



Office of Public Affairs

A.I.D. News

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AID HOUSING GUARANTY PROGRAM PASSES \$1 BILLION MARK WITH PANAMA AUTHORIZATION

The Agency for International Development today (June 26) authorized a \$5.4 million Housing Guaranty loan for Panama. With this guaranty AID has passed the \$1 billion mark in housing guaranty authority.

The authorization will enable a private U.S. lender to finance a low-cost shelter project which is expected to benefit 11,000 people. The United States Government is also providing a \$445,000 technical assistance loan to help improve management practices of the National Mortgage Bank of Panama, the borrower, and the Ministry of Housing, which will be the implementing agency.

Six different levels of shelter will be provided, ranging from sites with utility services to completed 2-bedroom units on urbanized lots. The costs to potential buyers will range from \$550 to \$4,700.

This project is part of a much larger AID effort in Panama to encourage the development of rural areas surrounding several regional growth centers by providing improved infrastructure, transportation and marketing services, facilitating the growth of agro-industries and generating an increase in related employment opportunities.

Abelardo Valdez, Assistant Administrator for Latin America, noted the authorization was fitting as the booster to pass the \$1 billion guaranty authorization mark.

In signing the authorization, Valdez said: "This loan is a prototype of the Housing Guaranty program of today and demonstrates the dramatic shift which has taken place in the shelter strategy of the Agency over the last 5 years." Five years ago, in 1973, AID revised its shelter policy and in 1974 issued a policy determination which emphasized the importance of providing decent, affordable shelter to meet the needs of the poor.

Peter Kimm, Director of the Office of Housing, noted that about half the projects authorized in 1974, and all projects authorized since then, have benefitted low-income families. This amounts to about \$500 million or about half of the total amount of housing guaranty funds authorized since the start of the program in 1962.

Sander Levin, Assistant Administrator of the Development Support Bureau, declared the housing guaranty program has attempted to encourage major changes in shelter policies of developing countries--- mostly in housing finance systems, in reduction of building standards and in improvement of the social and economic environment in which the poor live.

Consequently, he explained, housing guaranty projects have become more complex. They require twice as much planning and organization than formerly and call for specialized technical and managerial expertise to implement and administer.

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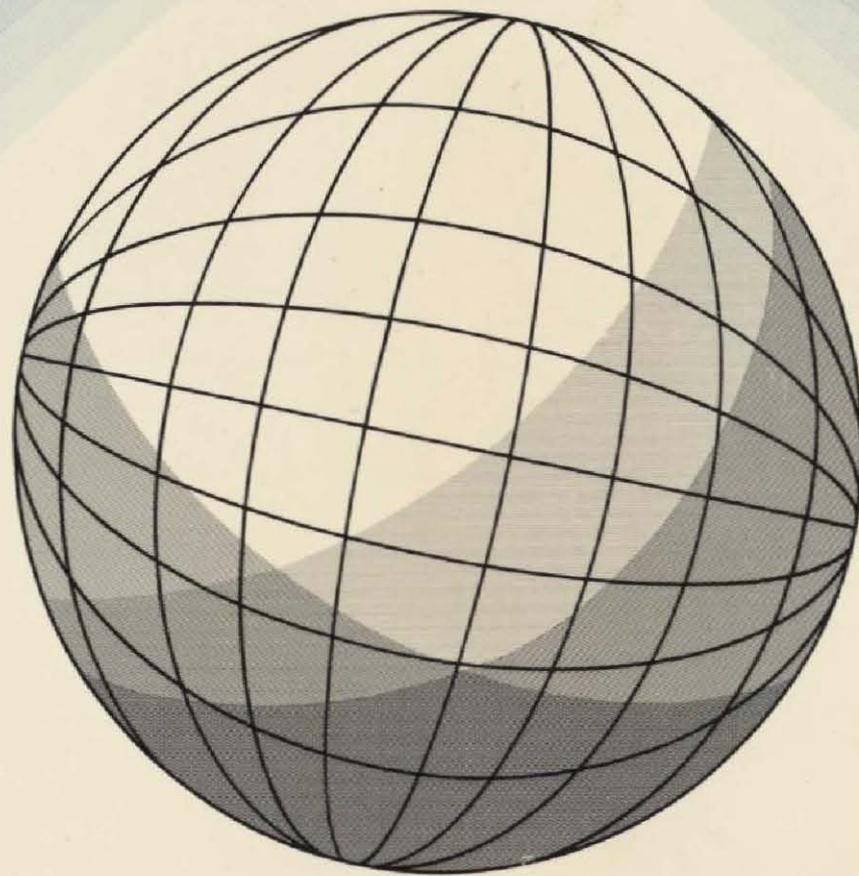
**Agency
For
International
Development**

Office of Housing
Housing Guaranty Program

Fiscal Year 1977

Annual Report

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**Agency For
International
Development**

Office of Housing

**Housing Guaranty
Program**

Annual Report



JOHN J. GILLIGAN,
Administrator, Agency for International Development

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Introduction

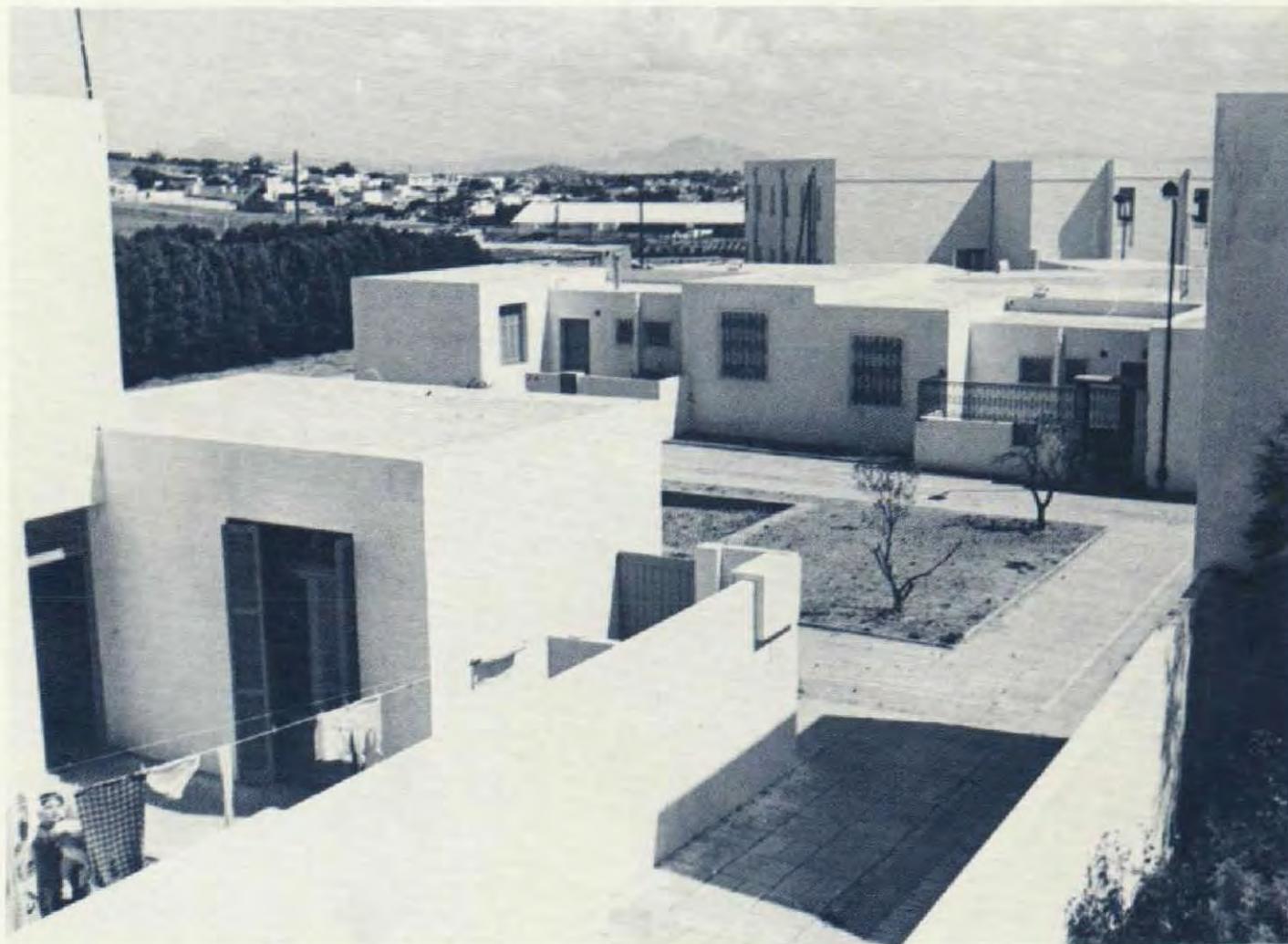
The growth and magnitude of the world's shelter problems prompted the United States in the early sixties to experiment with a new concept, the Housing Guaranty Program. This approach facilitates the transfer of resources and technologies to countries concerned with shelter and related urban problems. 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 broaden the purpose of the program.

This is a unique A.I.D. activity in which U.S. private sector lenders 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. The A.I.D. guaranty will compensate U.S. lenders for losses. Maximum interest rates to U.S. lenders are established by A.I.D. and reflect the current cost of money in the U.S. mortgage market.

A.I.D. charges a fee for its guaranty, which covers operating expenses and provides reserves against claims. As a result the program is virtually self-sufficient.

In recent years guaranties have gone to finance housing and basic shelter for the urban poor. Prospective borrowers may approach A.I.D. at any time to discuss proposals.

Since 1961, the Housing Guaranty Program has grown from a ten million dollar 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 poor. Since the inception of the pilot effort, 118 project loans amounting to nearly one billion dollars have been authorized in 35 nations and to two regional institutions.



FY 1977 Programs

FY 1977 Programs—October 1, 1976-
September 30, 1977

In the past fiscal year, A.I.D. continued to focus its resources on problems of lower income families.

The kinds of programs financed by the Housing Guaranty Program are (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; and (4) low-cost housing units for sale or rental.



Nine new housing guaranty projects involving \$120 million in loans were approved and authorized by A.I.D. in FY 1977. U.S. lenders signed \$81.8 million of long-term loan agreements with host country borrowers and A.I.D. has signed contracts of guaranty for each of the loan agreements. Additionally, the Office of Housing provided technical assistance and services in a broad range of shelter-related areas to many developing nations.

New projects authorized

In Israel, a \$25 million housing guaranty program was authorized for the purchase of new housing and renovation of existing substandard units for low-income families.

The second tranche of \$12.6 million in the Ivory Coast Joint Urban Project with the International Bank for Reconstruction and Development (IBRD) was authorized. Matching funds are to come from the IBRD and the Government of the Ivory Coast. The \$63 million total will be utilized for slum upgrading, sites and services, and low-income housing projects, which will be centered in Abidjan.

In Jamaica, a \$15 million loan to the Jamaican Mortgage Bank was authorized for tenement upgrading, squatter settlement improvement, and rural home improvement in Kingston and other areas.

A \$15 million housing guaranty loan to the Korea National Housing Corporation was authorized. This loan will provide for various types of low-income housing, including small expandable row-houses and apartment units in Seoul and several other cities.

A \$15 million loan to the Government of Lebanon has been authorized to assist in the repair and reconstruction of war-damaged homes for low-income families. This housing guaranty is part of a \$19.5 million program, \$4 million of which is an A.I.D.-funded grant for housing repair and reconstruction and \$5 million of which is for technical assistance.



