

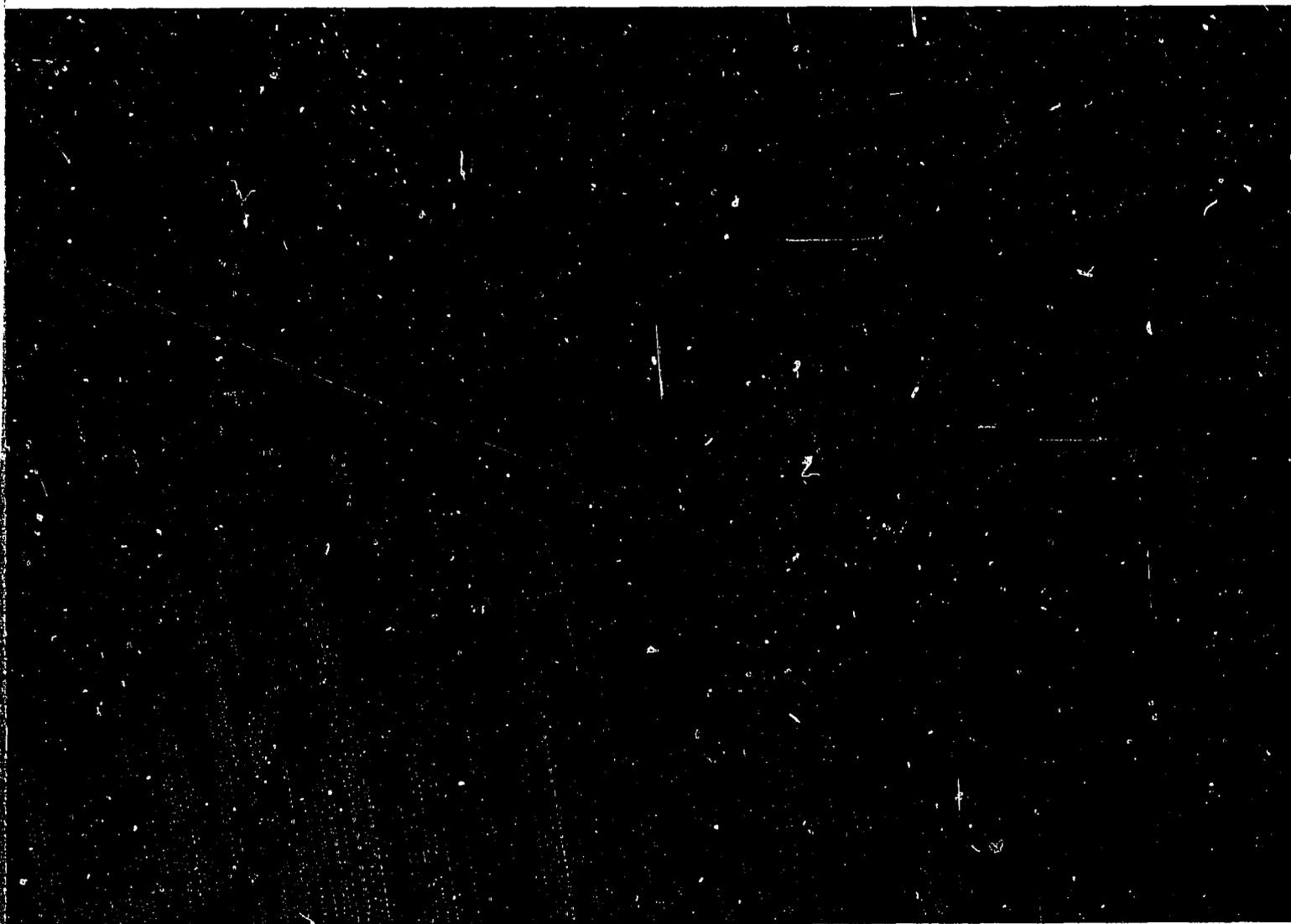
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**Agency
For
International
Development**

Office of Housing
Housing Guaranty Program

Fiscal Year 1976

Annual Report



A.I.D. Housing Guaranty Program

The Housing Guaranty program is a means of providing long term financing from U.S. lenders to finance housing projects and programs in developing nations. Through it, A.I.D. performs roles in the field of international housing finance roughly comparable to that of the Federal Home Loan Bank Board System and the Federal Housing Administration in the United States.

Proposed projects are developed by the prospective borrowers (sponsor) and analyzed by A.I.D. If agreement is reached on project financing, A.I.D. issues a commitment to guaranty, and the borrower can then find a U.S. lender (investor). The A.I.D. guaranty will compensate U.S. lenders for losses they may experience other than those resulting from their own fraud or misrepresentation. Maximum interest rates to U.S. lenders are established by A.I.D. on the basis of a formula established by legislation. These rates reflect the current cost of money on the U.S. mortgage market.

In recent years guaranties have gone to finance housing and basic shelter for the urban poor. These projects have been developed by institutions that are essential components of the developing nation's housing strategy, and have been negotiated on a noncompetitive basis. Prospective institutional borrowers may approach A.I.D. at any time to discuss proposals.

A.I.D. charges a fee for its guaranty, which covers operating expenses and provides reserves against claims. The program operates with minimal cost to the U.S. Government.

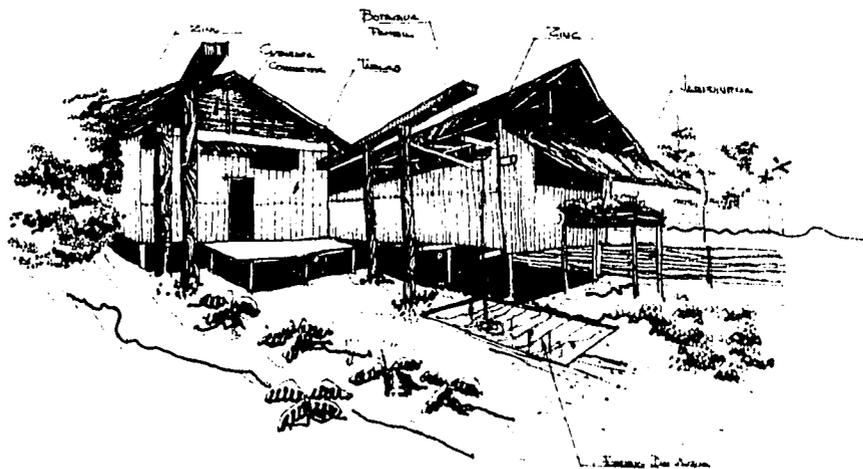
Introduction

The growth and magnitude of the world's shelter problems prompted the United States in the early sixties to experiment with a new concept, the Housing Guaranty Program (HG Program). This approach would facilitate the transfer of resources and technologies to other countries concerned with their shelter and related urban problems. A special authority was included in the Foreign Assistance Act of 1961, which has been amended over the years to increase the geographic scope and the authority of the Program.

This is a unique A.I.D. program in which U.S. private sector investors provide long-term financing for low-income housing programs in developing countries. The United States Government underwrites these transactions through the provision of a full faith and credit guaranty. Fees are charged for the guaranty and are used to cover operating costs. The HG Program is administered by A.I.D.'s Office of Housing and is self-sufficient, with

no use of appropriated funds. A reserve fund established from prior A.I.D. fee earnings is available to cover claims and operating expenses in excess of current income; at present the reserve fund is \$50,057,820.

The HG Program has grown from a \$10 million experiment to more than a billion dollar resource. It represents the largest single source of international financing for shelter, and is the United States' primary instrument for assisting countries to address the shelter problems of the urban poor. Since the inception of the pilot effort 116 project loans amounting to almost \$900 million have been authorized in thirty-six nations.



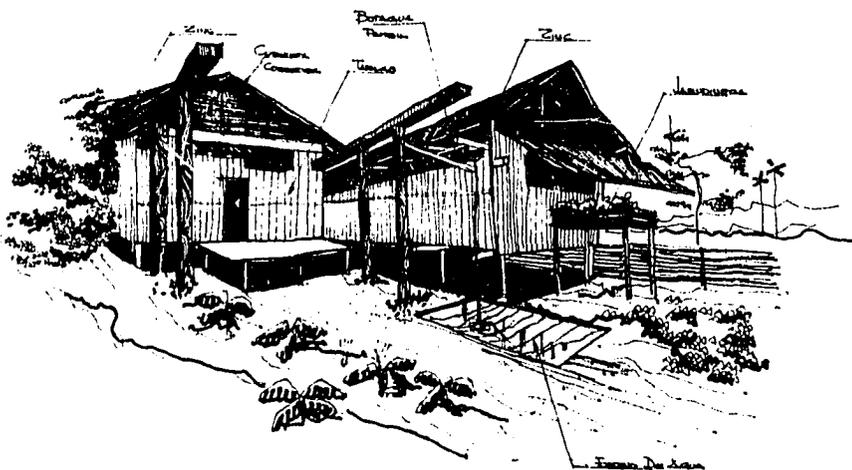
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FY 1976 Programs

A.I.D. changed its fiscal year from a June 30 to a September 30 closing during 1976. In order to accommodate this change FY 1976 became a fifteen month year. This Annual Report, therefore, represents the fifteen month transitional year. Many of the tables herein have been constructed to show figures for the normal twelve month period ending June 30, for the transitional quarter from July 1 to September 30, and for the entire fifteen month FY 1976.

During FY 1976, A.I.D. continued to focus the Agency's resources on the housing problems of lower income urban families. This was the principal direction taken by the Office of Housing in the development of new programs and projects under the Housing Guaranty Program during the year.



Nine new housing guaranty projects totalling \$125 million were authorized during FY 1976. Investors signed \$131 million of long-term loan agreements with government supported institutions. The investors and A.I.D. concurrently signed contracts of guaranty for each of the loan agreements.

In Portugal, a \$30 million housing program was authorized. It is to consist of a \$10 million supporting assistance loan and a \$20 million housing guaranty loan. The loans will be to the National Housing Development Fund to provide long-term financing of rental units and cooperative home ownership for low-income families.

In Israel, a \$25 million program was authorized and the long-term loan agreement and contract of guaranty was signed. The loan will be used in the Public Housing Program to finance homes of acceptable standards for purchase by families with incomes below the median level of the urban population.

In Korea, a \$25 million guaranty program was authorized and the loan agreement and contract of guaranty for \$15 million of this were signed. In addition, agreements were signed for two previously authorized programs in the amounts of \$25 million and \$5 million respectively. The programs include low-cost condominium apartments in Seoul and other cities and improvement projects for the slums and squatter areas of Seoul.

In Chile, the long-term loan agreement and contract of guaranty were signed for a \$30 million program to finance housing for families earning below the urban median family income. Funds will pass through both private and public sector institutions, and will support the growth and development of cooperative housing organizations. An additional \$25 million was authorized in FY 1976 for the same purposes.

Contract agreements were signed for an \$11 million dollar loan to the Central American Bank for Economic Intergration (C.A.B.E.I.). These loan funds are to be used by C.A.B.E.I. throughout Central America for the financing of homes for families earning below median urban income levels.

In Paraguay, a \$4 million loan was authorized for the National Savings and Loan Bank of Paraguay. \$3 million of it is to be used to finance low-cost housing units and \$1 million for home improvement loans.

In Peru, a \$5 million program was authorized for FY 1976 in order to make financing available to lower income families for utility services (water, sewer and electricity), basic minimal shelter and home improvements. It is intended that an additional \$10 million for these purposes be made available in each of FY 1977 and FY 1978.

In Zambia, a \$10 million program was authorized to finance projects by local municipal councils for the construction and sale of low-cost houses; by the National Building Society to expand its mortgage lending program to include lower-income households; and, by the National Housing Authority to establish a small loan Home Improvement Fund Program.

In Botswana, a \$2.6 million program was authorized to provide infrastructure for sites and services projects to permit the orderly expansion of the capital of Gaborone, and to strengthen local institutions in the management of lower-income households shelter programs.

In the Ivory Coast, an \$8.4 million loan was authorized as the first part of what is to be a \$21 million guaranteed loan. Matching funds are to come from the International Bank for Reconstruction and Development (World Bank) and the Government of the Ivory Coast. The \$63 million total will be utilized for sites and services projects, squatter upgrading, and low-income housing.

A.I.D. continues to stress the importance of assisting national efforts to develop and implement national housing policies. A comprehensive policy should achieve a national understanding of the dimensions and implications of the housing sector problem among all the groups concerned by providing a common data base and projections for both the public and private

sector. It is a selection of a cohesive set of goal-oriented actions, chosen from among alternatives and within a given context to guide and determine present and future decisions. A.I.D. believes that these policies should be given highest priority among international and bilateral agencies that are providing assistance to shelter related activities. The advantages of a national housing policy, as well as the organization and procedures necessary to develop such a policy, are part of the theme which is stressed at all conferences and seminars in which the Office of Housing participates, and is also discussed with all prospective borrowers.

