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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

HOUSING INVESTMENT GUARANTY

Proposal and Recommendations
For the Review of the
Development Loan Committee

INTER-AMERICAN SAVINGS & LOAN BANK (BIAPE) - LOW INCOME HOUSING PROGRAM

AID-DLC/P-2290

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

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AID-DLC/P-2290

April 11, 1978

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Inter-American Savings and Loan Bank (BIAPE) - Low Income Housing Program

Attached for your review are recommendations for authorization of a Housing Investment Guaranty to the Inter-American Savings and Loan Bank (BIAPE) in an amount not to exceed Thirty Million United States Dollars ($30,000,000) to develop a viable financial institution capable of operating in secondary markets to enhance the flow of private sector long-term financing into housing for low-income families in Latin America.

This Housing Investment Guaranty proposal is scheduled for consideration by the Development Loan Staff Committee on Friday, April 21, 1978, at 2:30 p.m., in Room 3886 New State. If you are a voting member, a poll sheet has been enclosed for your response.

Development Loan Committee
Office of Policy Development and
Program Review

Attachments:
Summary and Recommendations
Project Analysis
Annexes A - L

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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACTSHEET

PP

DOCUMENT 3

3 COUNTRY/ENTITY Inter-American Savings and Loan Bank (BIAPE)

5 PROJECT NUMBER (7 digits) LA 05

BIAPE Low Income Housing Program

8 ESTIMATED FY OF PROJECT COMPLETION 81

7 ESTIMATED PACD OF INITIAL OBLIGATION 7 8 / 7 9 2

10 ESTIMATED COSTS $ VALUE IN $

A. FUNDING SOURCE	FIRST FY		LIFE OF PROJECT			
	B. FX	C. L/C	D. FX	E. L/C	F. TOTAL
APPROPRIATED TOTAL					
GRANT					
LOAN					
OTHER U.S. HIG	15,000		15,000	30,000		30,000
S&L Associations						7,500
Homeowners						4,167
TOTALS						41,667

11 PROGRAM LIMITATIONS TO BE MONITORED $

A. ALLOTMENT PERIOD	B. PRIORITY PURPOSE CODE	FY PAST		FY PRESENT		FY BUDGET		FY ...
		C. DA	D. FX	E. DA	F. FX	G. DA	H. FX	I. DA
(1)								
(2)								
(3)								
(4)								
TOTALS								

12 APPROPRIATION

	NET CURRENT		LIFE OF PROJECT			
	A. DA	B. FX	C. DA	D. FX	E. DA	F. FX
(1)						
(2)						
(3)						0 8 7 9
(4)						
TOTALS						

13 DATA CHANGE INDICATOR (ATTACH A NOTE MATCHING THE DATA BLOCK NUMBER TO THE DATA BLOCK NUMBER IN THE PROJECT DATA BLOCK) 1 ATTACHED

The PID called for a $25 million Development Loan, which was reduced to $5 million in the PRP. This PP is for a 1 $30 million HG loan only. Project Purpose remains the same as in the PRP.

14 CLEARANCE

SIGNATURE David McVoy

TITLE Acting Deputy Director Office of Housing

DATE SIGNED 0 2 1 4 7 8

DATE DOCUMENT RECEIVED IN AID/W, OR FOR CABLES, DATE TRANSMITTED 0 2 1 6 7 8

TABLE OF CONTENTS

		Page
I.	Summary and Recommendations	
	A. Recommendations	1
	B. Project Description	1
	C. Summary Findings	3
	D. Project Issues	3
	1. Effect on Other Secondary Mortgage Markets	3
	2. Increased Financing from the Venezuela Investment Fund	3
	3. Benefit Incidence	3
	4. Demand for Low-Cost Housing	4
	5. Protection of AID Guaranteed Loans	4
II.	Detailed Project Description	
	A. Background	5
	B. Detailed Description	8
	1. Project Goal	8
	2. Project Purpose	9
	3. Project Outputs	9
	a. Shelter Solutions	9
	b. Portfolio Formation	10
	4. Planned Inputs	11
	a. HG Loan	11
	b. Technical Assistance	11
III.	Project Analyses	
	A. Technical, Management and Environmental Analyses	14
	1. Technical	14
	a. Market for Low-Cost Housing	14
	i. Peru	15
	ii. Costa Rica	16
	iii. Paraguay	17
	iv. Bolivia	17
	v. Ecuador	18
	vi. Honduras	18
	b. Proposed Methodology for Determining Median Income	21
	c. Relevant Experience in Secondary Market Operations	24
	2. Management	27
	a. BIAPE	27
	b. Savings and Loan Systems	28
	3. Environment	30

B. Financial Analysis and Plan 30
1. Projected Financial Statements and Cash Flow 30
a. Paid-up Capital 30
b. Venezuela Investment Fund 31
c. Inter-American Development Bank 31
d. HG Loan 31
2. Impact of the HG Loan 33
3. Current Activities 34
4. Financial Viability 34
5. Financial Plan 36
a. Debentures 36
b. Participation Certificates 37
C. Social Analysis and the Role of Women 37
D. Economic Analysis 39

IV. Implementation

A. Implementing Institutions 41
1. Recipients 41
2. AID 41
B. Implementation Plan 41
1. Lending Procedures and Criteria 41
a. Purpose 41
b. Base Median Income 41
c. Revisions of Median Income 42
d. Eligible Sub-Projects 42
e. Technical Reviews 42
f. Construction Advances 42
g. Host Country Guaranties 42
2. Sub-Project Development Procedures 42
3. AID Approvals 45
4. AID Administrative Arrangements 46
C. Monitoring and Evaluation 46
D. Conditions Covenants 47
1. Median Income Definition 47
2. Full Faith and Credit Guaranty 47

ANNEXES

A. Logical Framework Matrix
B. PPT
C. AID/W PRP Approval Message
D. Bureau Memorandum Approving Work on PP
E. Environmental Determination
F. Draft Authorization
G. Country Checklist
H. Project Technical Details
1. Projected Financial Position and Cash Flow Charts
2. Estimated Housing Need
3. Inter-American Union Background Paper on BIAPE Formation

4. Summary of Information Gathered During Visit of SER/H Consultant to Selected Latin American S+L Systems.

I. BIAPE Request for Assistance
J. BIAPE - List of Shareholders
K. BIAPE - By-laws
L. Implementation Agreement (Model)

I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

Based upon review of the proposal set forth in this paper, it is recommended that the subject guaranty be approved as follows:

Amount of Guaranty: $30 million - $15 million in FY78 and $15 million in FY 79/80 depending upon satisfactory progress.