In Panama, two loans were authorized. The first was for \$3.4 million which has been loaned to the National Mortgage Bank of Panama to finance 700 single-family homes owned by members of the Nuevo Chorillo Housing Cooperative. 20% of the work will be performed by cooperative members, who also participated fully in project conception and design.

The second loan was for \$14 million to upgrade squatter settlements and marginal residential areas in the San Miguelito district of Panama City. In addition to the provision of basic utility services and the construction of streets and sidewalks, a sites and services project and minimum housing units will also be constructed.

A \$10 million loan to the National Housing Bank of Peru was authorized to provide for core housing; water, sewer, and electrical services; and home improvements in "Pueblos Jovenes," legalized squatter settlements.

In Tunisia, \$10 million was authorized, the initial financing of a \$20 million program for squatter upgrading, core housing, and low cost housing in Tunis and other cities. The borrower is the Caisse Nationale d'Epargne Logement (CNEL).

In summary, FY 1977 activity and cumulative totals are as follows:

	(In Millions of Dollars)	
	FY 1977	Total
Legislative Authority	—	1,055.1
Authorizations	120.0	953.8
Contracts Signed	81.8	761.0
Disbursements	80.5	671.9



Program Development

Policy

The policies of the Agency continued to reflect the Congressional mandate to concentrate A.I.D.'s programs on the "poor majority." A.I.D.'s statement of Shelter Program Objectives, which is included in the end of this report, says that "A.I.D.'s goal in the shelter sector is to assist LDCs (less-developed countries) 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." This group is defined as the poorer half of the urban population of a given country or city.

Housing programs are being designed to be within the reach of families earning below the median income. "Legal" 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 projects which offer something less than a complete "standard" house, such as core houses or sites-and-services, where homeowners either finish building the homes or build them completely on lots with utility hookups provided.





According to the shelter program statement, "A priority objective of A.I.D.'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, A.I.D. will encourage increased attention to the needs of the poor. As an integral part of negotiation for A.I.D. assistance, the Agency will discuss with the LDC its general housing strategy and alternative means of improving the living conditions of poor people.

"A.I.D. 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, A.I.D. 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."

Environmental Policy

In accordance with the purposes of the National Environmental Policy Act of 1969 and A.I.D. Regulation 16, the Office of Housing conducts an Initial Environmental Examination (IEE) as a preliminary to the development of all Housing Guaranty projects. IEEs were conducted in Jamaica, Korea, Panama, Togo, and Liberia in FY 1977. Where deemed necessary, an Environmental Assessment will be made before the Agency authorizes a specific project.

New Program Directions

The Office of Housing is participating in the development of many new housing programs in which other Agency resources are integrated with housing guaranties. These programs are conducted by A.I.D.'s regional bureaus and missions with the assistance of the Office of Housing.

In several African nations, development loans and development grants from A.I.D.'s development assistance funds will be used to finance housing programs either in conjunction with housing guaranties or as a separate project. In Togo, a \$5 million housing guaranty will be combined with a development grant; in Liberia, a \$5 million housing guaranty will be combined with a \$4 million development loan and a development grant; and in Niger, a development grant for housing is planned.



Development grant funds are being used, also, to permit attention to needs beyond the provision of shelter and related infrastructure, with specific attention to social services and employment opportunities, including the provision of maternal-child health care clinics and job skill workshops. The \$1.5 million "Improvement Program for the Urban Poor" pilot project will be initiated in FY 1978 in conjunction with several housing guaranty projects.

One large housing program will be wholly financed with a grant from the Agency's security supporting assistance funds. In Egypt, a grant (to be matched with funds from the Egyptian government) is expected to provide housing assistance to low-income families. The program will include six slum upgrading projects and a community expansion project. Most of these activities will take place in the industrial suburb of Cairo known as Helwan.

International Conferences

The Office of Housing sponsored or co-sponsored several international conferences during the fiscal year. In May 1977, the fourth African Conference on Housing, sponsored by the Office of Housing and the Tunisian Ministry of Equipment, was held in Tunis. 121 participants attended, representing nineteen African countries, the U.S., and international organizations including the African Development Bank, the International Cooperative Housing Development Association, and the United Nations Housing and Human Settlements Foundation. Presentations were made on the following topics: National Planning, Housing Policy and Institutions, Housing Finance, Land Policies, and Projects for the Urban Poor.

The fifteenth annual Inter-American Savings and Loan Conference, sponsored by the Inter-American Savings and Loan Union and co-sponsored by A.I.D., the Federal Home Loan

Bank Board, the National Savings and Loan League, the United States League of Savings Associations, the Federal National Mortgage Association, the Savings and Loan Foundation, Inc., the Mortgage Guaranty Insurance Corporation, and the Inter-American Savings and Loan Bank (BIAPE), was held in Washington, D.C. in March 1977. Over 500 representatives attended from most of the western hemisphere nations.

In October 1976, a National Shelter and Urban Strategies Conference, sponsored by A.I.D. and hosted by the Korea National Housing Corporation, was held in Seoul. Sixty-seven delegates representing five Asian countries, the U.S., and international organizations attended the conference. Housing policy and finance and various country programs were the major topics covered in the five working sessions.

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 the opportunity to bring to the attention of users of Housing Guaranty 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.

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 in Vancouver, Canada, the World Congress of the International Union of Building Societies and Savings Associations in San Francisco, and the Cooperative and Self-Help Seminar held in Maseru, Lesotho and sponsored by the government of Lesotho.

Technical Assistance and Services

During the past year, the Office of Housing continued to provide technical assistance and services to borrowing institutions under the Housing Guaranty Program, in support of other A.I.D. programs, and to countries willing and able to pay for professional services. In collaboration with local institutions, help was provided in a broad range of areas. Assistance was provided by short term individuals or teams and long term resident advisors.



Technical assistance, funded from housing guaranty fee income, was provided as follows:

African Development Bank—joint A.I.D.-African Development Bank study of bank's entry into shelter activities.

Central American Bank for Economic Integration (CABEI)—management study of the Housing Department of the bank.

Chile—design and administration of a comprehensive housing finance study.

Costa Rica—study of possibilities of utilizing a special property tax assessment (valorization) as a means of financing community upgrading projects.

Guatemala—assessment of rural housing reconstruction needs after the earthquake, with a view to determining A.I.D.'s potential role.

—study on the potential of a cooperative housing effort in Guatemala

Honduras—follow-up studies related to the implementation of the national housing policy covering the informal shelter sector, land banking, and a social fund to finance housing.

Interamerican Savings and Loan Bank (BIAPE)—analysis of organizational structure and potential viability.

Israel—analysis of housing management problems.

—study trip for Israeli housing officials.

Korea—study of housing finance.

Tunisia—design for sites and services program with social and economic components.

The Office of Housing participates in a number of other programs and activities of the Agency relating to housing in addition to the Housing Guaranty Program which it fully administers.

Technical assistance, funded by A.I.D. Bureaus and Missions through grants and development loans, was provided as follows:

Cameroon—two resident specialists to help develop new housing institutions and implement shelter programs.

Egypt—joint Egyptian-U.S. studies of housing finance, urban land use, and community upgrading in preparation for an extensive joint U.S.-Egyptian community development and sites and services program.

Guatemala—drafting of basic enabling legislation for the creation of a savings and loan system.

Lebanon—housing workshop covering technical, financial, and cooperative aspects of housing.

Somalia—provision of a short-term advisor on the building of shelter for displaced Somalian nomads.

Development of U.S. technical assistance capabilities, funded by an A.I.D. operational program grant, was carried out as follows:

development of shelter improvement programs and specific technical programs in Botswana, Peru, Lesotho, Jamaica, and Honduras.

Technical services, paid for entirely by requesting countries, were provided as follows:

Dominican Republic—a short term consultant was provided periodically to assist the Banco Nacional de la Vivienda in improving its financial management and monitoring its member savings and loan systems.

Dubai—preparation of terms of reference for the comprehensive planning program for Dubai Municipality and the entire country;

Kuwait—two resident senior staff members for the National Housing Authority to plan and carry out a vast national housing program.

Venezuela—two short-term advisors to assist Fundaconstruccion, a non-profit construction and housing institute, in forecasting supply and demand of construction materials.



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 beneficiaries to repay their loans and the ability of the economy to make the dollar repayment.

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. lender 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 two years and is repaid during a period of up to 30 years. When a mutually agreeable program has been developed, A.I.D. offers to guaranty repayment to any eligible U.S. lender who makes a loan for this program.



Administration And Organization

In FY 77 the Office of Housing continued to modify its organization and develop its administrative procedures to carry out its world-wide responsibility.

A new regional field office in Panama was established in FY 1977 to administer projects in Panama and South America, while operations in Central America were covered by the office in Tegucigalpa, Honduras. The field offices in Nairobi, Kenya and Abidjan, Ivory Coast continued to direct operations in east and west Africa, respectively. A field office was opened in Tunis, Tunisia to cover the Near East. Housing guaranty activities in the Far East were directed by the Seoul regional office that was opened in FY 1976.

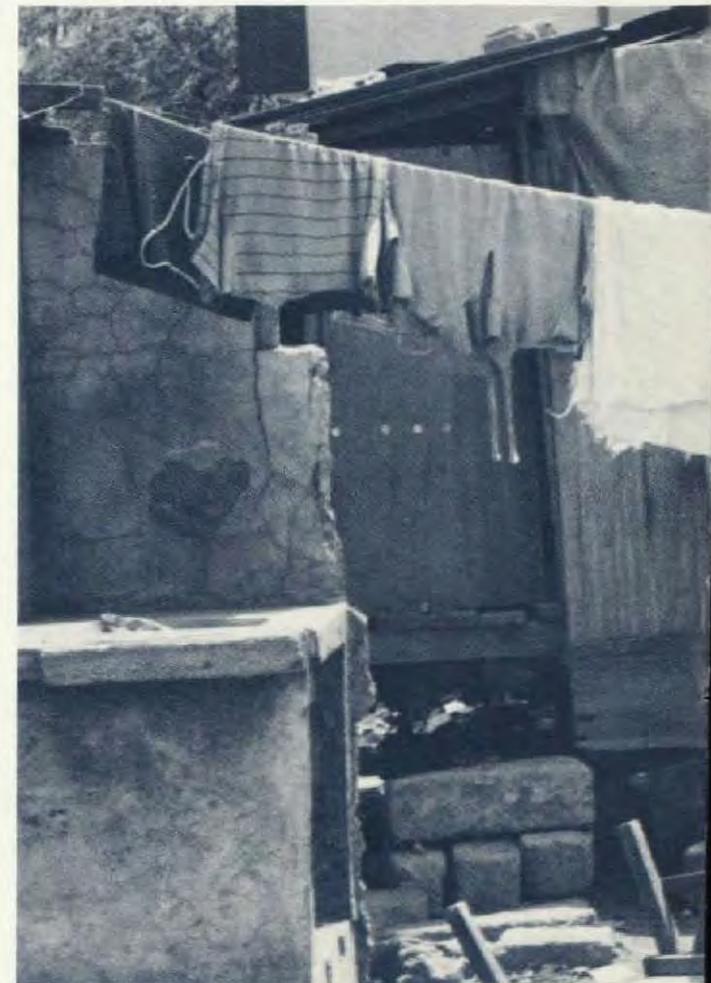
A.I.D. charges a fee for its guaranty, which covers the direct operating expenses of the program. During FY 77 as in prior years virtually all fee income was expended for operational costs, program development, monitoring, and in the provision of technical assistance.

