformity with OMB Bulletin No. 93-02, *Form and Content of Agency Financial Statements*, and this report does not affect our report dated June 5, 1993, on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, A.I.D. complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that A.I.D. had not complied, in all material respects, with those provisions.

This report is intended for the information of the Congress, the A.I.D. Office of the Inspector General, and the management of the Agency for International Development. This is not intended to limit distribution of this report, when it becomes a matter of public record.

Arnie Waterhouse

June 5, 1993

AUDIT OF A.I.D.'S
HOUSING GUARANTY PROGRAM'S
1992 ANNUAL FINANCIAL STATEMENT
UNDER THE CFOs ACT OF 1990

A.I.D. Management's
Program Overview of
the Housing Guaranty Program

PROGRAM OVERVIEW

Introduction

The Housing Guaranty Program, established through Title III, Sections 221, 222 and 238c of the Foreign Assistance Act of 1961, stimulates U.S. private sector involvement in the financing of low-income shelter and related services in the developing world.

The Housing Guaranty (HG) Program utilizes the guaranty of repayment by the U.S. Government to leverage funds from U.S. investors for eligible borrowers in less-developed countries. U.S. private sector lenders make financing available at commercial rates. The repayment of principal and interest is guaranteed through A.I.D. by the full faith and credit of the U.S. Government. In return for receiving financing at affordable rates, foreign borrowers normally pay an initial charge of one percent of the loan amount and an annual fee of one-half of one percent of the unpaid principal balance. All fees and resulting earnings are held in an account maintained by the Treasury of the United States.

The table below provides a breakdown of loan guaranties issued and outstanding by region as of September 30, 1992. This table represents the portfolio of HG authorizations issued prior to the enactment of credit reform legislation. Table 2 lists new authorizations issued in FY 1992 which are subject to credit reform:

Table 1
HG Loan Guaranties Issued and Outstanding by Region (\$US '000s)

Region	FY1988	FY1989	FY1990	FY1991	FY1992
Africa	250,431	253,239	253,239	369,206	207,334
Asia	384,960	448,710	513,750	575,400	623,352
Latin America	983,241	978,243	952,256	946,658	933,299
Near East	561,993	586,993	591,500	845,000	1,021,980
Eastern Europe	0	0	0	35,000	35,000
Inter-Regional	39,329	30,067	30,067	30,067	30,067
Sub-Total	2,219,954	2,297,252	2,340,812	2,801,331	2,851,032
Payments	212,339	243,026	252,652	248,051	280,114
Total Outstanding	2,007,615	2,054,226	2,088,160	2,553,280	2,488,001

Program Description

The Housing Guaranty Program is the vehicle through which the Office of Housing and Urban Programs addresses the shelter and urbanization needs of developing countries. Located in the Bureau for Private Enterprise, the Office develops strategies for program planning, management and capital investment that serve as guidelines for project identification and preparation. Regional Housing and Urban Development Offices (RHUDOs) represent the Office in all regions of the developing world. The RHUDOs and A.I.D. Missions co-manage capital and technical assistance programs for housing and urban development. Office of Housing representatives at all levels work closely with local officials to promote policies which increase access to shelter and related urban services for below-median income families.

The focus of projects funded under the Housing Guaranty Program has evolved substantially over its thirty year history. Early projects were similar to other U.S. Government housing loan programs in that the borrower was the homeowner, and the guaranty was offered to the lending institution on his/her behalf. In addition, financing was provided specifically and exclusively for the construction of housing units. During the 1970s the Office broadened the scope of the program to include the funding of land development and neighborhood upgrading programs. These projects mobilized the components of decent shelter which low-income families have the most difficulty providing for themselves: land and basic infrastructure (water, sanitation, drainage, etc.). While these projects offered clear benefits to neighborhood residents, they did not directly improve shelter conditions city-wide. As a result, Housing Guaranty Program financing is increasingly directed toward urban policy reform and increased private sector participation in the process by which low-income city residents gain access to land, housing and basic urban services. This historical evolution is reflected in the three main areas of focus of the current Housing Guaranty Program: Shelter and Housing Finance, Urban Environment and Infrastructure, and Local Government and Municipal Management.

The Shelter and Housing Finance component focuses on maximizing the private sector contribution to the process of urbanization. The streamlining of the urban development regulatory framework helps bring down costs and therefore allows low-income households and small-scale developers to enter the housing market. Upgrading of existing neighborhoods and the creation of new tracts of serviced land further galvanize private sector housing provision efforts. Housing finance assistance, through the intermediary of national housing banks and private savings and loan institutions, complements these activities by stimulating demand and generating employment in the construction sector.

Large-scale urbanization is generally recognized to increase both the potential for economic development and the threat of environmental degradation. The Housing Guaranty Program therefore assists local governments in improving services which protect or enhance the urban environment. The program supports the development of methodologies for analyzing the impact of urban environmental problems on health,

economic development and natural resource conservation. The results of this analysis inform the strategies for protecting ecologically fragile areas and managing key coastal resources. In addition, HG resources are increasingly targeted to financing urban environmental infrastructure. Investment in waste water treatment facilities and solid waste disposal systems makes a direct contribution to the urban economy and to environmental quality in cities in the developing world.

The Housing Guaranty Program furthers the cross-cutting A.I.D. objective of democratic participation through its Local Government and Municipal Management area of focus. HG financing supports decentralization efforts by strengthening the ability of local governments to generate additional revenue. Municipal development programs bolster local property tax revenues through improved land registration and titling procedures. Cost recovery is promoted in the delivery of urban services by public agencies and/or private firms. The resulting improved fiscal performance allows cities to finance capital improvements and other services from their own sources. Engaging of the private sector in these activities through partnerships or financial incentives also increases the ability of local governments to meet their own development needs. Finally, since local government is the most effective tool for addressing the potential and actual effects of earthquakes, floods and the like, the program provides assistance to municipalities for the prevention and mitigation of natural disasters.

Fiscal Year 1992 Activity

Loan guaranty authorization and disbursement activity for the Housing Guaranty Program during the fiscal year 1992 is summarized in Tables 2 and 3.

Table 2
HG Loan Guaranty Authorizations in FY1992 (US\$ '000s)

Authorization No.	Country	Authorization Date	Amount
613-HG-004	Zimbabwe	8/31/92	15,000
386-HG-013	India	8/28/92	15,000
386-HG-014	India (Refinancing of prior year loans)	8/28/92	13,000
497-HG-005	Indonesia	8/31/92	20,000
150-HG-010	Portugal	8/31/92	15,000
664-HG-010	Tunisia	8/31/92	5,000
		TOTAL	83,000

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Table 3
HG Loan Guaranty Disbursements in FY1992 (\$US '000s)

Authorization No	Borrower	Contract Date	Amount
492-HG-001 A01	Philippines	2/6/92	20,000
608-HG-003 A01	Morocco	11/13/91	15,000
664-HG-007 A01	Tunisia	12/27/91	9,400
		TOTAL	44,400

In addition, the decline in interest rates during 1992 created opportunities for refinancing existing Housing Guaranty loans. Accordingly, the Office of Housing and Urban Programs defined refinancing parameters which promoted competitive bidding, maintained the original final maturity date of the loan, waived the A.I.D. front end fee and encouraged lenders to include all other front end fees in the structure. During FY1992, nine loans totaling US\$104.6 million were refinanced (see Table 4). The net effect of this activity has been to provide considerable savings to the borrowers and to reduce A.I.D.'s contingent liability under its guaranty.

Table 4
HG Loan Guaranty Refinancings FY1992 (US\$ '000s)

Authorization No	Country	Contract Date	Amount
383-HG-001 A01	Sri Lanka	6/15/92	18,900
383-HG-003 B01	Sri Lanka	7/1/92	10,000
515-HG-006 A01	Costa Rica	2/3/92	4,180
520-HG-004 B0i	Guatemala	12/30/91	10,000
598-HG-001 A01	BLAPE (regional)	9/1/92	5,657
532-HG-012 A03	Jamaica	7/1/92	12,000
511-HG-005 A01	Bolivia	6/1/92	3,863
513-HG-006 A01	Chile	6/1/92	25,026
518-HG-006 B01	Ecuador	1/7/92	15,000
		TOTAL	104,626

Sectoral Performance Measurement

In response to the Chief Financial Officers Act of 1990 and the recommendations of the 1991 Housing Guaranty Program Financial Statement Audit, the Office of Housing and Urban Programs developed a program performance measurement system.

The expansion of the HG program into the areas of municipal management and urban environmental infrastructure poses a challenge for the measurement of program performance. The quantification of low-income housing production alone will not be able to convey the impact of the program. In response to this challenge, the Office has developed a set of housing and urban development indicators which attempt to reflect both quantifiable outputs and process-related measures. The collection of data on the housing and urban sectors has the following objectives:

- to provide a conceptual and analytical tool for measuring the impact of HG programs on the housing and urban sectors;
- to provide an analytical tool for measuring the performance of the housing and urban sectors in a comparative, consistent and policy-oriented perspective;
- to establish base-line data in participating countries for new shelter and urban strategies and associated loans;
- to create a framework for the comparison of housing and urban data between countries and over time.

The majority of the housing and urban development indicators originated in the United Nations Center for Human Settlements (UNCHS)/World Bank Housing Indicator Program (HIP), which shares some of the above objectives. The HIP developed and tested 47 indicators in 52 countries in the Extensive Survey during 1991-1992. The analysis of the survey results led to a modified body of indicators which was regrouped into six function-specific modules: Housing Affordability, Housing Finance, Housing Quality, Housing Production, Housing Subsidies and the Regulatory Audit.

The Office of Housing drew on the UNCHS/World Bank experience in the development of relevant indicators and in the survey approach. Like the HIP, the Office conducted a general, comprehensive survey this year and will follow up in the coming years with more detailed subsets of indicators targeting areas of concentration relevant to particular HG projects or programs. The extensive survey covered all active HG programs, that is, all HG programs under implementation for which loans are authorized and under contract. The criteria for indicator selection were that a given measure of program or sector performance be:

- quantitative;
- obtainable from reliable secondary sources or sample surveys;
- variable from country to country;
- applicable in all types of economies (market and command, developed and developing);

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- indicative of progress;
- capable of having direct policy implications.

Using these criteria, the Office developed three subsets of indicators which relate to the three primary areas of concentration of the Housing Guaranty Program¹:

1. Shelter and Housing Finance

Tenure Regularization - Percentage of regularized informal land development.

Permits Delay - Median length in months to get approvals, permits and titles for a new medium-sized (50-200 unit) residential subdivision in an area on the urban fringe where residential development is permitted.

Compliance - Ratio of building permits issued to new housing starts in both formal and informal sectors during the past year.

Land Registration Coverage - Percentage of area covered by a land registration system that enables buying, selling, long-term leasing, and mortgaging of urban land.

Mortgage to Deposit Difference - Average difference in percentage points between interest rates on mortgages in both commercial and government financial institutions and the interest rate on one year deposits in the commercial banking system.

Credit to Value Ratio - Ratio of mortgage loans for housing last year to total investment in housing, both formal and informal.

Down-Market Penetration - Lowest priced unsubsidized formal dwelling unit produced by the private sector in significant quantities to median annual household income.

House Price to Income Ratio - Median free-market price of dwelling unit to median annual household income.

2. Urban Environment and Infrastructure

Infrastructure Expenditure per Capita - Ratio of total annual expenditures for operations, maintenance and capital by all levels of government, including private utilities and parastatals, on infrastructure services (roads, drainage, water supply, electricity and garbage collection) to the urban population.

Individual Water Connections - Percentage of dwelling units with individual water connections.

Upgrading Informal Land Development - Percentage of total informal land development that is serviced by water, roads and electricity.

Private Sector Land Development - Percentage of formal land development that was developed by the private sector.

Environmental Encroachment - Percentage of residential development occurring on unsafe, environmentally sensitive or priority agricultural land.

¹A more detailed description of the indicators can be found in Annex 1.

3. Local Government and Municipal Management

Operations and Maintenance - Percentage of residential areas that are serviced by solid waste removal.

Cost Recovery - Percentage of operational, maintenance and capital costs financed through locally generated revenues.

Property Tax Receipts - Percentage of property tax receipts in the local government budget.

Own Source Financing - Percentage of capital expenditures financed through locally generated revenues.

Private Sector Investment - Percentage of municipalities with private sector provision, operation and/or maintenance of infrastructure/urban services.

The survey, covering fiscal year 1992 data, was distributed to the project officers of all active HG loans. Project officers were given data collection guidelines developed by the UNCHS/World Bank program and were instructed to choose the indicators that relate most closely to the project. The condition measured by each indicator was rated according to the degree of constraint, the extent of improvement and the relevance to the program or sector. Values could be provided for current and previous years. The data was to be collected at the geographic level relevant to the project or program; in most cases, city-specific data was the most desirable.