Term: The loan will be for a term of 30 years with a grace period on repayment of principal of up to ten years from the time of each disbursement.

Interest Rate: The interest rate payable to the U.S. investor shall not exceed that allowable rate of interest prescribed by the AID administrator pursuant to Section 223 (F) of the FFA, and shall be consistent with rates of interest generally available for similar types of loans.

Technical Assistance: SER/H will provide the services of short-term consultants to assist the Inter-American Savings and Loan Bank in establishing its secondary market operations, including the analysis and preparation of mortgage instruments, evaluation and performance criteria of savings and loan associations, and overall implementation of the HG loan. The consultant services will be provided at a cost of approximately $120,000.

B. Project Description

The basic objective of the proposed project is to assist in the creation of a viable intermediate housing credit bank in Latin America, by establishing the creditworthiness of the Inter-American Savings and Loan Bank (BIAPE) in international capital markets to enhance the flow of private, long-term financial resources into housing in Latin America, and to accelerate the efforts of Latin America housing finance systems in providing long-term lending to low-income families.

The proposed HG program will provide $30 million to the Inter-American Savings and Loan Bank (BIAPE) with which to provide financial resources to its member institutions for financing a range of shelter solutions affordable by families with incomes below the urban median income levels of their respective population centers. With the $30 million, BIAPE will finance up to 80% of the mortgage financing of individual shelter solutions, with the remaining

20% (with a total value of approximately $7.5 million) to be financed by the originating savings and loan institutions. Homeowner contributions in the form of downpayments will amount to approximately $4 million. The savings and loan institutions will retain the responsibility for administering the mortgages generated under this HG loan program. Each of the loans made by BIAPE to participating institutions for the financing of low-cost housing projects will carry full faith and credit guaranties of the governments in whose countries projects are located.

The shelter solutions to be financed under this program may include:

a. Completed low-cost housing units and related community facilities

b. Basic or core housing units and related community facilities

c. Home improvements

d. Sites and services

The average cost per shelter solution, affordable by families below the urban median income level in the thirteen Latin American countries participating in BIAPE, is estimated to range from $2,000 to $4,000. The initial $41.5 million to be invested in this program, composed of the $30 million HG loan, $7.5 million in local financing from savings and loan institutions, and approximately $4 million in down payments from prospective homebuyers, will finance roughly 15,000 shelter solutions. In addition, repayments on the initial investment of this HG loan during the ten-year grace period will allow BIAPE to acquire an additional $10.5 million of earning assets, thereby substantially increasing the ratio of its assets to liabilities.

The BIAPE resources from this HG loan will be channeled through the Central Savings and Loan Banks to individual savings and loan associations which are members of BIAPE. Given the past experience of the Central Savings and Loan Banks and the savings and loan associations in housing finance operations, these institutions are capable of developing, on the country level, the types of low-cost housing solutions envisioned in the loan program. BIAPE will exercise monitoring functions to ensure compliance by all parties to the agreements which are signed with Central Savings and Loan Banks and individual associations. Projects developed by savings and loan associations to be financed by BIAPE with the HG loan program will require prior review and approval by the respective Central Savings and Loan Banks which regulate the associations.

C. Summary Findings

On the basis of past AID experience with the savings and loan systems of Latin America, the successful operation of these systems in long-term lending for housing finance, and the technical assistance to be provided to BIAPE by AID and the Inter-American Development Bank (IDB) as part of its support for BIAPE, SER/H is confident that BIAPE and the participating institutions will have sufficient technical and managerial expertise to successfully execute this program in an effective and efficient manner.

Furthermore, the HG loan will allow BIAPE to secure assets which are fully guaranteed by the governments of the institutions to which BIAPE makes loans with the HG resources. Because of its long term and grace period, the HG loan will assist BIAPE in securing the sound financial position from which it can attract additional capital resources from Latin American and international capital markets for housing finance in Latin America.

Finally, the program meets all applicable statutory criteria as noted in the statutory checklist (Annex G).

D. Project Issues

The following are the major points raised at the time of the DAEC review of the PRP, and in response to the Interim Reports:

1. Effect on Other Secondary Mortgage Markets: The issue has been raised because some BIAPE member institutions are also participants in the activities of the Centeral American Bank for Economic Integration (CABEI).

In fact demand for housing finance is such that the combined resources of the two institutions will be needed if real progress is to be made. At present, CABEI has approved $60 million for housing programs among its member institutions, and is in need of an additional $34 million to meet further requests, with a further $14 million in demand evident in informal requests. With both CABEI and BIAPE active in the Centeral American Region, it is also expected that some healthy competition related to operational efficiency will arise, with beneficial result for both institutions.

2. Increased Financing from the Venezuela Investment Fund: The cash flow projections and analysis in the Financial Analysis section of this paper include a loan from the Venezuela Investment Fund for $5 million. This loan was signed by BIAPE and the GOV in February 1977, and is for a term of five years, including a grace period of 18 months. BIAPE can only [illegible] short- and medium-term [illegible].

3. Benefit Incidence: As a regional institution, BIAPE's membership includes many of the more affluent nations of the region as well as those which remain solidly in the LDC category. Membership in BIAPE, of course, entitles a national housing finance system to borrow from BIAPE, but BIAPE's by-laws (Articles 2 and 28) provide that, in allocating its loanable funds, preference be given to members who demonstrate financial need to strengthen their housing finance system in order to serve the needs of urban development and the improvement of housing conditions.

Thus, while BIAPE is not bound by its by-laws to lend only to less-developed countries in the region, its stated policy and its actual practice through late 1977 has been to benefit from the resources of the region's more affluent nations for lending to those nations with a more pronounced economic need. For example, the largest capital subscriptions in BIAPE have come from Venezuela and Brazil (US$ 3.5 million each) and, as noted above, the Venezuelan Investment Fund has agreed to purchase up to US$ 5.0 million of notes generated by BIAPE operations. Of the 16 loan commitments made by BIAPE through the end of October 1977, amounting to almost US$ 30 million, 77% has been channeled to countries with active AID bilateral assistance programs.

