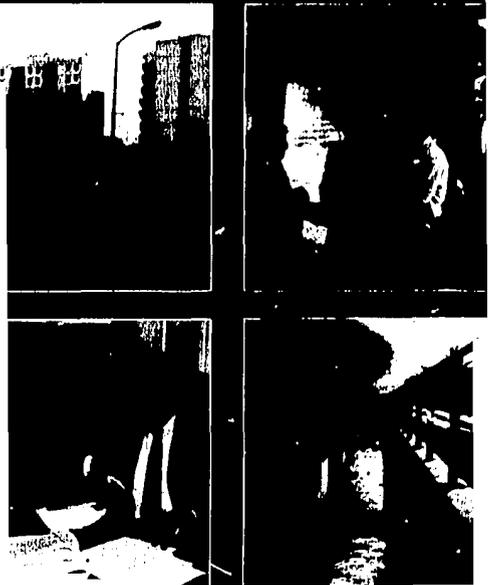


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OF HOUSING AND URBAN PROGRA U FOR PRIVATE ENTERPRI

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The Office of Housing and Urban Programs and its Regional Offices have provided data for all graphs unless otherwise indicated.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

In 1991, the embracing of democracy by peoples around the world has had far-reaching effects on numerous regions, including Eastern Europe, Africa and Latin America. We are seeing unprecedented changes: local governments are assuming greater responsibility for the urban environment and services; private businesses and individuals are carrying out formerly public services; governments are developing and implementing major new urban policies; public housing is being converted to private ownership and management.

The Office of Housing and Urban Programs adapts its organization, programs and approaches to respond to changing needs. This year, we expanded our Eastern European operations to meet the challenges of urban change in this vital area. We have strengthened technical assistance programs to support municipal development, private construction and the finance sector. In other regions as well, local governments and the private sector are assuming increased responsibility as a result of democratic revitalization. Our financial and technical assistance programs support this change.

In 1991, our Office increased its emphasis on the urban environment. Our programs include responses to urban environmental problems. We are testing methods to assess the impact of urbanization on health, natural resources, human productivity and the quality of life. The *Private Provision of Social Services Project* financed assistance to secondary cities in Africa, the Caribbean, Central and South America, to promote private sector involvement in the delivery of services such as the collection of solid waste. This program will be expanded to include additional countries in these regions, as well as in Asia and Eastern Europe.

The pages that follow highlight our work during this past year to respond to continuing urbanization needs as well as the challenges of the remarkable new winds of change sweeping the world.

Sincerely yours,

Peter Kimm, Director
Office of Housing and Urban Programs

320 TWENTY-FIRST STREET, N.W., WASHINGTON, D.C. 20523

Program Summary

The Office of Housing and Urban Programs, in the Bureau for Private Enterprise of the Agency for International Development (A.I.D.), helps developing countries respond to their shelter and urbanization needs and administers A.I.D.'s Housing Guaranty Program. The Office develops strategies for program planning, management and capital investment to benefit low-income urban families.

Regional Housing and Urban Development Offices (RHUDOs) advise USAID Missions and co-manage with them most of A.I.D.'s capital and technical assistance programs for housing and urban development. The Office also works closely with local officials to promote policies that improve municipal and environmental management and that expand affordable shelter, water and sanitation services, access to housing finance, land tenure, decentralization, training of local officials, and partnerships with the private sector.

Capital Funding Assistance

The Housing Guaranty Program is A.I.D.'s primary capital resource for shelter and related urban programs. Through this program, the U.S. private sector provides long-term financing for low-income shelter and neighborhood upgrading programs in developing countries. Because the U.S. Government guarantees loan repayment, private lenders provide favorable terms and interest rates.

Since the program's inception in 1964, A.I.D. has authorized over \$2.8 billion in loan guaranties to finance housing projects and urban programs. To date, U.S. investors have disbursed over \$2.3 billion for more than 200 projects in over 40 countries.

Training and Technical Assistance

Each year, the Office manages approximately \$5 million in centrally-funded grants for technical assistance, research, and training. In addition, each program includes USAID Mission-funded technical assistance.

To respond to the rapid growth of urban areas, the Office assists A.I.D.'s regional Bureaus and USAID Missions to design and carry out technical assistance, training, and financial support for municipal management, low-income shelter, infrastructure, and land policy. Both regional and local assistance programs follow A.I.D.'s emphasis on economic growth, job creation, market forces, democratization, the private sector, and decentralization.

Each RHUDO sponsors at least one conference per year, and regional staff participate in meetings of the United Nations, the Organization for Economic Cooperation and Development, and regional development banks. Through these meetings, A.I.D. examines how

foreign assistance can best influence economic and social development in rapidly urbanizing countries.



Organization of the Office of Housing and Urban Programs

The Office has a presence in all of the developing regions of the world: Latin America and the Caribbean, Asia, Africa, the Near East,

and most recently in Eastern Europe to respond to the rapid democratization in that area and its urgent need for shelter and urban programs. While the Eastern European staff are primarily based in Washington, the Agency's first Regional Housing Officer is located in Warsaw, Poland.

In addition to regional field Offices, the Central Office in Washington has two divisions.

- *The Operations Division* supports the regional programs and coordinates with A.I.D.'s geographic Bureaus.

- *The Urban Policy and Programs Division* advises the Director and Regional Offices on urban issues, conducts research, promotes policy dialogue, and carries out training. This report summarizes each region's work as well as the efforts of the central Office.

Research and Policy Development

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The Office's Urban Policy and Programs Division conducts research and carries out studies and seminars to help developing countries in their approach to urbanization. Recent efforts focus on urban economics, the urban environment, and the private provision of solid waste services. This Division supports A.I.D. bureaus in their development of strategies and programs.

The Urban Economy

The Urban Policy and Programs Division published a *Report on Urban Economies and National Development*, in February, 1991.

One of the major lessons learned from the experience reviewed in this report is the futility of discussing rural and urban development as if they were opposing alternatives. The report encourages Governments to strive for policies that enhance market efficiency across all locations, without trying to construct a specifically rural or urban policy. The report is a guide to the best strategies to move from a local urban perspective to a national market perspective.

In the past, cities often were given low priority in development theory. More recent analysis suggests that urban development can contribute significantly to national economic development. Rural areas in most countries cannot absorb major labor force growth. Even where the "Green Revolution" is most successful, urbanization has accelerated.

With the right policies, urban economies can help support growth in the rest of the country.

■

With the increasing emphasis on democracy and greater responsibility at the local level, municipally-led development strategies will become increasingly important.

■

Empirical studies show that many market theory assumptions of the 1970s are not sustainable. For example, wage differentials are more closely related to worker productivity, education and skills, than to arbitrary market segmentation between traditional and modern sectors. This is true both among urban occupations and between city and rural jobs. Also, the rapid growth of informal sector populations appears to have been misinterpreted as a sign of the accumulation of would-be workers unable to find productive employment. Instead, informal sector activities often are deliberately chosen to avoid bureaucratic red tape. The informal sector is best viewed not as marginal or unproductive, but "as a competitively remu-

nerated population that has chosen to conduct its affairs outside many of the regulations of the formal sector because of the latter's high costs."

The report draws many other important conclusions:

- the principal burden of job creation will fall on the private sector;
- sixty percent of gross national product of developing countries is produced in urban areas, although these areas contain only about one-third of the total population; and
- although urbanization requires a higher capital investment, it also achieves key economies of scale, such as in the provision of health and social benefits. Comparable services would be far more costly in rural areas.

The report studies the structural reform agenda and its urban impact as well as the local role in urban economic development. Finally, the report sounds three basic themes to help orient policy formation in the 1990s:

- 1) National structural adjustment policies create an opportunity to redefine urban markets and local government functions on a more efficient basis.
- 2) An emphasis on national economic growth and export-led development will usually mean that new investment resources must be directed to already successful regions and cities. This, in turn, implies a critical role for internal migration in spreading the benefits of growth. This migration should be supported by providing low-cost shelter and infrastructure upgrading

programs for existing urban settlements. Cities should also plan for new settlements and make public service institutions, like schools and health clinics, more easily accessible to new migrants.

3) Governments have considerable control over the entire cost structure of urban areas, such as land and building costs, public service and infrastructure. Public policy should be directed to lowering these costs.

The Urban Policy and Programs Division presented a series of seminars based on this report. These seminars were tailored to urban priorities in South Africa, Botswana, Zimbabwe and Kenya, and provided a means for national, local and private groups to begin to develop a consensus on practical urban policy.

Infrastructure Finance

The Urban Policy and Programs Division has initiated an infrastructure finance research project. One of the most challenging tasks facing cities with burgeoning populations is the mobilization of resources for capital project financing. This research project studies the issues facing developing countries as they confront the devolution of decision-making responsibilities to local levels and as they examine the financing arrangements that can sustain the infrastructure investment needed to support urban economic and shelter activities. Such a system should generate higher revenues in a way that supports the efficient functioning of markets.

The project's first report, *Financing Urban Infrastructure in Less Developed*



Fred Hansen, Deputy Director of the Office of Housing and Urban Programs, is shown here reviewing projects in Asia, where the RHUDO programs promote the efficient delivery of urban land and infrastructure (top photo). Worldwide, the Office is also promoting the integration of shelter and urban programs with the collaboration of the Agency's Office of Foreign Disaster Assistance.

Countries, discusses public roles in infrastructure finance. This volume examines options for financing infrastructure efficiently and looks at the institutional and practical means for implementing these approaches. The report underscores the desirability of drawing on market discipline and market financing. It suggests that this objective may be met by assigning investment responsibilities to lower levels of government and by turning over selected investments to the private sector with public regulation. A critical issue is the implication for infrastructure finance of transferring revenues and service responsibilities from central to local government. The mere transfer of revenues does not augment the total

resources available. Nor does it generate net revenue gains. The report also examines the private sector role in infrastructure finance, exploring conditions for private sector efficiency, public-private partnerships, the role of the developer in infrastructure provision and the potential for nongovernmental associations in organizing voluntary collective financing.

A second report, *Infrastructure Finance: Institutional and Macroeconomic Issues*, explores the macroeconomic impacts of infrastructure finance. Public investment may either crowd out or stimulate private investment. Publicly-financed infrastructure can encourage private sector activity by enhancing the return to private investment. To avoid the inefficient allocation of capital resources, public credit systems for capital finance must

respond to price signals and incentive structures compatible with the rest of the national credit system. In addition, a sound capital financing strategy includes two main components: a priority-setting process; and a capital budgeting process to balance outlays with available funds. The report identifies cost-reduction strategies, and also discusses the use of private capital to finance infrastructure.

The Office of Housing and Urban Programs sponsored a Roundtable discussion based on these reports. This Roundtable gathered specialists from The World Bank, the business community and the academic community. They discussed the mobilization and allocation of capital for urban infrastructure, the role of municipal credit institutions,

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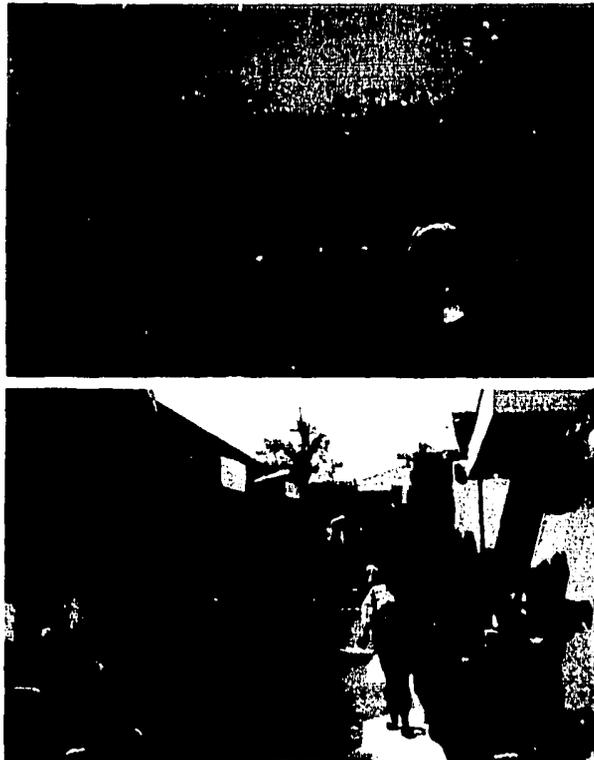
and the private sector as a potential source of capital finance. Additional issues included: consumer willingness to pay; the consumers' role in investment choices; user pricing and other cost recovery strategies; and tapping urban land values for capital finance. The Roundtable concluded that capital project finance involves more than simply identifying revenue generating techniques. The principal challenge is to design financing strategies that provide the right incentives for individual and collective choice, within the local institutional and market settings.

Disaster Activities

Around the world, disasters devastate housing and urban infrastructure, especially in low-income areas. In response, this Division is implementing an agreement with the Office of Foreign Disaster Assistance to integrate disaster prevention, mitigation, and preparedness concerns into shelter and urban programs. The joint activity centers around large-scale, multi-year projects in the Caribbean, South America, and Asia. In each of these regions, a disaster advisor manages the projects.

In the Caribbean, the RHUDO disaster advisor organized a training workshop for disaster officers in the region. The workshop aimed to enable these officers to return to their countries and conduct training programs on disaster mitigation. Also, this region completed the project design for a \$5 million multi-year project to protect residential areas and essential services.

The RHUDO for Asia provided assistance in response to the Mount



As local governments promote economic growth, they must also protect the urban environment. The Office of Housing and Urban Programs speaks to the private sector and local governments through studies and seminars on growth and the environment.

Pinatubo eruption in the Philippines by helping to erect shelter and training emergency officials to continue and expand the relief operation.

In addition to these regional projects, the Urban Policy and Programs Division completed a study of the disaster-related expenditures of major international donors over the last twenty years. Also, this Division assembled a thorough inventory of relevant training materials, and distributed the best of them to the RHUDOs.

Roundtable on Regularizing the Informal Land Development Process

Free functioning land markets are important for housing development as well as for the effective operation of a free market economy. The challenge is

to establish working systems for property rights and land tenure and to assure the availability of serviced and titled urban land. Most cities face the proliferation of informal land developments on unregistered and unserviced land. Responses to these developments are critical in urban management.

A Roundtable on *Regularizing the Informal Land Development Process*, sponsored by the Office of Housing and Urban Programs, reviewed experiences with regularizing informal developments. The meeting considered the costs and benefits of regulatory reform and the roles played by national governments and local authorities as they have worked with the informal sector. Recommendations of the meeting include: (1) the informal sector should not be seen separately

from the rest of the urban economy; and (2) informal land issues should be integrated in the broader context of urban management at the local level where authorities can create an enabling framework for implementing a coherent land management policy.

Donor Coordination

The Urban Policy and Programs Division is preparing a paper for the Development Assistance Committee meeting on *Aid for Urban Development* which will be held in 1992, entitled *Strengthening Local Authorities for Sustainable Urban Development*. In addition, this Division is reviewing position papers on urban development and human settlements for the 1992 *United Nations Conference on Environment and Development*.

Environmental Initiatives



The Office of Housing and Urban Programs' urban environmental strategy has three objectives: to integrate urban environmental issues into program design; to implement new private sector approaches to

Ecuador, Haiti, Botswana, Swaziland, and Morocco. In Costa Rica and Botswana, complementary Mission projects initiated additional technical assistance and training, and provided financing for capital improvements.

assistance. The Office identifies municipal administrators through a contract with the International City/County Management Association (ICMA).

This innovative project has had

impressive results. As a result of the recommendations made by the ICMA advisors, Tegucigalpa's sanitation department has already improved its collection of solid waste, created a segregated account to finance waste collection services, secured additional municipal budget resources to purchase equipment, improved its equipment repair unit, improved management of its sanitary landfill to prevent leaching and

rodent infestation, and has received mayoral approval to proceed with privatizing commercial and industrial waste collection.

In Costa Rica, seven secondary cities have agreed to participate in the joint development of a sanitary landfill. The private sector will manage the landfill. ICMA experts assisted in designing the landfill, selecting the site, preparing contract documents to secure private sector bids for management of the landfill, and conducting community meetings to discuss the need for a sanitary landfill. Initially, many resi-



Bangkok has inadequate sewage collection, a problem that is compounded by annual floods. Each year, 1.5 million people contract microbiological diseases, accounting for 6% of annual deaths. As seen in a recent Office of Housing and Urban Programs study of environmental health risks in Bangkok, many of these deaths could be averted with proper sewage treatment and access to clean water.

providing municipally-financed environmental services; and to contribute to the improved analytical capability of donors and host countries.

