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SHELTER AND JOBS

COOPERATIVE NEIGHBORHOOD IMPROVEMENT AND JOB PROGRAM FOR CENTRAL AMERICA

THE COOPERATIVE HOUSING FOUNDATION
WASHINGTON, D.C.

APRIL 1988

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COVER: Young people of the Guillermo Matute cooperative in Tegucigalpa, Honduras, perform a traditional dance at celebration ceremonies following completion of a home improvement project that was funded through CHF's Cooperative Neighborhood Improvement and Job Program.

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The population of Central America totals about 25 million; the majority live in substandard housing they build themselves. CHF's Cooperative Neighborhood Improvement and Job Program creates linkages between the private sector and the poor by providing financial credit and technical assistance that enable residents of squatter settlements and rural villages to improve their living conditions. The program also creates employment opportunities and gives people a chance to participate in democratic decision making that affects their communities.

Abbreviations

APRHU	Association for Human Promotion
ASJO	San José Obrero Association
BARD	Belize Agency for Rural Development
BCUL	Belize Credit Union League
BMPC	Building materials production center
CHF	Cooperative Housing Foundation
CM	Credit mechanism
COLAC	Latin American Confederation of Credit Unions
COOPEALIANZA	San Isidro Credit Union
COOPESPARTA	Esparta Credit Union
COSMEVA	Multipurpose Cooperative of Plant Nurseries of Atlántida
COSUDER	Guatemalan Association for Coordination for Survival and Development
CSJB	San Juan Bosco Center
FACACH	Federation of Credit Unions of Honduras
FEDECACES	Federation of Credit Unions of El Salvador
FEDECREDITO	Federation of Credit Unions of Costa Rica
FEDPA	Federation of Credit Unions of Panama
FEHCOVIL	Honduran Cooperative Housing Federation
FENACOAC	Federation of Credit Unions of Guatemala
FENACOVI	Guatemalan Cooperative Housing Federation
FUNDASOL	Foundation for Social Solidarity
FUNDAVICO	Panamanian Foundation for Cooperative Housing
HODE	Shelter and Development
IDH	Honduran Development Institute
INVU	Urban Housing Institute
MOFANG	Movement of New Families of Gualán
NIC	Neighborhood improvement cooperative
PROVICO	Rural Housing Project
SHHC	Self-help housing cooperative
SIHUACOOP	Sihuatehuacán Credit Union
TSO	Technical service organization
USAID	United States Agency for International Development
VIC	Village improvement cooperative

Private, nonprofit organizations in Central America provide a wide range of services. CHF provides credit and technical assistance aimed at strengthening these efforts and establishing an effective private sector system for the delivery of housing and community services in the region.

Executive Summary

In 1984, the United States Congress passed new legislation to provide funding for a wide range of activities aimed at addressing social and economic problems in Central America. The legislation was based on the recommendations of the National Bipartisan Commission on Central America, which was headed by Henry Kissinger. The commission outlined four fundamental objectives: economic stabilization, long-term growth, equity and broad participation in development, and promotion of democratic institutions and human rights. It also recommended substantial increases in the amount of American financial and technical assistance to the region.

The commission recognized that Central American governments have been unable to use external aid effectively in programs that directly improve the lives of the urban and rural poor. As a result, it recommended that increased funding be channeled through the private sector and that local private sector organizations be strengthened and assisted in carrying out development programs.

The Cooperative Housing Foundation (CHF) proposed a program to help establish an effective private sector system for the delivery of housing and community services in the region. Elements of the program help strengthen existing private sector organizations and establish new private entities that complement and supplement governmental efforts to provide affordable housing. The program, based on CHF's cooperative development system, is designed to benefit more than 100,000 people by providing credit to residents of squatter settlements and rural villages for home improvements, home construction, and community services, and by creating jobs in small businesses related to construction.

In March 1985, the U.S. Agency for International Development (USAID) approved a $10 million, four-year grant to CHF for the Cooperative Neighborhood Improvement and Job Program, also known as *Programa Techo y Trabajo* (Shelter and Jobs Program). The innovative program is being implemented in six countries in the region: Guatemala, El Salvador, Honduras, Costa Rica, Panama, and Belize.

The strategy CHF is using in the program is to provide technical assistance, credit, and training for demonstration projects (along with grants, in some cases) to strengthen local private organizations. CHF provides local currency loans to credit union federations, cooperative housing federations, and other community development organizations, which in turn use these funds to provide credit to individual members through local credit unions or community cooperative groups. Repayment is required in full at market interest rates from individual residents of the squatter settlements and rural villages.

The system operates on the principle of a revolving loan fund. A spread is allowed in the interest rates between what is charged to individuals and what CHF charges to the local organization. This differential helps the local organizations cover operating expenses and provide reserves against losses. The repayments make up a fund from which others may borrow subsequently.

CHF's program is demonstrating that poor people living in squatter settlements will repay loans provided through the private sector. The delinquency rate on loans provided through government agencies is often very high. In contrast, the repayment rate on individual loans through CHF's system is excellent, with delinquencies less than two percent overall. There are no delinquencies in repayment of loans by local institutions to CHF.

The Cooperative Neighborhood Improvement and Job Program is enhancing the capacity of private organizations to manage housing finance programs and construction projects. This improved administrative ability, together with the demonstrated demand by local residents for housing-related loans, has stimulated the provision of additional funding. USAID missions in the region have provided substantial additional funding to expand the program in their respective countries. In addition, local credit union federations, cooperative housing organizations, private American companies, and private local sources have provided counterpart funds. A total of $6 million in additional funding had been received by CHF by the end of 1987.

CHF's program is unusual in the speed with which it has benefited poor families in Central America. All of the funds available under the program have been committed to nonprofit, private sector organizations in the six participating countries; the vast majority has already been disbursed. To date, CHF has made loans to 13 national level organizations and 5 community level organizations. The national organizations, in turn, have made loans to 61 community level organizations. All of these organizations are receiving technical assistance and training from CHF along with financial credit. In addition, 16 institutional support grants are helping strengthen local private sector organizations.

Thousands of people in the region are already benefiting from home improvement loans, new employment opportunities generated by the need for building materials, and new community services such as potable water systems, electricity, and sidewalks.

In addition, repayments are starting. The first families to borrow funds for home improvements or construction costs are beginning to repay their loans at market interest rates. Over $400,000 in repayments are expected during fiscal year 1988; this figure will increase substantially in 1989 and beyond. These repayments will be recycled by CHF through local, private, nonprofit groups to enable additional low-income families to obtain the benefits the program offers.

Congressman Dante Fascell

Congressman Jack Kemp

Congressman Doug Bereuter

CHF's Cooperative Neighborhood Improvement and Job Program channels American assistance to Central America through the private sector. This approach was recommended by the National Bipartisan Commission on Central America, which was headed by Henry Kissinger. The commission's report formed the basis for new foreign assistance legislation passed by the U.S. Congress in 1984. The U.S. Agency for International Development (USAID) subsequently awarded a $10 million grant to enable CHF to implement its private sector, cooperative development system in six countries in the region.

Several key officials were present at special ceremonies held to announce the grant award: Congressman Dante Fascell (D-FL), chairman of the Committee on Foreign Affairs; Congressman Jack Kemp (R-NY), ranking minority member on the Appropriations Committee's Subcommittee on Foreign Operations; Congressman Doug Bereuter (R-NB), ranking minority member on the Banking Committee's Subcommittee on International Development Institutions and Finance; and Peter Askins, associate assistant administrator of the USAID Office of Central American and Panamanian Affairs. Ted Priftis, CHF's vice president and regional director for Latin America and Asia, manages the Cooperative Neighborhood Improvement and Job Program.

Peter Askins

Ted Priftis

I. Background

Problems Addressed by the Program

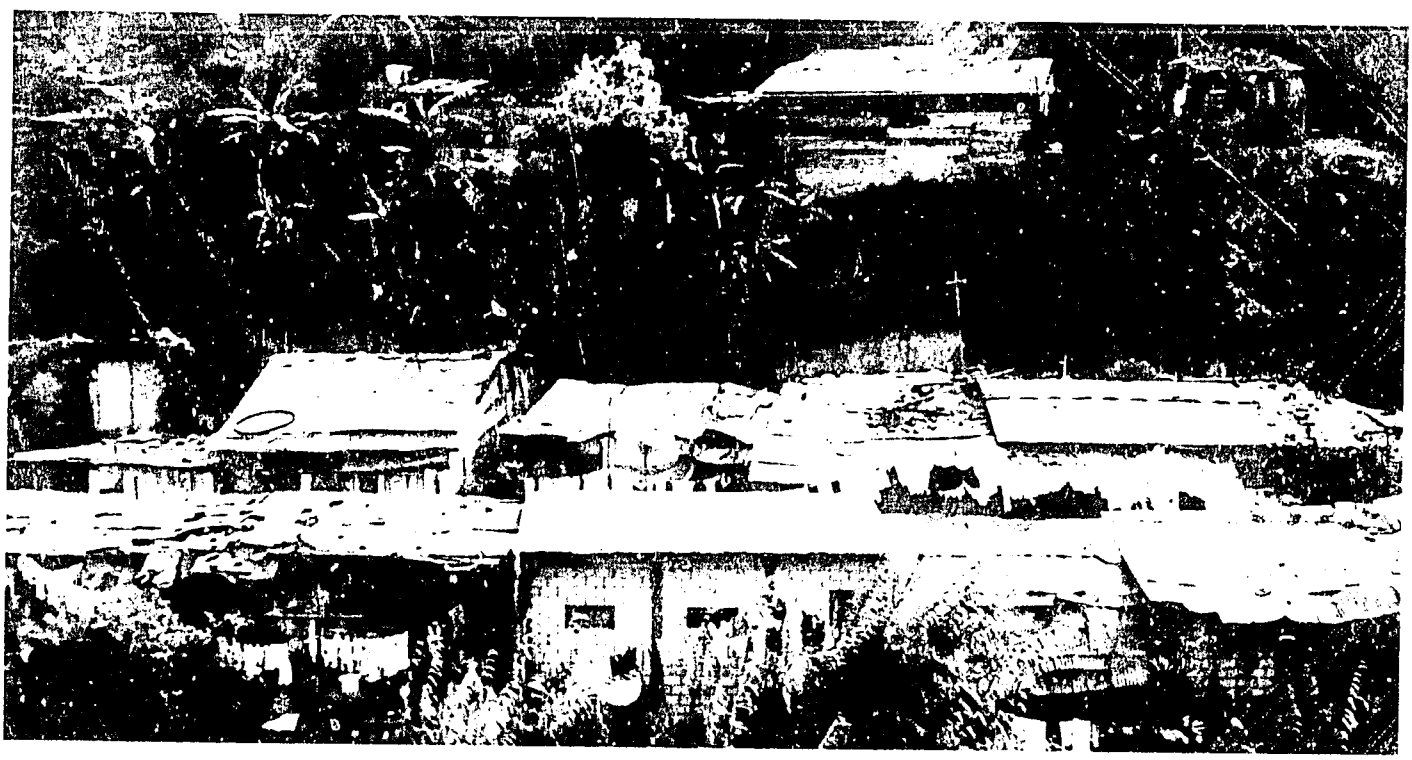
There are approximately 25 million people in Central America. Most are poor. A high birth rate and rapid migration from rural areas to the cities are typical in each of the six countries that make up CHF's Cooperative Neighborhood Improvement and Job Program. These conditions strain the limited resources and abilities of local governments to provide for even the most basic human needs. Potable water and sanitary waste removal are often unavailable. Other community services such as schools, health care, streets, and electricity are also extremely limited and generally not available to the very poor.

No reliable statistics are available on the number of people in Central America living in substandard conditions in urban areas, small towns, and rural areas. Of those living in urban areas, as many as a third live either in squatter settlements on the outskirts of town or in downtown tenements. Both are extremely overcrowded and without adequate sanitary facilities. In rural areas in most countries of the region, the vast majority of people do not have adequate shelter, safe water, and sanitary waste disposal.

Private Sector Emphasis

The experience of the past 20 years has demonstrated that governments alone do not have the capacity to address the shelter and community service needs of the urban or rural poor in Central America. Instead, in most developing countries, the people themselves produce mos. of the new housing built. The poor traditionally house themselves, using scrap lumber or other inexpensive or discarded materials they can afford.

Children living in squatter settlements and poor rural communities often lack access to schools and adequate health care.



Millions live in crowded squatter settlements in Central America. Most are without basic community services such as a safe water supply, sanitary waste disposal, and electricity.

Residents of Santa Ana, El Salvador, discuss priorities for improving their community. Decisions are made through the democratic process of one vote per family.

Over time and by increments, they solve their own housing needs.