4. Demand for Low-Cost Housing: Conservative estimate of demand for low-cost housing units in those Latin American countries which are members of BIAPE indicates that there are approximately 250,000 families whose combined housing finance need ranges from $500 million to nearly $1 billion. Most of the Latin American housing finance systems have already begun to meet the needs of low-income borrowers, and Peru and Costa Rica alone have indicated immediate interest in as much as half of the proposed HG resources. These and other potential borrowers have confirmed to BIAPE their readiness to provide 20% of the financing required for the low-cost projects they are planning, as a further demonstration of their commitment to meet the housing finance needs of low-income borrowers. It is anticipated that the initial HG authorization of $15 million will be fully commited by BIAPE rapidly following the signing of a loan agreement, and that the remaining $15 million also could be committed shortly after its authorization. (See Technical Analysis).

5. Protection of AID Guaranteed Loans: It will be necessary to pledge to AID the assests generated with the HG resources. Full faith and credit guarantees will be provided BIAPE by the national governments whose institutions receive loan under the project. Because there will be no direct relationship between these national governments and AID, the pledging of related BIAPE assets will assure AID protection in the event of default.

II. DETAILED PROJECT DESCRIPTION

A. Background

During the past two decades, housing finance systems serving mass markets have been established in Latin America with the encouragement and support of the U.S. Agency for International Development and the Inter-American Development Bank. Prior to 1957, there were virtually no housing finance systems, aside from the occasional mortgage bank, providing long-term credits in Latin America. Yet the need for housing and housing finance was acute. Population growth, rural-to-urban migration and the expansion of middle-income groups had created a large and growing potential market for housing. The housing finance credit available from commercial lenders was generally on a short-term basis, with low loan-to-value ratios, which limited access to home ownership to upper-income families. The creation of savings and loan systems, and the development of long-term markets for housing finance, has permitted extension of home ownership to increasingly lower income groups.

AID has supported the formation and development of savings and loan systems as a means of substantially increasing the supply of critically needed housing in Latin America but, more importantly, as a means of building institutions with the capacity to meet the housing finance needs of the countries of the region on an increasingly self-sufficient basis. AID assistance has taken the form of Development Loans for seed capital, and grants for technical assistance in a variety of areas, including drafting legislation, preparing operations manuals, establishing central savings and loan banks, secondary market facilities, deposit and mortgage insurance programs and delinquency control mechanisms, as well as the training of host country personnel. This activity resulted in the passage of legislation and the development of financial institutions in fifteen of the countries in Latin America, and subsequently in the spread of a substantial market for housing finance throughout Latin America. By 1964, and increasingly thereafter, the savings and loan systems had proved themselves strong enough to penetrate capital markets in the U.S. With the guaranty provided by AID's Housing Investment Guaranty (HG) Program, they began to borrow long-term capital for housing at non-concessional interest rates. By 1976, the Latin American housing finance systems had borrowed approximately $200 million from the U.S. market under the HG guaranty.

The initiatives identified above, in combination with the efforts of many directly-involved Latin Americans, has resulted in the remarkable growth of the region's housing finance systems. At the present time there are 240 savings and loan associations operating in Latin America which have developed considerable experience in primary mortgage origination techniques and in savings mobilization. During the relatively brief span of their existence, they have provided long-term financing for one million new housing units, primarily for middle-and lower-middle-income families who did not previously have access to long-term credit for housing.

Aggregate data alone stand as a measure of their singular success. Together these systems have accumulated assets of nearly $18 billion, and have mobilized approximately $12 billion in savings from 11 million individual depositors. This development is especially notable when one makes a comparison with the U.S. savings and loan experience. Taken together, the sixteen Latin American countries with established housing finance systems had a total Gross Domestic Product (GDP) in 1975 of approximately $203 billion compared to the U.S. figure of over $1.5 trillion. The total population of the sixteen was approximately equivalent to that of the U.S. The savings and loan system in the United States over 150 years accumulated assets of approximately $390 billion, with the benefit of a large secondary mortgage market system which until recently had not existed in Latin America.

Clearly the progress in Latin America has been considerable. Mechanisms for originating mortgages have been established, and substantial capital resources have been mobilized. Yet despite this, the demand for long-term finance in Latin America continues to exceed the resources available to the region's housing finance systems. Information available from United Nations sources indicates that as of 1975, an additional need for 10 million housing units remained in those Latin American countries which have established housing finance systems. Certain structural impediments still need to be removed in order to facilitate a more even distribution of liquidity among the systems, and to develop instruments and mechanisms to attract additional resources into the region's housing finance markets. It is important to further broaden these markets to include, on a mass-market basis, those lower-income families whose need for housing is currently perceived to be especially pronounced.

The final linking of the Latin American savings and loan systems, in terms of finance, came in 1975 with the creation of the Banco de Poupança e Emprestimo (BIAPE). This last structural element provides the systems with a vehicle for overcoming the remaining constraints to a further broadening and deepening of the housing finance markets of the region. Since the inception in 1964 of the Inter-American Savings and Loan Union (the trade organization of the Latin American savings and loan systems), the area's housing finance systems have recognized the need for such an institution. The Union, and the annual Inter-American Savings and Loan Conferences co-sponsored by AID, have provided the systems with a forum in which to exchange technology and experience, and thereby build important linkage among themselves. They were not linked financially, however, until BIAPE was created. Within the forum of the Inter-American Union, the region's housing finance systems investigated the necessary mechanisms and commissioned the feasibility studies required for the establishment of BIAPE as an intermediate credit bank specifically appropriate to the specialized and distinct process of housing finance.