During 1991, the Office undertook the following activities to achieve these objectives.

Private Provision of Social Services Project

The Private Provision of Social Services Project financed technical assistance to a broad cross-section of capital and secondary cities in developing countries including Costa Rica, Honduras,

This project is expected to expand into Tunisia, Guatemala, Indonesia, Eastern Europe, and the Côte d'Ivoire.

The project examines ways to encourage city administrators to contract with the private sector to provide municipal services. Municipalities in the United States have considerable experience in contracting with the private sector to provide a myriad of public services. This project is transferring applicable U.S. experience to the developing world. It also relies on U.S. municipal administrators, rather than consultants, to provide technical

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dents and some elected officials were opposed to locating a sanitary landfill in their communities, mirroring problems faced in the United States in locating sites for landfills. However, as a result of community meetings in each of the municipalities, opposition to the proposal evaporated and the project is moving forward. A similar program is underway in Swaziland, where Mbabane and Manzini have agreed to jointly develop a sanitary landfill to be operated by the private sector.

Environmental Methodology

To improve the capability of A.I.D. and host countries to analyze urban environmental problems, the Office of Housing and Urban Programs tested three comparative risk methodologies in the developing world. A *comparative health risk assessment methodology* was modified and applied to Bangkok, Thailand. The Office of Housing and Urban Programs, and the Office of Policy, Planning and Evaluation of the Environmental Protection Agency co-financed this research.

Application of the comparative risk analysis to Bangkok was illuminating. In a city with no sewage treatment, inadequate sewage collection and annual flooding, the Office of Housing had anticipated and the study confirmed that one of the principal environmental health risks is microbiological diseases. According to the study, 1.5 million persons per year contract microbiological diseases in Bangkok, accounting for 6% of annual deaths.

In addition to microbiological diseases, particulate matter in the air and exposure to lead were identified as high health risks. The study estimates that Bangkok residents might suffer over 50

million restricted activity days and up to 1,400 excess deaths per year as a result of respiratory illnesses. Over half a million people may be adversely affected, and among children, the study estimates that the average child through the age of seven loses 3 to 5 I.Q. points due to lead exposure.

The second methodology, *to examine the economic losses resulting from urban environmental degradation*, was also conducted in Thailand. In this study, the consultant estimated economic losses to the Thai tourist industry in southern Thailand because of urban environmental problems.

The third methodology developed and field tested during 1991, *quantified urban impacts on the natural resource base*. This ecological methodology was simultaneously field tested in selected cities in the Dominican Republic and Morocco.

These studies have been disseminated to scientific, donor, medical and academic communities throughout the United States. The Bangkok study has provided the foundation for similar efforts underway by the Environmental Protection Agency, the World Health Organization and The World Bank.

Finally, the Office and its Regional Housing and Urban Development Offices are providing assistance to other Bureaus and Missions to analyze urban environmental problems. The Office provided staff support or co-financing of urban environmental studies with Missions to India, Nicaragua, Morocco, the Dominican Republic, the Caribbean, Guatemala and Swaziland.

Other Environmental Activities

Office staff assisted other Bureaus in developing urban environmental

agendas. Washington staff participated in the development of the Agency's environmental strategy, and co-chaired its subgroup on *Urban and Industrial Pollution and Environmental Health*; made urban environmental presentations at a Bureau of Science and Technology *Environmental Health Seminar*, at the Asia Bureau's *Agriculture and Environment Conference*, at the *Environmental Impact Assessment Course* for employees, and at a meeting of Latin American and Caribbean housing and urban development officials; and assisted in the design of several projects as well as the Eastern European environmental program.



Environmental publications and reports produced in 1991 include: *Ranking Environmental Health Problems in Bangkok, Thailand*; *Urban Impacts on Coastal Zones of Developing Countries*; *Compendium of U.S. Urban Environmental Training Courses*; *Economic Losses to the Tourism Industry in Thailand*; *An Urban Environmental Strategy for the Dominican Republic*; and a *Study on Environmental Implications of Land Development for Shelter in India*.

Training



The Training Unit, part of the Urban Policy and Programs division, integrates the Office's overall training strategy. Training is essential to the Office's activities and is widely used in Washington and in the field to support program activities (see Table below).

Training supports the establishment of networks that serve many objectives. For example, the Caribbean Shelter Network, composed of senior public officials, began as a forum for debate on current shelter issues. Networks also serve as vital channels of communication. In responding to hurricane Gilbert, the Caribbean Shelter Network provided ready access to the appropriate high-ranking officials for both the Regional Office and the Mission.

Through training, the Agency maintains a policy dialogue and influences change. For example, two years ago the director of the Paraguayan Foundation, a private housing development organization, attended a meeting of

the Latin American Institutional Network which discussed the role of the government as a facilitator rather than a provider of shelter. As a result of that meeting, the Director worked with the Paraguayan government to shift from

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It is sometimes difficult to see the direct link between training and change—but there is little doubt about training's role in bringing about change.

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being a direct funder of shelter to focussing on the private sector as the key provider of housing.

The impact of training is often delayed. Also, it is sometimes difficult to see the direct link between training

and change—but there is little doubt about training's role in bringing about change. The RHUDO for Central America has long recognized the need for change in the Honduran municipal government system. Training supported by A.I.D. and primarily conducted by the Central American Institute for Business Administration (INCAE) has helped stimulate debate nationally and regionally among high level policymakers regarding the imperative of a more democratic municipal development policy. Simultaneously, the RHUDO has been active at the local level in supporting the training of mayors in the operation of democratic municipal government and their corresponding responsibilities and roles. This experience in Honduras shows how training works at both the national and local levels in support of a central and well-defined goal—a new process of municipal government. The passage of a new municipal law earlier this year confirms training's important

Participation in Training Courses, 1990-1991

| | <i>Country Training</i> | | | <i>Regional Training</i> | | | <i>U.S. Training</i> | | |
|------------------------|-------------------------|--------------|--------------|--------------------------|--------------|--------------|----------------------|-------------|-------------|
| | <i>1989</i> | <i>1990</i> | <i>1991</i> | <i>1989</i> | <i>1990</i> | <i>1991</i> | <i>1989</i> | <i>1990</i> | <i>1991</i> |
| Asia | 300 | 250 | 692 | 75 | 24 | 77 | 40 | 48 | 114 |
| Central America | 47 | 403 | 611 | 72 | 131 | 26 | 14 | 1 | 24 |
| Caribbean | 1 | 40 | 16 | 40 | 53 | 3 | 8 | 7 | 8 |
| East/Southern Africa | 83 | 436 | 599 | 115 | 66 | 50 | 9 | 6 | 1 |
| Near East/North Africa | 0 | 29 | 190 | 59 | 22 | 26 | 13 | 17 | 30 |
| South America | 14 | 553 | 611 | 845 | 809 | 941 | 33 | 17 | 4 |
| West/Central Africa | 14 | 260 | 70 | 217 | 48 | 182 | 4 | 0 | 0 |
| Total | 445 | 1,971 | 2,573 | 578 | 1,153 | 1,305 | 121 | 96 | 181 |

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contribution when combined with other project and technical assistance tools.

The Office's training includes extensive use of intra-regional exchanges which are valuable in program and project design. Regional on-site observation visits, particularly in comparable environments and where language problems are few, also support institutional change. In the Near East, this approach is widely and effectively used as part of on-going bilateral training programs.

The privatization of the public housing stock is a priority for the emerging market economy of Algeria. Last year, high-level Algerians travelled to Portugal to review the Portuguese experience in transferring responsibility for providing low-income housing and serviced lots from the public to the private sector. Also, senior managers from Tunisia visited the Jordan Housing Bank several times to fully understand the concrete meaning of restructuring their Government Housing Savings Fund into a full service, autonomous private housing bank. In implementing this program, follow-up training focuses on strengthening the institution as it undertakes its new role.

Increasingly, the Office of Housing is linking training to research and technical assistance. The Office recently conducted a series of urban economies seminars in Washington on the complexities of the relationship between urbanization and national economic development. The Office brought the methodologies used in Washington to a series of seminars in East and Southern Africa targeted at Mission and host country officials.

Study tours to the U.S. support the design and implementation phases of many programs. Mixing Portuguese public and private sector housing

officials on a study tour to the U.S. achieved two objectives. First, the visitors were exposed to new ideas, and second, they were able to develop a collaborative relationship that has translated into a new public and private partnership at home.

The Asia RHUDO uses training to strengthen national and regional training institutions in several ways: by including training within a country's agenda;



With increased decentralization and the corresponding need for stronger local institutions and governments, training in various aspects of municipal management becomes paramount. Pictured here are participants from Indonesia attending a Municipal Finance Project training course. In 1991, the Office of Housing and Urban Programs supported or sponsored training for nearly 9,500 participants worldwide.

by overcoming unproductive training institution dynamics; by creating new expectations and frameworks; and by recognizing that there are incubation periods for new training models. The experience of the Center for Housing Finance, a private sector training organization in India, illustrates key factors in designing and managing a training program. These factors include: demand-driven training is crucial to the sustainability of a training institution; links between training, operations and experience should be established; links between U.S. institutions and national and regional institutions are highly productive; and, donors should support training until it can be financed by recipients.

The Office typically brings over 100 persons to the United States each year

for training. The Office invites participants, mostly senior level managers and policymakers, to attend short-term courses on the management of shelter and municipal development. The Office recently published its third *Annual Agenda of Short-Term, U.S. Based Training Courses*, providing a list of courses offered in the U.S. which support the Office's urban management goals.

Training support provided by the Washington Office to the RHUDOs includes management of the Washington review of RHUDO regional policy meetings, participation in RHUDO program reviews, assistance in the design of regional training strategies and the evaluation of RHUDO multi-year training programs.

The Office also collaborated in the integration of urban issues into A.I.D.'s staff training curriculum, including: the *Development Studies Program*; the *Planning Course for Environmentally Sound Economic Development*; and the *Democratic Initiatives Courses*. Both Washington and field staff have attended all the courses. The training officer serves on the Steering Committee that oversees the environmental courses.



Asia

South and south-east Asia, the area served by the Regional Housing and Urban Development Office for Asia, is a region characterized by

that stimulates the efficient and equitable provision of shelter and urban services. The strategy promotes increased access by all members of society to economic and social opportunities; also, it incorporates environmental concerns into the RHUDO's overall program of capital assistance, technical support and policy dialogue.

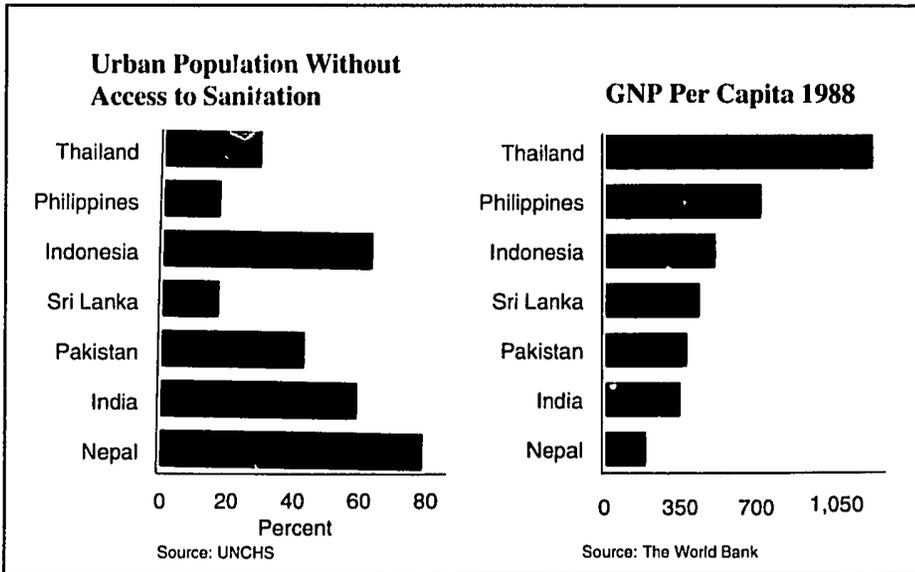
The RHUDO facilitates the exchange of knowledge and ideas by creating networks of professionals, between the region and the rest of the world. The RHUDO works with private, official, non-governmental and academic organizations to demonstrate that policy change can make it possible to provide shelter and basic services for all households and then translate policy into action.

Large Housing Guaranty loans dominate the RHUDO's portfolio. Programs in South Asia help to improve national housing finance systems. In Indonesia and the Philippines, the programs are designed to improve municipal finance systems and infrastructure provision. Other planned programs aim at the efficient delivery of urban land and urban infrastructure.

COUNTRY PROGRAMS

India

The Housing Finance System Program assists India's National Housing Bank to increase the availability of formal housing finance to low-income households nationwide. The program seeks to develop a system of market-oriented housing finance companies: capital assistance is provided through the



Throughout Asia, access to sanitation and other basic infrastructure is a pressing need—one which the Office of Housing and Urban Programs works to solve through support of decentralization efforts and strengthening of local governments. The need is greatest in Nepal and Indonesia. In Nepal, the Office supports the development of credit for housing and market towns. In Indonesia, the Office's program works to improve the means by which municipal governments finance urban services and infrastructure at a pace sufficient to overcome present deficits and match the pace of urban population growth.

Within this region, the RHUDO helps to bring about change in national policies and programs in a way that stimulates the efficient and equitable provision of shelter and urban services.

economic dynamism and social contrast. It has a wide variety of development patterns, from some of the world's poorest countries to several that are moving beyond Advanced Developing Country status. There is equal diversity of urban and shelter conditions, and of the policies and mechanisms adopted by national governments to address these problems. All countries are experiencing rapid urbanization, with all the implied challenges and opportunities.

The RHUDO helps to change national policies and programs in a way

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refinancing by the National Housing Bank of loans made by private- and joint-sector companies. This provides an incentive for these companies to make small loans affordable to families below the median income. The program will provide \$100 million in capital complemented with \$7.2 million for technical assistance and training. In 1991, \$25 million in Housing Guaranty loans were disbursed.

An interim evaluation of the program found:

- India's housing finance system is growing rapidly. The number of recognized branches of companies has been growing at 60 percent a year. The total volume of housing loans increased from 300 million Rupees in 1981 to 7,100 million Rupees in 1991;
- the National Housing Bank has succeeded as a housing finance industry promoter—market-oriented housing finance companies expanded from one in 1984 to 14 in 1991; and
- an increasing number of the clients of the housing finance companies are below-median-income households; the share of loan volume going to below-median-income households has increased from 27.9 percent in 1986 to 33.5 percent in 1991.

The RHUDO and Mission continue work on urban land issues, including studies on the environmental implications of land development. Together with the Ministry of Urban Development and the National Housing Bank, A.I.D. sponsored a series of national seminars on land development issues. Subjects included the role of the public and private sectors in increasing land supply, and the tools required to achieve more efficient land delivery.

Indonesia

The flagship of the Indonesia program is a \$100 million Municipal Finance and

Shelter Program. Now in its fourth year, the government has already borrowed \$75 million under the program. The loan program is supplemented by a \$5 million grant program for technical assistance and training. This program plans to improve the shelter conditions of the urban poor by developing the means by which municipal governments can finance shelter-related urban services and infrastructure at a pace sufficient to overcome present deficits and match the pace of urban population growth.



As countries work to organize the urban environment, municipal governments assume a larger role in the provision of infrastructure, such as the water stand pictured here in New Delhi, India.

Program achievements include:

- the urban population served by regional and district water supply corporations increased from 29.6 percent in 1986 to 36.1 percent in 1990;
- the growth of locally-generated revenues for local government from 20.3% in 1985 to 26.0% in 1989 demonstrates greater local fiscal responsibility;
- integrated expenditure planning and programming is improving: the proportion of the urban population covered by medium term investment plans has grown from zero to 17% between 1989 to 1991; and
- the volume of housing loans made

by the National Savings Bank to low-income households increased from 25 billion rupiahs in 1987 to 140 billion rupiahs in 1991.

Training is a major activity of the Municipal Finance Program. In December 1990, a *Municipal Finance Seminar* reviewed major initiatives covering local tax collection systems, accounting and budgeting systems, local planning and programming, and urban management information systems. This was followed by a seminar on *Local Government Institutional and Manpower Development*, which brought together 70 participants from the main agencies involved in training local government personnel. Another seminar presented the findings of a study on the potential for privatizing water supply. This led to the authorization on September 30, 1991, of a major new Mission urban initiative—the Private Participation in Urban Services Project—a \$20 million grant program designed to stimulate greater private sector participation in the delivery and finance of water supply, waste water treatment and solid waste management.