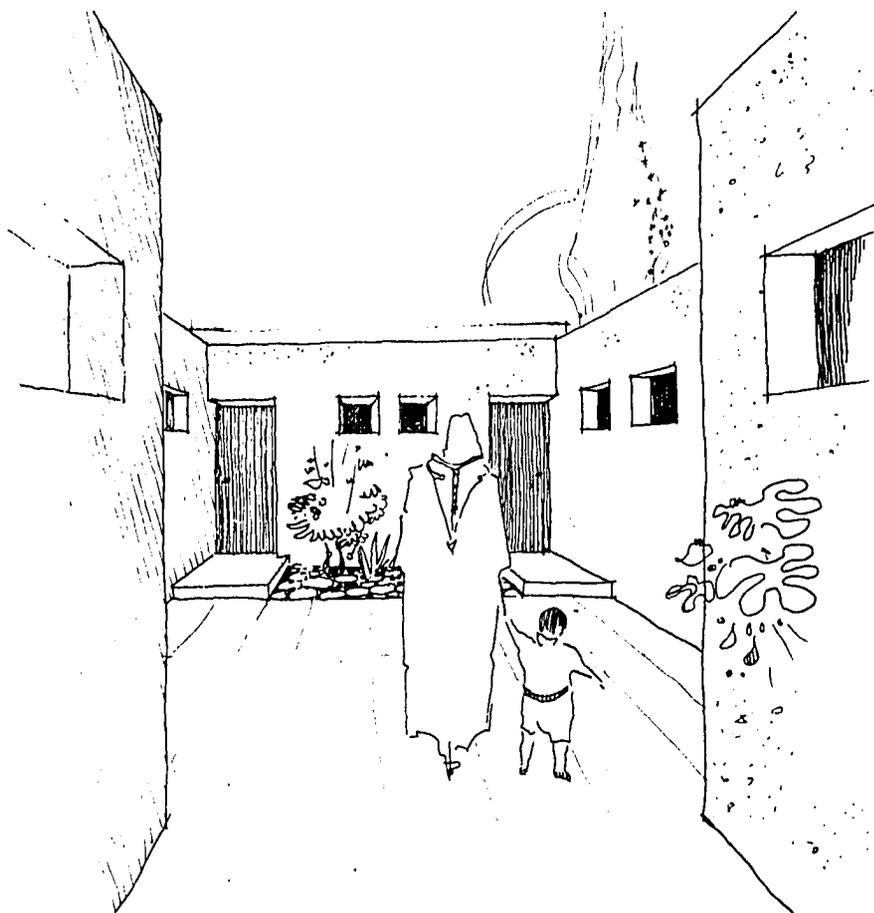
A good example of this emphasis is the case of Korea. The Government of Korea requested A.I.D. assistance in up-dating a shelter sector analysis. Such an analysis is normally the first step in consideration of HG loan application. In addition to helping initiate an innovative guaranty loan for the slum upgrading program, the analysis generated Government of Korea interest in consultant services to help them develop a national housing policy. This policy, which was officially adopted on May 1, 1975, is expected to improve the shelter conditions for lower income groups. It emphasizes (1) increased housing construction investments to lower income shelter by both public and private sectors, (2) infrastructure development related to upgrading communities, (3) maximum use of existing housing stock, (4) upgrading of the housing and building materials industries and (5) reorganization of government housing administrative services.

Program Development

Policy

The policies of the Agency have continued to reflect the Congressional mandate to concentrate AID's programs on the "poor majority." Experience with the Shelter Sector Policy adopted in 1973 led to a revised Policy Statement which was issued in October, 1974. This paper, which is included in its entirety at the end of this report,

states that AID shelter resources will be invested in projects benefiting low income groups both directly and indirectly. This is defined as the poorer half of the urban population of a given country or city. All projects authorized during and after FY 1975 have met this guideline.

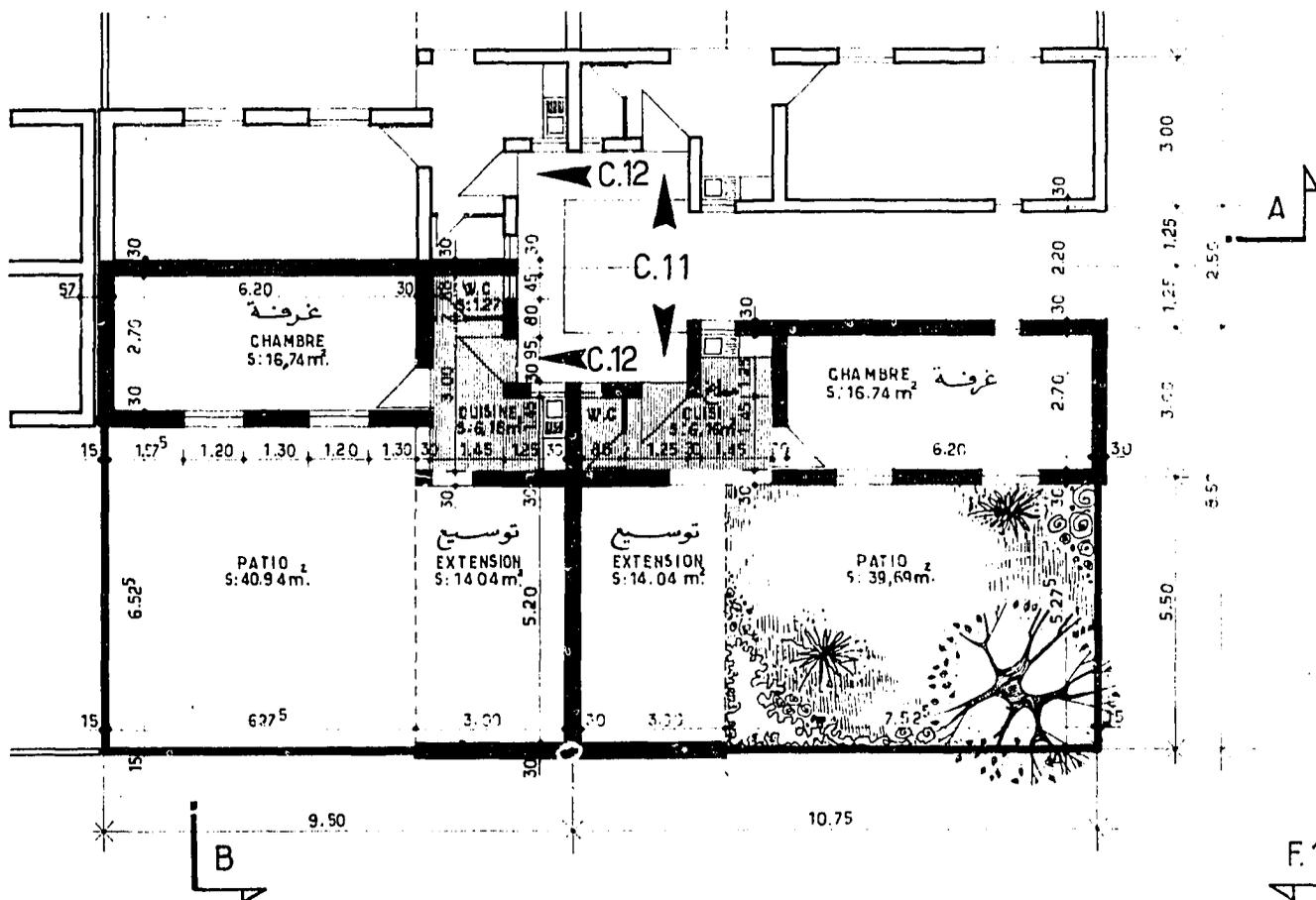


The Shelter Sector Assessment which precedes a decision on the development of a housing guaranty program includes a calculation of the median income in the city or cities in which the program is to be undertaken. Housing programs are being designed to be within the reach of families earning below the median income. Housing standards must often be lowered in order to achieve a housing unit affordable by significant numbers of the target

population. This usually results in housing projects which offer something less than a complete "standard" unit (with several rooms, and sanitary facilities), such as core houses or sites-and-services.

In 1976, A.I.D. adopted a comprehensive Policy Statement on Urbanization and the Urban Poor that notes that, "... in the cities of

many developing countries more than 50 percent of the population is reported to be living in squatter settlements and slums—and are straining existing urban facilities, services and other resources, as well as the ability of the national economy to be responsive." The Housing Investment Guaranty program is A.I.D.'s major resource available to make significant capital investments in cities of the less developed countries. This Policy Statement is also included in its entirety at the end of this report.



New Program Directions

The following are examples of the kinds of projects presently financed by the HG Program (1) slum upgrading, including facilities for water, sewage, electricity, roads, etc. as well as building materials for self-help home improvement; (2) sites and services, including preparing vacant areas for productive shelter use by providing the land, installing water and sewerage lines, dividing the land into uniform lots and construction of some common-use facilities; (3) core housing, involving basically a sites-and-services project with the addition of a rudimentary housing shell on each lot (perhaps four walls, a roof, and water facilities) designed to be improved by the owner; (4) low cost housing units for sale or rental. All projects include institution building objectives, involving the support of permanent housing institutions including finance institutions.

The Office of Housing is currently developing an expanded approach that will encourage local institutions to consider more than just the financial and physical aspects of their shelter programs. This should also include in the planning process the social and economic components of low income neighborhoods in an effort to improve, incrementally, the quality of life for the residents of these areas. The U.S. Congress approved an additional \$125 million in guaranty authority during FY 1976, increasing the statutory authority to \$1,055.1 million.

In summary, FY 1976 activity and cumulative totals are as follows:

	(In Millions of Dollars)	
	FY 1976	Total
Legislative Authority	125	1,055.1
Authorizations	125	868.9
Contracts Signed	131	714.3
Disbursements	128.4	597.6

International Conferences

In April, 1976, the third African Conference on Housing was sponsored by A.I.D.'s Office of Housing. The conference was held in Nairobi, Kenya, and was jointly hosted by the Kenya National Housing Corporation, the Ministry of Housing and Social Services, and the Nairobi City Council. One hundred and six representatives from fourteen African countries, one Middle-East Country, and four international agencies, attended the four day conference. The main theme of the conference was "Housing for Lower Income Groups," and ten papers were presented in six working sessions.

The fourteenth annual Inter-American Savings and Loan Conference, which A.I.D. co-sponsored with the National Savings and Loan League, the United States League of Savings Associations, the Inter-American Savings and Loan Union, the Venezuelan Savings & Loan System, and the Inter-American Savings & Loan Bank, was held in Caracas, Venezuela in March, 1976. Delegates attending represented virtually all the countries in the Western Hemisphere. With the assistance and encouragement of



the A.I.D. Office of Housing, the Inter-American Union is assuming increasing responsibility for the organization and management of this annual conference.

The Office of Housing has placed a great deal of importance on the need to regularly meet with its potential and present clients throughout the developing world. Not only does this provide the Office of Housing with an opportunity to bring to the attention of the users of HG resources new ideas and changes in program emphasis, but the meetings also provide representatives from various countries the opportunity to exchange information among themselves about similarities and differences in their respective

housing and urban development situations. Therefore, in addition to the conferences which it sponsored, the Office of Housing has attended and participated in other international conferences. These included the United Nations Habitat Conference held in Vancouver, Canada and the fourth annual low-cost housing conference held in Tegucigalpa, Honduras under the joint sponsorship of the Central American Development Bank and The Housing Institute of Honduras.

Technical Assistance

During the past year, the Office of Housing continued to provide technical assistance to borrowing institutions under the Housing Guaranty Program. Assistance was provided in: housing policy development; financial management; mortgage servicing; project planning; and construction management and inspection. These services were financed from fee income in order to help borrowers improve their planning and management capabilities.



In response to requests from developing countries through USAID Missions, the Office of Housing has provided specialized services in a variety of fields. These services have been financed by both the host country and USAID Missions. In **Egypt** the Office of Housing, in collaboration with Egyptian housing experts, conducted a broad examination of their national housing program and identified major areas for intensive study to formulate specific actions. In **Portugal** the Office of Housing together with Portuguese officials, has planned a Technical Assistance and Training Program. At the request of the **Syria** General Housing Authority, assistance was provided in studying the expansion of Damascus and preparing the terms of reference for planning a new town at Dimas, a suburb of Damascus.

Assistance was provided to the American Embassy in **Cyprus** in reviewing Greek-Cypriot refugee housing, financially supported through the UN High Commission for Refugees.

In response to a request from the Government of **Bahrain** the Office of Housing recruited a long term resident housing advisor to the Ministry of Housing.

Under an A.I.D. financed technical assistance grant to the **Cameroon**, the Office is procuring the services of two long term in-residence housing advisors, to develop and administer a low cost housing program to be financed by an AID guaranteed housing loan.

The Office continues to be active in providing technical services where the host country is able to fully pay for such services. Under a Country Financed Service Agreement, we are providing two American specialists as staff members of the National Housing Authority of **Kuwait**. At the request of **Dubai**, United Arab Emirates, the office provided a team of housing specialists to prepare the terms of reference for the comprehensive planning of Dubai Municipality.

For a number of years, A.I.D. provided technical assistance for loans to the National Housing Bank of the **Dominican Republic**. At the request of the Bank in 1976 a specialist in financial management and mortgage servicing was provided, paid for by the Bank, reflecting its maturity and strength.

The **Caribbean Development Bank** was assisted in the evaluation of a development loan for housing as well as the conduct of a seminar for seller services.

The **Central American Bank for Economic Integration (C.A.B.E.I.)** was assisted through evaluation of the current housing projections of the Bank designed to improve the organizational structure.