Fee income for FY 1977 was \$4,106,834.32, which exceeded operating expenses of \$3,760,461.82 by \$346,372.50. After deducting non-recoverable claims of \$842,437.77 charged to operations and adding \$75,610.12 for prior years' adjustments, the net decrease to net worth for the fiscal year amounted to \$420,455.15.

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

The National Savings and Loan League helps monitor the financial transactions involved in administering mortgage collections, remittances to fiscal agents and payments to lenders. 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. In FY 1977 it prepared guidelines for Initial Environmental Examinations that are made preliminary to the development of Housing Guaranty Programs.

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 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 International (PADCO) performed several contracts during the fiscal year with emphasis on the area of housing policy guidance.

Boone, Young-Abeles, Schwartz performed a study to develop criteria for evaluating successful low-income housing projects and participated in a shelter sector analysis in Israel together with **Robert R. Nathan Associates**.

Phoenix Housing Development Corporation performed a shelter sector analysis in Liberia.

Richard T. Pratt Associates made a study of housing finance in Chile and Korea.

The National Corporation for Housing Partnerships performed a shelter sector analysis in Jamaica.

Ecoforum participated in a seminar on metropolitan planning and development and housing policy formulation in Ecuador.

Washington Service Corporation assisted the Government of Israel in adjustable mortgages and studies of housing subsidy.

Real Estate Research Corporation prepared a summary report for a visit by Israeli housing officials.



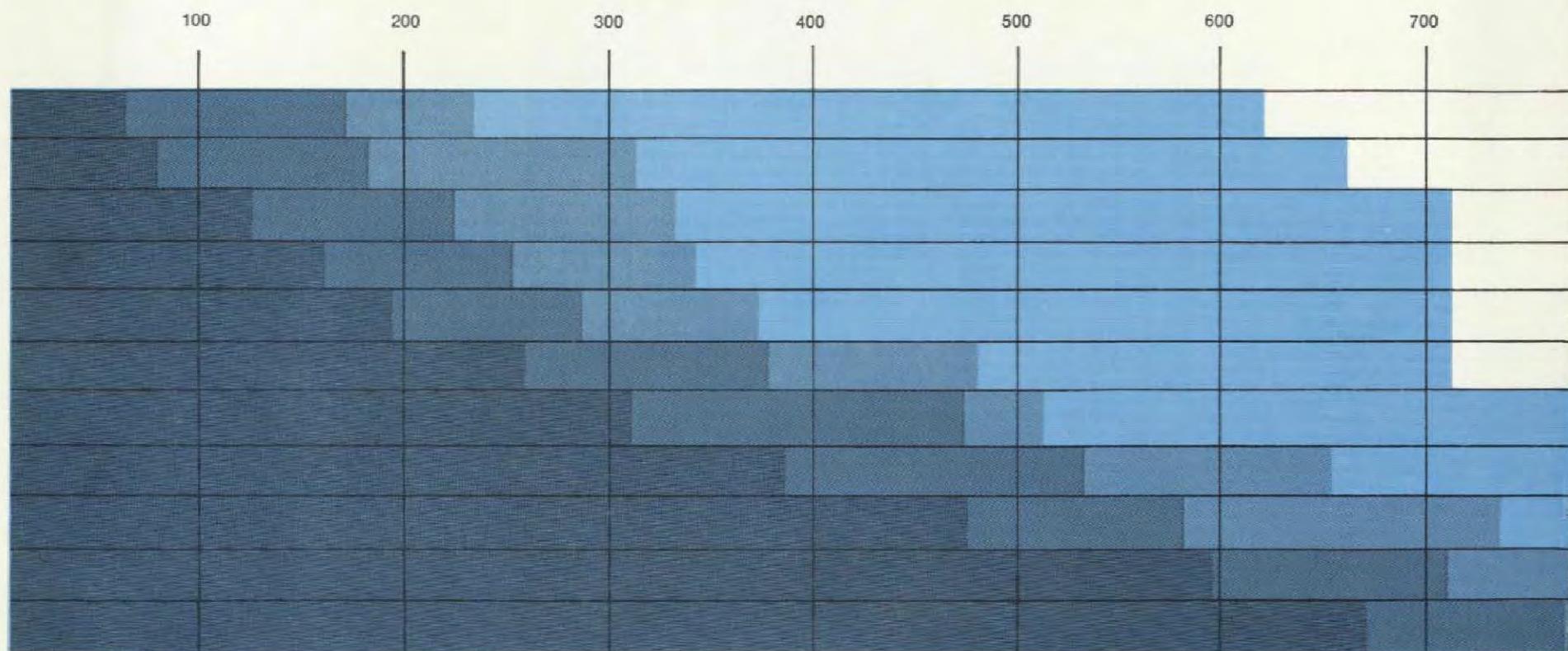
Lenders

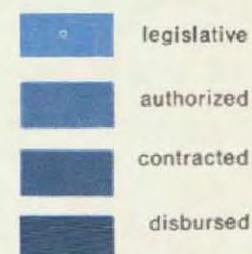
Lenders in the program in recent years have been savings and loan institutions, commercial banks, life insurance companies, pension funds, and other participants in U.S. capital markets. All have met certain eligibility requirements appearing in the Foreign Assistance Act, Section 238(c), which is reprinted at the end of this report.

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

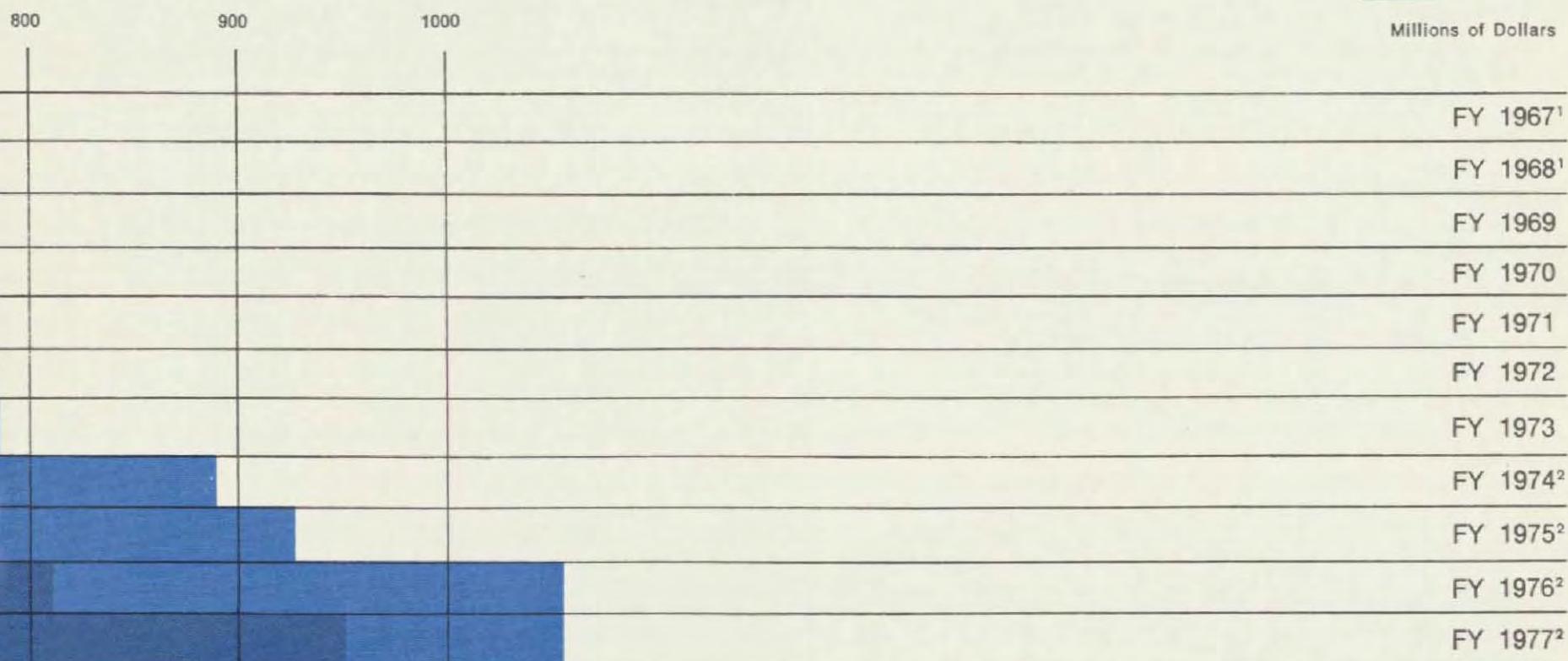
Interest rates to the lenders ranged from 8.10 % to 8.75% with terms of repayment from 25 to 30 years.

Status Of Guaranty Programs





Millions of Dollars



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 September 30, 1977

Assets

Funds with U.S. Treasury		\$46,603,306.36
Advances to Contractors		293,338.96
Accrued Fees Receivable		857,977.19
Accounts Receivable		31,130.79
Travel Advances		5,789.16
Prepaid Expenses		1,544.91
Subrogated Claims		2,631,306.62
Furniture and Equipment	\$13,706.47	
Less: Allowance for Depreciation	(685.33)	13,021.14
TOTAL ASSETS		<u>\$50,437,415.13</u>

Liabilities & Net Worth

Liabilities

Accounts Payable	\$	43,131.12
Accrued Expenses Payable		804,827.11
Accrued Annual Leave		127,331.60
TOTAL LIABILITIES	\$	<u>975,289.83</u>

Net Worth

Capital ¹	\$47,042,916.00
Credit Guaranty Reserve [Sect. 222 A (e)]	2,950,091.37
Cumulative Income (Beginning of Fiscal Year)	16,904.68
Net Income or (Loss) (Fiscal Year Ended)	(420,455.15)
TOTAL NET WORTH	<u>\$49,589,456.90</u>

Unfunded Activity

Unfunded Accrued Annual Leave	\$ (127,331.60)
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Total Liabilities & Net Worth

\$50,437,415.13

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 for Fiscal Year 1977

Fee Income

Latin America	\$2,543,492.30 ¹
Other Regions	1,563,342.02
Gross Income	<u>4,106,834.32</u>

Operating Expenses

Personnel Compensation	\$1,214,481.84
Contractual Compensation	1,860,609.19
Travel and Related Costs	255,038.20
Misc. Administrative Costs	230,332.59
Agency Support Costs	200,000.00
Total Operating Expenses	<u>\$3,760,461.82</u>

Net Results of Current FY Operations	346,372.50
Non-Operating Expenses: Non-recoverable Claims	(842,437.77) ²
Net Income or Loss for the Current FY	(496,065.27)
Prior FY Adjustments: Gains or (Losses)	75,610.12
Net Income or (Loss) from Funded Activity	\$ (420,455.15)
Unfunded Activity	
Increase in Annual Leave Balance	(9,735.75)
Net Income or (Loss) including unfunded activity	\$ (430,190.90)

¹ Does not include \$91,107 in fee income for four projects in Peru which is paid directly to the investors for non-recoverable claims.

² Does not include \$91,107, the portion of the claims which was offset by waiver of the guaranty fee.

