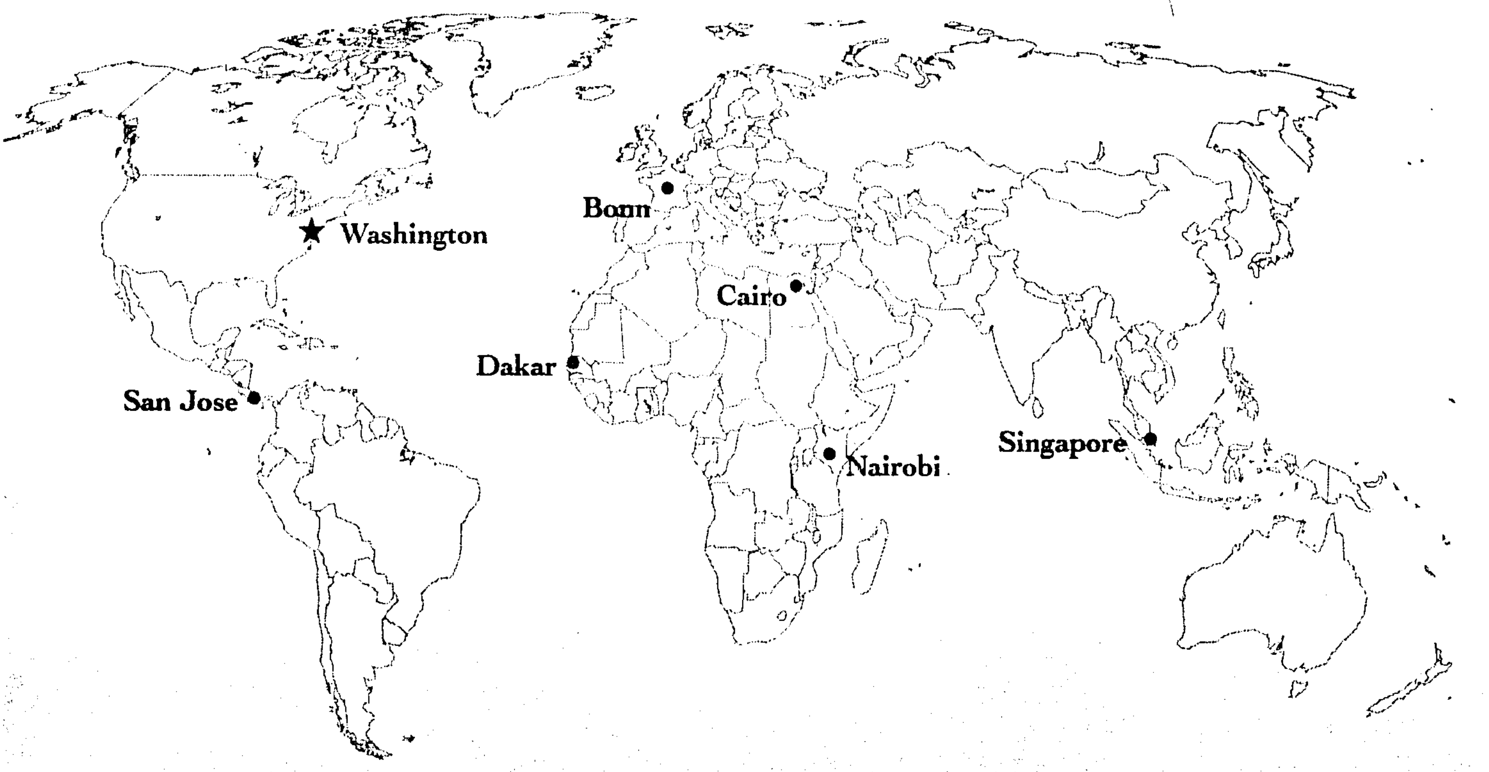
PD-ABL-455

Financial Audits

Audit of the Fiscal Year 1994 Annual Financial Statement for USAID's Housing Guaranty Program under the CFO Act

Report No. 0-000-95-037
June 30, 1995



USAID

. AGENCY FOR
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EVELOPMENT

June 30, 1995

MEMORANDUM

TO: M/FM/CONT, Donald K. Charney

FROM: AIG/A, James B. Durnil Thomas G. O'Connor for

SUBJECT: Audit of Fiscal Year 1994 Annual Financial Statement for USAID's Housing Guaranty Program under the CFO Act

The Chief Financial Officers (CFO) Act of 1990 requires the U.S. Agency for International Development (USAID) 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 USAID 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 Deloitte and Touche to perform, under our general oversight, the financial audit for fiscal year (FY) 1994. In addition, the USAID Office of Inspector General reviewed the presentation of management performance information required by the CFO Act and the Office of Management and Budget (OMB). This report presents the results of the audit.

The audit was made in accordance with generally accepted government auditing standards 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 USAID's compliance with certain laws and regulations.

USAID's Office of Environment and Urban Programs, within USAID's Bureau for Global Programs, Field Support and Research, administers the Housing Guaranty Program. The Housing Guaranty Program was established to help host countries improve the level of shelter and related services 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; in addition, the program finances infrastructure improvements. USAID also uses this program to promote policies in developing countries which increase access to shelter and related urban services for below median income families.

Auditor's Opinion

Deloitte and Touche determined that the financial statements for the Housing Guaranty Program present fairly, in all material respects, the financial position at September 30, 1994, and the results of operations, cash flows, and budgets for the year then ended in conformity with OMB Bulletin 94-01, "Form and Content of Agency Financial Statements."

In its opinion, Deloitte and Touche noted two matters pertinent to users of the statements. First, as discussed in Note 3 to the financial statements, the Program has significant committed guaranties that subject it to the risk of financial loss, and the estimated liability for such losses has been recorded. Secondly, as discussed in Note 13 to the financial statements, certain Congressional actions that may affect the future of the Program have been taken subsequent to the date of the financial statements and the statements have not been adjusted for those future possibilities.

Internal Control Structure

Deloitte and Touche identified two reportable conditions[1] with respect to internal controls. The reportable conditions pertained to: (1) lack of effective claims and receivable controls and (2) lack of documented financial management policies and procedures.

Regarding the lack of effective claims and receivable controls, the auditors report o program internal controls for FY 1993 indicated that management had developed policies and procedures for this area. We closed a previous recommendation concerning this matter based on management's development of such policies and procedures, with follow-up verification to be performed during this audit. Since managements actions have, in fact, not been finalized nor corrected the situation, we are making the following recommendation:

> **Recommendation No. 1:** We recommend that the USAID Chief Financial Officer fully develop and implement adequate claims and receivable controls which address the concerns raised in the FY 1994 Deloitte and Touche audit report.

Regarding the second reportable condition, the lack of overall policies and procedures has been a persistent problem. In fact, in three prior CFO Act audits of the Housing Guaranty

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[1] See Deloitte and Touche's Independent Auditors' Report for the definitions of a "reportable condition."

Program, we reported on this same internal control issue. For FY 1991[2], we first reported this as a "material weakness." For FY 1992[3] we again reported the problem and re-categorized it as "reportable condition." In our FY 1993[4] audit, we were advised by management that the problem would be corrected during FY 1994.

Deloitte and Touche's report notes that USAID had planned to complete the documentation of overall policies and procedures for the Housing Guaranty Program by the end of FY 1994. However, during FY 1994, USAID management postponed any further development of policies and procedures until the Agency installs a new accounting system -- planned for October 1995. The recommendation from our FY 1991 audit remains open until evidence of documented policies and procedures has been provided to us for review and we determine that the policies and procedures are adequate.

<u>Performance Measures</u>

Regarding its internal control structure over performance measures, USAID management is responsible for providing reasonable assurance that data which support performance measures reported in the program Overview 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 and to assess control risk relative to policies and procedures designed to provide reasonable assurance of achieving that objective. Our review of the system during the FY 1993 CFO Act audit identified flaws in the supporting evidence for the set of 24 performance indicators. Further, because we questioned the overall appropriateness and utility of the configuration of the performance measurement system as then designed, we recommended that USAID re-assess the performance measurement system

During FY 1994, pursuant to our recommendation, the Office of Environment and Urban Programs began to re-assess its program performance measurements and to develop a process to improve its system. USAID contracted for an evaluation of the existing performance measurement system, and for the design of a new system intended to provide more meaningful measurements as well as appropriate management information. The new system is scheduled to be installed in FY 1995, and is intended to allow USAID to better compare results of HG programs from one country to another.

Because the revised performance measurement system was not yet completed, management has used an interim system of performance indicators in its FY 1994 Overview. Management notes that the interim indicators have the advantage of simplicity, but the

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[2] Audit Report No. 0-000-92-001 dated July 31, 1992.

[3] Audit Report No. 0-000-93-001 dated June 30, 1993.

[4] Audit Report No. 0-000-94-002, dated June 30, 1994.

disadvantage of not measuring the difficulty of targets and the possibility of being misleading when comparing one project to another. Moreover, management points out that the indicators are reported for only projects accounting for 27 percent of total loan guaranties outstanding -- namely, those projects still in process of implementation, that have disbursed funds in or before FY 1994, or for which USAID is still working with host country counterparts. We found that the interim measures were generally verifiable. Because management has articulated the nature and limitations of the interim indicators, we do not believe they would unduly influence the user of the Overview.

Management's Overview on the Housing Guaranty Program also includes other data labeled as "financial performance." The data includes ratio, percentage, and loan activity analyses. The specific dollar amounts used in the analyses 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.

We continue to monitor and informally advise management concerning the more comprehensive performance measurement system which management plans to implement for FY 1995.

Compliance with Laws and Regulations

Deloitte and Touche's report disclosed one instance of noncompliance pertaining to the Federal Managers' Financial Integrity Act (FMFIA). The noncompliance resulted from USAID's reporting in FY 1993 that appropriate policies and procedures had been developed for the program and eliminating this item from the FY 1994 FMFIA Report. However, the FY 1994 audit found that, in fact, the policies and procedures had still not yet been developed. We are concerned about this matter. As noted above, our open recommendation addresses the need to document policies and procedures. FMFIA reports do not necessarily need to include matters unless they are considered "material weaknesses." However, we do urge management to be attentive to the appropriateness and accuracy of any statements in the FMFIA Report regarding the status of documented policies and procedures.

Management's Comments and Our Evaluation

We provided a copy of the draft report to USAID's Chief Financial Officer and other USAID Management officials who were involved in the audit. These officials concurred with the findings and reiterated their commitment to continuing improvements in their financial records and statements. A copy of management's written comments to the draft audit report is attached as Appendix I.

Please respond to my office within 30 days, indicating actions taken with respect to the recommendation contained in this report.

We appreciate the cooperation and courtesies extended to my staff and Deloitte and Touche during the audit.

TABLE OF CONTENTS

SECTION I

Deloitte & Touche LLP
Independent Auditor's Report and
Principal Statements

U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT HOUSING GUARANTY PROGRAM

Financial Statements for the Years Ended
September 30, 1994 and 1993, and
Independent Auditors' Report

U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Administrator
and the Inspector General of the
U. S. Agency for International Development:

Summary

We have audited the principal financial statements, listed in the table of contents, of the Housing Guaranty Program (the Program) administered by the U. S. Agency for International Development (USAID) as of and for the years ended September 30, 1994 and 1993.

In our opinion, the principal financial statements are presented fairly, in all material respects.

During our audits, we noted certain deficiencies in internal controls that we consider to be reportable conditions under established standards, but which are not considered material weaknesses.

We identified an instance of noncompliance with a law which we are required to report under generally accepted government accounting standards.

These conclusions and the scope of our work are discussed in more detail below.

Opinion on Principal Financial Statements

In our opinion, the principal financial statements on pages 7 to 12 present fairly, in all material respects, the Program's:

- financial position as of September 30, 1994 and 1993;
- results of operations and changes in net position;
- cash flows; and
- budgetary resources and actual expenses for the years then ended;

in conformity with the basis of accounting prescribed in Office of Management and Budget (OMB) Bulletin No. 94-01, *Form and Content of Agency Financial Statements*. As discussed in Note 1 to the principal financial statements, OMB Bulletin No. 94-01 is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 3 to the financial statements, the Program has significant committed guarantees outstanding that subject the Program to a risk of financial loss. The Program has recorded an estimated liability for such losses.

As discussed in Note 13 to the financial statements as part of the fiscal 1995 authorization process, the U. S. House of Representatives voted to eliminate USAID's authority to issue any guarantees on or after the date of enactment of the Foreign Aid Reduction Act of 1995 and to cancel certain existing guarantees. The U. S. Senate Foreign Relations Committee has voted to reauthorize the Program but with a revised funding mechanism. The financial statements do not include any adjustment that may be required as a result of the Congressional actions or pending legislation.

Report on Internal Control Structure

The management of USAID is responsible for establishing and maintaining the internal control structure of the Program. 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:

- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the principal financial statements in accordance with the basis of accounting prescribed in OMB Bulletin No. 94-01;
- Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition; and
- Transactions, including those related to obligations and costs, are executed in compliance with:
    - Laws and regulations that could have a direct and material effect on the principal financial statements; and
    - Any other laws and regulations that the 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.

In planning and performing our audits of the principal financial statements of the Program, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the principal financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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. 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 principal financial statements. The reportable conditions which we identified are described below.

1. LACK OF EFFECTIVE CLAIMS AND RECEIVABLE CONTROLS (REPEATED FROM PRIOR YEAR)

Host countries (HCs) must reimburse the United States Government for $308 million in claim payments made on behalf of the HCs. In our report on internal controls of the Program for the year ended September 30, 1993, we recommended that management continue to document and implement control policies and procedures for claims and receivables. The Loan Management Division (LM) has created draft policies and procedures but these have not been implemented, resulting in numerous control weaknesses as described below. LM is responsible for establishing and documenting billing, delinquency identification, collection, write-off, and collection efforts (collectively known as due diligence procedures) for the Program. However, LM does not have established policies that define:

- U. S. and overseas mission staff responsibilities for issuing and collecting on claims;
- The manner, frequency, and documentation requirements of collection efforts;
- Accounting requirements that comply with Credit Reform guidance;
- Internal and external reporting requirements;
- Follow-up with missions on their collection actions;
- Documentation of claim collection histories.

We also noted that some Notices of Payment Due (invoices) for debt are produced manually by LM. This may lead to errors or omissions in the processing of transactions. We also observed that the Housing Guaranty Portfolio Management System (HGPMS), a PC database system, does not comply with OMB's functional requirements of guaranteed loan accounting systems. This occurs because HGPMS does not produce all the necessary data required for external reports to OMB, U. S. Treasury, or the preparation of financial statements. The claims receivable delinquency reports, for example, are developed manually from information maintained separate from the HGPMS.

We noted that not all the relevant accounts were reconciled to HGPMS during 1994. The General Ledger and HGPMS had not been reconciled until year-end. These year-end reconciliations resulted in entries to adjust receivable balances. As a result, revenue balances in the general ledger were not supported by balances in the HGPMS.

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

The Chief Financial Officers' (CFO) Act of 1990 also specifies the requirement to report on the milestones achieved in the context of the overall goal of establishing formalized policies and procedures that will enhance internal control.

The Federal Managers Financial Integrity Act of 1982 also requires the establishment of policies and procedures which will provide reasonable assurances that assets are safeguarded, and that revenue and expenditures are properly recorded and accounted for, so that reliable reports appropriate to Program activities are generated. The Federal Debt Collection Act of 1982 (PL97-258, Title 31, Subtitle III) specifies similar requirements for financial activities of the Program.

