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**Cooperative Housing Foundation  
Quarterly Performance Report**

**Starter Home – Vivienda Mínima Progresiva (VMP)  
Honduras**

**Grantee:** Cooperative Housing Foundation  
**Cooperative Agreement:** 522-A-00-00-00208-00  
**Reporting Period:** July 1 to September 30, 2001  
**Submission Date:** October 31, 2001

**A. Background**

CHF was awarded a Cooperative Agreement by USAID for the construction of 500 Starter Homes (*Viviendas Mínimas Progresivas*) in response to the devastation wrought by Hurricane Mitch in late October 1998. The Cooperative Agreement was effective October 29, 1999, and the Project Assistance Completion Date is scheduled for December 31, 2001. The Starter Home program will make recognizable, significant and measurable contributions to the achievement of USAID/Honduras' Hurricane Reconstruction Special Objective, and will directly contribute to the Intermediate Result, "Permanent Housing Developed for Dislocated Families." CHF will directly assist 500 families in building permanent core housing solutions to meet the urgent needs following Mitch. The program is funded with a \$1,367,943 grant from USAID. CHF will leverage a total of \$343,000 including the use of \$73,000 of CHF loan capital to constitute a 25% counterpart contribution.

Since the beginning of the program two amendments have been introduced to the original cooperative agreement, as follows:

Amendment	Amount by USAID	Number of Houses
1	\$ 296 570.00	100
2	\$ 110,000.00	35

The total award is now \$1,774,513.00 with a goal of building 635 houses nationwide. The project end remains the same.

**B. Expected Results**

The program goal is to help families in Honduras build basic core housing units, Starter Houses, in safe areas thus directly improving the living and sanitary conditions of those citizens who were directly affected by Mitch. CHF will meet this goal through an integrated program of credit, self-help and technical assistance.

CHF takes a comprehensive approach to housing in the implementation of this program. Special emphasis will be placed on building homes and communities in safe areas or in areas where risk to the environment and habitants can be mitigated. The beneficiary families will learn basic homebuilding techniques and the elementary personal-management skills necessary to plan, execute, and supervise the construction of a small house. The program will be designed ensuring the existence of basic infrastructure, risk identification and access to schools and health clinics.

Specific objectives of the Starter Home program (including Amendments #1 & #2) are:

- **Home Construction:** Build 635 Starter Homes in safe areas, as a direct response to the destruction caused by Hurricane Mitch;
- **Municipal Response:** Help municipalities contribute to an effective democratic process by providing basic housing and infrastructure to hurricane victims in their area;
- **Beneficiary Skills:** Build 635 beneficiary families' skills in program planning and execution, home construction, and personal management; and
- **Process Replication:** Promote a democratic, community-based self-help methodology among locals that can be replicated in future development initiatives.

### C. Current Core Activities

During this quarter the Starter Home program continued to concentrate its activities in the five main program stages, as follows:

#### 1. PROMOTION

In order to identify the final communities and potential beneficiaries, the Starter Home staff continued the promotion campaign in the environs of El Progreso. This stage included activities such as:

- Interviews with key municipal and institutional officials
- Information workshops for potential beneficiaries and community leaders
- Scouting and reviewing of potential sites for the implementation of the program's final project
- Media promotion

#### 2. BENEFICIARY SELECTION

After promoting the program in Honduras for almost two years, many of the actual and potential sites resulted from letters of interest from communities that have heard of the

program. The first step that CHF takes to qualify a new community is to review the potential sites for environmental concerns, hazards, basic services, etc.

Once an area is deemed acceptable, the level of real interest is measured through a more formal application process. Application forms are disbursed and later filled out by the applicant with the assistance of the CHF staff. The forms are then verified and analyzed for capacity to pay and completion of other program requirements. The main activities during this stage are:

- Conduct credit workshops for potential beneficiaries
- Receive, review and verify beneficiary applications
- Analyze each beneficiary's capacity to pay and program eligibility
- Prepare credit contracts for beneficiaries

### 3. PREPARATION

Simultaneously to stage two the USAID environmental guidelines document is prepared and sent to USAID for approval. While approval is in process the Starter Home staff works on reviewing the house budget, surveying the materials available in the area, identifying construction materials suppliers and the establishment of the purchasing process through a committee created for this purpose. The core activities during this stage have been:

- Preparing environmental guidelines document
- Conducting self-help construction workshops
- Updating house budget based on new site conditions
- Holding Purchasing Committee meetings
- Verifying quality of materials with suppliers in new area
- Requesting short-term credit with new material suppliers to facilitate purchases
- Preparing materials request schedule
- Bidding process for subcontractors where applicable

### 4. IMPLEMENTATION

During this stage, the field supervisors on the construction sites manage construction activities, and the general administration and financial coordination is handled from the main CHF office in Tegucigalpa. The following are the main activities during this stage:

- Recruitment and hiring of local workers
- On site construction supervision and quality control
- Management of construction logistics
- Preparation of Payment requests for material suppliers
- Monitoring of the program's financial and administrative activities

## 5. POST CONSTRUCTION FOLLOW UP

After construction of the homes is completed and the homes are turned over to the beneficiaries, the Starter Home staff is responsible for monitoring the loan portfolio as well as technical assistance in credit, and servicing of construction matters as may be required by beneficiaries. The main activities are:

- Award ceremonies
- Posting of loan payments
- Preparation of credit reports
- Visits to beneficiaries in arrears
- Project evaluations
- Technical assistance with any construction follow up or home expansion

### D. Current Buy-Ins

None

### E. Current Sub-Contracting Activities

None

### F. Performance

#### 1. STARTER HOMES COMPLETED

Number of completed houses this quarter:	69
Number of completed houses to this date:	519
Number of houses currently under construction:	80
Number of applications approved and ready to start construction:	36
Number of applications under selection process:	0
<b>Total (real and potential beneficiaries):</b>	<b>635</b>

#### 2. OCCUPANCY

According to the latest field evaluations the following table shows the Starter Home Program occupancy rate, 60 days after project completion:

STARTER HOME OCCUPANCY STATUS BY SEPTEMBER 30, 2001

CITY / COMMUNITY	PROJECT	# HOMES	VACANT HOMES AFTER 60 DAYS	OCCUPANCY RATE
CHOLUTECA	GRACIAS A CRISTO	16	0	100%
OROCUINA	DISPERSED	32	0	100%
SAN LORENZO	DISPERSED	64	0	100%
AGUA BLANCA	GETSEMANI	140	32	77%
GUAYMITAS	LA ESPERANZA	71	2	97%
EL PORVENIR	EMMANUEL	130	25	81%
URRACO	SAN JUAN	66	N/A	
TOTAL OF HOMES		519		
TOTAL OF HOMES > 60 DAYS		453		
GENERAL VACANCY >60 DAYS			59	

N/A : Not applicable, starter homes were transferred to beneficiaries September 27th , 2001.

To date a total of 59 Starter homes have not been occupied by beneficiaries, after 60 or more days of project completion, in three different communities: 2 in Colonia la Esperanza, 32 in Colonia Emmanuel and 25 in Colonia Gethsemane. Interestingly, the 2 beneficiaries in la Esperanza have already cancelled their loans and are currently expanding their houses before they move in.

In both Colonia Gethsemane and Colonia Emmanuel where 32 and 25 Starter Homes have not been occupied, the beneficiaries are paying their loans and in several cases have improved the homes even though they have not formally moved into them.

In some cases, the beneficiaries claim that they have not moved into the homes because the water and electrical systems are not completed, a situation grossly misinterpreted by them, as both communities have access to basic services. The services are just not provided at each individual house due to the fact that the houses are disbursed over a large area and providing individual service to houses not built by the program is beyond the Starter Home scope of work. Nearly 80% of the houses are being occupied by the rest of beneficiaries whose needs for immediate shelter are obviously greater. That said, CHF is working with the local patronatos and SANNA to expedite the provision of a system capable of managing individual water connections.