In **Panama** a loan-funded feasibility study was carried out regarding a proposal to establish a secondary mortgage market.

In **Bolivia** a program of technical assistance to the Central Savings and Loan Bank was initiated under development loan financing. This was designed to assist the Bolivian Savings and Loan System to upgrade its administrative efficiency through adoption of new procedures and acquisition of more modern equipment.

Methodology

The Housing Guaranty Program involves collaboration with a local housing institution, such as a national housing authority, a central savings and loan system, a national cooperative organization or similar public or non-profit private institution acting as borrower.

Following a request from the country, A.I.D. working with host country officials, will do a shelter sector analysis to determine the existing situation. Within the context of this analysis, A.I.D. reviews with the borrower the type of housing program to be financed and the institutional context within which it will be undertaken. A.I.D.'s concerns at this stage include: (a) the progress which has been made towards the development of a national housing policy; (b) the contribution which the program will make towards the creation or strengthening of institutions needed to meet national housing needs; (c) the capacity of the construction industry to supply housing over a given period; (d) the effective demand for housing at the agreed-

upon price level; and (e) the ability of the economy to repay the proposed loan. When a mutually agreeable program has been developed, A.I.D. offers to guaranty repayment to any eligible U.S. investor who makes a loan for this program.

The borrower then seeks the most favorable terms available in the U.S. capital market for a U.S. Government guaranteed loan. The U.S. investor and the borrower agree on the terms of the long-term financing (within interest rate ceilings set by A.I.D. in accordance with the law, which reflect the prevailing interest rate for long-term mortgages in the United States) and sign agreements incorporating these terms. At the same time, A.I.D. and the borrower enter into agreements defining the use of the loan. A typical housing guaranty loan is disbursed over a period of several years.



Administration And Organization

In FY 1976 the Office of Housing continued to modify its organization and develop its administrative procedures to carry out its world-wide responsibility.

In FY 1976 the Office of Housing established a new regional field office in Seoul, Korea. The field offices in Nairobi, Kenya and Abidjan, Ivory Coast continued to administer projects in east and west Africa, respectively. The office in Tegucigalpa, Honduras covered Central America. Plans were developed for new regional offices in the Middle East and South America and for increasing the staff of each office. An office was opened in Santiago, Chile which operates only in that country.

A.I.D. charges a fee for its guaranty, which covers the direct operating expenses of the program. During FY 1976 as in prior years, virtually all fee income was expended in program development and monitoring and in the provision of technical assistance.

Fee income for FY 1976 (15 months) was \$4,773,427.82, which exceeded operating expenses of \$3,779,363.45, leaving a surplus of \$994,064.04. This was credited to reserves from which claims of \$1,469,254.42 were paid. The claims paid included a write-off of \$833,465.00 as an adjustment of amounts previously considered recoverable and covering a period dating back to 1972.

In accordance with A.I.D. policy, the Office of Housing utilizes the services of private contractors. Substantial contribution to the year's achievements is attributable to the work of the following contractors:

The National Savings and Loan League monitors the financial transactions involved in administering mortgage collections, remittances to fiscal agents and payments to investors. It also assists the Office of Housing in the development of new programs for housing investment, and then reviews the implementation progress through on-site inspections.

The Foundation for Cooperative Housing assists in the development of housing programs, particularly those utilizing cooperatives as a management device and/or those dealing with squatter rehabilitation.

The Institute of Financial Education carries out a program in support of savings and loan management training including sponsorship of seminars, extension courses, and participant training.

The Federal Home Loan Bank Board provides advisory services in housing finance and mortgage finance administration. The services include to some degree those of the Federal Home Loan Mortgage Corporation.

The American Security and Trust Company acts as the Central Fiscal Agent for the Housing Guaranty Program, and as depository for the Central Reserve Fund.

The Interamerican Savings and Loan Union carries out a program of savings and loan promotion in Latin America including holding the Annual Interamerican Savings and Loan Conference and a series of regional training seminars.

Planning and Development Collaborative (PADCO) performed several contracts for the Office of Housing during the fiscal year with emphasis on the area of housing policy guidance.

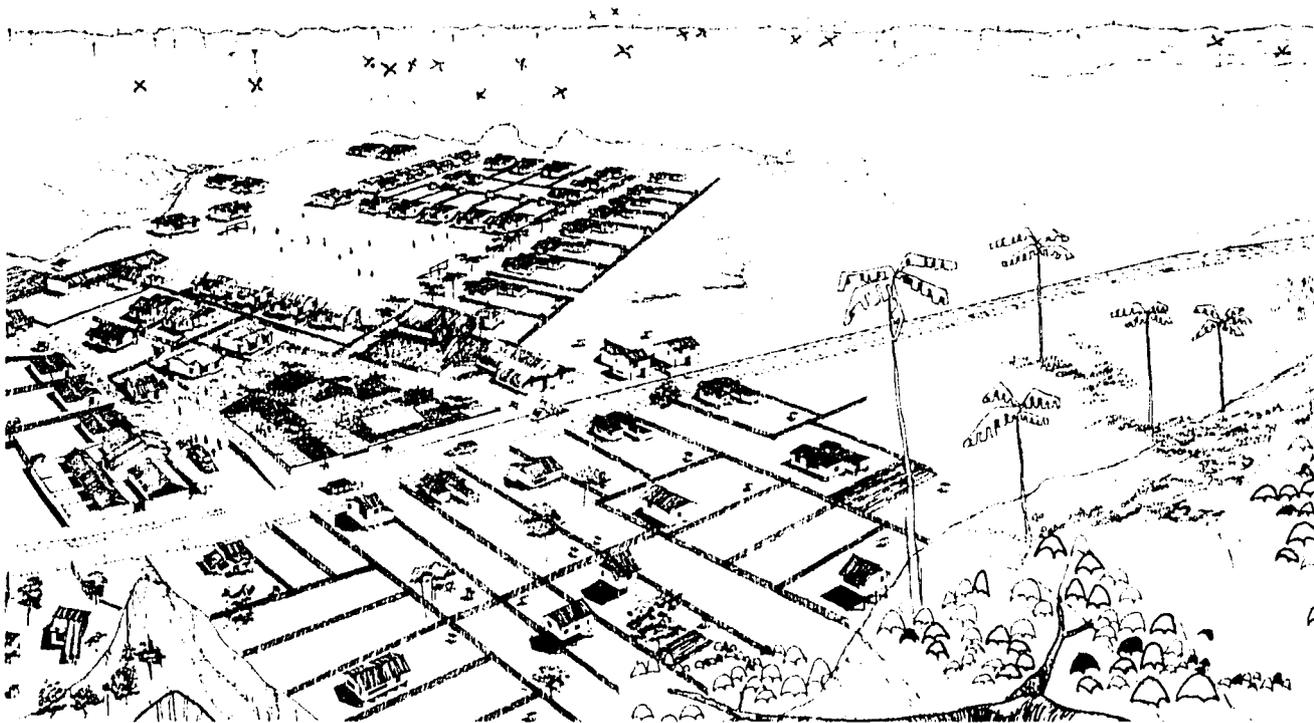
Boone, Young Inc. - Abeles Schwartz, Inc. performed an evaluation assignment and a study in Israel.

Ecoforum performed a shelter sector survey for Ecuador.

Phoenix Housing Development Corp. performed assignments in Botswana and Liberia; **Pratt Associates** in Egypt, Chile and Korea; **Real Estate Research Corp.**, in Zambia and Kenya; and **Washington Service Corp.** in the Caribbean.

Communications Corps prepared a film for presentation at the Habitat Conference in Vancouver.

The Interamerican Bar Association completed a study of legislation affecting housing in Latin America, and **Jones, Day, Reavis, Poague, Inc.** represented the Agency in an arbitration proceeding.

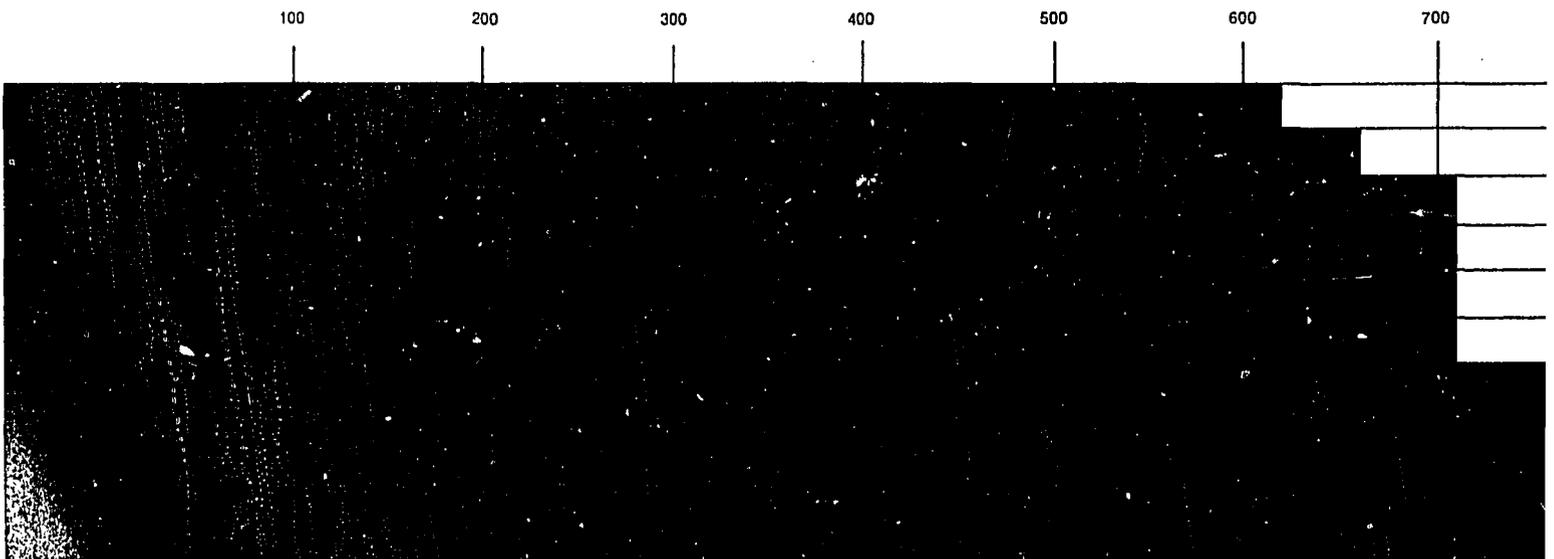


Investors

In recent years, the biggest source of investment has been the U.S. savings and loan industry acting through the Federal Home Loan Banks of New York and Boston. They continued to invest during FY 1976, in the form of five loans, totaling \$105 million. These loans were for two projects in Korea (\$30 million), and one project each in Chile (\$30 million), Israel (\$25 million), and Portugal (\$20 million). Participation interests in the projects will be sold to individual savings and loan associations throughout the U.S.

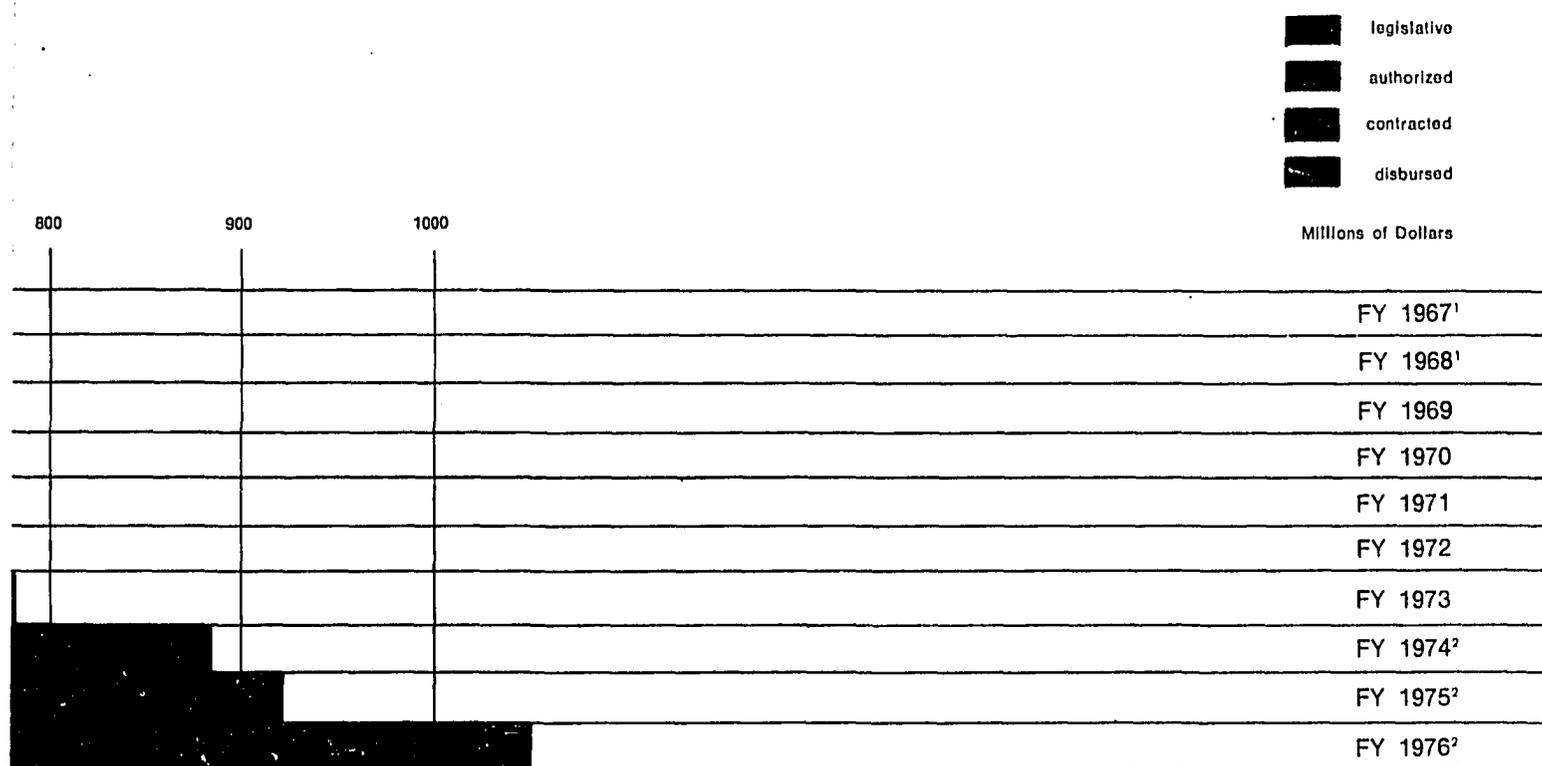
Morgan Guaranty Trust Company, as the leader of a consortium of commercial banks, and savings and loan associations made two loans, totaling \$26 million. These were loans to Korea (\$15 million) and the Central American Bank for Economic Integration (\$11 million).

