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**Final Evaluation Report on CHF's  
Innovative Approach to Housing Delivery for the  
Informal Sector through Housing Cooperatives in South America Project  
Cooperative Agreement No. FAO-055-A-00-3055-00**

The Cooperative Housing Foundation's (CHF) Innovative Approach to Housing Delivery for the Informal Sector through Housing Cooperatives in South America Project was funded by Cooperative Agreement No. FAO-055-A-00-3055-00. The project began on 31 August 1993 and ended on 31 August 1995. The total funding for this innovative project was \$445,000 and was provided by three sources: USAID's Bureau for Humanitarian Responses/Private and Voluntary Cooperation (BHR/PVC), \$245,000; USAID Ecuador, \$100,000; and USAID's Regional Housing and Urban Development Office for South America (RHUDO/SA), \$50,000.

CHF assigned two regional representatives to work on the project: one was assigned to work in Asuncion, Paraguay, and the other in Quito, Ecuador.

This final evaluation report follows the outline sent forth in the Cooperative Agreement for the project.

**1. Summarization of Project's Accomplishments**

**A. Project Goal:** The goal of the project was to "improve the availability and quality of housing for low-income families throughout South America". CHF was able to show significant progress toward meeting the goal in Ecuador and Paraguay where CHF's established regional offices to implement the project.

**B. Project Objective:** The objective or purpose of the project was to "strengthen and/or establish private sector oriented cooperative housing delivery systems in South America with emphasis on the countries of Ecuador, Paraguay, Bolivia, Peru, and Chile through the systematic and sustainable development of national and local structures and systems".

The objective or purpose of the project was successfully met in Paraguay and Ecuador, the two countries in which CHF established its regional offices for the project. CHF visited Bolivia and Colombia as part of an evaluation of PLAN International's housing program in that country. CHF visited Uruguay to investigate the possibility of a home improvement program with cooperatives and the U.S. Peace Corps. CHF did not have the opportunity to visit Peru or Chile under the project.

**C. Accomplishments:** CHF's accomplishments in meeting the project objectives in the countries in which we worked is described below.

#### **D. Paraguay**

CHF identified and assisted a local private sector cooperative housing technical service organization (TSO), the National Cooperative Central (CREDICOOP). CHF signed a Memorandum of Understanding (MOU) with CREDICOOP to help it to establish an institutional capacity to function as a TSO for the cooperative sector and assist numerous of its member cooperatives to plan, implement, and administer housing loans through a home improvement loan program.

CREDICOOP, with the help of CHF and US Peace Corps, implemented a home improvement loan program for its affiliated cooperatives. The funding for home improvement loan program was provided by the Government of Paraguay's (GOP) National Housing Council (CONAVI) which provided a loan to CREDICOOP to on-lend to its members. Twenty-five cooperatives, credit unions, received some form of training in the home improvement loan program, and 20 participated in it. Approximately 200 board members and staff of the participating credit unions were trained in loan qualification, loan disbursement, loan-follow-up, accounting systems, recuperation techniques, housing finance options, and home improvement plan and budget preparation.

CHF developed project materials and a program procedural manual, in Spanish and English (an English copy of the manual is attached), and assisted CREDICOOP design and implement appropriate financial computer programs to track disbursements and repayment schedules.

It is also worth pointing out that the average monthly income of the credit unions members participating in the project was 1.81 minimum wage units or about \$350. CONAVI qualifies social interest housing to be for families with less than 2 minimum wage units per month of income or \$388. The CREDICOOP home improvement initiative clearly supported families with incomes below the income criteria established by CONAVI, assisting the low income families which were the target group of program.

A summary of the different activities carried out under the Cooperative Agreement are listed below. The chart also compared the total proposed outputs to the actual outputs achieved.

<b>Activity</b>	<b>Proposed Output</b>	<b>Output Achieved</b>
TSO assisted and/or established	1	1
Cooperative Board Members & Staff Trained	150	195
Sign Memorandum of Understanding with TSO	1	1

Housing Loans to cooperative members to acquire better living conditions	375	280
Total number of people benefited	1,750	1,386
Total Loan Amount Disbursed	US\$ 655,000	US\$ 526,100
Avg. Loan Amount	US\$ 1,700	US\$ 1,850

It should be noted that CREDICOOP and its affiliated cooperatives have do not have any delinquency with their loan repayments to CONAVI.