### 3. CONSTRUCTION: AVERAGE COST AND HOME IMPROVEMENTS

To date 519 starter homes have been built, and the following table shows the historical evolution of the construction costs per project:

No.	Community / City / Department	Built Solutions	Average Cost per House US\$	Total Invested US\$
1	Gracias a Cristo, Choluteca	16	1,460	23,360.00
2	Alto Verde, San Lorenzo	64	1,560	99,840.00
3	Orocuina, Choluteca	32	1,415	45,280.00
4	Agua Blanca Sur, El Progreso	140	1,633.40	228,676.00
5	El Porvenir, Cortés	130	1,418.36	180,131.72
6	Guaymitas	71	1,704.00	120,984.00
7	Urraco	66	1,365.00	90,090.00
Total to this date		519		788,361.72

The latest cost estimate indicates that the average construction cost per house is US\$ 1,519.00, which is US\$ 59.00 higher than the US\$ 1,460.00 per unit estimated in the program's proposal. This amount represents a mere 4.04 % increase over the original per unit budget which is significantly lower than one would expect considering the added features of the home and the increases in construction material costs over the past two years. CHF has been able to manage the budget well by negotiating good prices, keeping tight control over material loss and maintaining efficiency in construction. The Starter Home staff will continue to work diligently to maintain the construction costs within reasonable margins guaranteeing the execution of the program as planned.

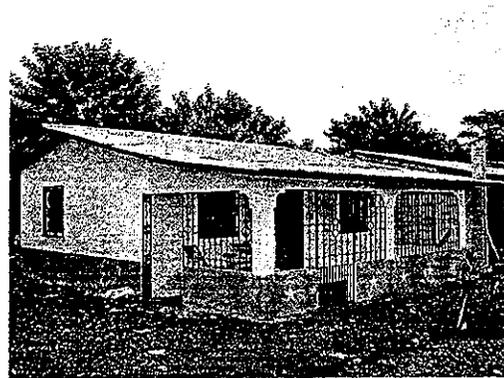
CHF takes great pride in the sense of ownership that the majority of beneficiaries of the Starter Home program have demonstrated. This sense of ownership is reflected in the house improvements completed by the beneficiaries.

For CHF reporting purposes, improvements are considered all permanent changes done to the house by the beneficiary to better its original condition. Some of the most common improvements are: plastering of walls, protection bars in windows, flooring, fences, porches or sidewalks, water reservoirs, electric wiring and wall painting. Additionally, CHF considers house enlargements to be all expansion projects involving permanent materials that are covered by a waterproof roof. To date more than 72 % of the Starter Homes show either improvements or enlargements. This percentage is considerable since many families have only recently take possession of their home and are currently making monthly payments to CHF.

According to the last field supervision visit, the improvements or enlargements to the Starter Homes are summarized as follows:

TYPE OF BETTERMENT	PERCENTAGE
Enlargement	11%
Improvement (much) <sup>1</sup>	25%
Improvements (some) <sup>2</sup>	36%
None	28%

SOME IMPROVEMENTS OR ENLARGEMENTS IN COLONIA LA ESPERANZA,  
GUYAMITAS



<sup>1</sup> Three or more improvements done to the original house  
<sup>2</sup> One to two improvements done to the original house

#### 4. QUALITY CONTROL

CHF continues its quality monitoring campaign in order to guarantee the quality of materials used in construction as well as the basic services such as water.

During this quarter concrete block resistance and water quality tests were undertaken by qualified laboratories for San Juan, Urraco and Ebenezer, Guaymitas projects.

To date no major problems have been identified related with either materials or water quality in the communities where the Starter Home program has been implemented.

According to the National Water and Sanitation Authority (SANAA) some measures have to be taken by beneficiaries in order to improve water quality and protect actual water sources. This matter has been discussed with the Water Boards formed in each project.

#### 5. EMPLOYMENT GENERATED

A Starter Home takes an average of 10 days to build with the range being between 8 and 12 days. During construction each house is managed by a foreman and built by two bricklayers, one experienced helper and one unskilled laborer provided by the beneficiaries. *For each house built, there is an average of 1.67 person-months of local employment generated.*

Total number of person-months of employment generated to date: 866 Months

The following table shows the CHF personnel involved in the management, coordination and construction of the Starter Homes:

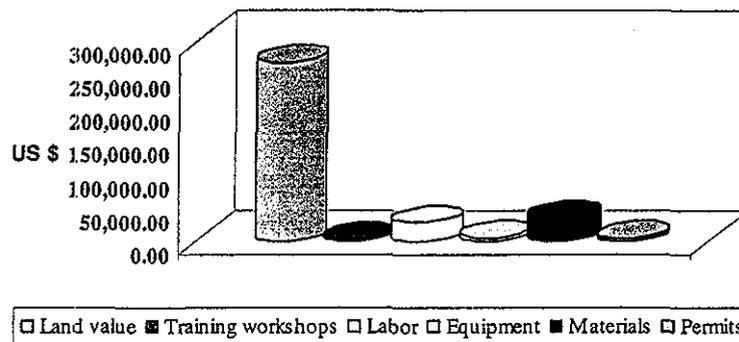
Title	Number	Status
Program Manager	1	Permanent CHF Staff
Technical Manager	1	
Assistant engineer	1	
Manager assistant	1	
Administrative Assistant	1	
Credit promoter	1	
Assisted Self-help construction promoter	1	
General services	2	
Foremen	2	Subcontracted personnel
Bricklayers	65	
Experienced helper	122	
Unskilled labor	65	Beneficiaries

## 6. COUNTERPART CONTRIBUTION

Accumulated to September 30 <sup>th</sup>	US\$ 345,571.98	Provided By
<b>DISTRIBUTION</b>		
Land value	77.7 %	Beneficiaries
Training workshops	0.60 %	Beneficiaries
Unskilled labor (beneficiaries)	8.30 %	Beneficiaries
Construction equipment	1.70 %	Beneficiaries Municipalities
Construction materials	10.4 %	Beneficiaries Municipalities
Construction permits	1.30 %	Municipalities
<b>TOTAL</b>	<b>100 %</b>	

The following chart graphically shows the counterpart distribution through September 30, 2001:

**COUNTERPART DISTRIBUTION**



After the construction of 519 Starter Homes the average counterpart contribution per unit is US\$ 665.84, which represents 43.8 % of the average construction cost per house, in other words, for each dollar invested by CHF with USAID funds, beneficiaries and local authorities have invested 44 cents. This result demonstrates the high level of participation and commitment from beneficiaries as well as other local community members where the Starter Home program has been implemented.

CHF has a counterpart commitment to this project of 25% of the amount funded by USAID including \$73,000 of cash contribution from CHF. Based on the average cost of homes to date, the number of homes completed and the counterpart reported to date, CHF is reporting 94.3 % of the expected counterpart including the cash contribution from CHF.

## 7. CREDIT

The following table shows the Starter Home program credit portfolio through September 30, 2001:

STARTER HOME CREDIT PORTFOLIO BY SEPTEMBER 30th , 2001

DEPARTMENT	CITY / COMMUNITY	PROJECT	# LOANS	AMOUNT US \$	TOTAL US \$
CHOLUTECA	CHOLUTECA	GRACIAS A CRISTO	16	815.00	13,040.00
	OROCUINA	DISPERSED	32	815.00	26,080.00
VALLE	SAN LORENZO	DISPERSED	64	815.00	52,160.00
YORO	AGUA BLANCA	GETSEMANI	140	730.00	102,200.00
	GUAYMITAS	LA ESPERANZA	71	960.00	68,160.00
CORTES	EL PORVENIR	EMMANUEL	130	730.00	94,900.00
YORO	URRACO	SAN JUAN	66	730.00	48,180.00
TOTAL			519		404,720.00

Of the 519 borrowers, 64 (12.33%) have cancelled their loan in full and ahead of schedule.