2. INADEQUATELY FORMALIZED AND DOCUMENTED FINANCIAL MANAGEMENT POLICIES AND PROCEDURES (REPEATED FROM PRIOR YEAR)

Standard manual and programmed general ledger controls have not been established that require:

- Financial activity to be recorded and accumulated as transactions occur;
- Monthly and year-end reconciliations of guaranteed loans committed, lender disbursements and receipts, obligations and accruals, and cash transactions and reconciliation of this activity to HGPMS;
- Supervisory review and approval of reconciliations;
- Standardized procedures to account for accrued operating and administrative expenses;
- Systematic consolidation of worldwide 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 the U. S. Treasury.

Informal policies and procedures increase susceptibility to error in the recordkeeping and reporting functions of Loan Management, create vulnerability from 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.

We noted that, subsequent to the year ended September 30, 1994, the individual responsible for processing and recording Program accounting activity transferred to a different program within USAID. While an interim replacement for this individual has been named, accounting activity subsequent to year-end has not been kept up to date. Reports detailing accounting activity and reconciliations of the General Ledger and HGPMS could not be created without receiving assistance from the individual who had departed.

Management of the Program should continue to create policies and procedures based on the computerized accounting system being implemented. Management must design and implement complimentary controls for claims to insure that collections efforts are continuously monitored. The accountant recently named should process, record and verify accounting information for each period subsequent to year end, and management of the Program must perform detailed reviews of the work as soon as possible. The timely designation of the accounting staff to perform these procedures effectively will impact upon the adequacy of the internal control structure and the ability of the Program to comply with laws and regulations, noncompliance with which could materially affect the principal financial statements for 1995 and beyond.

We understand that management of the Program is implementing a replacement to HGPMS which will accumulate and report data as needed for both operational and reporting purposes. We also understand that management is designing policies and procedures to govern correct accounting, invoicing, collection, and review procedures. These policies and procedures must ensure that balances are reconciled and differences are resolved. These policies and procedures must include consideration of training and educational needs for staff assigned to each accounting function.

A material weakness is a reportable condition in which the design or operation of one or more 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 principal 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 is a material weakness.

STATUS OF PRIOR YEARS' RECOMMENDATIONS

Except for the reportable conditions repeated from the prior year report, management addressed the other recommendation related to the maintenance of a commercial bank account outside the U.S. Treasury. In May 1994, the U. S. Treasury granted the Program a waiver from GAO Title 7, which requires all funds to be held in the custody of the U. S. Treasury.

Compliance with Laws and Regulations

Compliance with laws and regulations applicable to the Program is the responsibility of USAID's management. As part of obtaining reasonable assurance about whether the principal financial statements are free of material misstatement, we performed tests of the Housing Guaranty Program's compliance with certain provisions of laws and regulations. However, the objective of our audits of the principal financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Laws and regulations applicable to the Housing Guaranty Program include:

- 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 Act of 1950, as amended;
- The Federal Managers Financial Integrity Act of 1982; and
- The Federal Credit Reform Act of 1990.

Except as discussed below, the results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

STATUS OF PRIOR YEAR RECOMMENDATIONS

As noted in the prior year report, the Federal Managers' Financial Integrity Act (the Act) requires a report to be delivered to Congress and the President that describes the extent of the Agency's compliance with the terms of the Act. In the 1993 report , USAID reported that the Program had developed accounting procedures that complied with the Act by September 1993. In our evaluation of the internal control structure, we noted that the accounting policies and procedures are not documented. Therefore, we are led to conclude that the Program is noncompliant with the reporting requirements of the Act.

Management's Responsibilities

Management has responsibility for:

- preparing the principal financial statements in accordance with the comprehensive basis of accounting described in Note 1 to the principal financial statements;

- establishing and maintaining an internal control structure; and
- complying with applicable laws and regulations

Management is also responsible for obtaining audit coverage that is broad enough to help fulfill the reasonable needs of potential users of the audit report. With respect to audit coverage of internal controls and compliance with laws and regulations, management engaged us to perform those procedures required in a financial statement audit conducted in accordance with generally accepted government auditing standards. Those procedures were not sufficient to provide a basis for expressing an opinion on internal controls or compliance. Had we been engaged to apply additional agreed-upon procedures or perform an examination of controls or compliance with laws and regulations, we might have discovered and reported deficiencies in internal controls or instances of noncompliance in addition to those reported above.

Independent Auditors' Responsibilities

Our responsibility is to express an opinion on the principal financial statements based on our audits. Accordingly, we planned and performed our audits to obtain reasonable assurance about whether the principal financial statements are free of material misstatement and are presented fairly in accordance with the basis of accounting described in Note 1 to the principal financial statements.

To fulfill our responsibility, we:

- examined, on a test basis, evidence supporting the amounts and disclosures in the principal financial statements;
- assessed the accounting principles used and significant estimates made by management; and
- evaluated the overall presentation of the financial statements.

Except as described in the following paragraph, our audits were conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Bulletin No. 93-06, *Audit Requirements for Federal Financial Statements.* We believe that our audits provide a reasonable basis for our opinion.

As requested by the USAID Office of the Inspector General (IG) , our audits did not address the requirement in OMB Bulletin No. 93-06 to obtain an understanding of the internal control structure and to assess risk with respect to management's policies and procedures for the preparation of performance information. This audit requirement was addressed by the IG.

Distribution

This report is intended solely for the information of the U. S. Congress, the management of USAID and the IG. This restriction is not intended to limit distribution of this report when it becomes a matter of public record.

Deloitte + Touche LLP

June 8, 1995

Deloitte & Touche LLP

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 1994 AND 1993
(In Thousands)

	1994	1993
ASSETS		
ENTITY ASSETS:		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 6)	$ 60,731	$ 44,683
Restricted Fund Balance with Treasury (Note 6)	2,662	292
Fund Balance with USAID	2	9
Travel Advances and Other	102	43
Governmental Assets:		
Accounts Receivable, Net (Note 4)	814	1,194
Claims Receivable, Net (Note 5)	30,812	27,998
Cash (Note 6)	355	389
Furniture and Equipment, Net (Note 7)	398	532
TOTAL ENTITY ASSETS	$ 95,876	$ 75,140
LIABILITIES AND NET POSITION		
LIABILITIES COVERED BY BUDGETARY RESOURCES:		
Intragovernmental Liabilities:		
Borrowings from Treasury (Note 8)	$ 125,208	$ 125,208
Interest Payable - Treasury (Note 8)	5,319	5,319
Other Funded Liabilities (Note 9)	3,913	2,102
Governmental Liabilities:		
Liabilities for Loan Guarantees - Pre-Credit Reform (Note 3)	704,156	706,889
Liabilities for Loan Guarantees - Credit Reform (Note 3)	4,993	2,957
Accounts Payable	2,929	2,327
Deferred Revenues	2,483	2,583
Total Liabilities Covered by Budgetary Resources	849,001	847,385
Liabilities Not Covered by Budgetary Resources	404	341
Total Liabilities	849,405	847,726
NET POSITION:		
Appropriated Capital, Pre-Credit Reform	150,160	140,488
Appropriated Capital, Credit Reform	46,527	32,780
Cumulative Results of Operations	(949,812)	(945,513)
Future Funding Requirements	(404)	(341)
Total Net Position	(753,529)	(772,586)
TOTAL LIABILITIES AND NET POSITION	$ 95,876	$ 75,140

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

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM

STATEMENTS OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 1994 AND 1993
(In Thousands)

	1994	1993
REVENUES AND FINANCING SOURCES:		
Appropriated Capital Used	$ 10,570	$ 10,693
Interest and Penalties, Governmental	20,111	25,778
Other Revenues and Financing Sources	8,618	10,959
Total Revenues and Financing Sources	39,299	47,430
EXPENSES:		
Operating Expenses (Note 10)	8,205	7,230
Loss on Loan Modification	619	-
Depreciation	224	193
Provision for Subsidy Expense - Guarantees (Note 3)	3,216	4,570
Provision for Uncollectible Loans and Interest - Pre-Credit Reform (Notes 3 and 4)	(2,733)	20,268
Provision for Uncollectible Accounts Receivable - Pre-Credit Reform	432	6,066
Provision for Uncollectible Claims - Pre-Credit Reform	23,060	32,488
Interest - Borrowings from Treasury (Note 8)	10,638	10,638
Total Expenses	43,661	81,453
DEFICIENCY OF REVENUES AND FINANCING SOURCES OVER TOTAL EXPENSES	$ (4,362)	$ (34,023)

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

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM

STATEMENTS OF CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 1994 AND 1993
(In Thousands)

	Appropriated Capital				
	Pre-Credit Reform	Credit Reform	Cumulative Results of Operations	Future Funding Requirements	Changes in Net Position
BALANCE AT OCTOBER 1, 1992	$ 122,330	$ 18,661	$ (911,475)	$ (356)	$ (770,840)
Appropriations Received	48,856	30,544	-	-	79,400
Appropriations Capital Used	-	(10,695)	-	-	(10,695)
Appropriations Withdrawn	(27,000)	(5,730)	-	-	(32,730)
Unobligated Funds Returned to Treasury	(3,698)	-	-	-	(3,698)
Deficiency of Revenues and Financing Sources Over Total Expenses	-	-	(34,038)	15	(34,023)
BALANCE AT SEPTEMBER 30, 1993	140,488	32,780	(945,513)	(341)	(772,586)
Appropriations Received	47,700	24,317	-	-	72,017
Appropriations Capital Used	-	(10,570)	-	-	(10,570)
Appropriations Withdrawn	-	-	-	-	-
Unobligated Funds Returned to Treasury	(38,028)	-	-	-	(38,028)
Deficiency of Revenue and Financing Sources Over Total Expenses	-	-	(4,299)	(63)	(4,362)
BALANCE AT SEPTEMBER 30, 1994	$ 150,160	$ 46,527	$ (949,812)	$ (404)	$ (753,529)

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

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1994 AND 1993
(In Thousands)

	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of Revenues and Financing Sources Over Total Expenses	$ (4,362)	$ (34,023)
Adjustments Affecting Cash Flows:		
Depreciation	224	193
Loss on Sale of Assets	9	-
Provision for Uncollectible Claims Receivable - Pre-Credit Reform	23,060	34,164
Provision for Losses on Guarantees - Pre-Credit Reform	(2,733)	20,268
Provision for Subsidy Expense - Credit Reform	3,216	4,570
Provision for Uncollectible Accounts Receivable - Pre-Credit Reform	432	8,893
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(52)	(8,395)
Increase in Claims Receivable	(25,874)	(39,580)
Decrease (Increase) in Other Assets	(59)	37
(Decrease) in Liabilities for Loan Guarantees - Credit Reform	(1,180)	(1,613)
Increase (Decrease) in Accounts Payable, Governmental	602	291
Decrease in Deferred Revenues	(100)	(313)
Increase in Other Funded Liabilities, Intragovernmental	1,811	1,871
Increase (decrease) in Liabilities not Covered by Budgetary Resources	63	(15)
Net Cash Used By Operating Activities	(4,943)	(13,652)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Furniture and Equipment	(105)	(154)
Proceeds fron Sale of Assets	6	-
Net Cash Used By Investigating Activities	(99)	(154)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Appropriations Received	72,017	79,400
Decrease (Increase) in Restricted Fund Balance with Treasury	(2,370)	19,059
Appropriated Capital Used	(10,570)	(10,693)
Appropriations Withdrawn	-	(32,730)
Other USAID Appropriations Used	7	131
Unobligated Funds Returned to Treasury	(38,028)	(3,698)
Net Cash Provided By Financing Activities	21,056	51,469
NET CASH PROVIDED BY OPERATING, INVESTING AND FINANCIAL ACTIVITIES	16,014	37,663
FUND BALANCE WITH TREASURY AND CASH BEGINNING OF YEAR	45,072	7,409
FUND BALANCE WITH TREASURY AND CASH ENDING OF YEAR	$ 61,086	$ 45,072

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

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM

STATEMENTS OF BUDGETARY RESOURCES AND ACTUAL EXPENSES
YEARS ENDED SEPTEMBER 30, 1994 AND 1993
(In Thousands)

	1994	1993
Budget Resources	$ 98,825	$ 102,777
Budget Obligations	(90,297)	(97,555)
Total Unobligated Balance	$ 8,528	$ 5,222
Budget Reconciliation:		
Total Expenses	$ 43,042	$ 81,453
Budget Resources Expended That Are Not Included In Actual Expenses:		
Capital Acquisitions	105	154
Claim Payments - Net of Recoveries	39,805	55,492
Increase in Payables	(602)	(291)
Increase in Other Funded Liabilities	(1,811)	(1,559)
Increase in Account Receivables	52	8,395
Decrease in Cash	(34)	(316)
Items Not Requiring Outlays:		
Provision for Subsidy Expense - Guarantees	(3,216)	(4,570)
Provision for Uncollectible Claims Receivable	(23,060)	(32,488)
Provision for Uncollectible Accounts Receivable	(432)	(8,956)
Provision for Losses on Guarantees	2,733	(20,268)
Claim Losses Realized	936	1,090
Depreciation	(224)	(193)
Decrease in Deferred Revenues	100	313
Less Reimbursements:		
Revenues and Financing Sources	(38,680)	(47,430)
Accrued Expenditures, Direct	$ 18,714	$ 30,826

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

U. S. AGENCY FOR INTERNATIONAL DEVELOPMENT
HOUSING GUARANTY PROGRAM

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1994 AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Housing Guaranty Program (the Program) is administered by the Office of Environment and Urban Programs in the Environment Center of the Bureau for Global Programs, Field Support and Research, U. S. Agency for International Development (USAID) and USAID's geographic bureaus. There are also twelve Regional Housing and Urban Development Offices (RHUDOs), which are the overseas components of the Office of Environment and Urban Programs. USAID's Loan Management Division of the Office of Financial Management performs the accounting functions for the Housing Guaranty Program.

The Program was established by Title III, Sections 221, 222, 223 and 238c of the Foreign Assistance Act (FAA) of 1961, as amended. The purpose of the Program is to assist in providing long-term financing for low income shelter and neighborhood infrastructure upgrading programs in developing countries and to stimulate the participation of the private sector in the economic development of lesser developed countries. 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 USAID by the full faith and credit of the U. S. Government. USAID charges the borrowers guarantee fees 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. USAID also requires that the host country government of the borrowers sign a full faith and credit guarantee for repayment of any loan and outstanding interest paid by USAID on behalf of the borrower.

In the Liquidating Account, under FAA Sections 221 and 222, the total principal amount of guarantees issued and outstanding under this title cannot exceed $2.558 billion at any one time. The FAA limits the issuance of housing guarantees to any one country in any fiscal year to $25 million, except for those issued to Chile, Poland, South Africa, and Israel, for which special limits have been established. In addition, except for the countries mentioned above, the FAA limits the average face value of guarantees issued in any fiscal year to $15 million.

The Program is funded by five appropriations:

- 72X4340 (Liquidating Account), which was established under the Credit Reform Act of 1990 to service loan guarantee commitments arising from the Program made prior to October 1, 1991;

- 7220401 and 722/30401 (Program Account - Fiscal Year 1992 and Program Account - Fiscal Year 1992/1993), which were established under the Credit Reform Act of 1990 as two-year appropriations to cover the subsidy and administrative costs of guaranteed loans;

- 7230401 (Program Account - Fiscal Year 1993), which was established under the Credit Reform Act of 1990 as a single year appropriation of $297,800 to cover the subsidy and administrative costs of the Housing Guaranty Program; and

- 7240401 (Program Account - Fiscal Year 1994), which was established under the Credit Reform Act of 1990 as a single year appropriation of $407,800 to cover the subsidy and administrative costs of the Housing Guaranty Program.