Applied research activities associated with the project included a national land study, which assessed the implications of the Indonesian land titling and registration system on urban growth and commercial business development. An urban environmental management study was also undertaken, to provide the Government of Indonesia with a foundation for the integration of urban environmental concerns into the national urban development strategy and its accompanying policies.

Nepal

The Regional Office and USAID Nepal have collaborated on small, highly focused urban activities, responding to requests for assistance from governmen-

tal and private institutions. Recently, work has been in the areas of market town development and privatization of the shelter credit system.

In 1991, the RHUDO financed technical assistance to help the Nepal Housing Finance Development Corporation develop a business plan. The Mission and the RHUDO introduced the concept of market town development and a rapid appraisal methodology for developing investment priorities in market towns. Market towns and the method of approving proposals developed by national and municipal entities figure as important parts of the newly formed Government of Nepal's development plans.

Pakistan

The \$40 million Shelter Resource Mobilization Project supports the housing finance element of the Government of Pakistan's financial sector adjustment program, by the creation and promotion of a private sector housing finance system.

The project focuses on policy reforms to facilitate a market-based, private sector, finance system to mobilize resources for shelter and to provide mortgage and construction credit.

A milestone was achieved this year: orders were issued providing a legal framework for private sector housing finance companies and establishing licensing procedures.

The private sector responded to the opportunity: twenty-five firms applied for licensing. Of these, two have received permission to proceed and expect to open for business this year: Citibank, which has extensive housing finance experience in the region, and International Housing Finance Ltd., which has backing from the Pakistan Industrial Credit and Investment

Corporation, the International Finance Company, the Commonwealth Development Corporation, and the Aga Khan Fund for Economic Development. Up to six more firms are likely to receive permission soon, making private housing finance a significant new factor in Pakistan's financial sector.

Philippines

The \$50 million Housing Guaranty Program in the Philippines supports Government efforts to decentralize authority for urban infrastructure to large- and medium-sized cities. The *Implementation Agreement* for the Decentralized Shelter and Urban Development Project was signed in May 1991, and the Government will borrow its first \$20 million under this program in late 1991. The program will:

- foster a greater role for city governments, non-governmental organizations and the private sector in developing shelter-related urban infrastructure and services; and

- increase access by low-income urban Filipinos to the basic infrastructure and services needed for healthier and more productive lives.

Capital assistance is supplemented by a \$4 million technical assistance and training grant which will fund policy analyses and will provide support for key public, private and non-governmental groups to support decentralization.

As part of the initial program assessment, the consultant team found that significant progress had been made:

- property tax collections in

chartered cities improved by 18%, and business tax revenues by 11%;

- guidelines were issued permitting cities to involve the private sector in solid waste collection, the operation of public markets, and road maintenance;

- the government guaranteed repayment of land-purchase loans to associations of informal settlers in 51 schemes under the Community Mortgage Program; and

- the National Housing Authority entered into joint-venture agreements with private firms to develop sites and services housing for below-median-income families in six different cities. These agreements require that at least 60% of the equity be provided by the private partner. The agreements will produce housing for 3,600 households.

Sri Lanka

A new program agreement was signed in March 1991, to assist the Government of Sri Lanka to finance its 1.5 Million Houses program. This new program will introduce market rates of interest for



Philippines Secretary of Finance Jesus P. Estanislao and Carol C. Adelman, Assistant Administrator for the Bureau for Europe and the Near East, participate in the signing of the Implementation Agreement for the Philippines Decentralized Shelter and Urban Development Project.

housing loans. The interest rate subsidy will be replaced with a grant and loan package, creating more effective use of government budgetary resources. The

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grant will reduce monthly payments to affordable levels for those borrowers who cannot afford market rate loans of the size needed to meet their minimum housing needs. The new program will expand the resources of private credit unions, commercial banks and other lenders, and will extend access to the housing finance system by lower income households. The program will be financed with \$25 million of Housing Guaranty loans, already authorized, and supplementary grant funds.

U.S. experts provided assistance to the Government of Sri Lanka for the preparation of a detailed action plan for program implementation. Technical assistance has helped develop a national urban strategy, and has resulted in a training manual for use by local authorities for integrated physical and economic planning.

Thailand

Five major technical assistance activities, all completed in Thailand in 1991, were designed to introduce new techniques and to improve the skills of government officials to provide local communities with greater access to urban infrastructure:

- *Chiang Mai Planning Study*, to assist the government of one of Thailand's provincial capitals in urban planning and growth management;
- *Bangkok Transport Planning Unit*: the creation of a transport planning capability within the Thai Government;
- *Property Tax Study*, to assist the government in improving the effectiveness of property tax as a revenue source and an urban planning tool;
- *Study of Options for Financing Infrastructure Expansion*, to assist in analyzing the feasibility of various methods of providing and recapturing the investment costs of secondary infrastructure; and

■ *Bangkok Land and Housing Market Assessment*, a review of the recent performance of the land and housing market in the Bangkok region, in order to identify appropriate urban land development policies.

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The RHUDO supports efforts to decentralize the delivery of services, and to strengthen financial institutions providing access to credit. A.I.D. assistance has helped to increase the number of market oriented housing finance companies from one in 1984 to fourteen in 1991.

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Assistance to Thailand was suspended as a result of a military take-over of the government in February 1991. In consequence, the RHUDO and the USAID Mission to Thailand have terminated the technical assistance program, and have concentrated on an internal assessment of policies which address environmental infrastructure deficiencies in the country.

REGIONAL ACTIVITIES

The Regional Office held its fourth annual policy seminar in Bangalore, India, in August 1991. *Improving Urban Management Through Decentralization* was structured to stimulate the exchange of views between participants on how decentralization relates to improved urban management and services.

The RHUDO works with institutions throughout the region to develop local training capacities in housing finance and urban development. For instance, a training course, *Effective Housing Finance*, held in Bangkok, Thailand, in January 1991, was co-sponsored by the Government Housing Bank, Thailand and the Fels Center of Government, University of Pennsylvania.

Policymakers also attended courses in the United States.

Regional networking includes the publication of a periodic newsletter, *Asia Perspective*. This year, issues focused on housing finance and the urban environment.

The RHUDO has also supported a number of activities jointly with the United Nations agencies, including the Asia-Pacific Coalition of Housing Finance Institutions. This is a group of leading housing finance institutions, which promotes the interests of housing finance in the region, and the expanding of access to housing finance by groups presently excluded.

The RHUDO's regional strategy for urban environmental assistance, provided to a number of countries, has three important themes:

- Sustainable development requires protection of a nation's urban environmental resources; environmental protection is not a luxury, but a vital ingredient of the development process.
- Market mechanisms often provide far more efficient use of urban environmental resources than government services and regulation alone.
- Leveraging of existing public, private and non-governmental resources for capital projects through decentralization, privatization and more effective public interest advocacy can lead to major improvements in environmental quality without significant increases in government expenditure.

The Regional Housing and Urban Development Office for the Caribbean, based in Kingston, Jamaica, covers the Caribbean region, which includes 14 countries character-



The Inner Kingston Development Project, funded by USAID Jamaica and managed by the RHUDO, has dramatically improved the downtown area of Kingston. Pictured here is a newly-restored building that benefitted from the commercial building improvement funds and now houses a major eyewear company. Major infrastructure improvements, incentives and technical assistance in the downtown have successfully attracted private investment.

In the Caribbean islands, land is a very important national asset, second only to its human resources. How that asset is managed is of critical importance: concern for the urban environment is principally due to the rapid urbanization and environmental degradation taking place, especially in tourism areas.

ized by small islands with growing urbanization problems. Almost half of the 20 million people in the Caribbean live in urban areas. In the next 30 years, these urban populations will grow by 14 million people.

The Caribbean islands are increasingly dependent on development of coastal zone areas for tourism, manufacturing and services. Problems of water pollution, solid waste disposal, informal settlements and lack of urban services are increasing rapidly. This in turn is

Caribbean

placing severe stress on coastal zone areas. Not only are most urban areas in environmentally fragile locations, but they are highly vulnerable to the effects of natural disasters, particularly flooding and hurricanes. The growing urban populations also are having an impact on governments' abilities to respond to the needs of their changing communities.

The RHUDO objectives addressing urban growth in the region are:

- enhance the ability to provide sustainable, affordable and equitable shelter delivery systems;
- promote environmentally sound land management and infrastructure development to mitigate the impacts of urbanization, economic development and environmental degradation;
- promote the establishment of sustainable services in urban areas, such as solid waste management and public services;
- encourage the development of disaster mitigation and preparedness measures in urban areas; and
- encourage private sector investment in urban areas to enhance economic development, increase production, generate income and create jobs.

The Regional Office, in addition to managing the Housing Guaranty Program, is increasing its involvement in a broad variety of Mission grant-funded programs.

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COUNTRY PROGRAMS

Jamaica

The Regional Office has initiated a broad-based approach to support critical objectives of USAID Missions in the region. The effort is most pronounced in Jamaica.

The Jamaica Shelter Sector Support Project is a shelter finance program. A total of 9,000 housing units are being produced. Mortgage loans for low-cost housing solutions are originated by the Caribbean Housing Finance Corporation, the building societies and credit unions. A project audit developed recommendations which were successfully implemented. The Government of Jamaica and private sector organizations have moved to improve financial management of the project. Both public sector squatter upgrading and the private sector components of the project are proceeding.

The Jamaica Shelter and Urban Services Policy Program is a policy-based program addressing the coordinated provision of water, land, urban services and serviced lots for the poor. The program promotes the coordinated delivery of 1,000 serviced lots, upgrading for 500 families, water service for 7,000 households, off-site infrastructure for a squatter settlement of 3,000 families and land titling of 7,000 properties. Also, the project funds leak detection and experimental communal water system projects. It is also exploring, with the Ministry of Finance, Development and Planning and other public sector institutions, a series of policy issues such as the impact of land regulation on shelter production costs, reforms at the National Water Commission to continue to provide good water services, and shelter sector finance. The program signals new directions in addressing shelter issues. Those

directions have resulted in the RHUDO and USAID considering new initiatives, which will look at how land policy and regulations can expand the availability of shelter, reduce housing costs, mitigate environmental degradation and mobilize resources for needed infrastructure investment in urban areas.

Because of the change in the Jamaican economy and growing urbanization, the Regional Office is working closely with the Mission on its environmental strategy, particularly in examining the impact of the built environment and urbanization on natural resources.

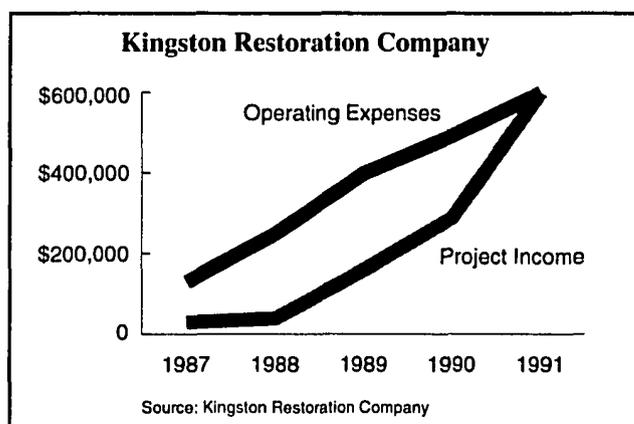
Phase I of the Inner Kingston Development Project terminated on September 30, 1991. It demonstrated that there is effective demand for good quality, competitively-priced, industrial and commercial space downtown, and that private investment can be attracted if incentives and technical assistance are available. Major infrastructure improvements downtown are among the incentives needed to attract private investment. Revitalization of Inner Kingston is underway, although not complete. Center city restoration efforts worldwide have required at least ten years. The Inner Kingston project is only five years old. Phase II, for \$3 million, was authorized in 1991. This follow-on project will: strengthen the Kingston Restoration Corporation's leadership and development role; assist real estate development and investment activities; provide social and health services for low-income residents; finance the

demolition of unsafe buildings and the development of urban parks; and tie together fragmented planning sectors with a vision of the physical development of downtown.

Following the successful Inner Kingston Project, a new development plan for Montego Bay is underway with the Greater Montego Bay Redevelopment Company as the lead agency.

Dominican Republic

In the Dominican Republic, the RHUDO has provided support to USAID Santo



The Kingston Restoration Company (KRC), a private sector organization, has played a leading role in the revitalization of downtown Kingston. As demonstrated in the chart above, after receiving A.I.D. capitalization and technical assistance, it is now approaching self-sufficiency. In five years, the KRC has successfully completed industrial development, commercial development, streetscape, façade and building renovations as well as community development projects.

Domingo on environmental activities and to the National Savings and Loan Bank on financial issues. Environmental interventions included an *Urban Environmental Assessment* for the Dominican Republic, which focused on water quality and fuel wood, which are among the most significant urban environmental problems facing rapidly growing urban populations. Fuel wood is used for most personal energy needs.

Following the assessment, the RHUDO provided support to a private voluntary organization, the Dominican

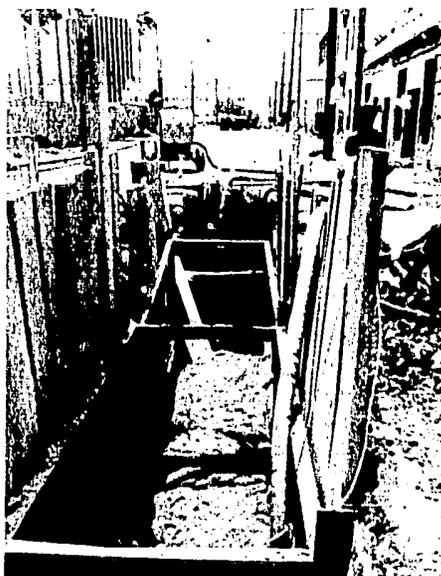
Institute of Integrated Development, on a community-based environmental project. In addition to helping formulate the proposal, the RHUDO is helping to link a private U.S. organization with this institute to facilitate implementation. The project will look at how water quality issues may be addressed by low-income residents of Santo Domingo.

The National Housing Bank, in conjunction with the private sector savings and loan associations, requested assistance from the RHUDO on the Bank's policy as a result of economic restructuring and the future role of specialized financial institutions such as savings and loan associations.

Haiti

The RHUDO provided assistance to the Haiti Mission in the development and implementation of a low-income shelter lending program. This program utilized an innovative loan designed to provide security where there is an inability to perfect a mortgage with a clear title. Such an instrument is critical to the development of low-income shelter solutions in Haiti because of the virtual lack of a land registry or cadastral system. If this program proves viable for securing a shelter loan, the implications could be significant for the development process in Haiti.

The Office of Housing and the RHUDO have also cooperated with Water and Sanitation for Health and the Cooperative Housing Foundation in implementation of a Private Provision of Social Services Program for the Management and Collection of Solid Waste in the Metropolitan Zone of Port-au-Prince. Development of this program assumed an added urgency prior to elections in late 1990. The Mission utilized much of the research related to



Governments can stimulate private development of affordable housing by providing basic water and sanitation services. In the Caribbean, this infrastructure must resist many natural disasters. The Caribbean Regional Disaster Advisor conducted workshops on how to build infrastructure that is resistant to disasters.

the development of the program to launch an independent, short-term emergency solid waste collection program. The emergency Aba Fatra program helped alleviate the politically volatile solid waste problem in Port-au-Prince in an effort to promote stability prior to the elections. This pilot program could provide a wealth of experience for the development of a longer term program.

Belize

The Regional Disaster Advisor in the Regional Office carried out a preparedness assessment for the Belize Mission in conjunction with the Office of Foreign Disaster Assistance.

The RHUDO also conducted a final evaluation of the recently completed Home Improvement Project Housing Guaranty loan. Findings for the credit

union disbursements include: in nearly every instance, borrowers leveraged credit union loans with their own savings and labor to produce a solution which far exceeds the amount loaned; and utilization of the Housing Guaranty funds precipitated change through which credit unions are now more effectively managing their financial resources and are developing access to external funding sources. They also are exploring methods of effectively mobilizing savings from their own memberships through the use of term deposits. The evaluation concluded with a number of recommendations on how the credit union movement could be strengthened and thus become a better source of shelter financing. The public sector component of the program for low-cost shelter loans also was disbursed but has experienced financial management problems.