Because the collateral for housing investments is fixed, special long-term refinancing systems are needed which are structurally adapted to housing and housing finance markets. Mechanisms are required which can attract capital from capital-surplus markets into capital-scarce markets. In countries which are relatively small, capital markets are often too

limited to generate the kind of capital flows needed for a continued expansion of housing finance. In this sense, BIAPE represents a unique international effort to address the particular structure of housing finance markets, by allowing the individual national systems to ease liquidity flows among themselves, and to pool their resources in order to attract capital from international markets into housing finance in the region. In addition, as an integrated regional finance system dealing in dollar-denominated mortgage backed instruments, BIAPE can begin to mobilize those indigenous resources which are often not captured by local capital markets.

BIAPE is a private multi-national housing finance bank of limited liability and authorized capital of US$ 100 million, whose shareholders comprise both public and private institutions of the housing finance systems in the Western Hemisphere. BIAPE began operations at its headquarters in Caracas in November 1975 under special Venezuelan law, Presidential Decree no. 919. As stated in its bylaws, BIAPE was established to contribute to the development of the Inter-American savings and loan movement through the promotion and strengthening of the existing savings and loan systems and their creation in those countries in which the systems do not yet exist, and to serve as an instrument for the financing of housing in Latin America and the improvement of sound financial and technical criteria. The savings and loan systems of the following Latin American countries are members of BIAPE:

Argentina	El Salvador
Bolivia	Honduras
Brazil	Nicaragua
Chile	Paraguay
Costa Rica	Peru
Dominican Republic	Venezuela
Ecuador	

BIAPE's founders determined that, among its other activities, BIAPE would "finance special urban and home development projects designed to promote social and economic advancement among groups whose incomes do not give them normal access to housing." A loan directed at the financing of housing affordable by families with incomes below median levels is especially well-suited to assisting BIAPE to achieve this purpose. Though at the present time BIAPE is not in a position to undertake the broad developmental goals of AID's bilateral shelter sector activities in the region, goals which include the enactment of comprehensive national housing policies and the development of socio-economic activities for the urban poor, the proposed HG loan is based on the institutional development goals of AID's shelter activities. Through regional intermediary, AID can assure that as the housing finance systems which it has supported move toward increasingly self-sustaining operations, they will increase their capacity to meet the needs of low-income borrowers.

BIAPE's member institutions, in agreeing to provide 20% of the capital for low-income projects financed with the HG loan, have demonstrated their commitment to serving the shelter needs of low-income families.

Evidence of this commitment already exists in the variety of recent initiatives undertaken by the region's housing finance systems to develop low-cost shelter projects. Public and/or private sector projects of this type are currently under way in Peru, Bolivia, Ecuador, Brazil, Costa Rica, Guatemala and Honduras. Thus the opportunity is open to AID to build on past successes in establishing and supporting housing finance systems in Latin America by assisting in the development of BIAPE.

B. Detailed Description

As noted in the Project Background, the normal growth of savings and the loan repayment flows of Latin American housing finance institutions, while impressive, remain insufficient in most countries in the region to keep pace with the growth in housing demand. Moreover, while most housing finance systems are supported and regulated by a central governmental authority which offers some rediscount, or secondary market facility, the resources of the central authorities are limited because of the general weakness of long-term capital markets in Latin America. This situation tends to preclude the individual housing finance institutions, which are the originators of home mortgages, from shifting mortgages to a broader capital markets that would then permit expanded financing of additional housing units. Rather, the number of units they can finance tends to be limited to savings mobilized from their own depositors and the repayment flows from outstanding mortgages.

In its role as a regional secondary mortgage finance facility, BIAPE is designed to expand mortgage origination by all the member Latin American housing finance systems, to provide a more even distribution of liquidity among these systems, and to attract funds from international capital markets into housing finance in the region by issuing debt instruments backed by its increased net worth or by selling dollar-denominated asset participations. The proposed AID loan will assist in this process by accelerating the formation of BIAPE's loan portfolio, and allow BIAPE to increase its assets more rapidly, thereby developing at an early date the sound financial position necessary for it to establish a competitive position in international capital markets. (see Financial Analysis and Plan). The particular form in which these objectives will be reached also serves to extend the range of housing finance markets to include a broad segment of low-income families whose needs are served inadequately at present by Latin America housing finance systems.

1. Project Goal

The Project Goal is to expand the availability of long-term housing finance for low-income families, resulting in decent shelter for this target income group, particularly by promoting the development of the institution's capacity to meet their needs. As such, the goal is consistent with AID's shelter policy and complements past and present AID initiatives in Latin America.

2. Project Purpose

The purpose of the project is to develop a viable financial institution capable of operating in secondary markets to enhance the flow of private sector long-term financing into housing for low-income families in Latin America. This will allow the Latin American housing finance systems to originate a larger number of loans than their savings and repayments flows alone permit, as their access to BIAPE enables them to pledge, sell or liquidate part of their portfolio before maturity.

3. Project Outputs

The outputs of this project will be both physical and institutional. It is anticipated that encouraging provision of shelter solutions will facilitate the development of institutional mechanisms to broaden the income range served by Latin American housing finance systems to include low-income borrowers, and to attract additional capital resources into the housing market in the region.

a. Shelter Solutions: The project allows for a range of shelter solutions which could be financed, the essential criteria being that the solutions provided must be affordable by families whose incomes are below the urban median income level of the population centers in which projects are located. Such shelter solutions could include:

Completed low-cost housing units and related community facilities;
ii. Basic or core units and related community facilities;
iii. Home improvements;
iv. Sites and services.

Present estimates indicate that the average cost solution in the many urban centers where projects will be located, which will be affordable by families below the local median income level, will range from $2,000 to $4,000. With the HG loan resources of $30 million, plus $7.5 million in local financing from participating savings and loan institutions and approximately $4 million in downpayments from prospective low-income borrowers, a total of $41.5 million will be invested in the initial phase of the project. This will finance approximately 15,000 shelter solutions. In addition, from the roll-over on reinvestment of repayments of the initial subloans derived from this HG loan during the ten-year grace period, BIAPE will be able to extend $10.5 million in additional financing, after all of the obligations incurred by BIAPE on the HG loan during the grace period have been met. This will provide financing for approximately 2,500 to 5,000 more shelter solutions. Still more housing will be financed by the new savings attracted by this housing activity.

b. Portfolio Formation: In financing the projects of its members, BIAPE will be creating an asset portfolio of its own which will be used for raising additional resources. Access to the $30 million HG loan during its early years of operation will allow BIAPE to build its portfolio of earning assets at a far more rapid rate than that which would be possible were its activities constrained by the rate at which it can (as a new institution) attract long-term resources on favorable terms from commercial capital markets.