Survey Results and Program Highlights

This survey yields a good first impression of conditions in the housing and urban sectors². In addition, comparison of given values with regional norms highlights the need for intervention in a particular area. To the extent that the survey includes some data for previous years, it can gauge the impact of HG loans. In most cases, however, the static "snapshot" of a given sector at a particular moment in time is not enough to provide a clear indication of program impact. As this data collection activity moves into its second and third years, the ability of the indicators to measure program performance will increase substantially.

Table 5 summarizes the results of the fiscal year 1992 survey. In an effort to show changes over time, survey results from 1990-1991 are compared to those from 1992 where values for both years exist (Table 6).

The distribution of responses related to shelter and housing finance reflects the concentration of these programs in South Asia and South America. Indicator values for the South Asian countries in particular suggest an acute housing affordability problem. The high values House Price to Income Ratio show that housing expenditures, at least

²Project-specific survey results, as well as other data related to project status and outputs, can be found in Annex 2.

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Table 5

HOUSING AND URBAN DEVELOPMENT INDICATORS																			
Fiscal Year 1992 Survey*																			
Indicator	Ken	Cot	Ind	Pak	SriL	Indo	Phil	Jor	Mor	Por	Tun	Guat	Hon	Pan	Jam	Bol	Chi	Ecu	Pol
Shelter and Housing Finance																			
Tenure Regularization		4%		4%															
Permits Delay		40		7	5														
Compliance		0.45		0.80															
Land Registration Coverage		10%		33%	40%														
Mortgage to Deposit Difference			2.00	0.00	2.50					6.31	-1.39					6.76	4.70	8.67	0.00
Credit to Value Ratio			0.20	0.08	0.58											0.09	0.24	0.37	0.66
Down-Market Penetration				6.39	9.68			1.20		4.50	3.72	1.57	1.43	1.76		0.66	5.00	2.21	
House Price to Income Ratio				13.33	14.52			3.39				2.12	1.76	2.67		1.66	1.66	2.08	
Environment and Infrastructure																			
Infrastructure Expenditure per Cap.																	22.50	73.15	
Individual Water Connections								78%									97%	76%	
Upgrading of Informal Areas																			
Private Sector Land Development										97%	38%				20%		100%		
Environmental Encroachment		45%																	
Municipal Management																			
Operations and Maintenance		52%																	70%
Cost Recovery	82%	48%				30%	10%										90%	12%	
Property Tax Receipts	9%	10%				8%	18%				21%								
Own Source Financing		32%				36%	15%											33%	
Private Sector Investment		6%				8%	23%												

*Includes values from 1990-1992. Most recent value shown.

Borrower Key

Ken	Kenya	Jor	Jordan	Pan	Panama
Cot	Cote d'Ivoire	Mor	Morocco	Jam	Jamaica
Ind	Indonesia	Por	Portugal	Bol	Bolivia
Pak	Pakistan	Tun	Tunisia	Chi	Chile
SriL	Sri Lanka	Guat	Guatemala	Ecu	Ecuador
Indo	Indonesia	Hon	Honduras	Pol	Poland
Phil	Philippines				

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Table 6

HOUSING AND URBAN DEVELOPMENT INDICATORS												
Fiscal Year 1992 Survey – Trends Over Time												
Indicator	Kenya		Cote d'Ivoire		Indonesia		Honduras		Bolivia		Chile	
	1990-91	1992	1990-91	1992	1990-91	1992	1990-91	1992	1990-91	1992	1990-91	1992
Shelter and Housing Finance												
Tenure Regularization			4%	4%								
Permits Delay			40	40								
Compliance			0.45	0.45								
Land Registration Coverage			10%	10%								
Mortgage to Deposit Difference									8.40	6.76	4.21	4.70
Credit to Value Ratio									0.09		0.27	0.24
Down-Market Penetration							1.17	1.43		0.66	5.00	5.00
House Price to Income Ratio							1.76	1.76		1.66	1.66	1.66
Environment and Infrastructure												
Infrastructure Expenditure per Cap.											22.50	26.70
Individual Water Connections											97%	97%
Upgrading of Informal Areas												
Private Sector Land Development											100%	100%
Environmental Encroachment			45%	45%								
Municipal Management												
Operations and Maintenance			52%	52%								
Cost Recovery	82%	82%	48%	48%	30%						80%	
Property Tax Receipts	7%	9%	100%	100%	8%							
Own Source Financing			32%	32%	36%	36%						
Private Sector Investment			6%	6%	8%	8%						

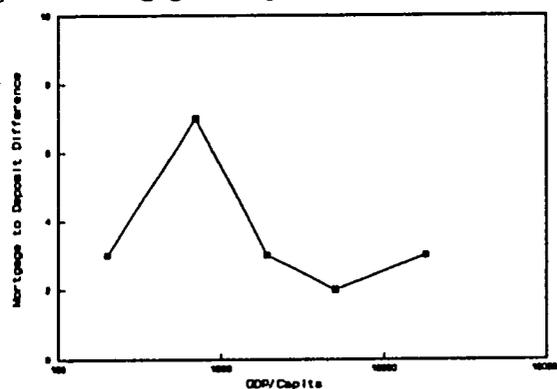
for sales, are absorbing an undue portion of household income: in Pakistan, the value (price of dwelling unit divided by household income) was 13.33 in 1991, while in Sri Lanka the value was 14.52 in 1992. While South Asia records the highest values of any region of the developing world, these values largely surpass the regional mean of 4.15³. Down-Market Penetration (lowest priced dwelling unit divided by household income) responses for both countries also imply that housing is costly relative to incomes, and that the lower-income groups may be excluded from the formal housing market (Pakistan: 6.39, Sri Lanka: 9.68). This data indicates that housing affordability is a regional concern, and that the HG-supported national effort to develop market-based housing finance systems is well-targeted.

The values for the shelter and housing finance indicators in South America also point to a housing affordability problem, albeit more consistent with regional norms. The Mortgage to Deposit Difference (MDD) (mortgage interest rate divided by deposit interest rate) is high in participating countries (Bolivia: 6.76; Chile 4.70; Ecuador 8.67). These values suggest that financial institutions are inefficient, that competition for loans is restricted by complex regulations, or that demand greatly exceeds the available supply. However, some combination of these factors is typical for low-mid income countries, for which the mean Mortgage to Deposit Difference value (7.00) is the highest for any income group (Table 7).

Table 7
Mortgage to Deposit Difference by Income

Income Grouping	MDD
Low Income Countries	0.03
Low-Mid Income Countries	0.07
Middle Income Countries	0.03
Mid-High Income Countries	0.02
High Income Countries	0.03

Figure 1. Mortgage to Deposit Difference by Income



Correlation of these data with GDP per capita suggests the timeliness of HG housing finance intervention in Bolivia, Chile and Ecuador. In the absence of sectoral data over time, a brief look at the outputs of the National Shelter Delivery System HG Program in Ecuador will complement the survey results as a gauge of program performance. The program combines infrastructure management reform with the transformation of the Ecuadoran Housing Bank (BEV) into a second story lending entity. This new BEV role facilitates increased private sector participation in shelter finance. Of the planned 16,000 shelter solutions and 10,000 home improvement and upgrading loans, 3,012 loans have

³UNCHS/World Bank, "The Housing Indicators Program: Extensive Survey", June 1992, p. 20.

been advanced to low-income beneficiaries. US\$ 3.8 million in HG financing has been matched by US\$ 3.7 million in GOE funds. In addition, A.I.D. and the GOE signed an agreement to reform the policies and institutions of the shelter financial sector.

The collection of data relating to the Urban Environment and Infrastructure component of the Housing Guaranty Program is particularly difficult. Much of the enhancement of the urban environment is achieved through the provision of basic environmental services (water, sanitation, solid waste collection) to existing squatter settlements or other informal neighborhoods. As these areas are by definition outside planning law and regulation, data is scarce.

For example, the Tetouan Urban Development Project in Tetouan, Morocco addresses the environmental conditions in a large authorized and underserved neighborhood (Dersa-Samsa). The Housing Guaranty Program is providing \$25 million in loans to help finance street lighting, roads, new water and sewerage hook-ups, and a city-wide primary sewage line (90,000 beneficiaries). To accommodate future growth, the city will assist private landowners in the development of 260 hectares of land, yielding 10,000 serviced plots (100,000 beneficiaries).

The indicators which best measure the performance of this program are Individual Water Connections and Private Sector Land Development. Individual Water Connections is an important measure of housing quality and also has direct implications for environmental quality and the communication of water-borne diseases. In 1991, 77.8% of the dwelling units in Tetouan were hooked up to the drinking distribution system. The addition of 5,865 new hookups (or 15% of the city-wide total) in Dersa-Samsa alone during 1992 clearly illustrates that project goals are in the process of being achieved.

Increased private sector participation in the servicing of land for residential use limits the spread of environmentally unsound informal settlements. The level of participation is increasing substantially in Tetouan as a result of the HG-funded public-private land development partnership. In 1992, 13% of new building permits were granted for construction on land developed by the private sector, up from 3% in 1991.

The performance of the Municipal Management component of the Housing Guaranty Program can be observed to a large extent in the balance sheet of local government budgets. Cost recovery on the provision of urban services and tax collection are the main forms of local revenue generation for city governments. The process-related indicators listed above will measure the degree to which policy-based loans are improving municipal financial performance.

The Small Towns Shelter and Community Development Program in Kenya is providing \$14.5 million in HG financing to help local governments strengthen their capacity to identify, prepare and administer low-income shelter and capital improvements projects. Although housing and community development projects will be completed in eleven

towns under the project, the intended outcome is the ability of local authorities to replicate the approach used therein. Property Tax Receipts show a modest improvement from 1991 to 1992, rising from 7% to 9%. This suggests either an increase in local government ability to generate revenue or greater central government support for decentralization. To date, the major outputs include the institutionalization of the local authority training program, training of officials in 26 towns, and the completion of 29 infrastructure/community facilities projects and 16 core housing sites.

Indicator values for municipal management in Indonesia show no trends over the period 1991-1992. The \$120 million Municipal Finance Project is focusing on training local government officials in enhanced management of financial resources. The provision of shelter and related urban services that result both from HG financing and the know-how imparted through the program will in turn improve the housing conditions for below-median income Indonesian families. The percentage of property tax receipts in the local budget remains fairly low, suggesting that there is room for further strengthening of revenue generation capacity. The values for Cost Recovery (30%) and Own Source Financing (36%) (percentages of costs/expenditures financed through locally generated revenues), however, imply a relatively strong financial performance in urban service delivery.

Future Directions

As mentioned above, the approach used by the Office of Housing and Urban Programs for program performance measurement parallels that of the UNCHS/World Bank program. Having surveyed general sector conditions in participating countries, the Office will in future years participate in the UNCHS/World Bank effort on the one hand, and collect expanded subsets of program-specific indicators on the other. The UNCHS/World Bank program will be collecting data on 10 indicators on a regular basis. The data will be collected in half of the participating countries on one year, and in the other half the following year. The Office will support this effort in order to keep a finger on the general pulse of the sector and to improve coordination within the assistance community. In addition, the Office of Housing and Urban Programs will develop more comprehensive subsets of indicators that target specific HG program areas of focus. This combination of gathering general and specific data will maximize the Office's ability to measure future performance of the Housing Guaranty Program.

Financial Performance

Financial Resources and Results of Operations

- The accompanying statements summarize the Housing and Other Credit Guaranty Programs financial position, the costs of operation and the changes in net position during fiscal year 1992, present cash flows from financing activities and provide a comparison of budget and actual expenses.

- Implementation of these requirements has changed the content of the financial statements. The significant format changes in these statements include the following:
 - *Statement of Financial Position* - Assets are classified as financial and nonfinancial, liabilities are classified as funded and unfunded liabilities, funds that would be required in the future to liquidate unfunded liabilities are reported as an offset to net position.
 - *Statement of Financial Operation and Changes in Net Position* - Expenses incurred are classified and reported by major type of program. Operating expenses by object classification are disclosed in the notes to the financial statements.
 - *Statement of Budget and Actual Expenses* - This is a new statement that replaces the 1991 financial statement footnote reconciling budget and accrual basis information.

These changes affect disclosures and classifications, but do not constitute a change in accounting principle.

In addition, the Housing and Other Credit Guaranty Programs is subject to the Credit Reform Act of 1990 (PL 101-508). Under this Act, all federal credit programs, beginning with fiscal year 1992, must have appropriations to cover anticipated costs.

Operating expenses during the fiscal year 1992 amounted to \$7.5 million, of which \$2.8 or 37% of were for salaries and related costs.

Guaranteed Loans - Prior to FY 92

- The total principal amount of guarantees issued and outstanding on loan guarantee commitments made prior to fiscal year 1992 cannot exceed \$2,558 million at any time. As of September 30, 1992, 166 guaranteed loans were made with an original face value of \$2,332 millions.
- Generally, the face value of guarantees issued in any country does not exceed \$25 million in any fiscal year and the average face value of guarantees issued in any fiscal year does not exceed \$15 million.

