

PROJECT APPRAISAL REPORT (PAR)

PAGE 1

1. PROJECT NO. 526-24-950-051.3	2. PAR FOR PERIOD: 5/1/75 TO 12/31/75	3. COUNTRY PARAGUAY	4. PAR SERIAL NO. 76-9
------------------------------------	--	------------------------	---------------------------

5. PROJECT TITLE
SAVINGS AND LOAN SYSTEM - AID Loans 526-L-023/024

6. PROJECT DURATION: Began FY 1973 Ends FY 1976	7. DATE LATEST PROP -	8. DATE LATEST PIP -	9. DATE PRIOR PAR 6/23/75
---	--------------------------	-------------------------	------------------------------

10. U.S. FUNDING	a. Cumulative Obligation Thru Prior FY: \$ 2,100,000	b. Current FY Estimated Budget: \$	c. Estimated Budget to completion After Current FY: \$
------------------	--	------------------------------------	--

11. KEY ACTION AGENTS (Contractor, Participating Agency or Voluntary Agency)

a. NAME	b. CONTRACT, PASA OR VOL. AG. NO.
Institute of Development Consultants, Inc.	Dated 1/21/72 (No number)

I. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION (X)			B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
USAID	AID/W	HOST		
X			1. Ensure that the Housing Bank acquires the title of all mortgages accepted from the Associations as collateral for direct loans.	Open
X			2. Continue monitoring the project until AID Loan funds are fully utilized for the purchase of eligible mortgages.	Open
			<u>Transferable Lessons Learned</u>	
			1. The supply of savings is responsive to interest rates. The inflation readjustment feature attracted unexpected large amounts of savings to the system and delayed the use of AID Loan funds.	
			2. The inflation readjustment of mortgages discourages prospective homebuyers.	
			3. Private profit oriented associations direct their resources to the most profitable and less risky market, in this case, the higher income groups.	

BEST AVAILABLE COPY

D. REPLANNING REQUIRES	E. DATE OF MISSION REVIEW
REVISED OR NEW: <input type="checkbox"/> PROP <input type="checkbox"/> PIP <input type="checkbox"/> PRO AG <input type="checkbox"/> PIO/T <input type="checkbox"/> PIO/C <input type="checkbox"/> PIO/B	April 1976

PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE
 Henry L. Miles *H L Miles* 6/28/76

MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE
 Oliver L. Sause *Oliver L. Sause* 6/28/76

AID 1020-25 (10-70)	PROJECT NO. 526-24-950-051.3	PAR FOR PERIOD: 5/1/75 TO 12/31/75	COUNTRY PARAGUAY	PAR SERIAL NO. 76-9
PAGE 2 PAR				

II. PERFORMANCE OF KEY INPUTS AND ACTION AGENTS

A. INPUT OR ACTION AGENT CONTRACTOR, PARTICIPATING AGENCY OR VOLUNTARY AGENCY	B. PERFORMANCE AGAINST PLAN							C. IMPORTANCE FOR ACHIEVING PROJECT PURPOSE (X)					
	UNSATISFACTORY		SATISFACTORY			OUT-STANDING		LOW	MEDIUM			HIGH	
	1	2	3	4	5	6	7	1	2	3	4	5	
1. Inst. of Development Consultants, Inc.													
2.													
3.													

Comment on key factors determining rating

Technical assistance provided by the above firm concluded in May 1975. Therefore, no rating was made during this period.

4. PARTICIPANT TRAINING	1	2	3	4	5	6	7	1	2	3	4	5
-------------------------	---	---	---	---	---	---	---	---	---	---	---	---

Comment on key factors determining rating

All training activities financed with Loan L-025 were completed during the period covered by the previous PAR.

5. COMMODITIES	1	2	3	4	5	6	7	1	2	3	4	5
----------------	---	---	---	---	---	---	---	---	---	---	---	---

Comment on key factors determining rating

There are no commodities provided under this project.

6. COOPERATING COUNTRY	a. PERSONNEL	1	2	3	4	5	6	7	1	2	3	4	5
	b. OTHER					X							X

Comment on key factors determining rating

The GOP has complied satisfactorily with the financial commitments set forth in the Loan Agreement by contributing to the capital of the Housing Bank the equivalent of \$500,000. The Loan Agreement also required the GOP to provide the Bank an amount necessary to defray operating expenses for the first 12 months of its operation. The GOP has exceeded this requirement by paying operating expenses through 1975 even though the Bank made profits during the previous two years. Total contributed under this item amounted to the equivalent of \$174,000.

BEST AVAILABLE COPY

7. OTHER DONORS	1	2	3	4	5	6	7	1	2	3	4	5
-----------------	---	---	---	---	---	---	---	---	---	---	---	---

(See Next Page for Comments on Other Donors)

AID 1020-25(10-70) PAGE 3 PAR	PROJECT NO. 526-24-950-051.3	PAR FOR PERIOD: 5/1/75 - 12/31/75	COUNTRY PARAGUAY	PAR SERIAL NO. 76-9
----------------------------------	---------------------------------	--------------------------------------	---------------------	------------------------