During 1994, under Public Law 103-87 and Presidential Determination No. 94-45 of August 31, 1994, there were nineteen loans authorized and not under contract in the Program Account totaling $320 million. The amount of guarantees issued and outstanding totals $355 million.

USAID supports the Program objectives by providing technical assistance contractors who evaluate individual country program initiatives and results. The costs of this assistance is borne by USAID.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Housing and Other Credit Guaranty Program, as required by the Chief Financial Officers Act (CFO Act) of 1990. They have been prepared from account balances contained in the books and records of the Program in the financial statement formats contained in the Office of Management and Budget's (OMB) Bulletin 94-01, *Form and Content of Agency Financial Statements*, and the Program's accounting policies, which are summarized in this note.

These statements are therefore different from the financial reports, also prepared by the Program pursuant to OMB directives that are used to monitor and control the Program's use of budgetary resources. OMB Bulletin 94-01 is considered to be a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The principal difference between GAAP and Bulletin 94-01 as it applies to the Program is in the accounting for the effects of the Credit Reform Act.

C. Basis of Accounting

Transactions are recorded on an accrual accounting basis and on 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. Cash Equivalents

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

The 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.

E. Restricted Fund Balance with Treasury

Appropriated funds received are maintained as balances in a non-interest bearing account with the Treasury. These funds are available to the Program when the credit activity to which they relate occurs or when administrative expenses are incurred. Credit activity occurs when loans are disbursed or guaranties are committed.

F. Cash

The Program maintains an account at a commercial bank. In prior years, the Program required borrowers to deposit reserves in trust into the USAID 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 over the years, the account no longer contains borrower monies and is now comprised entirely of USAID funds.

G. Funds with USAID

USAID holds funds as balances in the Treasury from which it pays operating expenses that are not paid by the Program's operating expense fund. At September 30, 1994 and 1993, amounts which are obligated by USAID to pay for Program accounts payable are disclosed in the statement of financial position as Funds with USAID.

H. Accounts Receivable and Claims Receivable

Accounts receivable represent origination and annual fees on outstanding guarantees, interest on rescheduled loans and late charges. Claims receivable (subrogated and rescheduled) are due from foreign governments as a result of defaults under the Program. Receivables are stated net of an allowance for uncollectible accounts determined using a specific identification methodology by country.

I. Furniture and Equipment and Depreciation

Furniture and equipment consist of office furniture and equipment and living quarters furniture and furnishings. Furniture and equipment are capitalized at cost, if the initial acquisition cost is $500 or more. Assets with a high risk of loss are capitalized even if their costs are less than $500. Depreciation is computed on a straight-line basis over ten years for residential furniture and furnishings, seven years for office furniture and equipment, and three years for computer software.

J. Liabilities for Loan Guarantees - Pre-Credit Reform

The Liabilities for Loan Guarantees - Pre-Credit Reform provides for losses inherent in the guarantee operation. These represent a general reserve, available to absorb losses related to loan guarantees on loans outstanding. The loan guarantees represent off-balance sheet commitments (Note 3). The provision for losses on guarantees is based on management's evaluation of the guaranteed loans. This evaluation is based upon analyses of 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 foreign government guarantees, transfer risk, assessments of foreign government credit risks by other federal financial assistance program sponsors, and the projected political stability within the country.

The Liabilities for Loan Guarantees - Credit Reform is the estimated long-term costs to the Government of loan guarantees, calculated on a net present value basis, for post-Credit Reform activity. The subsidy is accrued once guarantee documents are signed and committed, and is reestimated annually. The liability is estimated based on a financial model developed by OMB.

K. Deferred Revenues

Loan origination fees in excess of $250,000 are deferred and recognized over the life of the guarantee as an adjustment to fee income.

L. Revenues and Other Financing Sources

Effective in 1992, the Program received the majority of the funding needed to support its programs through appropriations. It receives both annual and biannual appropriations that may be used, within statutory limits, for operating and capital expenditures (primarily equipment, furniture, and furnishings). For purposes of the financial statements, budgetary appropriations are realized as a financing source of revenue as accrued expenses are recognized.

Additional amounts are obtained through collection of guarantee fees. The Program also receives interest income on rescheduled 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 recorded as a reduction to current period interest income.

M. Reclassifications

Certain reclassifications have been made to the 1993 financial statements to conform to the 1994 presentation.

2. CREDIT REFORM

The Credit Reform Act of 1990, which became effective on October 1, 1991, has significantly changed the manner in which the 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. Consequently, commencing in 1992 the Program's activities were funded through direct appropriation provided for that year only, rather than through cumulative appropriations granted in prior years and accumulated under the Revolving Fund.

In fiscal year 1994, the Program received appropriations totaling $24.317 million. Of the amount appropriated, $15.179 million was obligated for the subsidy costs of new credit activity and $8.238 million was available to the Program for its operating and administrative expenses.

When guarantee commitments are made, the Program records a guarantee reserve in the program account (the budget account into which appropriations to cover the cost of the Program's credit programs are made). This guarantee reserve is based on the present value of the estimated net cash outflows (if any) to be paid by the Program as a result of the loan guarantees, except for administrative costs, less the net present value of all revenues to be generated from those guarantees. As discussed above, when the guarantee reserve is established, an obligation is recorded against budget authority (appropriation).

When the loans guaranteed by the Program are disbursed, the Program transfers from the program account to the financing account (a non-budget account that holds balances, receives the cost payment from the program account, and includes all other cash flows to and from the Government resulting from credit program commitments) the amount of the subsidy cost related to those loans. The amount of subsidy cost transferred, for a given loan, is proportionate to the amount of the total loan disbursed (Note 3).

3. COMMITMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In addition to the risks associated with its claim receivables, the Program is subject to risk for financial instruments not included in its statement of financial position. These financial instruments are guarantees 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. USAID does not hold collateral or other security to support its off-balance sheet risk. However, for most guarantees, a third-party guarantee from the host government of the debtor is required for principal, interest and certain fees disbursed by USAID on behalf of the borrower.

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

Pre-Credit Reform	$2,558,000
Credit Reform	407,800
	$2,965,800

A summary of guarantees committed and used and the related liabilities at September 30, 1994, is as follows:

	USAID Guarantee Committed (in Million)	USAID Guarantee Utilized (in Millions)	Liability (in Millions)
Pre-Credit Reform	$ 2,385.0	$ 2,037.4	$ 704.1
Credit Reform	59.0	59.0	4.9
	$ 2,444.0	$ 2,096.4	$ 709.0

Partial payments are paydowns on guaranteed loans. When the loan is entirely repaid, it is not included in authorized or outstanding guarantees. To monitor its compliance with the Congressional Authority, the Program reduces the outstanding guaranteed loan balances for any paydowns on loans with guarantees.

For loan commitments made prior to fiscal year 1992, the Program has established a reserve to cover any future guarantee losses. Loan guarantee commitments made after 1991 and the resulting loan guarantee are governed by the Credit Reform Act of 1990 (Note 2). One guarantee was contracted and two pre-Credit Reform guarantees were modified in 1994. The original subsidy of $3.2 million was reestimated downward by $1.9 million.

The activity in the Liabilities for Loan Guarantees - Credit Reform account for each year is as follows (in thousands):

	1994	1993
Beginning Balance	$ 2,957	$ -
Provision for Subsidy Expense	3,216	4,570
Miscellaneous Fees	719	276
Subsidy Reestimate	(1,899)	(1,889)
Ending Balance	$ 4,993	$ 2,957

Guarantees committed prior to October 1, 1991, are not subject to Credit Reform. The activity in the Liabilities for Loan Guarantees - Pre-Credit Reform during fiscal years 1994 and 1993 is as follows (in thousands):

	1994	1993
Liabilities for Loan Guarantees - Pre-Credit Reform, Beginning of Year	$706,889	$686,621
Provision for losses on loan guarantees	(2,733)	20,268
Liabilities for Loan Guarantees - Pre-Credit Reform, End of Year	$704,156	$706,889

4. ACCOUNTS RECEIVABLE

Accounts Receivable consist of USAID loan fees receivable, interest receivable on rescheduled loans, and penalty interest (late charges) receivable. Accounts receivable from major borrowing regions, net of an allowance for doubtful accounts, consist of the following (in thousands):

	1994	1993
Africa	$ 10,581	$ 8,604
Latin America	2,595	4,406
Near East	20	134
Total Accounts Receivable	13,196	13,144
Less: Allowance for Doubtful accounts	(12,382)	(11,950)
Accounts Receivable, Net - Non-Federal	$ 814	$ 1,194

Changes to the Allowance for Doubtful Accounts for the years ended September 30, 1994 and 1993 were as follows:

Allowance for Doubtful Accounts at October 1	$ 11,950	$ 3,057
Provision charged to operations	432	6,066
Other	-	2,827
Allowance for Doubtful Accounts at September 30	$ 12,382	$ 11,950

5. CLAIMS RECEIVABLE

Claims receivable consist of subrogated claims and rescheduled claims receivable.

When the Program guarantees a loan to foreign country borrowers, it requires that the foreign government also guarantees repayment 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 foreign government.

The Program periodically reschedules claims according to the terms of bilateral agreements which are negotiated and agreed upon by the Paris Club, an informal group of sovereign creditor governments. The Paris Club arranges the rescheduling of these debts, the terms of which frequently require that previously accrued interest be capitalized. When claims in nonperforming status are rescheduled under these terms, interest for the nonperforming period is included in the rescheduled principal amount and capitalized as part of the new agreement.

For financial statement purposes, the Program discontinues accruing interest on loans in nonperforming status, and records interest income only to the extent, in management's judgment, borrowers have demonstrated the ability and intent to repay the loan.

Claims receivable, net of an allowance for doubtful accounts, consist of the following (in thousands):

	1994	1993
Subrogated Claims	$ 24,168	$ 22,740
Less: Unapplied Collections	(1,323)	(1,212)
	22,845	21,528
Rescheduled Claims	384,660	346,172
Total Claims	407,505	367,700
Less: Capitalized Interest	(99,979)	(86,048)
Claims Receivable	307,526	281,652
Less: Allowance for Doubtful Accounts	(276,714)	(253,654)
Claims Receivable - Net	$ 30,812	$ 27,998

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

	1994	1993
Africa	$ 51,836	$ 47,940
Latin America	254,361	229,780
Near East	1,329	3,932
Total Claims Receivable	$307,526	$281,652

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

	1994	1993
Balance, at October 1	$253,654	$219,490
Provision charged to operations	23,060	32,488
Other	-	1,676
Balance, at September 30	$276,714	$253,654

6. FUND BALANCE WITH TREASURY

Appropriated capital is disclosed separately for Pre-Credit Reform and for Credit Reform to reflect the effects of Credit Reform on the Program's net position. 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. The fiscal year 1993 Appropriated capital related to Credit Reform is $32.8 million. Of this amount, $0.3 million was appropriated for guarantees, however, was not used for these purposes. $32.5 million was available for guarantee commitments. The fiscal year 1994 appropriated capital related to Credit Reform is $46.5 million. Of this amount, $2.7 million was appropriated for guarantees, however, was not used for these purposes. $43.8 million was available for guarantee commitments.

Fund Balance with Treasury represents undisbursed obligations for the Program's account with the U. S. Treasury. Prior to September 30, 1991, the Fund Balance with Treasury also included unobligated funds. As of September 30, 1991, all unobligated funds were transferred to the general fund, and there have been no further appropriations other than permanent indefinite appropriations for actual and estimated defaults on guarantees occurring prior to October 1, 1991, and for subsidy costs of Credit Reform appropriations. Accordingly, $38.0 million and $3.7 million of unobligated funds for the Program were transferred to Treasury in fiscal years 1994 and 1993, respectively.

Because these unobligated funds were no longer available for use by the Program, the Fund Balance with Treasury, Appropriated Capital, and Cumulative Results of Operations have been reduced by these amounts at September 30, 1994 and 1993. The Fund Balances at September 30, 1994 and 1993 are as follows (in thousands):

	September 30, 1994			September 30, 1993		
	Available	Restricted	Total	Available	Restricted	Total
Revolving Funds	$ 16,869	$ -	$ 16,869	$ 12,195	$ -	$ 12,195
Appropriated Funds	43,862	2,662	46,524	32,488	292	32,780
Total	$ 60,731	$ 2,662	$ 63,393	$ 44,683	$ 292	$ 44,975

7. FURNITURE AND EQUIPMENT, NET

Furniture and equipment consist of the following (in thousands):

	1994	1993
Office Furniture and Equipment	$ 1,135	$ 1,107
Living Quarters Furniture	336	323
Less: Accumulated Depreciation	(1,073)	(898)
Net Furniture and Equipment	$ 398	$ 532

8. BORROWINGS FROM TREASURY

Until September 30, 1991, the Program had indefinite borrowing authority from the U. S. Treasury. Subsequent to that date, pursuant to the Credit Reform Act of 1990, the Program has been financed by appropriations. Borrowings from Treasury were required to fund claim payments on guaranteed loans described in Note 5 and to cover losses resulting from direct write-offs of non-Host Country guaranteed loans. The Housing Guaranty Program is required to make periodic principal payments to Treasury based on the collection of loans receivable. There were no principal payments during fiscal year 1994. Interest expense for the years ended September 30, 1994 and 1993, amounted to $10.6 million. For both the 1994 and 1993 years, interest payable at September 30, 1993 amounted to $5.3 million.

As of September 30, 1994, the Housing Guaranty Program's outstanding debt to Treasury matures as follows (in thousands):

Maturity	Average Rate on Outstanding Balance	
9/30/96	8.51 %	$ 15,208
9/30/97	8.78 %	25,000
9/30/98	8.82 %	13,000
9/30/99	8.38 %	24,000
9/30/00	8.32 %	48,000
Total Debt		$ 125,208

9. OTHER FUNDED LIABILITIES

Other Funded Liabilities are as follows at September 30, 1994 and 1993 (in thousands)

	1994	1993
Due to State Department	$ 61	$ 119
Due to Treasury	3,850	1,974
Other	2	9
Total Other Funded Liabilities	$3,913	$2,102

10. OPERATING EXPENSES

Annual operating expenses for the Housing Guaranty Program by object classification are as follows (in thousands):

	1994	1993
Salaries and Benefits	$ 2,289	$ 1,786
Contract and Audit	1,481	653
Overhead	1,073	1,052
Regional Offices and Other	3,362	3,739
Total Operating Expenses	$ 8,205	$ 7,230

11. RETIREMENT PLAN

Housing Guaranty Program employees are covered by one of four retirement plans, the Civil Service Retirement system (CSRS), the Federal Employee Retirement system (FERS), the Foreign Services

Pension System (FSPS), or the Foreign Services Retirement and Disability System (FSRDS). The Agency contributes approximately 7.5 percent of an employees gross salary for CSRS and FSRDS, and approximately 24 percent of an employees gross salary for FERS and FSPS.

In addition, employees may elect to participate in the Thrift Savings Plan (TSP). Under this plan, FERS and FSPS employees may elect to have up to 10 percent of gross earnings withheld from their salaries and receive matching contributions from a minimum of 1 percent to a maximum of 5 percent. CSRS and FSRDS employees may elect to have up to 5 percent of gross earning withheld from their salaries, but do not receive matching contributions.

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 of the retirement plan. Reporting of such amounts 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 and agencies.

12. INTRA-GOVERNMENT TRANSACTIONS

The Housing Guaranty Program is subject to the financial decisions and management controls of USAID, which in turn is subject to the financial decisions and management controls of the OMB. As a result of these relationships, Housing Guaranty Program operations may not be conducted, nor its financial position reported, as they would if the Housing Guaranty Program were an autonomous entity.