The program has been so successful that the cooperative sector was included, for the first time, in the national housing delivery system. When the national housing policy was changed recently to include a direct housing subsidy model, the cooperative sector was invited by the GOP to participate in it. CREDICOOP, with CHF's help, has qualified as an intermediate financial institution and signed the necessary registration agreements to be able to participate in the new national housing program, along with some of its member cooperatives.

Due to the success of CREDICOOP's home improvement loan program, part of the funding from a proposed USAID Housing Guaranty (HG) loan to Paraguay will be destined to finance home improvement projects through the cooperative sector. CHF was actively involved in the development and design of the HG proposal which also would finance urban environmental infrastructure project.

CHF also provided training assistance to Peace Corps/Paraguay. Many of the cooperatives which participated in the home improvement loan program had Peace Corps Volunteers assigned to them. These Volunteers provided on-site training and support to the cooperatives. CHF supported the Peace Corps in the following ways:

- Coordinated the training activities of the new Volunteers working with the project,
- Proposed sites for Volunteer assignments,
- Provided on-going support and guidance to Volunteers working with participating cooperatives, and
- Developed and disseminated materials in both English and Spanish for Peace Corps training purposes.

Additionally, CHF actively supported the RHUDO/SA office in the development of a HG Loan for Paraguay. CHF carried out much of research for the loan program and assisted in the program's design. The HG has been incorporation in the Action Plans for both USAID Paraguay and RHUDO/SA. The HG project paper is in its final draft and should be presented for approval during FY 96.

Overall, the project met the planned accomplishments in Paraguay. The total number of cooperative members benefitted by home improvement loans was slightly below expectations, but this was due to the change in the national housing finance systems by CONAVI. Since the cooperative system will continue to participate in the national housing delivery system, many more cooperative members will receive assistance in obtaining adequate, affordable shelter.

One area in which assistance was proposed but that CHF was unable to carry it out, was in the identification and assistance to a housing cooperative. Unfortunately, Paraguay only has five housing cooperatives registered, all of which are inactive or at extremely low levels in their institutional development. Because of the lack of an active housing cooperative and the lack of resources to fund a cooperative housing project, it was decided that CHF would concentrate on the CREDICOOP home improvement initiative.

U.S. Peace Corps Volunteers (PCVs) played very important roles in the project. Volunteers were assigned to help some of the credit unions in the promotion and implementation of the home improvement program and CREDICOOP in the implementation and administration of the program. CHF trained approximately 17 PCVs who participated in the program. The work of the PCVs helped make the program a success.

#### **E. Ecuador**

In Ecuador, the project assisted the Ecuadorian Housing Bank (BEV) in the development and promotion of its Housing Refinance Program (HRP), which is funded by an USAID HG loan. Under the program, the BEV purchased existing loan portfolios from financial institutions, and the financial institutions used the new funds to finance more housing loans for low-income families.

CHF held regular meetings with the managers of the Housing Refinance Unit (URH) of the BEV to prepare and revise the parameters and procedures for the HRP. CHF was the main source of information to interested financial institutions about the HRP and made presentations about the program to over 35 different financial institutions, including credit unions, housing cooperatives, savings and loan associations, and commercial banks. CHF participated with RHUDO/SA on several program evaluations.

The project enabled cooperative credit unions to participate actively in the formal housing delivery system in Ecuador, for the first time. By working with the BEV's HRP, credit unions were able to refinance their housing loan portfolios and offer home improvement credit to qualifying members. Overall ten private sector financial institutions participated in the program, six of them credit unions that received CHF's assistance in the promotion, implementation, and administration of the home improvement loans to their members. At the end of the project, four more credit unions that CHF had been helping over the past year had been qualified to participate in the HRP and were waiting for the URH/BEV to refinance their housing loan portfolios.

The following table lists the ten credit unions that have received extensive assistance from CHF, the amount of their commitment agreement signed with the URH/BEV, and the number of new housing solutions financed

<b>Credit Union</b>	<b>Commitment Agreement (approx. value in dollars)</b>	<b>Solutions</b>
<i>Pablo Muñoz Vega</i>	\$330,000	426
<i>San Francisco</i>	\$300,000	89
<i>23 de Julio</i>	\$625,000	430
<i>Carchi</i>	\$165,000	64
<i>Riobamba</i>	\$625,000	
<i>Progreso</i>	\$625,000	
<i>OSCUS</i>	\$625,000	
<i>8 de Septiembre</i>	\$1,450,000	
<i>Cotacollao</i>	\$1,450,000	
<i>La Merced</i>	\$300,000	
<b><u>TOTALS</u></b>	<b><u>\$6,495,000</u></b>	<b><u>1,009</u></b>

The commitment agreement values are reflections on the amount of interest in the HRP on part of the credit unions, the demand these institutions estimate from their members, and the quality of each institution. As this table clearly indicates there is a lot of demand and unrealized potential for bringing housing solutions to moderate income families.

