

I. PROJECT IDENTIFICATION

<p>1. PROJECT TITLE</p> <p style="text-align: center; font-size: 2em; margin-left: 100px;"><i>FCH</i></p> <p style="text-align: center;">Low Income Housing-Development Program Grant</p>		<p>APPENDIX ATTACHED</p> <p><input type="checkbox"/> YES <input type="checkbox"/> NO</p> <p>2. PROJECT NO. (M.O. 1095.2)</p> <p style="font-size: 1.5em;"><i>950-13-950-065</i></p> <p>5. SUBMISSION DATE</p> <p><input checked="" type="checkbox"/> ORIGINAL <i>Nov. 13, 1975</i></p> <p><input type="checkbox"/> REV. NOV. <i>24, 1975</i> DATE</p> <p>CONTR./PASA NO. _____</p>
<p>3. RECIPIENT (specify)</p> <p><input type="checkbox"/> COUNTRY <u>Worldwide - Asia-Africa</u></p> <p><input type="checkbox"/> REGIONAL _____ <input type="checkbox"/> INTERREGIONAL _____</p>	<p>4. LIFE OF PROJECT</p> <p>BEGINS FY <u>75</u></p> <p>ENDS FY <u>77</u></p>	

II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US _____ (U.S. OWNED)			
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY		
											(A) JOINT	(B) BUDGET	
1. PRIOR THRU ACTUAL FY													
2. OPRN FY	200	101	56				99						
3. BUDGET FY	200	105	54				95						
4. BUDGET +1 FY	200	102	57				98						
5. BUDGET +2 FY													
6. BUDGET +3 FY													
7. ALL SUBQ. FY													
8. GRAND TOTAL	600	308	167				292						

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER	TITLE	DATE
<i>S.P. Walsh</i> <i>S.P. Walsh</i>	Project Manager, SER/H	3/7/75
2. CLEARANCE OFFICER	TITLE	DATE
<i>Donald Gardner</i> <i>Donald Gardner</i>	Deputy Director, SER/H	3/7/75

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

BEST AVAILABLE COPY

2. CLEARANCES					
BUR OFF.	SIGNATURE	DATE	BUR OFF.	SIGNATURE	DATE
PPG/DP	Arthur Handly <i>AH</i>	5/9/75	NESA/TECH	George Coleman <i>GC</i>	4/28/75
	John Shannon <i>JS</i>	5/9/75			
LA/MKSD	Marilyn A. Zak <i>MAZ</i>	5/8/75	EA/TD	<i>Norman</i>	4/29/75
AFR/DP	Edward Donoghue <i>ED</i>	4/29/75	PHA/PVC	C. Shook <i>CS</i>	5/12/75

3. APPROVAL AAS OR OFFICE DIRECTORS	4. APPROVAL AID (See M.O. 1025.1 V/C)
SIGNATURE	SIGNATURE
<i>Peter Kimm</i>	
Peter M. Kimm, Director, Office of Housing	ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
DATE	DATE
5/14/75	

P R O P

Revised March 31, 1975

Project Title: Self-Help Low Income Shelter Program -
Development Program Grant - Foundation for
Cooperative Housing (FCH)

Project No:

A. Statement of Goal:

1. Goal

The goal of the program is to assist LDC governments develop continuing programs to provide shelter for the poorest majority in developing countries through LDC housing policy shifts from paternalistic, subsidized low income housing programs to self-help shelter programs utilizing minimal or no subsidies. This goal will be achieved by:

- a. Demonstrating that shelter can be afforded by low income families without the necessity for large subsidies.
- b. Strengthening local housing and cooperative organizations enabling them to implement this type of project on a continuing basis.
- c. Provision of long term mortgage financing to homeowners from local housing finance institutions.

2. Measures of Goal Achievement

- a. Three projects should be underway in the second year of the grant program providing improved shelter for approximately 1000 to 2000 low income families.
- b. Establishment of multi-service community organizations within the projects to provide community services (identified by the residents) to help in such areas as access to credit, job availability, health services, family planning and better nutrition.

- c. After completion of successful projects; local policy changes should occur which reflect increased awareness of the methods available to finance and implement non-subsidized lower income shelter programs.