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The table below provides a break down of the loans made prior to October 1, 1991 and outstanding as of September 30, 1992:

Region	Amount (in Millions)	Amount %
Africa	\$ 192	8
Asia	410	18
Latin America	808	35
Near East	922	39
Total	\$2,332	100

Guaranteed Loans - FY 92

Loan guarantees issued during FY 1992 cannot exceed \$106 million (PL - 102-266). During FY 1992, \$83 million of guarantees were issued for six new guaranteed loans, of which one represents two refinanced loans of prior years guarantees, leaving \$23 million authority available. This authority is available for two years and can be used during FY 1993. The total subsidy for six new guaranteed loans obligated in fiscal year 1992, i.e., the net present value of the estimated long-term cost to the U.S. Government of the loan guaranties, amounted to \$12 million. The average subsidy cost per loan was \$2 million. The subsidy calculation was based on the present value of the estimated cash flows to be paid by the program as a result of the loan guaranties.

Accounts Receivable

Accounts Receivable consists mainly of guaranty fees receivable and interest receivable from Borrowers, as provided in the Loan or Rescheduling Agreements. As of September 30, 1992, the total accounts receivable amounted to \$4,749 (in thousands).

Claims Receivable

Claims receivable represents payments of principal and interest to U. S. Investors, when the Borrowers of a guaranty loan default. Claims receivable totals approximately \$310 million. Most of the receivables are claim payments that have been rescheduled according to the terms of bilateral agreements which are negotiated by the Paris Club.

Write-Offs

Claims written-off (net of recoveries) during fiscal year 1992 amounted to \$1,062 (in thousands). These are claim payments to U.S. Investors on housing guaranty losses without a host country guarantee. These represent .3% of the total loans receivable.

Financial Management Improvements

A.I.D. has presently completed the design and installation of an automated system to service guaranty activities. This system is now operational with some minor improvements to be made. Further, progress was also made in order to meet the requirements of the C.F.O Act. Pending the adoption of a version of the U.S. Army Corps of Engineers financial Management System (CEFMS) in the future, a PC based software is now operational to maintain general ledger accounts for the program.

However, A.I.D. must make further progress to meet the requirements of the CFO Act, and the development and implementation of an integrated financial management system remains a major priority. A.I.D. is committed to improve the Financial Management Systems to fully comply with the requirements of the CFO Act.

ANNEX 1

Indicator Definitions and Significance Housing and Urban Development Indicator Survey, FY92

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SHELTER AND HOUSING FINANCE

Tenure Regularization

Percentage of the total area of informal land development that has been regularized. This indicator measures the ability of local governments to manage rapid urban growth by adopting and imposing land development standards that are more realistic and affordable to low and moderate income families and that can be used in "regularizing" informal housing areas. A constant or increasing percentage of regularized area would indicate that success is being achieved in integrating informal or unauthorized housing areas into the urban fabric and in applying affordable standards.

Permits Delay

Median length in months to get approvals, permits and titles for a new, medium-sized (50-200 unit) residential subdivision in an area at the urban fringe where residential development is permitted. This indicator is an important measure of the degree to which land and housing development regulatory agencies are performing adequately. A high value suggests that regulatory agencies are inefficient, and may be restricting the supply of land and housing. Supply restrictions may in turn be inflating land and housing prices.

Compliance

Ratio of building permits issued to new housing starts in both formal and informal sectors during the past year. This indicator provides a measure of the degree to which developers, builders and households are complying with municipal regulations in the residential development process. A low value means that a large portion of the construction activity is taking place beyond the reach of regulatory agencies. This condition may in turn indicate that the permit delivery process is overly complex, lengthy and/or expensive.

Land Registration Coverage

Percentage of the metropolitan area covered by a land registration system that enables buying, selling, long-term leasing, and mortgaging of urban land. This indicator also provides a measure of a city's ability to monitor and regulate the development process. The degree to which land is registered influences the city's ability to enforce urban development regulations and to generate revenue through the collection of property taxes.

Mortgage to Deposit Difference

Average difference in percentage points between interest rates on mortgages in both commercial and government financial institutions and the interest rate on one year deposits in the commercial banking system. In a well-functioning housing market, the value of this indicator should be positive and low. A negative value suggests that lending institutions cannot be sustained in the long-term. A high value suggests that financial

institutions are inefficient, that loan competition is restricted or that demand far exceeds available supply.

Credit to Value Ratio

Ratio of mortgage loans for housing last year to total investment in housing, both formal and informal. This indicator measures the degree of access of housing consumers to long-term finance by assessing the proportion of housing investment made through the use of credit. It is a key measure affecting household demand. If this ratio is very small, a large proportion of housing investment requires savings and cash outlays, and necessarily depresses housing demand.

Down-Market Penetration

Lowest priced unsubsidized formal dwelling unit produced by the private sector in significant quantities to median annual household income. This indicator measures the degree to which the formal construction sector is penetrating down-market to provide affordable housing for low-income families. A higher value than House Price to Income Ratio suggests that the majority of households cannot obtain formal-sector housing, and therefore that the majority of households cannot obtain formal-sector housing.

House Price to Income Ratio

Median free-market price of dwelling unit to median annual household income. This indicator is a key measure of affordability. In a well-functioning housing market, housing expenditures, whether measured in prices or rents, should not take up an undue portion of household income. A high value for this indicator is a sign that house prices are high, and that generally the supply of housing is failing to meet demand.

URBAN ENVIRONMENT AND INFRASTRUCTURE

Infrastructure Expenditure per Capita

Ratio of total annual expenditures for operations, maintenance and capital by all levels of government including private utilities and parastatals on infrastructure services (roads, drainage, water supply, electricity and garbage collection) to the urban population. This indicator is an indirect measure of the supply of infrastructure for residential development. Low levels of infrastructure expenditures result in land supply bottlenecks and thus in higher prices for land and housing. They also result in inadequate provision of residential amenities, such as water, sewerage, drainage and electricity, and in subsequent traffic congestion, all of which have a direct effect on the quality of housing.

Individual Water Connections

Percentage of dwelling units with individual water connections. This indicator is an important measure of housing quality, focusing on the level of residential amenities associated with the basic house structure. It is also a proxy indicator for the existence of sewerage, drainage and electricity. A low level for this indicator is usually associated with areas not properly serviced by public infrastructure, in many cases recently occupied squatter areas.

Upgrading Informal Land Development

Percentage of total informal land development that is serviced by water, roads and electricity. This indicator measures the will and capacity of public agencies to recognize the contribution that the informal sector makes to overall housing supply and to extend adequate urban services to informal neighborhoods.

Private Sector Land Development

Percentage of formal land development that was developed by the private sector. This indicator measures the degree to which the private sector is participating in the creation of serviced land for housing. As the public sector in many cases lacks the resources to finance the servicing of land in sufficient quantities to satisfy actual demand, a high value for this indicator often suggests that the combined public/private response to urbanization pressures is improving.

Environmental Encroachment

Percentage of residential development occurring on unsafe, environmentally sensitive or priority agricultural land. This indicator measures the degree to which low- and moderate-income families are excluded from markets for decent (formal or informal) housing by quantifying the tendency to build housing on land which is not optimal for residential construction (environmentally sensitive or key agricultural land).

LOCAL GOVERNMENT AND MUNICIPAL MANAGEMENT

Operations and Maintenance

Percentage of residential areas that are serviced by solid waste removal. This indicator is a proxy indicator for the service level and coverage of infrastructure and other urban services in a given municipality. It gives a general indication of a city's ability to provide adequate service in water supply, sanitation, drainage, and solid waste collection and disposal.

Cost Recovery

Percentage of operation, maintenance and capital costs that are financed through locally generated revenues. This indicator measures the ability of government and utility agencies to sustain infrastructure development and maintenance. A high value indicates that an agency is recovering the costs of capital improvements or other services through user fees or local taxes, and correlates highly with efficient and effective urban management.

Property Tax Receipts

Percentage of property tax receipts in the local government budget. This indicator measures both the ability of local governments to generate revenue through property taxes and to channel them into the city budget. The former is a function of the extent of land registration and the capacity to levy and collect taxes, while the latter reflects the degree of fiscal decentralization in a given country or region.

Own Source Financing

Percentage of all capital financing that is locally generated. The ability of local municipalities to finance their own development is a sign of successful decentralization policies. A high value suggests that a municipality is, in fiscal terms, relatively independent and that capital improvement programs are sustainable over the medium- and long-term.

Private Sector Investment

Percentage of infrastructure and/or formal land development financed directly by the private sector. This indicator measures the level of participation of the private sector in providing basic infrastructure for residential development. A high value suggests that a local government has been successful in mobilizing private sector financing to satisfy the demand for serviced residential land.

ANNEX 2

Housing Guaranty Project Status Reports

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	Tunisia	664-HG-004C	19
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	Ecuador	518-HG-007	45

Individual Project Status Report

KENYA

12/15/92

BACKGROUND DATA

Project Title	Small Towns Shelter and Community Development	Date of Project Paper Authorization (amended)	8/79
Project Number	615-HG-006	Date of First HG Authorization (amended)	4/85
AID Project Officer	Howard J. Sumka	Date of Last HG Authorization (amended)	2/89
Implementing Agencies National Housing Corporation Ministry of Local Government		Date of Last HG Disbursement	2/89
		Date of Last Evaluation	10/88
		Date of Last Audit	N/A

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	14,500
Amount Authorized to Date	14,500
Amount Disbursed	14,500
Amount Expended	14,354
Planned Counterpart Contrib.	4,450
Actual Counterpart Contrib.	4,450

PROJECT IMPLEMENTATION STATUS

% Life-of-Project Elapsed	N/A
% Total Authorization Disbursed	100
% Total Disbursement Expended	99
% Total Authorization Expended	99

PROJECT PURPOSE

To strengthen the capability of local authorities (LA) to identify, implement and administer capital improvements, low-cost shelter, and employment generation programs.

PROJECT DESCRIPTION

Shelter and community facilities are being financed in small towns to serve people below median income. Training is aimed at strengthening local authority planning and management capabilities.

PROJECT STATUS

Most construction subprojects are complete. All HG funds disbursed; small local escrow balance remains. CPs/Covenants: All satisfied.

GOALS

Improved project identification, design, management process in LAs that address lower-income needs. Completed shelter and community development projects in 11 towns. Effective LA loan collection procedures. Operational small business lending program. Programs for income-producing activities for shelter project residents.

MAJOR OUTPUTS

Sixteen core housing sites completed. Twenty-nine infrastructure and community facilities subprojects complete. Institutionalized LA training program and trained officials in twenty-six towns.

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Individual Project Status Report (615-HG-006)
Housing and Urban Development Indicators, FY92

KENYA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage												
Mortgage to Deposit Difference												
Credit to Value Ratio												
Down-Market Penetration												
House Price to Income Ratio												
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance										82%	82%	--
Cost Recovery			7%	9%	--
Property Tax Receipts			.	.			.					
Own Source Financing												
Private Sector Investment												

* Source UNCHS/World Bank, 1992.

Housing Guaranty 615-HG-006 supports GOK efforts to improve the capacity of local governments to identify, implement, and administer capital improvements, low-income shelter and employment generation programs. The high value for Cost Recovery suggests that local governments and utility agencies are capable of sustaining infrastructure development and maintenance. The low value for Property Tax Receipts, however, indicates that fiscal decentralization efforts could be more robust, or that local governments need to strengthen their ability to levy and collect property taxes. The modest increase over the past year implies that the situation is improving.

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Individual Project Status Report
INDIA

12/14/92

BACKGROUND DATA

Project Title	Housing Finance System Program	Date of Project Paper Authorization	9/20/88
Project Number	386-HG-003 and 003A	Date of First HG Authorization	9/20/88
AID Project Officer	C. Billand/N. Bhattacharjee	Date of Last HG Authorization	8/28/92
Implementing Agencies	National Housing Bank (NHB)	Date of Last HG Disbursement	4/18/91
		Date of Last Evaluation	7/91
		Date of Last Audit	--

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	100,000
Amount Authorized to Date	70,400
Amount Disbursed	25,000
Amount Expended	25,000
Planned Counterpart Contrib.	0

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	57
% Total Authorization Disbursed	36
% Total Disbursement Expended	100
% Total Authorization Expended	36

PROJECT PURPOSE

Promote the development of a financially sound, self-sustaining, private sector housing finance system which makes long-term shelter finance available to a wide range of households, particularly those of below-median income.

PROJECT DESCRIPTION

The program includes a \$100 million loan guaranty and a \$4.3 million grant for technical assistance, training and management support services. The project supports NHB's core function of regulation, promotion and supervision of Housing Finance Companies (HFCs). Grant funds will strengthen NHB and develop the local capacity to provide long-term training and technical assistance for an expanded private housing finance system.

PROJECT STATUS

RHUDO, USAID/India is working with the NHB on actions required for fulfillment of CPs for borrowing by NHB of the next tranche of HG funds of \$25 million. (see major activities below)

GOALS

1) Increased resources derived from household savings, as a share of the HFCs total resources; 2) Increased resources derived from market-oriented sources, as a share of NHB's and HFC's total resources; 3) Access by HFCs to a newly evolving secondary mortgage market; 4) Increased number of recognized HFCs and branch expansion; 5) Expanded training available to HFCs; 6) Increased market oriented lending by other housing finance institutions; 7) Improved housing finance system supervision by NHB; 8) Support for initiating a housing finance trade association; 9) Increased access by informal sector families to formal sector housing finance institutions.