II. 7. Continued: Comment on key factors determining rating of Other Donors

III. KEY OUTPUT INDICATORS AND TARGETS *

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					
		CUMULATIVE PRIOR FY	CURRENT FY 75		FY ____	FY ____	END OF PROJECT
			TO DATE	TO END			
Draw down of AID Loan by Housing Bank (Seed capital loan) (Cumulative \$000)	PLANNED	2,000		2,000			2,000
	ACTUAL PERFORM- ANCE	1,350	2,000				
	REPLANNED						
Net savings from the public (Cumulative \$000)	PLANNED	342		466			466
	ACTUAL PERFORM- ANCE	2,364	20,082				
	REPLANNED						
Savings and Loan Associations capital (\$000)	PLANNED	450		450			450
	ACTUAL PERFORM- ANCE	558	1,142				
	REPLANNED						
	PLANNED						
	ACTUAL PERFORM- ANCE						
	REPLANNED						
B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS	COMMENT:						
1.	* All data on Calendar Year basis.						
2.	COMMENT:						
3.	COMMENT:						

AID 1020-25 (10-70)	PROJECT NO.	PAR FOR PERIOD:	COUNTRY	PAR SERIAL NO.
PAGE 4 PAR	526-24-950-051.3	5/1/75 - 12/31/75	PARAGUAY	76-9

IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged.

2. Same as in PROP? YES NO

To establish a national savings and loan system to mobilize savings and to provide long-term housing credit for middle income families.

B. 1. Conditions which will exist when above purpose is achieved.	2. Evidence to date of progress toward these conditions.																				
<p>a. Housing Bank becomes fully operational and economically independent.</p> <table border="1"> <thead> <tr> <th></th> <th colspan="3">(\$000)</th> </tr> <tr> <th>CY's</th> <th>73</th> <th>74</th> <th>75</th> </tr> </thead> <tbody> <tr> <td>1) Bk. Loans to S&L Assoc.</td> <td>243</td> <td>475</td> <td>1200</td> </tr> <tr> <td>2) Interest earned</td> <td>19</td> <td>56</td> <td>147</td> </tr> <tr> <td>3) Profit (loss)</td> <td>(73)</td> <td>(36)</td> <td>55</td> </tr> </tbody> </table>		(\$000)			CY's	73	74	75	1) Bk. Loans to S&L Assoc.	243	475	1200	2) Interest earned	19	56	147	3) Profit (loss)	(73)	(36)	55	<p>a. Total outstanding loans made by the Bank to the S&L Associations as of Dec. 31/75 amounted to the equivalent of \$650,000. From this total, \$391,270 were financed with AID loan funds. Total mortgage purchases with loan funds amounted to \$1,468,829. The Bank has demonstrated its capability to operate on a self-sustained basis. Total earnings during 1975 from interests, premiums and commissions amounted to \$347,216. The net profit amounted to \$123,089. The Bank has initiated a secondary mortgage market but due to the present high liquidity in the system, sales are not being promoted. Total mortgages negotiated in the secondary market as of Dec. 31/75 amount to \$42,300.</p>
	(\$000)																				
CY's	73	74	75																		
1) Bk. Loans to S&L Assoc.	243	475	1200																		
2) Interest earned	19	56	147																		
3) Profit (loss)	(73)	(36)	55																		
<p>b. At least three S&L Associations in operation.</p> <table border="1"> <thead> <tr> <th></th> <th colspan="3">(\$000)</th> </tr> <tr> <th>CY's</th> <th>73</th> <th>74</th> <th>75</th> </tr> </thead> <tbody> <tr> <td>1) Mortgage loans</td> <td>529</td> <td>756</td> <td>1512</td> </tr> <tr> <td>2) Interest and Commission</td> <td>79</td> <td>179</td> <td>390</td> </tr> <tr> <td>3) Profit (loss)</td> <td>(82)</td> <td>(31)</td> <td>70</td> </tr> </tbody> </table>		(\$000)			CY's	73	74	75	1) Mortgage loans	529	756	1512	2) Interest and Commission	79	179	390	3) Profit (loss)	(82)	(31)	70	<p>b. Two more S&L Associations started operating during 1975 for a total of five. All the Associations continue to exceed the estimates made in the CAP shown in Column B.1. Mortgage loans as of December 1975 amounted to the equivalent of \$21,825,079. Mortgage loans repayment in arrears amount to \$25,090. Interests and commissions earned in 1975 amounted to \$1,951,745. Total net profit of all associations amounts to \$97,175.</p>
	(\$000)																				
CY's	73	74	75																		
1) Mortgage loans	529	756	1512																		
2) Interest and Commission	79	179	390																		
3) Profit (loss)	(82)	(31)	70																		

V. PROGRAMMING GOAL

A. Statement of Programming Goal

To decrease the housing deficit in Paraguay.

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence. The project has far exceeded the goal targets of 240 houses by 1975. As of December 31/75 the project had financed the construction of 607 new houses, 619 enlargements or improvements and 431 house purchases. The Loan Agreement conditioned the eligibility for loan financing a maximum sales price of \$10,000 which condition was strictly complied with. However, when analyzing the project as a whole, we found that the average value of houses financed by the system (with loan and counterpart funds) amounted to the equivalent of \$15,865, which suggests that the program has benefited mostly the higher and middle high families. In January 1975, the Mission replanned the utilization of the remaining loan balance of \$650,000 allocating the use in equal shares among four different monthly income categories as follows: less than \$200; \$200 to \$299; \$300 to \$399; and \$400 to \$500. A further review disclosed that less than 10% was used for subloans to families with a monthly income below \$300 as opposed to 50% as originally planned, and 43% went to families with incomes above \$500. The Mission had advised the Bank to replace non-eligible mortgages and report on such action on a monthly basis.