Regional Development Office

In the Eastern Caribbean, the RHUDO has worked with the USAID Regional Development Office for the Caribbean, based in Barbados, on environmental activities tied to its ENCORE project, an environmental community-based natural resources planning project. In addition, a feasibility study is being prepared for a Housing Guaranty loan for the countries of the Organization of Eastern Caribbean States which may include the establishment of a private regional mortgage bank. The Commonwealth Development Corporation and private insurance companies have expressed interest in seeing if the Housing Guaranty Program could help provide long-term resources for low-cost shelter and the establishment of a regional mortgage finance institution.

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REGIONAL ACTIVITIES

Disaster Assistance

Following the signing of a *Memorandum of Understanding* between the Office of Foreign Disaster Assistance and the Office of Housing and Urban Programs, the RHUDO contracted a resident Regional Disaster Advisor. This Advisor provides assistance related to disaster preparedness, mitigation and prevention for shelter and infrastructure. Several countries in the region have asked for assistance in their disaster preparedness plans. The Office of Foreign Disaster Assistance conducted a workshop for instructors in Jamaica in July, 1991. Participants came from Jamaica, the Eastern Caribbean and Belize. This is the first attempt to develop a network of instructors who will in turn conduct training for other trainers on disaster mitigation and damage assessment in their respective countries.

During the year, the RHUDO formulated a regional disaster mitigation strategy and program. The project seeks to develop direct links with the institutions that finance, insure, build and design the built environment and provide assistance to improve the quality of institutions in both informal settlements and traditional commercial, industrial and residential communities. The five-year, \$5 million program stresses disaster preparedness, mitigation and prevention activities to preserve and protect residential areas, infrastructure, and lifeline facilities such as hospitals and schools. Implementation of this new initiative will begin in 1992.

Environmental Program

A study published last year, *Urbanization in the Caribbean: Prospects and*

Management Priorities, highlighted the major trends in economic change and urbanization. The study raises issues related to squatter settlements, urban services, environmental degradation, free trade zones, infrastructure and land management and local autonomy. In addition to a regional overview, specific country studies on urban environmental conditions were prepared for Jamaica, Haiti, the Dominican Republic, St. Vincent and the Grenadines, and St. Lucia.

The RHUDO is assisting Missions to assess the impact of the built environment and urbanization on natural resources. It serves as a channel

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The RHUDO has embarked on a new initiative to improve the resistance of the built environment to wind- and water-related disaster events.

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between the Office of Housing and Urban Programs and the field Missions to make available its expertise through its central staff and contractors to the Missions. That expertise includes: coastal zone management; solid waste; pollution; land management and policy; and, other activities related to the environmental and economic trends in the region.

Regional Training

The Regional Network Training Program recently evaluated its training effort, and completed a training needs assessment. Surveys were conducted in Belize, St. Lucia, St. Vincent, St. Kitts and Dominica with public and private sector representatives of institutions involved in urban matters. The objective of these sessions was to build a consensus on urban management problems and their policy and institutional roots. The results are a valuable tool for the USAID Missions in the region and could also stimulate donor support for the activities identified in the assessment.

In most countries, urban land management emerged as the most serious problem, followed by urban environmental management. In the Caribbean islands, land is an important national asset, second only to its human resources. How that asset is managed is critical: concern for the urban environment is principally due to the rapid urbanization and environmental degradation taking place, especially in tourism areas. The discussions helped raise participants' awareness of the potential role of training to address these issues. As a result, the Regional Network Training Program facilitated training of five individuals to participate in U.S.-based training programs in environmental policy development and land development through public/private joint-ventures.

The RHUDO initiative with the Office of Foreign Disaster Assistance mentioned above will utilize the Regional Network Training Program to provide disaster mitigation training for the countries in the region using local governments, nongovernmental organizations and private groups.

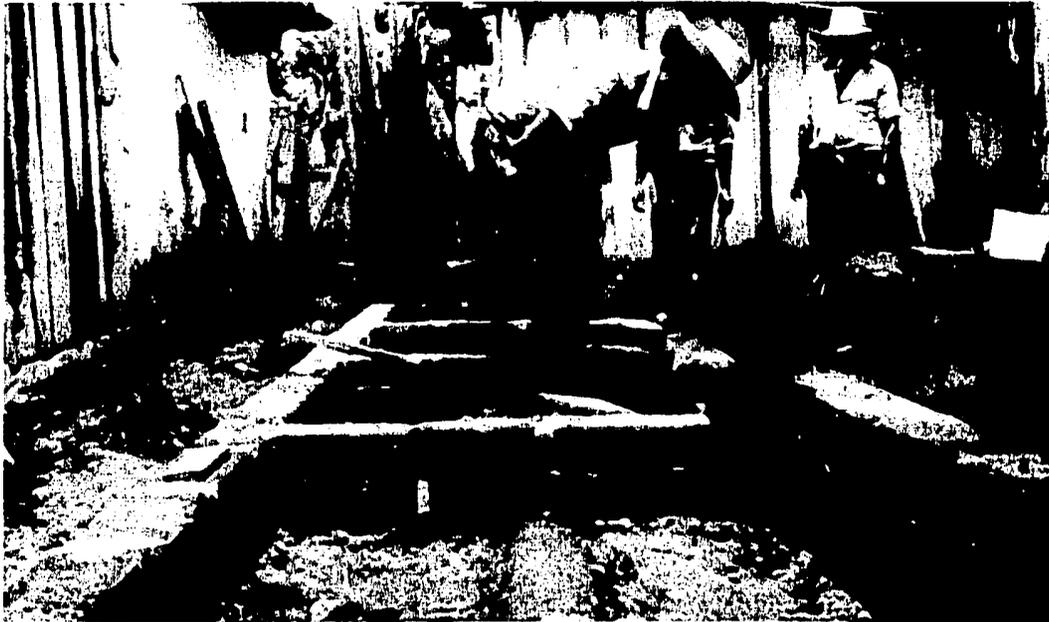
Central America

A resurgence of democracy in Central America is clearly underway. There is increased recognition that open societies that value individual rights, respect the

people that may be able to respond to the new and rising demand for urban services.

Rapid urbanization is occurring against a backdrop of serious macro-

economic problems including high foreign debt, inflation, and limited borrowing capacity—all factors which inhibit economic growth. Macro-economic and fiscal reforms in each country cause difficult adjustments and hardship for low-income groups. Exchange rate reform and export incentives lessen the bias favoring large cities for economic activity while regulatory reform and decentralization could have substantial impacts on the efficiency of urban development. Over the medium- and longer-term, the



In Honduras, an ongoing \$22.5 million long-term loan for new shelter construction and home improvements will finance over 2,600 low-income homes.

The new democratic environment is unleashing an ever-increasing demand for shelter and basic services, and a voice with respect to the implementation of these services, especially on the part of low-income groups that have largely borne the burden of government's inability to respond to urban needs.

rule of law and have accountable governments provide better opportunities for sustained economic development.

The new democratic environment is unleashing an ever-increasing demand for shelter and basic services, and a voice with respect to the implementation of these services, especially on the part of low-income groups that have largely borne the burden of government's inability to respond to urban needs. Given the economic and institutional problems being faced by new democratic governments, local government is being looked to as an institution close to the

establishment of stronger incentives for agricultural production is likely to further stimulate the already significant growth of intermediate cities serving as market and service centers. Similarly, greater agricultural productivity is causing an exodus of farm workers to urban areas. The relative rates of growth in secondary cities bear out the force of these social factors.

Democracy is clearly an economic development issue, as well as a political one. There is widespread recognition of the need to strengthen local and municipal government through

decentralization and devolution of power to local levels. Success will require the forging of a consensus among key agencies and organizations, regionally, national'y and internationally, focused on the priorities that are articulated in the Latin American Bureau's *Central American Strategy*.

The Regional Housing and Urban Development Office attempts to find viable systems of shelter and service delivery for the urban poor of Central America in a way that helps establish proper roles for local governments in their relationships with the central government. Since the availability of land and essential services constitutes the heart of the shelter problem in developing countries, municipal government, which theoretically controls urban land and its use, is a key player in the shelter delivery system. However, municipalities have been ineffective in their response to the demand for shelter and services from the vast urban informal sector, because of both their internal deficiencies and their institutional weakness vis-a-vis central government. Within this context, municipalities have become the point of departure for programs and activities in favor of strengthening and enfranchising local governments and their communities.

REGIONAL STRATEGY

In response to the technical needs in the region, the RHUDO works towards the following objectives:

- *municipal development* to induce institutional changes that permit political and economic enfranchisement of the local community. This includes:
 - a shift from central to local government of control over service

delivery functions, certain economic regulations, and political responsibility;

- the power of the community to make democratic decisions addressing basic needs such as: political leadership and accountability; the quality and quantity of urban infrastructure; land-use; investment in productive and job-generating enterprises;

- *the promotion of housing delivery systems* that correspond to the needs of

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Rapid urbanization is occurring against a backdrop of serious macro-economic and fiscal problems, including high foreign debt, inflation and limited borrowing capacity.

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low-income families and the informal sector, including:

- the mobilization of their own resources;
- cooperation with local governments in attending to basic service needs; and

- *support for Housing Guaranty Programs* serving low-income families.

COUNTRY PROGRAMS

Guatemala

A \$10 million Housing Guaranty Program in Guatemala stimulates a private sector response to the production and financing of low-cost shelter. The program has produced nearly 900 low-

cost housing units. Another 1,100 units are under construction. All program activities are scheduled to be completed by June, 1992.

A \$600,000 grant assists implementation. Most importantly, the grant funded a *Shelter Sector Assessment* that considers municipal development activities for an intervention in that sector.

CABEI, the Central American Bank for Economic Integration, has disbursed \$1.4 million of a \$13.6 million loan to BANEX, a private bank, that will finance sites and services and minimum shelter solutions developed by FUNDAZUCAR, a foundation created by the Sugar Growers' Association. To date, 1,077 urbanized lots have been built at a value of \$1.9 million. A second phase, for an additional 1,000 urbanized lots, will be bid shortly.

The Central American Institute for Business Administration through a Cooperative Agreement with USAID, held three national-level seminars with municipal leaders in Guatemala. The seminars' purpose was to generate a sector agenda, based on last year's diagnostic workshops, that is acceptable to the national leadership. Results consisted of proposals for reform in the municipal tax system, the national association of municipalities, and training.

Costa Rica

An Economic Support Funds local currency program supports the National Housing Finance Bank (BANHVI) in Costa Rica. The program provides capital and technical assistance. Since 1988, the local currency equivalent of \$32.5 million in capital assistance has been disbursed to the bank through the Government of Costa Rica. This has generated over \$9 million in private

Progress in Strategic Planning for Municipal Development in Central America

| | Assessments | Strategic Approach | Municipal Development Project | Significant Changes | Potential Participants |
|-------------|-------------|--------------------|-------------------------------|---------------------|------------------------|
| Guatemala | ● | ◆ | | | |
| El Salvador | ● | ◆ | ◆ | ◆ | |
| Honduras | | | ● | ◆ | |
| Nicaragua | ○ | | | | |
| Panama | | | | | ▲ |
| Costa Rica | | | | | ▲ |
| Region | ○ | ● | ○ | | |

Key: ○ Programmed ◐ Contracted ▲ Potential
 ◆ Partial/In Process ● Under Implementation

With the resurgence of democracy in Central America, local governments experience increasing demand for urban services. The RHUDO provides training and technical assistance to help countries in the region expand their municipal capabilities.

counterpart financing and produced over 14,000 units. A supplemental \$13.5 million in smaller private sector shelter projects supports this initiative as well. An additional \$2 million in Economic Support Funds are scheduled for disbursement in early 1992. This will be the last disbursement, and will bring total USAID assistance to \$48 million.

Technical assistance will be completed in mid-1992. In addition to policy and administrative guidance to BANHVI, the technical assistance focused in 1991 on domestic savings mobilization, and the design of a national savings campaign. This activity began with a seminar on marketing and housing finance. The Mission has also contracted for an evaluation of both the capital and technical assistance portions of the Program.

The RHUDO assisted the Costa Rican Mission to design a Solid Waste Management Project under the Private Provision of Social Services Program being promoted by A.I.D.

Panama

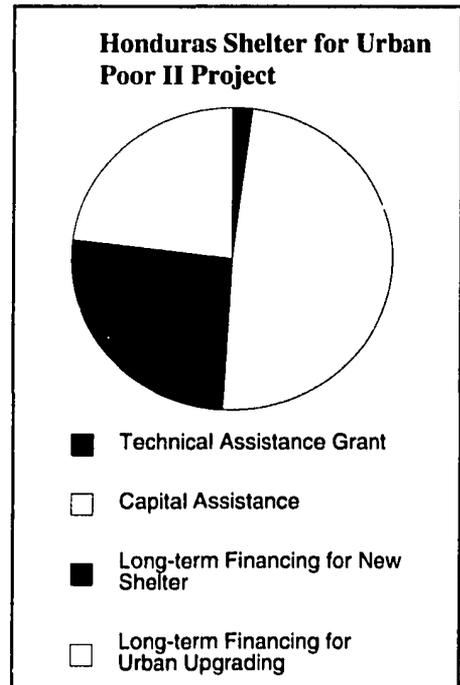
During September, 1990, USAID Panama asked the RHUDO to provide short-term assistance in managing the Panama Reconstruction and Housing Guaranty Programs. The USAID Panama Mission was most concerned about providing replacement housing for the 2,200 families affected by the events of December 20, 1989. All families in the Chorillo area of downtown Panama have now received a house or have identified the house they will occupy when construction is complete.

The RHUDO has assumed the responsibility of supporting USAID Panama in implementing a \$25 million Private Sector Low-Cost Shelter Program. This Housing Guaranty Program will improve the quality of life for below-median-income urban families through increased access to affordable shelter. It will also promote employment opportunities in the construction industry, and stimulate greater participation by private sector banks lending to low-income

families. The program should result in the construction of 2,900 new housing units.

Honduras

In Honduras, the RHUDO continues to focus on two programs. The first, Shelter for the Urban Poor II, consists of a \$1.6 million technical assistance grant, combined with \$42.5 million in capital assistance, including a \$35 million Housing Guaranty loan and a \$7.5 million local currency counterpart contribution. The project attempts to improve the institutional capacity of the private sector to provide housing and hands-on experience to municipal governments in the provision of basic



In Honduras, multiple resources address the shelter needs of the urban poor. The Shelter for Urban Poor project helps to improve the institutional capacity of the private sector to provide housing and of the municipalities to provide basic urban infrastructure. Through the Housing Guaranty loan, municipalities have made over 14,000 infrastructure loans to low-income families.

urban infrastructure for low-income families.

The housing component is channeling \$22.5 million in long-term financing for new shelter construction and home improvement loans for low-income families. This project has financed over 2,600 low-income housing units.

\$20 million in long-term financing for basic urban sanitation projects for low-income families is being channelled through the municipalities, thus enhancing their capability to provide and maintain urban services. The Ministry of Finance disbursed funds to municipalities which have made over 14,000 infrastructure loans for low-income families.

Grant resources have been used to continue technical assistance to San Pedro Sula to develop a comprehensive urban development planning capacity to address the area's explosive urban growth. Technical assistance has also assisted the Government of Honduras to analyze how to refocus the government's role in the shelter sector from that of a direct provider to one facilitating the actions of the private sector.

The second program in Honduras is a Municipal Development Project involving seven years and \$10 million to increase citizen participation in the democratic process and improve the municipal capacity to respond to citizens needs. Municipal reform will be sought through technical assistance and training. Three U.S. municipal specialists from the International City/County Management Association and four Honduran professionals are providing technical assistance to fourteen municipalities.

Nicaragua

The RHUDO has identified key strategic elements and assisted the Mission in preparing for a *Municipal Sector Assessment* that will form the basis for a municipal development project.

El Salvador

In El Salvador, through the Cooperative Agreement with INCAE, seven diagnostic workshops at all governmental levels analyzing the municipal system provided inputs to the Mission to formulate an action strategy for the sector. A municipal development project description has been included in the Mission's *Action Plan* and the *Project Paper* is programmed for 1992. As part of the program, the RHUDO municipal specialist organized and served as facilitator at two high-level seminars to develop a sector agenda.

Also, the RHUDO has helped the Mission to launch a technical assistance program to the Vice Ministry of Housing and Urban Development which included one specialist for the reformation of a single key housing institution and four specialists to help define a housing policy including new roles for the various housing agencies operating in the country.