Unlike any other source of funds available to BIAPE, the HG loan, with a ten-year grace period on the repayment of principal, will significnatly assist BIAPE in establishing its creditworthiness when it seeks to raise private capital in the international market, with a longer term than presently possible and at fixed rates. The projected financial statements included in Annex H.2 indicate that by 1984, BIAPE will have generated a large enough portfolio to easily meet its obligations while continuing the rapid increase in its net worth. The ratio of its loans payable to net worth will allow it to attract additional loan and perhaps equity investments from international capital markets. Additional equity capital may come from members as a condition of borrowing and voluntarily from stockholders.

By 1987, if BIAPE were to receive no other medium- or long-term loans by that time, approximately 12% of BIAPE's total portfolio would have been generated with the net flow of HG funds which will accrue during the grace period of the HG loan. The loans which BIAPE has already negotiated with the Inter-American Development Bank (IDB) and the Venezuela Investment Fund (VIF) will not have as fully beneficial an influence on BIAPE's financial position because they require that BIAPE pass directly onto its borrowers the repayment terms and grace periods it received from its creditors.

Other by-products of the HG program may include increased experience in lending to low-income groups. Already the prospect of the HG loan is causing sub-borrowers to develop such projects. The origination and administration of these mortgages will assist the S+L systems in expanding the markets they serve, and is expected to lead to a broader orientation in long-term lending for a wide range of lower-income families.

Furthermore, as past experience proves, the incentive of access to credit for housing will attract additional savings from low-income families, many of whom do not at present place their savings in the formal financial institutions of their countries. These new savings flows will add to the resources available to the housing finance institutions for a further expansion of their lending activities.

4. Planned Inputs

a. HG Loan

AID support for BIAPE will provide a total of $30,000,000 under this project. The Housing Investment Guaranty loan of $30 million will be used by BIAPE for lending to participating housing finance institutions to provide long-term mortgage financing to families below the median income level of the respective population center in which projects are developed. The HG loan will be for a term of 30 years, including a grace period of up to 10 years on the repayment of principal. The HG loan will be made at the prevailing market rate of interest for long-term loans of this type, plus the AID guaranty fee of one-half of one percent, and a one-time AID servicing fee of 1% of the HG loan, or $300,000. For forecasting purposes an interest rate of 9-1/2%, inclusive of AID fees, has been estimated. BIAPE will be required to collateralize the HG loan with loans to sub-borrowers which carry full government guarantees of repayment in U.S. dollars, covering both default and currency devaluation and convertibility risks.

b. Technical Assistance

The technical assistance component of this program will focus on two main areas.

i. Overall implementation of the HG

ii. Mobilization of resources from the international capital market for BIAPE.

It has been demonstrated that a number of savings and loan systems are directing some of their resources to serve low-income families. It has also been demonstrated that a number of housing finance systems in LA are prepared to participate in the BIAPE HG loan. The TA under (i) above will be directed to assist BIAPE and the participating institutions in the:

1. development of the necessary data and methodology for the identification of the target income group in the different countries.

2. development of the most suitable shelter solutions to reach the target group.

3. preparation of documentation and procedures governing the flow of resources from the U.S. investor to BIAPE and from BIAPE to the participating member.

In providing the above assistance AID will resort to experience accumulated in the HG program. The AID direct hire personnel of RHUDO/Panama and the backstopping personnel in Washington will assist BIAPE in carrying out their responsibilities under the HG loan. This assistance will be initiated immediately after the signing of the Implementation Agreement and it will be gradually reduced as BIAPE gains experience in working with the HG program.

With respect to the identification of the target group, BIAPE will be provided with all the information gathered by the Office of Housing in conducting Shelter Sector assessments in most of the LA countries. BIAPE will also be provided with short-term consultants to assist in the setting of the median income for the countries interested in participating in the HG loan. Such short-term consultants will have experience in economic research and income data evaluation.

The TA under (ii) above will be directed to assist BIAPE in:

1. preparing the design of the instruments BIAPE can market to raise additional funds based on the assets generated with the HG resources.

2. preparing the necessary documentation (prospectus) to be distributed among potential investors in BIAPE.

3. preparing the necessary cash flow and financial plans to be used in seeking additional resources in the international capital market.

The above assistance will be provided by short-term consultants with experience in secondary mortgage market and the U.S. money market. The initiation of the TA in this area is expected o/a the last quarter of 1978 with greater inputs o/a the third quarter of 1979 when a substantial portion of the $15 million HG authorized in FY 1978 would have been disbursed.

In terms of the man-months and cost the following provides a general idea of effort and cost for both areas of the technical assistance. The estimated cost will be funded from HG fee resources.

i. Overall Implementation

6 man-months	$48,000

ii. Mobilization of Resources

9 man-months	$72,000
Total estimated short TA	$120,000

The sources for the TA will be consultants now under contract with the Office of Housing to provide assistance in the technical, financial and economic aspects of the Housing Guaranty Program. No direct TA is expected to be provided to the individual savings and loans, but rather such assistance will be channeled through the Central Savings and Loan Banks.

III. PROJECT ANALYSES

A. Technical, Management, and Environmental Analyses

1. Technical

The savings and loan systems of Latin America, with substantial technical and financial assistance from AID, have, during the past twenty years, proved their ability to extend long-term private sector financing to many thousands of aspiring homeowners. These systems have made available loans of 80% to 90% of the dwelling units' value at terms of up to 25 years where once 50% of value with a five-year term was the best financing to be had. The S&L systems have demonstrated clearly the viability of mortgage lending to Latin America's growing middle class population. The increase in numbers and size of savings accounts, often in conditions of direct competition with more established commercial banks, and even occasionally at a disadvantage to these banks, is eloquent testimony to the steadily increasing demand of these populations for housing. The rapid pre-sale of units in projects sponsored by S&L systems reflects the importance of these housing finance systems to the growth of the housing stock of the Latin American countries. It also reflects the continued gap between market demand and supply.

a. Market for Low-Cost Housing

Though the efforts of Latin America's S&L systems (including, in many countries, the autonomous government agency charged with regulation of the housing finance sector and with coordination of public and private sector shelter policy and programs) are a long way from satisfying the demand for moderate cost housing, many of the systems have worked actively to develop shelter solutions, and the related financing, for their nation's low-income populations. The experience with these programs reflects not only the incessant demand for low-cost solutions but, more importantly, the viability of such financing programs for both private and public sector institutions. In countries where median monthly family incomes are estimated to run from $140 to $260, many of BIAPE's shareholders have demonstrated conclusively that they are capable of providing community or home improvement loans and mortgages on basic or core housing units in amounts of between $1,000 and $4,000, levels affordable by this target population.