3. Means of Verification

AID reports and inspection.

FCH reports.

Reports from local organizations sponsoring projects.

4. Assumption About Goal Achievement

- a. -Pocr people in developing countries have a strong desire to improve their shelter and general wellbeing and are willing to work toward this goal.
 - That low income families can afford non-subsidized housing if building standards are reduced and long term financing is available.
 - That long term mortgage financing will be made available from international or local sources.
- b. That other U.S. and local cooperative organizations will provide inputs of technical assistance as described in Rationale.
- c. That local governments and coops will direct local resources to this type of activity after completion of the projects.

B. Statement of Purpose:

1. Purpose

To develop a central capacity within FCH to plan, program, design, and evaluate low income self-help shelter projects which will improve the wellbeing, health and productivity of the "poorest majority."

2. End of Project Status

- a. Establishment of a permanent division within FCH's central office concerned with planning, programming, and developing comprehensive low income shelter projects.

- b. Increased capacity within local housing and cooperative institutions to carry out minimum shelter and community services activity.
- c. FCH to continue financing of the new division after termination of DPG through a) specific short term contracts for project development, and b) capitalization of costs of new division services to project costs.

3. Means of Verification

AID reports and inspection

FCH reports

Reports from local organizations sponsoring demonstration projects.

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4. Basic Assumptions for Achievement of Purpose

- a. That FCH is committed to a long range program of this type and that the new central division will provide a continuous service to FCH projects worldwide; injecting new techniques for reaching lower income levels.
- b. That local housing and cooperative organization will accept and modify the new concepts and techniques to fit local conditions.

C. Statement of Outputs:

1. Outputs

- a. New FCH division demonstrates competence in developing minimal or non-subsidized low income self help projects.
- b. New FCH division demonstrates ability to disseminate material and information to local organizations resulting in demonstration projects.

2. Output Indicators

- a. Formulation of definitions and criteria for projects.
Completion of reports, visual aids, manuals, and publications on new techniques.

- b. FCH conducts workshops on minimal or non-subsidized low income housing and provides technical assistance. Local organization accepts new concepts and develops demonstration projects. Financial institutions make commitments for projects. FCH prepared plans for demonstration projects with local sponsors.
- c. FCH assists local governments in planning and programming future projects under new policies.

3. Means of Verification

AID reports and inspection.

FCH reports.

Reports from local organizations sponsoring demonstration projects.

4. Assumptions for Achieving Outputs

- a. That FCH will acquire qualified staff to carry out the project.
- b. That local governments will be receptive to concept.
- c. That centralized "programming" can be done which will be useful in developing future projects in many countries, even though local conditions vary.

D. Inputs:

1. Inputs

- a. AID Development Program Grant funds to carry out the project.

FY 75	\$200,000
FY 76	200,000
FY 77	200,000

\$600,000

- b. Long term mortgage financing will be available from AID Housing Guaranty Program, World Bank, U.N. International Habitat and Human Settlements Foundation, or other international or local sources. Funds for on-site project operational costs of FCH and local organizations will be designed as part of project costs. Potential sources of funding for these costs include AID operational grants, as well as the above institutions.

2. Implementation Target

DPG	<u>FY 75</u>	<u>MM*</u>	<u>FY 76</u>	<u>MM</u>	<u>FY 77</u>	<u>MM</u>
	200	54	200	57	200	56

*Man Months

3. Means of Verification:

AID/W disbursement records, FCH fiscal reports.

4. Assumptions for Achieving Inputs

That funds for DPG and other program costs will be available within approved AID and/or other institutional budgets for FY 75 through 78.

E. Rationale

1. Background of Proposed DPG

The 1973 Foreign Assistance Act gave increased emphasis to programs reaching large numbers of low income families in the poorest countries. In Section 111, it encouraged the broader use of cooperatives in overseas development and called for greater involvement by private U.S. cooperative organizations in the foreign assistance program.

In August 1974 the Administrator of AID announced the availability of AID grant funding of private efforts to improve the "well-being of the poorest majority in the developing countries." Adequate shelter is one of the most basic elements in the wellbeing of an individual, and experience has shown that it rates a very high priority by the people themselves in developing countries. Most recently, LDC governments have increasingly recognized the relationship of adequate shelter to better health, higher productivity and a more stable family life.