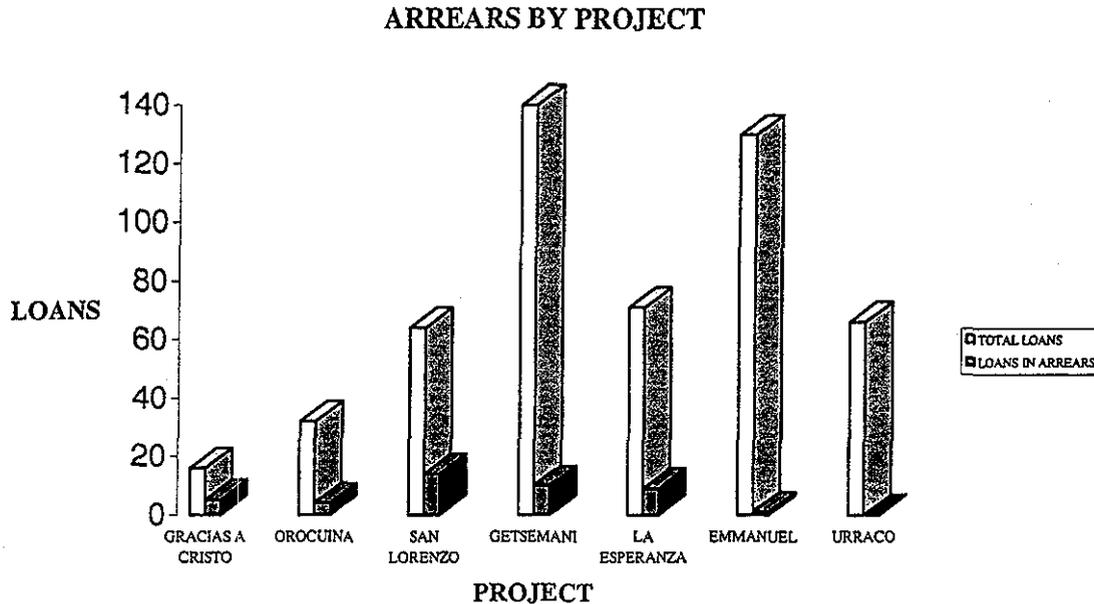
The individual loan amount for the beneficiaries in La Esperanza Guaymitas includes both the cost of the house and the full cost of the land. This is different from the majority of cases where the beneficiaries provided the land.

The following table shows arrears analysis (> 30 days) for the actual Starter Home loan portfolio:

ARREARS ANALYSIS

PROJECT	# LOANS	LOANS IN ARREARS	ARREARS PERCENTAGE	ARREARS STATUS (DAYS)		
				31-60	61-90	90 <
GRACIAS A CRISTO	16	5	31%	2	0	3
OROCUINA	32	4	13%	1	0	3
SAN LORENZO	64	14	22%	0	2	12
GETSEMANI	140	10	7%	6	3	1
LA ESPERANZA	71	9	13%	7	2	0
EMMANUEL	130	1	1%	1	0	0
URRACO	66	-	-	-	-	-
TOTAL	519	43	8%	17	7	19

The following chart shows the arrears distribution by project compared to the actual number of loans disbursed:



The cumulative repayment rate at September 30, 2001 was 92%, much lower than the expected goal of 98%. The effect of the Central American drought during this years rainy season as well as the shutdown of several apparel factories in the northern region has somewhat affected the program's loan repayment rate during this quarter. The numbers, however, fluctuate over the course of any loan program, and CHF expects to be able to maintain a 98% average rate.

To date the program has recovered US \$130,085.40 in loan reflows since the start of the project. The distribution of this amount is as follows: capital \$ 95,052.60 and interest \$ 35,032.80. CHF has started promoting new loans for home improvements or home expansions for the Starter Home beneficiaries who have cancelled their loans. Once construction activities are completed a more vigorous promotion of loans to non-Starter Home beneficiaries will take place. The reflows from the original home loans will be used to disburse new loans, and the interest will be used to cover CHF's costs to administer the program in the future. CHF expects to keep the Progreso office open beyond the December 31<sup>st</sup> project completion date, and to maintain current staff to manage the loan program.

## 8. CONSTRUCTION STATUS SUMMARY

The following table contains a complete update of the program's construction status:

No.	Community / City / Department	Projected Solutions	Built Solutions	Houses Under Construction	Houses Under Consideration
1	Gracias a Cristo, Choluteca	16	16		
2	Alto Verde, San Lorenzo	64 <sup>3</sup>	64		
3	Orocuina, Choluteca				
	Vista Hermosa	11	11		
	Sinai	8	8		
	Plazuela	4	4		
	Elizabeth	2	2		
	Los Encuentros	1	1		
	Los Cedritos	2	2		
	Villa San Pablo	3	3		
	El Centro	2	2		
4	Agua Blanca Sur, El Progreso	140	140		
5	El Porvenir I	112	112		
6	Guaymitas I ( La Esperanza)	71	71		
7	El Porvenir II ( Emmanuel)	20	18		
8	Guaymitas II ( Ebenezer)	116		80	116
9	Urraco ( San Juan)	66	66		
TOTAL to September 30, 2001		635	519		

## PROJECT BY PROJECT ADVANCEMENT

### Colonia San Juan, Urraco

A dedication ceremony for the 66 Starter Homes in Colonia San Juan Urraco was held on September 27<sup>th</sup>. Representatives from USAID, El Progreso Municipality and COBAHSA (Local banana company), as well as CHF staff, attended this ceremony.