The Housing Guaranty Program reimbursed USAID quarterly for miscellaneous agency support costs, after which all such costs except for actual personnel costs is charged directly to the Housing Guaranty Program were reimbursed.

As discussed in Note 11, the Housing Guaranty Program does not account for those aspects of retirement plans which are the responsibility of the U. S. Office of Personnel Management and the Federal Retirement Thrift Investment Board.

13. CONGRESSIONAL ACTIONS

As part of the fiscal 1995 authorization process, the U. S. House of Representatives voted to eliminate USAID's authority to issue any guarantees on or after the date of enactment of the Foreign Aid Reduction Act of 1995 and to cancel certain existing guarantees. The U. S. Senate Foreign Relations Committee has voted to reauthorize the Program but with a revised funding mechanism. The financial statements do not include any adjustment that may be required as a result of the Congressional actions or pending legislation.

Management intends to continue to operate the program to achieve Program objectives, until House and Senate positions are reconciled and approved by the President.

* * * * * *

SECTION II

USAID Management's Program Overiew of the Housing Guaranty Program

HOUSING GUARANTY PROGRAM OVERVIEW

Introduction

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

The Housing Guaranty 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 guarantyd through USAID by the full faith and credit of the U.S. Government. In return for receiving financing at affordable rates, foreign borrowers 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 a revolving fund account maintained by the U.S. Treasury.

Table 1 below provides a description of loan guaranties issued and outstanding as of September 30, 1994.

TABLE 1.
Total Principal Amount of Guaranties Issued and Outstanding
Pre- and Post-Credit Reform Activity

	Pre-Credit Reform		Post-Credit Reform	
Loans Authorized	**# of Loans**	**Authorization Level**	**# of Loans**	**Authorization level**
Total Authorizations Under Contract	166	$2,409,009,193	2	$35,000,000
Total Authorizations Not Under Contract	24	$217,522,750	19	$320,000,000
Repayments of Principal		$338,052,810		- 0 -
Total Principal Amount of Guaranties Authorized and Outstanding		$2,288,479,133		$355,000,000

Note: Two pre-credit reform authorizations were modified in 1994.

During Fiscal Year 1994, at the request of Congressmen Toby Roth, Doug Bereuter, and Sam Gejdenson, members of the House International Relations Committee, the General Accounting Office (GAO) was asked to prepare a comprehensive review of the Housing Guaranty Program's evolution, financial condition, and impacts on development. The GAO began the review in January, 1994 and completed its work in February, 1995. The House International Relations Committee has scheduled a hearing on the results of the GAO review on June 28, 1995.

Program Description

Since its inception nearly 35 years ago, the Housing Guaranty program has evolved to respond to a wide range of urban problems in the developing world. 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 USAID 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: Urban Environment and Infrastructure, Shelter and Housing Finance, and Local Government and Municipal Management.

Large-scale urbanization is generally recognized to increase both the potential for economic development and the threat of environmental degradation. In its Urban Environment and Infrastructure component, the Housing Guaranty Program assists local governments improve services which protect or enhance the urban environment. HG resources are increasingly targeted to financing urban environmental infrastructure, to the point where this component has become the largest of the HG program since Fiscal Year (FY) 1993. Investment in water, wastewater and solid waste disposal systems contributes directly to the urban economy and improves the environmental quality of cities in the developing world. The program also supports the development of methodologies for analyzing the impact of urban environmental problems on health, economic development, and natural resources conservation. The results of this analysis contribute to formulation of the strategies to protect ecologically fragile areas and manage key coastal resources.

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 reduce costs and therefore allows low-income households and small-scale developers to enter the housing market. Housing finance assistance, through the intermediary of national housing banks and private savings and loan institutions, stimulates demand and generates employment in the construction sector.

The Housing Guaranty Program furthers the cross-cutting USAID 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 the private sector in these activities through partnership or financial incentives also increases the ability of local governments to meet their own development needs.

Fiscal Year 1994 Activity

During Fiscal Year 1994, Housing Guaranty Program managers continued to spend considerable effort participating in the USAID reorganization. As a result, the Housing Guaranty Program is located in the Environment Center of the new Bureau for Global Programs, Field Support and Research (the Global Bureau). The Global Bureau is designed to provide USAID with expertise in essential technical areas, including urban environmental issues. As discussed in the Program Description above, the Housing Guaranty Program addresses urban environmental problems and the 1994 Housing Guaranty authorizations all reflect projects which are designed to alleviate urban environmental conditions through the provision of basic urban environmental services to low income neighborhoods. Loan guaranty authorization and disbursement activity for the Housing Guaranty Program during 1994 is summarized in Tables 2 and 3, respectively.

In addition, the continued decline in interest rates during 1994 created very attractive opportunities for refinancing existing Housing Guaranty loans. During 1994 twenty-six loans totaling $263 million were refinanced (see Table 4). The net effect of this activity has been to provide considerable savings to the borrowers and to reduce USAID's contingent liability under its guaranty.

Table 2.
Loan Guaranty Authorizations in Fiscal Year 1994 (in thousands)

Authorization No.	Country	Authorization Date	Amount
493-HG-006	Thailand	8/16/94	$25,000
192-HG-002	Czech Republic	3/4/94	10,000
185-HG-002	Hungary	3/4/94	10,000
664-HG-012	Tunisia	8/2/94	10,000
497-HG-007	Indonesia	8/22/94	20,000
386-HG-016	India	9/29/94	15,000
608-HG-006	Morocco	8/3/94	15,000
674-HG-001	South Africa	9/29/94	75,000
TOTAL			**$180,000**

Table 3.
Loan Guaranty Disbursements in Fiscal Year 1994 (in thousands)

Loan Contract No.	Borrower	Contract Date	Amount
181-HG-001 A01*	Poland	12/6/93	$10,000
525-HG-014 A01*	Panama	1/19/94	7,000
664-HG-009 A01*	Tunisia	2/1/94	8,000
492-HG-001 B01* 492-HG-002 A01*	Philippines	6/3/94 6/3/94	5,000 10,000
613-HG-004 A01	Zimbabwe	7/6/94	15,000
513-HG-010 A01*	Chile	7/20/94	10,000
TOTAL			$65,000

Note: *signifies authorizations made before implementation of the Federal Credit Reform Act of 1990.

Table 4.
Loan Guaranty Refinancings Fiscal Year 1994 (in thousands)

Loan Contract No.	Country	Contract Date	*Amount
519-HG-006 A01	El Salvador	11/01/93	$ 8,415
596-HG-003 B01	CABEI	11/30/93	6,333
525-HG-008 A01	Panama	12/31/93	5,813
519-HG-007 A01	El Salvador	01/03/94	5,500
271-HG-001 through 271-HG-005 A01	Israel	01/03/94	79,515
532-HG-009 A01	Jamaica	01/03/94	6,492
615-HG-003 A01	Kenya	01/03/95	6,953
615-HG-003 A02	Kenya	01/03/94	3,535
664-HG-003 A01	Tunisia	01/31/94	7,622
664-HG-004 A01	Tunisia	01/31/94	9,076
532-HG-010 A01	Jamaica	03/01/94	12,767
352-HG-012 A01 & A02	Jamaica	03/01/94	10,000
383-HG-002 A01	Sri Lanka	03/16/94	14,000
386-HG-001 B01 and 386-HG-002 B01	India	03/24/94	11,000
150-HG-004 A01 150-HG-005 A01	Portugal	07/01/94 06/01/94	12,500 25,000
383-HG-003 A01	Sri Lanka	06/01/94	15,000
525-HG-012 A01	Panama	08/01/94	10,000
513-HG-008 A01	Chile	07/08/94	**5,000
527-HG-010 A01	Peru	09/01/94	8,928
TOTAL			263,449

* Amounts rounded off to the nearest thousand
** $5 million line of credit extended from 07/08/94 to 07/08/98.

Financial Performance Measures **[Note: This section on financial performance measures, pages 7-9, still requires changes by FM/LM based on final figures from Deloitte Touche auditors.]**

The accompanying statements:

-Summarize the Housing Guaranty Program's financial position;
-Disclose the cost of operations and the changes in net position during 1994 and 1993;
-Present all significant cash flows during two fiscal years; and
-Provide comparisons of budget and actual expenses.

Operations

Although total revenues and financial resources declined by 18% ($8.6 million) in FY 1994 as compared with FY 1993, funded expenses as a percentage of total revenues and financial resources declined sharply from 172% to 105%, a considerable improvement. This large decrease in funded expenses to a total of $40.8 million in FY 1994 was primarily provided by the much lower provisions made in FY 1994 ($18.7 million, net, as compared with $58.8 million made in FY 1993). Operating expenses of $8.0 million in FY 1994, representing the administrative costs of the Housing Guaranty Program, were 19.6% of total funded expenses.

As a result of the considerable reduction in funded expenses in FY 1994, the shortage of revenues and financial resources over total expenses dropped sharply from $34.0 million in FY 1993 to $2.1 million in FY 1994, continuing a trend of significant improvement in operating performance.

Assets/Liabilities/Net Position

As of the end of FY 1994, the HG Program had total assets of $96 million (1993: $75 million). Of this amount, 67% (1993: 61%) represented fund balances with U.S. Treasury and cash maintained at a commercial bank. After allowance has been made for doubtful accounts, net claims receivable of $30.8 million in FY 1994 amounted to 32% (FY 1993: 37%) of total assets, while net accounts receivable represented less than 1% of total assets in FY 1994 (FY 1993: 1.6%).

The Program had total liabilities of $847 million in 1994, a slight decrease from $848 million in FY 1993. Of this total, $707 million, or 83% (FY 1993: 84%) consisted of liabilities for loan guaranties (Pre- and Post-Credit Reform). About 99% (FY 1993: 99%) of the liabilities for loan guaranties for 1994, or $702 million (FY 1993: $707 million) is based on credit risk ratings and applied as a reserve against outstanding contingent liabilities for guaranties contracted prior to fiscal year FY 1992. These ratings are viewed by USAID management as being conservative. Borrowings from Treasury of $125.2 million in FY 1994 constituted 14.8% (FY 1993: 14.8%) of total liabilities. In net position, appropriated capital increased by a net amount of $23.4 million, or 13.5% (FY 1993: 22.8%) to $196.7 million.

LOAN ACTIVITY ANALYSIS (Table 5)

Subrogated Claims Paid

An analysis of the Subrogated Claims paid in each of the past five fiscal years is shown in Table 5. In FY 1990, the total Subrogated Claims paid totaled $65 million. After FY 1990, the Subrogated Claims paid increased and peaked in FY 1991 when payments reached $67 million. In FY 1994 and FY 1993, payments of Subrogated Claims remained at $55 million for each year. As of September 30, 1994, the total amount of Subrogated Claims outstanding amounted to $24 million, a decrease of 77% over the five year period.

Subrogated Claims Recovered

Claims recoveries for the past five fiscal years have not kept pace with claim payments due to the rescheduling of $249 million of payments under the auspices of the Paris Club. Claim recoveries at $31 million were highest in 1990. While claim payments reached a peak of $67 million in fiscal year 1991, claim recoveries dropped to their lowest level of $18 million the same year. However, due to improvements in billing and collection procedures, and the economic situation of many of the countries themselves, claim recoveries in 1994 an 1993 showed significant improvement and were $25 million and $27 million respectively.

Subrogated Claims Rescheduled

Historical data on Subrogated Claims Rescheduled is as shown in Table 5. The data shows that commencing fiscal year 1990, there have been amounts rescheduled each year. Subrogated Claims Rescheduled reached their highest level of $115 million in 1992. The rescheduling of guarantied loans for Peru accounted for $104 million of all loans rescheduled in 1992. Claims Rescheduled in 1994 and 1993 were $31 million and $25 million, respectively.

Subrogated Claims Outstanding

A five year analysis of Subrogated Claims outstanding shows that from 1990 to 1992, claims outstanding decreased substantially primarily due to rescheduling of those claims. The level of total claims outstanding were at their highest level in 1990 ($109 million). The amount of

Subrogated Claims outstanding increased slightly from $23 million in 1993 to $24 million in 1994.

Table 5
Five Year Subrogated Claim Analysis ($ in Thousands)

Year	Incurred by USAID	Recovered by USAID	Rescheduled	Outstanding
1990	65,257	31,115	16,309	109,227
1991	67,034	18,058	61,352	96,850
1992	61,750	24,156	115,370	19,075
1993	55,507	27,274	24,567	22,740
1994	55,433	25,085	31,020	24,168

CLAIM LOSSES ON NON-HOST COUNTRY Guaranties

Claim Payments and Recoveries

Claims paid under the non-host country guaranties are written off in the year paid. Recoveries on these previously written off loans are recorded as revenues in the year received. Claim losses and recoveries from fiscal years 1990 through 1994 are as shown in Table 6. Note that $2 million of the amounts recovered in 1993 are from one country, Panama.

Table 6
Five Year Claim Loss Analysis ($ in Thousands)

Year	Incurred by USAID	Recovered by USAID
1990	1,327	18
1991	1,488	58
1992	1,397	141
1993	1,090	2,212
1994	937	257

Program Performance Overview

In Fiscal Year (FY) 1992, the Office of Environment and Urban Programs began to measure systematically the technical and financial performance of the loan programs in the HG portfolio. For the last two years, the office analyzed program performance by collecting information on a set of twenty-four performance indicators. These indicators measured performance of key variables in housing markets, infrastructure finance, municipal finance, and urban environmental services. During FY 1994, the office decided to reassess its approach to program performance measurement and to embark on a process to improve its performance measurement system. We expect the new system, which we will begin to install in FY 1995, to result in consistent measures which will allow us to better compare the results of Housing Guaranty programs from one country to another.

The performance overview for FY 1994, is therefore a temporary approach, different from the approach used in the FY 1992 and FY 1993 reports. For FY 1994 the performance overview constructs one indicator from a variety of project indicators used by individual USAID field missions to analyze the program's FY 1994 performance.

Methodology

The objective of this exercise is to measure the performance of the HG loans. Essentially, there are two key questions which every loan, and therefore every HG project, must answer. One, is it achieving what it intended to achieve? And two, is it achieving this objective efficiently? The targets which are set at project inception will be used to measure project achievements. These targets, which respond directly to the purpose of the program, take different forms. All projects have target outputs, i.e., quantifiable measurements of progress such as the number of housing loans financed or the number of loans issued to households for residential water connections. Some projects, in particular those which attempt to improve government policies, define both outputs and benchmarks. Benchmarks are qualitative measurements of the attainment of a certain condition, such as the adoption of an urban growth strategy or the implementation of a new way of providing services.

In most cases, the achievement of a benchmark is easy to assess: the desired change either has or has not occurred. However, to interpret this fact in the context of program performance measurement, it will be necessary to judge whether the benchmark should have been reached by a particular point in time, such as FY1994, or could still be reached later in the project. Increasingly, USAID projects include explicit targets for completion of outputs and policy benchmarks.

Because of the variety of performance indicators previously used by individual USAID field missions in monitoring the performance of their HG programs, we use a progress indicator to increase the ability to compare performance from one program to another. The progress indicator, for quantitative outputs, compares the percentage of life-of-project target achieved to the percentage of money spent. It takes the form of the following ratio:

$$\frac{\text{\% of life-of-project target achieved}}{\text{\% of total life-of-project funding expended}}$$

This indicator has the advantage of simplicity but has the disadvantage that it does not measure the difficulty of the targets and can be misleading in comparing one project to another. Where the value of the progress indicator is greater than or equal to one, the technical performance of the loan could be considered on target. Where the value is less than one, project performance could need to be monitored more carefully.