Status Of Guaranty Programs



During the year, the Office of Housing continued to follow a policy of encouraging maximum U.S. Investor participation in the program through public advertisements and mailings.

Interest rates to the investors ranged from 8.87% to 9.25%, with terms of repayment from 25 to 30 years.



¹ Figures developed from Reports prepared by Washington Federal on L.A. housing projects and includes estimates on Worldwide housing projects.
² Figures do not include \$6.3 million for three projects in Guatemala that have fully repaid that amount and are no longer under guaranty.

Financial Report

Statement of Financial Condition

	As of June 30, 1976	As of September 30, 1976
Assets		
Funds with U.S. Treasury	\$48,303,629.82	\$47,681,905.05
Advances to Contractors	290,000.00	290,000.00
Accrued Fees Receivable	881,979.69	718,977.99
Accounts Receivable	30,263.88	30,187.05
Travel Advances	7,174.72	5,856.33
Prepaid Expenses	3,161.77	1,580.89
Subrogated Claims	2,125,000.81	1,887,512.93
TOTAL ASSETS	\$51,641,210.69	\$50,616,020.24
Liabilities & Net Worth		
Liabilities		
Accounts Payable	\$ 25,250.00	\$ 6,000.00
Accrued Expenses Payable	757,982.28	552,200.01
Accrued Annual Leave	114,130.66	117,595.85
TOTAL LIABILITIES	\$ 897,362.94	\$ 675,795.86
Net Worth		
Capital	\$47,042,916.00	\$47,042,916.00
Credit Guaranty Reserve [Sect. 222 A (e)] ¹	2,996,917.22	2,997,999.55
Cumulative Income (Beginning of Fiscal Year)	492,095.06	492,095.06
Net Income or (Loss) (Fiscal Year Ended)	326,050.13	(475,190.38)
TOTAL NET WORTH	\$50,857,978.41	\$50,057,820.23
Unfunded Activity		
Unfunded Accrued Annual Leave	\$ (114,130.66)	\$ (117,595.85)
Total Liabilities & Net Worth	\$51,641,210.69	\$50,616,020.24

¹ "FAA Section 223(b) provides for a reserve which together with accumulated fee income shall be available to discharge liabilities under guaranties. Should the foregoing be insufficient at any time to permit A.I.D. to discharge its obligations, Congress would have to appropriate funds to fulfill the pledge of full faith and credit to which guaranties are entitled. Standing authority for such appropriations is contained in FAA Section 223(b)."

Statement of Income & Expenses

	4 Quarters From 7/1/75 To 6/30/76	1 Quarter From 7/1/76 To 9/30/76	5 Quarters Fiscal Year 1976
Fee Income			
Latin America	\$2,373,828.72 ¹	\$ 585,946.02 ²	\$2,959,774.74
Other Regions	1,408,490.69	405,162.06	1,813,652.75
Gross Income	\$3,782,319.41	\$ 991,108.08	\$4,773,427.49
Operating Expenses			
Personnel Compensation	\$ 916,950.90	\$ 249,724.43	\$1,166,675.33
Contractual Compensation	1,587,185.98	419,211.08	2,006,397.06
Travel and Related Costs	157,875.13	39,560.00	197,435.13
Misc. Administrative Costs	158,817.20	36,038.73	194,855.93
Agency Support Costs	171,000.00	43,000.00	214,000.00
Total Operating Expenses	\$2,991,829.21	\$ 787,534.24	\$3,779,363.45
Net Results of Current FY Operations	\$ 790,490.20	\$ 203,573.84	\$ 994,064.04
Non-Operating Expenses: Non-recoverable Claims	488,892.70	171,349.35	660,242.05

Statement of Income & Expenses	4 Quarters From 7/1/75 To 6/30/76	1 Quarter From 7/1/76 To 9/30/76	5 Quarters Fiscal Year 1976
Net Income for the Current FY	\$ 301,597.50	\$ 32,224.49	\$ 333,821.99
Prior FY Adjustments: Gains or (Losses)	24,452.63	(833,465.00) ²	(809,012.37)
Net Income or (Loss) from Funded Activity	\$ 326,050.13	\$ (801,240.51)	\$ (475,190.38)
Unfunded Activity			
Increase in Annual Leave Balance	(3,409.70)	(3,465.19)	(6,874.89)
Net Income or (Loss)	\$ 322,640.43	\$ (804,705.70)	\$ (482,065.27)

¹ Does not include \$103,253.48 in fee income for four projects in Peru which is paid directly to the investors for non-recoverable claims.
² Does not include \$24,342.92 in fee income for four projects in Peru which is paid directly to the investors for non-recoverable claims.
³ Represents write-off of amount previously considered recoverable on project Argentina 510-HG-001 which, due to decision by the Government of Argentina not to implement decree guarantying dollar repayment of loan, was determined to unrecoverable.

Statement of Contract Issuing Authority as of September 30, 1976

I. Congressional Authority

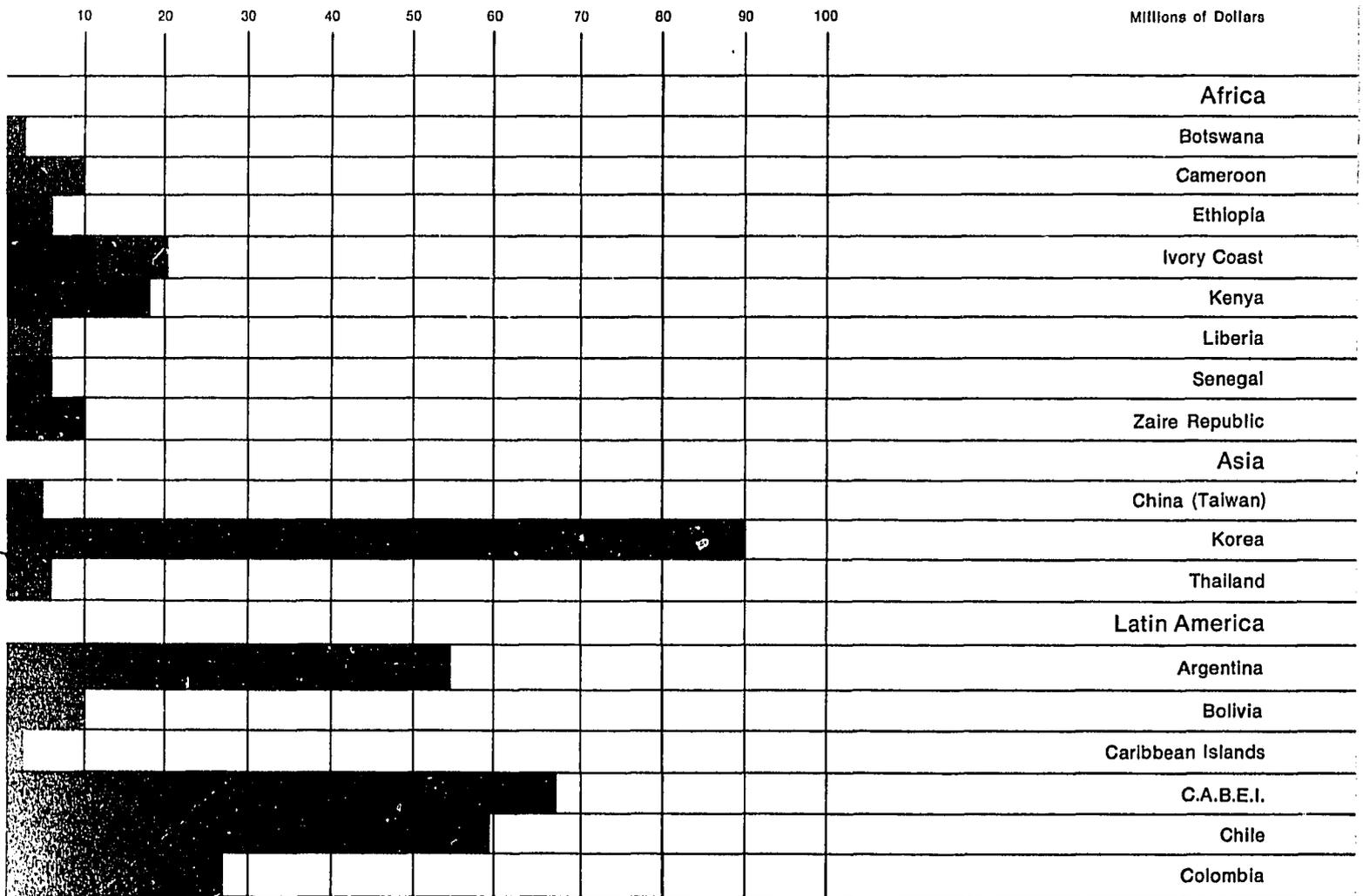
A. Worldwide Housing Guaranties		
1. FAA 1969 (Section 221)		\$ 430,000,000
2. Prior Authority (Section 223d)		25,100,000
B. Housing Projects in Latin American Countries (Section 222)		600,000,000
TOTAL CONGRESSIONAL AUTHORITY		<u>\$1,055,100,000</u>