PROGRESS TO DATE

1) HFCs have been working on increased mobilization of household deposits. 2) Number of HFCs have been able to raise substantial equity from the market in the last 12 months. 3) Two experimental models on securitization of housing mortgages have been initiated. 4) Number of recognized HFCs have increased from 16 to 18 with substantial expansion in branch network. 5) NHB commissioned a study on uniform MIS system in HFCs and is working towards implementation of the same. 6) NHB is working on finalization of a Training and Technical Assistance Plan for HFCs.

MAJOR ACTIVITIES

Pending CPs are: 1) Substantial progress in implementation of the organization study recommendation. 2) Developing TA training plan for HFCs. 3) Quantifying implicit and explicit resource demands, and prepare a strategy for domestic resource mobilization to meet the demands. 4) Install a MIS at qualified subborrowers; and 5) Revise the Master Program Implementation Plan.

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Individual Project Status Report (386-HG-003)
Housing and Urban Development Indicators, FY92

INDIA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage											2	4
Mortgage to Deposit Difference	•			•				•			.20	.08
Credit to Value Ratio	•			•			•					
Down-Market Penetration												
House Price to Income Ratio												
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 386-HG-003 supports the Government of India's efforts to promote the development of a financially sound, self-sustaining, private sector housing finance system which makes long-term shelter finance available to a wide range of households, particularly those with below-median incomes. The Credit to Value Ratio indicates a need for housing finance intervention. A key measure of housing demand, the Credit to Value Ratio measures the degree of access of housing consumers to long-term mortgage finance. Although the value is higher than the regional norm, it is still low compared to other countries of the same income level. In addition, the value for the Mortgage to Deposit Difference suggests that lending institutions are both efficient and able to sustain their activities over the long-term.

Individual Project Status Report
PAKISTAN

12/6/92

BACKGROUND DATA

Project Title	Shelter Resource Mobilization Program	Date of Project Paper Authorization	6/1/89
Project Number	391-HG-001	Date of First HG Authorization	6/1/89
AID Project Officer	Jon Wegge	Date of Last HG Authorization	9/19/90
Implementing Agencies	Ministry of Finance, State Bank of Pakistan, Private Sector	Date of Last HG Disbursement	N/A
		Date of Last Evaluation	1990
		Date of Last Audit	None

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	40,000
Amount Authorized to Date	40,000
Amount Disbursed	0
Amount Expended	0
Planned Counterpart Contrib.	None
Actual Counterpart Contrib.	None

PROJECT IMPLEMENTATION STATUS

% Life-of-Project Elapsed	70
% Total Authorization Disbursed	0
% Total Disbursement Expended	N/A
% Total Authorization Expended	0

PROJECT PURPOSE

To assist the Government of Pakistan to establish a market-oriented housing finance system.

PROJECT DESCRIPTION

Development of a market-based housing finance system dominated by private sector housing finance companies operating in a regulated environment.

PROJECT STATUS

Legal framework created for private housing finance; regulatory unit established; first private company licensed and operating; six additional firms in licensing process. CPs/covenants: Completed for first tranche, being developed for second tranche.

GOALS

Private, market-based companies raising resources and making mortgage loans.

MAJOR OUTPUTS

Legal framework, regulatory unit, one private company.

MAJOR ACTIVITIES

Strengthen new housing finance system: wide variety of studies and TA on resource mobilization, legal issues, lending techniques, housing finance administration, refinancing; training carried out with public and private sector individuals working in housing finance.

Individual Project Status Report (391-HG-001)
Housing and Urban Development Indicators, FY92

PAKISTAN

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization		.				.	.			3.5%		--
Permits Delay		.			.			.		7		--
Compliance	80		--
Land Registration Coverage		.				.		.		33%		--
Mortgage to Deposit Difference	.					.	.			0		4
Credit to Value Ratio08		.08
Down-Market Penetration		.			.		.			6.39		--
House Price to Income Ratio		.			.		.			13.33		6.25
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 391-HG-001 assists the Government of Pakistan in establishing a market-oriented housing finance system in which private sector housing finance companies operate in a regulated environment. The zero value of the Mortgage to Deposit Difference indicates that lending institutions may have difficulty sustaining their operations over the long run. Housing affordability is clearly a problem, with the House Price to Income Ratio at twice the regional mean and clearly suggesting that households are forced to spend a large portion of their income on housing. The Down-Market Penetration value, finally, suggests that the private sector could be encouraged to provide housing more affordable to moderate- or low-income households.

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Individual Project Status Report

11/30/92

SRI LANKA**BACKGROUND DATA**

Project Title	Low Income Shelter Program	Date of Project Paper Authorization	1980
Project Number	383-HG-004	Date of First HG Authorization	1/27/81
AID Project Officer	Kamalini Fernando	Date of Last HG Authorization	7/7/88
Implementing Agencies	Ministry of Policy Planning & Implementation	Date of Last HG Disbursement	7/1/88
		Date of Last Evaluation	1989
		Date of Last Audit	None

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	100,000
Amount Authorized to Date	100,000
Amount Disbursed	60,000
Amount Expended	60,000
Planned Counterpart Contrib.	None
Actual Counterpart Contrib.	--

PROJECT IMPLEMENTATION STATUS

% Life-of-Project Elapsed	--
% Total Authorization Disbursed	60
% Total Disbursement Expended	100
% Total Authorization Expended	60

PROJECT PURPOSE

To assist the GSL in developing policies, programs and solutions which will increase the private sector participation in low-income housing finance and rationalize the use of limited public resources which will provide maximum benefits to lower-income households, and will promote the development of a sustainable housing finance system.

PROJECT DESCRIPTION

Provide support to GSL in strengthening the housing finance system to mobilize capital for shelter. NHDA is expanding its role as a policy making agency while market oriented financial institutions such as banks and private credit societies increase their role in the provision of housing credit.

PROJECT STATUS

GSL has achieved the necessary policy changes to develop a sustainable housing finance system and other institutional framework has been set up for the refinancing scheme. Four commercial banks have signed the agreement with CBSL to participate in the program.

MAJOR ACTIVITIES

1) Discussions with GSL on possible first borrowing under HG-004 program. 2) Contracting firms for short-term TA. 3) Continue discussions with private banks and CBSL on expediting the disbursements.

Individual Project Status Report (383-HG-004)
Housing and Urban Development Indicators, FY92

SRI LANKA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization				.							5	--
Permits Delay			.	.								
Compliance					.		.				40%	--
Land Registration Coverage		.							.		2.5	4
Mortgage to Deposit Difference	58		.08
Credit to Value Ratio		.		.			.				9.68	--
Down-Market Penetration		.				.	.				14.52	6.25
House Price to Income Ratio		.										
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 383-HG-004 assists the Government of Sri Lanka in developing policies and programs which will increase private sector participation in low-income housing finance. The House Price to Income Ratio indicates that there is a serious housing affordability problem in Sri Lankan cities. At more than double the regional mean, the value suggests that housing expenditures are absorbing an excessively large portion of household income, and that the supply of housing is failing to meet demand. The high value for Down-Market Penetration also implies that formal sector housing is beyond the reach of below-median income families, and the HG housing finance intervention is therefore well-targeted.

Individual Project Status Report INDONESIA

9/30/92

BACKGROUND DATA			
Project Title	Municipal Finance Project	Date of Project Paper Authorization	8/30/88
Project Number	497-HG-001	Date of First HG Authorization	8/30/88
AID Project Officer	William M. Frej	Date of Last HG Authorization	8/31/92
Implementing Agencies		Date of Last HG Disbursement	6/3/91
Ministry of Finance		Date of Last Evaluation	5/92
Ministry of Public Works		Date of Last Audit	None
Ministry of Home Affairs			

FINANCIAL DATA (\$US '000s)		PROJECT IMPLEMENTATION STATUS	
Est. Life-of-Project Amount	120,000	% Life-of-Project Elapsed	68
Amount Authorized to Date	120,000	% Total Authorization Disbursed	63
Amount Disbursed	75,000	% Total Disbursement Expended	100
Amount Expended	75,000	% Total Authorization Expended	63
Planned Counterpart Contrib.	120,000		
Actual Counterpart Contrib.	121,130		

PROJECT PURPOSE

To improve shelter conditions by assisting municipal governments finance shelter-related urban services and infrastructure at a pace sufficient to overcome present deficits and match the pace of urban population growth.

PROJECT DESCRIPTION

Support will be provided to the GOI to increase the level of financial resources for urban infrastructure investments.

PROJECT STATUS

CPs/Covenants: None pending.

GOALS

1) Provision of shelter-related urban infrastructure valued at the equivalent of \$120 million. 2) Continued improvements in central government funding urban infrastructure and services affordable to low-income households through a system of grants and loans that encourages local resource mobilization. 3) Strengthened capacity of the local government finance system to mobilize and manage resources. 4) Establishment of the basis for increased private sector participation in the provision and financing of urban infrastructure and services.

PROGRESS TO DATE

1) Regional Development Account (RDA), a lending facility to support local government borrowing has been established and operational. RDA will be a transitional institution to open municipal access to private credit markets. 2) The GOI has adopted the MFP-initiated training in Urban Financial Management as a model for strengthening the capacity of the financial officers at the province and municipal levels. Approximately 80 officials have been trained at the RTI campus in North Carolina with their own funds. The USAID sponsored municipal bond market study tour has been successful. The GOI has sent eight city mayors and regional bank officials on this trip. 3) The GOI has made progress in opening private participation in public services. Private participation in water supply projects were noted in Bali and East Java. In Jakarta, 14 different private firms were awarded solid waste collecting contracts.

MAJOR OUTPUTS

1) Short-term Overseas Training Participants: 78; 2) Local Workshop/Training Participants: 290; 3) Provision of infrastructure valued at \$120 million from GOI own sources: \$118.3 million.

MAJOR ACTIVITIES

1) Preparation for the design of a \$10 million Amendment to the MFP. 2) Borrowing of the \$20 million add-on of HG-001. 3) Complete the tasks in the development of Urban Management Guidelines for level II governments. 4) Design of the Regional Financial Information System (SIKD) and pilot testing in several Districts. 5) USAID negotiates the new policy agenda and investment plan with the GOI.

Individual Project Status Report (497-HG-001)
Housing and Urban Development Indicators, FY92

INDONESIA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage												
Mortgage to Deposit Difference												
Credit to Value Ratio												
Down-Market Penetration												
House Price to Income Ratio												
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance									•	29.9%		--
Cost Recovery		•		•					•	7.6%		--
Property Tax Receipts		•		•						35.6%	35.6%	--
Own Source Financing		•		•			•			8.0%	8.0%	--
Private Sector Investment		•		•			•					--

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 497-HG-001 supports GOI efforts to improve the shelter conditions of below median-income Indonesians by assisting municipal governments in financing shelter-related urban services and infrastructure. The indicators which relate to these activities show no change over the period 1991-1992. Property Tax Receipts measures the ability of local governments to generate revenue through property taxes and to channel them into the city budget. The low value, therefore, indicates that fiscal decentralization efforts could be more robust, or that local governments need to strengthen their ability to levy and collect property taxes. In addition, the low value for Private Sector Development suggests that municipalities could benefit from more private sector participation in the servicing of land for residential use.

Individual Project Status Report PHILIPPINES

11/30/92

BACKGROUND DATA

Project Title	Decentralized Shelter and Urban Development	Date of Project Paper Authorization	9/27/90
Project Number	492-HG-001	Date of First HG Authorization	9/27/90
AID Project Officer	Harold Dickherber	Date of Last HG Authorization	4/22/91
Implementing Agencies	Department of Finance Department of Interior and Local Government National Economic & Development Authority	Date of Last HG Disbursement	2/6/92
		Date of Last Evaluation	8/92
		Date of Last Audit	None

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	50,000
Amount Authorized to Date	50,000
Amount Disbursed	20,000
Amount Expended	20,000
Planned Counterpart Contrib.	1,334
Actual Counterpart Contrib.	1,334

PROJECT IMPLEMENTATION STATUS

% Life-of-Project Elapsed	54
% Total Authorization Disbursed	40
% Total Disbursement Expended	100
% Total Authorization Expended	40

PROJECT PURPOSE

Foster a greater role for elected city governments, the private sector, and NGOs in the development of shelter-related infrastructure in chartered cities in order to increase the access of low income urban Filipinos.

PROJECT DESCRIPTION

Support a sustainable system for municipal finance, reduce urban and environmental infrastructure constraints, and improve shelter delivery to the urban poor.

PROJECT STATUS

CPs/Covenants: None pending.

GOALS

1) Self-sustaining system of financing for Charter Cities is being implemented. 2) Urban and environmental infrastructure constraints on local economic development are being reduced. 3) Access to sustainable urban shelter delivery systems for low income households being improved.