Past efforts in this area have often treated housing as a separate element unrelated to the many other problems facing the poorest majority. So far, very few housing programs have reached the "poorest majority" living in the slum and squatter areas of most major cities throughout the world.

AID's Shelter Policy adopted in October 1974 (copy attached) makes it clear that housing and in particular shelter for families in the lower income sectors of developing countries is a major concern. As the principal

international source of funding for housing overseas, AID's Housing Investment Guaranty Program could be a logical source of funding for low cost shelter if LDC's could be convinced of the feasibility of using these resources for low income families.

It is the intention of the proposed grant to make it possible for FCH to assist AID and local organizations in the developing countries to identify, plan, and design low cost housing projects and programs. FCH is proposing that shelter be considered one element in a larger program involving inputs from other U.S. cooperative organizations to help meet the many needs of the poorest majority. Projects will be developed using a democratic cooperative framework emphasizing self-help techniques which allow poor people to solve their own social and economic problem with a minimum of outside help.

The shelter element in these projects would be developed by FCH and local organizations. Other U.S. and local cooperative organizations would provide help on production cooperatives, consumers cooperatives, health and family planning services, nutrition programs and other needs identified by the participants themselves. FCH will undertake the overall planning and programming necessary to incorporate these other resources into the project development and design.

Past efforts in the housing areas have been uncoordinated and geographically scattered. The new DPG would enable FCH to build into its administrative structure a planning and programming capacity that it now lacks. This would in turn lead to a greater concentration of effort on the development of viable projects to house the lower income sectors of LDC populations.

2. Background on FCH

The Foundation for Cooperative Housing (FCH), is a private, non-profit, non-political organization established in 1952 to provide technical services needed in the development of cooperative housing for low and moderate income families. It is one of the largest developers of non-profit housing projects consisting of more than 60,000 homes with a total mortgage value exceeding \$800 million. The permanent staff for the domestic program totals more than 200 not including local coop management and maintenance personnel. FCH handles the complete project from site selection through marketing, cooperative organization and management after project completion. Most FCH programs in the U.S. produce new homes in the low and moderate income range, although FCH also undertakes conversion of existing projects

to cooperative ownership and special projects such as self-help projects for migrant workers and rehabilitation of inner city apartments. In the United States, FCH operates on a non-profit basis charging a fee for its services which becomes part of the project development cost.

Overseas FCH has worked on a continuing basis since 1962 in more than 31 countries, mostly through cost-reimbursable contracts with AID. FCH has also worked with the InterAmerican Development Bank, the Organization of American States, the United Nations and local government housing authorities.

FCH overseas work has included the development of local cooperative housing institutions, local savings and loan organizations, cooperative housing demonstration projects, training programs in cooperatives and self-help housing, self-help housing projects in both urban and rural areas and emergency shelter programs for refugees and earthquake victims. On the basis of existing contracts FCH has an international staff of 24 professionals.

The present FCH international staff is, however, fully committed to project implementation under existing contracts and is not available for the centralized planning and programming function for the new activities described in this PROP. The purpose of the Development Program Grant is, therefore, to help FCH establish a new central office capability to plan, program, identify and evaluate low cost international housing programs providing very low income families with improved shelter and other services. Under the proposed DPG, FCH will establish a Planning and Programming Division responsible for the development of low income project design, implementation and evaluation criteria which will be used in project development activities worldwide.

3. Description of Activity:

In the past most housing programs have not been able to reach the very low income level, because the traditional approach to housing produces an end product which is too expensive. When subsidies are used to overcome this problem, the net effect is that a select few low income families benefit to the exclusion of the many. FCH would, therefore, re-examine existing financial techniques, uses of local construction materials, and approaches to cooperative self-help construction, in order to selectively apply the methodologies most likely to produce a unit which fits the

the economic capacity of poor families and is capable of being replicated on a large scale consistent with the limited national budgetary resources which LDC's can devote to housing.

