1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: RHUDO/Central America
Mission or AID/W Office USAID/Honduras
(ES# ESFY90-3)

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?
Yes [ ] Slipped [X] Ad Hoc [ ]
Evaluation Plan Submission Date: FY 90 Q 2

C. Evaluation Timing
Interim [XX] Final [ ]
Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
522-HG-008	Shelter for Urban Poor II	87	N/A	35,000	25,000
522-0324	Shelter Sector Program	87	3/91	1,600	1,600

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Develop basic infrastructure maintenance manuals and provide training to the technical staffs of the Programs' 7 municipalities on the proper implementation of infrastructure maintenance systems as the basis for sustainable cost recovery.	Ronald Carlson	10/31/91
2. Evaluate the strategies by which the commercial private sector in San Pedro Sula has participated in the Program.	Ronald Carlson	To be determined after sufficient implementation has taken place.

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) (Day) (Year)

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Ronald A. Carlson		Carmen Zambrana Donald Soules	John Sanbrailo
Signature	Ronald A. Carlson	N/A	Donald Soules	John Sanbrailo
Date	7/31/90			

H. Evaluation Abstract (Do not exceed the space provided)

The overall goal of the Program is to improve the shelter conditions of low income families. This will be achieved by improving the institutional capacity of the private sector and municipal governments to enhance the availability of housing and infrastructure services for low-income families.

The Program intends that both the central and municipal governments in Honduras act as facilitators of housing and urban development activities by enacting effective policies aimed at creating an environment in which the formal private sector, informal sector, and individuals can be mobilized to address Honduras' shelter and urban development problems. The Program is being implemented by national housing finance institutions and seven municipal governments. This progress evaluation (9/87-2/90) was conducted on the basis of a review of project documents, interviews and observational visits to all participating cities and national institutions, and interviews with project personnel. The purpose of the evaluation was to examine the progress of the Housing Guaranty (HG) Program and the complementary technical assistance with the original goals and objectives. The major finding is that the Program is fundamentally sound, on its way to meeting some of its physical output targets, and is supporting significant policy changes. Other findings and conclusions:

* Over 12,000 low-income families have been provided with water and sewerage services or mortgages for new housing; nearly 20,000 families will soon benefit from projects in process; an estimated 3,000 families will benefit from projects not yet started.
* Water, sewerage, and street paving projects have contributed to home improvements, increased earnings, increased land and home values, job creation, improved sanitary conditions, and the formation of neighborhood groups.
* Policy changes to promote the participation of the private sector in urban development process have taken place in one major city, and is beginning to take place in another.
* Macroeconomic realities constrain domestic resource mobilization and affect disbursements and consequently project execution.
* Local government autonomy is vital for municipal progress.
* NGOs are the most viable intermediaries for reaching low-income households.
* The home improvement portion of the program has not been effective.

The evaluators noted the following major lessons learned:

* In spite of a series of management deficiencies, municipalities have demonstrated that they have a potential for implementing urban upgrading projects and that technical assistance and training to municipal governments should be strengthened.
* The private sector has participated in the Program. The successful strategies to motivate their participation especially in the San Pedro Sula model should be understood and promoted.
* The informal sector's involvement in the shelter delivery process needs to be encouraged

COSTS

I. Evaluation Costs

1. Evaluation Team

Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
John D. Miller	ABT Associates	IQC PDC-1008-I 00-9066-00 Delivery Order No. 2	$61,498	522-0324
Milagros Nanita Kennett	ABT Associates			
Randolph S' Lintz	ABT Associates			

2. Mission/Office Professional Staff Person-Days (Estimate) 12

3. Borrower/Grantee Professional Staff Person-Days (Estimate) 20

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:
- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
RHUDO/Central America USAID/Honduras	May, 1990	Honduras: Progress Evaluation of the Shelter for the Urban Poor II Program. April 1990

1. Evaluation Purpose and Methodology: The purpose of this evaluation was to assess the implementation to date of the Housing Guaranty Program 522-HG-008 and the complementary technical assistance grant 522-0324 in comparison to the goals and objectives of the Project Paper Amendment, the Grant Agreement and the Implementation Agreement and to recommend, if necessary, appropriate adjustments. The evaluation included an analysis of the Program's success in meeting the long-term goal of improving the shelter conditions (access to housing and urban services) of low-income families through the assessment of the Housing Finance, Urban Development and Technical Assistance Components of the Project.

Prior to arrival in Honduras, the evaluation team reviewed the Project Paper, the Implementation Agreement, the Grant Agreement, and AID guidance for undertaking evaluations. The team met with the Regional Housing and Urban Development Office (RHUDO) and Mission staff and reviewed project files and documents. The team prepared a series of questions to serve as guidance for the nearly 50 meetings held throughout the country. The team visited all seven of the participating cities, meeting in each with the Mayor and responsible project implementation officials, as well as in some cities with representatives of the private sector, which are important participants in the projects. The team visited project sites, discussing project impacts with neighborhood residents, small business people, and community organization representatives.