Statement of Contract Issuing Authority as of September 30, 1977

I. Congressional Authority

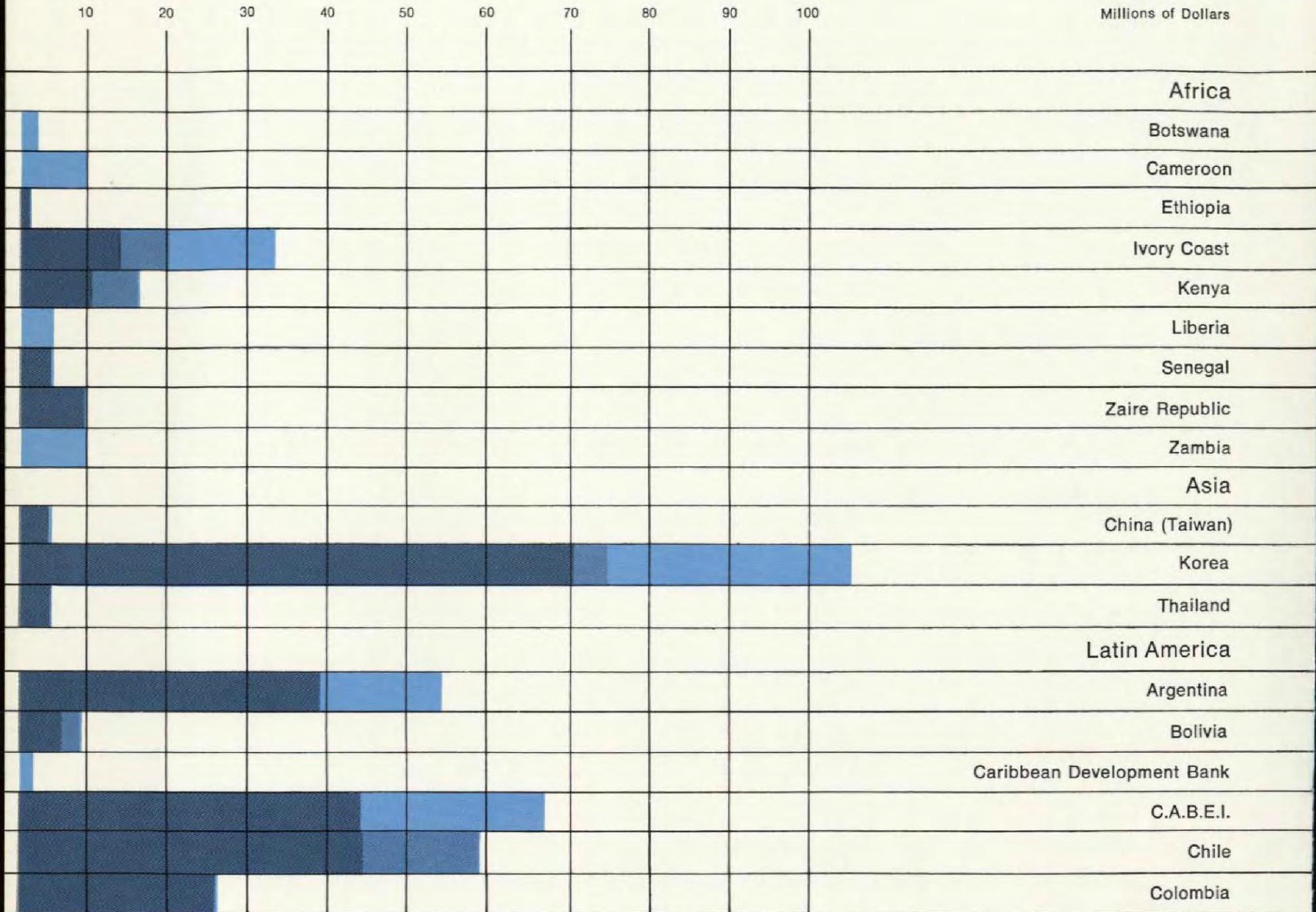
A. Worldwide Housing Guaranties	
1. FAA 1969 (Section 221)	\$ 430,000,000
2. Prior Authority (Section 223d)	25,100,000
B. Housing Projects in Latin American Countries (Section 222)	600,000,000
TOTAL CONGRESSIONAL AUTHORITY	\$1,055,100,000

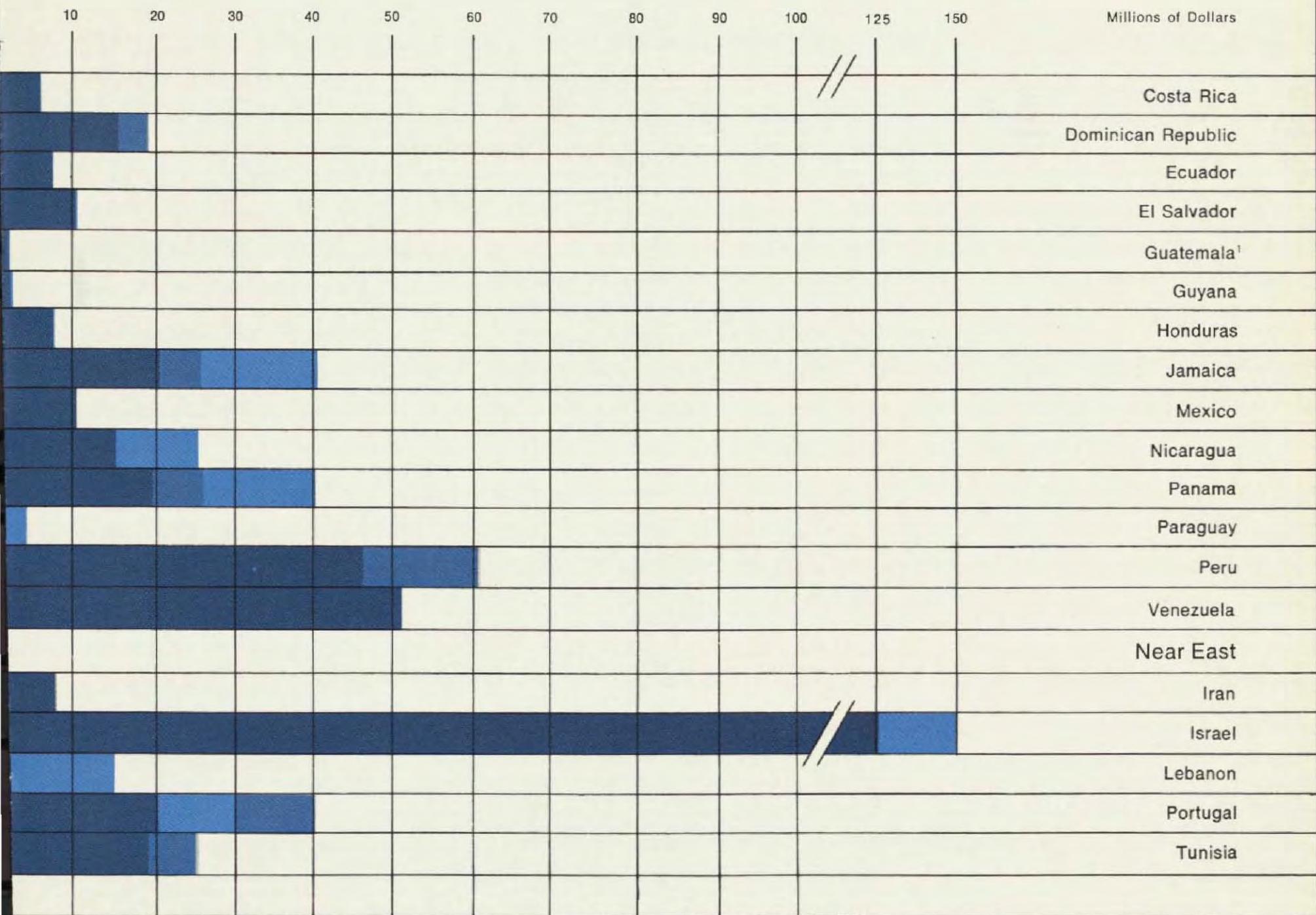
II. Program Status

	No. of Projects	Dollar Amount
A. Total Projects Authorized		
1. Total Projects Authorized & Under Contract		
Africa	9	\$ 53,967,064
Asia	7	84,753,566
Latin America	74	424,768,312
Near East	10	197,492,798
TOTAL	100	\$760,981,740
2. Total Projects Authorized & Fully Repaid		
Latin America	3	\$ 6,317,000
3. Total Projects Authorized & Not Yet Under Contract		
Africa	5	\$ 40,200,000
Asia	3	30,000,000
Latin America	8	82,600,000
Near East	2	40,000,000
TOTAL	18	\$192,800,000
4. Total Projects Authorized	121	\$960,098,740
B. Total Authority Available		
Worldwide		\$ 8,686,572
Latin America		92,631,688
TOTAL		\$101,318,260
C. Total Projects in Process Not Yet Authorized		
Africa	6	\$ 34,000,000
Asia	3	58,000,000
Latin America	13	148,000,000
Near East	7	85,000,000
TOTAL	29	\$325,000,000

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 9/30/77
Ethiopia				
Bole	663-HG-001	1,541,202	1,541,202	1,383,212
Totals		1,541,202	1,541,202	1,383,212
Ivory Coast				
Cite Fairmont	681-HG-001	2,032,792	2,032,792	1,401,765
SOGEFIHA	681-HG-002	10,000,000	10,000,000	9,644,347
BNEC	681-HG-003	8,400,000	2,300,000	2,300,000
Totals		20,432,792	14,332,792	13,346,112
Kenya				
Kimathi Estate	615-HG-001	1,993,073	1,993,073	1,657,630
Nairobi City Council	615-HG-003	10,000,000	6,250,000	6,250,000
Nat'l Housing Corp.	615-HG-004	5,000,000	2,000,000	2,000,000
Totals		16,993,073	10,243,073	9,907,630
Senegal				
Patte d'Oie	685-HG-001	4,999,997	4,999,997	3,911,428
Totals		4,999,997	4,999,997	3,911,428
Zaire Republic				
CNECI	660-HG-001	10,000,000	10,000,000	9,707,635
Totals		10,000,000	10,000,000	9,707,635
Totals All Projects		53,967,064	41,117,064	38,256,017

Asia

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/77
Republic of China				
Union Villa II	484-HG-001,2,3	4,793,417	4,793,417	3,019,656
Totals		4,793,417	4,793,417	3,019,656
Korea				
Korea Housing Corp.	489-HG-001	10,000,000	10,000,000	9,904,598
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	15,000,000	15,000,000
Totals		75,000,000	70,600,000	70,504,598
Thailand				
Soi On Nuj	493-HG-002	4,960,149	4,960,149	3,287,012
Totals		4,960,149	4,960,149	3,287,012
Total All Projects		84,753,566	80,353,566	76,811,266