CHF's Cooperative Neighborhood Improvement and Job Program collaborates with local nonprofit, nongovernmental organizations, cooperatives, and community groups to reach residents in poor communities throughout the region. Through this grass-roots, private sector network, CHF provides desperately needed credit customarily denied to low-income families and greatly accelerates the traditional, incremental housing process.

Cooperative Principles

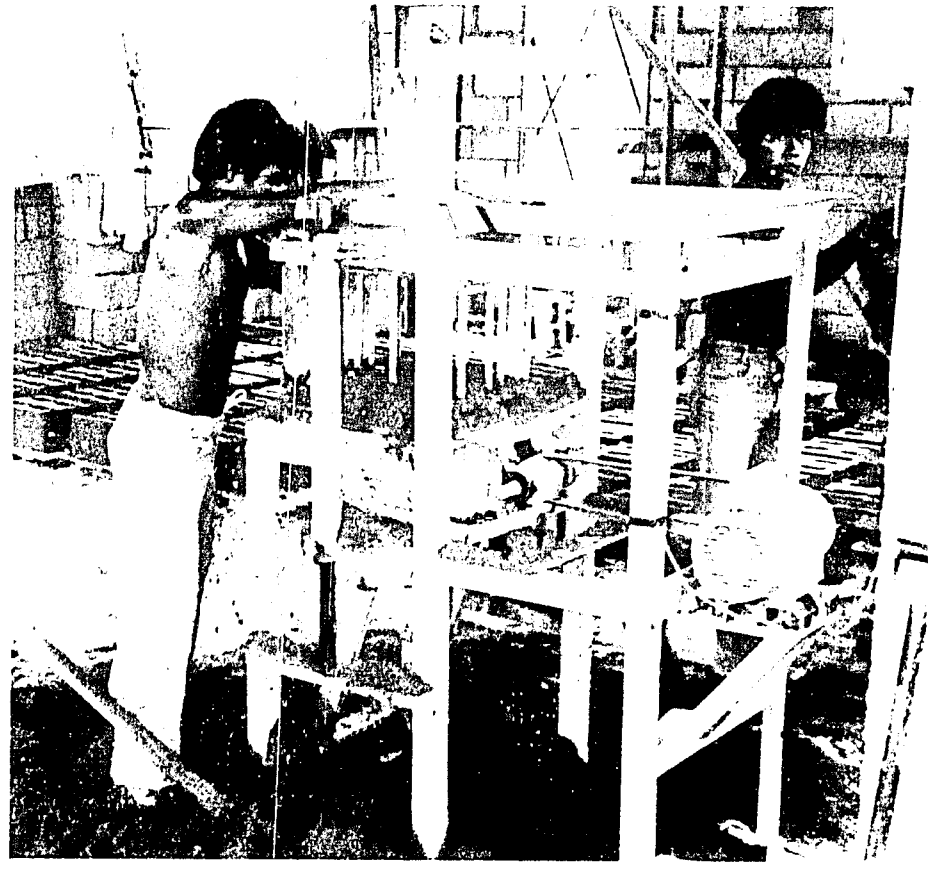
Through the Cooperative Neighborhood Improvement and Job Program, CHF works with democratically organized community groups in the squatter settlements surrounding capital cities and other large towns, as well as in rural villages and modest crossroads towns. The projects are organized as cooperatives or as nonprofit community organizations that follow basic cooperative principles: neutrality in politics and religion and operation on the basis of one member, one vote.

CHF is providing leadership training in democratic principles as part of the program. In societies frequently lacking a democratic tradition, CHF views the cooperative method as an invaluable tool to be employed by individuals to foster participation in decision making and self-management by local communities.

Loans and Grants

Under CHF's Central America program, five basic types of loans are available for below-median-income families. In addition, institutional support grants are made available to the private sector organizations participating in the program.

- Home improvement loans finance the improvement and/or expansion of existing housing. Typically, such loans will enable families to replace a roof, add a bedroom, install a concrete floor, or replace doors and windows.
- Mortgage loans provide construction costs and long-term financing for new core houses, either as part of a multifamily project or in the context of a build-on-your-own-lot program.
- Construction loans, in contrast to mortgage loans, are made when long-term mortgage financing can be obtained from a local financing entity. Thus, CHF's funds can be limited to the home construction phase, permitting rapid turnover and subsequent funding of additional projects.
- Community services loans fund the needs of communities for potable water systems, additional standpipes, wells, installation of power lines, retaining walls, and commu-



Materials for home improvement and self-help home construction are often made in the community by small businesses. Creating new jobs by expanding small businesses that produce building materials is another component of CHF's Central America program.

nity buildings to be used for meetings or health services.

- Small business and building materials production center loans provide capital lending to microenterprises in the general field of building materials production and distribution. The goal here is twofold: job creation and income enhancement for the business and its employees, as well as improved access to and more competitive prices for building materials for the residents of squatter areas.
- Institutional support grants, in addition to the five loan categories listed above, are provided to the local nongovernmental organizations with whom CHF is collaborating. These grants are provided to strengthen institutional capability in specific areas or functions, as well as to assist with equipment or personnel costs required for participating institutions to undertake projects. Even though such administrative costs will eventually be borne by the project beneficiaries, they frequently represent serious obstacles to timely, effective start-up of projects.

Core Houses

The basic housing unit constructed under the program is a "core" house, a one- or two-room house approximately 32 meters square. Construction materials may be wood, brick, concrete block, or—in some communities—adobe. Depending on the size of the core the family can afford, costs range from under $1,000 to over $2,000.

The advantage of core housing designs is the ability to expand upon the basic unit by adding rooms as financial resources permit. This incremental method of housing provides families with a sturdy, habitable core and the flexibility to build out their homes when they can afford it.

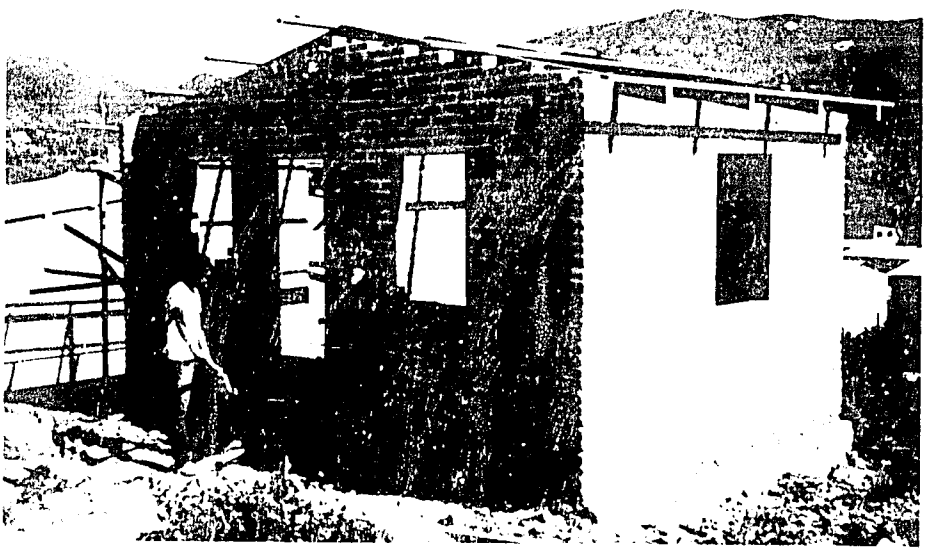
Housing for Workers

In addition to working with nonprofit organizations, CHF is working with private industry to develop housing programs for employees. In these projects, CHF and the companies seek to avoid the mistakes associated with the creation of company towns. Instead, CHF housing loans go directly to cooperatives or other types of organizations formed by the employees. The companies provide land and financial resources for the project; the workers, in turn, must repay their housing loans with interest into the CHF revolving loan fund.

Evaluation

CHF has conducted surveys in the squatter settlements and villages to determine the exact nature of the shelter problem and to quantify it in a way that has not been done before. The base line data sought will provide specific information on the beneficiaries and will serve as the basis for before-and-after comparisons that measure and evaluate the benefits that result from the various program components.

Construction costs can be kept affordable by using self-help efforts of local beneficiaries and contracting with small businesses in the community.



This expandable core house can be built for about $1,800. The owner will add another room later, after the first loan is repaid.

II. The Cooperative Development System

On the basis of more than 20 years of experience throughout the world, CHF has developed the cooperative development system (CDS), a network of interrelated components that makes up a permanent, private sector system for developing and improving shelter and community services. Some Central American countries already have most of the components of the CDS in place; others have only one or two. While not all CDS components need to be in place for the system to work, each locale must be evaluated to determine which components are needed.

Technical Service Organizations

One of the most important components of the CDS is the technical service organization (TSO). A TSO is usually a nonprofit institution that provides the technical assistance needed to develop housing cooperatives and related community improvement projects. For example, the TSO may organize the village or neighborhood improvement cooperative or secure financing from a credit mechanism for a self-help housing cooperative or a building materials production center. The TSO's coordination of technical, managerial, financial, and legal services is critical to the success of community development projects.

Self-Help Housing Cooperatives

Self-help housing cooperatives (SHHCs) provide housing and related services for members and their families. SHHCs take different forms in different countries. Normally, cooperatives are nonprofit, private sector organizations owned by their members and operated under a set of principles that include open membership, democratic control, and one vote per member. Local residents take responsibility for meeting their shelter needs through democratic participation in the cooperative and affordable self-help construction techniques.

Building Materials Production Centers

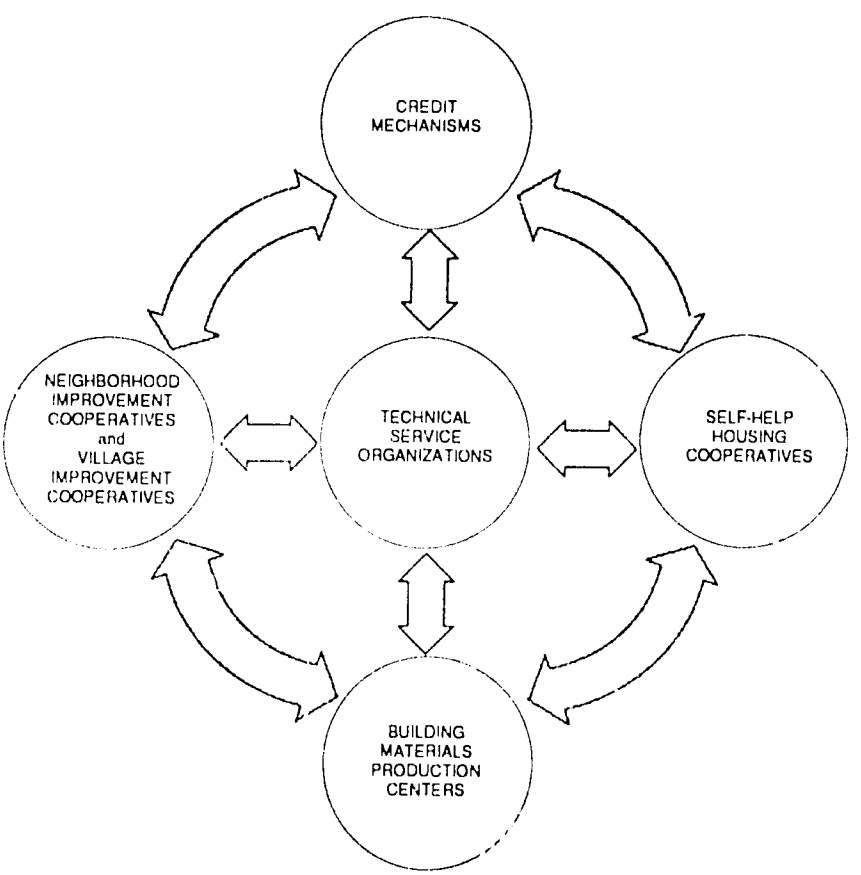
Building materials production centers (BMPCs) produce and supply basic building materials in the locations where these materials are needed. BMPCs can be small "back yard" operations that expand as the need increases, or larger scale new businesses established in rapid growth areas not already served by the formal building sector.

Neighborhood and Village Improvement Cooperatives

Neighborhood and village improvement cooperatives (NICs and VICs) are formal organizations that facilitate self-help shelter and community service improvements. The improvements are decided upon by the members of the NIC or VIC and may include the installation of water or sewer lines, walkways, drainage canals, or home improvements. NICs and ViCs may also construct community centers, schools, clinics, and other community facilities needed by members.

Credit Mechanisms

Credit mechanisms (CMs) are institutions that promote savings and/or provide credit for housing, community services, building materials production centers, or small businesses for lower income families organized in some type of cooperative. CMs can include credit unions, commercial banks, worker banks, pension and social security funds, insurance companies, and savings and loan associations.



III. Regional Activities

In addition to the loan and grant projects that make up CHF's Cooperative Neighborhood Improvement and Job Program, other components of the program support regional institutions, training, and interchanges among the six participating countries, as well as activities that may be applied in more than one country.