2. Background and Program Purpose: The need for housing and services that is affordable by low-income families in Honduras is enormous -- for minimum shelter, potable water, sanitary sewerage systems, credit for home improvements, security of tenure, etc. These well documented problems have led AID to provide assistance largely designed to maximize the production of housing by channeling resources through national, predominantly public, institutions. The lessons learned from these programs were that the public sector is not an efficient or cost-effective producer of housing nor that such programs can lead to self-sustaining systems.

The Urban Poor II and Shelter Sector Program, intends that both the central and municipal governments in Honduras act as facilitators of housing and urban development activities by enacting effective policies aimed at creating a conducive environment in which the formal private sector, informal sector, and individuals can be mobilized to address Honduras' shelter and urban development problems.

The long-term goal of the Program is to improve the shelter conditions of low-income families in Honduras. That goal would be met if the project purpose could be achieved to improve the institutional capacity of the private sector and municipal governments to enhance the availability of housing and infrastructure services for low-income families.

The Urban Poor II and Shelter Sector Program is financed by a $35 million HG loan which channels resources for housing finance and urban development activities to benefit over 30,000 families with incomes below the median, and a $1.6 million technical assistance and training grant in support of those activities. The Government of Honduras (GOH) is providing L15 million ($7.5 million) for the loan component and L.1.066 million ($533,000) for the technical assistance component of this program from local currency generated with Economic Support Fund assistance. The current PACD is March 1991.

3. Findings and Conclusions: The Urban Poor II and Shelter Sector Program is fundamentally sound, on its way to meeting many of its physical output targets, and supporting important new policy changes. Nearly 9,500 low-income families have been provided with water and sewerage systems and over 2,500 families with mortgages for new housing; nearly 20,000 families will soon benefit from projects in process; an estimated 3,000 families will benefit from projects not yet started. The home improvement portion of the shelter component is dormant. Major policy changes to promote the participation of the private sector in urban development have taken place in San Pedro Sula and to a lesser degree in La Ceiba. This demonstrates that the private sector is willing to participate in the urban development process given the appropriate policy environment.

Macroeconomic realities constrain domestic resource mobilization and affect disbursements and consequently project execution.

Public sector participation in the housing finance component of the Program has reached the limit set forth in the Implementation Agreement.

The participating cities differ in size and urban functions, in political leadership, in community attitudes, in technical capability, in human resources, in financial resources, and historical patterns of growth. Most Honduran municipalities suffer from limited authority, inflated bureaucracies, lack of resources, ineffective management capabilities, and heavy dependence on centralized government. In spite of these constraints, Municipalities have demonstrated that they have the potential for carrying out urban upgrading projects for their constituents.

Local government autonomy is vital for municipal progress. The evidence is quite clear that where local government has controlled the resources, that is, where it has raised and spent money, the likelihood of effective service delivery is high. The proposed municipal development law will be important to improve effectiveness of urban management by local governments.

Urban Poor II subprojects incorporate limited cost recovery targets or formal mechanisms for the recovery of costs over future years. The source of financing of off-site infrastructure in Urban Poor II subprojects has varied from the municipality itself, other donors, and the AID financed Employment Generation Project. There is no evidence that Municipalities (with the exception of San Pedro Sula) are prepared for the maintenance of their water and sewerage systems.

The private sector will participate in urban service delivery. The San Pedro Sula model is significant. A private investor has decided to take risks as long as the public sector provides a suitable framework -- in this case a modification of land use standards and the provision of several in-kind contributions that make the project viable.

Non Government Organizations (NGOs) are the most viable intermediaries for reaching low-income households. Although NGOs can now technically link formal sources of credit to their informal sector clientele, the Central Bank's Housing Fund (FOVI) insistence on the use of mortgages as loan guarantees is a major obstacle to greater NGO involvement in shelter production and finance.

Long-term technical assistance is balanced between project implementation and specific technical and management assistance. The short-term technical assistance provided by the Municipal Bank's (BANMA) Technical Assistance Unit has generally not been effective. Technical assistance from one Honduran operating agency to another is an effective mechanism.

Based on beneficiary interviews and project records, water, sewerage, and street paving projects have: a) contributed to increased earnings for small and informal businesses; b) increased land and home values; c) encouraged many residents to make improvements to their homes; d) provided construction jobs for residents (nearly 350,000 person days of employment have been generated both by completed projects and projects in process); 3) improved environmental and sanitary conditions; and, f) encouraged the formation of groups for neighborhood improvement projects.

The Urban Poor II Program succeeded in enlisting Savings and Loan Association participation in the quantitative production and financing of shelter solutions affordable to lower income groups largely because these private institutions served as a conduit through which to channel external savings into housing investment.

The amount of mortgage credit available in Honduras in only a fraction of what is required. Although established to serve as the country's primary source of housing finance, the savings and loan system's fundamental weakness is its inability to mobilize long-term savings to match with long-term mortgages. FOVI operates as a successful, albeit limited, second-tier lender of the housing finance system.

The home improvement portion of the Program has not been effective.