An important aspect of the proposed program would be to take advantage of Housing Investment Guaranteed loans as the means of long term mortgage financing for these projects. FCH, under this grant, would identify the technical assistance to help the local housing authorities and AID to demonstrate that such low cost shelter can be built with the private unsubsidized funds that are available through the guaranty program.

FCH would carry out its planning and programming function developed under the DPG in close cooperation with the members of the Cooperative Resource Committee (CRC), which is made up of the major U.S. Cooperative organizations involved in overseas development. As a member of the CRC, FCH has participated in preliminary discussions for new efforts whereby several U.S. coop organizations would work together in a coordinated way to develop urban demonstration projects, using the cooperative approach to serve the many needs of low income families. This coordinated approach is proposed because it is becoming more and more obvious that in dealing with the lowest income families an effort must be made to improve job opportunities, health services, water and sanitary facilities along with an effort to improve their shelter. The FCH work under the proposed DPG would concentrate on the shelter aspects of the program. Other cooperative and non-coop organizations would bring in the other needed elements.

Consistent with AID's Shelter Sector Policy of October 1974, the proposed DPG is directed at providing improved shelter for the poor majority of LDC populations. Since the most pressing housing problems in LDC's are centered in the urban areas, FCH will focus on solutions to the urban as opposed to rural, i.e., small town and village housing problems. Provincial or secondary cities are included within the definition of urban areas.

FCH work under the DPG will involve the programming, planning, development, and evaluation of low cost housing projects as four interrelated activities. The FCH programming and planning effort will involve a search for a new combination of techniques to be used in selected developing countries to produce shelter and community services which poor families can afford. AID's Office of Housing will be responsible for project monitoring and administration.

The programming and planning work will concentrate on three areas, financing techniques, self-help construction methods, and multiservice cooperative systems.

a. Appropriate methods of financing shelter for low income families:

Projects utilizing innovative techniques and funded initially with AID housing guaranty money could lead to a redirection of some existing local resources in the future. There is also considerable potential for utilizing specialized systems of savings and credit for meeting shelter requirement of lower income families in many developing countries. Existing housing finance systems are often set up to serve upper and middle income families. The potential exists to restructure existing systems or create new systems specifically designed to provide savings and credit facilities for the lower income level. In this regard FCH would collaborate with the Credit Union National Association (CUNA) as well as with existing savings and loan organizations to develop adequate financial programs to accomplish this objective.

Efforts will also be made to evaluate the use of innovating approaches to finance shelter by using such tools as stepped payments, long term land leases, and smaller, shorter term loans for rapid turnover of funds. (For example, 15 year home improvement loans would allow a 100% turnover in a 30-year housing investment guaranty program.) Administrative mechanisms must be designed to reflect the realities of marginal group income and earning patterns.

b. New systems for self-help construction:

Throughout the world people are building their own houses without any help from local government or the organized construction industry. In city after city by far the largest number of homes constructed each year are constructed by their owner's self-help efforts. Much of this construction takes place in so-called "squatter" areas but a great deal takes place on lots purchased legally by the owners. Most governments look upon this process in a negative way and either attempt to stop the process or ignore it completely. However, in several developing countries local governments are beginning to recognize the positive aspects of this process and are looking for ways to encourage, plan and control it. Under the proposed DPG, FCH would examine the economic, technical and social aspects of developing integrated self-help construction systems which would provide labor, materials and financing for self-help housing programs. The system would involve production elements which could be locally produced and distributed, largely utilizing existing industrial plant and existing private suppliers augmented perhaps by cooperative institutions where this is necessary and feasible.

An alternative system might also be developed where each family could construct its own modules to expand its house over a period of years as its income permits. This approach to the construction aspects of low income shelter could be designed to serve scattered lots, throughout metropolitan areas for example. The system would have special application in many capital cities where open land for new low income projects is either non-existent or becoming far too expensive.

Housing Finance Analyst
Design and Construction Advisor
Cooperative Organization/Advisor

The DPG will also finance fulltime secretarial services and an Information and Training Specialist will devote approximately six man-months per year to the activity.