Regional Institutional Support

The regional institutional support grant of $118,400 that CHF made to the Latin American Confederation of Credit Unions (COLAC) has funded a number of technical assistance missions. COLAC is a regional cooperative service organization charged with assisting the credit union movement throughout Latin America. Under the CHF grant, COLAC experts have made several visits to El Salvador to assist the national credit union federation with setting up a computer system, reviewing guarantees for home improvement loans, and evaluating the status of the home improvement loan program. Similar assistance was provided to the credit union federations in Guatemala, Honduras, and Panama.

Training, Intercountry Exchanges, and Regional Meetings

A number of in-country and international training activities have been sponsored as part of CHF's Central America program. In-country training has included an evaluation seminar and in-service training in the use of resource materials, both held for the project implemented by the Federation of Credit Unions of Guatemala (FENACOAC). Other examples include training of credit union loan officers in home improvement lending in Costa Rica, a site planning workshop in Honduras, on-site training for construction supervisors in El Salvador, and training in the use of SCAN-TRON equipment for computer operators from a number of CHF counterpart institutions in Panama.

A two-week seminar was held in Washington, D.C., in October 1986 for representatives from the six program countries. The 17 participants are responsible for training in the national institutions receiving CHF assistance. Meridian House International and the American Institute of Cooperation assisted with the seminar.

CHF has also funded a number of international exchanges among participating institutions in the various countries. For example, two credit union leaders from El Salvador visited Costa Rica and Guatemala to learn how those credit union systems mobilize savings. In addition, the director of the Panamanian Foundation for Cooperative Housing (FUNDAVICO) made a one-week trip to Honduras to study the system and procedures used by the Honduran Cooperative Housing Federation (FEHCOVIL). CHF also sent two Honduran housing officials to Chile to investigate the successful techniques by which Chilean cooperative housing technical service organizations generate savings from their applicants.

In addition, regional meetings are held at six-month intervals for CHF country directors and key headquarters staff. Annual meetings with leaders from participating national institutions are also held. Both types of meetings provide opportunities to review and discuss program concepts, issues, and progress as well as a valuable forum for networking by institutional representatives with their counterparts in the region.

President José Azcona Hoya of Honduras (center) met with CHF trustees and staff in the Presidential Palace and also helped inaugurate a regional conference sponsored by CHF in Tegucigalpa, where he gave the keynote address.

As part of its Central America program, CHF sponsors training designed to increase women's leadership skills and participation in community affairs.

Women in Cooperative Development

CHF recognizes that a large number of the families it is trying to reach through its Central America neighborhood improvement program are headed by women, and that women face special problems. While cooperatives in the region have a good record of providing credit to women, the fact remains that women in general have access to fewer opportunities and earn less money than men and are therefore less likely to qualify for membership and credit. Also, even in cooperatives with a majority of women members, women are rarely represented proportionately in leadership roles. Indeed, many cooperatives have few or no women in leadership positions. CHF is therefore pursuing a strategy designed to encourage women's full participation in its Central America program. The purpose of this strategy is two-fold: to enable women and their families to improve their living conditions and to strengthen the cooperatives by encouraging full use of all the human resources available.

The first initiative under this program component was preparation in English and Spanish of specific guidelines for increasing women's access to program benefits and participation in activities. These were disseminated to CHF's country offices and to national institutions participating in the CHF program.

The next step has been to identify and implement specific activities to encourage women's participation. This effort began in Honduras in June 1986; the first phase was evaluated in January 1987. It consisted of a 10-week training course for more than 200 women in 10 Tegucigalpa cooperatives participating in the program. The course emphasized personal and organizational development to help the women gain self-confidence and leadership skills. It also encouraged them to work together to achieve common goals within the context of the cooperative structure. As a result of this training, the women began to organize and are developing specific community improvement projects in collaboration with the cooperatives. Women in the participating cooperatives are also being encouraged to make use of small enterprise credit available under the program.

An exploration of needs and resources was begun in Guatemala in January 1987, and similar efforts are planned for other countries as their programs develop.

Impact Evaluation System

Impact evaluation began during the program's first year, with a focus on measuring the impact of better housing and community improvements on health. It has since grown in scope to encompass other types of impact as well. The evaluation system is meant to complement and go beyond routine monitoring and evaluation of project outputs such as numbers and types of loans made or houses built or improved. Its purpose is to enable some assessment of the effects of these interventions on health and the quality of life and to identify problem areas within the projects.

The impact evaluation pilot project is being carried out in Honduras, with plans to extend this type of evaluation to the other program countries later. A series of questionnaires has been developed for collection of base line information and yearly follow-ups, so that changes and trends on a community, household, and individual level can be observed over time. Information from similar, nonparticipating communities will also be collected for comparison. The surveys will collect data on family composition and structure; educational levels; school attendance; employment; income; housing and food expenditures; home improvements made; health status; participation in community organizations; opinions about the cooperative; and quality of housing, water, and sanitation.

Training is an important part of CHF's Central America program and includes in-country training and regional seminars for program participants.

IV. Country Reports

Guatemala

Overview

CHF's program in Guatemala has been recognized by the USAID mission as contributing substantially to USAID's goals of increasing participation by the poor in the benefits of development and encouraging greater private sector involvement in the development, financing, and construction of shelter for lower income groups. The mission has provided a supplemental grant of $2.3 million to CHF's Central America program in Guatemala to permit an expansion of activities: $1.86 million for loans and grants and $440,000 for technical assistance and administrative costs.

The government of Guatemala has also given high priority to low-income housing and encouraged democratic cooperative development in both urban and rural areas.

Ray Ocasio is CHF's country director for the program in Guatemala, where CHF has developed projects with a number of private, nonprofit organizations. A total of 12 loans and grants have been developed since the program began. The current status of these projects is summarized below.

Current Projects

1. FENACOAC
   - Home Improvement Loans
   - Institutional Support Grant

The Federation of Credit Unions of Guatemala (FENACOAC) is made up of 83 cooperative credit unions representing more than 90,000 members throughout Guatemala. The federation is a dominant force in Guatemala's cooperative movement.

CHF's pilot project with FENACOAC is designed to encourage increased shelter lending at realistic interest rates. CHF has lent FENACOAC $350,000 to lend to four credit unions currently participating in the pilot project. These credit unions will provide $87,500 in counterpart financing and will make an estimated 990 home improvement loans to their members, directly benefiting about 4,950 people. Local in-kind contributions are estimated at $13,500. The four credit unions have signed loan agreements with FENACOAC, promotional materials have been developed to stimulate demand from borrowers, and an effort is being made to interest additional credit unions in the program. Project implementation is proceeding at all four credit unions.

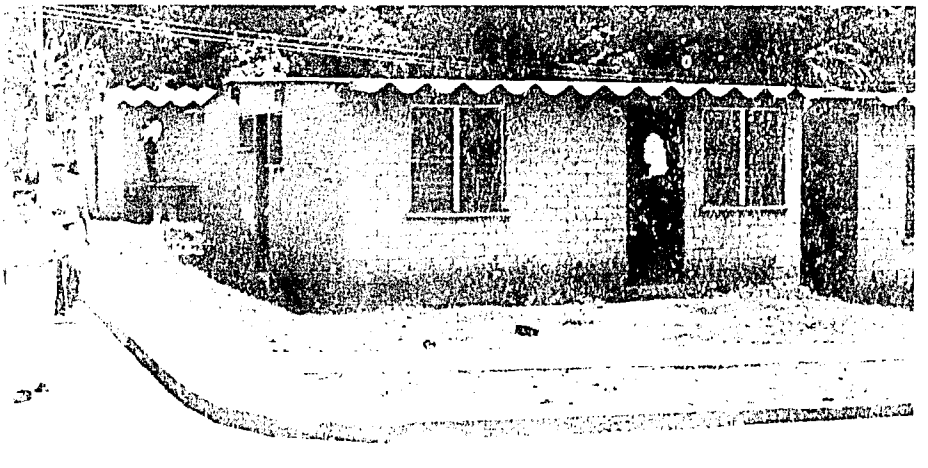
Another facet of this project has been the construction of model houses on land owned by one of these credit unions, undertaken by FENACOAC and the Faculty of Architecture of the University of San Carlos and financed by CHF. The purpose of this effort was to establish the local costs and time required for construction and to stimulate demand. Construction of the model houses has been completed at a cost well within the limits of the loan program, about $980 to $1,132 each.

The $10,000 institutional support grant provided to FENACOAC during the program's first year improved its administrative capacity and funded seminars and technical assistance for FENACOAC and its member credit unions. One seminar evaluated experience with the loan project and resulted in development of new promotional materials. Shelter cost estimating materials and a technical assistance manual on home improvement and construction loans have also been developed.

2. HODE
   - Home Improvement Loans
   - Mortgage Loans
   - Institutional Support Grant

Shelter and Development (HODE) is a private, nonprofit development institution that promotes cooperative community development through shelter programs. Over its 14-year history, HODE has completed several housing projects in Guatemala City for families with incomes well below the monthly median family income for the capital, currently $249. Most of HODE's projects have received some sort of direct or indirect subsidy, leading to dependence on external funding sources. As a step toward overcoming this dependency, HODE is seeking to complete development of a housing project on land it owns in the satellite community of San Juan Sacatepéquez, outside Guatemala City.

As an initial step toward this goal, CHF has loaned HODE $400,000 to finance construction of a project known as San Juaneros, consisting of 200 core housing units and infrastructure. The counterpart cash contribution from HODE is $6,000; HODE's provision of the site constitutes an additional in-kind contribution of $59,676. Beneficiaries are expected to repay loans at market rates of interest and to contribute an estimated $121,700 in down payments, labor, and build-out value. The project is



A CHF loan helped the Guatemalan Cooperative Housing Federation (FENACOVI) complete this 355-unit housing cooperative in Esquintla.

Adobe construction is being used in the more remote villages of Guatemala. New designs have been developed to help avoid destruction and injury in earthquakes.

expected to benefit an estimated 1,000 people. A revised loan agreement was signed in November 1986, and construction is well underway.

A second component of this loan, in the amount of $25,000, will fund home improvement loans to assist residents of both the original and newly-built sections of the project in expanding their houses. The counterpart cash contribution is $10,000, with $3,200 in in-kind contributions. About 187 people will benefit.

CHF is providing technical assistance to help HODE achieve its longer range goals. In addition, CHF provided HODE an institutional support grant of $25,000 to help with costs necessary for development of the San Juaneros project, including project development, supervision, marketing, community organization, cooperative education, and training activities.

3. FENACOVI
   - Mortgage Loans
   - Institutional Support Grant

The Guatemalan Cooperative Housing Federation (FENACOVI) was established as a membership organization and technical service organization for housing cooperatives in 1977 in an effort to meet shelter demands stemming from the 1976 earthquake. It now has 19 affiliated housing cooperatives throughout the country, mainly in secondary cities. However, FENACOVI's rapid growth and lack of access to adequate technical and organizational assistance led to problems in several of its projects. A reorganization effort undertaken in 1985 began to improve FENACOVI's situation. CHF has been supporting this effort through organizational and technical assistance in addition to loan funding to allow completion of two cooperative housing projects. Completion of these projects will enable FENACOVI and the cooperatives to sell the houses to recover costs and convert their investment to a performing asset, thus improving their financial base.

CHF's assistance to FENACOVI began with an institutional support grant of $24,108 in 1985; an additional grant of $75,596 was approved in February 1987. These grants have enabled FENACOVI to develop its educational program as well as improve legal and technical services to its member cooperatives. All of these services are operational and are being used in the housing projects funded by CHF.

CHF has made a loan of $213,000 to FENACOVI to finance completion of the El Modelo II housing cooperative in Esquintla. Prior local funding invested in this project totals $1.3 million. The CHF loan has allowed FENACOVI to complete 141 housing units and infrastructure to serve the entire 355-unit complex. Construction is now finished and the units have been assigned to members of the cooperative. There are about 1,775 direct beneficiaries of this project.

Plans are also underway to complete the housing project sponsored by the Movement of New Families of Gualán (MOFANG), which will entail the refurbishing or completion of 200 units plus water and sewer infrastructure. CHF has tentatively programmed another $176,000 for the MOFANG project, which would benefit about 1,000 people. Local investment in this project is $523,000.

4. FENACOVI
   - Home Improvement Loans
   - Mortgage Loans

The feasibility of assisting FENACOVI and the Xelajú housing cooperative to develop a 96-unit core housing project in Quetzaltenango has been established. The project calls for CHF to lend FENACOVI $370,000 to on-lend to the cooperative for this project. Included in this amount is $30,000 to fund a home improvement component to permit some of the members to expand on the basic core unit. CHF's loan is intended to complement a $93,000 local cash contribution plus a $3,000 in-kind contribution. This project would benefit about 480 people. The project has been submitted to the USAID mission in Guatemala for concurrence.