CHF presented the program to 30 credit unions and helped implement the program in ten. The areas that CHF performed training and the estimated number of people trained are as follows:

<b>Area of Training</b>	<b>Credit Union Executives*</b>	<b>Credit Union Employees</b>
<i>General Program</i>	80	250
<i>Constant Value Unit (UVC)</i>	80	250
<i>Credit Management with UVCs</i>	80	250
<i>Legal Requirements</i>	40	--

<i>Accounting with UVCs</i>	5	20
<i>Financial Analysis w/ UVCs</i>	10	40

\* Includes board of administration, executive committees, and top management.

**Note:** Because the program was constantly undergoing modifications by the BEV, many of the credit union executives and employees listed above had to be re-oriented several times on the above terms.

Although CHF performed most of the above training on an individual credit union basis, nine workshops were held where three or more credit unions attended. The topics of these workshops varied from accounting and financial analysis to coordination meetings to present program modifications. CHF and Peace Corps prepared a guide to the HRP that was distributed to the participating credit unions as well as to the URH/REV and RHUDO/SA.

As an additional part of CHF technical assistance to credit unions in Ecuador, five medium sized credit unions were given financial advice and measures that they should undertake to improve their situation. Although several considered participating in the HRP and one was even qualified for participation, it was decided that it would be better if these credit unions did not participate given their current financial status.

The project helped strengthen the housing cooperative movement by helping to establish a federation for housing cooperatives. Housing cooperatives, unfortunately, were unable to qualify as financial institutions under the HRP. CHF did advise nine housing cooperatives as to which credit unions were participating in the program and gave them recommendations on how to approach these institutions to receive financing for their housing projects. At the same time, CHF advised the credit unions participating in the program as to the advantages and disadvantages of working with housing cooperatives. As of the end of the Cooperative Agreement, one housing cooperative had received financing from a credit union for its project.

CHF was unable to identify a TSO to develop a capacity to assist credit unions and housing cooperatives to work with and access the BEV's Housing Refinance Program. Initially, it was thought that the Federation of Credit Unions of Ecuador (FECOAC) would be an appropriate organization in which to create a TSO capability. This did not happen because of the BEV and FECOAC being unable to reach an agreement on the fee to be received by the latter for its role in the HRP. CHF did hire and train a local professional, and she was, at the end of the project, being contacted by various credit unions seeking her assistance in the HRP.

CHF provided regional assistance through a Memorandum of Understanding (MOU) signed with PLAN International and RHUDO/SA to visit, review, and make recommendations to PLAN's housing programs in Ecuador, Bolivia, and Colombia. A CHF-RHUDO/SA team visited nine PLAN field projects in these three countries and developed a list of housing policy recommendations for PLAN. These recommendations were presented by the CHF-RHUDO/SA

evaluation team at a PLAN International Regional Housing Conference on May 17 and 18 held in Quito, Ecuador. The two-day conference was attended by 15 PLAN Field Managers from Bolivia, Colombia, Ecuador, and Peru; 3 Regional Office executives; and one executive from PLAN's International Headquarters in London, England. As a result of the conference, the evaluation team developed a regional housing policy that has been adopted by PLAN and is being implemented.

As a result of CHF's work under the MOU, we were asked by PLAN to present them a proposal to manage its home improvement program in Guayaquil, Ecuador. The CHF proposal was accepted by PLAN International, and a contract was signed in June 1995 under which CHF will manage PLAN's home improvement program in Guayaquil

PCVs participated in the Housing Refinance Program in Ecuador. CHF coordinated and participated extensively in the training of 12 PCVs, eight of whom worked with the program. CHF also advised them in their work with credit unions participating in the program. The input of the PCVs was a major factor attributing to the success of the program. In addition, Peace Corps loaned CHF one of its vehicles for the project. CHF, with USAID approval, contributed \$1,800 to Peace Corps Ecuador to cover the costs of a fourth volunteer to help with the program.

#### **F. Bolivia and Colombia**

The CHF-RHUDO/SA evaluation of PLAN International's housing programs in these countries and the development of a housing policy for its South America will help that institution to improve its delivery system of shelter to low-income families in the region. PLAN is working in Colombia, Ecuador, Peru, Bolivia, and Paraguay.