The Housing Finance Analyst, Housing Economist/Programmer, Design and Construction Advisor, and the Cooperative Organization Advisor will work as a four-man team throughout the life of the DPG project from identification and programming through project development and evaluation. This new FCH division is expected to continue its operation with other financing after DPG funds are expended. The Senior Level Policy and Planning Adviser will provide overall coordination and direction for the program, devoting six man-months to the activity each year. The Information and Training Specialist will assist in preparing material and conducting training for local government technicians and community organization leaders, and also prepare reports for publications for dissemination on the results of the activity.

5. Work Plan Outline

The work under the DPG will be developed in four overlapping phases covering a three year period. The project is phased over a three year period to allow 12 months for project planning and design, including negotiations with host governments, and 24 months for physical construction.

Phase I - Programming and Planning

During this phase the new FCH Division will assemble and review material available in Washington related to the planning and programming of three self-help shelter programs. The team will develop preliminary project proposals showing the application of; new techniques in financing shelter for very low income families, new methods for self-help construction and new approaches to community and project organization. This material will be presented to AID for review and discussions leading to identification of countries where construction of projects appears feasible.

The programming and planning activity will continue as an on-going function of the new FCH division producing reports, visual aids and workshops

material which can be used by FCH field men, USAID missions and local organization responsible for implementing housing projects overseas. The expected result would be to encourage increased emphasis on low income self-help shelter in several developing countries. The material produced by the FCH division should have a positive effect on locally funded housing projects and on future national housing policies.

Phase II - Survey Visits and Workshops

Upon approval by AID of the FCH Phase I report, FCH technicians will visit several countries identified under Phase I as having the potential for successful demonstration projects and where local interest in this type of activity has been demonstrated. The FCH team will work with USAID personnel, local government officials and local cooperative leaders to determine if the conditions exist for proceeding with the projects.

Phase III - Implementation of Projects and Dissemination of Technical Data

During Phase III the FCH technicians funded under the development program grant will provide backup services for on-site technicians funded from an operational grant or other sources. Actual project implementation will be the responsibility of local housing institutions and local cooperative organizations with technical assistance from FCH and other U.S. cooperative organizations.

During the implementation period the new FCH division will document project development, preparing case study reports which will be used for dissemination worldwide.

FCH will work closely with AID and such international organizations as IDB, OAS, World Bank, ICA (International Cooperative Association), United Nations Special Agencies, INTERVICO (Inter-American Cooperative Housing Organization), ICHDA (International Cooperative Housing Development Agency) and the Cooperative Resource Committee in disseminating information on the new program using published reports, visual aids and workshops.

Phase IV - Evaluation and Publication

An important part of this activity will be a "built-in" evaluation system which will measure both "tangible" and "intangible" effects. The

cost and quality of the shelter construction will be compared to other local efforts through base-line studies which will be prepared during Phase III and updated on a regular basis. Similar baseline studies will be prepared to measure the intangible "social" aspects and the economic progress of individual families and communities. The results will be published in "how to do it" form for wide dissemination.

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Annexes

1. Tentative Schedule
2. Estimated Budgets
3. Shelter Program Objectives

PHASE 1

PROGRAMMING & PLANNING

PHASE 2

SURVEYS & WORKSHOPS

PHASE 3

IMPLEMENTATION &
DATA DISSEMINATION

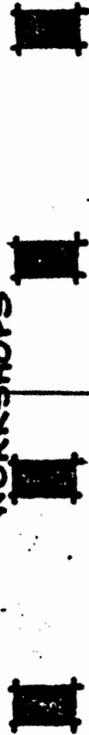
PHASE 4

EVALUATION &
PUBLICATION

SURVEYS



WORKSHOPS



DATA DISSEMINATION

PROJECT 1

PROJECT 2

PROJECT 3

BASE LINE STUDIES

EVALUATION

Development Assistance
 Grant
 Proposed Budget - April 1, 1975
 thru June 30, 1976 (15 months)