5. FENACOVI
   - Home Improvement Loans

An additional project with FENACOVI has been approved, calling for the development of a village improvement cooperative in San Andrés, Sololá, as part of a comprehensive rural development program. In the first phase, CHF has provided a loan of $132,000 for home improvements to the Ka Choch cooperative, with a local cash contribution of $13,200 and in-kind inputs of $30,000. This project, now being implemented, represents a significant breakthrough for FENACOVI: its first attempt to reach a very-low-income rural group. It also represents achievement of an important goal of CHF's program: to reach those most in need with economically viable housing.

6. COSUDER
- Home Improvement Loans
- Community Services Loans
- Institutional Support Grant

An innovative effort is currently in progress under CHF's Guatemalan program to transform the Guatemalan Association for Coordination for Survival and Development (COSUDER) into a viable technical service organization that can channel credit and technical assistance on a larger scale in rural poverty areas. It was formerly a volunteer, nonprofit, development organization operating with very limited resources but great creativity and commitment.

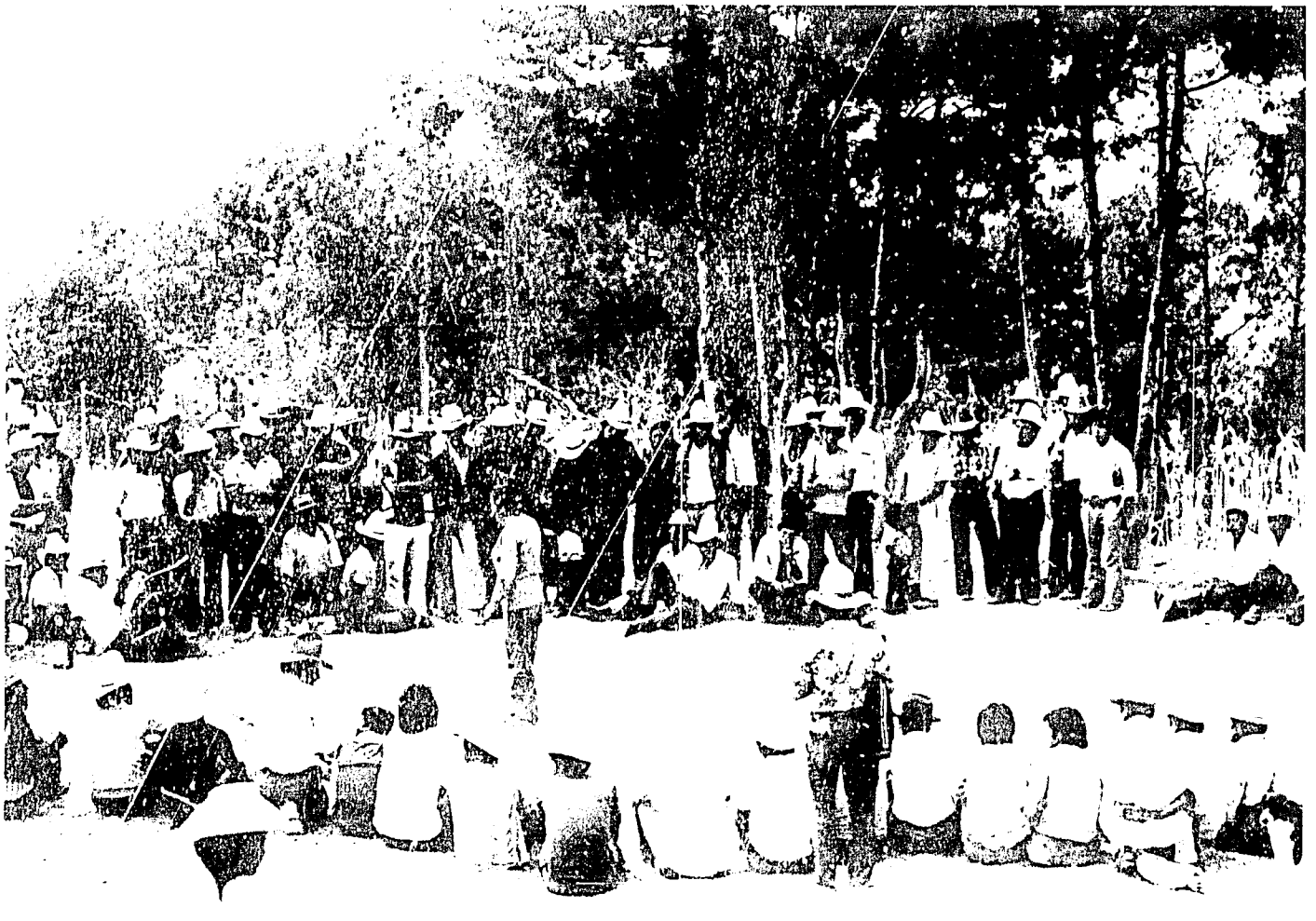
COSUDER has been providing services focused on basic human needs to five rural highland communities in Patzún, Chimaltenango. Its approach has been to ensure survival first and then promote development. Program activities include health, nutrition, and education classes; improved agricultural practices; and simple home and community improvements. These are achieved by means of developing personal and group awareness, organization, and responsibility within the communities, including men, women and young people. CHF support will enable COSUDER to strengthen its operation and expand its program.

The initial phase of this effort provides a first-year institutional support grant of $32,500 for staff, equipment, and administrative costs and a first-year loan of $24,000 for on-lending for home and community improvements and employment generation. First-year local in-kind contributions are expected to total $3,200. Provisional commitments have been made to COSUDER, contingent on performance, of a total of $117,000 in loan funds over three years, including first-year financing. It is expected that about 3,000 people will benefit from the initial activities to be provided by COSUDER with CHF support.

The institutional support grant was approved in March 1987, and the loan agreement was signed in early June 1987.

Summary

To sum up, 12 loans and grants comprise CHF's program in Guatemala to date. Ten are already operational. CHF loan and grant funding approved or provisionally allocated totals nearly $2 million. Local inputs in cash and in-kind contributions are estimated at $1.5 million. An estimated 12,612 people are expected to benefit directly from the program. Repayment funds will provide credit to many more in the future. Perhaps most important, the program is strengthening several vital private sector institutions and demonstrating the effectiveness of channeling funds through the private sector to help low-income people meet their needs.



A field worker for the Guatemalan Association for Coordination for Survival and Development (COSUDER) discusses home improvement projects with farmers in the Guatemalan highlands.

El Salvador

Overview

El Salvador's shelter problems, already severe because of the large number of displaced persons who have fled conflict zones for safer urban areas, were made even more critical by the October 1986 earthquake. Estimates of the number of people left homeless or with severe damage to their homes range from 20,000 to 150,000. Most of the families affected are among the poor, those with monthly family incomes below the current national median of $147.

USAID has been supporting El Salvador's government in its efforts to improve the economic and social situation in general, as well as in earthquake relief. It is particularly interested in encouraging greater private sector efforts to complement those of the government. Public agencies predominate in the shelter sector in El Salvador, but have been unable to meet housing demand. Therefore, a major objective of CHF and USAID is strengthening the very few private institutions involved in financing or providing housing and home improvements for low-income people.

Private sector projects are important in meeting the urgent demand of Salvadorans for housing, as illustrated by the allocation of CHF's total programmed amount for El Salvador during the program's first year. In recognition of this demand, the USAID mission in August 1986 made a supplemental grant of $449,000 to extend CHF's Salvadoran program.

CHF's country director for the program in El Salvador is Hank Richards. The progress made in the various components of the Salvadoran program is summarized below.

Thousands of homes were destroyed in a 1986 earthquake in El Salvador, adding to the already critical shelter problem in the capital city of San Salvador.

Current Projects

1. FEDECACES
   - Home Improvement Loans
   - Institutional Support Grant

CHF has been working intensively with the Federation of Credit Unions of El Salvador (FEDECACES) and local credit unions (the only private financial institutions in El Salvador) to expand their capacity to finance home construction and improvement. CHF is also working to help FEDECACES develop the ability to function as a technical service organization for cooperative housing. There is, as yet, no cooperative housing federation in El Salvador. Both grant- and loan-funded projects have been designed to develop institutional capacity as well as new credit programs. In November 1986 FEDECACES received an institutional support grant of $35,500 from CHF to fund computer and other equipment purchases, training programs, and some staffing costs related to project implementation activities.

The initial home improvement loan pilot project, which involves three credit unions located in Sonsonate, San Vicente, and Nueva Concepción, has clearly indicated the demand for loan funds. The entire CHF loan of $150,000, plus a counterpart contribution of $37,500 from FEDECACES, was disbursed to the credit unions within three months, well ahead of schedule. FEDECACES also contributed $27,800 in in-kind services. As of October 1986, 253 loans had been made to families, benefiting an estimated 1,265 people. Of these loans, 42 percent were to women heads of households. This high demand encouraged FEDECACES to make more of its own funds available for home improvement loans, bringing its contribution up to $110,000. These extra funds, too, were promptly disbursed. An additional benefit of the CHF program has been a substantial increase in membership in the three credit unions (averaging 44 percent) and a decrease in arrearage rates.

Demand for housing assistance by low-income families increased

Thousands of families live in squatter settlements called *tugurios* in the capital of El Salvador. Most are without basic services of potable water or waste disposal.

greatly after the October earthquake. The original loan agreement was amended to include an additional loan of $150,000 by CHF to FEDECACES for repair and reconstruction of earthquake-damaged homes. These funds were drawn from the supplemental USAID grant of $449,000. FEDECACES lent these funds to three affiliated credit unions in the heavily damaged area around the capital for on-lending to their members; the loans will directly benefit about 525 people.

2. FEDECACES
   - Mortgage Loans

CHF has made a loan of $206,000 to FEDECACES for on-lending to the Sihuatehuacán Credit Union (SIHUACOOP) in Santa Ana and its member families for new core housing construction. With this project, CHF has helped the credit union system expand its role in financing new construction as well as home improvements and has responded to the high demand for housing in this area created by an influx of refugees from conflict zones.

The project is providing infrastructure and loans for construction of 113 new core units for credit union members with below-median incomes. It should benefit an estimated 565 people.

Local resources being used in the project total $28,000 in counterpart administrative costs from FEDECACES and SIHUACOOP, $6,780 in beneficiary down payments, and an in-kind contribution of land by SIHUACOOP valued at $136,000.

The project should also help improve the financial status of SIHUACOOP, since the units are being built on land already owned by the credit union and will permit it to recoup its investment. Improved management directly attributable to the CHF project has already lowered SIHUACOOP's arrearage rate from 18 percent to 11 percent.

Electrical installation for the project is complete, and construction of the water and sewer system is underway. Five model houses were built to demonstrate affordability and help stimulate demand. Three of these models have already been sold and are occupied. Forty-five loans to credit union members have been approved at an average of $1,587 each. Approximately 25 units have already been built using these loans. Families have moved in and are now enjoying their new homes.

3. Credit Unions
   - Construction Loans

As a result of the successful experience in Santa Ana with new construction loans, CHF has developed a project with four credit unions in San Salvador, Sonsonate, La Unión, and Aguilares to finance loans for 65 houses to be built on scattered lots already owned by the individual borrowers.

CHF has allocated $120,000 for loans to the four credit unions. An estimated additional $146,249 in cash and in-kind contributions will come from the credit unions and beneficiaries, with another estimated $36,000 added in build-out value. About 325 people should benefit. The feasibility study for this project has been approved and a loan agreement is in process.

4. Credit Unions
   - Home Improvement Loans

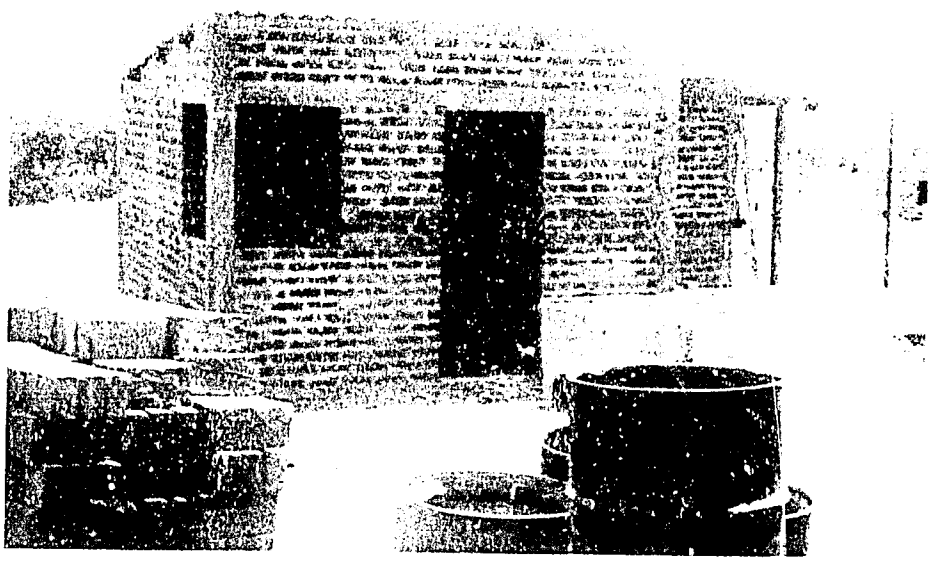
The rapid disbursal of loans under the home improvement loan pilot project with FEDECACES (project 1 above) has led CHF to plan an expansion of this program. Using a portion of the supplemental USAID grant noted above, CHF has allocated $250,000 for direct loans to a number of credit unions. Local in-kind contributions are estimated at $35,000. It is estimated that the credit unions will be able to make about 292 home improvement loans to their members, directly benefiting about 1,460 people. Agreements with the credit unions are currently being negotiated.