The efforts to estimate the potential interest of BIAPE members in participation in the HG program began in 1976 and continued in 1977 at meetings AID and BIAPE officials held with a variety of BIAPE members. In December 1977, a consultant from the National Savings and Loan League visited five countries, three in CA and two in SA, for the purpose of determining more specifically the projected demand for AID-BIAPE resources, the manner in which the individual projects could be implemented, the willingness of participating members to provide a minimum of 20% of the financing of the low-cost shelter solutions to be funded with the AID-BIAPE loan and the possibility of securing host government guaranties for the HG funds to be lent by BIAPE.

Ideally, the family income data collected as part of periodic national censuses provides relatively reliable base for determination of median per family income. As many Latin American countries do not collect income data as part of a national census, the basis for determining income distribution must be restricted to special surveys. These surveys are carried out at different times and for different purposes by institutions which have highly divergent capabilities and experience in measuring family income. Nevertheless, review of the alternatives for determining base median income data suggests that to await the inclusion of income data collection in a national census is unrealistic. Likewise, developing a methodology which may be applied to each country in carrying out new surveys would be too costly and would not necessarily resolve the problems that have limited the reliability of the data gathered under the surveys taken to date. The best method available appears to be improvement of the varied techniques in use at present.

To help conduct the review of the median income in the countries interested in participating in the AID-BIAPE project, BIAPE will be provided with the data collected by AID during the assessment of the shelter situation in different countries. BIAPE will then review the AID assessments, any national census or welfare agency and planning council information, all special surveys and the information available from international organizations. BIAPE will review the data to be sure that it reflects the information which most closely meets the needs of the project in question, considering the age of the data, the soundness of the methodology and the geographic coverage. In addition, BIAPE will assure itself that adjustments have been made which take into effect unemployment and any changes in salaries and wages since the data was collected. BIAPE will provide AID with a summary report of the methodology used and the median income level which results, as well as a plan for updating the data.

The following paragraphs relate market conditions in a variety of nations which are expected to be active participants in the program. They also discuss the methods used to estimate median income levels.

i. Peru

The BIAPE shareholder in Peru is the Banco de la Vivienda del Peru (BVP), an autonomous agency of the government which is an active lender as well as the regulatory agency of the nation's savings and loan system. The BVP's programs for low-income populations were given special impetus in the early 1970's by a combination of earthquake and flood disasters which required replacement of housing in small communities serving as

rural service centers. In addition, the awesome growth of the "pueblos jovenes", the slum areas now a characteristic of all the nation's urban growth centers, has resulted in development of low-cost shelter solutions which are affordable to families with incomes well below the median. In an analysis presented in July 1977, the BVP estimated that the median income for the nation's sixteen largest urban areas was about $161 per month. This analysis was based on comparison of 1961 and 1972 national census information plus a sample census carried out under contract by a market analysis firm in 1977. This latter work provided updated information on the average number of wage earners per family and on the performance of average income levels over time. The information was incorporated into the analysis of median income data to produce the above mentioned estimate.

Programs of improving the public infrastructure available to individual home sites in the squatter settlements which involve financing of up to $1,000 per family have been completed or are under way in Lima, Chimbote, Trujillo and Arequipa. Core housing units with prices ranging from $1,600 to $5,000 have been completed in 16 urban areas throughout the country. The S+L associations of Ica and Chiclayo have recently presented designs of elemental housing units to the AID mission and to the BVP for approval. System executives, many of whom already are involved in financing home improvements in the "pueblos jovenes", expressed, at a recent meeting, an active interest in financing core unit development. S+L system interest rates of 17.5% provice sufficient margin for employment of funds passed through BIAPE.

The BVP has requested that AID consider a housing guaranty program of $50,000,000 over a five year period. The Bank is presently negotiating a $5 million loan from BIAPE. The BVP is particularly interested in directing financing to the nation's savings and loan associations so that they may directly promote such shelter solutions as core housing units, infrastructure upgrading and home improvements. Future use of BIAPE would be directed in this way.

ii. Costa Rica

As in the case of Peru, the BIAPE shareholder for this country is an autonomous government agency, the Banco Credito Agricola de Cartago, the regulatory agency for the country's S&L system. Though the system is a small one (12,000 savings accounts as compared to 834,000 in Peru), it has already gained impressive experience in promoting and financing low-cost housing solutions. In the past two years, the Costa Rican system has invested $5 million in the construction and mortgage financing of 1,400 units with prices ranging from $3,500 to $4,000. In addition, about $5 million of a $15 million CABEI loan was used to buy mortgages on low-cost units from the S&L associations. Costa Rican terms are 20 years at 11.25% interest. Under these conditions, a $4,000 unit is affordable by a family with a monthly income of about $188. The median income level

for San José is $262 according to figures developed in a study of housing demand carried out in 1976 for the capital city and incorporated into AID Mission and Housing Office calculations for a PRP dated 26 October 1976.

The Costa Rican savings and loan system is coordinated in such a way that all member institutions actively promote the development of low-cost housing solutions. An investment of $24 million in low-cost housing units has been projected for the next three years and system representatives hope to use BIAPE resources for at least $10 million of this projected investment.

iii. In Paraguay, where the Banco Nacional de Ahorro y Préstamo (BNAP) is the BIAPE shareholder, as well as the regulatory agency of the nation's S&L-system, a Housing Guaranty program is just getting under way which provides $4 million for financing of home improvements and core housing units for families with incomes below the median level. The BNAP expects the HG financing to be fully disbursed within two years. With this in mind the BNAP has indicated a specific interest in about $3 million of the BIAPE/HG program, as soon as it becomes available, to be used along with the bi-lateral HG program.