REGIONAL ACTIVITIES

The RHUDO, in its role as technical office for municipal development in Central America, has been actively

working on a possible Regional Municipal Development Project under the auspices of the Regional Office for Central American Programs' Democratic Initiatives. This effort has culminated in a new project description supported by the bilateral Missions.

The RHUDO Director has spoken at conferences of two regional municipal associations, the Union of Central



In this photo, a private voluntary organization (PVO) official is discussing home improvement loans with interested low-income residents. Programs that provide technical assistance and training facilitate the disbursement of loans to families interested in improving their shelter.

American Municipalities and the Federation of Municipalities of Central America and Panama, offering a strategic approach to what their role should be in the region's municipal development movement.

A second publication of the TEMAS series, *An Approach to an Urban Land Development Policy*, describes the land development planning process in San Pedro Sula, Honduras. A study on governmental transfers is the topic of the third publication of the TEMAS series. It analyzes the Guatemalan experience of transferring 8% of the national budget to municipalities and draws conclusions regarding its inclusion as a source of local government revenue.

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East and Southern Africa

The countries of East and Southern Africa are urbanizing more rapidly than those in any other region.

Yet the region remains largely rural and overwhelmingly dependent on agricultural production to provide exports and employment. Most of the region's twenty-two countries suffer from

be based in urban areas. Increasingly, future jobs—including those linked to the agricultural sector—will be created largely in major and secondary cities and in market towns.

In response to these conditions, the Regional Housing and Urban Development Office for East and Southern Africa's programs emphasize several related themes that focus on:

- the private sector,
- local economic development, and
- shelter and the shelter environment.

Each theme is intended to serve the broad goal of strengthening the national economies of cooperating countries.

Encouraging and promoting the private sector takes a variety of forms. The RHUDO is

devoting considerable attention to the small scale construction sector. Other programs concentrate on the formal sector's role in developing and financing shelter and the privatization of shelter parastatals. The private delivery of urban services is another program focus that supports employment-generation and economic growth.

Local economic development encompasses a broad range of activities in market towns and other small urban places. The development of secondary centers and the economic linkages between towns and their rural surroundings provide a basis for dialogue with USAID Missions, as well as for studies. Training and technical assistance support governmental decentralization



In Zimbabwe, the private sector is increasingly participating in the construction of housing units such as these. The RHUDO has been encouraging such construction by the private sector through reform of the regulatory framework governing the provision of low-income housing in order to increase its availability and affordability.

Encouraging and promoting the private sector takes a variety of forms. The RHUDO is devoting considerable attention to the small scale construction sector. Other programs concentrate on the formal sector's role in developing and financing shelter, and the private delivery of urban services.

extensive poverty. All but five are classified as low-income countries.

Most of the countries in the region have poorly developed financial, urban management, and shelter delivery systems. While reliance on the private sector is increasing, governments still play a pivotal role in these spheres. Virtually none of the shelter produced by the formal private sector is accessible to lower-income households. Although these countries have active informal sectors, substantial obstacles inhibit their effectiveness.

To assist host countries in achieving economic development objectives, many USAID Missions in the region are emphasizing private sector and employment creation activities, which tend to

and the strengthening of local authority management.

Attention to shelter and the shelter environment are basic to RHUDO activities. This has included the RHUDO's on-going assistance in the formulation of national housing policies, and efforts to strengthen the small-scale construction sector and formal housing finance systems. Shelter provision and land delivery are addressed through research, technical assistance, and programs with housing cooperatives.

COUNTRY PROGRAMS

Kenya

The rapid expansion of slums has become an increasingly difficult problem in Nairobi. The RHUDO, in conjunction with The World Bank, has been working with the Nairobi City Commission and the relevant ministries to explore alternative policies for slum management. Among the central issues are building and development standards, security of tenure and basic service provision. This dialogue is supported by project activities related both to upgrading and low-cost shelter finance.

Construction is beginning on the first phase of the Kariobangi Upgrading Project, funded under the Private Provision of Social Services Program. The project aims to construct basic infrastructure and housing improvements in an existing 12 acre informal settlement of about 600 low-income households in Nairobi's Mathare Valley. Construction costs will be recovered from borrowers and through a revolving fund to be established by the Cooperative Bank of Kenya. The National Cooperative Housing Union is implementing the project.

The lack of long-term financing for low-income households, especially those in informal settlements which lack

individual title, has been a concern for many years. Using a successful model developed in the Philippines, the RHUDO is working with the Cooperative Bank of Kenya to meet this financial need through community mortgages. The USAID Mission to Kenya has already made a grant for this program, which is to be matched at the ratio of three to two by the Cooperative Bank. The National Social Security Fund of Kenya will also make a substantial long term investment in the community mortgage fund.

■
**Training and
technical assistance
efforts support
governmental
decentralization and
the strengthening of
local authority
management.**
■

Development of a new Market Towns Project has been proceeding during the year. The project will strengthen the economies of towns that act as market and supply centers for the agriculturally prosperous areas of Kenya. Specifically, the project will assist these centers to become more responsive to the needs of private sector developers and entrepreneurs. The RHUDO undertook extensive studies to assist in the selection of participant towns during the year. The funds for this project will be borrowed in the local markets with a USAID guaranty.

The RHUDO is monitoring the implementation of the Small Towns Project which brings infrastructure and

shelter improvements to 26 towns. The experience of designing and implementing this Small Towns Project has helped formulate the Market Towns Project.

Zimbabwe

Zimbabwe's first Housing Guaranty project is approaching conclusion. The project has contributed to the evolution of Zimbabwe's shelter sector policies. As a result, during recent years, private sector building societies have increasingly financed low-income housing.

Zimbabwe recently announced an ambitious structural adjustment program aimed at liberalizing the economy and creating jobs. As part of USAID Zimbabwe's support for this program, work has continued on developing another Housing Guaranty project. This is expected to be a sector loan, encompassing major policy reforms. One of the priorities for reform is the widening of the building societies' income base by permitting them to borrow in the capital market. Another reform is to remove the bias in the regulatory framework governing the provision of low-income housing in order to encourage increased private sector development.

Botswana

Under the Private Provision of Social Services Program, Botswana has received a grant for the privatization of the solid waste system in Gaborone. During 1991, consultants completed the first phase of the work, analyzing the options for privatization, and recommending short-term improvements for the existing system. If the City chooses to proceed with privatization, a second mission will assist in implementing the proposals.

Botswana has embarked on a massive land servicing program, costing over \$1 billion. In order to assist the government to use urban standards that

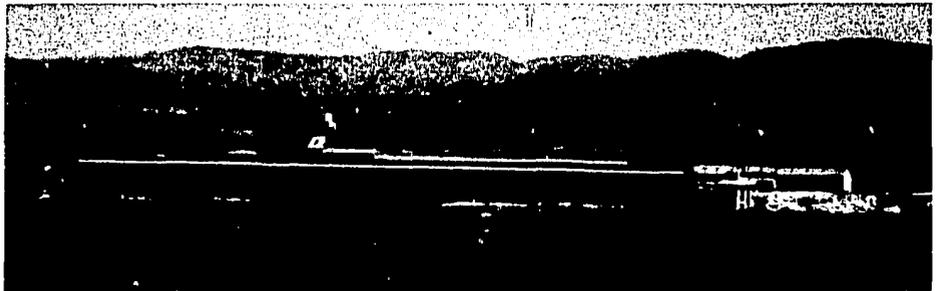
are appropriate to the needs of all income groups, the RHUDO and the USAID Mission to Botswana financed major studies of standards and engineering design methods. Recommendations are incorporated in a new *Urban Design Manual*, published by the government. Research into the housing preferences of low-income families has followed these studies.

Swaziland

The RHUDO has been advising Swaziland regarding privatizing municipal abattoirs in Manzini and Mbabane. A new slaughter-house is being designed for Manzini and will be constructed in 1992 using USAID counterpart funds. This facility will be privately managed, a first in the Kingdom. The RHUDO also undertook an exploratory mission to determine the suitability of privatizing the solid waste management system in both towns over the next several years.

As part of the RHUDO's work in Swaziland to assist in the development of a responsive local government system, currently constrained by conflicts between traditional and modern systems of government, the RHUDO financed a workshop on *Local Government in Swaziland* and continues to work with local authorities on privatization programs.

Swaziland has previously not been very active in environmental management, but a new awareness has created a demand for a more active approach, especially in the rapidly growing urban corridor between the country's two largest towns. The government has decided to establish a regulatory environmental agency, with USAID assistance, and the RHUDO has been active in this process.



The RHUDO for East and Southern Africa is working with local governments and the private sector in Swaziland to reform and privatize the solid waste disposal system. The paper recycling plant pictured here (bottom photo) is an example of successful private sector participation in environmental management. The recycling center not only reduces waste from major urban centers, but provides jobs for nearby residents (top photo).

Swaziland's urban corridor is characterized by the scale and rapid growth of its informal settlements. Currently, building standards in formal housing areas are very conservative, while in the informal areas most of the technology used is unsound. The RHUDO identified the need for a technology that is appropriate for lower-income groups, yet technically satisfactory. At the same time, there is a need to reform the building regulations in order to permit more appropriate standards. To achieve both of these objectives, a demonstration project has been implemented that will publicize lower-cost technology and give local officials an opportunity to understand the positive value of modifying the current regulations.

South Africa

Movement toward the abolition of apartheid, the dropping of most U.S. sanctions, the expansion of the A.I.D. program, and the recognition that the urban and shelter needs of the majority will need to be addressed in a massive way in South Africa, have marked this past year.

The RHUDO has assisted the Mission to assess various alternatives and has provided a comprehensive study of non-governmental organizations active in shelter. At the end of the year, the RHUDO prepared a strategy for USAID's entrance into the shelter and urban development fields. In addition, the RHUDO sponsored a tour to discuss urban development and national economies.

Mauritius

The evaluation of the Mauritius Housing Guaranty was completed this year. It found that over 2,200 households benefited from the \$4 million program. More importantly, the provision of low-cost shelter is continuing, with support from the Mauritius Housing Corporation.

The RHUDO also discussed with the Housing Corporation its intent to begin to privatize through the offer of 25 percent of its shares on the Mauritius Stock Exchange. At the request of the government, the RHUDO also contributed comments to a task force which is reviewing the entire shelter sector in anticipation of major new government initiatives.

Madagascar

Madagascar is implementing an extensive program of structural adjustment. Support for the private sector is integral to this program and USAID has been studying how it might contribute. As part of this review, the RHUDO was asked to examine the potential for providing support to the housing finance sector. The study found that there is a need for a fundamental restructuring within the overall financial sector before a housing finance system can be made to work.

In addition, the Mission has been examining, with The World Bank, the agricultural marketing process. As part of this effort, the RHUDO assisted the Mission in a study which examined the role of market towns and made specific recommendations concerning infrastructure and local administration.

Future activities in Madagascar will build on the findings of these two

studies. Possible areas of assistance may include local government training and private sector support.

Malawi

The RHUDO was invited by Peace Corps Malawi to advise them on an appropriate program for working in urban areas. The RHUDO staff analyzed the urban sector in Malawi and identified options for the Peace Corps. A workshop, which the RHUDO helped design and conduct, brought volunteers and their counterparts together to discuss priorities for urban projects.

The Mission's training project on municipal management and finance has continued during the year.

Mozambique

The Regional Office has recently completed a technical assistance project under which appropriate technology building methods were introduced to Mozambique. The project featured the donation of equipment to a cooperative, demonstrations in making building materials and technical assistance in building a complete house. Thus trained, the cooperative is able to offer its services as both a materials supplier and housing construction agency.

The RHUDO also provided financial and staff support in conjunction with the Mission and the Africa Bureau in a research effort which is investigating labor, land, and capital markets in Maputo's peri-urban areas.

Djibouti

Construction continued on the shelter and urban services project that is co-financed by The World Bank. The project should be completed in 1992.

REGIONAL ACTIVITIES

Interest in strengthening small scale contractors in the region has grown during the year. Construction helps develop the private sector. It is a labor-intensive employer, requires comparatively little capital, and has great potential for growth. On the other hand, the level of performance by small scale contractors in the region is low. The first country in which training is to be conducted is Swaziland, which is likely to be followed shortly by Zimbabwe. A sector analysis has been completed in Botswana, and a preliminary investigation has been undertaken in Malawi. In order to assist Missions in the management of the necessary hands-on training, the RHUDO has initiated the Regional Emerging Contractor Assistance Program.

The RHUDO has continued to work collaboratively with The World Bank and HABITAT on their Urban Management Project, and with The World Bank Municipal Development Project, which supports training and policy research.

Through its quarterly publication, *Urban Perspectives*, the RHUDO informs professionals throughout the region of the latest developments and thinking in the field. This year's themes have included the informal sector, privatization, standards, and urban management.

Eastern Europe

The housing sectors of Central and Eastern Europe have long been characterized by chronic shortages, lack of choice, poor quality of construction and massive public subsidies. In

evolved from a series of 1990 studies of the housing sector in each of the countries of the region, is being carried out for the Europe Bureau of A.I.D. under the Washington-based Housing Assistance Program for Eastern Europe. To support the strategy, the program administers a three-year \$55 million regional housing assistance project and a \$100 million multi-year Eastern European Housing Guaranty Program.

In March 1991, under the three-year Housing Assistance Project, A.I.D. has authorized \$15 million for both regional initiatives and country-specific technical assistance and training for Poland, Hungary, the Czech and Slovak Federal Republic and Bulgaria. The project provides the countries of Eastern Europe with technical assistance and training to support:

- improved local government capabilities in dealing with shelter issues in a period of rapid decentralization;
- privatization and transfer to private management of existing public housing;
- increased production of affordable housing by private developers and builders; and
- development of viable systems for construction and mortgage financing.

The complementary multi-year \$100 million Housing Guaranty Program for Eastern Europe, \$35 million



Property maintenance and rehabilitation are priorities for technical assistance identified for Bulgaria.

Increasing the supply of private housing and developing an effective private sector housing and real estate industry are priorities of the U.S. regional strategy of assistance for Eastern Europe.

the 1980s housing production declined significantly in all of the countries of the region and deterioration of the housing stock became the hallmark of the sector. Shelter problems have been compounded by the serious level of environmental degradation that pervades the region.

Increasing the supply of private housing and developing effective private sector housing and real estate industries are priority objectives of the U.S. regional strategy of assistance for Eastern Europe. The strategy, which

of which was authorized in September 1991, will promote private sector housing demonstration projects in the region and encourage the development in the housing industries of private, East European entrepreneurs. The Housing Guaranty Program will provide lines of credit for the financing of country-specific pilot projects that promote the private sector role in the provision of housing. Projects selected for Housing Guaranty financing may involve the introduction of U.S. housing project development procedures, technology, and construction management techniques and the involvement of experienced U.S. developers in joint-venture arrangements with Eastern European partners to promote the transfer of experience. The country first targeted for Housing Guaranty capital assistance is Poland, and the program will later be expanded to other countries in the region.

COUNTRY PROGRAMS

Poland

During 1991, the program in Poland focused primarily on assistance in developing a viable housing policy and finance framework in an effort to help stimulate private production of housing. A.I.D. worked closely with The World Bank on selected components of the design of its \$200 million housing sector loan for which negotiations are underway. Assistance included providing six short-term advisors to work with the government's Housing Finance Project Office within the Council of Ministers to develop a framework and implementation guidelines for the use of local and external housing finances resources in a market economy. It also included conducting workshops in 11 provincial

cities designed to train investors, developers, bankers, mortgage lenders, and municipal officials in the feasibility analysis of residential development projects, loan requests, and operational characteristics of the Bank program.

Under the Local Government Program in Poland, the U.S. International City/County Management Association is assisting the Foundation in Support of Regional Democracy in the development and delivery to local officials of courses in land appraisal and



The aims of the Eastern Europe Housing

Program are to increase the supply of affordable

housing, foster the development of free real

estate markets and

maximize the

contribution of the

private sector in

achieving these goals.



property assessment techniques, land use management in a market economy, local revenue sources for housing and technical infrastructure. Initially, the program is being offered to 2,000 local officials and specialists working in the housing field. In addition, a team designed a technical assistance program for local governments to help them carry out their newly prescribed roles in the delivery of serviced land and housing. A short- and long-term technical

assistance program for privatization of housing stock was also designed.

In the area of private development of housing, the Housing Program for Eastern Europe has provided a grant to the U.S. Center for Real Estate Management at the Massachusetts Institute of Technology to develop and deliver, in collaboration with Polish co-sponsors, a course for entrepreneurs in housing. The initial five-day seminar, focussing on key issues in the emergence of the private developer, building and real estate industries within a market-oriented system, will take place in Krakow in mid-1992.