PROGRESS TO DATE

1) The GOP has nearly completed the policy matrix indicators for the second tranche of the disbursement and provided USAID with a list of HG-eligible expenditures. 2) The "City Sharing" program has been initiated and this is a mechanism to highlight the effective city government experiences in administration, infrastructure, revenue generation, etc. that can be replicated in other cities. 3) An Urban Development Sector Review was undertaken for the benefit of the new Administration. The study identified alternative strategies in addressing the challenges of urban growth. 4) Substantial increases in local tax revenue have been achieved.

MAJOR OUTPUTS

1) Short-term Overseas Training Participants: 24 ; 2) Local Workshop/Training Participants: 500 ; 3) Provision of infrastructure valued at \$50 million from GOP own Sources: \$43.75 million.

MAJOR ACTIVITIES

1) US study tour on local credit financing for 11 local and national government officials. 2) Extension of the technical assistance package by an additional 6 months. 3) The policy matrix indicators for the third tranche are being redrafted and reviewed by the GOP to reflect the changes deriving from the new Local Government Code. 4) Support of the City-Sharing Program to foster communication between various local government officials. 5) Selection of lender and borrowing of the second \$15 million tranche of HG-001.

Individual Project Status Report (492-HG-001)
 Housing and Urban Development Indicators, FY92

PHILIPPINES

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage												
Mortgage to Deposit Difference												
Credit to Value Ratio												
Down-Market Penetration												
House Price to Income Ratio												
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance										10%		--
Cost Recovery	•			•			•			18%		--
Property Tax Receipts	•			•			•					
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 492-HG-001 fosters a greater role for elected city governments, the private sector, and NGOs in the development of shelter-related infrastructure in chartered cities in order to increase the access of low-income urban Filipinos. Cost Recovery measures the ability of local governments and utility agencies to sustain infrastructure development and maintenance. The low value indicates that agencies could improve their ability to recover the costs of capital improvements or other services through user fees or local taxes. In addition, the value for Property Tax Receipts suggests either that Filipino cities need to strengthen their ability to levy and collect property taxes (a goal of the HG program) or that the central government has yet to reinforce the fiscal dimension of its decentralization policy.

7/11

Individual Project Status Report

MOROCCO

12/10/92

BACKGROUND DATA

Project Title	Tetouan Urban Development Project	Date of Project Paper Authorization	9/26/85
Project Number	608-HG-001	Date of First HG Authorization	9/26/85
AID Project Officer	Harry Birnholz Mohamed Chraibi	Date of Last HG Authorization	9/26/85
Implementing Agencies	Directorate of Local Government, Ministry of the Interior, Municipal Development Fund, Municipality of Tetouan, National Shelter Upgrading Agency	Date of Last HG Disbursement	5/10/90
		Date of Last Evaluation	2/92
		Date of Last Audit	

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	25,000
Amount Authorized to Date	25,000
Amount Disbursed	8,500
Amount Expended	8,500
Planned Counterpart Contrib.	--
Actual Counterpart Contrib.	--

PROJECT IMPLEMENTATION STATUS

% Life-of-Project Elapsed	34
% Total Authorization Disbursed	100
% Total Disbursement Expended	34
% Total Authorization Expended	

PROJECT PURPOSE

To finance upgrading and shelter program in the City of Tetouan. The program will improve living conditions in an unregulated and underserved neighborhood and control the spread of such areas while providing serviced land to families and developers in adjacent areas. The program is also addressing environmental degradation that is a result of rapid and unmanaged urbanization.

PROJECT DESCRIPTION

Upgrading of neighborhood of 90,000 residents, including street lighting, roadways, a sewerage trunkline and system hookups, potable water. Residents will also have the opportunity to legalize their insecure squatter status through a title buy-back scheme. To provide for future growth, 260 hectares of land will be developed, providing 10,000 serviced plots (100,000 beneficiaries). This will meet the growing housing needs of low-income families in Tetouan for the next decade.

PROJECT STATUS

Planning and design was carried out during the period 1986-1989. Almost 90% of the physical construction (sewerage, roads, potable water, electricity) in the upgrading area is completed. CPs/covenants: met.

GOALS

To improve the living conditions of 215,000 low-income residents of the city of Tetouan; to provide a model of institutional collaboration and financial structuring which can be replicated by the National Shelter Upgrading Agency in other Moroccan cities.

MAJOR ACTIVITIES

1) Complete demolition of homes for roadways in Dersa neighborhood and public/private partnership area, 2) Monitor infrastructure work in public/private partnership and sites and services areas, 3) Issue call for bid for the potable water contract for the site and services component, 4) Final version impact evaluation study will be presented to USAID in January 1993, 5) Monitor the second borrowing procedure with the Ministry of Finance, FEC and MOI/DGCL.

Individual Project Status Report (608-HG-001)
 Housing and Urban Development Indicators, FY92

MOROCCO

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage												
Mortgage to Deposit Difference												
Credit to Value Ratio												
Down-Market Penetration												
House Price to Income Ratio												
Infrastructure Expenditure per Capita										78%		97%
Individual Water Connections	•			•								
Upgrading of Informal Areas							•					
Private Sector Land Development	•			•								
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 608-HG-001 assists the Government of Morocco in improving living conditions in a large, unregulated and underserved neighborhood and in controlling the spread of such areas through the provision of affordable plots of serviced land. The performance of the upgrading component of the program has been strong, with 78% percent of households in the city of Tetouan connected to the drinking water system. Improvement in this aspect of the program is also noted. Private Sector Land Development is also improving through the creation of a public/private development zone at the periphery of the existing informal area.

NS

Individual Project Status Report
MOROCCO

12/10/92

BACKGROUND DATA

Project Title	National Shelter Upgrading Agency Low- Income Housing Project	Date of Project Paper Authorization	9/26/90
Project Number	608-HG-003	Date of First HG Authorization	9/26/90
AID Project Officer	Harry Birnholz Tahar Berrada	Date of Last HG Authorization	4/11/91
Implementing Agencies	National Shelter Upgrading Agency (ANHI)	Date of Last HG Disbursement	11/13/91
		Date of Last Evaluation	2/92
		Date of Last Audit	

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	20,000
Amount Authorized to Date	20,000
Amount Disbursed	15,000
Amount Expended	15,000
Planned Counterpart Contrib.	--
Actual Counterpart Contrib.	--

PROJECT IMPLEMENTATION STATUS

% Life-of-Project Elapsed	75
% Total Authorization Disbursed	100
% Total Disbursement Expended	75
% Total Authorization Expended	75

PROJECT PURPOSE

1) To increase the production of serviced housing sites that are affordable to Moroccan urban households earning less than the median income, 2) To encourage the private sector to take on a greater role in the production of affordable shelter, 3) To strengthen the operating and financial capacity of the ANHI to carry out its task of stimulating appropriate residential land development, and 4) To reduce the cost of residential land development.

PROJECT DESCRIPTION

Funds will support that part of ANHI's land development activity that benefits low-income families. ANHI will acquire land, carry out market studies, contract design and engineering work, install infrastructure, and sell serviced plots directly to beneficiaries, as well as wholesaling larger parcels of land to private developers for future subdivision and/or construction.

PROJECT STATUS

ANHI has implemented several projects that are generating more than \$20 million in eligible expenditures by the end of CY 1992. As of November 1992, 7,545 plots had been delivered to eligible beneficiaries (population served: 165,000) at a value of \$21 million. CPs/covenants: met.

MAJOR ACTIVITIES

Preparation of revised program delivery plan identifying land sites equivalent to 100 ha and 4,000 housing units, 2) Preparation of the 2nd and final borrowing for \$5 million.

Individual Project Status Report (608-HG-003)
 Housing and Urban Development Indicators, FY92

MOROCCO

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage												
Mortgage to Deposit Difference												
Credit to Value Ratio												
Down-Market Penetration												
House Price to Income Ratio												
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas	•			•			•					
Private Sector Land Development	•			•			•					
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 608-HG-003 assists the Government of Morocco in increasing the production of serviced housing sites affordable to Moroccan urban households earning less than the median income. In addition, the program seeks to encourage greater private sector participation in land development, and to strengthen the operating and financial capacity of the National Shelter Upgrading Agency. Private Sector Land Development is a key measure of a city's ability to accommodate future growth in situations of limited resources. Although identified as a program concern and a high constraint, this indicator is improving over time.

Individual Project Status Report
TUNISIA

12/14/92

BACKGROUND DATA

Project Title	Low Cost Shelter Project	Date of Project Paper Authorization	9/30/86
Project Number	664-HG-004C	Date of First HG Authorization	9/30/86
AID Project Officer	Lane Smith	Date of Last HG Authorization	9/30/86
Implementing Agencies Banque de l'Habitat (Housing Bank) Agence Foncière d'Habitation (AFH)		Date of Last HG Disbursement	12/91
		Date of Last Evaluation	In progress
		Date of Last Audit	--

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	15,000
Amount Authorized to Date	15,000
Amount Disbursed	7,500
Amount Expended	7,500
Planned Counterpart Contrib.	15,000
Actual Counterpart Contrib.	15,000

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	--
% Total Authorization Disbursed	50
% Total Disbursement Expended	100
% Total Authorization Expended	50

PROJECT PURPOSE

To increase the supply of serviced land and housing affordable to the households earning below the median.

PROJECT DESCRIPTION

The project will encourage the Housing Bank: 1) to extend loans to program beneficiaries to purchase homes 2) to extend Housing Bank financing to the private sector to develop land and housing 3) to modify policies, regulations, and procedures of the AFH and municipalities to encourage the production of serviced land affordable to the poor.

PROJECT STATUS

The BH has made substantial progress on items 1 and 2 above. AFH continues to perform marginally but has wholesaled 30+ ha to private sector. CPs/Covenants: 1) Progress on utility coordination: Achieved. 2) AFH sells 40 ha to private sector: 80% achieved. 3) AFH identifies 80 ha for sale: 75% achieved. 4) Progress on Norms and Standards: Achieved. 5) Progress on legal basis for cost recovery by municipalities: Achieved.

PROGRESS TO DATE

1) \$45 million in loans to beneficiaries. 2) \$43 million in construction loans. 3) 30 ha wholesaled by AFH.

MAJOR OUTPUTS

1) \$ 45 million in Housing Bank loans to low income beneficiaries for purchase of serviced land or housing. 2) Housing Bank financing for developers for land development costs. 3) 120 hectares of land serviced with primary infrastructure and marketed by AFH to private developers for housing development.

MAJOR ACTIVITIES

1) Completed TA to establish market analysis and forward planning capacity at AFH. 2) Diagnostic performed on analytic accounting plan for BH.

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Individual Project Status Report (664-HG-004C)
 Housing and Urban Development Indicators, FY92

TUNISIA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage							•			-1.39		-3.00
Mortgage to Deposit Difference		•		•								
Credit to Value Ratio				•				•			3.72	--
Down-Market Penetration	•											
House Price to Income Ratio												
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 664-HG-004C assists the Government of Tunisia in increasing the supply of serviced land and housing affordable to households earning below the median income. The program includes both housing finance and land development components. The Mortgage to Deposit Difference is typical of North Africa and the Middle East, the only region to post a negative mean. This implies that the activities of lending institutions cannot be sustained for long. Assistance to the Housing Bank therefore encourages long-term financial viability in residential lending. On the other hand, the low value for Down-Market Penetration, which at 3.72 is below the regional House Price to Income Ratio of 4.57, suggests that private formal developers are reaching a good portion of the moderate-income population.

Individual Project Status Report

PORTUGAL

11/27/92

BACKGROUND DATA

Project Title	Low-Income Housing Program	Date of Project Paper Authorization	9/28/89
Project Number	LSO-HG-IV	Date of First HG Authorization	9/28/89
AID Project Officer	David Painter	Date of Last HG Authorization	8/31/92
Implementing Agencies	National Housing Institute of Portugal	Date of Last HG Disbursement	1/15/91
		Date of Last Evaluation	8/92
		Date of Last Audit	--

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	55,000
Amount Authorized to Date	55,000
Amount Disbursed	25,000
Amount Expended	25,000
Planned Counterpart Contrib.	55,000
Actual Counterpart Contrib.	55,000

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	99
% Total Authorization Disbursed	45
% Total Disbursement Expended	100
% Total Authorization Expended	45

PROJECT PURPOSE

To support policies that increase credit to local developers and promote investment in low-cost housing, land, infrastructure, community facilities, home and neighborhood improvements.

PROJECT DESCRIPTION

The program promotes: 1) Improvement of living conditions in existing homes in low income neighborhoods. 2) Increased production by local developers of new housing affordable for ownership by low-income families, and 3) Increased supply of land and services for low-cost housing. The program finances for new and expanded lending by the INH to encourage and support investments by private developers, municipalities, and housing cooperatives in projects that contribute to achievement of the foregoing objectives.