The monthly median family income estimated for the Asunción metropolitan area was estimated at $143 in an update of the 1974 Shelter Sector Assessment completed in May 1977. This update took the earlier median income figure and increased it according to the percentage increase in the consumer price index. Regional differences are known to be great in Paraguay, particularly because the growth of construction activity along the Parana River has established scales of wages and prices above those of the rest of the country.

iv. The Bolivian S&L system, led by the Caja Central de Ahorro y Préstamo (CACEN), is now using Inter-American Development Bank financing to produce 800 units at a cost of $3,350 in each to reach families with incomes below the median in a flood damaged area near the city of Trinidad. It also has begun an experimental program of home improvement loans in rural areas of the country. To support expansion of these and future low-cost housing solutions, the CACEN is seeking $15 million in additional financing from foreign sources.

A Shelter Sector Assessment completed in December 1976 estimated median income levels of $135 for La Paz, $140 for Cochabamba and $150 for Santa Cruz, the nation's three largest cities. This estimation was developed using salary data obtained from the Ministry of Labor's National Council on Salaries and Wages. It was broken down by mean, median and mode and by department (province) giving some indication of regional differences.

Use of salary information excludes the self-employed segment of the population, a segment which becomes more and more important the farther one goes down the income scale. Median income levels were also developed through use of GNP and labor force data (productivity) in an effort to ascertain whether or not the salary determined levels were reasonable.

Applying one-quarter of monthly income to housing, a family earning the median income in La Paz could afford a loan of $3,000 or a home valued at about $3,400 using current S+L system rates.

v. One of the Ecuadorian shareholders of BIAPE, the Banco Ecuatoriano de la Vivienda (BEV), is now promoting the construction of about 8,800 units a year, 40% of which, according to the Bank's policy, must be below $5,700 in cost. BEV management estimates that with additional resources, the institution could generate 12,000 units yearly. For many years the BEV has been producing units priced between $2,000 and $4,000, within the range of the nation's urban area median family income of roughly $180 a month. This income data was developed from a study of urban area population and employment carried out by the National Statistical Institute in 1974, in conjunction with the national census which itself developed no family income information. The study developed median income levels for individuals for a universe that included Quito, Guayaquil and various other major urban centers. To develop family data individual levels were multiplied by the factor for the number of wage earners per family and 8% was added to account for the passage of time.

In recent years the BEV, regulating agency for the nation's S+L system, has operated alone at this market level. Currently some of the member S+L associations are considering reentering this market as the demand for solutions in this price range extends well beyond the BEV's capabilities to satisfy it. The possible cost of BIAPE financing is a restraint to Ecuadorian interest, however, as low-cost units now receive BEV financing at rates of from 5% to 10% interest. The source of this financing is a special government fund which is subject to annual budget review and has recently been cut back slightly. The BEV has indicated an interest in reviewing its rate policy to determine whether or not the significant increases in unit production which would be made possible by use of financial resources such as BIAPE warrant use of a rate structure better oriented to national and international money markets.

vi. Interest in the use of BIAPE resources for housing programs in Honduras has already been expressed by the Financiera Nacional de la Vivienda (FINAVI), through a request for $11 million from BIAPE.

An investment of $15 million in projects with unit prices ranging between $3,750 and $4,000 has been projected for the 1978/79 period. Such units are accessible to families with incomes below the median at the terms currently in use by the Honduran system. A.I.D. Mission estimates place the median family in Tegucigalpa and San Pedro Sula at approximately $140; however, this data is not recent and the Consejo Superior de Planificación Económica is now carrying out a family expenditure survey which is expected to help clear up median income data by year-end 1978.

The following table provides a summary of the median income for the countries sample above and the estimated demand for foreign resources to carry programs at the level affordable by low-income families.

COUNTRIES EXPECTED TO ACTIVELY CONSIDER BIAPE FINANCING

	Est. Median Income - Major Urban Areas	Effective Loan Terms S+L System: Interest Rate	Effective Loan Terms S+L System: Term	% of Monthly Income for Housing	Affordable Unit *	Price Range Recent Low-Cost Construction	Projected Need for Foreign Financing
Bolivia	$135-150	12%	20 yrs.	25%	$3,800	$3,350	$15 million over 3 yrs.
Costa Rica	$260	11.25%	20 yrs.	25%	$6,900	$3,500/4,000	$ 5 million per year
Ecuador	$180	12%**	25 yrs.	25%**	$4,700	$3,500/5,700 (BEV only)	unknown
Honduras	$140	12%	20 yrs.	30%	$4,200	$3,750/4,450 (S+L sys.)	$11 million over 2 years
Paraguay	$143	11%	20 yrs.	25%	$3,800	$2,500/4,700	$ 3 million over 2 years
Peru	$180	17.5%	20 yrs.	25%	$3,300	$1,600/5,600 (BVP)	$50 million over 5 years

* assumes 10% down payment

**BEV uses range from 5% to 12% depending on price of unit and family income, and permit payments up to 40% of income.

b. Proposed Methodology for Determining Median Income

The most common source of income/population data in Latin America are household surveys conducted by various governmental agencies, private research organizations, and academic institutions. Unfortunately, the accuracy and reliability of this data frequently suffer from an improperly defined concept of income, inconsistent measuring practices, and wide variations in the representativeness of sample surveys. Thus, extreme care must be exercised when attempting to use such data to determine median income levels in project areas.

In reviewing existing household surveys to determine their relative methodological strengths and weaknesses, the following elements will be closely scrutinized.

(a) Coverage - How well defined is the population universe whose characteristics we are attempting to measure; i.e., city, provincial limits, or metropolitan area, etc.

(b) Sample Size - Is the sample size large enough to yield reliable statistical results? Was the survey conducted in a truly random way; and if not, what are the likely biases in the sample?

(c) Timing - Was the survey conducted under "normal" social, political, and economic conditions, and how long ago?

(d) Income Concept - Was income defined so as to include income from all sources, including income-in-kind? If not, can adjustments be made?