Latin America

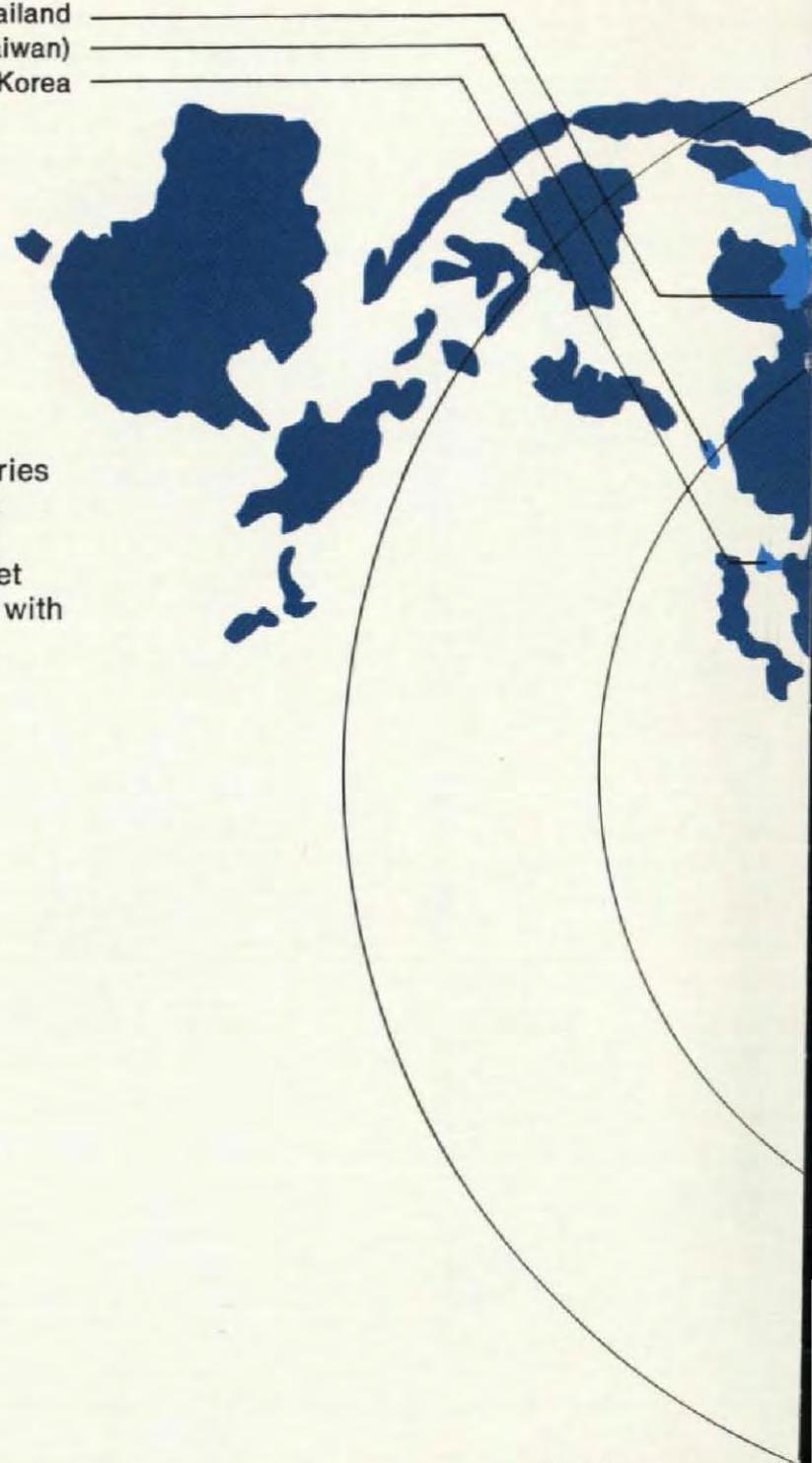
Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/77
Argentina				
Field Argentina	510-HG-001	4,921,394	4,921,394	3,039,057
AIFLD	510-HG-003	13,000,000	13,000,000	10,964,427
SUPE/UPCN/UNIMEV	510-HG-004	5,800,000	5,800,000	5,146,001
B.H.N.	510-HG-005	10,000,000	10,000,000	9,345,967
UNIMEV-SITRA	510-HG-006,7	6,000,000	6,000,000	5,821,920
Totals		39,721,394	39,721,394	34,317,372
Bolivia				
Caja Central	511-HG-003	3,600,000	3,600,000	3,351,290
Los Pinos	511-HG-004	6,000,000	3,600,000	3,600,000
Totals		9,600,000	7,200,000	6,951,290
C.A.B.E.I.				
Central America	596-HG-001	10,000,000	10,000,000	9,186,552
Banco Centro Amer.	596-HG-002	11,000,000	11,000,000	10,964,770
Banco Centro Amer.	596-HG-003/I	12,000,000	12,000,000	12,000,000
Banco Centro Amer.	596-HG-003/II	11,000,000	11,000,000	11,000,000
Totals		44,000,000	44,000,000	43,151,322

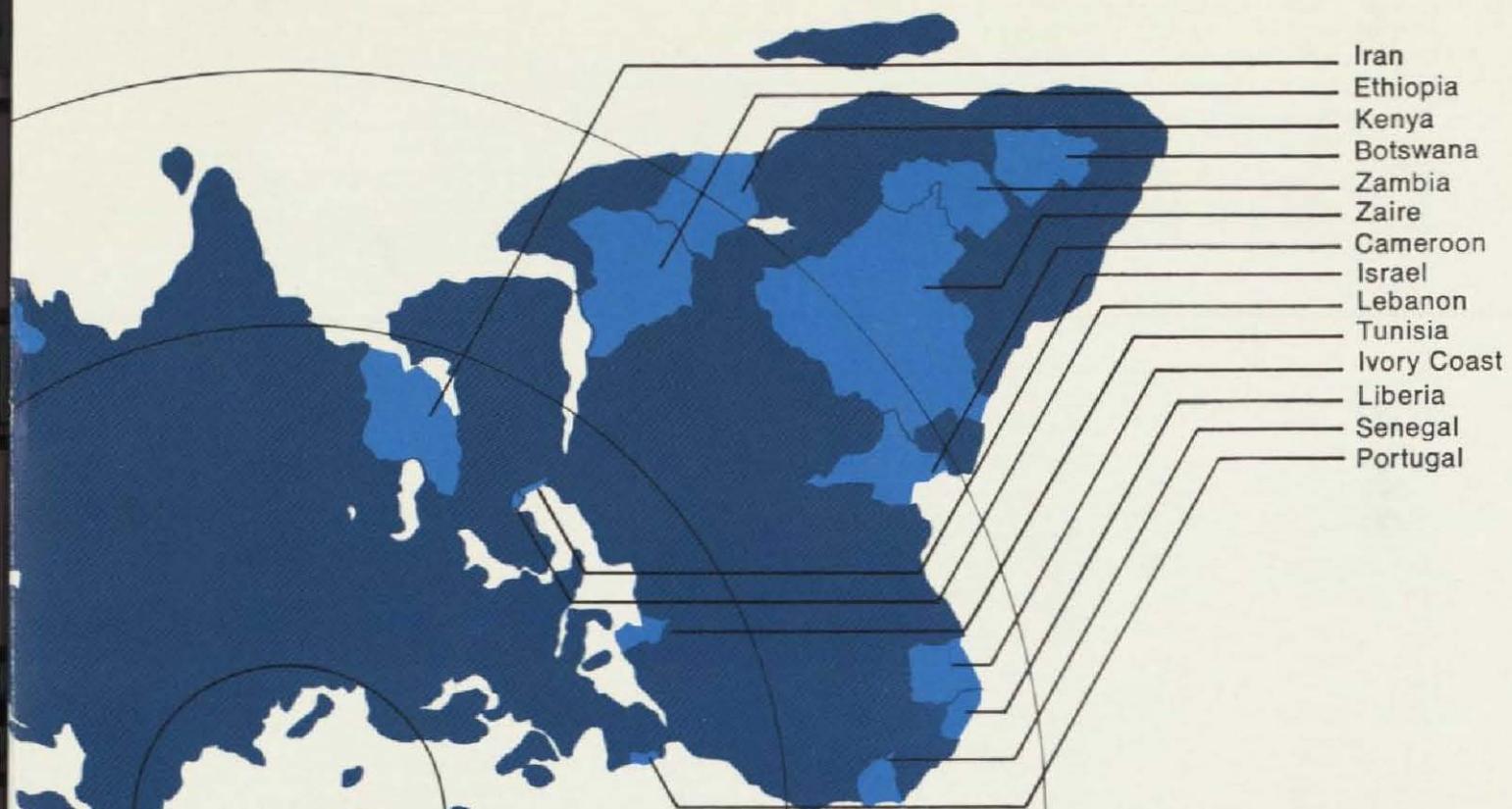
**Countries
in which
A.I.D. Guaranties
have been
authorized**

Thailand
China (Taiwan)
Korea

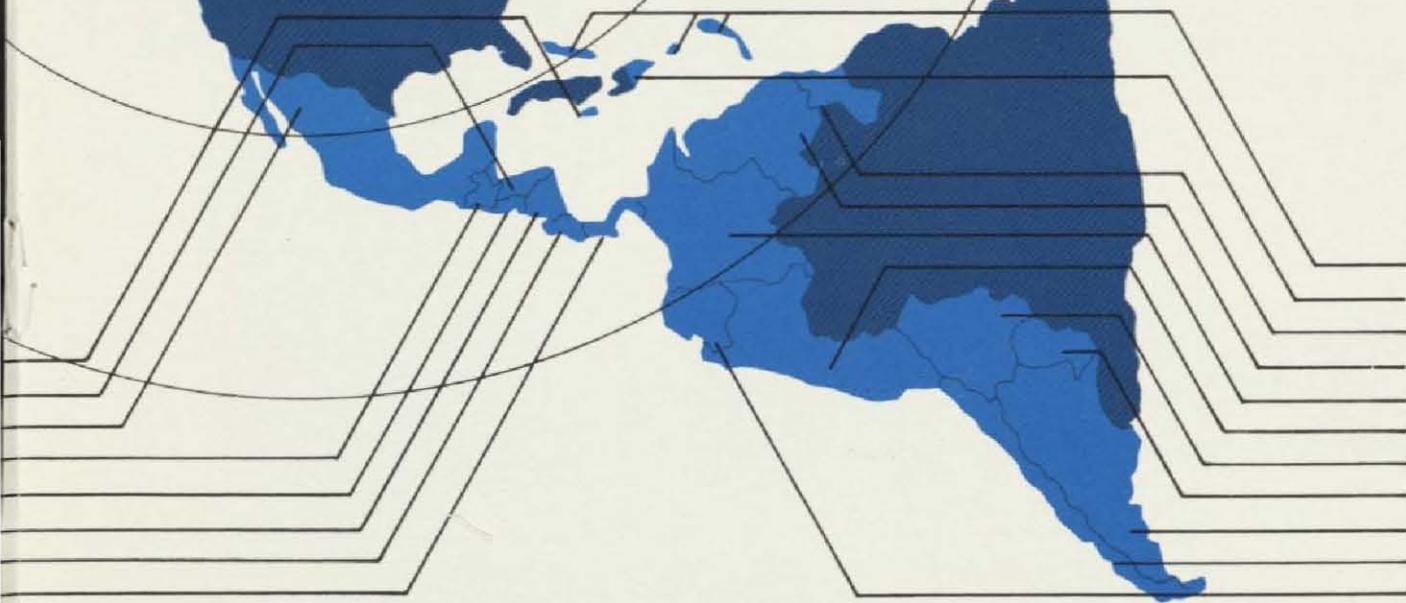
A.I.D. has authorized housing guaranty programs in 35 countries and to two regional institutions as shown on the map on these pages. The tables in this booklet give more detailed information with regard to each project.