It is important to note the indicator's disadvantages. Where the relationship between the rate of target achieved and the rate of funding expended is not linear--that is, where a one-to-one correspondence may not exist between an increase in project funding and an increase in an output--the progress indicator may not represent project performance accurately. In some programs, for example, attaining output targets will depend on structural changes that take place during the early years of the program. Until those changes are effected, the rate of environment services or housing production may be slow. Later in the program, after policy changes have been implemented, the rate would be expected to increase. Care should therefore be taken in interpreting the progress indicator values included in this overview, particularly for relatively new programs, and especially when they rely on policy changes to achieve their objectives.

The indicator uses the same value in the denominator--the percentage of life-of-project (LOP) funds expended--for each of the targeted outcomes in a program. The measure's precision would be improved if we were able to distribute the planned amount of funds expended to each of the individual outcomes in a program. Instead, if for example 50 percent of LOP funds have been expended in a program we measure each end-of-project target achievement against 50 percent.

The programs included in the FY 1994 survey are those which are still in the process of implementation, have disbursed funds in or before FY1994, and for which USAID Project Officers continue to work with Host Country counterparts to achieve agreed-upon program outcomes. HG programs which have been authorized but have not yet disbursed funds, such as some of those in Table 2 of the Financial Overview, are therefore not discussed.

The thirteen programs included in this performance overview represent $630 million in guaranty commitments, 27 percent of the total HG loans outstanding. Loans guarantied by the HG program generally have terms of 30 years. Sixty-three percent of HG loans outstanding are excluded from the performance evaluation because program implementation was completed before FY 1994 and all eligible expenditures have been made and reimbursed according to Program Agreements executed by USAID and the Host Country Borrower.

Technical Performance by Program Area

Urban Environment and Infrastructure

The main thrust of the four programs in the Urban Environment and Infrastructure area which had loan disbursements during or before FY 1994 is the provision of environmental infrastructure: water and wastewater networks and solid waste collection and disposal for below-median income residents. In some cases, this investment takes the form of neighborhood renovation projects, in which the residents of slums or squatter settlements are provided with basic infrastructure. In other cases, environmental infrastructure is provided through sites and services projects, in which developers create residential plots and hook them up to the city water, wastewater and electrical systems.

The Near East and North Africa region has the highest concentration of urban environmental programs which had loan disbursements in FY 1994. In Morocco, two projects are currently being implemented. The Tetouan Urban Development Project (608-HG-001) provides basic infrastructure to residents of an unregistered, underserviced neighborhood that is home to many of the city's poorer residents; the project also seeks to provide affordable serviced plots to check the growth of such settlements, and to involve the private sector in the production of serviced land (plots equipped with basic infrastructure).

While a target of 14,000 beneficiary households was set for the upgrading component, 8,500 households have benefitted to date. With 70% of project funding expended, the value of the progress indicator for this component is 0.87. On the land development side, 1,900 out of a targeted 2,000 new serviced plots have been produced, yielding an indicator of 1.36.

The Urban Infrastructure, Land Development and Financing Program (608-HG-004), also in Morocco, seeks to improve shelter conditions and increase municipal government capacity in the provision of shelter-related services. The primary vehicle for attaining the first objective is the creation of 25,000 serviced plots over the life of the project. To date, 4,000 have been produced, while only US$14.5 million out of a planned $100 million have been expended. The progress indicator is therefore 1.10. The municipal development component, which will be measured primarily through benchmarks, is scheduled to begin later in the project.

In the same region, the Private Participation in Environmental Services program (664-HG-012) is working toward greater coverage of environmental services and more private sector intervention in this sector. This policy-based program can be measured through its outputs and through changes in the way the Tunisian Government provides liquid waste and solid waste services. Out of a targeted 167,000 households benefitting from new environmental infrastructure, 51,600 have been served to date. As 20% of the funding has been expended, the progress indicator is 1.54. At the same time, the government has adopted the recommendations of studies carried out under the program and is requesting bids from private firms for three pilot projects, one in solid waste and two in liquid waste. National strategies for private sector intervention are also underway in both sectors.

In addition to the North African programs, the Central American Shelter and Urban Development Project (596-HG-006) aims to increase the availability of shelter and basic infrastructure for low- and medium-income families. The end-of-project target is the production of 10,000 shelter units, including upgraded plots and serviced sites. To date, 5,958 units have been produced under the project, while 56% percent of the project funding has been expended. The progress indicator for this HG is therefore 1.06, suggesting satisfactory performance to date.

Local Government and Municipal Management

The underlying premise of USAID activities in this HG program component is that decentralized governments are more responsive to the needs their citizens, particularly the urban poor. Two programs, one in Indonesia and one in the Philippines, had loan disbursements in FY 1994. They work to achieve the following goals: greater financial autonomy for locai governments; better municipal resource mobilization; and increased participation of the private sector in the financing and delivery of urban services.

As part of its overall effort to make local governments more financially autonomous, the Municipal Finance Project (MFP) in Indonesia (497-HG-002) is working to increase the share of central-local government transfers controlled by municipalities from 50% to a target value of 60% over the life of the project. Although only 20% of project funds have been expended, local government control over these transfers has already increased to 57% (or 70% of the targeted increase). The progress indicator for this component is very strong at 3.5.

Local government ability to generate its own resources is another focus of MFP. One target in this area is an increase in user charges as a share of own source revenue [1] from

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[1] "Own source revenue" is revenue generated and collected directly by the municipality.

19% to a target value of 25%. To date, user charges have increased to 20.5% of own source revenues. This increase yields a progress indicator value of 1.25, suggesting that the project is ahead of schedule. MFP also aims to increase the percentage of own source revenues generated by property tax from 26% to a target value of 30%. Property tax currently represents only 26.5% of own source revenues. The progress indicator of 0.63 suggests that with respect to this target, MFP is behind schedule.

. One program outcome in Indonesia that experienced a decline in FY 1994 is the share of block (INPRES) grants in total central-to-local government transfers, from 22.3% in 1993/94 to 21.5% in 1994/95. This component of local government finance in Indonesia reached a historical peak of 23.4% in 1991/92, and varies marginally from year to year. It appears to be on an increasing trend: in 1988/89, the share of INPRES grants in total transfers was 7.6%.

The Decentralized Shelter and Urban Development Project (DSUD) in the Philippines (492-HG-001) also calls for improved resource mobilization by local governments. So far, DSUD has been effective in increasing the ability of local governments to levy and collect taxes; targeting a 58% increase in collection rates by FY1994, the program has attained an increase of 57%. The progress indicator is therefore 1.40. In an effort to improve the delivery of urban services, the project has prepared new guidelines for planning, operations and cost recovery on urban services. Six cities were targeted for implementation of the guidelines; eleven cities are currently using them. Though success has been equally noteworthy with regard to the development of bond propositions (1 targeted, 2 prepared), the project has to date been unable to meet its FY1994 target of one municipally issued bond.

Increased participation of the private sector in the provision of urban services can promote efficiency, improve the quality of services and generate new economic activity. The HG program in the Philippines has been successful in integrating the private sector in this field. Initially, the target for private sector entities delivering services was set at six municipalities; services are currently carried out by the private sector in eight municipalities, resulting in a progress indicator of 1.90.

Shelter and Housing Finance

The primary goal of HG programs in this area is to improve the delivery of low-cost shelter through increased private sector participation in the financing of shelter and related services. Seven active HGs in six countries had loan disbursements in FY 1994 or earlier that address these issues.

In Panama, the Private Sector Low Cost Shelter Project (525-HG-014) seeks to increase the financial participation of private sector institutions in the production of low-cost shelter. This project has made some progress toward achieving the target, producing 838 out of a total project target of 3,500 new housing units. With 28% of funding spent, the progress indicator of .86 indicates that progress on new housing units is currently slightly behind the expenditure of funds.

The purpose of the Jamaica Shelter Sector Support (Basic Shelter) Project (532-HG-012C) is to assist the Government of Jamaica in facilitating, rather than providing, housing and related services. Under the project, 920 plots out of a targeted 2,000 have been upgraded. With 48% of project funds expended, the progress indicator for this component is 0.96. The project has also provided 1,181 plots as against the target of 1,900, yielding a satisfactory indicator value of 1.29.

In Poland, the objective of the Housing Finance and Shelter Production Program (180-HG-001) is to support the transformation of the Polish housing sector into a responsive and competitive market-based system. To date, the program has financed nine out of a targeted ten construction loans, with only 3% of project funding used (progress indicator = 30). However, only 20 out of a targeted 500 mortgages to individual home buyers have been made, still yielding a progress indicator of 1.33, due to the very low level of project expenditures. New mortgage origination and servicing procedures are now in place and should facilitate increased production. These progress indicator values indicate either that the targets for project accomplishments in Poland were initially set too low, or that the project is a good example of the often nonlinear relationship between project outcomes and expenditures.

The Low Income Shelter Program in Sri Lanka (383-HG-004) seeks to increase private sector participation in low-income housing finance. With its active program authorization of $25 million, and $10 million of reimbursable expenditures in FY 1994, the program thus far has financed 45,000 housing loans out of a target of 130,000. Given the fact that 40% of project funds have been spent, the progress indicator of 0.87 for this program shows project performance is somewhat behind schedule.

The program in Sri Lanka has exceeded expectations, however, in increasing the participation of private financial institutions in mortgage lending. Targeting 5 institutions, the program has already brought 3 private financial institutions into mortgage lending, resulting in a progress indicator of 1.50.

The second active HG in Jamaica, Shelter Sector Support (Private Sector) (532-HG-012B), focuses on stimulating private sector participation in low-income shelter. To date, the program has financed 826 out of a target of 2,920 home improvement loans and 128 out of a target of 600 mortgage loans. With 29% of funding spent, these components have achieved progress indicator values of 0.98 and 0.74, respectively.

The Private Sector Housing Program in Zimbabwe (613-HG-004) is designed to improve access to affordable shelter for low-income households on a sustainable basis. This is to be accomplished by (i) increasing private sector participation in housing construction and mortgage finance, the goal being to develop 43,200 low-income housing units, and (ii) increasing the availability of housing plots serviced by basic infrastructure, the goal being to develop 45,400 serviced plots. Thus far, with 30% of life-of-project funds spent, 10,000 low-income housing units have been developed, yielding a progress indicator of 0.77. Progess on the generation of serviced plots has been more problematic; no serviced plots were made available during FY 1994, yielding a progress indicator of 0.0.

In India, the Housing Finance System Program (386-HG-003/003A) aims to promote the development of a financially sound, self-sustaining private sector housing finance system. Good progress has been made on the creation of Housing Finance Company branch offices: 252 of a targeted 400 are already in place with 25% of project funding expended. The progress indicator for this component of the program is 2.52, demonstrating better than expected achievements to date.

Conclusion

In spite of needing to craft a temporary performance measure that can only crudely measure HG program performance to-date during FY 1994, the majority of HG programs are shown to be performing at or exceeding their expected target levels. Removing the anomalous values for the Poland program, which appear to be unusually large, the average progress indicator for all other HG project outputs included in this FY 1994 report is 1.25, indicating, overall, better than expected results to date with HG programs active in or prior to FY 1994.

The new performance measurement system to be implemented in FY 1995 will most likely include annual targets for outputs and policy benchmarks, and will create a common set of performance indicators to use for common projects, significantly improving our ability to assess global HG program performance.

Annex A
HG Performance Measurement by Program Area

Annex A
HG Performance Measurement by Program Area*

Country	HG #	Purpose	Unit	Target	Actual	% Funds Expended	Progress Indicator
Urban Environment and Infrastructure							
Morocco	608-HG-001	Upgrade underserviced neighborhood & control growth of same through land development	Household benefiting upgrading serviced plot	14,000	8,500	70%	0.87
			Serviced plot	2,000	1,900	70%	1.36
Morocco	608-HG-004	Improve shelter conditions & municipal gov. capacity to provide shelter-related services	Serviced plot	25,000	4,000	15%	1.10
Tunisia	664-HG-012	Greater coverage of environmental services and increased private sector participation	Improved environmental infrastructure	167,000	51,600	20%	1.54
Central America	596-HG-006	Improve availability of shelter and infrastructure for low- and median-income families	Shelter Unit produced	10,000	5,958	56%	1.06
Local Government and Municipal Management							
Indonesia	497-HG-002	Develop enabling framework to integrate urban environmental management into decentralized municipal finance and planning system	Increase share of central-local transfers under local gov't control	60%	57%	20%	3.50
			Increase share of OSR accounted for by user charges	25%	20.5%	20%	1.25
			Increase the portion of OSR accounted for by property tax	30%	26.5%	20%	0.63

Country	HG #	Purpose	Unit	Target	Actual	% Funds Expended	Progress Indicator
Philippines	492-HG-001	Foster greater role for municipalities, private sector and NGOs in development of infrastructure to increase access to shelter & services for low-income urban population	Increase in tax collection rate	58%	57%	70%	1.40
			Bond issued by chartered city	1	0	70%	0.00
			Bond proposal prepared	1	2	70%	2.86
			Private sector service delivery in municipalities	6	8	70%	1.90
Shelter and Housing Finance							
Panama	525-HG-014	Increase delivery of low-cost shelter through private sector institutions	New housing unit	3,500	838	28%	0.86
Jamaica	532-HG-012C	Assist GOJ to facilitate rather than provide housing and related services	Upgraded plot	2,000	920	48%	0.96
			Sites and services plot	1,900	1,181	48%	1.29
Poland	180-HG-001	Create a responsive, market-based housing sector	Construction loan	10	9	3%	30.00
			Mortgage loan	500	20	3%	1.33
Sri Lanka	383-HG-004	Increase private sector participation in low-income housing finance	Small shelter loan	130,000	45,000	40%	0.87
			Private sector financial institutions involved in mortgage lending	5	3	40%	1.50

Country	HG #	Purpose	Unit	Target	Actual	% Funds Expended	Progress Indicator
Jamaica	532-HG-012B	Promote private sector participation in financing & construction of low-income shelter	Housing improvement loan	2,920	826	29%	0.98
			Mortgage loan	600	128	29%	0.74
			Serviced land loan	480	113	29%	0.81
Zimbabwe	613-HG-004	Create a more sustainable housing delivery system through increased private sector participation	Low-income mortgage loan	43,200	10,000	30%	0.77
			Serviced housing plots	45,400	0	30%	0.00
India	386-HG-003 386-HG-003A	Promote development of private sector housing finance systems and increase access to housing finance for below-median income households	HFC branch	400	252	25%	2.52

* Inclusion of each HG in a given program area indicates the primary program focus. This does not exclude expenditures or policy reform objectives in other program areas.

Annex B

Individual Project Status Reports

Individual Project Status Report

Morocco

BACKGROUND DATA

Project Title	Tetouan Urban Development	Date of Project Paper Authorization (Amended)	9/26/85
Project Number	608-HG-001	Date of First HG Authorization	9/28/79
AID Project Officer	Erna W. Kerst	Date of Most Recent HG Authorization	10/05/79
Implementing Agencies		Date of Most Recent HG Disbursement	05/14/93
Directorate of Local Government, Min Interior Fonds d'Equipement Communal City of Tetouan		Date of Most Recent Audit	---

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	$25,000,000
Amount Authorized to Date	$17,500,000
Amount Disbursed	$17,500,000
Amount Expended	$17,500,000
Planned Counterpart Contrib.	$25,100,000
Actual Counterpart Contrib.	$12,000,000

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	70%
% Total Disbursement Expended	100%
% Total LOP Authorization Expended	70%

PROJECT PURPOSE
The project purpose is to finance an upgrading and shelter program in the City of Tetouan. The program will improve living conditions in an unregulated and underserviced neighborhood and control the spread of such areas by providing serviced land to families and developers in adjacent areas. The program also addresses environmental degradation that is a result of rapid and unmanaged urbanization.