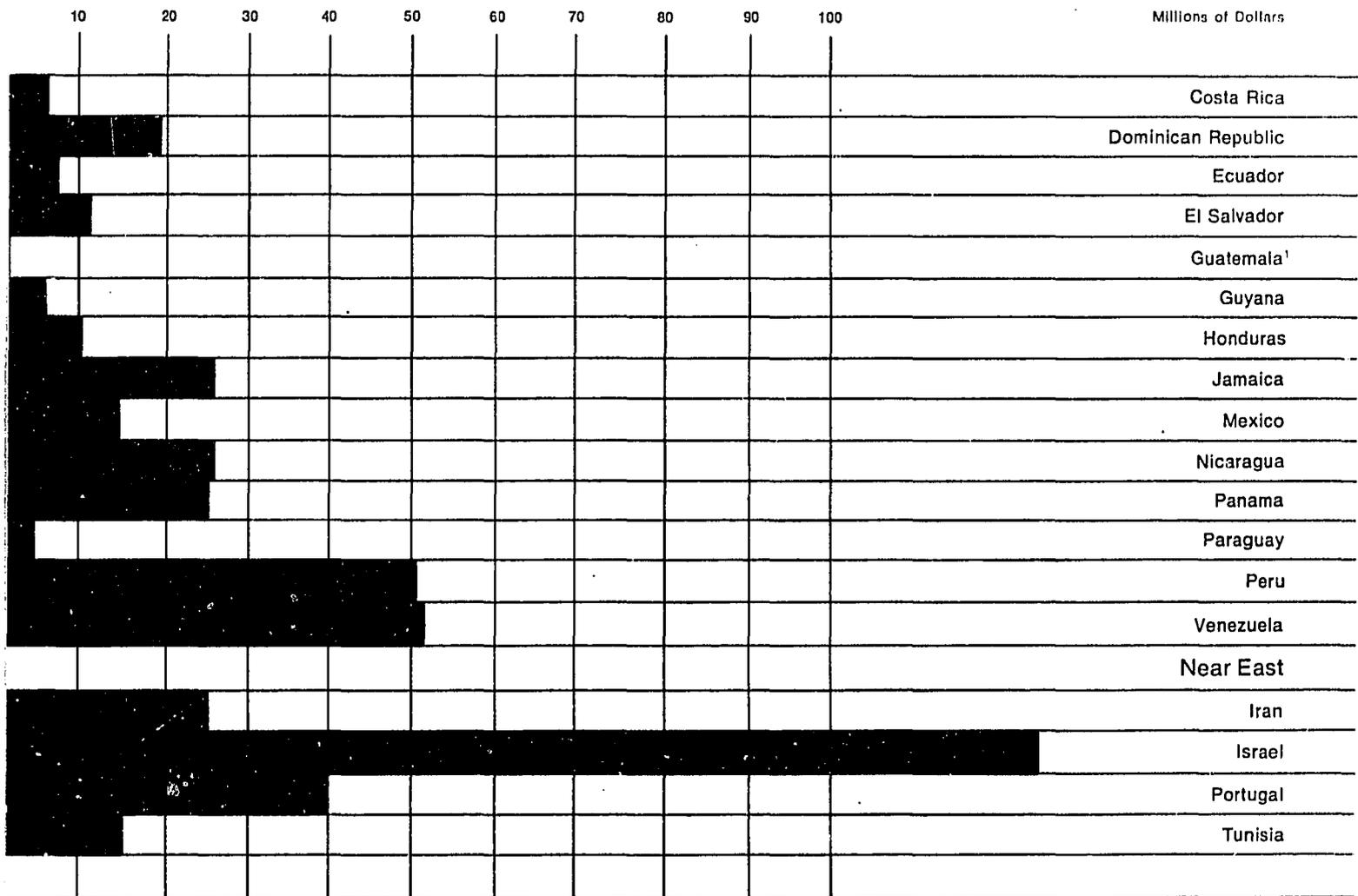
II. Program Status

	No. of Projects	Dollar Amount
A. Total Projects Authorized		
1. Total Projects Authorized & Under Contract		
Africa	8	\$ 49,026,800
Asia	7	84,755,000
Latin America	72	395,510,682
Near East	8	184,992,800
TOTAL	<u>95</u>	<u>\$714,285,282</u>
2. Total Projects Authorized & Fully Repaid		
Latin America	3	\$ 6,317,000
3. Total Projects Authorized & Not Yet Under Contract		
Africa	5	36,000,000
Asia	2	15,000,000
Latin America	8	83,600,000
Near East	1	20,000,000
TOTAL	<u>16</u>	<u>\$154,600,000</u>
4. Total Projects Authorized		
	<u>114</u>	<u>\$875,202,282</u>
B. Total Authority Available		
Worldwide		\$ 65,325,400
Latin America		120,889,318
TOTAL		<u>\$186,214,718</u>
C. Total Projects in Process Not Yet Authorized		
Africa		\$ 13,000,000
Asia		25,000,000
Latin America		75,000,000
Near East		60,000,000
TOTAL		<u>\$173,000,000</u>

Country Information


 authorized
 contracted
 disbursed
 Millions of Dollars





¹ Figures do not include \$6.3 million for three projects in Guatemala that have fully repaid that amount and are no longer under guaranty.

**Projects
Authorized
And
Under
Contract**

Africa

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/76
Ethiopia				
Bole	663-HG-001	5,000,000	1,541,202	1,423,409
Totals		5,000,000	1,541,202	1,423,409
Ivory Coast				
Cite Fairmont	681-HG-001	2,032,800	2,032,792	1,517,493
SOGEFIHA	681-HG-002	10,000,000	10,000,000	9,829,212
Totals		12,032,800	12,032,792	11,346,705
Kenya				
Kimathi Estate	615-HG-001	1,994,000	1,993,073	1,723,856
Nairobi City Council	615-HG-003	10,000,000	2,750,000	2,750,000
Nat'l Housing Corp.	615-HG-004	5,000,000	500,000	500,000
Totals		10,994,000	5,243,073	4,973,856
Senegal				
Patte d'Oie	685-HG-001	5,000,000	4,999,997	4,093,886
Totals		5,000,000		
Zaire Republic				
CNECI	660-HG-001	10,000,000	10,000,000	9,906,320
Totals		10,000,000		
Totals All Projects		49,026,800	38,817,064	31,774,176

Asia

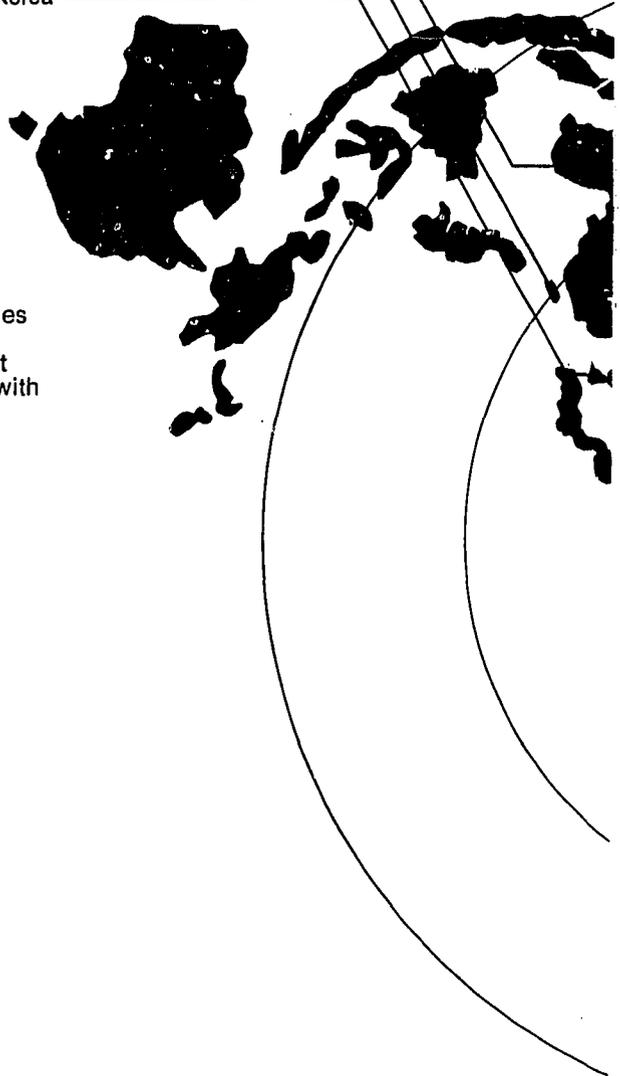
Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/76
Republic of China Union Villa II	484-HG-001,2,3	4,794,000	4,793,417	3,391,269
Korea				
Korea Housing Corp.	489-HG-001	10,000,000	10,000,000	10,000,000
Korea Housing Corp.	489-HG-002	20,000,000	20,000,000	20,000,000
Korea Housing Corp.	489-HG-003	25,000,000	25,000,000	25,000,000
City of Seoul	489-HG-004	5,000,000	600,000	600,000
Korea National Housing Corp.	489-HG-005	15,000,000	6,000,000	6,000,000
Totals		<u>75,000,000</u>	<u>61,600,000</u>	<u>61,600,000</u>
Thailand				
Soi Nuj	493-HG-002A,B,C	4,961,000	4,960,149	3,520,253
Total All Projects		<u>84,755,000</u>	<u>71,353,566</u>	<u>68,511,522</u>

Latin America

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/76
Argentina				
Field Argentina	510-HG-001	4,922,000	4,921,384	3,259,263
AIFLD	510-HG-003	13,000,000	13,000,000	11,293,498
SUPE/UPCN/UNIMEV	510-HG-004	5,800,000	5,800,000	5,271,332
B.H.N.	510-HG-005	10,000,000	10,000,000	9,532,854
UNIMEV-SITRA	510-HG-006,7	6,000,000	6,000,000	5,915,083
Totals		<u>39,722,000</u>	<u>39,721,394</u>	<u>35,272,030</u>
Bolivia				
Caja Central	511-HG-003	3,600,000	3,600,000	3,410,124
Los Pinos	511-HG-004	6,000,000	3,100,000	3,100,000
Totals		<u>9,600,000</u>	<u>6,700,000</u>	<u>6,510,124</u>
C.A.B.E.I.				
Central America	596-HG-001	10,000,000	10,000,000	9,404,230
Comunidad Modelo	596-HG-002A	6,000,000	1,000,000	1,000,000
Viviendas Cooper.	596-HG-002B	5,000,000		
Banco Centro Amer.	596-HG-003I	12,000,000	12,000,000	12,000,000
Banco Centro Amer.	596-HG-003II	11,000,000	4,000,000	4,000,000
Totals		<u>44,000,000</u>	<u>27,000,000</u>	<u>26,404,230</u>

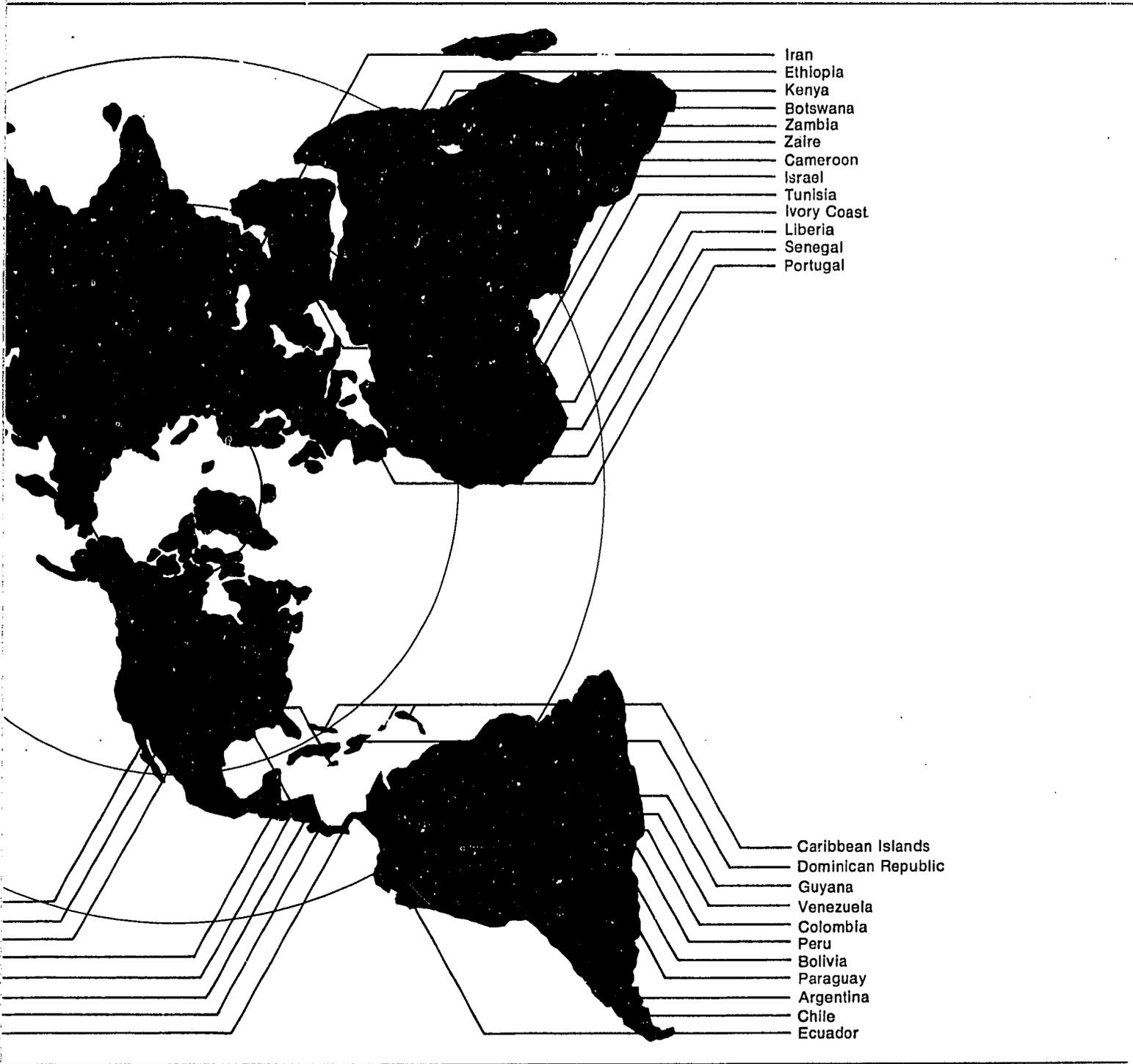
**A.I.D.
Activities**

Thailand
China (Taiwan)
Korea



A.I.D. has authorized housing guaranty programs in 35 countries as shown on the map on these pages. The tables in this booklet give more detailed information with regard to each project.