Jamaica
C.A.B.E.I. - Honduras
Mexico
Guatemala
El Salvador
Nicaragua
Costa Rica
Panama





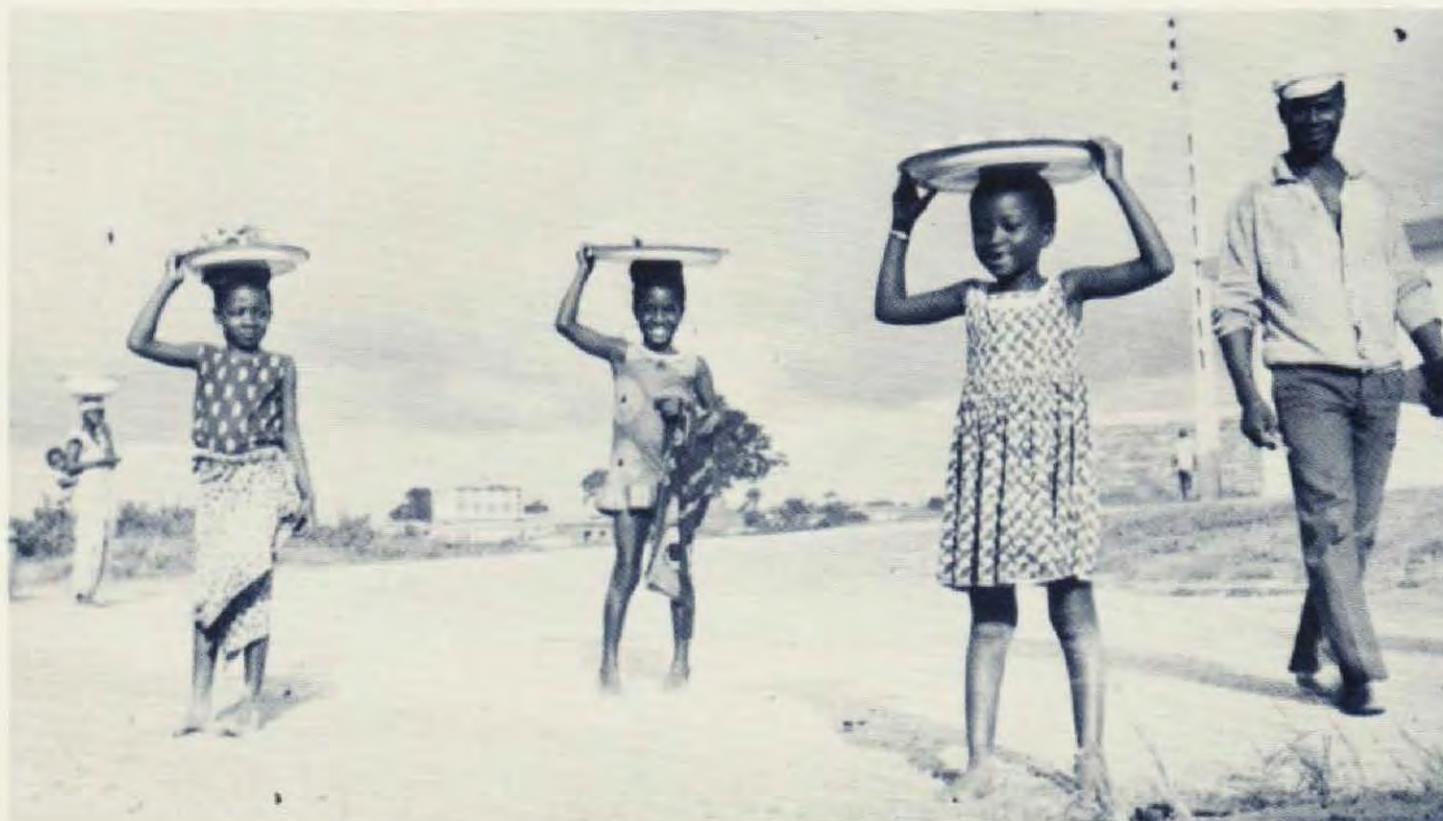
Iran
Ethiopia
Kenya
Botswana
Zambia
Zaire
Cameroon
Israel
Lebanon
Tunisia
Ivory Coast
Liberia
Senegal
Portugal



Caribbean Development Bank
Dominican Republic
Guyana
Venezuela
Colombia
Peru
Bolivia
Paraguay
Argentina
Chile
Ecuador

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/77
Chile				
La Libertad	513-HG-003	1,000,000	1,000,000	731,860
Concepcion	513-HG-004	1,690,000	1,690,000	1,408,008
INVICA	513-HG-005	2,000,000	2,000,000	1,557,440
Central Bank	513-HG-006/A	30,000,000	30,000,000	30,000,000
Central Bank	513-HG-006/B	25,000,000	10,000,000	10,000,000
Totals		59,690,000	44,690,000	43,697,308
Colombia				
VIPASA	514-HG-001	8,178,084	8,178,084	2,856,113
La Esmeralda	514-HG-002	10,207,000	10,207,000	6,498,347
Castilla	514-HG-003	8,481,000	8,481,000	5,734,351
Totals		26,866,084	26,866,084	15,088,811
Costa Rica				
Desarrollo Urbano	515-HG-003	1,999,992	1,999,992	1,588,552
Jardines De Tibas, SA	515-HG-004	2,499,799	2,499,799	2,168,852
INVECO, SA	515-HG-005	2,098,220	2,098,220	1,960,485
Totals		6,598,011	6,598,011	5,717,889
Dominican Republic				
COINFO	517-HG-003	3,331,690	3,331,690	1,409,218
La Agustina	517-HG-005	2,118,036	2,118,036	1,399,620
B.N.V.	517-HG-006	6,000,000	6,000,000	5,198,310
FALCONDO	517-HG-007	3,500,000	860,000	839,369
B.N.V.	517-HG-008	4,000,000	4,000,000	3,914,918
Totals		18,949,726	16,309,726	12,761,435
Ecuador				
La Chala	518-HG-003	1,396,726	1,396,726	1,135,499
B.E.V.	518-HG-004	6,000,000	6,000,000	5,896,953
Totals		7,396,726	7,396,726	7,032,452
El Salvador				
Miramonte	519-HG-001	4,492,935	4,492,935	1,916,743
Jardines de Guadalupe	519-HG-002	4,478,443	4,478,443	2,857,569
Viviendas Cooperativas	519-HG-005	1,929,172	1,929,172	1,591,972
Totals		10,900,550	10,900,550	6,366,284
Guatemala				
Banco Inmobiliario	520-HG-003	1,500,000	1,500,000	1,356,388
Totals		1,500,000	1,500,000	1,356,388
Guyana				
AIFLD	504-HG-001	1,185,935	1,185,935	776,031
MacKenzie	504-HG-002	417,545	417,545	348,687
Totals		1,603,480	1,603,480	1,124,718
Honduras				
Miraflores	522-HG-001	2,868,315	2,868,315	1,231,425
Jardines Loarque	522-HG-002/A	1,502,600	1,502,600	773,489
Composa Colonia Rio Grande	522-HG-002/B	827,813	827,813	776,689
FEHCOVIL	522-HG-004	2,166,057	2,166,057	1,998,478
Totals		7,364,785	7,364,785	4,770,081

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/77
Jamaica				
Independence City	532-HG-001/I	6,317,553	6,317,553	4,115,623
Independence City	532-HG-001/II	1,109,460	1,109,460	955,355
Ensom City	532-HG-002	5,018,848	5,018,848	4,055,664
Montego Bay	532-HG-008	3,000,000	1,887,685	1,855,343
Jamaica Mortgage Bank	532-HG-009	10,000,000	6,500,000	6,471,160
Totals		25,445,861	20,833,546	17,453,145
Mexico				
AIFLD—J.F.K.	523-HG-004	10,000,000	10,000,000	5,184,144
Matamoros	523-HG-006	760,032	760,032	539,746
Totals		10,760,032	10,760,032	5,723,890
Nicaragua				
El Porvenir	524-HG-001	6,924,915	6,924,915	4,485,044
B.N.V.	524-HG-002	4,000,000	4,000,000	3,699,562
B.N.V.	524-HG-003	5,000,000	5,000,000	4,968,495
Totals		15,924,915	15,924,915	13,153,101
Panama				
La Gloria	525-HG-002	2,952,900	2,952,900	1,642,295
Corindag	525-HG-003/I	1,483,513	1,483,513	1,153,735
Corindag	525-HG-003/II	1,991,886	1,991,886	1,805,168
Villa Catalina	525-HG-004	962,834	962,834	843,491
Jardin Olimpica	525-HG-005	2,881,080	2,881,080	2,597,830
CATIVA	525-HG-006	3,500,000	—	—
BHN	525-HG-007	9,000,000	9,000,000	9,000,000
BHN	525-HG-008	3,400,000	500,000	500,000
Totals		26,172,213	19,772,213	17,542,519



Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/77
Peru				
Apollo	527-HG-001/I	1,189,713	1,189,713	247,841
Apollo	527-HG-001/II	1,023,261	1,023,261	482,410
Jardines Viru	527-HG-002	3,825,766	3,825,776	2,250,487
VIPSE	527-HG-003	8,700,339	8,700,339	5,181,145
Salamanca	527-HG-004	2,229,366	2,299,366	1,348,108
Alto dela Luna	527-HG-006	604,421	604,421	475,722
Trujillo B.V.P.	527-HG-005,8	28,281,000	28,281,000	27,970,915
B.V.P.	527-HG-009	15,000,000	1,000,000	1,000,000
Totals		60,923,876	46,923,876	38,956,628
Venezuela				
Guacara I	529-HG-001	6,293,840	6,293,840	2,123,292
INRESA	529-HG-002	4,714,272	4,714,272	2,185,025
Puerto Ordaz	529-HG-003/A	1,853,933	1,853,933	983,336
Ciudad Alianza	529-HG-003/B	2,909,405	2,909,405	1,846,730
Guacara II	529-HG-005	777,104	777,104	304,288
CORACREVI	529-HG-006	5,912,076	5,912,076	4,579,694
Flor Amarillo	529-HG-008	2,890,029	2,890,029	2,019,328
BANAP	529-HG-012	20,000,000	20,000,000	17,761,872
INVICA	529-HG-013	6,000,000	6,000,000	5,744,524
Totals		51,350,659	51,350,659	37,548,089
Total All Projects		424,768,312	379,715,997	312,712,722

Near East

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Balance 9/30/77
Iran				
IDRO	265-HG-001	7,500,000	7,500,000	7,384,915
Totals		7,500,000	7,500,000	7,384,915
Israel				
TEFAHOT	271-HG-001	50,000,000	50,000,000	49,609,419
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	124,609,419
Portugal				
Government of Portugal	150-HG-001	20,000,000	20,000,000	20,000,000
Government of Portugal	150-HG-002	20,000,000	—	—
Totals		40,000,000	20,000,000	20,000,000
Tunisia				
Cite Carnoy	664-HG-001	4,992,798	4,992,798	3,350,916
SNIT	664-HG-002	10,000,000	10,000,000	9,725,109
CNEL	664-HG-003	10,000,000	3,175,000	3,175,000
Totals		24,992,798	18,167,798	16,251,025
Total All Projects		197,492,798	170,667,798	168,245,359