#### **G. Uruguay**

CHF, at the request of Peace Corps/Uruguay, conducted an investigation into a possible home improvement loan program in Uruguay, based on the successful Paraguay model. The CHF regional representative visited the Ministry of Housing, other finance institutions, cooperative organizations and Peace Corps to investigate their interest in such a program. Considerable interest was found in the credit union federation for a home improvement loan program; however, the financing for it could not be identified. As of the end of the Cooperative Agreement, the credit union federation, Peace Corps, and CHF were still seeking funding to be able to initiate a home improvement loan program.

#### **3. Methods of Work Used:**

The methods of work used by CHF in the implementation of the project included a variety of techniques, such as the following:

- Staff meetings of CHF Headquarters (HQ) staff and field staff to review the status of the

project and plan future actions. A staff meeting was held in Quito, Ecuador, in September 1993 of CHF's president, executive vice president for international programs, and project manager and the two CHF regional representatives. CHF's president and executive vice president for international programs visited Asuncion, Paraguay, in January 1995 with BHR/PVCs's project officer. CHF's project manager visited Quito, Ecuador, on several occasions to help the regional representative with the development of the project.

- Collaboration with the sponsoring institutions, CONAVI in Paraguay, and the BEV/URH in Ecuador, in the preparation of the parameters for their respective housing credit programs.
- Training and coordination of Peace Corps volunteers participating in the programs in Paraguay and Ecuador.
- Promotion of the housing credit programs within the cooperative sector institutions and with private sector finance institutions.
- Carried out financial analysis of interested cooperatives to determine if they should participate in the housing credit programs.
- Conducted training workshops for cooperative board members and employees in the program and in topics such as accounting system, loan financing and disbursement, recuperation techniques, plan and budget development.. In Ecuador, training was offered in the use of monetary constant units of value (UVCs) in the credit program,
- Conducted individual site visits to the participating cooperatives to provide needed technical assistance.
- Development and provision of computer finance programs to CREDICOOP an its affiliated cooperatives.
- Development of written training materials for the programs including a program procedural manual, in Paraguay, or guide, in Ecuador. A copy of the manual developed for Paraguay program and the guide prepared for Ecuador program are attached.
- Preparation of annual work plans for the project.
- Coordination of meetings amongst the various institutions participating in the housing credit programs in Paraguay and Ecuador.

#### **4. Lessons Learned:**

The lessons learned from the project include the following:

The project demonstrated how credit unions can effectively participate in the national housing delivery system, at two different levels. For example at one level in Paraguay, credit unions received funding from CREDICOOP and made home improvement loans to their members. At the second level in Ecuador, credit unions participated in the GOE's nascent second-story housing finance system by refinancing their housing loan portfolios and using the new financing they received to make additional housing credits available to qualified members.

The Government of Ecuador (GOE) required that loans with BEV refinancing be made in constant units of value (UVCs), to preserve the value of the loan given the high rate of inflation. Credit unions, with help from CHF, showed that they were able to make and recuperate housing loans in UVCs as well as any formal sector financial institution participating in BEV's HRP.

Cooperative credit unions are accepted, by the appropriate government agency in Paraguay and Ecuador, as being able to participate in the housing delivery system. In the case of Paraguay, credit unions are now included in the national housing policy.

In Paraguay, a national cooperative institution, CREDICOOP, was able to acquire the institutional capability to become a TSO providing guidance and assistance to affiliated credit unions participating in the home improvement loan program. CREDICOOP showed that it was an efficient loan administrator of its loan from CONAVI for the program. CREDICOOP's leadership in housing activities within the national cooperative sector made it the chief negotiator with CONAVI for the inclusion of cooperatives in the GOP's direct housing subsidy program.

The commitment by the credit unions to the home improvement loan program in Paraguay is illustrated by the 100% loan repayment rate. The credit unions showed that they can not only manage housing loans but that they are concerned about the appropriate use of these loans and about their repayment.

The way the HRP is designed in Ecuador, it is difficult for a TSO type organization to cover its operational costs of helping credit unions participate in the program from the interest spread on the program. With the end of the Cooperative Agreement and CHF's departure from the HRP, the BEV/URH might be able to offer assistance to credit unions or the credit unions can contract, for example, the former CHF employee to help them with the complexities of the HRP. Ideally, a spread in the interest rates or grant funds to cover the operational costs of a TSO would be built into any housing program sponsored by a government agency.