Hungary

During 1991, activities in Hungary have included:

- policy advice and analytic support;
- privatization of social housing;
- the development of strategies and capacity at the local level to work with new housing responsibilities; and
- the development of both private sector developer, builder, and real estate industries which can function effectively within a market economy.

The Housing Program for Eastern Europe is also designing options for a Hungarian Housing Guaranty Program which will fund demonstration private sector housing projects.

Currently, the Housing Program for Eastern Europe is engaged in a joint program with The World Bank to assist the City of Budapest in the housing sector. The program includes:

- technical assistance to prepare a housing loan program for Budapest using World Bank capital assistance;
- the development of plans for a related technical assistance program in Budapest; and

■ the analysis and development of recommendations for effective national and local sector relationships in a market economy.

In the area of privatization of housing stock, technical assistance is being provided to officials of selected districts of Budapest to assist them in developing the strategies, procedures, and institutional capacity required to manage effective privatization and the transfer to private management of publicly-owned housing stock. Recently, several inner-city districts of Budapest joined together to seek additional technical assistance to help design a coordinated approach to privatization issues.

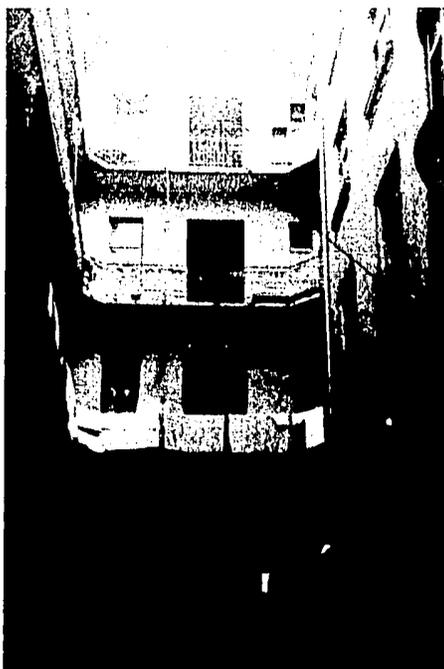
To support the development of private sector developer and builder industries in Hungary, the Housing Program for Eastern Europe is working with the Hungarian Ministry of Industry to prepare a study of the construction and building materials sectors. The results of this study will lead to recommendations and an action plan for the privatization of these industries and the promotion of private sector competitors.

As a demonstration project of assistance in the streamlining of local government procedures affecting private housing production, the Housing Program for Eastern Europe is providing intensive technical assistance to the City of Kecskemet to identify and overcome the constraints that limit the potential contribution of private developers to the growth and development of the municipality and the housing sector. The resulting lessons learned will be disseminated to professional associations, other municipalities and to government agencies.

The Czech and Slovak Federal Republic

The 1991 program for the Czech and Slovak Federal Republic (CSFR) has focused on technical assistance and training in four principal areas: stimulation of private entrepreneurship in housing; privatization and private management of government-owned housing; housing allowances and safety net programs for both Republics; and effective legal development and guidance related to policies needed to support a market-oriented housing system.

To help stimulate private entrepreneurship in housing, the Housing Program for Eastern Europe contracted with a U.S. firm to prepare a manual on the practical housing development options available to private developers in



Throughout Eastern Europe, the Housing Program is working to help create a real estate market based on private ownership. Private ownership and development will help alleviate further deterioration and stimulate the improvement of venerable buildings such as that pictured here, as well as promote new housing production.

the CSFR. The manual provides a guide to the costs of alternative housing forms and technologies. U.S. experts are also working closely with the Associations of Private Entrepreneurs in both Republics to help them organize and implement, in several regional training centers, programs on private sector housing development issues.

To promote the privatization and private management of public housing stock, advisors are working with the Association of Towns and Cities and with officials of two districts within Prague on planning for the privatization or privatized management of each district's public housing stock. To assist in this effort, a series of training modules is being prepared, each with its own computer-based design and implementation support system. Key modules include strategic planning, selling properties to private buyers, conversion of stock to private management, and financial, occupancy, facilities and maintenance management. As requests for privatization assistance come in from other cities and districts, the program modules will be adapted to address local circumstances and priorities.

The Housing Program for Eastern Europe is also assisting the officials of the CSFR in developing appropriate policies and programs related to housing allowances and the social safety net. Currently, a team of U.S. technical advisors is working with staff from the Economic Institute in Prague to provide the Ministry of Economic Policy and Development with assistance in the design of the housing allowance component of the national social safety net for both Republics.

In the area of legal development and policy guidance, in June 1991 the



Large housing estates, such as shown here, present a daunting challenge to the privatizing of publicly-owned housing. Such efforts to convert public housing to private ownership are one result of the decentralization and democratization that is sweeping the countries of Eastern Europe. The Housing Program for Eastern Europe is administering a \$55 million regional housing assistance project, and is also providing an approved \$100 million multi-year Housing Guaranty Fund Program to increase the supply of private housing in Eastern Europe.

Housing Program for Eastern Europe financed a seminar which addressed the implications of legislative and institutional changes being proposed for the housing sector. As a result of the seminar, the Housing Program for Eastern Europe was asked to provide a team to work with the Deputy Prime Minister's office on prioritizing legal changes needed to move toward a market-oriented housing sector. As a first step, the team provided assistance in drafting a new condominium law, which is currently under consideration by the Federal Parliament.

Bulgaria

Housing is a perennial problem in Bulgaria, particularly in Sofia and other large cities. In 1991, the housing program for Bulgaria provided assistance in three areas, within the overall Eastern Europe housing strategy:

- facilitating housing markets and production;

- developing housing finance institutions and instruments; and
- improving the use of existing housing.

Unlike Poland, Hungary, and the CSFR, private ownership of housing is the prevailing form of tenure in Bulgaria. As of 1990, approximately 95 percent of the housing stock is privately owned. Because of the high level of ownership, and associated strong private property rights, the program has focused, under Component One, on efforts to facilitate market actions, increase market efficiency, and lower housing costs. Activities include modernizing the property registration and recording system, improving legal indexing and cross-referencing, streamlining local planning and permitting procedures, analysis of restitution of urban land, and assistance with developing free real estate markets. The program helped establish the first Bulgarian Association of Brokers and Appraisers (SPONS),

which has sponsored two courses in real estate brokerage and appraisal, training an initial cadre of 75 professionals.

Under Component Two, in the housing finance area, seminars on alternative mortgage instruments were organized for officials from the Bulgarian National Bank, State Savings Bank, and Postal Bank. Assistance to the banks in implementing such new housing finance mechanisms, and in improving underwriting and collections standards will continue throughout 1992.

Activities under Component Three include addressing constraints to the expansion of private rental stock, assistance in privatizing municipal and strengthening private housing management and maintenance functions and capabilities, developing a housing allowance program for selected municipalities in an effort to integrate public and private rental markets in those localities.

Near East and North Africa

The Regional Housing and Urban Development Office based in Tunis, Tunisia covers a nine country region which spans the Near

East and North Africa. Several countries in this region have 70 percent of their population dwelling in urban areas. For the entire region, the year 2000 will find 60 percent of the population in urban areas compared to only 40 percent in 1980. By the year 2000, towns and cities will also be home to an increasing majority of those with low incomes.

Increased urbanization creates the need for more urban employment, housing, social

services, and infrastructure. In several countries, growing concern exists for environmental degradation resulting from urban growth. Despite these issues, cities hold the key to future economic development. An estimated 75 percent of the region's gross domestic product is now generated in cities. This figure can be expected to increase as the economy of most countries continues to shift from primary production, such as unprocessed agricultural products, to industrial and service activity. How

well the urbanization process is managed will have a profound impact on the economic growth and stability of all countries in the region.

The Regional Office's strategy is to focus on key elements of urban growth management. Analytic assessments and experience with on-going assistance programs have led to an emphasis on:

- increasing the private sector role in shelter provision and delivery of urban services;
- encouraging democratic pluralism by increasing the authority, capacity and resources available to elected leaders of city governments to respond to local development opportunities; and
- making urban growth more environmentally sustainable by focusing on the need for both spatial planning and investment in essential urban environmental infrastructure.

Every country and city faces different problems and opportunities for managing urban growth. Hence RHUDO programs are shaped in close cooperation with local counterparts. This dialogue is enhanced by regional activities through which the RHUDO draws on the brightest shelter and urban development professionals working in the region.

COUNTRY PROGRAMS

Morocco

The \$25 million Housing Guaranty-financed Tetouan Urban Development Program continues to break new ground in helping local governments and specialized technical and financial agencies manage urban growth. The



The City of Tetouan launched a major land development program that will provide housing opportunities for 5,000 families. Tetouan Project Chief, Mohammed Chaibi, is seen here discussing a related land use map.

For the region as a whole, the year 2000 will find 60 percent of the population in urban areas compared to only 40 percent in 1980.

city of Tetouan, in July 1991, launched a major land development program that will provide housing opportunities for 5,000 families. This program will generate sufficient profits to help absorb the cost of the neighborhood upgrading investments through the sale of individual serviced land plots in multi-story zoned areas to private developers. Financing the installation of primary infrastructure in Public and Private Land Development Zones will stimulate private land owners and developers to initiate subdivision projects. In neighborhood upgrading areas, up to 90,000 persons are benefitting from the installation of primary sewer lines. Construction of neighborhood secondary and tertiary lines began in the fall of 1991.

The Tetouan program is supported by a \$3.5 million technical assistance and training grant which focuses on key institutional and environmental issues. In 1991, the grant jointly financed the first municipally-managed *Sewerage Master Plan Study* in Morocco. As part of an exchange between the city of Raleigh, North Carolina and the city of Tetouan, the project is financing observational tours for public utilities officials and technical assistance in



Photo above shows USAID Mission Director Dennis Chandler, USAID/RHUDO Advisor Tahar Berrada, and National Shelter Upgrading Agency Project Officer Chlieh interviewing a family that will move from a bidonville to a Housing Guaranty financed site.

municipal organizational structure. The U.S. International City/County Management Association initiated studies leading to the privatization of solid waste collection in the downtown and Medina areas of Tetouan. USAID also supported training and conference activities related to urban growth management, including: a seminar directed towards elected mayors and policymakers sharing the U.S. experience in privatization of solid waste collection; and a series of seminars on municipal financial analysis techniques, carried out with the Directorate of Local Governments at the national, local and regional levels.

A second major Housing Guaranty Program in Morocco provides \$20 million in Housing Guaranty financing to support land development programs initiated by the National Shelter Upgrading Agency. The Agency, which is the largest land developer in Morocco, receives no government support and relies on profits from land development projects and management fees it charges for carrying out serviced plot development for low-income families on behalf of local governments and state agencies. Since 1985,

serviced plot production managed by this Agency has grown from 4,700, to a projected annual level of 12,500 by 1992. The Housing Guaranty loan provides financing to permit the Upgrading Agency to build an adequate land reserve.

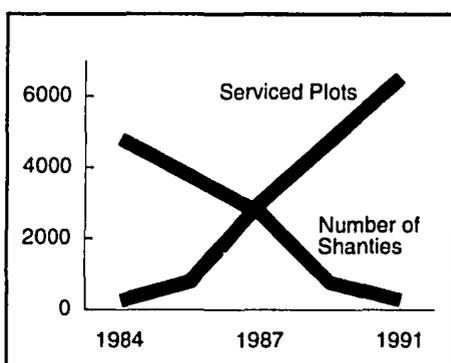
A \$1.3 million technical assistance grant provides support to this program. This year's assistance helped to streamline administrative and financial management operations and to begin the creation of six Regional Offices to be established in 1992. Short-term training in the U.S. was also provided for ten Agency staff members.

Tunisia

In Tunisia, Housing Guaranty authorizations totaling \$78 million support three projects which demonstrate the evolution in Tunisia's strategy of urban growth management.

An initial \$48 million sites and services, core housing and urban infrastructure upgrading project provided financing to the National Sewerage Agency and the National Land Agency respectively for the installation of new sewerage connections for 23,000 below-median-income households and for the production of 5,000 low-income serviced housing sites. This year, project financing was extended to private sector developers who will begin production of the final 1,500 sites.

The second \$15 million in Housing Guaranty loan monies has supported institutional and policy changes that are increasing private sector production and financing of developed land and housing for low-income families. As a result of the program, the formerly heavily subsidized Tunisian Housing Finance Agency has become a financially autonomous housing bank, and the Tunisian Land Agency has started wholesaling tracts of land to private



The chart above correlates the increase in availability of affordable serviced plot produced by the National Shelter Upgrading Agency in Taza, Morocco, with a dramatic decrease in the number of families living in slum areas. Increasing private production of affordable shelter solutions is a key indicator of positive urban development.



In Tunisia, a \$48 million sites and services core housing and urban infrastructure project provided financing for the installation of 23,000 new sewerage connections to below-median-income households (top photo). David Painter, Director of the RHUDO for the Near East and North Africa, inspects core housing units being produced for the same project. To date, the project has provided financing for 5,000 low-income serviced housing sites. Under this program, private developers will begin to produce an additional 1,500 sites this year (bottom photo).

developers with financing through the housing bank. To date, the private sector has begun \$13 million in site improvements and housing construction on land purchased from the agency.

The third tranche of the \$15 million Housing Guaranty financing was authorized to help shift the responsibility for urban infrastructure and service development from the central government to municipalities. This program will reinforce and support the Tunisian Government's goals of increasing decentralized decision-making and local government control of resources.

Mission-funded technical assistance will be provided to improve municipal planning, administration and tax collection skills.

A \$750,000 grant supports technical assistance and training activities. This year, a study of the constraints to private sector production of low-income housing confirmed the chief obstacle as being access to developable and marketable land. An important policy study of the *Norms and Standards for Land Sub-Division and Urban Planning* recommended modifications to the *National Urban Development Code* that would simplify regulations and procedures. Assistance has also been provided to the Tunisian Ministry of Planning to design and develop an integrated network linking the data bases of several Ministries into a shared urban development planning resource.

Portugal

Early in 1991, the Portuguese National Housing Institute borrowed the first \$25 million of a \$55 million Low-Cost Housing Program, designed to encourage private sector investment through reactivation of financial markets and decentralization of authority from the national to the local government. Through the end of 1991, over 14,500 units had been completed with financing from the Institute. More than 75 percent of the units planned to be completed have been developed by private developers.

This Housing Guaranty Program is complemented by a \$600,000 Technical Assistance Program, which this year assisted the Portuguese to:

- improve the Institute's capability to analyze the market for low-cost housing in conjunction with a national census carried out in April, 1991;
- perform an *Environmental Impact Assessment* of the design of low-cost

housing projects with special focus on support for local government, engaged in a nationwide effort to update municipal master plans; and

- assess the steps needed to open up Portugal's financial markets to innovative housing-related financing and assist the Institute in adapting its services to the newly developed markets.

The Institute also financed a visit by Portuguese officials to U.S. low-cost home builders and construction management firms to increase knowledge of how to link project design to family income level, project financial planning and housing production cost management. Another visit introduced Portuguese finance officials to the operation of the U.S. secondary mortgage market.

Jordan

In Jordan, urban growth management concerns focus on the shelter sector, where increased demand for urban housing is rapidly exceeding central and municipal governments' ability to provide affordable units. The \$50 million Housing Guaranty Low-Cost Housing Policy Program is designed to improve the delivery of affordable housing and related services to below-median-income families through new policy and institutional initiatives. Targets include the clarification of roles and responsibilities of central government and financial institutions in housing planning, regulation and finance as well as support for the Jordan Private Developers Association.

The Program supports the implementation of a new and comprehensive *National Housing Strategy* to encourage substantial housing production by the private sector. Urban land markets are to be expanded to provide new in-town housing sites for lower-income Jordanians by allowing smaller-sized lots and development of infill areas. Changes to

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the Jordan Housing Bank's policy permit inclusion of land in the home mortgage loan and the extension of loan terms. These changes will improve access to housing credit for low-income borrowers.

The Mission is providing a \$925,000 technical assistance grant to support the \$50 million Low-Cost Housing Policy Program.

Despite the interruption of the Regional Office's activities in Jordan during the Gulf Crisis, the Government of Jordan has proceeded with the implementation of shelter sector policy reforms and institutional initiatives envisioned in the Housing Guaranty Program. The Jordanian Government has formally approved the *National Housing Strategy*, established a shelter unit to coordinate strategic shelter planning, agreed to finance land purchase as well as on-site residential construction, has made provisions for smaller-sized building lots, and has commenced a *Land Reconnaissance Study* to identify buildable sites in urban areas.