Jamaica
Honduras
Mexico
Guatemala
El Salvador
Nicaragua
Costa Rica
Panama



Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/76
Chile				
La Libertad	513-HG-003	1,000,000	1,000,000	772,216
Concepcion	513-HG-004	1,690,000	1,690,000	1,451,479
INVICA	513-HG-005	2,000,000	2,000,000	1,532,045
Central Bank	513-HG-006	30,000,000	23,000,000	23,000,000
Totals		34,690,000	27,690,000	26,855,740
Colombia				
VIPASA	514-HG-001	8,179,000	8,178,084	3,466,288
La Esmeralda	514-HG-002	10,207,000	10,207,000	7,020,151
Castilla	514-HG-003	8,481,000	8,481,000	6,148,380
Totals		26,867,000	26,866,084	16,634,819
Costa Rica				
Desarrollo Urbano	515-HG-003	2,000,000	1,999,992	1,670,764
Jardines De Tibas, SA	515-HG-004	2,500,000	2,499,799	2,281,056
INVECO, SA	515-HG-005	2,100,000	2,098,220	2,062,580
Totals		6,600,000	6,598,011	6,014,400
Dominican Republic				
COINFO	517-HG-003	3,400,000	3,331,690	1,653,789
La Agustina	517-HG-005	2,135,000	2,118,036	1,531,584
B.N.V.	517-HG-006	6,000,000	6,000,000	5,385,216
FALCONDO	517-HG-007	3,500,000	860,000	860,000
B.N.V.	517-HG-008	4,000,000	4,000,000	4,000,000
Totals		19,035,000	16,309,726	13,430,589
Ecuador				
La Chala	518-HG-003	1,400,000	1,396,726	1,214,050
B.E.V.	518-HG-004	6,000,000	6,000,000	5,967,230
Totals		7,400,000	7,396,726	7,181,280



Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/76
El Salvador				
Miramonte	519-HG-001	4,493,000	4,492,935	2,290,080
Jardines de Guadalupe	519-HG-002	4,556,250	4,478,443	3,169,863
Viviendas Cooperativas	519-HG-005	2,000,000	1,929,172	1,705,088
Totals		11,049,250	10,900,550	7,165,031
Guatemala				
Banco Inmobiliario	520-HG-003	1,500,000	1,500,000	1,388,140
Totals		1,500,000	1,500,000	1,388,140
Guyana				
AIFLD	504-HG-001	2,000,000	1,185,935	848,448
MacKenzie	504-HG-002	4,000,000	417,545	357,415
Totals		6,000,000	1,603,480	1,205,863
Honduras				
Miraflores	522-HG-001	2,878,732	2,868,315	1,467,853
Jardines Loarque	522-HG-002	1,502,600	1,502,600	875,657
Composa Colonia Rio Grande	522-HG-002/B	4,000,000	827,813	785,941
FEHCOVIL	522-HG-004	2,200,000	2,166,057	2,052,628
Totals		10,581,332	7,364,785	5,182,079
Jamaica				
Independence City	532-HG-001/I	6,318,000	6,317,553	4,596,463
Independence City	532-HG-001/II	1,182,000	1,109,460	1,007,012
Ensom City	532-HG-002	5,102,000	5,018,849	4,386,305
Montego Bay	532-HG-008	3,000,000	1,228,212	1,219,680
Jamaica Mortgage Bank	532-HG-009	10,000,000	3,000,000	3,000,000
Totals		25,602,000	16,674,074	14,209,460
Mexico				
AIFLD—J.F.K.	523-HG-004	10,000,000	10,000,000	5,705,642
Matamoros	523-HG-006	4,500,000	760,032	575,573
Totals		14,500,000	10,760,032	6,281,215
Nicaragua				
El Porvenir	524-HG-001	6,926,000	6,924,914	4,862,899
B.N.V.	524-HG-002A	4,000,000	4,000,000	3,786,049
B.N.V.	524-HG-003	5,000,000	5,000,000	5,000,000
Totals		15,926,000	15,924,914	13,648,948
Panama				
La Gloria	525-HG-002	2,953,000	2,952,900	1,801,418
Corindag	525-HG-003/I	1,484,000	1,483,513	1,220,480
Corindag	525-HG-003/II	2,016,000	1,991,886	1,888,113
Villa Catalina	525-HG-004	3,000,000	962,834	882,895
Viviendas Nacionales	525-HG-005	3,000,000	2,881,080	2,672,649
CATIVA	525-HG-006	3,500,000		
BHN	525-HG-007	9,000,000	7,000,000	7,000,000
Totals		24,953,000	17,272,213	15,465,556

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/78
Peru				
Apollo	527-HG-001/I	1,190,000	1,189,713	363,949
Apollo	527-HG-001/II	1,024,000	1,023,281	566,733
Jardines Viru	527-HG-002	3,826,000	3,825,776	2,451,661
VIPSE	527-HG-003	8,701,000	8,700,339	6,078,039
Salamanca	527-HG-004	2,300,000	2,299,366	1,451,212
Alto de Luna	527-HG-006	700,000	604,421	494,955
Trujillo B.V.P.	527-HG-005,8	28,281,000	19,381,000	19,221,769
Totals		46,022,000	37,023,876	30,628,318
Venezuela				
Guacara I	529-HG-001	6,294,000	6,293,840	2,567,517
INRESA	529-HG-002	4,715,000	4,714,272	2,614,650
Puerto Ordaz	529-HG-003A	1,854,000	1,853,933	1,097,896
Ciudad Alianza	529-HG-003B	2,910,000	2,909,408	2,066,051
Guacara II	529-HG-005	778,000	777,104	361,109
CORACREVI	529-HG-006	5,912,100	5,912,076	4,799,664
Flor Amarillo	529-HG-008	3,000,000	2,890,029	2,198,068
BANAP	529-HG-012	20,000,000	20,000,000	18,433,504
INVICA	529-HG-013	6,000,000	6,000,000	5,832,465
Totals		51,463,100	51,350,262	39,970,924
Total All Projects		395,510,682	328,656,527	273,448,746

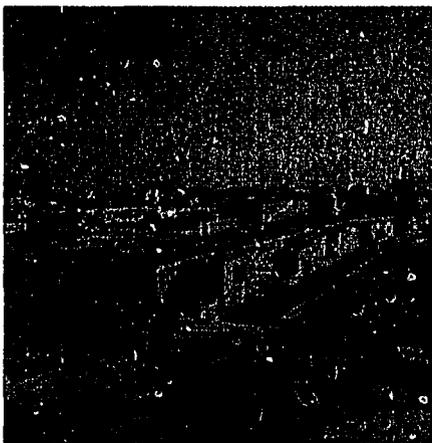
Near East

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/78
Iran				
IDRO	265-HG-001	25,000,000	7,500,000	7,500,000
Totals		25,000,000	7,500,000	7,500,000
Israel				
TEFAHOT	271-HG-001	50,000,000	50,000,000	50,000,000
Ministry of Finance	271-HG-002	25,000,000	25,000,000	25,000,000
Ministry of Finance	271-HG-003	25,000,000	25,000,000	25,000,000
Government of Israel	271-HG-004	25,000,000	25,000,000	25,000,000
Totals		125,000,000	125,000,000	125,000,000
Portugal				
Government of Portugal	150-HG-001	20,000,000	10,000,000	10,000,000
Totals		20,000,000	10,000,000	10,000,000
Tunisia				
Cite Carnoy	664-HG-001	4,992,800	4,992,798	3,559,631
SNIT	664-HG-002	10,000,000	10,000,000	9,867,996
Totals		14,992,800	14,992,798	13,427,627
Total All Projects		184,992,800	157,492,798	155,927,627

**Projects
Authorized
And
Fully
Repaid**

Latin America

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/76
Guatemala				
Capital City	520-HG-001/I	1,500,000	1,500,000	1,500,000
Capital City	520-HG-001/II	1,817,000	1,816,213	1,816,213
Banco Granal & Towson	520-HG-002	3,000,000	2,937,462	2,937,462
Totals		6,317,000	6,253,675	6,253,675

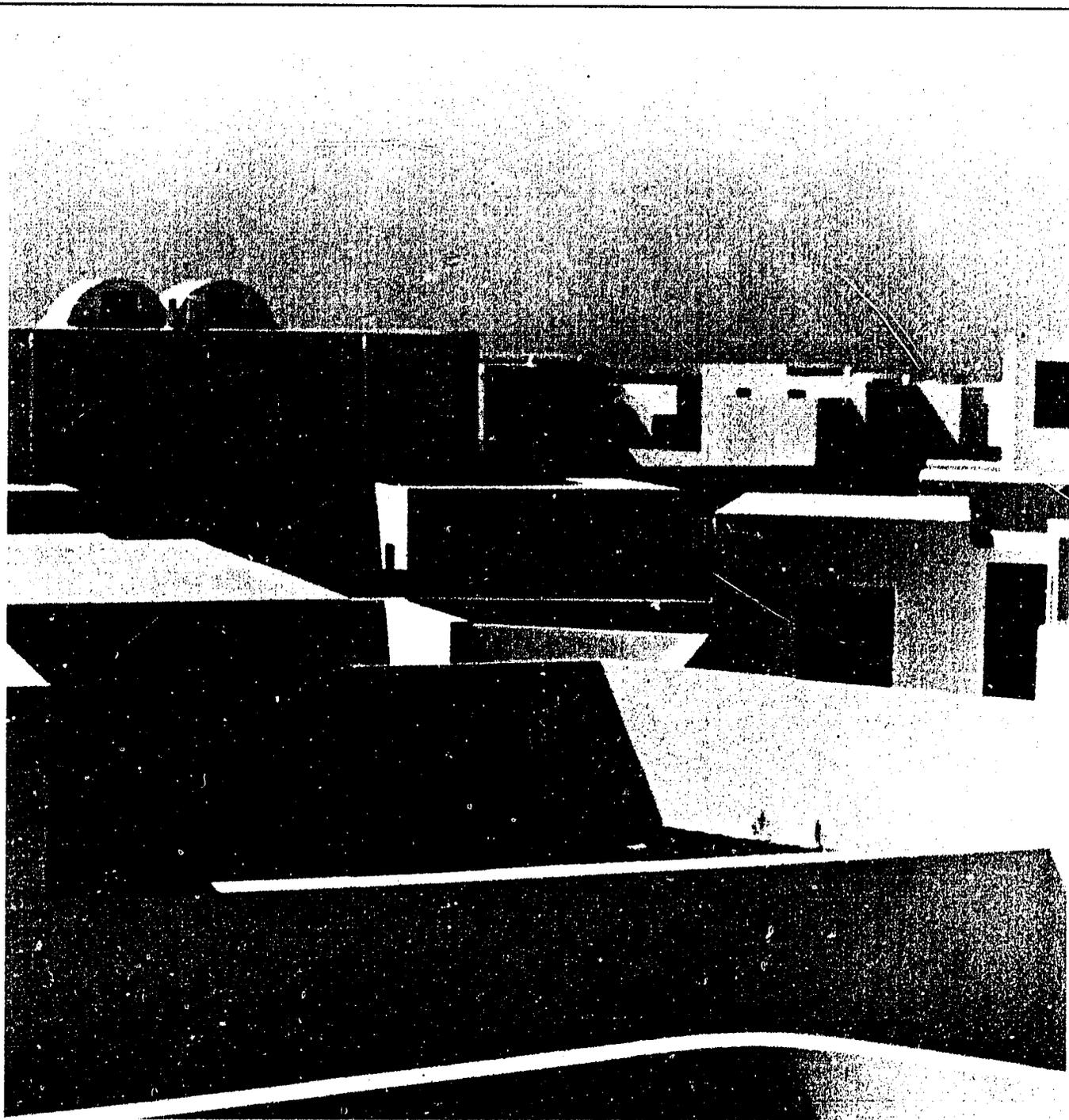


Claims Against Guaranty

The devaluation of the currencies of some countries and other reasons have resulted in shortages in payments received from the Administrators or Borrowers by the Investors for a few projects. These investors have made claims to A.I.D. to make payment for the amounts of the deficiencies.

Country/Project	Project Number	Balance of Claims Paid 9/30/76
Argentina		
Field Argentina	510-HG-001	1,831,500
Dominican Republic		
COINFO	517-HG-003	650,000
Peru		
Apollo	527-HG-001/I	69,251
Apollo	527-HG-001/II	73,178
Jardines Viru	527-HG-002	38,738
Senegal		
Patte d'Oie ¹	685-HG-001	1,412,867
Zaire		
CNECI ¹	660-HG-001	474,646

¹ There is a Government of Senegal guaranty and a Government of Zaire guaranty to reimburse A.I.D. for all amounts due and not received plus interest thereon. The amounts shown here include principal and interest payments to the Investors and A.I.D. fees which were paid by the Investors for the Borrowers. They do not include \$158,741.00 for Project 685-HG-001 and \$16,802.00 for Project 660-HG-001 which are the amounts of interest that A.I.D. may charge the respective Governments on the claims point.



Shelter Program Objectives

AID's goal in the shelter sector is to assist LDCs develop the institutional, technological, and financial capacity to provide shelter under reasonable conditions for all levels of society, with emphasis on government actions to meet the needs of the poor. The Housing Guaranty Authority provides for substantial resource transfers to developing nations. The magnitude of the resources made available through the world's largest international housing program calls for its full integration and coordination with other AID development objectives and programs. Reasonable shelter is an essential element in the improvement of the quality of life for the poorest majority.

Given the unique characteristics of AID's Housing Guaranty Authority, it should be the preferred resource used to assist LDCs meet their housing needs; however, development loan and development grant resources may and should be utilized selectively when they will contribute to AID's shelter objectives. All shelter projects, irrespective of the source of financing, should be programmed as an integral element of AID annual country programming.

AID's shelter activities will give the highest priority to undertakings submitted by host governments which clearly lead to the improvement in the lives of the poorest of their people. To the extent possible, AID shelter resources—grant, loans and guaranties—will be invested in projects either directly benefitting low income groups (i.e., the poorer half of a given country or city urban population), or indirectly benefitting such groups through the development of national housing policy and housing institutions. Because of policy and practical constraints within some developing countries, it is not feasible to shift all housing guaranty investment resources immediately into direct financing of projects for poor families. However, an increased proportion of housing guaranty financing will be used for projects that directly benefit low income groups.