PROJECT STATUS

Grant funded Consultants and Training Plan is near completion. \$25 million of the \$55 million HG authorized has been borrowed by INH. Remaining \$30 million of HG will be borrowed upon GOP approval of Amendment No. 1 to Housing Program Agreement. CPs and Covenants: Annual Program review complete; formal arrangements with CGD to assure timely availability of mortgages.

GOALS

1) Strengthen existing programs and operational new shelter and urban services programs by providing credit for construction financing; mortgage loans; home improvement loans; loans for purchase of land and provision of infrastructure; and improvements to infrastructure and community facilities. 2) Divestiture of government-owned land for the construction of new low-cost housing, and the divestiture of government-owned and managed rental property for ownership by low-income families and cooperatives. 3) Shelter services valued at the equivalent of US \$55 million affordable to below median income households.

PROGRESS TO DATE

1) Good progress in institutionalizing construction financing for low-cost housing developers, in broadening access to mortgage loans, and in expanding home improvement lending; lending for land purchase and subdivision infrastructure is well institutionalized; systems established for infrastructure and community facilities lending, but no loans processed yet. 2) Limited progress by GOP in divestiture of government owned land due to clouded titles, and limited progress in the sale of GOP-owned housing due to lack of demand by purchasers. 3) GOP has produced in excess of \$55 million of shelter services affordable to below median income households in prequalified GOP programs. (Currently conservatively estimated value produced since 1989 = \$400 million).

MAJOR ACTIVITIES

Seminars on infrastructure planning, designing and installing, environmentally sound housing, cost control and construction project management.

Individual Project Status Report (150-HG-IV)
 Housing and Urban Development Indicators, FY92

PORTUGAL

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage											6.31	3.00
Mortgage to Deposit Difference												
Credit to Value Ratio											4.50	--
Down-Market Penetration												4.57
House Price to Income Ratio												
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

Housing Guaranty 150-HG-IV assists the Government of Portugal in opening new windows of credit to local developers and helping promote investment in low-cost housing, land, infrastructure, community facilities and neighborhood improvements. The value for Down-Market Penetration is similar to the regional mean for the House Price to Income Ratio (4.57). Given the absence of an informal sector, this suggests that private contractors have not yet been able to push very far down-market, and therefore that HG assistance is timely.

Individual Project Status Report

GUATEMALA

BACKGROUND DATA

Project Title	Low Cost Housing	Date of Project Paper Authorization	9/9/82
Project Number	520-HG-004	Date of First HG Authorization	9/9/82
AID Project Officer	Hector Diez de Medina	Date of Last HG Authorization	9/9/82
Implementing Agencies		Date of Last HG Disbursement	9/1/88
Bank of Guatemala		Date of Last Evaluation	--
Mortgage Insurance Institute		Date of Last Audit	--
Private Sector Banks			

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	10,000
Amount Authorized to Date	10,000
Amount Disbursed	10,000
Amount Expended	5,787
Planned Counterpart Contrib.	2,500
Actual Counterpart Contrib.	1,447

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	100
% Total Disbursement Expended	58
% Total Authorization Expended	58

PROJECT PURPOSE

To test the ability of the private sector's existing mechanisms for the finance and construction of shelter to reach families below the median income.

PROJECT DESCRIPTION

Facilitate and encourage the participation of existing banking institutions in financing low-cost shelter on a national scale.

PROJECT STATUS

Project is coming to an end. Disbursement request totalling \$3.8 million has been submitted for review. Upon clarification of internal audit issue resources will be disbursed. CPs/Covenants: completed.

GOALS

Additional funds flowing to low cost housing programs. Greater participation of the private sector.

PROGRESS TO DATE

The GOG provided an additional \$5 million towards low cost housing. Private foundation (FUNDAZUCAR) received additional funds (\$7.3 million) from CABEI for housing.

MAJOR OUTPUTS

1,708 low cost shelter solutions will have been produced with \$9.5 million of HG resources. Seven private developers and 4 private banks participated in the program.

MAJOR ACTIVITIES

Concur with internal GOG audit. Process disbursement requests. Prepare project closeout report.

Individual Project Status Report (520-HG-004)
 Housing and Urban Development Indicators, FY92

GUATEMALA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization			.		.				.			
Permits Delay	.				.				.			
Compliance			.		.				.			
Land Registration Coverage			.		.				.			
Mortgage to Deposit Difference	.				.				.			
Credit to Value Ratio	1.31	1.57	--
Down-Market Penetration	2.12	2.12	3.92
House Price to Income Ratio	.				.				.			
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 520-HG-004 assists the Government of Guatemala in testing the ability of existing private sector mechanisms to provide shelter and housing finance to families earning below the median income. Down-Market Penetration measures the ability of the private construction sector to reach lower-income groups. The values for both 1991 and 1992 are lower than the House Price to Income Ratio, suggesting that a good portion of the below-median income population is being served by formal, private contractors. In addition, the value for the House Price to Income Ratio is lower than the regional mean, another indication that housing in Guatemala is increasingly affordable as this HG program comes to an end.

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Individual Project Status Report

HONDURAS

9/30/92

BACKGROUND DATA

Project Title	Shelter Sector II	Date of Project Paper Authorization (amended)	12/30/86
Project Number	522-HG-008	Date of First HG Authorization	9/28/84
AID Project Officer	Carlos Flores	Date of Last HG Authorization	9/28/84
Implementing Agencies		Date of Last HG Disbursement	9/9/87
Ministry of Finance and Public Credit		Date of Last Evaluation	4/30/90
National Housing Fund		Date of Last Audit	6/30/93
Municipal Government			

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	35,000
Amount Authorized to Date	35,000
Amount Disbursed	25,000
Amount Expended	22,665
Planned Counterpart Contrib.	8,033
Actual Counterpart Contrib.	5,455

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	71
% Total Disbursement Expended	91
% Total Authorization Expended	65

PROJECT PURPOSE

To improve the institutional capacity of the private sector and municipal governments in shelter provision and to increase the availability of housing and infrastructure services for low-income families.

PROJECT DESCRIPTION

Long-term financing of new shelter construction and home improvement loans and urban upgrading services for low-income families through the private sector and municipalities.

PROJECT STATUS

Shelter activities are now completed. Current focus is on municipal governments. Mission is completing two urban upgrading projects and programming remaining resources to support municipal governments.

GOALS

Private sector participation in shelter production. Improved cost recovery efficiency by participating shelter institutions. Establishment of a functional system for private sector participation in shelter delivery. Financial mechanism for cost recovery of urban upgrading activities.

PROGRESS TO DATE

Private sector is participating in shelter delivery. Shelter institutions are recovering costs. National Housing Fund has established a functional shelter delivery system. Municipalities are applying cost recovery systems.

MAJOR OUTPUTS

2,605 shelter units of a planned 2,917 units. 23,284 families benefitting from urban upgrading services of a planned 21,887 families. Home improvement loans were discounted because of the lack of interest by the private sector.

MAJOR ACTIVITIES

Complete on-going upgrading project. Program and invest remaining project resources. Deauthorize remaining \$10 million authorization.

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Individual Project Status Report (522-HG-008)
Housing and Urban Development Indicators, FY92

HONDURAS

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization	•			•			•					
Permits Delay	•			•				•				
Compliance			•		•							
Land Registration Coverage	•				•			•				
Mortgage to Deposit Difference							•					
Credit to Value Ratio							•			1.17	1.43	--
Down-Market Penetration							•			1.76	1.76	3.92
House Price to Income Ratio							•					
Infrastructure Expenditure per Capita	•			•			•					
Individual Water Connections	•			•				•				
Upgrading of Informal Areas	•			•				•				
Private Sector Land Development	•			•								
Environmental Encroachment			•			•						
Operations and Maintenance			•		•							
Cost Recovery	•			•								
Property Tax Receipts	•			•								
Own Source Financing	•			•								
Private Sector Investment	•				•							

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 522-HG-008 assists the Government of Honduras in improving the institutional capacity of the private sector and municipal governments in shelter provision and in increasing the availability of housing and infrastructure services for low-income families. The rise in the value for Down-Market Penetration suggests that private formal sector contractors are less and less able to penetrate down-market in the provision of affordable housing. However, the value for 1992 (1.43) is still lower than the House Price to Income Ratio (1.76); this implies that the formal construction sector is reaching at least some below-median income households.

5

Individual Project Status Report

CABEI (Central American Bank for Economic Integration)

9/30/92

BACKGROUND DATA

Project Title	Central America Shelter and Urban Development	Date of Project Paper Authorization	9/30/86
Project Number	596-HG-008	Date of First HG Authorization	9/30/86
AID Project Officer	Ronald A. Carlson	Date of Last HG Authorization	7/20/88
Implementing Agencies	Central American Bank for Economic Integration	Date of Last HG Disbursement	6/13/88
		Date of Last Evaluation	10/89
		Date of Last Audit	N/A

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	45,000
Amount Authorized to Date	45,000
Amount Disbursed	25,000
Amount Expended	6,000
Planned Counterpart Contrib.	25,000
Actual Counterpart Contrib.	0

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	56
% Total Disbursement Expended	24
% Total Authorization Expended	13

PROJECT PURPOSE

To increase availability of shelter and basic services to low-income Central American families and strengthen the capacity of CABEI and local public and private sector agencies to provide these services.

PROJECT DESCRIPTION

Loan resources from CABEI through banks to primary borrowers finance low-cost shelter and basic infrastructure in Costa Rica, Honduras and Guatemala.

PROJECT STATUS

CABEI is finalizing internal restructuring. Sub-program agreements have been reached in Costa Rica, Honduras and Guatemala. Disbursement requests are expected shortly from Honduras and Guatemala.

GOALS

Shelter production increases by 10,000 solutions. Basic services extended to 145,000 families. Management and financial status of CABEI and participating institutions are improved. Greater private sector participation in infrastructure and shelter construction contracts.

PROGRESS TO DATE

2,400 units constructed. DA loan funding for basic services was deobligated. CABEI has increased capital, entered into repayment agreements with members and is implementing recommendation for restructuring and reorganization.

MAJOR OUTPUTS

10,000 new shelter units. 145,000 families with improved access to basic services. 5 million person-days of employment created.

MAJOR ACTIVITIES

Adjust median income levels for Honduras and Guatemala. Review and approve disbursement request. Define Honduras urban upgrading component.

Individual Project Status Report (596-HG-008)
 Housing and Urban Development Indicators, FY92

CABEI (Central American Bank for Economic Integration)

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization			.		.		.					
Permits Delay			.		.			.				
Compliance			.		.			.				
Land Registration Coverage			.		.			.				
Mortgage to Deposit Difference	.			.				.				
Credit to Value Ratio			.		.		.					
Down-Market Penetration	.				.			.				
House Price to Income Ratio	.				.			.				
Infrastructure Expenditure per Capita		.		.				.				
Individual Water Connections		.		.			.					
Upgrading of Informal Areas	.			.				.				
Private Sector Land Development	.			.								
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery	.			.			.					
Property Tax Receipts	.			.			.					
Own Source Financing	.			.			.					
Private Sector Investment	.			.			.					

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 596-HG-008 assists the Central American Bank for Economic Integration (CABEI) in increasing the availability of shelter and basic services to low-income Central American families. The program also builds the capacity of CABEI and local public and private sector agencies to provide these services. Cost Recovery and Own Source Financing, which measure the ability of these agencies to recover the costs of their investments and therefore to finance their own development, are both identified as high constraints on the program.

Individual Project Status Report

PANAMA**BACKGROUND DATA**

Project Title	Shelter and Urban Planning	Date of Project Paper Authorization	9/12/79
Project Number	525-HG-012	Date of First HG Authorization	9/19/83
AID Project Officer	Ron Carlson	Date of Last HG Authorization	9/19/83
Implementing Agencies	Ministry of Housing National Mortgage Bank	Date of Last HG Disbursement	8/15/86
		Date of Last Evaluation	-
		Date of Last Audit	-

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	10,000
Amount Authorized to Date	10,000
Amount Disbursed	10,000
Amount Expended	3,311
Planned Counterpart Contrib.	2,500
Actual Counterpart Contrib.	1,200

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	100
% Total Disbursement Expended	33
% Total Authorization Expended	33

PROJECT PURPOSE

Assist the Government of Panama in meeting the current and future shelter needs of low income families.

PROJECT DESCRIPTION

Mortgage financing provided by public and private sector mortgage credit institutions. Focus is to promote increased private sector participation in providing mortgage credit to low income families throughout Panama.

PROJECT STATUS

Mission is finalizing relationship with the Ministry of Housing and the National Mortgage Bank. Mission will start working with the National Savings Bank when the Implementation Agreement is amended. CPs/Covenants: All met.

GOALS

National Mortgage Bank achieves greater policy and operating independence, and develops source of domestic financing for low cost shelter. A National Housing Policy is completed. The National Mortgage Bank and Ministry of Housing producing shelter for at least 25% of the total annual increase for low income families.

PROGRESS TO DATE

None of the objectives have been achieved. Project is being redesigned to incorporate participation of the National Savings Bank to address low cost shelter.

MAJOR OUTPUTS

Project reactivated after suspension of activities between 1987-90.