Algeria

Through the introduction of legislation which encourages individual home ownership and private builders, the Government of Algeria has undertaken a substantial program to reduce the quantity of publicly-owned housing and government-subsidized housing.

The Regional Office promotes and supports this initiative through a technical assistance program provided to the Ministry of Housing and Public Works. Recent activities under the Program include the financing of a study to identify constraints to private production of shelter, and sponsorship of a series of training seminars which will assist both private developers and public-private housing corporations in developing market-oriented housing production and

in building a role for a private real estate market. A.I.D. also financed a study which will form the focus of a second training seminar to develop the concept of private-public partnerships at the municipal level for the development of serviced plots of land for incremental housing construction by low-income families.

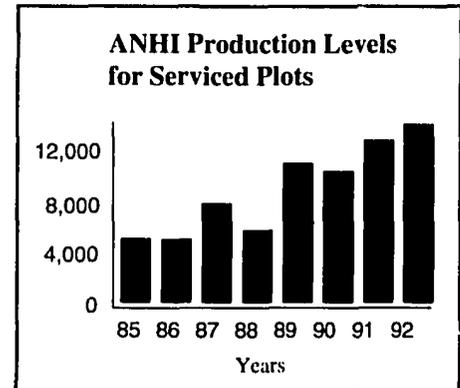
REGIONAL ACTIVITIES

In addition to programs tailored to individual countries, there are also multi-country activities which operate across the region. A primary goal of the Regional Activities Program is to strengthen local training capacity, and in particular, those institutions working at

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**Growing concern
exists for
environmental
degradation resulting
from urban growth,
yet cities hold the key
to future economic
development. Seventy-
five percent of the
region's gross domestic
product is now
generated in cities.**
■

the municipal level where urban growth will need to be effectively managed. Within the Maghreb, a Democracy Initiative Grant funds pilot activities in Tunisia, Algeria, and Morocco which aim to strengthen the ability of elected municipal officials to draw on the local private sector to articulate and address

municipal development problems. Working collaboratively with The World Bank and United Nations HABITAT on a three-year program for strengthening municipal management capacity, the Regional Office co-sponsored a seminar in Tunis in September on conducting *Municipal Training Needs Assessments*, which was attended



Since 1985, the Moroccan National Shelter Upgrading Agency has increased its annual serviced plot production from 4,700 to a projected 13,500 in 1992. The Agency is the largest land developer in Morocco and receives no government support. A \$20 million Housing Guaranty loan provides financing to support the Agency's land development program.

by Tunisian, Moroccan and Algerian trainers.

The Regional Activities Program also continued its tradition of sponsoring inter-country observational tours. This year, high level officers of Tunisia's Land Development Agency visited Morocco in July to review the experience of a similar Moroccan agency in transferring responsibility for providing serviced plots from the public to the private sector.

The Regional Office also sent policymakers from the region to top-level U.S. training activities on property taxation, privatization management, land policy, housing finance and development management.

South America

The Regional Housing and Urban Development Office for South America, located in Quito, Ecuador, is active in: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela.

Urban management is the unifying theme behind all of the South American

■ *Shelter Finance:* Through Housing Guaranty Programs in Ecuador, Bolivia and Chile, the RHUDO works with public and private institutions on construction and mortgage financing for low-income groups. In Uruguay and Paraguay, technical assistance is being provided to the national mortgage bank and to the credit unions to strengthen institutional capacity in shelter finance.

In all of these efforts, the RHUDO works to encourage a greater role for the private sector, discourage the use of indirect subsidies and large-scale government intervention and increase access to affordable shelter.

■ *Delivery of Urban Services:* The RHUDO concentrates on basic infrastructure, including water and sanitation services. Through the infrastructure program in Ecuador, the RHUDO has sought to increase the provision and affordability of basic infrastructure services to the lower-income population. The new sector program in Chile will examine how local governments and local private organizations can provide potable water and sanitation services at low-cost.

The RHUDO's goal is to increase the delivery of urban services to the low-income population, foster greater private sector participation, while advocating sound management practices that make urban service delivery sustainable.

■ *Management of Public Resources:* More efficient management of public resources is an underlying principle of the shelter finance and basic infrastructure programs. As governments are being asked to do more with fewer resources, it becomes increasingly



Peter Kimm, Director of the Office of Housing and Urban Programs, meets with Patricio Aylwin, President of the Republic of Chile, and his Housing Minister at the signing of the Housing Guaranty sector program for Chile. This most recent Housing Guaranty loan supports a variety of shelter and urban initiatives ranging from increased private sector provision of shelter finance to inner-city revitalization to small-scale urban environmental initiatives.

Urban management is the unifying theme. . . . The RHUDO hopes to define the most effective role for the public and private sector in providing for the needs of the urban poor.

RHUDO's programs, with an emphasis on helping urban dwellers provide for themselves. The RHUDO hopes to define the most effective role for the public and private sector in providing for the needs of the urban poor.

As the most urbanized region of the world (72%), South America presents a variety of challenges to A.I.D. Countries across the region exhibit vastly different economic and social indicators. Per capita gross national product ranges from \$600 to \$2,620 and population growth ranges from 0.7% to 2.95%.

The Regional Office concentrates on and has expertise in five related areas of urban management. These are:

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important to have a sound public administration system, accountability, equity in service delivery and a transparent resource allocation system.

Through technical assistance and training, the RHUDO attempts to instill these basic principles of good government into its counterpart organizations and local and municipal governments.

■ *Democratic Initiatives:* Public participation in the allocation of resources and services makes equitable and efficient allocation possible. Without this, national and local decisions will continue to be based on criteria that overlook the needs of lower-income people. Building community organizations and local capacity to manage resources and basic services is a necessary part of the transition to a democratic system.

■ *Disaster Mitigation and the Urban Environment:* Local capacity and public participation is critical for being prepared to withstand the effects of disasters such as earthquakes and floods and the results of environmental degradation and its accompanying health problems. Increased provision of potable water and sanitation services, technical assistance and training to focus on health risks associated with the lack of such services will help prevent the recurrence of an epidemic such as cholera.

The context for A.I.D. support to urban and municipal development has rarely been better. Along with moving away from excessively centralized forms of government, most countries in the region have returned more decision-making and financial authority to local governments.

Most local governments are ill-prepared for this change since there has been excessive centralization of decision-making and resources in government institutions.

COUNTRY PROGRAMS

Chile

The *Implementation Agreement for Chile*, authorized in 1990, was signed on June 24, 1991. This program will provide an additional \$5 million to the Chilean Corporation for Popular Housing and the Chilean housing cooperative movement for low-income shelter. The project emphasizes more affordable shelter solutions to be financed and built outside of the Santiago metropolitan area. This loan follows an earlier \$5 million loan to the Chilean Corporation for Popular Housing and the housing cooperatives to include lower-income families in their activities.

To support Chile's recent return to democracy, the U.S. Congress approved special legislation under which a \$40 million sectoral reform program was authorized for Chile this year.

This program will restore a place for the private sector in financing low-income mortgage credit. Also, it will support inner-city revitalization, municipal strategic planning, and locally-initiated, small-scale environmental improvements, such as wastewater treatment and potable water provision.

Under this sectoral reform program, up to \$15 million is targeted for pilot housing projects, to help revitalize inner-Santiago.

Collaboration among the Corporation for Development of Santiago, the Ministry of Housing and Urban Development, and the private sector in packaging land parcels for development is

expected to increase private sector investment in downtown areas.

Up to \$20 million may be borrowed by the Ministry to support its efforts to make policy changes reduce financial risks for institutional investors, and

demonstrate to the private sector the financial viability of channeling resources into mortgage financing for low-income housing.

Lastly, the balance of \$5 million may be borrowed by the Ministry to adapt and incorporate broader economic, social, and environmental criteria to evaluate future housing and urban development projects and to promote the use of such analytical tools as environmental impact methodology and training, strategic planning, and wastewater technology.

Ecuador

During 1991, the Regional Office for South America concentrated its attention on securing Monetary Board adoption of policy reforms. This includes adoption of a dual indexation mechanism, provision of credit union access to the Financial Fund for Housing, and approval of infrastructure investments to be discounted by the Financial Fund.

Recent Housing Guaranty activities in Ecuador have focused on the implemen-



Alfonso J. Palacios E., Executive Director of the RHUDO's Training Center (LACUM), is shown here with trainers from several South American countries, at the First International Trainers Workshop on Housing, Urban and Local Development.

tation of the \$35 million National Shelter Delivery System Program and its \$1.5 million companion grant. Since 1984, A.I.D. has shifted its shelter assistance to Ecuador from a narrow focus on national housing agency programs to the overall

performance of the sector, particularly in providing for the shelter and infrastructure needs of the urban poor.

Bolivia

In 1991, the RHUDO began working closely with USAID Bolivia to define an urban and municipal development strategy linked to the Mission's *Alternative Development Strategy* and Program. Two studies—one of rural-urban trade and market town development, the other on local government policies and resources supporting urban employment generation—are to be used to develop a strategy and define urban project activities.

As part of the A.I.D. shelter program with the Bolivian Savings and Loan System, in 1991 the RHUDO provided assistance with institutional development.

Uruguay

During 1991, at the request of the Uruguayan Mortgage Bank and the Ministry of Housing, technical assistance was provided to explore the possibility of helping the Uruguayans adapt a dual indexation system for shelter sector lending. Also, technical assistance was provided to Uruguay to incorporate the private sector into the housing finance process.

Paraguay

The RHUDO is assisting USAID Paraguay to launch several demonstration programs. Numerous Paraguayan credit unions received access to governmental housing finance resources through their apex organization, CREDICOOP. The Peace Corps works with these projects and stationed volunteers at the National Housing Council, CREDICOOP, and at several of the credit unions to help improve their efficiency and operations.

REGIONAL ACTIVITIES

The Latin American Center for Urban Management (LACUM) is a special division of A.I.D.'s Regional Housing and Urban Development Office for South America. Through LACUM, the RHUDO maintains a continuing dialogue throughout the region promoting A.I.D. shelter and urban policy objectives and providing support to bilateral A.I.D. shelter and urban assistance programs.

Active in ten countries, LACUM stresses collaborative efforts.

■

As the most urbanized region of the world (72%), South America presents a variety of challenges to A.I.D. Countries across the region exhibit vastly different economic and social indicators.

■

Activities include:

Institutional Network: Through the Latin American and Caribbean Housing, Urban Management and Environment Institutional Network, the RHUDO collaborates with other organizations to plan activities and to carry out regional seminars. Acting as the *Coordinating Secretariat* of the Network, LACUM contacts members through newsletters and other means of maintaining an ongoing exchange of experiences and information.

LACUM has strengthened the Network by incorporating new allies, such as private organizations, local

government officials and community organizations, into RHUDO activities in the region. It has also strengthened ties with old allies, such as public and private housing leaders and cooperative housing leaders. The number of network members has doubled, with a total of 19 members now active in the Institutional Network.

During 1991, LACUM developed two Network meetings; the first was held in Buenos Aires, during the *Great Cities of the Americas Annual Conference* under the theme *Decentralization and Urban Development*; and the second Network meeting this year was held in Quito, Ecuador. The central theme of this meeting was *The Ecological Responsibilities of Urban Development*.

Network of Individuals: During this year, LACUM continued to formally build its Network of Individuals. A.I.D. maintains close contacts with national government officials and with the formal housing finance sector. With this initiative, the RHUDO wants to broaden its range and type of contacts to include local level officials, informal sector leaders, and others. The RHUDO believes that increasing systematic cross-sectorial contacts will enrich the dialogue on crucial policy issues.

This Network is comprised of individuals who are personally effective, and whose current or probable access to people in positions of importance may have influence in policy-making. This Network has grown from 34 original members in 1989 to 62 at present.

Cooperative Agreements:

■ **Interamerican Housing Union:**

During 1991, under the terms of its Cooperative Agreement with A.I.D., the Interamerican Housing Union developed a regional seminar which presented the case study *The Brazilian Housing Finance System*. Also, LACUM co-sponsored the *XXVII Interamerican*

Housing Conference held in Rio de Janeiro, Brazil; the *XXVIII Interamerican Housing Conference* held in Cancún, México; and the *Latin American Center of Statistics' Seminar* in Caracas, Venezuela. Finally, the Union published the *First Latin American Housing Policy Forum's Presentations* and the annals of the *XXVIII Interamerican Housing Conference* during this year. The Union also began development during 1991 of a case study on the *Housing Finance Systems in Argentina* which will be presented in a regional seminar to be held at the beginning of fiscal year 1992.

- **International Union of Local Authorities:** This *Cooperative Agreement* finances training seminars, the development of a data bank of municipal success stories, case studies, research projects, and the Women and Local Development Program.

LACUM has co-sponsored four regional seminars in 1991.

The first seminar was held in Chile from June 6-9, 1991. This event was entitled: *New Strategies for Municipal Institutional Development to Address Current Challenges of the Local Environment*. The second seminar, related to municipal development, was held in Sucre, Bolivia from June 24-27, 1991. This event was entitled: *Local Government and the Environment*.

As part of the Women and Local Development Program, LACUM and Women in Development of the Bureau for Policy and Program Coordination co-sponsored two regional seminars during 1991. The first seminar, entitled *Women and the Municipality: A New Community Presence in Latin American Local Development*, was held in Quito, Ecuador from March 5-7, 1991. One hundred fifty-three participants from the region attended this seminar. The second workshop, entitled *Gender*

Research Methods and Formulation of Municipal Policies Addressing Women, was held in Quito, Ecuador from August 20-22, 1991.

In addition, in April 1991, USAID Chile provided funding to the *Cooperative Agreement* with the Latin American Chapter of the International Union of Local Authorities (IULA) to support CORCHILE, a Chilean non-profit organization, in the development of activities such as the execution of a proposal for the USAID Chile Local Government Program.

Other Regional Activities

During 1991, LACUM also collaborated very closely with host country organizations: e.g. working with the CEVIS Foundation in Argentina and the Carvajal Foundation in Colombia to prepare case studies for dissemination through regional seminars. These case studies were related to: successful public and private sector cooperation in shelter programs in Argentina; and an evaluation of microenterprise and housing programs of the Carvajal Foundation in Colombia.

LACUM itself also organized and sponsored a regional *Trainers Workshop*, which was held in Quito, Ecuador, in February, 1991.

During 1991, LACUM published and distributed two issues of its quarterly newsletter to a mailing list of 2,500 individuals throughout the world.

Environmental Initiatives

The RHUDO's environmental initiatives have thus far focused on Ecuador, concentrating on Quito and Guayaquil. Over the past year, the RHUDO has been involved in the following environmentally-related activities:

- **Sister Cities Exchange Program:** Through the renewal of the Sister Cities

exchange program between Quito and Louisville, Kentucky, a member of the Metropolitan Sewer District of Louisville came to Quito in the Spring to provide technical assistance on industrial waste control. RHUDO assisted in coordinating the visit.

- **Pollution Prevention Pays Program:** Working with the City of Quito, the RHUDO has coordinated limited technical assistance for the Pollution Prevention Pays Programs focusing on controlling pollution from the El Inca Industrial Park.

- **Rapid III Urbiquito Project:** This recently completed project examined urban growth management and resulted in a policy seminar and final report for the City of Quito.

- **Private Provision of Social Services Project:** Phase One of a pilot project in Guayaquil under the centrally-managed Private Provision of Social Services Project was conducted earlier this year. Through technical assistance to the Special Commission for Solid Waste and Sewerage, RHUDO was able to provide a plan for the partial privatization of solid waste collection in Guayaquil.

The City Council adopted the recommendations in February (1991), and is currently soliciting proposals from private firms for the collection of two-thirds of the City's solid waste. Continuation with Phase Two of the project will depend on USAID Ecuador and Office of Housing and Urban Programs' approval.

To plan future programs in Ecuador and in the region, the RHUDO commissioned the production of a strategic management framework for the environment in the Spring of 1991. Although this framework only focused on Ecuador, it will be adapted for regional use.

West and Central Africa

Political unrest, secession movements, economic decline, debt rescheduling, loan defaults, deterioration of infrastructure, inflation, ethnic conflict, student demonstrations, civil war and the Gulf war: no West or Central Africa country has escaped or

avoided the consequences of these problems; 1991 was a turbulent year for the region. Behind the unrest lies a quest for democracy and more representational forms of government evidenced by

the slogans and voices of the demonstrators. Several governments have heeded the warnings and have taken steps to reflect what the people want: increased political accountability which may, ultimately, improve the region's economic situation. Positive events have placed several West African countries in the category of "emerging democracies."