A priority objective of AID's shelter strategy is to help the LDCs develop their capabilities for analyzing their housing requirements and developing plans and policies that meet these requirements. By assisting LDCs formulate a rational housing policy which addresses the needs of all citizens, AID will encourage increased attention to the needs of the poor. As an integral part of negotiation for AID assistance, the Agency will discuss with the LDC its general housing strategy and alternative means of improving the living conditions of poor people.

AID programs will also assist developing countries in creating and strengthening the necessary institutional framework to implement their shelter policies. Given the magnitude of the need and the relatively small amount of resources available, AID assistance should have a strong multiplier effect. By building shelter finance institutions capable of replication on a large scale and encouraging technical and financial innovations, the effect of small resource allocations will be substantial.

AID shelter assistance will be used to encourage maximum use of unutilized resources (e.g., institutions which mobilize idle savings, encourage self-help housing, and optimize the use of unemployed labor), while minimizing the drain on scarce resources (e.g., existing savings or imports).

AID will help the developing countries examine alternative interest rate policies. Artificially low interest rates may reduce the flow of private capital into home financing, and exacerbate the scarcity of housing

investment funds for lower income groups; whereas, rent payments may reflect returns on capital far in excess of prevailing interest rates (e.g., from 30% to 100% per annum). Public resources are generally inadequate to provide interest subsidies to a substantial number of poor people, and for such families, at non-subsidized rates, their monthly outlays for a home would be less than their current rental payments. Although charged with political sensitivities, interest rate policy is an important subject for an LDC/AID dialogue.



AID will assist LDCs in meeting the minimum shelter requirements of poor families with the limited resources available by:

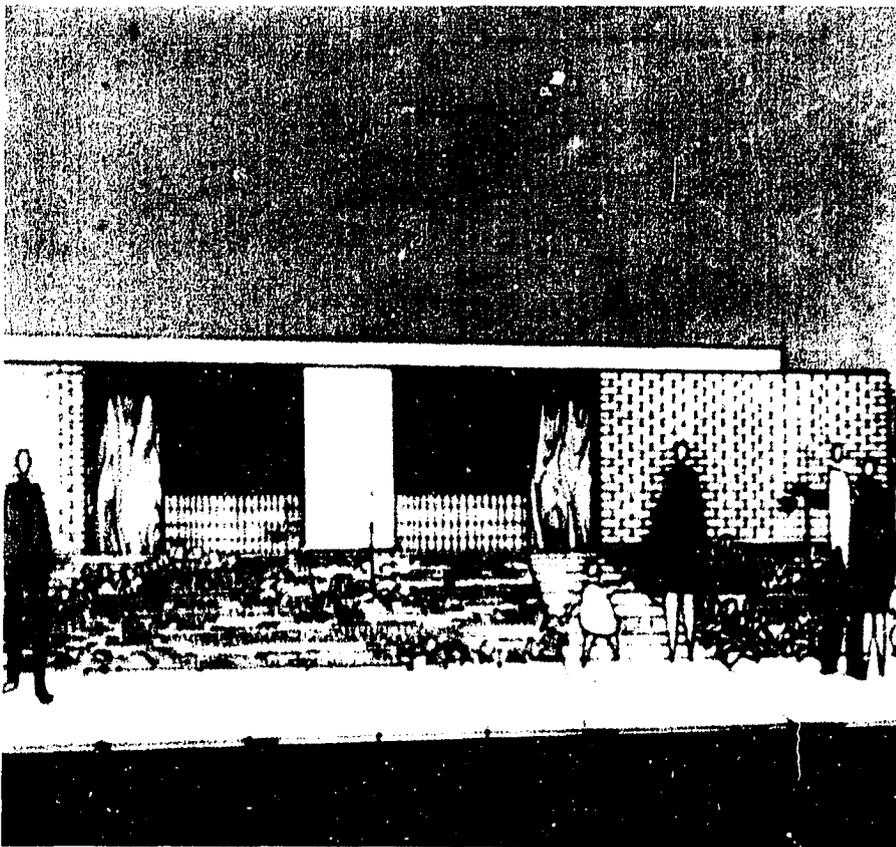
—Advising on the establishment of housing standards that assure the minimum requirements of health and safety and enable the construction of shelters that the poor can afford.

—Supporting the "sites and services" approach, which provides poor families with homesites in new tracts of urbanized land with basic supporting infrastructure services on which to build a shelter with their own labor.

—Providing technical assistance in order to develop viable institutions to mobilize savings and provide small credits to families for financing acquisition of their homesites, purchase of building materials, or construction of a core house.

—Assisting the developing countries to adapt new housing materials and construction technology to reduce costs or improve the performance of low-cost housing, using United States research and technical capacity that is applicable to LDCs.

In discussions with LDCs, AID will give careful attention to the effect of home finance institutions on aggregate savings. AID will encourage projects that provide incentives for families to save more than they otherwise would, and that contribute to the development of capital markets and monetization of household savings.



These criteria will apply to projects for reconstruction of housing destroyed in a national disaster to the extent possible, and wind or earthquake resistant features will be incorporated into replacement housing, whenever feasible.

Subject to competing research needs, AID may fund from grant, loan, or guaranty fee income research on shelter sector policy and technological problems of current concern to developing countries. Priority will be accorded to research with worldwide application.

Cooperation With Other Organizations

AID will encourage an interchange of experience and information among those domestic and international organizations concerned with the shelter sector in LDCs, with particular emphasis on housing policy, institutional development, and the problems of meeting low income shelter requirements.

AID is prepared to consider supplementing the housing activities of the World Bank or other donors with its own resources when requested by the host country.

Programming Shelter Activities

AID assistance to developing countries in the shelter sector will respond to the social and developmental priorities of individual applicants.

The identification of shelter needs, the design of projects and programs will be fully integrated with AID's country programming. The Housing Guaranty Program will be fully incorporated into the AID budget review process, the justifications to OMB, and the Congressional Presentation.



Development grant and loan funds available under Section 106 of the Foreign Assistance Act of 1973 may be used in support of direct financing of housing for low income families. SER/H will work closely with the Central and Regional Bureaus and Missions to identify opportunities for the use of development loans and grants and to assist in the design of projects. The Bureaus will allocate a portion of Section 106 funds and propose projects where one or more of the following criteria are satisfied. The grant or loan will:

—Enhance the effectiveness of housing guaranty funds in reaching low income families.

—Enable technical advisory services to help LDC governments formulate national housing policies that respond to the needs of low income families.

—Assist in the design of projects that will directly finance low-cost housing.

—Facilitate the acceptance by borrowers of the concept of non-subsidized low-cost housing.

—Develop models and demonstration of low-cost housing and financial institution-building responsive to the needs of low income groups.

Country Eligibility for Housing Guaranty Loans

Housing guaranty investments are a useful means of transferring private U.S. resources to developing countries which are able to service an increasing volume of foreign loans at prevailing market interest rates, but are experiencing difficulty gaining access as newcomers to the long-term private capital markets. The housing guaranty loan is especially well-suited to the needs of countries in which concessional loans are being phased out.

A prerequisite for authority to begin negotiation of a housing guaranty loan is a determination by the country Mission (or Embassy) and the region concerned that the housing guaranty loan will contribute to social and developmental objectives of the borrower. This determination should be obtained at the "Approval-in-Principle" or IRR stage. High income developing countries which are rapidly accumulating reserves and already have ready access to the long-term private capital markets are generally not eligible for housing guaranty loans, except when the Regional Bureau determines that special considerations otherwise justify a guaranty. Very low per capita income countries (including the least developed countries) which will continue to require concessional aid for an indeterminate period are generally not suited for housing guaranty loans, unless compelling circumstances justify.



The eligibility of countries for housing investment guaranty loans will be determined on a case-by-case basis at the time a request for HIG assistance is received and will be based upon an analysis of the country balance of payments prospects, debt servicing capability, and development investment needs.

As in the past, AID will, in the future, consider sympathetically requests for assistance for shelter reconstruction following national disasters (i.e., an earthquake or flood).

John E. Murphy
Acting Administrator

Oct. 22, 1974

1961 Congress originated the A.I.D. Housing Guaranty Program in the Foreign Assistance Act of 1961 to encourage demonstration housing projects in Latin America. The initial guaranty authority of \$10 million was increased to \$250 million by 1964.

1965 The year 1965 marked an important milestone in the program's development. At the request of A.I.D., Congress expanded the program to include institution-building components, which have since been central to the program's activities, and authorized issuance of guaranties outside of Latin America. Congress voted \$150 million additional authority for Latin America.

Simultaneously, a Housing and Urban Development Division was created within the Latin America Bureau of A.I.D.

That same year the first housing guaranty project outside of Latin America was authorized. Subsequently, guaranties totaling \$25.1 million were authorized for six projects in the Far East and Africa.

1969 Congress voted \$130 million additional authority to initiate a new world-wide program outside of Latin America. A.I.D. created a new centralized Office of Housing, utilizing the Latin American staff as its nucleus, to carry out the expanded responsibilities.

1970 The Office of Housing was organized under the Assistant Administrator for Program and Management Services and began its world-wide operations.

1973 A.I.D. adopted a Shelter Sector Strategy, which defined its role in housing and other shelter problems and identified the roles and relationships of the Office of Housing and other A.I.D. offices in its implementation.

1975 The U.S. Congress increased the total statutory authority for the A.I.D. Housing Investment Guaranty program to over \$1 billion.

1976 A.I.D. adopted a policy for Urbanization and the Urban Poor which established an overall strategy of assisting the poor majority with A.I.D. programs.

Urbanization And The Urban Poor

Introduction

This policy determination provides guidance for program development to address the problems of the urban poor under current foreign aid legislation. The determination recognizes the need to deal with some of the critical problems of the urban poor which constrain development and to understand better the process of urbanization as it relates to development. It emphasizes the opportunities for use of existing legislative authorities and program tools to work in this field. It assumes project development and implementation in close collaboration with developing country institutions.

Background

A.I.D.'s resources have been devoted increasingly to the needs of the poor majority in developing countries. The needs of the poor majority are enormous, and A.I.D.'s resources are limited. Programs are focussed on the rural poor, the most numerous and generally the least advantaged of the poor majority. Because increased food production is basic to improving the quality of life for the poor in general, the small farmers, as food producers, are a major concern. A.I.D. has recognized the need to support food production efforts with related administrative, economic, and social institutions and services and with complementary employment and productive opportunities off the farm. This recognition has broadened A.I.D.'s concern to include rural development which embraces market towns and small cities as well as farms and villages.

Rapid urbanization affects rural areas, too, and there is increasing awareness of the interrelatedness of "rural" and "urban" places and functions in the development process. At the same time there has been a growing recognition in A.I.D. and outside of the problems of the urban poor *per se*. They are increasing rapidly in number—in the cities of many developing countries more than 50% of the population is reported to be living in squatter settlements and slums—and are straining existing urban facilities, services, and other resources, as well as the ability of the national economy to be responsive. Some of the worst poverty can be found in large cities. Effective access of segments of the urban poor to employment and services may be as bad as for the rural poor.

A.I.D.'s early recognition of these factors were contained in the rationale for the current urban development program. (See "Guidance Statement on Urban Development," PD-54, June 15, 1973.) Relevant U.S. expertise is substantial and is sought increasingly by developing countries and other donors as they work on this wide range of matters.

These considerations led to the recent policy development exercise in the Agency, which included also an inquiry into current agency programs and projects for the direct and indirect benefits gained by the urban poor. This study concluded that many of A.I.D.'s sectoral activities in population planning, health, and selected development problems, as well as in HIG and PL 480 programs, affect significantly the urban poor.

The Foreign Assistance Act was changed last year to add language to Section 103 (food, nutrition, and rural development) to focus on important off-farm and town-centered activities and to Section 105 (education and human resources) to include attention to the urban poor. Section 106 (selected development problems) was spelled out more clearly to indicate program emphases, and a new Section 107 (intermediate technology) was added. The relevant sub-section of Section 106 is as follows:

(6) programs of urban development, with particular emphasis on small, labor intensive enterprises, marketing systems for small producers, and financial and other institutions which enable the urban poor to participate in the economic and social development of their country.

The HIG program and PL 480 authorities were amended to ensure these programs address the development problems of poor people. (See also "Shelter Program Objectives," PD-55, revised October 22, 1974.) Both programs—especially HIG—have been urban-oriented. In addition, the PVOs have been involved heavily in the PL 480 program.



Policy Guidelines

1. The primary focus of A.I.D. programs and projects will continue to be on rural areas and on the rural poor. Included are those among the poor majority who live and work in villages, market towns, and those small cities which are centers of rural regions. Effective rural development requires the development and integration of these places to provide markets, services, employment and balanced growth. A.I.D. needs to and will step up this aspect of its rural development efforts.

2. A.I.D. will continue to be interested in broad developmental issues; among them, the process of rapid urbanization, regional development, and the problems of the urban poor.