MAJOR ACTIVITIES

Draw down of \$0.9 million from the National Mortgage Bank amending IA to include the participation of the National Savings Bank.

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Individual Project Status Report (525-HG-012)
 Housing and Urban Development Indicators, FY92

PANAMA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage												
Mortgage to Deposit Difference			.		.							
Credit to Value Ratio										1.76		--
Down-Market Penetration	.				.		.				2.67	3.92
House Price to Income Ratio	.											
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 525-HG-012 assists the Government of Panama in increasing private sector participation in providing mortgage credit to low-income families. The value for the House Price to Income Ratio, a key indicator of housing affordability, suggests that housing is not taking up an excessive portion of household income. Both House Price to Income Ratio and Down-Market Penetration, however, are identified as high constraints on low-income shelter provision.

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Individual Project Status Report
PANAMA

9/30/92

BACKGROUND DATA			
Project Title	Private Sector Low Cost Housing	Date of Project Paper Authorization (amended)	8/8/91
Project Number	525-HG-013	Date of First HG Authorization	9/26/86
AID Project Officer	Ron Carlson	Date of Last HG Authorization	2/12/87
Implementing Agencies		Date of Last HG Disbursement	N/A
Private Sector Banks		Date of Last Evaluation	--
Private Sector Developers		Date of Last Audit	--

FINANCIAL DATA (\$US '000s)		PROJECT IMPLEMENTATION STATUS	
Est. Life-of-Project Amount	25,000	% LOP Elapsed	N/A
Amount Authorized to Date	25,000	% Total Authorization Disbursed	0
Amount Disbursed	0	% Total Disbursement Expended	0
Amount Expended	0	% Total Authorization Expended	0
Planned Counterpart Contrib.	6,250		
Actual Counterpart Contrib.	0		

PROJECT PURPOSE

Increase the amount of private domestic capital resources devoted to meeting the demands for adequate housing affordable to low-income families.

PROJECT DESCRIPTION

Mortgage financing for affordable and previously unoccupied shelter units. Financing provided by private sector mortgage and commercial credit institutions. Repayment will be secured by the mortgages financed under the program.

PROJECT STATUS

Implementation Agreement with first private bank has been signed. Negotiating underway to select Project Administrator. First borrowing expected shortly thereafter. CPs/covenants: Pending.

GOALS

Financing and production of 2,000 affordable shelter units exclusively by the private sector.

PROGRESS TO DATE

None.

MAJOR ACTIVITIES

Signing of IA with 2-3 additional banks. First borrowing of \$5 million.

Individual Project Status Report (525-HG-013)
 Housing and Urban Development Indicators, FY92

PANAMA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage			.		.				.			
Mortgage to Deposit Difference												
Credit to Value Ratio					.		.			1.76		--
Down-Market Penetration	.				.		.				2.67	3.92
House Price to Income Ratio	.											
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 525-HG-013 assists the Government of Panama in increasing the amount of private domestic capital resources devoted to meeting the demand for adequate housing for low-income families. The value for the House Price to Income Ratio suggests that housing in Panama is not absorbing an undue portion of household income, and is relatively affordable by regional standards. In addition, the low value for Down-Market Penetration implies that the formal private sector is reaching the below-median income population.

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Individual Project Status Report
JAMAICA

11/17/92

BACKGROUND DATA

Project Title	Jamaica Shelter Sector Support - Private Sector	Date of Project Paper Authorization	9/83
Project Number	532-HG-012	Date of First HG Authorization	9/30/83
AID Project Officer	George Williams	Date of Last HG Authorization	9/30/83
Implementing Agencies	Caribbean Housing Finance Corporation Ministry of Construction (Housing) Credit Unions (3) Building Societies (2)	Date of Last HG Disbursement	12/31/87
		Date of Last Evaluation	N/A
		Date of Last Audit	7/3/90

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	12,000
Amount Authorized to Date	12,000
Amount Disbursed	12,000
Amount Expended	10,595
Planned Counterpart Contrib.	J\$8,000
Actual Counterpart Contrib.	--

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	82
% Total Authorization Disbursed	100
% Total Disbursement Expended	88
% Total Authorization Expended	88

PROJECT PURPOSE

Assist the GOJ in implementing its National Shelter Policy through stimulation of the Private Sector participation in the finance and construction of affordable housing.

PROJECT DESCRIPTION

Project seeks to demonstrate to private financial institutions and developers the viability of lending to low income households for shelter or for producing low income shelter by lending funds to CHFC which on-lends them to private sector organizations.

PROJECT STATUS

GOJ cabinet has resolved to complete program. Three Credit Unions and Building Society have requested US\$ 3.18 million disbursement. CHFC is adding staff to enhance performance. Credit Unions given GOJ authority to increase interest paid on deposits to attract more capital. CPs/Covenants: Six month program implementation plans, including cash flow projections are a requirement for an advance.

GOALS

1) Increase the number of private sector financial organizations financing low income shelter solutions. 2) Increase the involvement of NGO's, PVO's and Community-Based Organizations in the shelter process.

PROGRESS TO DATE

Three major credit unions have extended J\$ 17.3M in loans. Building Societies completing funding requests. A private company to submit a proposal for worker housing to be financed by Credit Union through the program.

MAJOR OUTPUTS

1) Home improvement loans: 826; 2) Mortgage loans: 126; 3) Land purchases: 113.

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Individual Project Status Report (532-HG-012)
Housing and Urban Development Indicators, FY92

JAMAICA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No.	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage						.	.					
Mortgage to Deposit Difference	.					.	.					
Credit to Value Ratio	.					.	.					
Down-Market Penetration			11.07		3.92
House Price to Income Ratio	.							.				
Infrastructure Expenditure per Capita	.			.				.				
Individual Water Connections				
Upgrading of Informal Areas		.				.		.		21%		--
Private Sector Land Development				
Environmental Encroachment			.			.						
Operations and Maintenance			.			.						
Cost Recovery												
Property Tax Receipts												
Own Source Financing								.				
Private Sector Investment		.		.				.				

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 532-HG-012 assists the Government of Jamaica in implementing its National Shelter Policy through stimulation of private sector participation in the finance and construction of affordable housing. The House Price to Income Ratio indicates that the need for housing finance is great. In a well-functioning housing market, housing expenditures should not take up an undue portion of household income. In Jamaica, the ratio is almost three times the regional norm, indicating a severe housing affordability problem. That this indicator is identified as worsening over time and as posing a high constraint suggests that HG intervention in the area of housing finance is appropriate.

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Individual Project Status Report

11/17/92

JAMAICA**BACKGROUND DATA**

Project Title	Shelter & Urban Services Policy Program	Date of Project Paper Authorization	9/20/88
Project Number	532-HG-013	Date of First HG Authorization	9/20/88
AID Project Officer	George Williams	Date of Last HG Authorization	9/20/88
Implementing Agencies Ministry of Finance Development & Planning Office of the Prime Minister National Water Commission Ministry of Construction (Housing) Urban Development Corporation PIOJ Caribbean Housing Finance Corporation National Housing Trust Town Planning Department		Date of Last HG Disbursement	9/30/88
		Date of Last Evaluation	N/A
		Date of Last Audit	N/A

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	50,000
Amount Authorized to Date	25,000
Amount Disbursed	19,358
Amount Expended	5,518
Planned Counterpart Contrib.	N/A
Actual Counterpart Contrib.	N/A

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	77
% Total Disbursement Expended	29
% Total Authorization Expended	22

PROJECT PURPOSE

To produce a self-sustaining delivery system for shelter, water, sewerage and other urban services to meet needs of the urban poor.

PROJECT DESCRIPTION

Overall focus is to assist shelter and infrastructure institutions in developing self-sustaining delivery system through policy and institutional changes.

PROJECT STATUS

Project moving slowly previously due to national deficit and cutbacks. Funds are not flowing to project activities. CPs/Covenants: All are met but SC needs to submit program implementation plan and GOJ and USAID need to conclude annual review.

GOALS

1) Expansion of water and sewer service to low income families. 2) Increase public sector provision of low cost shelter solutions. 3) Increase in private sector/NGO/PVO provision of shelter.

PROGRESS TO DATE

NWC implementing five projects to reach over 15,000 households. Design construction began on 1,358 serviced/upgraded sites. MOC(H) has offered 4 sites to private developers for public/private joint venture bidding. Building Societies to service all HG-013 financed mortgages.

MAJOR OUTPUTS

Physical outputs: Minor water system users—9600 households; 590 leaks repaired; 573 loans for water hookups; 200 loans for sewer hookups; 856 serviced/upgraded sites.

Individual Project Status Report (532-HG-013)
 Housing and Urban Development Indicators, FY92

JAMAICA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage						•	•					
Mortgage to Deposit Difference	•					•	•					
Credit to Value Ratio	•						•					
Down-Market Penetration	•			•			•			11.07		3.92
House Price to Income Ratio	•							•				
Infrastructure Expenditure per Capita	•			•				•				
Individual Water Connections	•			•				•				
Upgrading of Informal Areas		•						•		21%		--
Private Sector Land Development	•			•				•				
Environmental Encroachment			•						•			
Operations and Maintenance			•		•							
Cost Recovery												
Property Tax Receipts												
Own Source Financing								•				
Private Sector Investment		•		•								

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 532-HG-013 supports GOJ efforts to produce a self-sustaining delivery system for shelter, water, sewerage and other urban services which will meet the needs of the urban poor. The House Price to Income Ratio is a measure of housing affordability. The high value in this case, especially as compared with the regional norm, suggests that housing is absorbing an undue portion of household income. This in turn implies that HG intervention, to the extent that infrastructure provision will increase the supply of serviced land for residential use, is well-targeted.

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Individual Project Status Report

11/17/92

JAMAICA**BACKGROUND DATA**

Project Title	Shelter Sector Support - Basic Shelter	Date of Project Paper Authorization	9/83
Project Number	532-HG-014	Date of First HG Authorization	3/24/89
AID Project Officer	George Williams	Date of Last HG Authorization	3/24/89
Implementing Agencies		Date of Last HG Disbursement	3/31/89
	Caribbean Housing Finance Corporation	Date of Last Evaluation	N/A
	Ministry of Construction (Housing)	Date of Last Audit	7/3/90
	Estate Development Corporation		
	Urban Development Corporation		

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	18,000
Amount Authorized to Date*	24,000
Amount Disbursed*	22,639
Amount Expended	0
Planned Counterpart Contrib.	J\$20,000
Actual Counterpart Contrib.	--

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	82
% Total Authorization Disbursed	94
% Total Disbursement Expended	0
% Total Authorization Expended	0

PROJECT PURPOSE

Assist GOJ in implementing its shelter policy through conversion of GOJs role from that of a direct producer and financier of housing to a facilitator and supporter of the private sector.

PROJECT DESCRIPTION

Project focuses on settlement upgrading, provision of sites and services and home improvement loans.

PROJECT STATUS

All funds disbursed except amount needed to finance 2,964 plots in Norwood and 1,245 plots in Rosemont in Montego Bay. Barriers to moving forward are being removed. CPs/Covenants: All met.

GOALS

1) Improved performance of key public sector institutions involved in low income shelter policy, programs, production and financing. 2) Initiation of projects which seek to improve shelter and related services to low income groups.

PROGRESS TO DATE

EDCO is coordinating and planning an implementation of Rosemont project with other GOJ institutions. EDCO and CHFC have procedures in place to fully account for source and application of funds, apply interest rate changes and to operate at a normal arm's length relationship.

MAJOR OUTPUTS

1) Settlement upgrade infrastructure: 920 lots complete. 2) Sites and services infrastructure: 181 lots complete. 3) Corehouses: 272 units complete. 4) Home improvement loans: 349 loans executed.

*These figures have been adjusted for capitalization of interest.

Individual Project Status Report (532-HG-014)
Housing and Urban Development Indicators, FY92

JAMAICA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage												
Mortgage to Deposit Difference	•					•	•					
Credit to Value Ratio	•					•	•					
Down-Market Penetration	•			•							11.07	3.92
House Price to Income Ratio	•					•	•					
Infrastructure Expenditure per Capita	•			•				•				
Individual Water Connections	•			•				•				
Upgrading of Informal Areas		•				•		•			21%	--
Private Sector Land Development	•			•				•				
Environmental Encroachment			•			•						
Operations and Maintenance			•		•				•			
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment		•		•				•				

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 532-HG-014 assists the Government of Jamaica in facilitating private sector implementation of upgrading, sites and services and housing finance projects. To date, the project has met with some success in the land development component: in 1991, 21% of all new serviced residential land in the Kingston metropolitan area was developed by private sector firms. The pace of Upgrading of Informal Areas, however, is identified as a constraint which is worsening over time. Individual Water Connections is also seen to be a program concern and a medium-level constraint.