Total Projects Authorized And Under Contract

REGION	AMOUNT AUTHORIZED	AMOUNT DISBURSED	BALANCE 9/30/77
AFRICA	\$ 53,967,064	\$ 41,117,064	\$ 38,256,017
ASIA	84,753,566	80,353,566	76,811,266
LATIN AMERICA	424,768,312	379,715,997	312,712,722
NEAR EAST	197,492,798	170,667,798	168,245,359
TOTAL ALL REGIONS	\$760,981,740	\$671,854,425	\$596,025,364



Projects Authorized And Fully Repaid

Latin America

Country/Project	Project Number	Amount Authorized	Amount Disbursed	Repayments	Date of Repayment
Guatemala					
Capital City	520-HG-001/I	1,500,000	1,500,000	1,500,000	December 1973
Capital City	520-HG-001/II	1,817,000	1,816,213	1,816,213	December 1973
Banco Granai & Towson	520-HG-002	3,000,000	2,937,462	2,937,462	June 1973
Totals		6,317,000	6,253,675	6,253,675	

Claims Against Guaranty

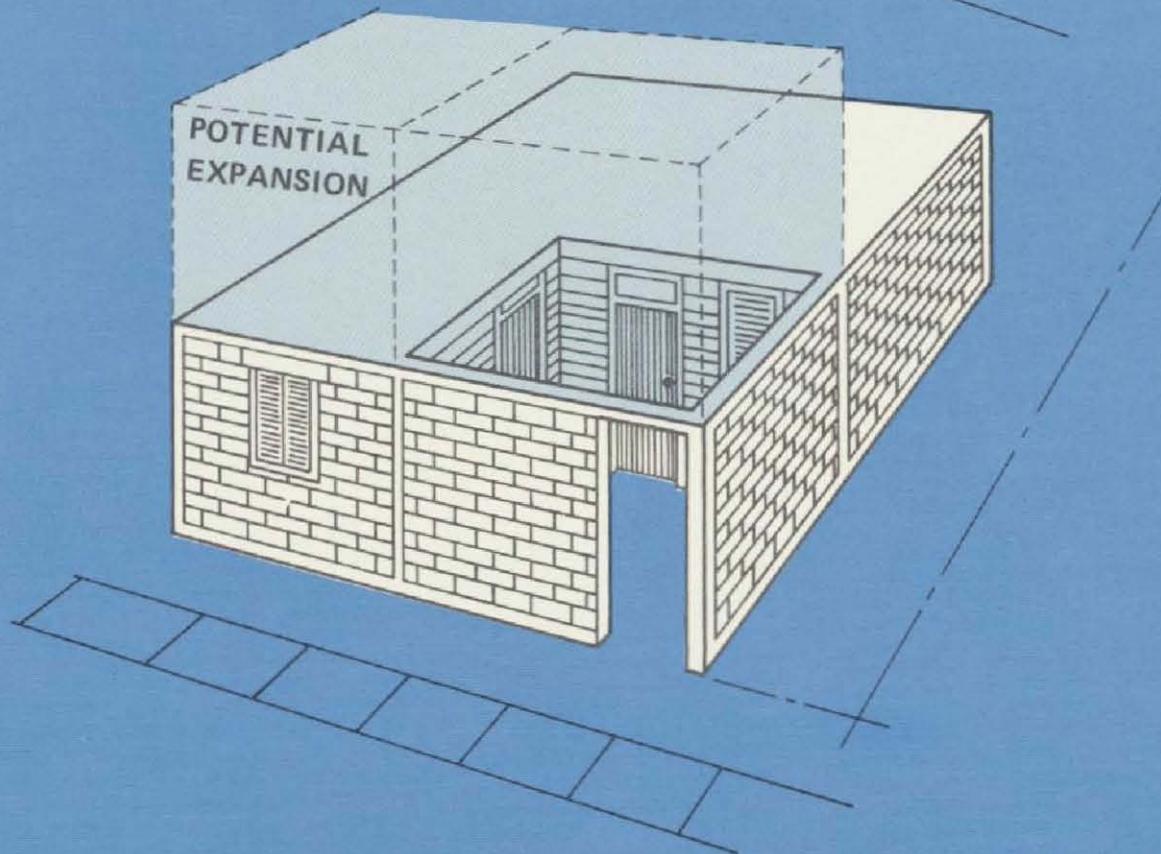
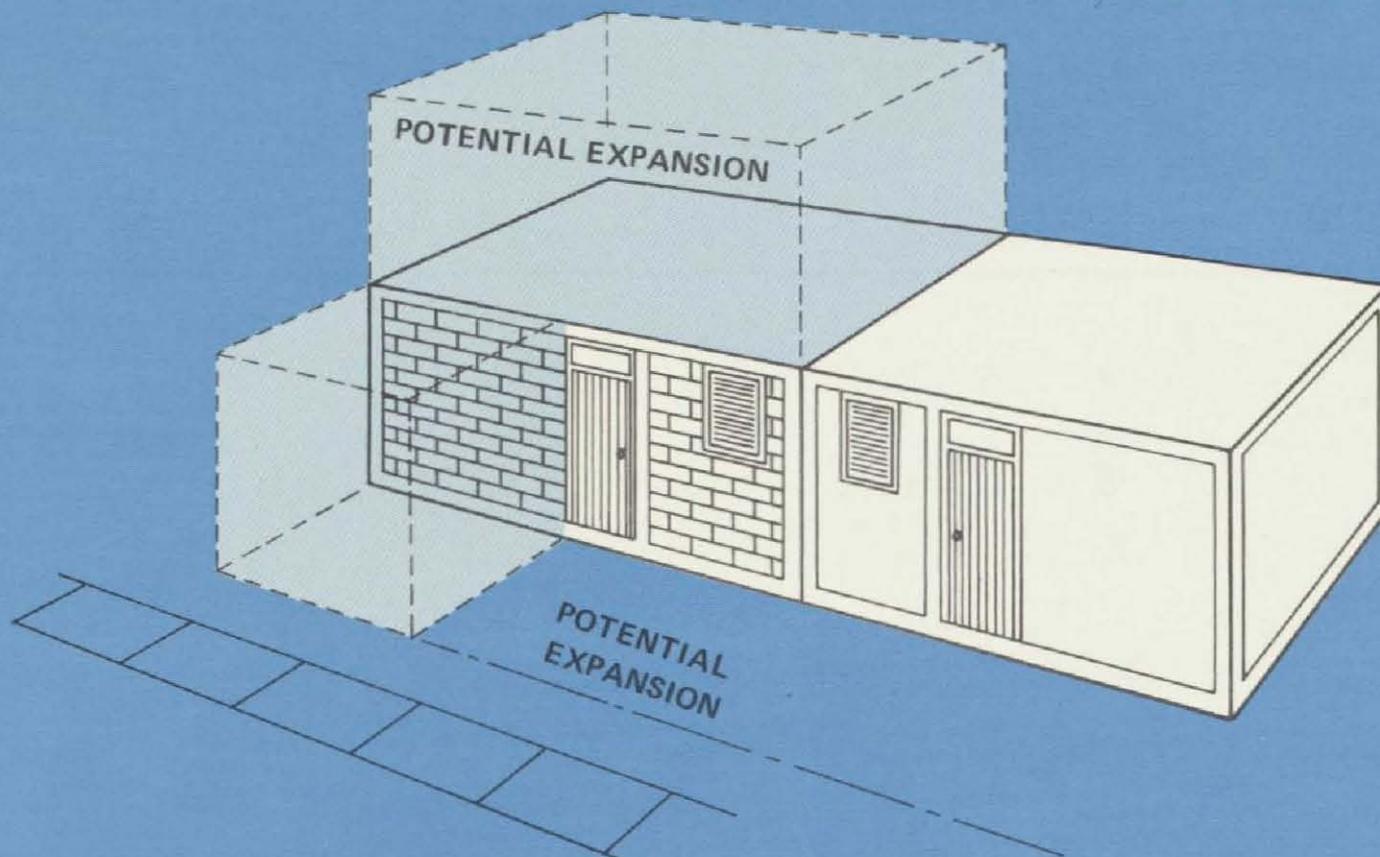
The devaluation of the currencies of some countries and other reasons have resulted in shortages in payments received from the Administrators or Borrowers by the Investors for a few projects. These investors have made claims to A.I.D. to make payment for the amounts of the deficiencies.

Country/Project	Project Number	Cumulative Claims Incurred (less reimbursements) to 9/30/77
Argentina		
Field Argentina	510-HG-001	\$2,278,500
Dominican Republic		
COINFO	517-HG-003	650,000
Peru		
Apollo	527-HG-001/I	149,338
Apollo	527-HG-001/II	133,607
Jardines Viru	527-HG-002	208,361
Salamanca	527-HG-004	85,299
Senegal		
Patte d'Oie ¹	685-HG-001	1,491,707
Zaire		
CNECI ¹	660-HG-001	<u>1,139,600</u>
Total		\$6,136,412

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 A.I.D. for the Borrowers. They do not include interest that A.I.D. may charge the respective Governments on the claims paid.

On March 16, 1976, an arbitral award was issued against A.I.D. in favor of a construction corporation formed under the laws of Senegal. The award calls for the payment by A.I.D. of \$495,898.45 plus 75 percent of the costs of arbitration. The award is presently the subject of litigation in the United States Court of Claims. The source of funds to be used to pay all or part of the award is currently under consideration. The source of such funds will be either funds provided for regular operations of the A.I.D. Housing Guaranty Program or funds made available to the Department of Justice for the payment of judgments against the United States.

21 M² DWELLING UNIT



30 M² DWELLING UNIT

Shelter Program Objectives

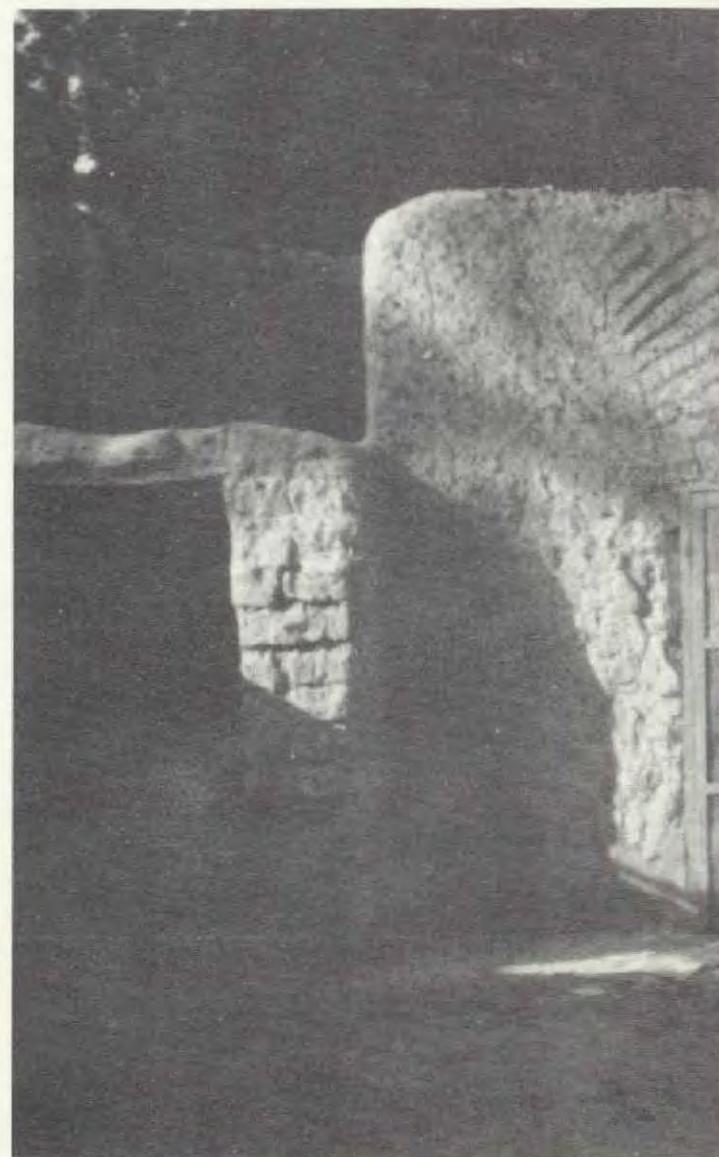
A.I.D. Policy Determination October 22, 1974

A.I.D.'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 A.I.D. 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 A.I.D.'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 A.I.D.'s shelter objectives. All shelter projects, irrespective of the source of financing, should be programmed as an integral element of A.I.D. annual country programming.