I.	<u>Salaries</u>	<u>MM</u>	
	Sr. Policy Planning Advisor	8	\$ 24,000
	Construction Specialist	12	25,000
	Finance/Adms. Specialist	15	31,250
	Secretary	15	12,500
	Information & Training	<u>6</u>	<u>9,000</u>
		56	\$ 101,750
II.	<u>Indirect Costs (60% of Salaries)</u>		61,050
III.	<u>Travel and Transportation</u>		10,000
IV.	<u>Allowances</u>		
	Per Diem - 300 days at \$30/day average		9,000
V.	<u>Other Direct Costs</u>		
	Rent		\$ 9,375
	Phones and Cables		2,000
	Temporary Help		3,125
	Printing of Reports		1,700
	Misc.		<u>2,000</u>
			18,200
	Total.....		<u>\$ 200,000</u>

Development Assistance Grant
Proposed Budget
July 1, 1976 thru June 30, 1977
(12 months)

I.	<u>Salaries</u>	<u>MM</u>	
	Senior Policy Planning Advisor	6	\$ 18,000
	Construction Specialist	12	26,250
	Finance/Admin. Spec.	12	26,250
	Housing Economist	6	11,000
	Secretary	12	10,500
	Information & Training	6	9,000
		<u>54</u>	<u>\$ 101,000</u>
II.	<u>Indirect Costs (60% of Salaries)</u>		60,600
III.	<u>Travel and Transportation</u>		14,000
IV.	<u>Allowances</u>		
	Per Diem - 330 days at \$30/day average		9,900
V.	<u>Other Direct Costs</u>		
	Rent		\$ 7,500
	Phones and Cables		1,500
	Temporary Secretarial help		2,500
	Printing of Reports, visual aid, etc.		2,000
	Misc.		<u>1,000</u>
			<u>14,500</u>
			<u>\$ 200,000</u>

Development Assistance Grant
 Proposed Budget
 July 1, 1977 through June 30, 1978
 (12 months)

I.	<u>Salaries</u>	<u>MM</u>	
	Sr. Policy Planning Advisor	6	\$ 18,000
	Construction Specialist	6	13,780
	Finance/Admin.	6	13,780
	Housing Economist	9	17,325
	Coop Org./Comm. Devel Spec	12	22,000
	Secretary	12	11,000
	Information & Training	6	<u>9,000</u>
		57	\$ 104,885
II.	<u>Indirect Costs (60% of Salaries)</u>		62,931
III.	<u>Travel and Transportation</u>		10,000
IV.	<u>Allowances</u>		
	Per Diem - 300 days at \$30/day average		9,000
V.	<u>Other Direct Costs</u>		
	Rent		\$ 7,500
	Phones and Cables		1,500
	Temp. Sec. help		1,000
	Printing of Reports, Visual aids, etc.		2,648
	Misc.		<u>500</u>
			<u>13,184</u>
			TOTAL \$ 200,000

SHELTER PROGRAM OBJECTIVES

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

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

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

Address questions about this Policy Determination to SER/H.

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

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

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

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

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

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

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

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

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

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

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

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

COOPERATION WITH OTHER ORGANIZATIONS

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

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

PROGRAMMING SHELTER ACTIVITIES

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

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

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

- Enhance the effectiveness of housing guaranty funds in reaching low income families.
- Enable technical advisory services to help LDC governments formulate national housing policies that respond to the needs of low income families.
- Assist in the design of projects that will directly finance low-cost housing.

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

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

COUNTRY ELIGIBILITY FOR HOUSING GUARANTY LOANS

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

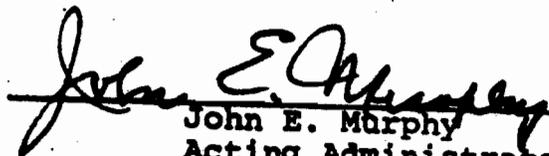
A prerequisite for authority to begin negotiation of a housing guaranty loan is a determination by the country Mission (or Embassy) and the region concerned that the housing guaranty loan will contribute to social and developmental objectives of the borrower. This determination should be obtained at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

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

PD-55 (Revised)
October 22, 1974(TL 30:6)

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



John E. Murphy
Acting Administrator

10/22/74
Date

NARRATIVE SUMMARY

Program or Sector Goal: The broader objective to which this project contributes:

- a. The goal of the program is to assist LDC governments to develop continuing programs to provide shelter for the poorest majority in developing countries through LDC housing policy shifts from paternalistic, subsidized low income housing programs to self-help shelter programs utilizing minimal or no subsidies. This goal will be achieved by:
 - a. Demonstrating that shelter can be afforded by low income families without the necessity for large subsidies.
 - b. Strengthening local housing and cooperative organizations enabling them to implement this type of project on a continuing basis.
 - c. Provision of long term mortgage financing to homeowners from local housing finance institutions.