With the completion of the Urraco project 519 houses have been built in 7 different communities in both southern and northern Honduras benefiting more 2,500 people.

### Colonia Ebenezer, Guaymitas

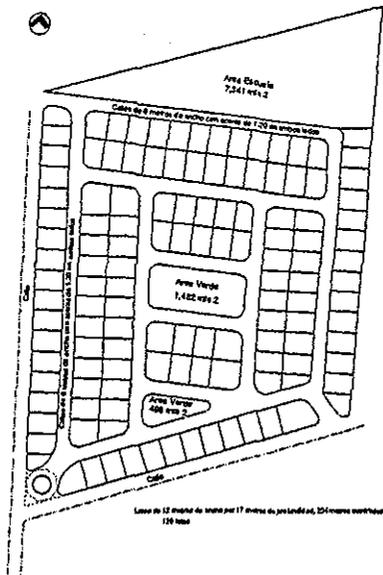
During this quarter a plot of land of nearly 4.6 Ha, suitable for the construction of Starter Homes, was identified and purchased by CHF in El Castaño, a neighborhood within the community of Guaymitas, Yoro. This site presented the ideal conditions for the development of a new housing project, and all legal steps were taken to ensure a clear title before purchase.

The following is a copy of the urban design for this project.

CHF in-house technical staff completed the urban design and the environmental guidelines that were submitted to USAID for approval.

This new development of 125 lots (205 m<sup>2</sup> each) will include two communal areas, as well as an area of nearly 7000 m<sup>2</sup> destined for the construction of a school. The community requested an area for a school, and the construction is a responsibility outside the scope of this project. Note, however, that there are adequate schools in the area to attend to the project population, as the project families come from the surrounding areas. The school is needed to attend to future growth.

Preliminary construction activities started in early September, and the conclusion of the project is scheduled for October 31<sup>st</sup>. The Starter Home team will be working against the daily problem of heavy rains, but the excellent planning and dedication of the team should prove to outmatch Mother Nature.



In this project, both Guaymitas and El Castaño Community Boards are involved in providing good road access as well as a permanent water system to this development. This type of commitment to providing counterpart is what has made the program so successful.

Colonia Ebenezer will be the last housing program under this cooperative agreement.

#### **G. Lessons Learned**

##### LAND

The only way to guarantee that a beneficiary will have a safe piece of land on which to build and that the land will have clear legal title is to develop housing projects on one large piece of land purchased by a program or the beneficiaries as a group. The families of these CHF housing projects have the assurance that the land on which they live belongs to them - a sense of confidence that the majority of families in Honduras do not have.

The beneficiaries who have already cancelled their loans ahead of schedule are now legal owners of both their home and land with the documents to prove it! To date CHF has issued clear legal titles to all beneficiaries who purchased land from the program and have cancelled their loans. A copy of one of these titles is annexed to this report.

#### **H. Environmental Issues**

##### SITE DEVELOPMENT IN CULTIVATED AREAS

As mentioned before, the Starter Home program is developing its last housing project in Colonia Ebenezer, Guaymitas. The property acquired by CHF for this purpose fulfills all the specifications required for a development of this type. The land, however, was previously used for the cultivation of orange trees and many of the trees had to be cut down to begin construction. The 4.6 hectares were fully cultivated with orange trees, planted diagonally from each other, 7 meters apart, covering an area of 49 m<sup>2</sup> each.

The conception and the final design of the Colonia Ebenezer project was completed with the goal of preserving as many of the trees as possible. Cutting of the trees was strictly limited to those either located within the circulation areas or in the Starter Home perimeter. The average number of trees cut by lot is one, and the average number of trees remaining per 204 m<sup>2</sup> lot is three. CHF has submitted a request to USAID asking for clarification with respect to cutting trees that were originally planted for cultivation. The question is: Is it necessary to plant 20 trees for every tree cut considering the actual situation?

To date all the projects executed by CHF under this cooperative agreement have reached a *harmonious integration with their natural surroundings*.

#### **I. Next Quarter Goals**

- Prepare final project inspections and final program report
- Maintain a 98% or higher repayment rate on the loan portfolio
- Reach the 100% occupancy rate