3. The problems of the urban poor will be addressed in the light of national development goals and policies through specific analysis of host country circumstances, particularly the relative well being of urban and rural populations and any urban bias in the allocation of national resources.

4. Many of A.I.D.'s present programs (especially HIG, PL 480, health, population and PVOs) benefit the urban poor. These programs and that of TA/UD will be continued. Missions are encouraged to analyze and to take account in their programming of how and how much urban populations benefit directly and indirectly from existing and planned projects.

5. New activities designed to benefit the urban poor will consist of R&D and pilot demonstration projects in three areas. In order of priority they are:

a) Problems and prospects for employment generation, especially in the informal sector of big cities,

b) improved urban planning (analysis, methodologies, and techniques) and

c) the impact of social welfare programs on big city urbanization and of the relative cost and distribution of current social welfare between rural areas and big cities.

Emphasis will be on projects which seek to demonstrate successful methods and approaches, thus increasing knowledge of how to help the poor majority. Projects which promote active participation of the urban poor in planning as well as implementation will be encouraged.

6. Country program, regional, and central resources will be available for activities which meet the guidelines above (paras. 1-5). With the exception of the HIG program, A.I.D. does not expect to have sufficient resources to make significant capital investments in major cities.

7. The collaborative style with host countries is assumed. Collaboration with other donors in project identification, development, and implementation for the urban poor will be sought.

8. A.I.D. will be responsive also to requests for country-funded technical assistance (Section 607 and 661 of the FAA) to address the problems of the urban poor and to requests for help to urban areas which have experienced natural disasters.



Program Implications

The urban poor are to be included in Agency programming to the extent that analysis of specific country situations indicates that this should be done as part of the overall strategy of helping the poor majority, that opportunities and support for effective projects in urban areas exist, and that the primary focus of the program on the rural areas and their associated urban linkages permits.

Recognition that the urban poor are a legitimate target population requires enhancement of our understanding of the similarities, differences, and relationships of urban poverty and rural poverty and of ways of dealing with them.

The inclusion of the urban poor as an Agency concern calls for greater awareness in all project design and implementation of the impact of Agency programs, in order to insure that the designated target population, whether rural, urban, or both, actually does benefit.

Research and development and pilot demonstration projects should increase developing country and Agency understanding of the practical significance for policy and program of such things as the different poverty problems in cities, towns, and villages; the degrees of access to productive employment and to services and resources among poor people in different locations; the dynamics of migration to and from cities and towns; and conflicting interests of different groups among the poor majority. Replicability will be a key criterion in selecting and undertaking these projects.

Revisions in the Foreign Assistance Act and Agency policy determinations reemphasize the need to use HIG and PL 480 authorities to address problems of the poor majority. These special authorities can be combined with A.I.D. resources. The leverage from both of these special authorities can help influence policy and program development in developing countries. More attention needs to be given to their use in market towns and small cities in rural areas. The focus should be on investment and productive activities which increase employment opportunities, basic facilities and services as well as the poor majority's access to them.

By itself, the HIG authority can be used for housing and related community facilities such as power, water, and sewer lines within a community or housing project area; basic slum and squatter upgrading; and sites and services. Current squatter upgrading and sites and services projects in several countries are examples.

Under the PL 480 authority, there are already food-for-work programs which are used to help develop food transport and storage facilities for small farmers and urban infrastructures; nutrition programs in conjunction with health and family planning clinics; and feeding center programs—programs to "directly improve the lives of the poorest . . . people and their capacity to participate in the development of their countries."

Where a decision has been made to do something, the expertise and other capabilities of private and voluntary organizations and of the private business sector should be enlisted to help with the problems of the urban poor. They can be especially helpful in assisting developing countries innovatively with the small producer sector, appropriate technology, delivery of services, technical and skills training, and participatory organizations.

The initiative for programming for urbanization and the urban poor may be taken by an A.I.D. field mission or by a regional or central bureau in AID/W.

Daniel Parker
Administrator

May 27, 1976



**Title III—Housing and Other Credit
Guaranty Programs**

Sec. 221. Worldwide Housing Guaranties.—In order to facilitate and increase the participation of private enterprise in furthering the development of the economic resources and productive capacities of less developed friendly countries and areas, and promote the development of thrift and credit institutions engaged in programs of mobilizing local savings for financing the construction of self-liquidating housing projects and related community facilities, the President is authorized to issue guaranties, on such terms and conditions as he shall determine, to eligible investors as defined in section 238(c), assuring against loss of loan investments for self-liquidating housing projects. The total face amount of guaranties issued hereunder, outstanding at any one time, shall not exceed \$430,000,000. Such guaranties shall be issued under the conditions set forth in section 222(b) and section 223.

Sec. 222. Housing Projects in Latin American Countries.—(a) The President shall assist in the development in the American Republics of self-liquidating housing projects, the development of institutions engaged in Alliance for Progress programs, including cooperatives, free labor unions, savings and loan type institutions, and other private enterprise programs in Latin America engaged directly or indirectly in the financing of home mortgages, the construction of homes for lower income persons and families, the increased mobilization of savings and improvement of housing conditions in Latin America.

(b) To carry out the purposes of subsection (a), the President is authorized to issue guaranties, on such terms and conditions as he shall determine, to eligible investors, as defined in section 238(c), assuring against loss of loan investment made by such investors in—

(1) private housing projects in Latin America of types similar to those insured by the Department of Housing and Urban Development and suitable for conditions in Latin America;

(2) credit institutions in Latin America engaged directly or indirectly in the financing of home mortgages, such as savings and loan institutions and other qualified investment enterprises;

(3) housing projects in Latin America for lower income families and persons, which projects shall be constructed in accordance with maximum unit costs established by the President for families and persons whose incomes meet the limitations prescribed by the President;

(4) housing projects in Latin America which will promote the development of institutions important to the success of the Alliance for Progress, such as free labor unions, cooperatives, and other private programs; or

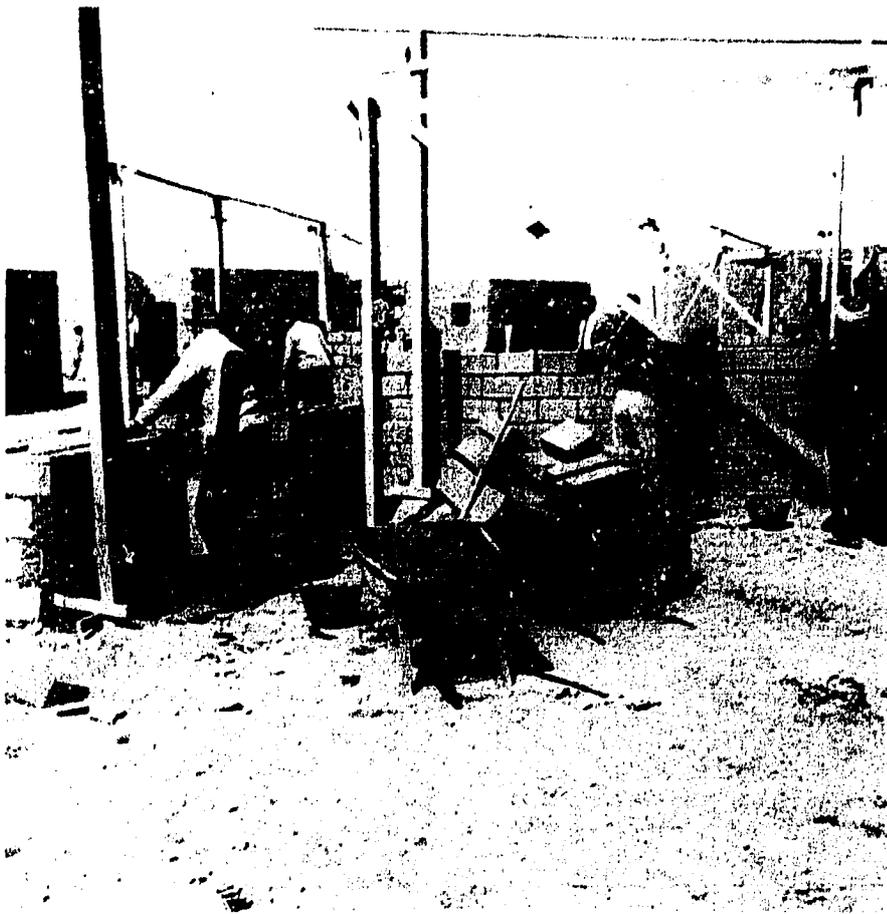
(5) housing projects in Latin America, 25 per centum or more of the aggregate of the mortgage financing for which is made available from sources within Latin America and is not derived from sources outside Latin America which projects shall, to the maximum extent practicable, have a unit cost of not more than \$8,500.

(c) The total face amount of guaranties issued hereunder or heretofore under Latin American housing guaranty authority repealed by the Foreign Assistance Act of 1969, outstanding at any one time, shall not exceed \$600,000,000: *Provided*, That \$325,000,000 of such guaranties may be used only for the purposes of subsection (b)(1).

Sec. 223. General Provisions.—

(a) A fee shall be charged for each guaranty issued under section 221, 222, or 222A in an amount to be determined by the President. In the event the fee to be charged for such type guaranty is reduced, fees to be paid under existing contracts for the same type of guaranty may be similarly reduced.

(b) The amount of \$50,000,000 of fees accumulated under prior investment guaranty provisions repealed by the Foreign Assistance Act of 1969, together with all fees collected in connection with guaranties issued hereunder, shall be available for meeting necessary administrative and operating expenses of carrying out the provisions of section 221 and section 222 and of prior housing guaranty provisions repealed by the Foreign Assistance Act of 1969 (including, but not limited to expenses pertaining to personnel, supplies, and printing), subject to such limitation, as may be imposed in annual appropriation Acts; for meeting management and custodial costs incurred with respect to currencies or other assets acquired under guaranties made pursuant to section 221 or section 222 or heretofore pursuant to prior Latin American and other housing guaranty authorities repealed by the Foreign Assistance Act of 1969; and to pay the cost of investigating and adjusting (including costs of arbitration) claims under such guaranties; and shall be available for expenditures in discharge of liabilities under such guaranties until such time as all such property has been disposed of and all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this subsection.



(c) Any payments made to discharge liabilities under guaranties issued under section 221 or section 222 or heretofore under prior Latin American or other housing guaranty authorities repealed by the Foreign Assistance Act of 1969, shall be paid first out of fees referred to in subsection (b) (excluding amounts required for purposes other than the discharge of liabilities under guaranties) as long as such fees are available, and thereafter shall be paid out of funds, if any realized from the sale of currencies or other assets acquired in connection with any payments made to discharge liabilities under such guaranties as long as funds are available, and finally out of funds hereafter made available pursuant to subsection (e).

(d) All guaranties issued under section 221, 222, 222A, or previously under section 240 of this Act or heretofore under prior Latin American or other housing guaranty authority repealed by the Foreign Assistance Act of 1969 shall constitute obligations in accordance with the terms of such guaranties, of the United States of America and the full faith and credit of the United States of America is hereby pledged for the full payment and performance of such obligations.

(e) There is hereby authorized to be appropriated to the President such amounts, to remain available until expended, as may be necessary from time to time to carry out the purposes of this title.

(f) In the case of any loan investment guaranteed under section 221 or section 222, the agency primarily responsible for administering part I shall prescribe the maximum rate of interest allowable to the eligible investor, which maximum rate shall not be less than one-half of 1 per centum above the then current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development. In no event shall the agency prescribe a maximum allowable rate of interest which exceeds by more than 1 per centum the then current rate of interest applicable to housing mortgages insured by such Department. The maximum allowable rate of interest under this subsection shall be prescribed by the agency as of the date the project covered by the investment is officially authorized and, prior to the execution of the contract, the agency may amend such rate at its discretion, consistent with the provisions of subsection (f).

(g) Housing guaranties committed, authorized, or outstanding under prior housing guaranty authorities repealed by the Foreign Assistance Act of 1969 shall continue subject to provisions of law originally applicable thereto and fees collected hereafter with respect to such guaranties shall be available for the purposes specified in subsection (b).

(h) No payment may be made under any guaranty issued pursuant to this title for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

(i) The authority of section 221 and 222 shall continue until September 30, 1978.

(j) Guaranties shall be issued under sections 221 and 222 only for housing projects which (1) except for regional projects are in countries which are receiving, or which in the previous two fiscal years have received, development assistance under chapter 1 of part I of this Act, (2) are coordinated with and complementary to such assistance, and (3) are specifically designed to demonstrate the feasibility and suitability of particular kinds of housing or of financial or other institutional arrangements. Of the aggregate face value of housing guaranties hereafter issued under this title, not less than 90 per centum shall be issued for housing suitable for families with income below the median income (below the median urban income for housing in urban areas) in the country in which the housing is located. The face value of guaranties issued with respect to housing in any country shall not exceed \$25,000,000 in any fiscal year, and the average face value of guaranties issued in any fiscal year shall not exceed \$15,000,000. Notwithstanding the provisions of the first sentence of this subsection, the President is authorized to issue housing guaranties until September 30, 1977, as follows: In Israel, not exceeding a face amount of \$50,000,000, in Portugal not exceeding a face amount of \$20,000,000, and in Lebanon, not exceeding a face amount of \$15,000,000.

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