CHF provides financing to credit unions who make home improvement loans available to their members. The loans average about $500 and are used for new rooms, roofs, floors, running water, and toilets.

Summary

In spite of El Salvador's many problems, the CHF program there has made substantial progress. New funding from USAID has allowed the program to expand following full allocation of CHF's initial funds. Currently there are five loans and grants in operation or under development, accounting for $861,500 in CHF funds. The value of local cash and in-kind contributions is estimated to reach $417,329; approximately 4,550 people should enjoy direct benefits from these projects.

In addition, credit unions—El Salvador's only private financial institutions—have been strengthened and have shown themselves to be effective, economically viable channels for providing credit to low-income people.



CHF-financed core houses in El Salvador cost approximately $1,500 and are being built in the capital as well as San Vicente, Santa Ana, and San Miguel.

Honduras

Overview

Improving housing and employment are important goals of the Honduran government. An already serious housing deficit has been aggravated by continuing high rates of rural migration to squatter settlements surrounding Tegucigalpa and San Pedro Sula, where the population has been growing at an annual rate of more than 12 percent. Unemployment and underemployment are at high levels. Government plans call for greater public, private, and community participation in improving housing and providing employment for low-income people. The USAID mission in Honduras strongly supports these goals and emphasizes support for private sector, democratic institutions and participatory cooperative development efforts.

In line with these priorities, CHF's program in Honduras has emphasized home improvements, new core housing construction, and employment generation for families with below-median incomes in marginal areas around the major cities as well as in smaller secondary cities. Eddy Perez is CHF's country director for the program in Honduras.

The program has grown notably and includes three new loans and two new institutional support grants, all fully operational. Loan commitments in Honduras now total seven; the number of institutional support grants totals four. An important element in the program's success has been the existence of effective local private sector organizations. Six of these are currently involved in the program, including two strong national cooperative federations and several regional institutions.

Honduras is also the first country in which specific activities are underway in CHF's regional subprogram to encourage women's participation in housing and neighborhood improvement projects. As a first step, a 10-week training program was held for women in 10 housing cooperatives and neighborhood improvement cooperatives (NICs) in Tegucigalpa.

Current Projects

1. FEHCOVIL
   - Home Improvement Loans
   - Construction Loans
   - Community Services Loans
   - Institutional Support Grant

The Honduran Cooperative Housing Federation (FEHCOVIL), a strong technical service organization (TSO) with 20 years' experience in developing housing cooperatives, is a key participant in CHF's program. Two loan programs with FEHCOVIL have been funded, plus an institutional support grant of $35,871 to fund staff and equipment to help FEHCOVIL improve its capability to carry out projects.

The first agreement signed with FEHCOVIL was for a CHF loan of $350,000, plus $50,000 from FEHCOVIL, to fund lending by FEHCOVIL to affiliated housing cooperatives for neighborhood improvements and approximately 400 individual home improvement loans. In addition, FEHCOVIL is promoting the formation of NICs in the areas surrounding the participating housing cooperatives.

FEHCOVIL has made loans available for about 50 new core houses on sites already owned by the individual borrowers, as well as for home and community improvements. The project has been implemented, and all funds have been disbursed. About 5,000 people from families with monthly incomes below Tegucigalpa's median of $480 have benefited from this project.

Four housing cooperatives and three NICs in Tegucigalpa participated in the loan program. As FEHCOVIL gains experience with NICs and more funds become available, it is expected that more NICs will be incorporated into the program. Data from a sample of 33 individual home improvement loans made under this program in two Tegucigalpa neighborhoods indicate an average loan size of $712, only slightly higher than the projected amount of $650. The most common types of improvements made were to floors, walls, and retaining walls or other structural supports. About half of the 33 loans went to women heads of households.

2. FACACH
   - Home Improvement Loans
   - Institutional Support Grant

The Federation of Credit Unions of Honduras (FACACH) is the other important national level cooperative federation involved in the program. It has 89 affiliated credit unions serving more than 39,000 members. This pilot home improvement loan project involves a $250,000 loan by CHF to FACACH, matched by an additional $250,000 in FACACH and credit union funds, for on-lending to the

Providing improved housing for rural people is an important part of CHF's program in Honduras.

participating credit unions and, in turn, their individual members. About 1,400 individual home improvement loans are being made, benefiting an estimated 7,000 people.

CHF has also made an institutional support grant of $10,000 to FACACH to cover part of the cost for a staff person to administer and promote the program and assist the participating credit unions, as well as for educational and promotional materials.

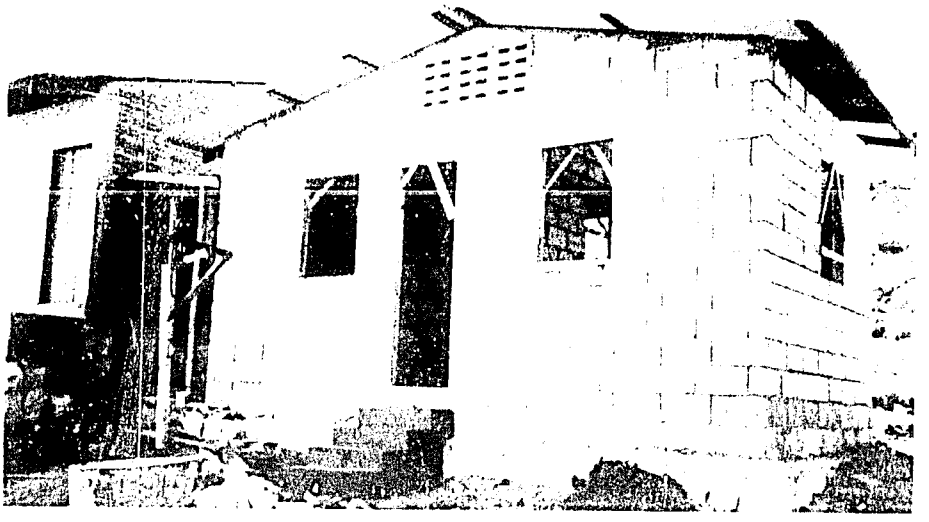
3. FEHCOVIL
   - Construction Loans

An agreement was signed in August 1986 for a second CHF loan to FEHCOVIL. This project involves a $400,000 loan from CHF which, together with $50,000 from FEHCOVIL and a total of about $45,000 in beneficiary down payments, will fund construction of about 150 new core housing units for a housing cooperative in Tegucigalpa, benefiting approximately 750 people. Another estimated $215,000 in value is expected to be added in land and labor as a result of the build out of the core units. Long-term mortgage financing has been secured from local financial sources, thus permitting CHF's funds to be used for short-term construction costs and rapid recycling to additional loan projects. This project is currently in construction.

4. ASJO
   - Community Services Loan

The San José Obrero Association (ASJO) is a private, nonprofit organization with a wide array of programs to assist the poor of Choluteca and its surrounding rural area in southern Honduras. In addition to health and small manufacturing programs, ASJO has established a limited housing capability, giving ASJO the potential to be an effective regional housing developer for low-income families in the Choluteca region.

CHF has made a loan of $27,500 to ASJO for the redesign and completion of a water system and installation of an electrical network for a core housing project in Choluteca. Provision of these necessary services will make the 50 units constructed so far much more marketable, helping ASJO recover its investment and complete the entire 112-unit project as planned, ultimately benefiting 560 people. A total of $70,245, representing land value, a USAID grant, and ASJO's own funds, has already gone into the project. The core units in this project are affordable to families earning as little as $126 a month (about half the median monthly family income for Choluteca). Work is now underway on the project.



This concrete block house is typical of those built by the Honduran Cooperative Housing Federation (FEHCOVIL) with loans from CHF. Each costs about $2,400.

5. IDH
   - Small Business & Building Materials Production Center Loans
   - Institutional Support Grant

In January 1987, CHF signed a new loan agreement with the Honduran Development Institute (IDH) for $80,000 for building materials production activities, thereby integrating another element of the CHF cooperative development system into the Honduran program.

IDH is a private, nonprofit institution that lends to small businesses and entrepreneurs lacking access to formal credit sources. It has demonstrated its ability to promote and manage loans to low-income people. CHF's technical assistance and an institutional support grant of $32,000 to strengthen IDH's accounting system and promotion department will enhance IDH's ability to carry out this new type of loan program effectively.

IDH is on-lending the CHF funds to small building materials production centers (BMPCs) or other types of businesses related to construction located in or near housing cooperatives, NICs, or VICs receiving financing from CHF's Honduran program. Thus, the BMPCs and other small enterprises funded under the IDH loan program will have access to the market created by CHF's other lending activities.

IDH is providing counterpart funding totaling $37,500 for loans to other types of microenterprises located in CHF-assisted neighborhoods.

It is expected that approximately 100 construction-related loans will be made (benefiting an estimated 500 people) in addition to 40 loans to other types of microenterprises, generating a total of 560 person-years of work by 1990.

CHF recognizes that microenterprise is a primary source of income for women in its project areas. As a result, they will be encouraged to enter building materials production or other housing-related businesses whenever feasible, as well as to seek loans for other types of microenterprise.

6. CSJB
   - Home Improvement Loans
   - Mortgage Loans
   - Institutional Support Grant

The San Juan Bosco Center (CSJB) is a private, nonprofit development organization located in Tela, on the north coast of Honduras. It was

founded to address the problems of homeless street children, but has gradually expanded its activities to meet other needs of the rural and urban poor in the vicinity of Tela. In response to demonstrated demand, CSJB began to provide technical and administrative assistance for self-help housing programs. CSJB finally decided to formalize this activity by creating a housing department and seeking CHF's financial and technical assistance.

The initial project encompasses a pilot program of housing loans together with technical assistance and an institutional support grant to strengthen CSJB's capacity to function as a limited, regional TSO. Both the loan and grant agreements were signed in November 1986 and have been successfully implemented.

The $25,000 CHF grant provides funds for start-up costs for the housing loan program, including staff and equipment. Technical assistance was provided to CSJB by FEHCOVIL, which provided design and technical services, thereby eliminating the need for CSJB to develop costly, full-blown, TSO capabilities at this stage in its development. This arrangement also further strengthens FEHCOVIL by increasing demand and payments for its services.

The CHF loan of $120,000 to CSJB financed a loan by CSJB to the Multipurpose Cooperative of Plant Nurseries of Atlántida (COSMEVA), which began housing lending with this program. This was complemented by $23,000 in COSMEVA funds, $3,750 in beneficiary down payments, and approximately $30,500 in in-kind contributions. COSMEVA made approximately 80 new construction and home improvement loans to its members, directly benefiting 400 people. It is anticipated that eventual build out of the project will add another $42,000 in value.

7. APRHU
   - Mortgage Loans

The newest project in CHF's Honduran program is a loan of $16,000 to the Association for Human Promotion (APRHU) to finance an 11-unit housing cooperative, which was constructed in Choloma, on the north coast of Honduras.

APRHU, a private, nonprofit group based in Tegucigalpa, has been developing low-cost housing projects since 1965. The association has a factory capable of producing components for 20 prefabricated wood houses per day. However, previous projects had been developed using subsidized interest rates and were entirely funded by grants to APRHU from external donors. Failure to acquire any new grants has meant that no new housing projects have been implemented in the past few years. APRHU has been able to remain open and maintain a skeleton staff thanks to income from the factory which, in the absence of housing projects, has been used as a commercial sawmill. This, together with partial recovery of housing loans from earlier projects, has enabled APRHU to maintain itself in a low-level, but financially sound, holding pattern.

The CHF project was designed to help APRHU chart a course to break out of this pattern by developing a financially replicable pilot project emphasizing market interest rates and full cost recovery while still producing housing affordable to families with monthly incomes well below the median level. The project will help strengthen APRHU's capacity as a limited TSO.