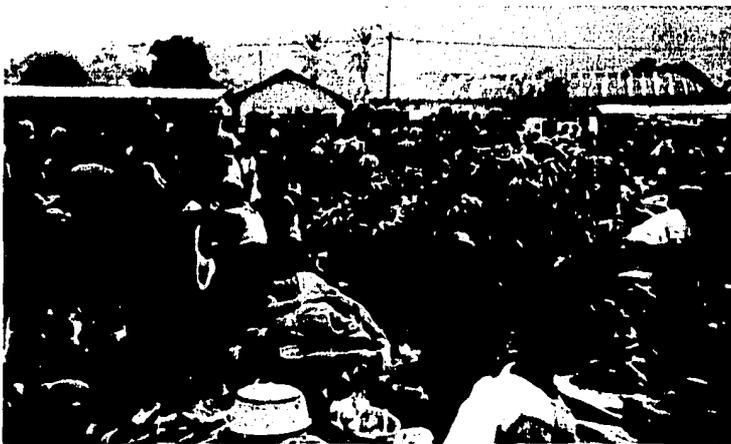
The Regional Housing and Urban Development Office for West and Central Africa has also felt the effects of the political, social and economic unrest. Regional events which most affected RHUDO activities were the political protests and ethnic conflicts. In Mali and Togo, civil unrest curtailed several

technical assistance missions and has caused other RHUDO activities to be postponed. The Gulf War, which suspended travel from mid-January to March, postponed many missions. Budgetary constraints have also caused the Office to scale back efforts and focus attention on fewer priorities.

As a result of budget cuts and organizational changes mandated by Congress's *Credit Reform Act*, the Regional Office must scale down activities and selectively target intervention toward Missions and host countries which have an expressed interest in RHUDO services. The RHUDO will continue to assure that housing and urban development remains an important sector in the region.

Interventions will continue in several areas. The RHUDO will:

- support efforts to decentralize governmental functions and public services and to increase local level administrative and financial autonomy;
- implement the new Municipal Management Development Program in Côte d'Ivoire;
- increase attention to urban environmental problems and seek affordable community-based, private sector provision of urban services and increase awareness of long-term negative environmental impacts of current waste management, deforestation, and water pollution practices;
- expand the RHUDO's Municipal Management Training Program under a new institutional support contract. The new team was in place by the end of



The RHUDO's Municipal Management Training Program is expanding its staff to better address issues such as market town development.

This was a turbulent year for the countries of West and Central Africa, with economic, social, political and cultural upheaval and unrest. Behind the turmoil lies a quest for democracy and more representational forms of government, evidenced by the slogans and voices of the demonstrators. Several governments have heeded the warnings and increased political accountability.

1991. Activities include technical assistance in decentralization, municipal revenue generation, market management, organizational development, environmental awareness and management, and training of trainers. The new four-person professional staff is better equipped to serve the needs of the region than the previous two-person team; and

- provide technical assistance to encourage private sector development and strengthen rural/urban linkages within the limits of RHUDO's resources.

COUNTRY PROGRAMS

Côte d'Ivoire

The Regional Office is now managing the final phase of the Abidjan Upgrading and Secondary Cities Projects, and expects to complete these two projects by the end of 1992. Through the Secondary Cities Guaranty loan, the RHUDO has helped improve infrastructure in the Côte d'Ivoire including:

- development of 172 miles of primary roads and drainage in 13 cities in the interior of the country;
- construction of community centers in 17 interior cities;
- sixteen interior cities received central market buildings;
- construction of slaughter houses in four interior cities;
- building of primary schools in three interior cities; and
- development of taxi stations in two cities.

In all, the project developed 42 different community facilities.

In September, 1990, the Africa Bureau approved the three-year, \$5 million Municipal Development Support Project, funded by the Development Fund for Africa. This project, which is

now being managed by the RHUDO, has three components: management training for central and local level officials; construction of revenue generating infrastructure; and activities designed to increase local level revenue resources through improved taxation methods.

The RHUDO's five-year-old Municipal Management Training Program initiated and organized a coordinating committee comprised of multi-lateral and bi-lateral donors working in the field of municipal

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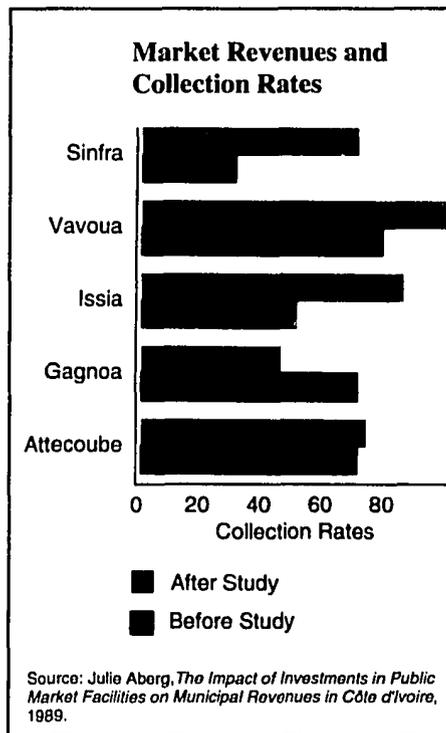
Activities of the RHUDO's Municipal Management Training Program include technical assistance in decentralization, municipal revenue generation, market management, organizational development, environmental awareness and management, and training of trainers.

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development and decentralization. The donors are collaborating to further the effectiveness of their decentralization efforts and to solve common implementation problems encountered in working with the Government of Côte d'Ivoire.

To date, the committee has discussed decentralization with the Minister of the Interior, the Prime Minister's office, Ivorian ministries, and international consultants.

The Training Program has coordinated and sponsored several events in 1991 including a seminar on the *Training of Trainers* for the General Division of Local Government and a *Roundtable* for Municipal Public Works Department Directors which helped to clarify their roles and determine their individual training needs. The Training Program has provided PHUDO an entry into international arenas with participation in events such as a *Seminar on the Rehabilitation of Peri-Urban Areas* organized by a French water resources management institution. The RHUDO presented its views on the importance of considering people's opinions before implementing projects affecting them and the value of community participation in urban district maintenance and provision of services.



This chart shows the effects of improved market management on market revenue collection for secondary cities throughout Côte d'Ivoire. The study was part of the Secondary Cities Project.

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The inauguration ceremony for the new central marketplace in Dabou, Côte d'Ivoire is shown above. A Housing Guaranty loan to Côte d'Ivoire is creating revenue-generating infrastructure in secondary cities across the country.

As part of the activities to increase local level revenues, a cadastral study was done to increase the number of taxable properties in the town of Issia and marketplace studies were done in Sinfra and Gagnoa to generate revenue from market vendors. The studies indicated enormous potential for increasing revenue. However, only in Sinfra did the actual collection rate increase significantly. In Issia, collection of local property taxes has proven to be a politically unpopular task and there was a need for better coordination between central and local collection efforts. The Gagnoa Town Council did not move to implement all of the study findings.

The RHUDO has provided on-going support to the African Development Bank in the development and implementation of water and sanitation policy.

Senegal

The RHUDO continues to provide technical assistance to the Housing Bank of Senegal for a Private Sector Housing Guaranty loan. The Housing Bank and

Citibank/Dakar are continuing negotiations on affordability.

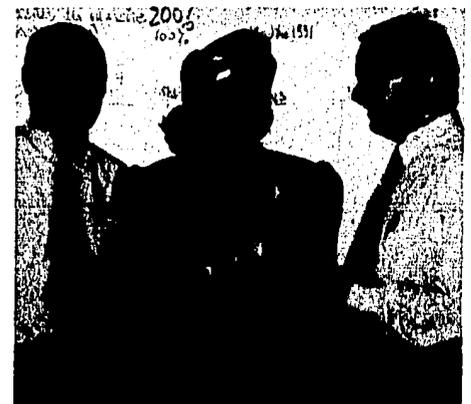
The Ziguinchor Simplified Cadastre Project is in its second phase—the provision of computer training to Ziguinchor and Dakar officials responsible for the cadastre rolls. The RHUDO is currently developing a training program for municipal officials in management and financial skills for both the municipality of Dakar and several secondary cities. This program will be carried out over the coming year.

Guinea

In 1991, the RHUDO provided direct assistance to the Guinea Mission in the areas of project design and policy-oriented technical assistance to develop a decentralization study for Guinea.

The RHUDO's Municipal Management and Training Program coordinated two seminars on *Markets, Financial Resources, and Local Development* in the market towns of Gueckedou and Pita. The participants focused on the administration of market facilities, managing market-generated local

revenue, and proposing practical methods to rapidly improve local infrastructure. A third seminar, held in Conakry for senior level civil servants, examined the use of analytical and management tools in public administration.



Pictured here are participants in a training session held in Guinea in the spring of 1991. The RHUDO coordinated three seminars in Guinea in 1991: a seminar on Markets, Financial Resources and Local Development, in Gueckedou; a seminar on Markets, Financial Resources and Local Development in Pita; and a seminar on Management of an Administrative Unit in Conakry.



RHUDO training seminars in Guinea on the administration and development of market facilities are fostering local vendor meetings such as this one (above left). The extension of a canal and paved road demonstrate that some West African municipalities are undertaking urban planning (above right).

Ghana

The RHUDO has provided technical assistance to the Ghana Mission in the formulation and inclusion of a decentralization strategy in the Mission's *Country Program Strategy Plan* and the subsequent development of activities in support of that strategy.

Togo

Efforts to establish a Private Sector Housing Guaranty project in Togo have been stymied by civil unrest. The RHUDO provided technical assistance for a household income study and a project feasibility study. A study on municipal sanitation services in Lome, financed through the Private Provision of Public Services project, is under discussion.

Burkina Faso

The RHUDO provided technical assistance to the Mission and the government of Burkina Faso in the development and delivery of a management training program for public sector officials.

Niger

The Regional Office initiated and managed a study of local government finances in rural areas which is expected to provide input into Niger's upcoming *Country Program Strategy Plan*.

Zaire

RHUDO has developed a concept paper for a regional environmental assessment



A regional environmental
assessment study will
provide decisionmakers
with timely data and a base
from which to design
appropriate projects.



study to gather baseline data on urban environmental status. This information, to be gathered in a case study format, will provide decisionmakers with timely data and a base from which to design appropriate projects.

Regional Training and Conferences

RHUDO's Municipal Management Training Program organized the *Regional Conference on Financing and Management of Infrastructure*, held in Lome, November 1990.

RHUDO identified and sponsored two candidates who participated in the United States Information Service International Visitors Program.

In 1991, the RHUDO developed a promotional brochure about its activities throughout the region which highlighted the transition to a training- and technical assistance-based strategy. In addition, the RHUDO published a promotional brochure on the Municipal Management Training Program. RHUDO discontinued publishing the *African Urban Optic* after the summer of 1991. The Municipal Management Training Program continues to fund the publication of the newsletter entitled *Commune Actualité*.

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Michael Enders, Director
Carlene Dei, Housing and Urban
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Management and Support



Portfolio Management System

The Housing Guaranty Portfolio Management System (HGPMS) is now under full implementation and is producing all regular financial reports for the Housing Guaranty Program. The HGPMS is designed to automate the financial accounting for the Housing Guaranty portfolio involving approximately 175 loans amounting to over \$2.3 billion. The system has resulted in an estimated labor savings of 80% or 30 person months per year and monthly closings occur within a week after the reporting period rather than four to six weeks. A combination of software (PACE and COBOL) allows for a large, fully integrated and relational data-base, and offers users easy access to all ledgers, related tables and its 800 fields of information through a menu driven system. The system also allows several statistical reports for management; information can be exported through an electronic log-on facility and can interface with other systems. Future plans for enhancement of the HGPMS call for an interface capability with A.I.D.'s current and future accounting systems and the addition of reports frequently requested by other U.S. Government Agencies.

External Audit

At the request of A.I.D. managers in the Offices of Housing and Urban Programs and Financial Management, Price Waterhouse completed an audit of the 1990 financial statements of the Housing Guaranty program. This was the first external financial audit of the program in more than a decade and was requested in preparation for enactment of the *Chief Financial Officer's (CFO) Act*. The *CFO Act* requires external audits of Federal credit programs beginning with fiscal year 1991 statements. The audit firm found that existing accounting records did not provide sufficient information to express an opinion on the financial statements. It recommended changes which A.I.D. is making or has made in its record-keeping systems. The issues related to accounting have all been resolved. The audit found no evidence of waste, fraud or abuse.

Credit Reform

The Office of Housing and Urban Programs participated in a Government-wide effort to prepare for the new *Credit Reform Act* which was enacted in fiscal year 1992. Under this law, the Housing Guaranty program, like all Federal credit programs, will be put "on-budget".

Congress will appropriate each fiscal year an amount of budget authority sufficient to cover potential losses under the program. This appropriation, known as a "program subsidy", is based on an analysis of a country's credit-worthiness. A U.S. Government inter-Agency committee examines the credit-worthiness of nations and assigns a risk premium to loans to each country. Under this system, the Housing Guaranty Program, in fiscal years 1992 and 1993 will budget a subsidy of about 15 cents for every dollar guaranteed. This is a conservative estimate, as actual costs of the program have been significantly lower, and will be adjusted annually.

Housing Guaranty Program



The Housing Guaranty Program involves collaboration with a host-country housing institution acting as borrower. Borrowers may include a government ministry, a national housing bank or housing development corporation, a central savings and loan system, or a similar institution in the private sector such as a national cooperative organization.

Following a request from the country, A.I.D. will request that the Office of Housing and Urban Programs, working with host country officials, prepare a *Shelter Sector Assessment*. Based on this analysis, A.I.D. and the borrower determine the type of housing program to be financed and the institutional context within which it will be undertaken.

When a mutually agreeable project has been developed and authorized by A.I.D., the Office of Housing and Urban Programs and the borrower enter into an *Implementation Agreement* defining the use of the proceeds of the loan. Disbursements under the loan are subject to the fulfillment of certain conditions, as set forth in this agreement.

At the same time, the borrower seeks the most favorable terms available in the U.S. capital markets for a U.S. Government-guaranteed loan. A typical Housing Guaranty loan is a long-term loan for a period of up to 30 years, with a 10-year grace period on the repayment of the principal.

The U.S. lender and the borrower then negotiate the terms of the financing within interest rate terms that reflect the prevailing interest rates for U.S. securi-

ties of comparable maturity. These understandings are formalized in a loan agreement between the borrower and the lender, which is subject to A.I.D. approval. In addition, certain provisions with regard to the paying and transfer agent, terms and amortization, prepayment rights, and lender's fees and other charges must be included in each loan agreement or otherwise agreed upon in a manner satisfactory to the Office of Housing and Urban Programs.

The A.I.D. Guaranty

Upon the signing of a loan agreement, A.I.D. will sign a contract indicating that repayment is guaranteed by the full faith and credit of the U.S. Government. The fees that A.I.D. charges for its Guaranty are as follows: a fee of one-half of one percent (1/2%) per annum of the unpaid principal balance of the guaranteed loan; and an initial charge of one percent (1%) of the amount of the loan, which is deducted from the loan disbursements.

Additionally, A.I.D. requires that the government of the borrowing country sign a full faith and credit guaranty of repayment of the loan and outstanding interest.

Lenders

A variety of participants in the U.S. capital markets, including investment bankers, commercial bankers, Federal Home Loan Banks, savings institutions, life insurance companies and pension funds, have loaned monies to host-country borrowers as part of the Housing Guaranty Program. To be eligible to participate, lenders must be:

U.S. citizens; domestic U.S. corporations, partnerships or associates owned by U.S. citizens; foreign corporations whose share capital is at least 95 percent owned by U.S. citizens; or foreign partnerships or associations wholly owned by U.S. citizens.

Lenders are selected by host country borrowers, typically selected through a competitive negotiation process. The Office of Housing and Urban Programs requires that lending opportunities be advertised and that borrowers solicit lending proposals from the largest practicable number of prospective lenders.

A notice of each A.I.D. guaranteed investment opportunity is published in the Federal Register and mailed to interested firms or individuals.

In certain circumstances, and with the written consent of the Office of Housing and Urban Programs, lenders may be selected through a non-competitive negotiated process.



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Embassy in their country.*