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Individual Project Status Report

BOLIVIA

9/30/92

BACKGROUND DATA

Project Title	Private Sector Low Cost Shelter	Date of Project Paper Authorization	7/25/83
Project Number	511-HG-007	Date of First HG Authorization	7/25/83
AID Project Officer	Dino Siervo/Liza Valenzuela	Date of Last HG Authorization	7/25/83
Implementing Agencies		Date of Last HG Disbursement	2/22/89
Central Bank of Bolivia		Date of Last Evaluation	2/28/88
Caja Central de Ahorro y Préstamo para la Vivienda		Date of Last Audit	--

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	10,000
Amount Authorized to Date	10,000
Amount Disbursed	9,463
Amount Expended	6,125
Planned Counterpart Contrib.	1,875
Actual Counterpart Contrib.	1,531

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	642
% Total Authorization Disbursed	95
% Total Disbursement Expended	64
% Total Authorization Expended	61

PROJECT PURPOSE

To expand the private sector's capacity to address the shelter-related needs of Bolivia's low-income families.

PROJECT DESCRIPTION

The housing program consists of a \$10 million loan guaranty and a \$2.5 million grant for technical assistance and training.

PROJECT STATUS

The technical assistance component was finished on 09/30/92. There are \$1,375,000 available in the guaranteed loan, which are expected to be fully disbursed in FY93. CPs and Covenants: None Pending.

GOALS

1) 9,500 subloans to median-income families; 2) S&Ls share of savings market to reach 13% by 12/91; 3) 170,000 savings accounts in S&L system by 12/91.

PROGRESS TO DATE

1) 4,360 loans by S&L under the project; 2) S&Ls share of savings market reached 10.9% as of 09/30/92; 3) 164,00 savings accounts in S&Ls by 09/30/92.

MAJOR OUTPUTS

1) Value of loans by S&Ls under project: \$6,125,000; 2) S&Ls portfolio increased to \$106 million; 3) 285 persons trained under the technical assistance.

MAJOR ACTIVITIES

Sublending by S&Ls for home-improvement loans to families with incomes below the median. Institutional strengthening of the housing finance sector.

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Individual Project Status Report (511-HG-007)
 Housing and Urban Development Indicators, FY92

BOLIVIA

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage										8.40	6.76	7
Mortgage to Deposit Difference		90		.37
Credit to Value Ratio	66	--
Down-Market Penetration		.			.		.				1.66	3.92
House Price to Income Ratio	.			.			.					
Infrastructure Expenditure per Capita												
Individual Water Connections												
Upgrading of Informal Areas												
Private Sector Land Development												
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery												
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 511-HG-007 aims to improve the delivery of housing finance through private sector financial institutions in Bolivia. The need for an increased supply of funds for housing finance is evident in the Mortgage to Deposit Difference. In a smooth-functioning housing market, the value of this indicator should be positive and only slightly higher than deposit rates. The high value in this case suggests that financial institutions are inefficient, that competition for loans is restricted by complex regulations, or that demand greatly exceeds the available supply. The high Credit to Value Ratio, equal to that of the industrialized countries, implies that there are few barriers to entry to the housing finance market. The HG program therefore addresses the remaining questions of efficiency and supply by increasing the role of private banks in housing finance delivery.

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Individual Project Status Report

COVIP (Private Housing Cooperatives)

9/30/92

BACKGROUND DATA

Project Title	Chile Private Sector Cooperative Housing Program	Date of Project Paper Authorization	9/30/86
Project Number	513-HG-008	Date of First HG Authorization	9/30/86
AID Project Officer	Bill Yaeger	Date of Last HG Authorization	9/30/86
Implementing Agencies COVIP		Date of Last HG Disbursement	7/6/88
		Date of Last Evaluation	4/92
		Date of Last Audit	12/91

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	5,000
Amount Authorized to Date	5,000
Amount Disbursed	5,000
Amount Expended	1,730
Planned Counterpart Contrib.	500
Actual Counterpart Contrib.	1,730

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	78
% Total Authorization Disbursed	100
% Total Disbursement Expended	35
% Total Authorization Expended	35

PROJECT PURPOSE

To support the expansion of activities by the private sector in the low-cost housing markets.

PROJECT DESCRIPTION

\$5 million HG loan to COVIP, a group of private sector home building institutions, to support its growing involvement in implementation of Chile's low-income housing activities.

PROJECT STATUS

Proceeding as programmed.

GOALS

3,000 new homes bought and sold.

PROGRESS TO DATE

Expected to meet LOP production goals. During last six months, 125 homes completed and/or sold.

MAJOR OUTPUTS

1,920 new home sales, 64% of LOP revolving fund. \$5 million HG credit line: total used-\$17.3 million, reimbursed-\$15.9 million, outstanding-\$1.4 million.

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Individual Project Status Report (513-HG-008)
Housing and Urban Development Indicators, FY92

COVIP (Private Housing Cooperatives)

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean**
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage									•	4.21	4.70	11.00
Mortgage to Deposit Difference			•		•					.27	.25	.37
Credit to Value Ratio		•		•			•			5.00	5.00	--
Down-Market Penetration	•				•				•	1.66	1.66	3.92
House Price to Income Ratio	•				•					22.5	26.7	48.42
Infrastructure Expenditure per Capita		•		•						97%		89%
Individual Water Connections		•		•								
Upgrading of Informal Areas									•	100%	100%	--
Private Sector Land Development		•		•								
Environmental Encroachment												
Operations and Maintenance												
Cost Recovery		•		•					•	90%		--
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 513-HG-008 assists COVIP, a group of private sector housing cooperatives, in expanding its activities in low-income housing markets. The House Price to Income Ratio, at half of the regional average, suggests that housing is relatively affordable in Chile. However, the Down-Market Penetration value is still quite high; this is a sign that the informal sector is still providing more than half of the housing stock. That all land development activity since 1991 has been carried out by the private sector indicates that Chilean cities are responding well to current urbanization and are in good position to accommodate future growth.

Individual Project Status Report

COVIP (Private Housing Cooperatives)

9/30/92

BACKGROUND DATA

Project Title	Chile Private Sector Housing II Program	Date of Project Paper Authorization	9/13/90
Project Number	513-HG-009	Date of First HG Authorization	9/13/90
AID Project Officer	Bill Yaeger	Date of Last HG Authorization	9/13/90
Implementing Agencies	COVIP	Date of Last HG Disbursement	6/24/91
		Date of Last Evaluation	-
		Date of Last Audit	12/91

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	5,000
Amount Authorized to Date	5,000
Amount Disbursed	5,000
Amount Expended	5,000
Planned Counterpart Contrib.	500
Actual Counterpart Contrib.	510

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	31
% Total Authorization Disbursed	100
% Total Disbursement Expended	100
% Total Authorization Expended	100

PROJECT PURPOSE

To support the expansion of activities by the private sector in the low-cost housing markets.

PROJECT DESCRIPTION

\$5 million HG loan to COVIP, a group of private sector institutions building homes for sale to families with incomes up to the urban median, to support the expansion of activities in the low-cost housing market.

PROJECT STATUS

Proceeding as programmed.

GOALS

1,800 new homes built and sold.

PROGRESS TO DATE

350 new homes sold. 420 under construction. 70 homes finished and/or sold during last six months.

MAJOR OUTPUTS

350 new home sales. 19% of LOP. Revolving fund: total used-\$5.1 million, reimbursed-\$1.8 million, outstanding \$3.3 million.

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Individual Project Status Report (513-HG-009)
 Housing and Urban Development Indicators, FY92

COVIP (Private Housing Cooperatives)

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No.	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage									•	4.21	4.70	11.00
Mortgage to Deposit Difference			•		•			•		.27	.25	.37
Credit to Value Ratio		•		•			•			5.00	5.00	--
Down-Market Penetration	•				•				•	1.66	1.66	3.92
House Price to Income Ratio	•							•		22.5	26.7	48.42
Infrastructure Expenditure per Capita		•		•						97%		89%
Individual Water Connections		•		•								
Upgrading of Informal Areas									•	100%	100%	--
Private Sector Land Development		•		•								
Environmental Encroachment												
Operations and Maintenance										90%		--
Cost Recovery		•		•								
Property Tax Receipts												
Own Source Financing												
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 513-HG-009 assists COVIP, a group of private sector housing cooperatives, in expanding its activities in low-income housing markets. The House Price to Income Ratio, at half of the regional average, suggests that housing is relatively affordable in Chile. However, the Down-Market Penetration value is still quite high; this is a sign that the informal sector is still providing more than half of the housing stock. That all land development activity since 1991 has been carried out by the private sector indicates that Chilean cities are responding well to current urbanization and are in good position to accommodate future growth.

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Individual Project Status Report
ECUADOR

12/1/92

BACKGROUND DATA

Project Title	National Shelter Delivery System	Date of Project Paper Authorization	9/28/84
Project Number	518-HG-007	Date of First HG Authorization (amended)	8/19/87
AID Project Officer	Sonny Low/Renan Larrea	Date of Last HG Authorization (amended)	9/30/88
Implementing Agencies	Ecuadoran Housing Bank	Date of Last HG Disbursement	4/26/89
		Date of Last Evaluation	1/31/92
		Date of Last Audit	--

FINANCIAL DATA (\$US '000s)

Est. Life-of-Project Amount	35,000
Amount Authorized to Date	35,000
Amount Disbursed	10,000
Amount Expended	3,800
Planned Counterpart Contrib.	10,000
Actual Counterpart Contrib.	3,742

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	29
% Total Disbursement Expended	38
% Total Authorization Expended	11

PROJECT PURPOSE

To expand and increase access to upgraded and new shelter financed by private sector institutions.

PROJECT DESCRIPTION

Put in place: 1) financial policies, 2) expanded private sector low-cost shelter programs, 3) financial management of municipal infrastructure (66,000 new units, home improvements and infrastructure solutions).

PROJECT STATUS

GOE has decided to implement financial, policy, and institutional reforms to transform the BEV into a second story lending entity and to facilitate private sector participation in shelter finance. CPs/Covenants: None pending.

GOALS

1) 16,000 shelter solutions, 2) 10,000 home improvement and upgrading loans, 3) increased institutional participation in lending to low-income families.

PROGRESS TO DATE

3,012 new loans of new solutions and home improvement loans executed by using US\$ 3.8M from the HG and US\$ 3.7M from counterpart funds.

MAJOR OUTPUTS

The third Implementation Agreement was signed between AIS and the GOE to fulfill policy, operational and institutional reforms to restructure the shelter lending and financial sector.

MAJOR ACTIVITIES

Mobilization of remaining HG-funds and the private sector involvement in shelter and infrastructure finance.

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Individual Project Status Report (518-HG-007)
Housing and Urban Development Indicators, FY92

ECUADOR

Indicator	HG Concerns			Trend			Constraint			Value		Reg'l Mean*
	Program	Sector	No	Better	None	Worse	High	Medium	Low	1990-1	1992	
Tenure Regularization												
Permits Delay												
Compliance												
Land Registration Coverage										8.67	10.83	11
Mortgage to Deposit Difference		•		•						.37	.44	.37
Credit to Value Ratio		•		•						2.21	2.47	--
Down-Market Penetration	•				•					2.08	2.08	3.92
House Price to Income Ratio	•				•					73.15		48.42
Infrastructure Expenditure per Capita		•		•						76%		89%
Individual Water Connections		•										
Upgrading of Informal Areas		•										
Private Sector Land Development												
Environmental Encroachment										69.6%		--
Operations and Maintenance		•				•			•	12%		--
Cost Recovery		•			•							
Property Tax Receipts										32.6%		--
Own Source Financing		•			•							
Private Sector Investment												

*Source: UNCHS/World Bank, 1992.

Housing Guaranty 518-HG-007 assists the Government of Ecuador in increasing the supply of upgraded and new shelter affordable to below-median income families. The Credit to Value Ratio, which measures the degree of access of housing consumers to long-term mortgage finance, rose from .37 to .44 over the past year. This suggests that there is a continuing need for efforts to increase the amount of housing finance available to lower-income groups. In addition, the Mortgage to Deposit Difference widened over the same period; although 10.83 is the norm for the region, this is nevertheless a high value and a strong indication that financial institutions are performing inefficiently, that competition for loans is restricted, or that demand for mortgages far exceeds the available supply.

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APPENDICES



JUN 23 10 42 PM '93

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MEMORANDUM

TO: IG/A/FA, B. Reginald Howard

FROM: AA/PRE, Robert N. Bakley *RNB*
AA/FA, Richard A. Ames *RAA*

SUBJECT: Draft Audit Report on A.I.D.'s Housing Guaranty Program's FY 1992 Annual Financial Statement

Generally, we concur in the draft audit report on the FY 1992 Annual Financial Statement. The unqualified audit recognized that tremendous progress we made by the Office of Financial Management and the Office of Housing in FY 1992 operations in resolving the problems that caused a disclaimer for this program for FY 1991.

We plan to sustain these improvements, to properly account for credit reform, and to close the remaining recommendations, but this will require an expensive and long term effort to augment on-board staff. Firm plans have been developed, and funding has been identified to begin this effort. We expect that plans to resolve the outstanding recommendations should be in place by September 30, 1993.

Staff wishes to express their appreciation for the professional work of the audit team.

Appendix II

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