The HRP in Ecuador was not designed to help housing cooperatives. The program was directed to financial institutions, including credit unions. One credit union in Ecuador, at the urging of CHF, did fund a project for a housing cooperative, but other housing

cooperatives were unable to find a credit union that would fund their project. It is difficult to find a credit union and a housing cooperative that will agree to work together; credit unions argue that they need to assist their members improve their housing before they can help an outside group.

CHF learned that Paraguay has yet to develop a grass roots type movement for housing cooperatives. Very few housing cooperatives exist in Paraguay and those that do exist are largely inactive. CREDICOOP was interested in working with a housing cooperative but was unable to do so given the inactive status of such cooperatives and the fact that CONAVI offered only home improvement loans, whereas housing cooperatives usually need financing for a project. CHF believes that the development of individual housing cooperatives should also be encouraged in Paraguay.

## **5. Comments & Recommendations:**

CHF's comments and recommendations on the unfinished work and/or program/continuation and direction include the following:

In Paraguay, CREDICOOP has received and on-loaned to its affiliated credit unions all of the funding that it received from CONAVI. It is now waiting for CONAVI to receive funds from the GOP or an international donor for the anticipated direct subsidy housing finance program. CHF anticipates that CREDICOOP will be able to participate in the new program with a minimum of orientation.

CHF has received another Cooperative Agreement that is funded by USAID Paraguay and RHUDO/SA that will terminate in April 1996. Under this agreement, CHF continues to offer assistance to CREDICOOP and its affiliated member in the administration of housing credits while working on a local governance and the new HG loan program.

In Ecuador, CHF is of the opinion that few additional credit unions will enter the BEV's HRP unless the BEV/URH make a serious effort to work with them. At the end of the project, this seem extremely doubtful given the staffing of the BEV/URH and its previous contact and relationship with the credit unions. CHF does not believe that many credit unions will contract the services of a qualified person to advise them on the BEV's HRP.

CHF is confident that the housing policy that was prepared for PLAN International under the project will help that institution rationalize its housing activities for children and their families. Hopefully, the policy will help to guide PLAN to consider and use sustainable financial models in its housing activities in South America.

## **6. Fiscal Report**

The fiscal report on the project is given in the following table.

<b>Item</b>	<b>Revised Budget</b>
<b>Salaries</b>	
Field staff	\$109,907
CHF HQ staff	32,353
sub-total	142,260
Local Hires	11,223
Consultants	4,008
Travel & Transportation	28,116
Allowances	26,857
Ecuador Office	20,111
Training	1,089
Other Direct Costs	15,586
Fringe & Overhead	195,749
Total	\$445,000

**7. Final Evaluation:**

The project achieved its goal in Paraguay and Ecuador by improving the availability and quality of housing for low-income families. The project also helped prepare a housing policy for PLAN International's South America Regional Office, which encourages that institution to support financially sustainable housing activity models.

The collaboration of Peace Corps helped to make the project successful. The Peace Corps Volunteers were able to provide needed assistance and support to the cooperatives participating in the programs in Paraguay and Ecuador and also to CREDICOOP, the TSO, in Paraguay. Peace Corps also provided CHF with a much needed project vehicle in Ecuador.

A total of 55 credit unions in Paraguay and Ecuador received an orientation on the housing credit programs in their respective country. Of that number, 30 credit unions decided to participate in the housing credit programs.

A total of approximately 525 credit union board members and staff members were trained in the credit programs in Paraguay and Ecuador by CHF and PCVs. In addition, numerous credit union

staff members received on-the-job training from 21 PCVs who were assigned to help credit union participating in the program.

A total of 1,289 home improvement loans were made by the credit unions in Paraguay and Ecuador as of the end of the project. This number will increase dramatically when the credit unions that have been approved to participate in the BEV's HRP discount their housing portfolios to the BEV and make new loans with the refinancing that they receive.

The project achieved its goal in Paraguay with the strengthening of CREDICOOP, a private sector cooperative oriented institution, to participate in the housing delivery system of that country. CREDICOOP was so successful with the demonstration home improvement loan program that cooperatives have been included in the national housing policy in Paraguay. In Ecuador, credit unions were one of various private sector finance institutions that were able to participate in the national housing delivery system. The housing policy prepared for PLAN International's South America Regional Office suggested that PLAN contract third parties to manage its housing activities. PLAN Guayaquil contracted CHF to manage its housing program.

The project not only met its objectives but encouraged a change in national attitudes toward the cooperative sector and their incorporation in housing delivery systems in Paraguay and Ecuador. As a result, a large segment of the population in those countries will now have new alternatives to access affordable housing for their families. The cooperative sector, and all its members, are now an integral component of the national housing delivery system in those countries.