4. **Principal Recommendations:** Technical assistance and training to municipal governments should be strengthened. Effective local government agencies, like the Water Authority (DIMA) and Urban Development Unit (UMVIDE) in San Pedro Sula, should be enlisted to provide assistance to other municipalities. The successful strategies by which the commercial private sector has participated in the program should be understood and promoted. The involvement of community based organizations, cooperatives, and the informal sector in urban development programs should be developed.

A complete list of recommendations and Mission's response, is attached to this Evaluation Summary.

5. **Lessons Learned:** In spite of a series of management deficiencies, municipalities have demonstrated that they have a potential for implementing urban upgrading projects and that technical assistance and training to municipal governments should be strengthened.

The private sector has responded and demonstrated interest by participating in the development of shelter solutions for low-income families. The successful strategies to motivate their participation through the San Pedro Sula model should be understood and promoted.

The informal sector's involvement in the shelter delivery process indicates the potential for opportunities and thus needs to be encouraged.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Attachment A: Basic Project Identification Data
Attachment B: Complete List of Recommendations
Attachment C: Final Evaluation Report titled: Honduras, Progress Evaluation of the Shelter for the Urban Poor II Program (522-HG-008; 522-0324).

Note: Evaluation Report was submitted to AID/W on June 11, 1990.

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

1. RHUDO/Central America believes that this evaluation was effectively carried out. It reaffirmed the actions being taken by the Mission to address the serious shelter and urban development deficiencies existent in Honduras. This project has led to the development of the Municipal Development Project (522-0340) and the amendment to the companion grant (522-0324 Shelter Sector Program) expanding the shelter sector efforts to address the shelter needs in Honduras through access to urbanized land by inhabitants of the informal sector. The amendment would represent an extension of the current 3/31/91 PACD.

2. The Lessons Learned section of the evaluation report could have been strengthened so as to be understandable to a larger target audience outside project implementors.

ATTACHMENT A: BASIC PROJECT IDENTIFICATION DATA

1. Country: Honduras

2. Project Title: Shelter for the Urban Poor II, Shelter Sector Program

3. Project Number: 522-HG-008 and 522-0324

4. Project Dates:

a)	First Project Agreement:	HG Implementation Agreement	12/30/86
		Grant Agreement	7/31/87
b)	Final Obligation Date:	FY91	
c)	Most recent Project Assistance Completion Date (PACD):		3/31/91

5. Project Funding:

a)	Housing Guaranty Loan	US$ 35,000,000
b)	Grant	US$ 1,600,000
c)	Host Country Counterpart Funds	US$ 8,033,000
	Total	US$ 44,633,000

6. Mode of Implementation:

a) Ministry of Finance and Public Credit (MHCP).
b) National Housing Fund (FOVI).
c) Seven Municipalities (San Pedro Sula, Tegucigalpa, La Ceiba, Choluteca, Tela, Siguatepeque and Comayagua).
d) A.I.D. Personal Services Contractors
e) Consultores Financieros Internacionales, S.A. (COFINSA)
f) Municipal Development Bank (BANMA)

7. Project Designers:

a) Lee Roussel
b) Joseph Lombardo
c) Sigifredo Ramírez
d) Janet Kerly
e) Daniel Coleman
f) Randolph Lintz

8. Responsible Mission Officials:

a) Mission Directors:
- Anthony Cauterucci - 1984-1986
- John A. Sanbrailo - 1986 to date

b) Project Officers:
- Lee Roussel - 1984-1985
- Joseph Lombardo - 1985-1987
- Sarah Wines - 1988-1989
- Ronald A. Carlson - 1989 to date

9. Previous Evaluation: None

ATTACHMENT B: SUMMARY OF EVALUATION RECOMMENDATIONS AND MISSION RESPONSE

RECOMMENDATION	RESPONSE
1. Technical assistance and training to municipal governments should be strengthened.	This will be done through the Municipal Development Project 522-0340 scheduled to start FY90.
2. The successful strategies by which the commercial private sector has participated in the program should be understood and promoted.	Action No. 2 of this Evaluation Summary.
3. The involvement of community based organizations, cooperatives, and the informal sector in urban development programs should be encouraged.	This is an integral component of the Municipal Development Project 522-0340 and will also be addressed in the Amendment to the Shelter Sector Grant 522-0324.
4. Alternative loan guarantees for NGO lenders should be developed.	This will be addressed in the Amendment to the Shelter Sector Grant 522-0324.
5. AID should consider reallocating resources intended for the home improvement component to the financing of urbanized lots.	Completed. Resources have already been reallocated to the San Pedro Sula urban development activities.
6. Off-site infrastructure is integral to the execution of improvement projects and should be planned and programmed accordingly.	This is being incorporated into the Municipal Development 522-0340.
7. Recurrent maintenance requirements must be accounted for in project cost recovery.	Action No. 1 of this Evaluation Summary.
8. The most effective of the various cost recovery strategies used by municipalities should be understood and promoted.	This issue is already being analyzed by COFINSA and the BANMA Technical Assistance Unit.
9. The identification of project beneficiaries and their relation to the target group requires continued monitoring.	In accordance with Housing Guaranty programs this issue is continuously monitored.
10. Technical coordination among implementing institutions should be promoted.	This will continue under the current Program, and will also be addressed in the Municipal Development Project 522-0340.