A precooperative of the 11 beneficiary families was organized; all have incomes below the area's median level of $264. The cooperative is adjacent to an existing APRHU housing development and has been able to connect to its water and sewage infrastructure. The houses are made from prefabricated wood components produced by APRHU's factory and assembled on-site.

A loan agreement between CHF and APRHU has been concluded. In addition to the $16,000 from CHF, a local cash contribution of $1,795 was received from APRHU, plus an additional $2,200 in down payments and $3,550 in land value. Fifty-five people have benefited. The value of the build out of this project will eventually represent at least another $1,177.

Summary

Four new loan or grant projects have been developed in Honduras, and all are now in the implementation stage. The amount of CHF funds allocated for 11 loans and grants is $1.37 million, with an estimated $830,000 in local cash and in-kind contributions. About 14,265 people will benefit from these projects.

These core houses in Choloma are made from plentiful local wood for the Bella Vista housing cooperative at a cost of about $2,100, including the cost of land.

Costa Rica

Overview

While Costa Rica has long enjoyed a relatively high standard of living in comparison with most other countries in Central America, recent economic problems have affected employment and general living standards, including housing. The number of squatter settlements is growing, particularly around secondary cities and in semi-urban areas. Incomes in these areas are far below the national median monthly family income of $308.

The overall housing deficit in Costa Rica has been growing by about 20,000 units a year; 19 percent of the current housing stock has been judged substandard and not repairable by the National Housing Institute. In recognition of the inability of public institutions to solve this pressing problem, Costa Rica encourages private efforts as a complement to public programs.

Mike Doyle is CHF's country director for the program in Costa Rica. At this point in CHF's operations, three loans have been signed, a fourth is in the loan contract negotiating stage, and two associated institutional support grants are in place. In addition, the CHF program concept has been adopted by a major USAID-funded rural housing program in which CHF is a key participant, collaborating with the Peace Corps and the Federation of Credit Unions of Costa Rica (FEDECREDITO).

The current status of active Costa Rican projects is summarized below.

Current Projects

1. FEDECREDITO
   - Home Improvement Loans
   - Mortgage Loans
   - Institutional Support Grant

As in most of its Central American projects, CHF has been able to set up its three major loans to date in Costa Rica through a secondary-level federation, in this case the Federation of Credit Unions of Costa Rica (FEDECREDITO). A major purpose of the loans is to develop within FEDECREDITO and two of its member credit unions the financial and technical capacity to provide medium- and long-term housing financing to low-income borrowers, as well as to increase their membership and financial base by enabling them to offer new lines of credit.

San Isidro, high in the Talamanca mountain range about 140 kilometers south of San José, has a population of about 82,000. There is currently a relatively acute housing shortage in the San Isidro area and a high proportion of substandard housing. There is strong demand for housing loans among the members of the San Isidro Credit Union (COOPEALIANZA), and there is also very strong interest by the credit union's management in providing such loans. What has been

Squatter settlements are not as evident in Costa Rica as in other Central American countries. Nevertheless, housing is a serious problem for most low-income people.

missing is affordable financing for those with below-median incomes.

CHF has provided the necessary funding and technical assistance to enable FEDECREDITO to finance housing lending by COOPEALIANZA through loans to its individual members.

CHF's total loan of $170,000 consists of two components: a loan of $75,000 for construction and long-term financing of approximately 35 core houses and $95,000 to finance approximately 78 short- to medium-term home improvement loans. Local cash contributions from COOPEALIANZA for this project total $19,380, while in-kind contributions and down payments from beneficiaries add another $67,985 to the project. About 590 people are expected to benefit directly from these loans. The loan agreement was signed in March 1987; implementation will begin in the near future

An institutional support grant of $5,000 to COOPEALIANZA is in place and will enable the credit union to contract a local firm to assist with the construction phase of the project.

2. FEDECREDITO
- Home Improvement Loans
- Mortgage Loans
- Institutional Support Grant

This loan agreement, which was also signed in March 1987, is similar in structure and purpose to the project described above. It provides for a $90,000 loan from CHF to FEDECREDITO for on-lending to the Esparta Credit Union (COOPESPARTA) in Esparza, about 80 kilometers from the capital. The loan is subdivided into two components: $55,000 for long-term loans for approximately 30 core houses and $35,000 to fund about 39 home improvement loans. Counterpart cash contributions of $13,595 and beneficiary in-kind inputs of $54,210 will add to the value of this project. About 345 people are expected to benefit directly from the loans. This project is well advanced and nearing completion.

An institutional support grant of $3,000 to COOPESPARTA enabled it to hire a local firm to assist in construction.

Housing conditions are especially poor in rural areas of Costa Rica.

3. PROVICO

CHF is a key participant in a rural housing project now being implemented by FEDECREDITO with USAID funds and the participation of the Peace Corps. CHF's role, funded under a separate agreement with the USAID mission in Costa Rica rather than under CHF's Central America program, is to provide assistance in designing, implementing, and monitoring the project.

The Rural Housing Project (PROVICO) is financing the construction of 325 rural housing units at market rates of interest via loans from FEDECREDITO to participating credit institutions and from these to individual borrowers with monthly family incomes between $107 and $214. Peace Corps volunteers are assigned to the participating credit institutions and are assisting them and the beneficiaries through the construction phase. Construction is being performed through a combination of contracted labor and self-help. CHF is organizing and training FEDECREDITO and credit union staff and the Peace Corps volunteers. CHF is also coordinating subproject feasibility studies; designing construction plans, material lists, and reporting formats; and providing other technical assistance as required. Implementation has begun. An initial group of Peace Corps volunteers was trained by CHF in a three-day seminar in January 1987.

This project has grown directly out of CHF's experience in Costa Rica under its Central America program and uses the same program concept.

4. FEDECREDITO
- Home Improvement Loans

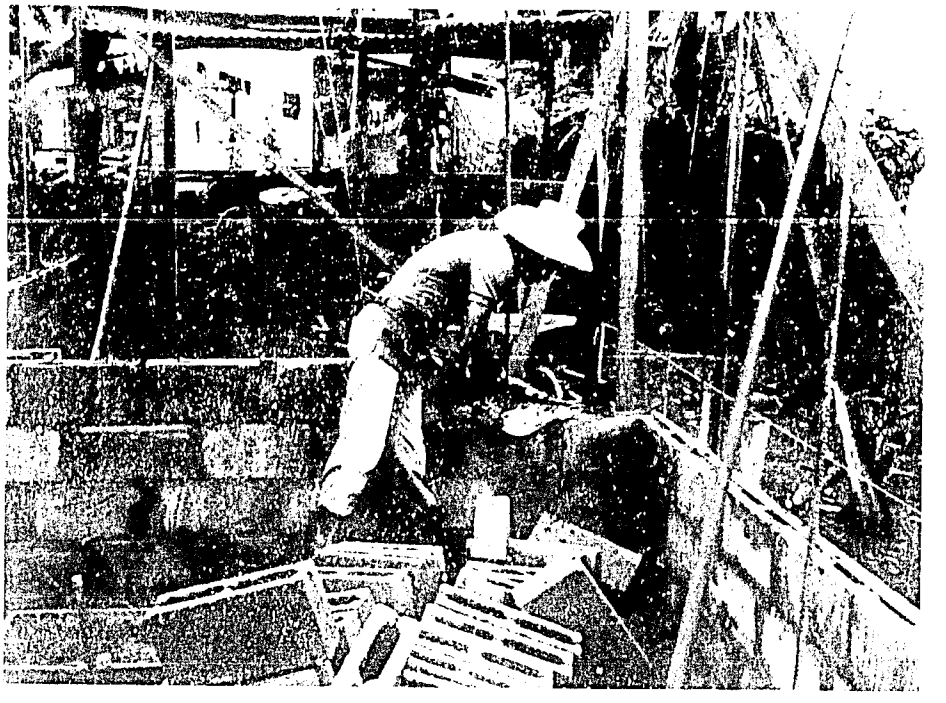
This $100,000 loan agreement, signed in August 1987, funds a home improvement pilot program mounted through four FEDECREDITO-affiliated credit unions. FEDECREDITO and the participating credit unions are providing an additional $25,000. Approximately 750 people are expected to benefit directly from this project.

The demand by low-income families for credit for home improvements is demonstrated by the fact that only four months after signing the loan agreement, more than half of the funds are disbursed.

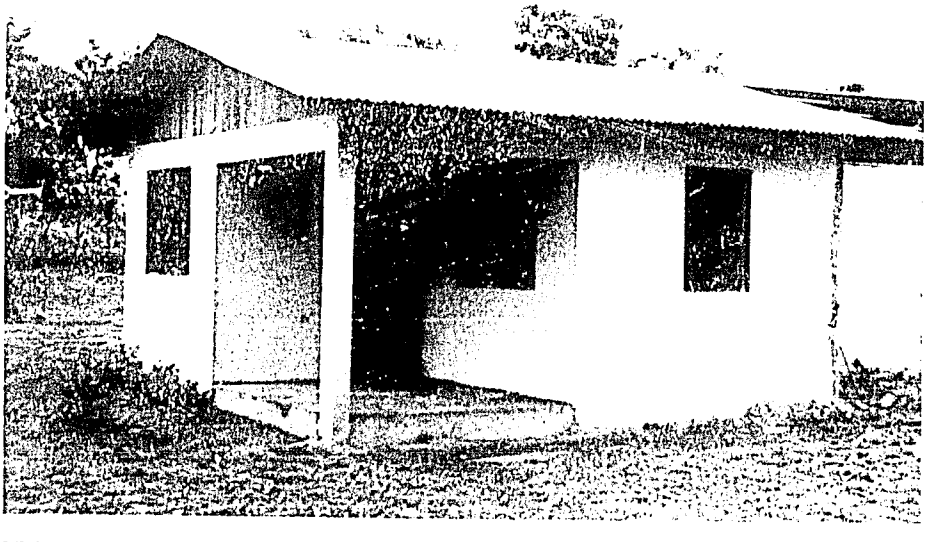
Summary

The Costa Rican program has developed substantially, with three major loan programs and two associated grants in operation and a related USAID program under implementation with CHF assistance. Loan and grant funds allocated or committed in Costa Rica under CHF's Central America program total $368,000. The two loan programs also include about $193,600 in counterpart cash contributions and an estimated $85,000 in in-kind beneficiary contributions. About 1,685 people are benefiting directly.

The Costa Rican program has been building momentum. The institutional linkages that have been established and the program components that have been field-tested in pilot projects combine to create a system that can efficiently and economically handle substantially increased levels of development monies.



Using funding provided by CHF, the Federation of Credit Unions of Costa Rica (FEDECREDITO) makes home improvement loans that average approximately $800.



This CHF core house design is being used in small villages and towns in two CHF-assisted programs in Costa Rica, one with the San Isidro Credit Union (COOPEALIANZA) and one with the Peace Corps. It costs approximately $2,000.

Panama

Overview

Both the government of Panama and the USAID mission have placed a very high priority on providing shelter and employment for lower income people. However, public agencies have not been able to meet the growing demand for low-cost housing. CHF has been instrumental in strengthening the cooperative housing sector in Panama as a result of its work there since the early 1960s. Through its current Central America program, CHF is encouraging the cooperative housing technical service organization (TSO) and credit union federation to become more involved in low-cost housing by demonstrating the feasibility of offering market-rate credit to poor people for home construction and improvement.

CHF's country director for the program in Panama is Mike Viola. Currently, four loan projects are being implemented; another loan and one grant are under development.

Current Projects

1. FUNDAVICO
   - Home Improvement Loans
   - Mortgage Loans

The Panamanian Foundation for Cooperative Housing (FUNDAVICO), Panama's cooperative housing TSO, has been CHF's main counterpart institution to date. The first project developed under the program was a loan of $53,000 from CHF to FUNDAVICO to finance a home improvement and core house construction loan program for the La Unión cooperative in Loma Colorada, near David in western Panama. FUNDAVICO contributed $23,000 and lent the funds to the cooperative to lend to its members. Half the funds have been used to finance about 10 core housing units and half used for approximately 20 home improvement loans, ultimately benefiting 150 people. Beneficiary contributions in down payments, land, labor, and materials added an estimated $26,200 to the project. The project was completed in December.

People in several very poor areas of Panama City desperately need help to improve their shelter and obtain basic services.

2. FUNDAVICO
   - Home Improvement Loans
   - Mortgage Loans
   - Community Services Loans
   - Institutional Support Grant

A project is under consideration to help FUNDAVICO develop a neighborhood improvement cooperative (NIC) in the large Belén squatter community near Panama City's international airport. This would involve a CHF loan of $225,000 to FUNDAVICO for on-lending for home improvements, core housing construction, and, at a later stage in the project, community services. The project would include an estimated 100 loans for home improvements, 25 for core housing, and 5 for community services, directly benefiting at least 625 people. FUNDAVICO would make a counterpart contribution of $60,000, with beneficiary down payments, land, and labor adding about $50,375 in value.