A.I.D.'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, A.I.D. 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 loan 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 A.I.D.'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, A.I.D. will encourage increased attention to the needs of the poor. As an integral part of negotiation for A.I.D. assistance, the Agency will discuss with the LDC its general housing strategy and alternative means of improving the living conditions of poor people.

A.I.D. 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, A.I.D. 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.

A.I.D. 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).

A.I.D. 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 loan 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/A.I.D. dialogue.



A.I.D. 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, A.I.D. will give careful attention to the effect of home finance institutions on aggregate savings. A.I.D. 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, A.I.D. 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

A.I.D. 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.



A.I.D. 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

A.I.D. 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 A.I.D.'s country programming. The Housing Guaranty Program will be fully incorporated into the A.I.D. 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. The Office of Housing 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:

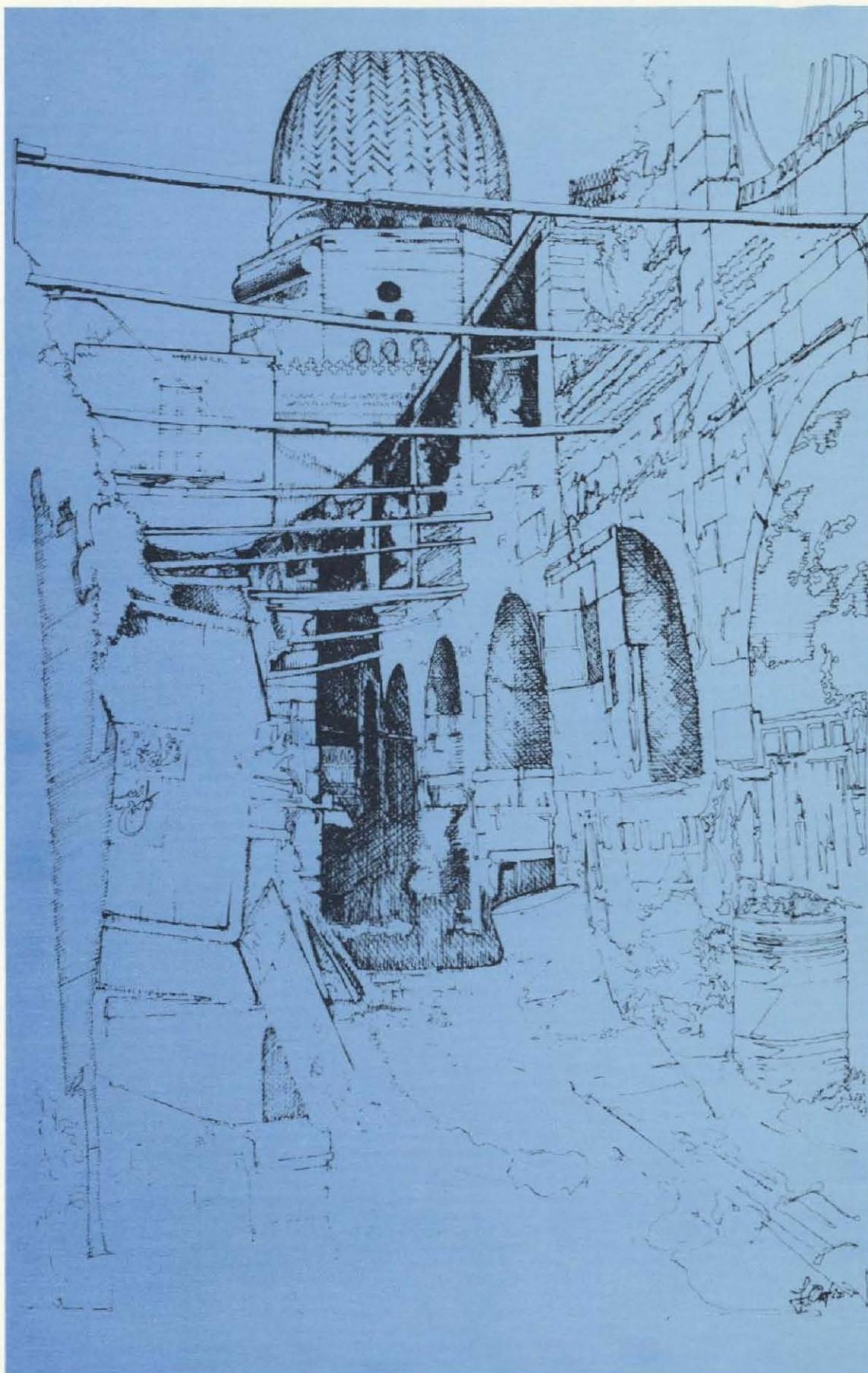
—Enhance the effectiveness of housing guaranty funds in reaching low income families.

—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 loans 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 development 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 guaranty loans will be determined on a case-by-case basis at the time a request for HG 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, A.I.D. will, in the future, consider sympathetically requests for assistance for shelter reconstruction following national disasters (i.e., an earthquake or flood).

History

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 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

A.I.D. Policy Determination
May 27, 1976

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 was 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 a 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 HG and PL 480 programs, affect significantly the urban poor.

The Foreign Assistance Act was changed in 1975 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 HG 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 HG—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 HG, PL 480, health, population and PVOs) benefit the urban poor. These programs and that of the Office of Urban Development 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:

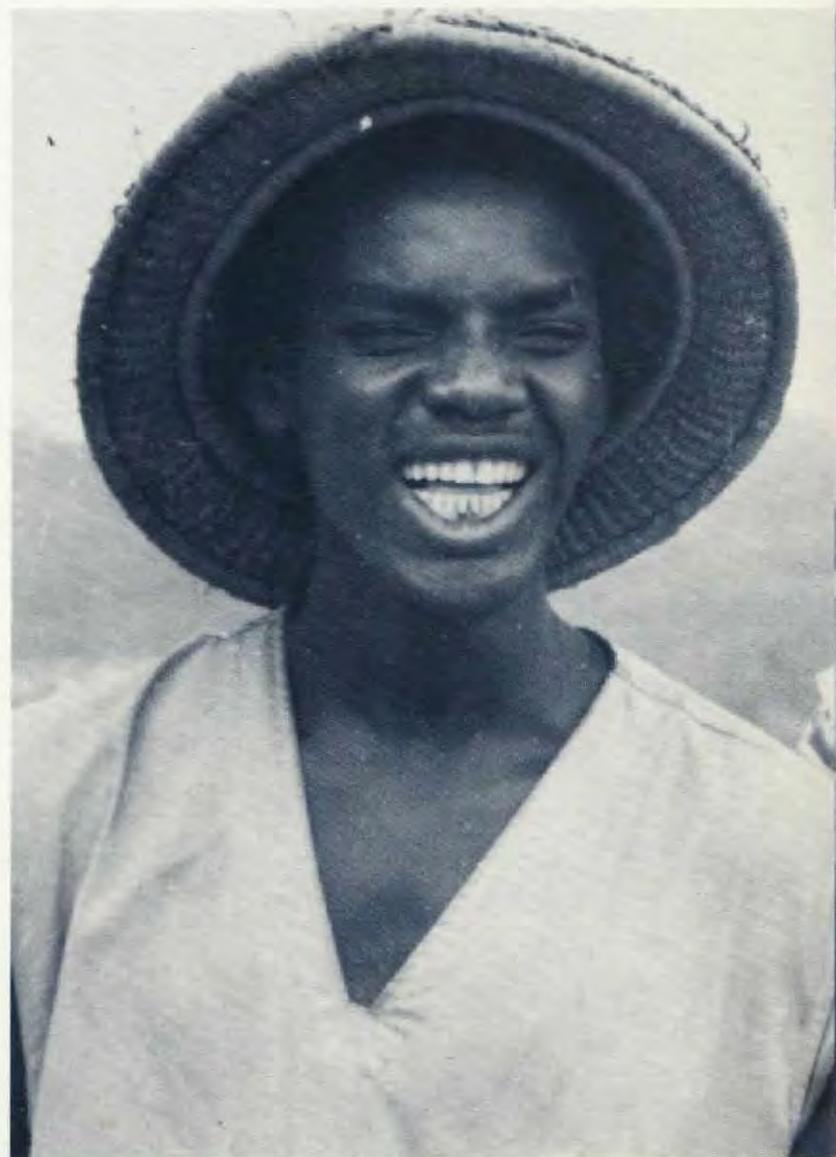
a) Problems and prospects for employment generation, especially in the informal sector of big cities,

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 HG 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 HG 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 HG 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 A.I.D./W.



Foreign Assistance Act Of 1969

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. Such guaranties shall be issued under the conditions set forth in section 222(b), section 222(c) 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 or under section 221, outstanding at any one time, shall not exceed \$1,030,000,000: 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 \$50,000,000¹ 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 under section 221 or 222 or under prior housing guaranty authorities, 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 limitations as may be imposed in annual appropriations 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 expenditure 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. Fees collected in connection with guaranties issued under section 222A shall likewise be available to meet similar expenses, costs, or liabilities incurred

in connection with the programs authorized by that section.

(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 payment made



¹ From the \$50,000,000 established under Section 223(b) a guaranty reserve not to exceed \$3,000,000 was made available to make payments as may be necessary to discharge liabilities on guaranties issued under section 222A of this Act.

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 section 222 shall continue until September 30, 1979.

(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, 1978, as follows: In Israel, not exceeding a face amount of \$75,000,000, in Portugal, not exceeding a face amount of \$30,000,000 and in Lebanon, not exceeding a face amount of \$30,000,000.

Section 238. Definitions.—As used in this title—

(c) the term "eligible investor" means: (1) United States citizens; (2) corporations, partnerships, or other associations including nonprofit associations, created under the laws of the United States or any State or territory thereof and substantially beneficially owned by United States citizens; and (3) foreign corporations, partnerships, or other associations wholly owned by one or more such United States citizens, corporations, partnerships, or other associations: Provided however, That the eligibility of such foreign corporation shall be determined without regard to any shares, in aggregate less than 5 per centum of the total issued and subscribed share capital, held by other than the United States owners: Provided further, That in the case of any loan investment a final determination of eligibility may be made at the time the insurance or guaranty is issued; in all other cases, the investor must be eligible at the time a claim arises as well as the time the insurance or guaranty is issued.

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