Project Purpose:

To develop a central capacity within FCH to plan, program, design, and evaluate low income self-help shelter projects which will improve the well-being, health and productivity of the poorest majority.

OBJECTIVELY VERIFIABLE INDICATORS

Measures of Goal Achievement:

- a. Three projects should be underway in the second year of the grant period providing improved shelter for approximately 1000 to 2000 low income families.
- b. Establishment of multi-service community organizations within the projects to provide community services (identified by the residents) to help in such areas as access to credit, job availability, health services, family planning and better nutrition.
- c. After completion of successful projects, local policy changes should occur which reflect increased awareness of the methods available to finance and implement non-subsidized lower income shelter programs.

Conditions that will indicate purpose has been achieved: End of project status.

- a. Establishment of a permanent division within FCH's central office concerned with planning, programming, and developing low income shelter projects.
- b. Increased capacity within local housing and cooperative institutions to carry out minimum shelter and community services activity.
- c. FCH to continue financing of the new division after termination of DFG through a) specific short term contracts for project development, and b) capitalization of costs of new division services to project costs.

Outputs:

- a. New FCH division demonstrates competence in developing minimal or non-subsidized low income self-help projects.
- b. New FCH division demonstrates ability to disseminate material and information to local organizations resulting in demonstration projects.

Magnitude of Outputs:

- a. Formulation of definitions and criteria for projects. Completion of reports, visual aids, manuals, and publications on new techniques.
- b. FCH conducts workshops on minimal or non-subsidized low income housing provides technical assistance. Local organizations accept new concepts and develop demonstration projects. Financial institutions make commitments for projects. FCH prepared plans for demonstration projects with local sponsors.
- c. FCH assists local governments in planning and programming future projects under new policies.

Implementation Target (Type and Quantity)

Implementation Target	
DFG	FT 75 MM FT 76 MM FT 77 MM
200	54 200 57 200 56

* Man Months

Inputs:

- a. AID development program grant funds to carry out the project.
 - FY 75 \$200,000
 - FY 76 200,000
 - FY 77 200,000

b. Long term mortgage financing will be available from AID Housing Guaranty Program, World Bank, U.M., International Habitat and Human Settlements Foundation, or other international or local sources. Funds for on-site project operational costs of FCH and local organizations will be designed as part of project costs. Potential sources of funding for these costs include AID operational grants, as well as the above institutions.

MEANS OF VERIFICATION

Assumptions for achieving goal targets:

- a. AID reports and inspection.
- b. FCH reports
- c. Reports from local organizations sponsoring projects.

- a. -Poor people in developing countries have a strong desire to improve their shelter and general wellbeing and are willing to work toward this goal.
- That low income families can afford non-subsidized housing if building standards are reduced and long term financing is available.
- That long term mortgage financing will be made available from international or local sources.
- b. That other U.S. and local cooperative organizations will provide inputs of technical assistance as described in Rationale.
- c. That local governments and coops will direct local resources to this type of activity after completion of the projects.

AID reports and inspection

- a. FCH Reports
- b. Reports from local organizations sponsoring demonstration projects.
- c. PAR

- a. That FCH is committed to a long range program of this type and that the new central division will provide a continuous service to FCH projects worldwide; injecting new techniques for reaching lower income levels.
- b. That local housing and cooperative organizations will accept and modify the new concepts and techniques to fit local conditions.

AID reports and inspection

- a. FCH Reports
- b. Reports from local organizations sponsoring demonstration projects.

- a. That FCH will acquire qualified staff to carry out the project.
- b. That local governments will be receptive to concept.
- c. That centralized "programming" can be done which will be useful in developing future projects in many countries, even though local conditions vary.

AID/W Disbursement records, FCH fiscal reports.

That funds for DFG and other program costs will be available with approved AID and/or other institutional budgets for FY 75 through 78.