In conjunction with this project, an institutional support grant of $38,500 to strengthen FUNDAVICO's staff is also being considered.

Implementation of this large loan/grant project has been delayed pending completion of current FUNDAVICO projects.

3. FUNDAVICO
   - Home Improvement Loans
   - Mortgage Loans

Along with La Unión, the Loma Colorada cooperative, two cooperatives located in the towns of Boquete and Montijo, in Chiriquí Province and Veráguas Province, respectively, are considered among the strongest of the fourteen rural cooperatives assisted by FUNDAVICO through its first USAID housing loans in 1969-72. These cooperatives are the focus for a renewed rural programming effort by FUNDAVICO.

A loan agreement was signed in January 1987 providing $109,620 to FUNDAVICO to on-lend to the Montijo and Boquete cooperatives. FUNDAVICO is contributing $46,980 to the loan fund and will on-lend the entire amount. The cooperatives, in turn, will make loans to their members to finance construction of about 45 new core houses and 17 home improvement projects. Beneficiary down payments and the value of their lots and labor will amount to an estimated $56,080. About 310 direct beneficiaries are expected. The project is approximately 90 percent completed.

4. FEDPA
   - Home Improvement Loans
   - Mortgage Loans
   - Construction Loans

An agreement signed in 1986 involved a loan of $260,000 to FEDPA for on-lending to three of its member credit unions and their individual members for home improvements and new construction. FEDPA and the credit unions will add another $140,000 to the project. Beneficiary contributions generated by this project are expected eventually to reach $92,722. The project will encompass approximately 228 loans to individuals: 167 for home improvements, 33 for construction and financing of core houses, and 28 interim loans for the construction of complete houses. An estimated 1,140 people will benefit directly.

A major purpose of this project is to mobilize domestic resources by involving commercial lending institutions in financing low-income housing. An attempt will be made to link the CHF/FEDPA project to the long-term housing finance system by packaging the housing development activity, providing the construction and interim financing required, and delivering completed units and creditworthy clients to the lending institutions for long-term mortgage loans. It is expected that about half the loans for core housing and all those for completed houses will be taken out or paid off by permanent loans obtained from mortgage lending institutions.

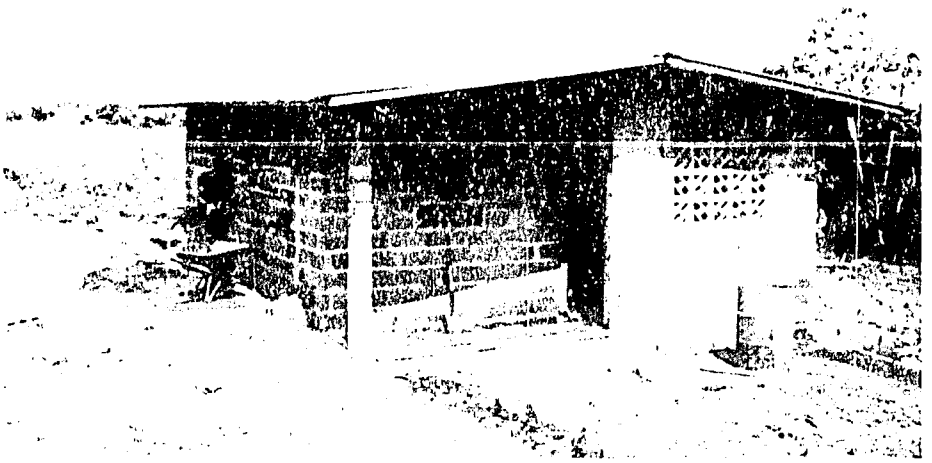
Subagreements between the participating credit unions and FEDPA have been signed and individual loans have been processed. This project is in implementation and is now well advanced.

With loans provided by CHF, home improvement and core house construction projects in Panama are being completed by the Panamanian Foundation for Cooperative Housing (FUNDAVICO) and the Federation of Credit Unions of Panama (FEDPA).

5. Nuevo Chorrillo Housing Cooperative
   - Community Services Loan

A $10,000 CHF loan to the Nuevo Chorrillo cooperative was approved in March 1987. It was designed to finance a pump, accessories, and housing for one well and complete construction and installation of another in order to provide a steady supply of water to the cooperative. The cooperative has already invested $2,000 in drilling the first well. The project will directly benefit 500 member families (approximately 2,500 people).

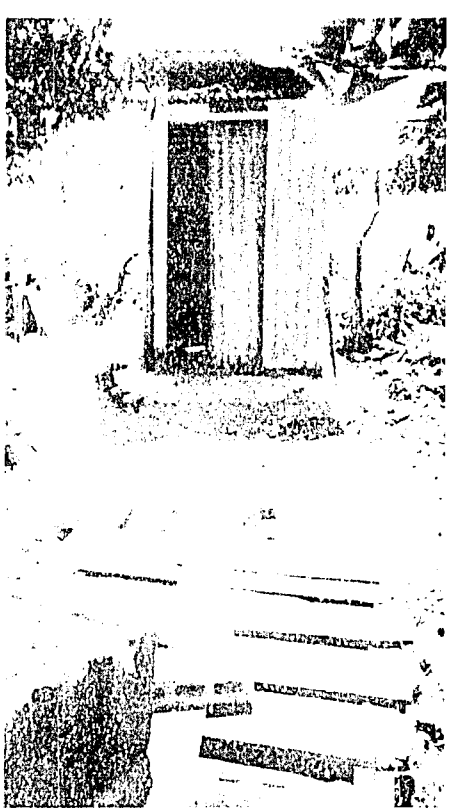
The first disbursements on this loan have already been made and work has been completed on the first well.



This expanded core house has two bedrooms and was built for less than $5,000 with a loan provided through the Panamanian Foundation for Cooperative Housing (FUNDAVICO).

Summary

Four of the five loan projects identified in Panama are operational, with one loan and grant still pending. Total CHF funding allocated or committed to loans and grants is $696,120. Local counterpart contributions total $271,980. An estimated $225,377 in beneficiary contributions is expected for these projects, which will directly benefit approximately 4,725 people.



Home improvement loans in Panama average $800 and are often used to install running water and improved systems for sanitary waste disposal.

Belize

Overview

Belize is a small, English-speaking country, formerly a British colony. Its cultural orientation has traditionally been toward the Caribbean. The problems that have affected neighboring countries in recent years, however, have led to a large influx of refugees from the rural areas of El Salvador and Guatemala. Together with a generalized economic decline in the region, this has meant increased hardship at the lower end of the economic scale. Therefore, while Belize is markedly different in many ways from other countries in Central America, it suffers similar problems of inadequate low-cost housing and high unemployment. An indication of the existing need is the fact that CHF program funds for Belize were fully allocated quickly.

Dennis Wallace is the country director for CHF's program in Belize. All the potential loans identified in Belize are operational, and one new institutional support grant has been made.

These initial efforts have put a replicable system in place that can help meet the need for improved housing services and employment opportunities, which are particularly acute in the rural areas where large numbers of Salvadoran and Guatemalan refugees have settled.

Current Projects

1. BCUL
   - Mortgage Loans
   - Community Services Grant

The loan agreement for this project was signed in August 1986. It provides a CHF loan of $52,800 to the Belize Credit Union League (BCUL) for on-lending to the Hummingbird Credit Union. The credit union will provide loans to 13 of its members to build new core houses in Ringtail Village, thereby directly benefiting about 65 people. In-kind contributions equivalent to $3,900 will be provided by the beneficiaries. Other in-kind support for the project will be provided to the credit union and the participating members by their employer, Hummingbird Hershey.

This cooperative housing pilot project complements a broader rural development project (being implemented by the government of Belize, USAID, Hummingbird Hershey, the Peace Corps, Volunteers in Technical Assistance, and the Pan American Development Foundation) that encourages family farm production of cocoa. CHF's project, now essentially

Housing for low-income people in urban areas of Belize is typically overcrowded and in a state of disrepair.

completed, is serving the first group of families allocated land in the cocoa project area.

Such small-scale colonization is common in rural Belize; therefore, CHF's pilot project is intended as a model. It is expected that the experience gained in this project will enable BCUL and the Hummingbird Credit Union to expand the housing project to serve other families who join the cocoa project and will encourage other credit unions to become involved in financing small-scale rural housing projects for low-income people.

In order to promote replicability, technical assistance is also being provided. BCUL is assisting the credit union with accounting, bookkeeping, operations, and management; CHF is assisting BCUL with housing finance systems and procedures so that it can work with the Hummingbird Credit Union and other member credit unions in housing finance.

In addition to the construction loan and technical assistance, CHF has made a grant of $4,000 to the Ringtail Village Improvement Committee to build a water catchment system for the new housing cooperative and a small community center to serve as a meeting place, training site, and storage facility. Construction has been completed and these facilities are now in use.

Members of local cooperatives meet with staff of the Belize Credit Union League (BCUL) to discuss application requirements for CHF-funded mortgage loans.

2. BARD
   - Small Business & Building Materials Production Center Loan
   - Institutional Support Grant

The first building materials production center (BMPC) project approved in CHF's Central America program is the Belize Agency for Rural Development (BARD). CHF provided a loan of $15,000 to BARD, a local grassroots development organization, to finance small-scale portable sawmills, block-making equipment, and other low-technology methods for producing building materials from local natural resources.

BARD has acquired a chain saw to rent to local cooperatives or individual members to produce boards and lumber. With the remaining funds, BARD will establish a loan fund for use by cooperatives, their members, or other individuals in setting up other types of building materials production. BARD will contribute $2,500 for management services to this project.

BARD has been active in organizing agricultural cooperatives in sparsely-settled parts of Belize. Most of these cooperatives are on land that is being cleared by the traditional slash-and-burn method. This project will enable the cooperatives to harvest the lumber instead of burning the trees, either to sell to members for home building or to sell to others at a profit to provide supplementary income to the cooperative. The project will also finance the purchase of equipment for production of other types of building materials, such as concrete blocks, doors and windows, or roof tiles. Thus, this project will generate employment for cooperative members as well as income for the cooperatives from the manufacture and sale of materials. BARD's income from rental of the sawmill equipment will provide funds for operational expenses and enable additional services to be offered to cooperative members.

One chain saw has been purchased to produce boards and lumber and is in such demand that BARD is considering buying an additional unit. At least 100 families (about 500 people) have benefited from the sawmill operation so far.

An institutional support grant of $10,000 to BARD from CHF has improved its ability to implement this project by supporting staffing and operations costs, improved management systems, and project development activities.

3. BCUL
   - Mortgage Loans
   - Institutional Support Grant

The latest loan project to become operational in Belize is a $300,000 loan to BCUL for construction and mortgage financing for about 60 units of new core housing in five neighborhood improvement cooperatives (NICs) in Belize City and Ladyville. Local cash inputs for this project total $14,448 in BCUL administration and management costs. Beneficiary down payments will total $4,539, and contributions of land, labor, and materials by beneficiaries will add an estimated $52,088. Eventual build out of these units is expected to add another $104,336 to their total value. Approximately 300 people will benefit directly. Currently, contracts have been

let and construction has begun in three of the five participating cooperatives.

An important objective of this pilot program is to help BCUL initiate a long term housing finance program. While in the long term a specialized cooperative housing technical service organization (TSO) may be needed, in the short term BCUL can fulfill a limited TSO function and move these projects forward with CHF assistance.

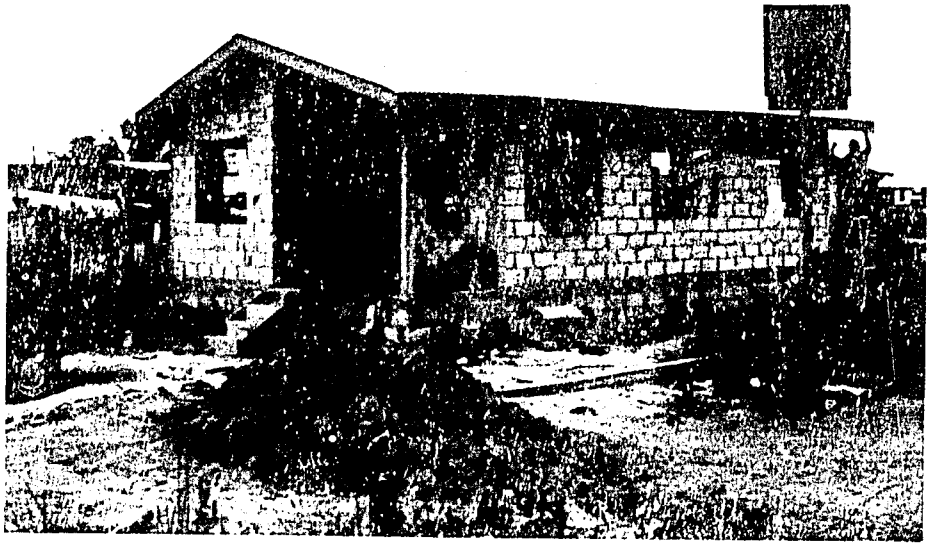
In order to help develop its technical capability, CHF has made an $18,000 institutional support grant to BCUL to enable it to hire technical staff, acquire a computer system, and cover operational costs associated with the loan project.