PROJECT DESCRIPTION
The Tetouan Urban Development Project addresses one of the major imbalances that Morocco is experiencing as a result of rapid urbanization: creation of "clandestine" neighborhoods. The lack of affordable land leads to the creation of unregistered and underserviced communities. Such communities account for at least 20% of the housing in Morocco.

USAID, through this Housing Guaranty Program, is providing to the Government of Morocco access to U.S. private financial markets by guarantying GOM payback on borrowings of up to $25 million for infrastructure improvement in selected neighborhoods in the city of Tetouan. The $25 million contribution is providing street lighting, roadways, a sewerage trunk line, water and sewerage system hookups, and potable water for the benefit of 100,000 low-income people. More than 90,000 people 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 to provide 10,000 serviced housing plots for 100,000 beneficiaries. This latter development is expected to meet the growing housing needs of low-income families in Tetouan for the next decade.

PROJECT STATUS
The Tetouan program has completed most of the physical work planned. One last loan tranche ($7.5 million) is under discussion.

GOALS
Complete upgrading areas sanitation (14000 dwelling units), deliver titles of properties to the beneficiaries in Dersa neighborhood, produce 2000 (sites and services) new plots, test the private and public land development relationship, replicate the process in other cities, and launch the sewer network and treatment plant construction.

PROGRESS TO DATE
The roadway in Dersa-Samsa neighborhood has been completed. For the sites and services component, 8,500 households of the targetted 14,000 households to benefit have received serviced sites.

Over 95% of the physical construction (sewerage, roads, potable water, and electricity) in the upgrading area (100,000 people) has been completed. The project's demonstrated ability to manage complex institutional and financial structures has served as a model for other municipalities that are investing in upgrading illegal housing settlements.

MAJOR OUTPUTS
The infrastructure work completed in the upgrading area under the program to date has greatly improved the living conditions of the urban poor in Dersa-Samsa neighborhoods of Tetouan. 95% of the households that are living in this area are connected to the sewerage pipeline and potable water.

This program has had a direct impact on national urban development policy. It serves as a model used by ANHI and by other local governments to address the urban development problems throughout the country.

MAJOR ACTIVITIES (1) Complete the physical work in the public/private land development component (ZAC), and in the site & services component (60 ha.); (2) serious cost recovery must begin for the upgrading area to be viewed as model for other cities; (3) start the land registry process and property transfer between land owners and the Municipality and follow-up with the Municipality on issuing individual land titling in the upgrading area. Prepare the final evaluation of Projects 608-HG-001 and 608-0194.

Individual Project Status Report

Morocco

BACKGROUND DATA

Project Title	Urban Infrastructure, Land Development and Financing	Date of Project Paper Authorization	8/93
Project Number	608-HG-004	Date of First HG Authorization	8/93
AID Project Officer	Erna W. Kerst	Date of Most Recent HG Authorization	8/94
Implementing Agencies	ANHI, FEC	Date of Most Recent HG Disbursement	---
		Date of Most Recent Audit	---

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	$100,000,000
Amount Authorized to Date	$35,000,000
Amount Disbursed	$20,000,000
Amount Expended	$14,500,000
Planned Counterpart Contrib.	N/A to date
Actual Counterpart Contrib.	N/A

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	40
% Total Authorization Disbursed	20
% Total Disbursement Expended	73
% Total LOP Authorization Expended	15

PROJECT PURPOSE

To increase capability of the National Shelter Upgrading Agency (ANHI) to improve the shelter conditions in selected Moroccan cities, and to increase the capability of municipalities to provide shelter-related infrastructure and environmental services on a sustainable basis.

PROJECT DESCRIPTION

The program consists of two components: Land Development and Financing ($80 Million) and Urban Infrastructure ($20 million). The latter component will start next year, at earliest. Under the first component, ANHI will improve shelter conditions for over a million Moroccans (through the leverage effect of HG loans). Direct results will be 25,000 lots prepared and sold to HG eligible beneficiaries. Under the second component, the municipal development fund (FEC) will provide loans for urban infrastructure (such as sewers, water mains) related to ANHI programs, matching the loan on a one-to-one basis.

PROJECT STATUS

The program began in 1994. First disbursement approved in November 1994, and made in February 1995.

GOALS

The program's goal is to increase affordable housing opportunities for households with below-median income in Morocco.

PROGRESS TO DATE

ANHI met CPs for first disbursement and is working on Cps for second disbursement. The first disbursement was approved in November 1994, and $20 million loan closed February 2, 1995. The disbursement reimburses ANHI for about 4,000 serviced housing lots delivered to eligible beneficiaries ($14.5 million) and provides an advance ($5.5 million) for about six months of operations. (The advanced amount is not included in the total amount considered to be expended in FY 1994.) The second disbursement ($15 million) was obligated in August 1994. It will also be for ANHI's program.

ANHI has begun implementation of policy and procedural changes which are called for in the program. Among milestones to date:

- ANHI introduced use of an environmental checklist for new site development.
- ANHI has started to secure loan financing from sources other than USAID HG.
- ANHI has conducted internal brainstorming sessions, with the intention of determining organizational changes to be put in place.

MAJOR OUTPUTS

Of the 25,000 lots targeted, over 4,000 lots sold to eligible beneficiaries (1st tranche), eventually providing housing for some 50,000 people.

MAJOR ACTIVITIES

ANHI is preparing housing lots at the rate of more than 10,000 per year. ANHI presented evidence of delivery of over 4,000 lots to eligible beneficiaries for reimbursement of $14.5 million in the first tranche. ANHI also provided plans for new housing lot development in 21 sites. ANHI and FEC (main implementing agency for a later component of the program) are discussing ways to increase collaboration. ANHI has made progress in obtaining financial assistance beyond USAID HG (e.g. private bank loans).

Individual Project Status Report

Tunisia

BACKGROUND DATA

Project Title	Private Participation in Environmental Services Program (PPES)	Date of Project Paper Authorization	07/14/93
Project Number	664-HG-012	Date of First HG Authorization	08/23/93
AID Project Officer	Barry Hill	Date of Most Recent HG Authorization	08/03/94
Implementing Agencies		Date of Most Recent HG Disbursement	02/01/94
Ministry of Plan and Regional Development		Date of Most Recent Audit	---

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	$50,000,000
Amount Authorized to Date	$20,000,000
Amount Disbursed	$10,000,000
Amount Expended	$10,000,000
Planned Counterpart Contrib.	$0
Actual Counterpart Contrib.	$0

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	20
% Total Authorization Disbursed	40
% Total Disbursement Expended	100
% Total LOP Authorization Expended	20

PROJECT PURPOSE
To improve the coverage and efficiency of urban environmental services through increased participation of the private sector.

PROJECT DESCRIPTION
PPES-HG-V is a policy-based disbursing program that will provide Housing Guaranty (HG) budgetary support for GOT programs which improve or extend environmental infrastructure in low-income communities, and at the same time provide technical assistance to create an enabling structure of policies, institutions and incentives for increased private sector participation in the provision of environmental services.

PROJECT STATUS
The Housing Program was signed on August 23, 1993. The first year of program implementation focused on the identification of specific pilot project sites in the sewer, solid waste and low income land development components and the initiation of several policy studies. The first annual review, conducted during June 1994, showed that adequate progress towards the PPES objectives was achieved and that sufficient eligible expenditures had been incurred, thus satisfying the CPs to a first $10 million HG disbursement.

GOALS
To support Tunisian economic growth and social stability through improved environmental and shelter conditions in urban areas, particularly low-income neighborhoods.

PROGRESS TO DATE
The following indicators provide a measurement of progress to date:
1. National strategies established for private sector participation in solid waste and liquid waste services.
FY 1994 Target: 0 strategies established. FY 1994 Achievement: 0 strategies established. Policy analyses to support the development of strategies - e.g., market assessments, norms and standards reviews, feasibility studies - were launched during FY 1994. Program is on track to achieve strategies as scheduled.
2. Private sector contracts for solid and liquid waste services established. FY 1994 Target: 0 contracts established. FY 1994 Achievements: 0 contracts established. Solid waste collection pilot project feasibility study completed (Sousse) and tender documents prepared. Sewer network (Tunis) and treatment plant pilot project sites (Nabeul) were identified and feasibility studies commenced. Program is on schedule to have at least one contract in place by end of FY95.
3. Private sector performance monitoring units assisted. FY 1994 Target: One PMU assisted. FY 1994 Achievements: Work commenced with ONAS on development of private sector performance monitoring unit. Organizational study completed by end of FY. Program is on track to have one PMU functioning by end of FY 1995.
4. Incentive structures in place. FY 1994 Target: Review of existing incentive structures completed and policy options proposed. FY 1994 Achievements: GOT promulgated Unified Investment Code (Code unique) with substantial tax incentives for private sector provision of sewer and solid waste services.
GOT performance surpassed FY 1994 program expectations for this indicator.

MAJOR OUTPUTS
Number of households benefitted from improved environmental infrastructure.
LOP Target: 67,000 HG eligible households benefitting from environmental infrastructure.
LOP Achievement to date: 51,600 HG eligible households have benefitted from environmental infrastructure.
FY 1994 Target: 10,000 HG eligible households benefitting from upgrading.
FY 1994 Achievements: 10,000 HG eligible households benefitting from upgrading.
GOT urban upgrading programs provided $15 million of upgrading services benefitting 14,686 households, including $10 million that was reimbursed by the first HG-V disbursement in January 1995.

MAJOR ACTIVITIES
The Municipality of Sousse is currently negotiating with solid waste contractors in order to finalize contract for pilot project. ONAS, National Sanitation Agency, will issue RFPs for liquid waste pilot projects shortly.

ntral America Regional

KGROUND DATA

ct Title	Central American Shelter and Urban Development	Date of Project Paper Authorization	9/30/86
ct Number	596-HG-006	Date of First HG Authorization	9/30/86
Project Officer	Ronald Carlson	Date of Most Recent HG Authorization	7/20/88
menting Agencies		Date of Most Recent HG Disbursement	09/24/87
entral American Bank for Economic Integration CABEI)		Date of Most Recent Audit	None

NCIAL DATA ($US)

Life-of-Project Amount	$25,000,000
unt Authorized to Date	$25,000,000
unt Disbursed	$25,000,000
unt Expended	$13,970,117
ed Counterpart Contrib.	$10,200,000
l Counterpart Contrib.	$5,705,401

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	100%
% Total Disbursement Expended	56%
% Total LOP Authorization Expended	56%

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

PROJECT DESCRIPTION
Under this $35.2 million program investment financing is made available to the region to finance low cost housing solutions and basic infrastructure for the urban poor in Guatemala, Honduras and Costa Rica. Up to now, $14.2 million in HG resources have been disbursed to support shelter activities in Costa Rica, Guatemala and Honduras. Shelter financing activities will end with the disbursement of approximately $350,000 to the National Federation of Cooperatives (FENACOVI) in Guatemala. The remaining $10.4 million are programmed to finance basic infrastructure in Guatemala and Honduras in coordination with the Mission's regional democracy strategic objective of "more effective and democratic local governance" being implemented under the Local Government Regional Outreach Strategy (LOGROS) Project 596-0167 and companion Municipal Infrastructure Loan Program (596-HG-010).

PROJECT STATUS
5,958 shelter units have been produced. Another 114 shelter units are pending in the final shelter sub-project with FENACOVI in Guatemala. The first 3 municipal infrastructure projects have been declared eligible under the Honduran urban upgrading sub-program. The projects are: sewerage systems in Catacamas and El Progreso, and a water system in Villa Nueva. The amounts committed are $925,164 and will benefit 4,000 families. 100% of shelter construction contracts have been awarded to private sector developers. In the urban upgrading sub-program CABEI is projecting the participation of the private sector in all the infrastructure construction contracts.

GOALS
To improve the shelter conditions of low-income families in Central America.

PROGRESS TO DATE
See Project Status section.

MAJOR OUTPUTS
Life-of-Project output targets are : (1) 10,000 new shelter units constructed, (2) Access to basic services will be improved for 145,000 families, and (3) Five million person days of employment will be generated. To date, 5,958 shelter units have been produced.

MAJOR ACTIVITIES
- Extend the sub-program LOPs to coincide with the reprogramming of remain HG and counterpart resources for urban infrastructure investments.
- Process additional HG disbursements of approximately $2.0 million for the Honduras urban upgrading sub-program.
- Complete the Guatemalan shelter sub-program with FENACOVI by May, 1995.
- Commit at least $2.0 million for urban upgrading projects in Guatemala.

Individual Project Status Report

Indonesia

BACKGROUND DATA

Project Title	Municipal Finance for Environmental Infrastructure	Date of Project Paper Authorization	06/30/93
Project Number	497-HG-002	Date of First HG Authorization	06/30/93
AID Project Officer	Joel Kolker	Date of Most Recent HG Authorization	08/30/94
Implementing Agencies		Date of Most Recent HG Disbursement	12/15/94
Ministry of Finance Ministry of Public Works Ministry of Home Affairs National Development Planning Board		Date of Most Recent Audit	---

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	$125,000,000
Amount Authorized to Date	$45,000,000
Amount Disbursed	$25,000,000
Amount Expended	$25,000,000
Planned Counterpart Contrib.	n/a
Actual Counterpart Contrib.	n/a

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	30
% Total Authorization Disbursed	20
% Total Disbursement Expended	100
% Total LOP Authorization Expended	20

PROJECT PURPOSE

To assist the GOI to adopt an enabling framework for integrating urban environmental management with a system of improved, decentralized municipal finance and planning.

PROJECT DESCRIPTION

The project strategy is to combine loan guarantees and technical assistance to support the GOI's agenda for urban policy reform. The technical assistance under the Municipal Finance Project (MFP) is currently focused on 1) municipal finance and credit, 2) development of an indigenous training delivery system and 3) urban environmental quality management. The Private Participation in Urban Services (PURSE) project supports elements of the Urban Policy Action Plan concerning increased private participation in urban services.

PROJECT STATUS

A final evaluation of the first HG Program (1988-1994) found that it " ... has facilitated a truly monumental (and we judge, permanent) change in governance in Indonesia... " A new HG Program (1994-1998) was subsequently authorized and the associated technical assistance project was increased to make a full ten year project. A competitive solicitation and award was completed for an institutional contract to for extended technical assistance project.

GOALS

Program goals are to generate: 1) increased share of central-local transfers under local government discretionary authority: a. increase the proportion of central-local transfers made as INPRES block grants from 23% (1991/92) to 30% (1998/99) of all transfers; b. increase the share of SDO operating expense allocations and INPRES block grants allotted to local governments from 50% (1991/92) to 60% (1998/99) of all transfers. 2) improved local resource mobilization: a. increase real per capita own source revenue (OSR) from Rp 8,300 (1983); b. increase the share of user charges in OSR from 19% (1989/90) to 25% (1998/99); and c. increase the share of property taxes in OSR from 26% (1989/90) to 30% (1998/99). 3) adoption of a policy to relate loan allocations to local government issuance of a formal ministerial decree or regulation; 4) operationalized central government lending mechanism through issuance of Regional Development Account (RDA) guidelines; 5) central government municipal loan fund priced to reflect the cost of capital, risk and servicing through increase in RDA on-lending rate; 6) procedures are developed and implemented for incorporating environmental concern within IUIDP decentralized investment: increased use of environmental impact studies and urban management guidelines; 7) private sector participates in a growing share of environmental infrastructure investment and service delivery: increased value of urban services provided by private enterprises.

PROGRESS TO DATE

1) central-local transfers under local government control have increased from 50% to 57% of all transfers, but an increase in direct investments has resulted in the share of block grants to fall from 22.3% in 1993/94 to 21.5% in 1994/95. 2) local resource mobilization continues to improve through growth in user charge revenues from 19% to 20.5% of own source revenues (OSR) , retention of property tax up slightly from 26% to 26.5% of OSR, and per capita OSR has increased from Rp. 8,300 to Rp 9,893 (in 1983 Rp.). 3) an initial study of how to target block grant allocations while encouraging credit financing of infrastructure is nearing completion; 4) central government revolving loan fund for infrastructure has been fully operationalized; 5) loans for infrastructure priced to reflect the cost of capital and servicing; risk rate not yet fully determined and incorporated; 6) pilot tests conducted on procedures for incorporating environment in infrastructure programming; and 7) pre-feasibility analyses being conducted for potential private sector-financed demonstration projects.

MAJOR OUTPUTS

1) as a result of MFP, a ministerial decree was issued in 1994 that redistributes to local governments the 10% share of property tax receipts formerly retained by the central government; 2) another ministerial decree was issued in 1994 that requires annual self-assessment of financial performance by water authorities using indicators and methodology developed by MFP; 3) curriculum for the strategic Management Core Course developed and tested.

MAJOR ACTIVITIES

1) A national policy conference on Municipal Bonds was held. 2) An Action Plan was developed for issuance of local government bonds. 3) A comparative study tour of Municipal Development Funds was completed. 4) The third edition of the Urban Policy Action Plan Monitoring Indicators Report was published. 5) The new HG Program, including the new Policy Action Plan and Investment Plan was signed and the first $25 million tranche disbursed.

Individual Project Status Report

Philippines

BACKGROUND DATA

Project Title	Decentralized Shelter & Urban Development	Date of Project Paper Authorization	09/27/90
Project Number	492-HG-001	Date of First HG Authorization	09/27/90
AID Project Officer	Harold L. Dickherber	Date of Most Recent HG Authorization	04/21/91
Implementing Agencies Department of Finance National Economic & Development Authority League of Cities of the Philippines		Date of Most Recent HG Disbursement	06/03/94
		Date of Most Recent Audit	12/94 (RCA)

FINANCIAL DATA ($US)		*PROJECT IMPLEMENTATION STATUS (Grant)*	
Est. Life-of-Project Amount	$50,000,000	% LOP Elapsed	90 %
Amount Authorized to Date	$50,000,000	% Total Authorization Disbursed	70%
Amount Disbursed	$35,000,000	% Total Disbursement Expended	100%
Amount Expended	$35,000,000	% Total LOP Authorization Expended	70%
Planned Counterpart Contrib.	$1,334,000		
Actual Counterpart Contrib.	$4,035,000		

PROJECT PURPOSE

To 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, over an extended time period, the access of low income urban Filipinos to shelter and services needed for healthier and more productive lives.

PROJECT DESCRIPTION

The project supports Policy reform and implementation of GOP decentralization policy in favor of city governments. These agreed reforms were laid out in a Policy Matrix (PM) which specifies policy actions and accomplishment benchmarks designed to: (i) develop a sustainable system of city government finance; (ii) reduce urban and environmental infrastructure constraints on local economic development; and (iii) improve access to the urban shelter delivery system for low income households.

To qualify for loan tranche disbursements, the GOP demonstrates accomplishment of policy implementation benchmarks contained in the project's Policy Matrix, and incurs peso expenditures on shelter-related infrastructure specified in the project's Investment Program. Certified peso expenditures will exceed 125% of the equivalent of $50 million by the end of the project.

Technical assistance and training; project monitoring and evaluation; and audit are financed by AID in support of the policy reforms. Grant funds support the GOP's urban decentralization policy agenda by funding: policy analysis; systems development studies; and support to key public, private, and NGO groups including the League of Cities and related training and conferences.

PROJECT STATUS

Tranche 2 borrowing has been completed and tranche 2 borrowing and project closure is underway.

GOALS

Develop a self-sustaining system of financing for chartered cities, improve the delivery of urban services and infrastructure, and improve access to urban shelter for low-income households.

PROGRESS TO DATE

DSUD has made substantial progress at increasing chartered city tax collection, pilot testing sustainable financing systems, improving cost-recovery systems, developing guidelines for delivery of urban services, increasing the participation of the private sector in the delivery of urban services and implementing a program to encourage NGOs and cities to assist informal settlers.

MAJOR OUTPUTS

- GOP securitized mortgages for the secondary mortgage market.
- Program assisted in analysis of urban development issues and conducted broad-based consultations leading to a National Urban Policy Framework supported by national and local government agencies, development oriented NGOs, urban housing associations, and private sector organizations.
- Program is helping to develop a National Shelter Policy.
- Under the grant component of the project, the League of Cities of the Philippines has been energized and developed a program to share lessons and innovations, and train officials among the Ccs.
- The project is facilitating the development of a national shelter policy and individual sector plans for individual Ccs.

MAJOR ACTIVITIES

Providing technical assistance, training, developing the community Mortgage Program, and promoting the decentralization of urban services. Assisting GOP in analyzing urban development issues and conducting broad-based consultations leading to a **National Urban Policy Framework**, supported by the national and local government agencies, development oriented PVOs, urban poor housing associations and private sector development.

Individual Project Status Report

Panama

BACKGROUND DATA

Project Title	Private Sector Low Cost Shelter	Date of Project Paper Authorization	09/26/86
Project Number	525-HG-014	Date of First HG Authorization	09/26/86
AID Project Officer	Michael C. Trott USAID/Panama	Date of Most Recent HG Authorization	09/26/86
Implementing Agencies		Date of Most Recent HG Disbursement	01/19/94
Ministry of Planning and Economic Policy and Private Banks		Date of Most Recent Audit	N/A

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	$25,000,000
Amount Authorized to Date	$25,000,000
Amount Disbursed	$7,000,000
Amount Expended	$7,000,000
Planned Counterpart Contrib.	$6,125,000
Actual Counterpart Contrib.	$1,750,000

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	28%
% Total Disbursement Expended	100%
% Total LOP Authorization Expended	28%

PROJECT PURPOSE
To increase the delivery of low-cost shelter financed through private sector institutions thereby expanding and strengthening the role of the private sector in meeting the shelter needs of Panama's low-income urban population.

PROJECT DESCRIPTION
USAID's Housing Guaranty (HG) program in Panama is directly linked to the U.S. foreign policy objective of the successful implementation of the 1977 Panama Canal Treaties. As part of the Treaties, the U.S. pledged to make available $75 million in guaranty authority under the HG program to help finance homes for low- to median-income families. These loans were supposed to come in three equal tranches of $25 million. HG-014 represents the third and last tranche, and will be channelled through private banks on a reimbursement basis.

PROJECT STATUS
Implementation of HG-014 was formally reinitiated in April 1992 with the signing of the first implementation agreement by Banco General. Today, two additional banks, Banco del Istmo and Banco FEDPA, have also signed implementation agreements under this HG.

GOALS
To improve quality of life for below median income urban families through increased access to affordable shelter and employment opportunities in the construction industry.

PROGRESS TO DATE
Banco General made a $7 million borrowing supported by 838 mortgages for an equal amount of new low-cost housing units.

MAJOR OUTPUTS
1. 3,500 new housing units will be produced. 2. Four mortgage banks will be involved in low-cost housing finance.

MAJOR ACTIVITIES
Generate subsequent HG borrowing by the Banco General, Banco del Istmo and Banco FEDPA.

Individual Project Status Report

Jamaica

BACKGROUND DATA

Project Title	Jamaica Shelter Sector Support - Private Sector	Date of Project Paper Authorization	9/83, amended 3/89
Project Number	532-HG-012B	Date of First HG Authorization	12/84
AID Project Officer	Eric Richardson	Date of Most Recent HG Authorization	3/89
Implementing Agencies		Date of Most Recent HG Disbursement	2/90
Caribbean Housing Finance Corporation (CHFC), Ministry of Construction (Housing), Credit Unions (3), Building Societies (2)		Date of Most Recent Audit	07/03/90

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	$10,000,000
Amount Authorized to Date	$10,000,000
Amount Disbursed	$2,953,073
Amount Expended	$2,953,073
Planned Counterpart Contrib.	$8,000,000
Actual Counterpart Contrib.	J$2,730,848

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	83%
% Total Authorization Disbursed	29%
% Total Disbursement Expended	100%
% Total LOP Authorization Expended	29%

N.B. The total obligation of the HG-012 program of US$46 million is allocated as follows:

HG-012A	US$10.0 million. - Public Sector (This subprogram has been closed out).
HG-012B	US$10.0 million - Private Sector
HG-012C	US$20.0 million - Basic Shelter
Capitalized Interest	US$ 6.0 million (actual amount committed is US$4,640,000)
	US$46.0 million

Per Article III B 1. of the Implementation Agreement counterpart contributions in the form of borrower downpayments and developer land contributions are being documented. Approximately J$2,730,848in contributions have been made.

PROJECT PURPOSE
The purpose of this project is to assist the GOJ in implementing its national shelter policy through the stimulation of private sector participation in the financing and construction of affordable shelter for below median-income households.

PROJECT DESCRIPTION
The private sector component of HG-012 (US$10 million) is a pilot program which seeks to demonstrate the viability of shelter sector lending to low income households to private financial institutions and developers. The program lends funds to the Caribbean Housing Finance Corporation (CHFC) which in turn on-lends the funds to private sector organizations (credit unions, building societies, land and housing developers, etc.) to finance low cost housing.

PROJECT STATUS
This project was moribund for nearly six years as the country went through a long and unstable period of currency devaluation. Following the recent GOJ policy decision to assume the risks of exchange losses suffered by the borrower (CHFC), negotiations to fund a major private sector land development scheme in the Sucabba Pen area of Old Harbour were concluded.

GOALS
Increased number of private sector financial organizations financing low income shelter and increased involvement of NGO's, PVO's and CBO's in the shelter process.

PROGRESS TO DATE
Three major credit unions have extended J$17.3M in loans and the building societies have made funding requests for their planned participation. A consortium of six building societies is acting as developer in the Sucabba Pen venture. The consortium and the GOJ established a joint venture in which the GOJ makes land available to the consortium at cost and the consortium sells the developed land and the serviced lots to low-income and middle-income households for profit. To ensure that the low-income products remain within HG eligibility criteria, the consortium is charging middle income buyers a premium which is passed to lower income buyers of serviced lots and to poor squatters already occupying part of the property. This type of private sector participation in low cost land and housing development, while assuming the full financial risks for such development, is a first in Jamaica.

MAJOR OUTPUTS
Finance thus far, has been liquidated against 826 of a targeted 2,920 home improvement loans, 128 of a targeted 600 mortgage loans, and 113 of a targeted 480 purchases of serviced land.

MAJOR ACTIVITIES
The major activities this year involved working with the Building Societies, the GOJ, and CHFC to develop an agreement between the parties which will allow the project to commence. The agreement calls for the building societies to assume all of the commercial risk. It is anticipated that agreement will be finalized in the first quarter of the coming fiscal year.

Individual Project Status Report

Poland

BACKGROUND DATA

Project Title	Housing Finance and Shelter Production	Date of Project Paper Authorization	4/15/92
Project Number	180-HG-001	Date of First HG Authorization	4/92
AID Project Officer	Rebecca Black, RHUDO/Warsaw	Date of Most Recent HG Authorization	4/92
Implementing Agencies		Date of Most Recent HG Disbursement	12/3/93
Ministry of Construction and Spatial Economy (MOSEC) Ministry of Finance BUD Bank commercial banks		Date of Most Recent Audit	8/94

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	$25,000,000
Amount Authorized to Date	$25,000,000
Amount Disbursed	$10,000,000
Amount Expended	$774,000
Planned Counterpart Contrib.	$133,000,000
Actual Counterpart Contrib.	$133,000,000

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	40%
% Total Disbursement Expended	8%
% Total LOP Authorization Expended	3%

PROJECT PURPOSE
To support the transformation of the Polish housing sector into a responsive, competitive, market-based system.

PROJECT DESCRIPTION
This program will provide $25 million in HG Program resources to an intermediary lender that acts as on-lender to qualified participating banks to fund construction loans for qualified residential projects and to finance long-term mortgage loans to purchasers of newly constructed housing units; all resources will eventually be applied to long-term mortgages. HG funds are being used to create a $425 million Mortgage Fund in coordination with loans from the World Bank and the EBRD as well as contributions from the Government of Poland.

PROJECT STATUS
The BUD Bank has approved 20 mortgage loans worth a total value of $274,000,and disbursed funds on twelve of those loan worth a combined value of $135,000.In addition, nine construction loans worth a total value of $500,000 have been approved, and funds have been disbursed on six construction loans totalling $240,000.

Eight banks are receiving formal training through a bank training school in Warsaw. A mortgage instrument appropriate for high inflation economies has been developed and implemented. Legal and regulatory reform is proceeding successfully. Private sector participation in housing is rising while the burden of housing on public finance is declining. PBK Bank, one of Poland's largest, has officially agreed to participate in the Mortgage Fund program and expects to begin lending in the summer of 1995.

GOALS
The primary objective is to demonstrate that market rate housing finance mechanisms will stimulate housing production. Increased production by private developers will help to accomplish achieve this end. Promotion of market-based and efficient origination, servicing and financing of residential construction loans to private developers, housing cooperatives, and joint ventures and long-term mortgages to individual home buyers is the goal. In addition to developing a long-term unsubsidized housing finance system and reducing the housing burden on public finance, the program is designed to: support legal reform in home tenure, purchase and rental; introduce a mortgage instrument that preserves cost recovery and affordability under unstable economic conditions; and develop the institutional capacity to implement an efficient and equitably priced housing finance system.

PROGRESS TO DATE
1. Ten banks are now formal participants in the program.
2. HG resources have financed loans to six construction projects and twelve mortgage loans.
3. Standardized loan origination and servicing procedures and documents have been developed and implemented.
4. Twenty-five percent of the mortgage loans have been made to below median-income borrowers.

MAJOR OUTPUTS
1. At least two banks (in addition to PKO) established, operating and making loans during life of program.
2. At least ten construction loans and 500 mortgage loans financed by banks participating in the HG program.
3. Implementation of standardized construction and mortgage loan origination and servicing procedures and documents.
4. Expanded supply and access to credit for shelter and capital market financing (down-market penetration).

MAJOR ACTIVITIES
1) USAID is developing a housing market demand survey to be carried out beginning in March, 1995. Technical assistance is being provided to participating banks in several areas, including speeding and streamlining loan application processes, enhancing capacity to perform loan and credit analyses, and assisting to develop mortgage and construction lending procedures. 2) Training is being delivered through a series of seminars to developers. USAID has prepared Lending Guides, Operations Manuals, Training Manuals, and other reference materials. 3) A compendium on status of existing and pending legislation relating to housing and infrastructure development is also being prepared. 4) The cities of Poznan, Srem, and Lublin, along with the Ministry of Construction and Spatial Economy are receiving assistance in the implementation of a new social housing safety net program, which includes a national Housing Allowance program. 5) Two banking advisors asumed long-term posts in Poland to streamline financing procedures and develop a loan product for owner-built housing.