Summary

As noted, current funding for Belize has been fully allocated by the three loans and three grants now being implemented, a total of $399,800. Local cash and in-kind contributions to the loan projects are estimated at $181,811. Discussions aimed at securing additional funds are underway with USAID.

These projects will directly benefit about 865 people. Beyond the direct beneficiaries, however, the projects are creating a viable private sector institutional capacity for housing finance and establishing models for future development.

CHF loan programs with the Belize Credit Union League (BCUL) are making possible the acquisition of new homes by below-median-income families in Belize City.



This core house in Ladyville was constructed using financing provided through the Belize Credit Union League (BCUL).

Appendix A

Summary of Loans, Grants, and Local Inputs

CHF Cooperative Neighborhood Improvement and Job Program for Central America
December 31, 1987

Number of Loans & Grants	Guatemala	El Salvador	Honduras	Costa Rica	Panama	Belize	Regional	Grand Total
No. of loans in process	2	2	0	1	1	0	0	6
No. of loans committed	5	2	7	3	4	3	0	24
No. of grants in process	0	0	0	0	0	0	0	0
No. of grants committed	5	1	4	2	0	3	1	16
Total no. of loans & grants	12	5	11	6	5	6	1	46

Amount of Project Inputs	Guatemala	El Salvador	Honduras	Costa Rica	Panama	Belize	Regional	Grand Total
Local inputs (cash)	$544,296	$299,500	$540,920	$193,600	$165,450	$53,000	0	$1,796,766
Local inputs (in kind)	$906,725	$175,271	$287,777	$84,630	$177,271	$21,200	0	$1,652,874
Total amount of local inputs	$1,451,021	$474,771	$828,697	$278,230	$342,721	$74,200	0	$3,449,640
Total amount of loans & grants from CHF	$3,160,000	$895,000	$1,430,000	$500,000	$970,000	$400,000	$500,000	$7,855,000

Appendix B

About the Cooperative Housing Foundation

The Cooperative Housing Foundation (CHF) is a nonprofit organization dedicated to the development of better housing and related community services for low- and moderate-income families in the United States and throughout the world.

Domestic operations began in 1952, the year the foundation was established. In the United States, CHF has been responsible for the development of more than 60,000 homes in over 400 housing cooperatives.

CHF also has over 20 years of international experience in the shelter sector. Overseas, CHF has worked in more than 50 developing countries providing technical assistance for the development of over 200,000 homes.

CHF is a tax-exempt, nonprofit organization as defined by section 501(c)(3) of the Internal Revenue Code. Policy for CHF is set by a 40-member board of trustees composed of distinguished private citizens with records of achievement in housing and social programs.

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Throughout Central America, families are building better lives for themselves and their children with the help of financing and technical assistance provided through CHF's Cooperative Neighborhood Improvement and Job Program.

CHF

COOPERATIVE HOUSING FOUNDATION

Fact Sheet 3 June 1988

A NONPROFIT ORGANIZATION DEDICATED TO BETTER HOUSING AND BETTER COMMUNITIES

Banking on the Barrios: Financing Shelter and Jobs for Low-Income Families in Honduras

Squatter settlements and shantytowns are familiar sights near many of Latin America's growing cities. Frequently, the crowded communities are built on the city's least hospitable outskirts. The neighborhoods, or *barrios*, are often without water lines, sewer systems, electricity, schools, and health clinics. In many cases, the shantytowns and squatter settlements house thousands of low-income families.

Because squatter settlements are unauthorized, informal developments that exist outside of governmental jurisdictions, local governments often lack the authority and resources to extend needed public services. Cut off by banks, residents have few alternatives for obtaining credit for building materials. Local loan sharks charge high interest rates, making housing loans too expensive to afford. Charitable organizations offer funding only sporadically and often set limits and conditions on their donations.

Instead, families must provide for themselves. They begin by building shacks or shanties with scrap lumber or other inexpensive or discarded material they can afford. They improve them little by little, as their incomes permit. Over time and by increments, local families solve their own housing needs.

Since 1985, with the assistance of a seed grant from the United States Agency for International Development, the Cooperative Housing Foundation (CHF) has been provid-

Thousands of families live in crowded squatter settlements surrounding large cities in Honduras. They often lack basic community services such as a safe water supply, sanitary waste disposal, and electricity.

In many squatter settlements and shantytowns, families must pay high prices for water delivered by trucks because no other reliable source of water exists. Women and young girls often bear the burden of carrying heavy water jugs over long distances.

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ing much-needed credit to residents of squatter settlements and rural villages throughout Central America.

Perhaps the program's greatest contribution is the creation of linkages between private sector institutions and the poor. In collaboration with a grass-roots network of local nonprofit organizations, CHF's Cooperative Neighborhood Improvement and Job Program provides access to credit, which is otherwise unavailable to the poor. *Programa Techo y Trabajo* (Shelter and Jobs Program), as it is known locally, offers modest loans through private sector groups to families in the poorest barrios. The money is available for home improvements, new house construction, community services, and small businesses involved in producing building materials.

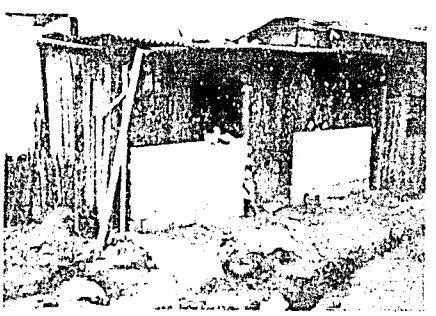
CHF uses a simple formula: offer people credit and they will build on their own—a new house, an additional room, or a community facility. The availability of affordable financing is accelerating the traditional incremental housing process, permitting families to improve their living conditions now instead of ten years from now.

CHF's experience has demon-

Financing a Home Improvement

Rosa Maria and Jorge Santos lived for five years in a wooden shack with their eight children while they saved for something better. They were among the original settlers of Guillermo Matute, a barrio formed by one hundred families on a site considered unusable by its owners. The squatters, glad to have home sites of their own, paid for the land and built shacks with scrap wood and tin roofs.

Jorge, a mason who works as a day laborer, earns around $175 each month. With eight children to care for, Rosa Maria has little time to work to supplement the family income. Over the years, they had little opportunity to accumulate savings. Their extra earnings went for a couple of concrete blocks every month.



The Santos family lived in their one-room wooden shack while they expanded and rebuilt its walls using sturdy concrete blocks. An $800 home improvement loan obtained through CHF's program helped pay for the building materials.

CHF brought its program to Guillermo Matute in collaboration with the Honduran Cooperative Housing Federation (FEHCOVIL). The Santos family signed up for a home improvement loan of $800. "It was like a godsend," says Rosa Maria.

Jorge decided to rebuild the family's house in concrete block, replacing the dirt floor with a cement one and putting a pit latrine out back. He saved the wood from the original structure and used it to add a new room onto the back. The Santos's new house is twice the size of their old one-room shack; it now has two bedrooms, a large kitchen, and a living room.

Rosa Maria has become a dedicated member of the neighborhood improvement cooperative formed by the families who took out loans. Through the cooperative, the community has built two retaining walls that make a vehicular street possible in Guillermo Matute and has paid for exterior street lighting to improve visibility and safety.

The family's loan repayments are $25 per month. Rosa Maria is making all the loan payments on time and already has plans for the improvements her family will make with the next loan.

Rosa Maria and Jorge Santos and several of their children pose in the doorway of their nearly-completed home, which now has a cement floor, two bedrooms, a large kitchen, a living room, and a pit latrine in back.

strated that residents of the poorest barrios are eager to take out loans—and able to repay them at market interest rates. The families who obtain credit through CHF's program in Honduras vary in income, but they all fall within the country's poorest third. Over half of the borrowers are women. The repayments are recycled to enable additional low-income families to obtain the benefits of affordable housing loans.

CHF views families in squatter settlements as a good investment. "We're helping poor people get access to credit," explains Ted Priftis, CHF's regional director for Latin America and Asia. "We're simply accelerating the traditional housing process, instead of trying to stop it."

CHF's program in Honduras includes projects from the coastal towns to the central cities. Its partner organizations range from the modest San Juan Bosco Center (CSJB) on the northern coast to the nationwide Federation of Credit Unions of Honduras (FACACH).

CHF puts emphasis on strengthening local institutions. It does so by providing technical assistance and training to improve their administrative capacity to manage construction projects and commercial lending programs.

Local agencies have found that shantytown dwellers jump at the chance to take out a loan. The fact that they are conscientious in repaying the loans—at commercial interest rates—means that CHF's partner organizations are able to cover their own costs and to grow. CSJB, for example, has developed a new housing department that will serve over five hundred families in the next two years. Making a loan, they have found, leads to fast results. CSJB's Angel Velasco reports, "We count six weeks from the time we get the money out to the time our families move into their new homes."

CHF's system produces results quickly. In two and a half years, CHF's program in Honduras has financed over eight hundred new homes and home improvements. In many squatter settlements, a home

Financing Community Services

For years, the families of Nueva Suyapa got water from the municipal system only intermittently. Sometimes it would run for a few hours a day, but sometimes it would not run for a week. So families relied on the water trucks, run by private entrepreneurs who sell water for 25 cents a gallon. At such prices, families often spent up to half of their monthly income on water alone.

The CHF-financed loan program was brought to Nueva Suyapa in collaboration with the Honduran Cooperative Housing Federation (FEHCOVIL). The community got together to borrow $2,000 to build a water tank with a community storehouse on top. The tank holds 50,000 gallons—enough to supply more than 60 families for a week. Families pay 5 cents for a gallon of water now, but the price will drop to 1 cent after the loan from CHF is paid off.

The community of Nueva Suyapa borrowed another $3,000 to build a community septic tank with connections to their homes. Nueva Suyapa is one of several barrios that lie beyond the municipal sewer system. Previously, the community had no system for sanitary waste disposal, aside from individual latrines. The new septic tank has several chambers, which allow the contents of one to decompose into organic fertilizer while the others are in use. The families' savings on water from their new communal tank are helping pay for the cost of the septic tank as well.

Residents of Nueva Suyapa connect pipes to their communal water tank, built with loan funds provided through CHF's program. A community storehouse sits on top of the 50,000-gallon water tank.

Residents of Guillermo Matute obtained loans through CHF's program for community improvements. When completed, these retaining walls will prevent the landslides that previously made traffic impossible.

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improvement is often tantamount to building a new home, considering the additional space families gain. (See "Financing a Home Improvement" on page 2.) Loans to communities have brought the benefits of water tanks, sewer systems, streets, and garbage collection to over ten thousand families. (See "Financing Community Services" on page 3.) In addition, CHF's program of loans to small businesses in construction-related fields has led to new jobs for residents of local barrios. (See "Financing a Small Business" at right.)

"Low-income families in the barrios are like everyone else in the world," explains Eddy Perez, CHF's country director for Honduras. "They want to have a solid roof over their heads and a nice neighborhood to live in. The desire is there, so when we provide the financing, they do the rest. With our help, they're building better lives for themselves and their children."

The concern that low-income people will overburden themselves with debt has proved groundless. Families know what they can afford and adjust their building projects accordingly. "Contrary to traditional stereotypes about the poor, we're finding that low-income families are good credit risks," says Perez. "We're banking on the barrios—and it's paying off."

Financing a Small Business

Roberto Guillén and his brother Modesto are partners in a small hardware store that sells building materials in Hato en Medio. With a $1,000 loan obtained through CHF's program, they were able to increase their inventory and set up a small factory in the back of their store to make cement tiles used for flooring. In this instance, CHF worked in collaboration with the Honduran Development Institute (IDH).

"We used to watch people carting cement tiles from the center of town," says Roberto. "Worse," adds Modesto, "we used to watch people bringing in hardware supplies because we ran out of stock."

Since they took out the loan, sales have tripled. The Ferretería la Casita now employs three laborers in its tile factory while Roberto and Modesto manage sales. Best of all, their customers no longer have to go outside the barrio to meet their needs for tools or floor tiles.

The shelves are well stocked at the Ferretería la Casita since the owners obtained a loan through CHF's program and expanded their small business.

CHF's program has helped create hundreds of new jobs for barrio residents. Here, a laborer makes cement floor tiles.

Roberto and Modesto Guillén stand proudly in front of their flourishing hardware store and a display of decorative floor tiles produced in the small factory they set up in back using a loan financed by CHF.

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