Individual Project Status Report

Sri Lanka

BACKGROUND DATA

Project Title	Low Income Shelter Program	Date of Project Paper Authorization (Amended)	8/24/87
Project Number	383-HG-004	Date of First HG Authorization	12/19/80
AID Project Officer	Kamalini K. y. Fernando	Date of Most Recent HG Authorization	8/29/87
Implementing Agencies		Date of Most Recent HG Disbursement	08/02/85
Ministry of Finance and Policy Planning		Date of Most Recent Audit	---

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	25,000,000
Amount Authorized to Date	25,000,000
Amount Disbursed	10,000,000
Amount Expended	10,000,000
Planned Counterpart Contrib.	N/A
Actual Counterpart Contrib.	N/A

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	N/A
% Total Authorization Disbursed	40
% Total Disbursement Expended	100
% Total LOP Authorization Expended	40

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

PROJECT DESCRIPTION
Assist GSL to strengthen the housing finance system to mobilize capital for shelter. NHDA will expand its role as a policy-making agency while market-oriented financial institutions such as banks and private credit societies will increase their role in the provision of housing credit.

PROJECT STATUS
GSL has established the necessary policy changes to develop a sustainable housing finance system and an institutional framework has been set up for the refinancing scheme. The system has completed US $10 million worth of low-income-housing loans. The Mission and RHUDO/New Delhi will draft a new Program Delivery Plan for the US $15 million balance of the HG during the first half of FY 1995. The new PDP focuses on the sustainability, primary lender expansion, regulation and supervision, and access for low-income families.

GOALS
The Low Income Shelter Program will improve the shelter and environmental conditions for the urban and rural poor.

PROGRESS TO DATE
Program funding passes through the Central Bank of Sri Lanka (CBSL), which is the Refinancing agency for the loan component. CBSL has approved 45,000 loans. All of these loans were originated by the three lending institutions participating in the program.

As a result of this program, the GSL has adopted a policy that requires lending by both private and public financial institutions to be at market rates. Also resulting from this program, all institutions except the NHDA are achieving nearly perfect loan recovery rates. The industry-wide existence of these two elements has set the stage is now set for the generation of long-term housing resources through private domestic borrowing.

Though the program has succeeded in assisting the public sector transition from making subsidized interest loans to market interest rate loans, the transition is still not complete as NHDA's recovery rates are currently only at 65%.

A refinance window has been created under the program to develop long-term resource mobilization instruments. This has promoted the use of basic lending instruments for fixed rate mortgage lending in those financial institutions not previously involved in the mortgage lending business. With time, and the increased sophistication of the financial markets, the trend has been set for a natural evolution toward a secondary mortgage market.

The program has been very successful in reaching women-headed households. Statistics show that 31% of all loans have been granted to women-headed households. This is a remarkable achievement considering the fact that out of Sri Lanka's total population, 21% is women headed households.

MAJOR OUTPUTS
The program will have financed approximately 130,000 small shelter loans, five Private financial institutions will have entered the mortgage lending field, and the available loans will be linked to prevailing market conditions.

MAJOR ACTIVITIES
The first tranche of the US $ 25 million authorization was approved for borrowing (US $ 10 million), evaluation of the program was successfully concluded (with government concurrence with findings), and a Program Delivery Plan for the balance of US $15 million is being developed.

Individual Project Status Report

Jamaica

BACKGROUND DATA

Project Title	Jamaica Shelter Sector Support - Basic Shelter	Date of Project Paper Authorization	9/83, amended 3/89
Project Number	532-HG-012C	Date of First HG Authorization	12/84
AID Proje.. Officer	Eric Richardson	Date of Most Recent HG Authorization	3/89
Implementing Agencies		Date of Most Recent HG Disbursement	2/90
Caribbean Housing Finance Corporation (CHFC), Ministry of Construction (Housing), National Housing Corporation, Urban Development Corporation		Date of Most Recent Audit	07/03/90

FINANCIAL DATA ($US)		*PROJECT IMPLEMENTATION STATUS*	
Est. Life-of-Project Amount	$20,000,000	% LOP Elapsed	83%
Amount Authorized to Date	$20,000,000	% Total Authorization Disbursed	48%
Amount Disbursed	$9,558,498	% Total Disbursement Expended	100%
Amount Expended	$9,558,498	% Total LOP Authorization Expended	48%
Planned Counterpart Contrib.	J$20,000,000		
Actual Counterpart Contrib.	J$2,730,848		

N.B. The total obligation of the HG-012 program of US$46 million is allocated as follows:

HG-012A	US$10.0 million. - Public Sector (This subprogram has been closed out).
HG-012B	US$10.0 million - Private Sector
HG-012C	US$20.0 million - Basic Shelter
Capitalized Interest	US$ 6.0 million (actual amount committed is US$4,640,000)
	US$46.0 million

Per Article III B 1. of the Implementation Agreement counterpart contributions in the form of developer land contributions are being documented. The amount of this contribution is in the process of being documented.

PROJECT PURPOSE

The purpose of this project is to assist the GOJ in changing its role from that of a direct producer and financier of housing to one of facilitator and supporter of private sector production of shelter and related services. It focuses on increased private sector production and improved public sector performance in the initiation of shelter projects such as settlement upgrading, sites and services, and home improvement loans.

PROJECT DESCRIPTION

This project provides support to the Ministry of Construction (Housing), through funds lent to the Caribbean Housing Finance Corporation (CHFC) in order to: improve slum areas, assure tenure of land, and install basic infrastructure, such as roads and water in new and old settlement sites. The Ministry of Construction (Housing) coordinates the design and construction management by the National Housing Corporation (NHC) and the Urban Development Corporation (UDC).

PROJECT STATUS

Like its sister project, HG-012B, this project was moribund for the past six years due to economic conditions prevalent in Jamaica and the necessity of reaching a final decision on the issue of which party would be responsible for repayment of the US Dollar denominated loan. The GOJ assumed this responsibility and the subsequent risk of exchange rate fluctuations.

GOALS

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

PROGRESS TO DATE

The five components of the program are: 1. Settlement Upgrading - upgrading of captured or squatted settlements; 2. Sites and Services - subdivision of land into sites and provision of access to water, power and sewer facilities; 3. Home Improvement Loans; 4. Start-A-Home Units - core units with basic services; and 5. Comprehensive Urban Improvement - upgrading rental units for sale to occupants or other interested parties. Only the first two components are still operational. NHC is coordinating planning and implementation of Rosemont and Norwood projects with other GOJ institutions such as CHFC and NWC. Procedures are in place to fully account for source and application of funds and to allow agencies to operate at a normal arm's length relationship. The following projects have been completed: Torrington, Jones Pen, Tower Hill, Quaw Hill, 95 Mountain View Ave., St. John's Road, Bellevue, Shaw Park, Roaring River, Buckfield, and Caymanas.

MAJOR OUTPUTS

A total of 920 settlement upgrading lots were serviced, 1,181 sites and services lots were developed, 349 home improvement loans were made, 272 core houses were constructed and 200 apartment units were improved. A further 1,454 settlement lots in the Rosemont area and another 750 settlement lots in the Norwood area (both of Montego Bay) will be upgraded.

MAJOR ACTIVITIES

Most of the major activities during the reporting period were involved in breathing new life into the project, with the assistance of the MOC(H) and CHFC, culminating in a request for disbursement in late September 1994 from CHFC in the sum of US$2.0 million for the Rosemont project.

Individual Project Status Report

Zimbabwe

BACKGROUND DATA

Project Title	Private Sector Housing Program (PSHP)	Date of Project Paper Authorization	08/06/92
Project Number	613-HG-004	Date of First HG Authorization	08/31/92
AID Project Officer	Michael Enders	Date of Most Recent HG Authorization	08/31/92
Implementing Agencies		Date of Most Recent HG Disbursement	07/09/94
Ministry of Finance, Ministry of Public Construction & National Housing, Ministry of Local Government, Rural and Urban Development.		Date of Most Recent Audit	---

FINANCIAL DATA ($US)

Est. Life-of-Project Amount	$ 50,000,000
Amount Authorized to Date	$15,000,000
Amount Disbursed	$15,000,000
Amount Expended	$15,000,000
Planned Counterpart Contrib.	$ 25,000,000
Actual Counterpart Contrib.	$ 7,500,000

PROJECT IMPLEMENTATION STATUS

% LOP Elapsed	50
% Total Authorization Disbursed	30
% Total Disbursement Expended	100
% Total LOP Authorization Expended	30

PROJECT PURPOSE
To increase low-income household access to affordable shelter in urban areas on a sustainable basis.

PROJECT DESCRIPTION
Cash grant resources of US$25 million are combined with a HG Loan of US$50 million and complemented with technical assistance resources in the amount of US$2.68 million to support housing sector policy reform initiatives to create a more supportive economic policy environment for sustainable low-income shelter delivery. Implementation of the policy reforms is expected to result in: (a) increased production of more affordable housing for low-income households; (b) increased levels of private financing for low-income mortgages; (c) an increased role for the private sector in housing construction finance; (d) expanded production of lower cost building materials; and (e) generation of more employment.

PROJECT STATUS
Since the signing of the Program Agreement on August 31, 1992, the Government of Zimbabwe (GOZ) has submitted to USAID/Zimbabwe a number of letters providing proof of fulfillment of the conditions precedent. On January 30, 1994, the Director of USAID/Zimbabwe approved a determination that the GOZ has fulfilled all conditions precedent to the first tranche disbursement of funds. The first tranche borrowing took place on July 9, 1994. As required in the Implementation Agreement, the local currency equivalent of half of the loan funds (i.e. $7.5 million) has been disbursed by the GOZ to four building societies on a matching basis for mortgage lending to low-income urban households. The local currency of the other half of the funds are being channeled through the National Housing Fund for on-lending to local governments to develop low-cost sites and services. On February 22, 1995, USAID/Zimbabwe submitted data verifying that the GOZ has met the conditions precedent for the borrowing of the second tranche (US$ 15,000,000)of the Zimbabwe PSHP (613-HG-004).

GOALS
The program goal is to increase the level of home ownership for low-income households in Zimbabwe's urban centers.

PROGRESS TO DATE
Since fulfillment of the first tranche conditions precedent, the GOZ has made significant progress implementing the PSHG. The local currency equivalent of half of the $15 million in loan funds and $9 million grant funds has been transferred by the GOZ, on a matching grant basis, to the country's four building societies for mortgage lending to low-income households. Letters to USAID for the Ministry of Finance, indicating the dates and amounts of these transfers, can be found in the official files of the PSHP. The societies, who submit quarterly reports to the GOZ Ministry of Finance on the use of the grant funds, have begun lending on projects involving more that 10,000 low-income housing units and are in the process of developing a significant number of additional low-cost housing projects in partnership with private builders and local governments. With the local Government half of the $15 million in first tranche loan funds, the GOZ has identified low-income sites and services projects in 25 towns. The GOZ has yet to request or be reimbursed for serviced sites expenditures. It is the assessment of the USAID/Zimbabwe RHUDO that the actions taken by the GOZ have both fulfilled, in spirit and intent satisfactory to USAID, the terms and conditions set forth in the Implementation Agreement for the Zimbabwe PSHP.

MAJOR OUTPUTS
By the end of the program, 45,400 serviced plots and 43,200 low-income mortgages will have been developed for low-income beneficiaries. Through FY 1994, 10,000 low-income mortgages and no serviced plots have been generated.

MAJOR ACTIVITIES
Program delivery plans, which include affordability analyses and detailed budgets are almost complete for the first ten project towns. Upon the submittal to and acceptance by USAID of these delivery plans, the funds will be disbursed to the concerned local governments. This is expected to by Spring 1995. Disbursement of these funds, plus those already disbursed to the building societies, will essentially commit all of the first tranche HG funds to program activities. It is therefore now necessary to put in place, the second tranche HG funds to ensure an orderly continuation of the implementation process.

Individual Project Status Report

India

BACKGROUND DATA

Project Title	Housing Finance System Program	Date of Project Paper Authorization	9/22/88
Project Number	386-HG-003 and 386-HG-003A	Date of First HG Authorization	9/29/89
AID Project Officer	Lindsay Elmendorf/A.S. Dasgupta	Date of Most Recent HG Authorization	8/28/92
Implementing Agencies		Date of Most Recent HG Disbursement	4/18/91
National Housing Bank		Date of Most Recent Audit	---

FINANCIAL DATA ($US)		*PROJECT IMPLEMENTATION STATUS*	
Est. Life-of-Project Amount	100,000,000	% LOP Elapsed	65
Amount Authorized to Date	70,400,000	% Total Authorization Disbursed	25
Amount Disbursed	25,000,000	% Total Disbursement Expended	100
Amount Expended	25,000,000	% Total LOP Authorization Expended	25
Planned Counterpart Contrib.	104,500,000		
Actual Counterpart Contrib.	N/A		

PROJECT PURPOSE

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

PROJECT DESCRIPTION

The Housing Finance System Program includes a $100 million loan guaranty (HG-003 & HG-003A) as well as a $4.3 million grant for technical assistance and training. The focus of the Project assistance is to support NHB's core functions of regulation, promotion and supervision of Housing Finance Companies (HFCs) and expand access to shelter finance by low-income informal sector families. Grant funds will be utilized to strengthen NHB and to develop local capacity to provide long-term training and technical assistance support for an expanded private housing finance system.

PROJECT STATUS

NHB has drawn and disbursed the first $25 million in HG funds (April 1991), out of total planned authorization of $70.4 million. RHUDO, USAID/India is working with NHB on actions required for borrowing by NHB of the second tranche of HG funds of $25 million. The CPs held a meeting on the second tranche on December 23, 1994.

GOALS

The goal of the HFSP is to build up the housing finance industry which induces greater participation of Housing Finance Companies. HFCs will serve a wide range of clientele and introduce a broad array of financial instruments.

PROGRESS TO DATE

HFCs have made significant progress: a) numerous HFCs have been able to raise substantial equity from the market in last 12 months; b) the number of HFC branches has increased substantially, to 252 branches compared to a life-of-project target of 400 new branches; and c) NHB has implemented a uniform Management Information System for HFC reporting. In addition, two experimental models on securitization of housing mortgages have been initiated.

MAJOR OUTPUTS

The HG program will generate the following outputs: a) increased resources derived from household savings as a share of HFC's total resources; b) increased resources derived from market oriented sources; c) increased number of recognized HFCs and branch expansions; improved housing finance system supervision; d) an increased share of HFC loans to below median households; and improved access to formal financing for informal sector families.

MAJOR ACTIVITIES

The annual evaluation of the Program has recently been completed by an expatriate consultant. Findings and recommendations will inform the adjustment of the TA and Training program. USAID is currently working with NHB on the borrowing of the next tranche of $25 million. NHB is revising the Master Program Implementation Plan

APPENDIX I

USAID Management's Comments

USAID

U.S. Agency for
International
Development

JUN 30 1995

MEMORANDUM

TO: Mr. Thomas F. O'Connor, IG/A/FA

FROM: Donald K. Charney, CFO, M/FM/C DKC

SUBJECT: Draft Report on the Audit of the Housing Guarantee Program for the Fiscal Year 1994

I have reviewed the subject draft audit report. The Office of Financial Management (M/FM) is gratified to have again received an unqualified opinion on the financial statements of the Housing Guarantee Program for the fiscal years ended 9/30/94 and 9/30/93.

M/FM also concurs with the other findings identified in the report related to the reportable internal control conditions and corresponding instance of FMFIA noncompliance arising from the lack of formalized and documented accounting policies and procedures for the Housing Guarantee Program, and the lack of formal and documented due diligence procedures related to claims receivable.

M/FM appreciates the auditors' recognition of the considerable efforts and progress accomplished during FY 1994. We are committed to continuing improvements of the financial records and financial statements for the Housing Guarantee Program.

M/FM appreciates the efforts of your staff and that of Deloitte and Touche in provision of this audit of the Housing Guarantee Program.