After reviewing existing survey designs in each participating Latin American country for possible deficiencies, BIAPE, with A.I.D. assistance, will proceed to analyze the data collected. Basically, the objective will be to determine the number of households which fall into each income category. The choice of income class intervals is arbitrary but they should be of equal size to facilitate exposition. The format used would be similar to the following:

(Pesos) Income Class	Class Midpoint	(Households) Frequency	Cumulative Frequency
0 but less than 10,000	5,000	300	300
10,000 but less than 20,000	15,000	450	750
⋮		⋮	⋮
50,000 and up		50	1,000
		1,000	

The median is defined as the central value of a set of observations that have been arranged in order of magnitude. In this context, an observation is a household/income pair which has been surveyed and ranked in income ascending order. Next we take exactly half the number of households, which in this example is 500, and by referring to the cumulative frequency column we determine that median income lies somewhere in the second income class (10,000 - 20,000). To determine the exact median we make the simplifying assumption that the number of households within this income class is evenly distributed. This allows us to make a proportional estimate for the median. For example, the 500th household would correspond to the fraction $\frac{200}{450}$ where the numerator is the difference between the downward adjustment in cumulative frequency and total number of households corresponding to the second income class. Thus, we multiply $\frac{200}{450}$ times the income range 10,000 pesos giving us 4,440 pesos which is added to the bottom limit of the second income class; i.e., 10,000 + 4,440 = 14,440 = sample median income.

Finally, a number of statistical tests can be performed to determine how close this sample median is to the overall population median. This will enable us to say that we are ninety percent confident that 14,440 pesos is the median income for project area x.

Sometimes the information collected in surveys is presented in the form of a histogram (bar graph) or frequency polygon (conventional linear graph). One widely used method of presenting income data is the Lorenz curve measuring the distribution of income from which the median may also be calculated. Since many institutions, including the World Bank present income data in this form, it would be useful to briefly describe this approach for calculating the median income. The Lorenz curve depicts the relation between the cumulative percentage of population shares (on the x axis) and the cumulative percentage of income shares (on the y axis). In other words, households are ranked on the basis of their share of total income, all expressed as a cumulative percentage. From the Lorenz curve we may read off the percentage of income accruing to each population decile (ten percent). Income distribution data presented in this way can be used to calculate the median income. First, we locate the fifth and sixth population deciles and the corresponding percentage shares of income. Next, we divide each share by ten to find the rough percentage of income accruing to each percent within the respective deciles. Then we add these two averages and divide by two to get the midpoint which approximates the 50th percentile. We take our estimate of the percent of income accruing to the 50th percentile of the population and multiply this times the relevant aggregate income figure. Then we divide the result by the number of households corresponding to one percent of the population. This will give us our best median income estimate.

Adjustment of Base Year Median Income.

Since the distribution of income tends to be very stable, barring extreme social restructuring, it is unnecessary to have frequent surveys to determine distribution. Therefore, if the growth in nominal urban income is known, base year median income can be readily updated. If urban income growth is unknown, then the growth of nominal GDP would be the simplest and easiest substitute to use.

c. Relevant Experience in Secondary Market Operations

A regional secondary market facility within the organizational structure of the Central American Bank for Economic Integration (CABEI) has been in operation in Central America since 1970.

CABEI was established in 1960 by the General Treaty for Central American Integration which created the Central American Common Market. Initially, only El Salvador, Guatemala, Honduras and Nicaragua were signatories to the treaty; Costa Rica became a signatory in 1962. Under the treaty, CABEI was established with the objective of supporting the integration of the economies of these five countries and is, therefore, a multi-purpose regional financial institution.

The governments of these five countries have subscribed equally to CABEI's capital of CA$60 million (CA$ 1.00 = US$ 1.00); as of June 30, 1976, paid-in capital amounted to CA$ 52.5 million and surplus, reserves, and retained earnings amounted to CA$ 40.2 million, for a total capital of CA$ 92.7 million. The five Central American governments have also provided CABEI with a guaranty authority of CA$ 40 million, which means that these governments have assumed a CA$ 40 million contingent liability for CABEI's debt obligations over and above the amount of their capital subscriptions.

In addition to being a governmentally capitalized institution, whose ten-member Board of Governors is composed of the President of the Central Bank and the Minister of Finance, or of Economy, of each of the five member countries, CABEI's broad developmental objectives are reflected in its four Funds - the Ordinary Fund, the Integration Fund, the Home Loan Fund, and the Social Development Fund.

Thus, as an institution, CABEI differs from BIAPE in the nature of its source of capitalization, its control, and its objectives. BIAPE is a mixed enterprise, drawing its capital from both public and private sources, with specialized objectives focused on housing and housing finance in the Latin American region.

Nevertheless, taking these factors into account, CABEI's Home Loan Fund, which is the basis for the Central American secondary market facility and is administered by the Home Loan Department, offers useful experience to guide the development of BIAPE.

CABEI's Home Loan Fund was established in March 1963, and in November 1963, AID provided a US$ 10 million seed capital loan to assist CABEI in initiating secondary mortgage market operations. However, since CABEI was not organized to operate as a true secondary market, the Home Loan Department divided the loan into five equal parts and on-lent each portion to selected institutions in each member country. These institutions financed home mortgages with the proceeds, but title to the mortgages was retained by the originating institutions.

Subsequent CABEI Home Loan Fund activity has employed a different technique. In Guatemala, CABEI continues to lend directly in the manner of banking operations, but in Honduras, Nicaragua, and Costa Rica, CABEI acquires notes secured by specific pools of mortgages as well as by government guarantees of all exchange rate risks. Title to the mortgages does not transfer to CABEI; rather the pool of mortgages which serves as collateral is pledged as security for the note, formally through the public registry in Nicaragua and Honduras and simply contractually in Costa Rica. CABEI does not assume the risk of default of any mortgage included in the pool and the issuing agency is required to maintain the soundness of the pool of mortgages by replacing those which go into default with other mortgages which are current in their payments. In the terminology of the U.S. secondary mortgage market, these issues would be classified as mortgage-backed bonds.

This technique precludes the necessity for transfer of titles across national boundaries, which is costly and legally complex. Moreover, since the issuing agency is obliged to maintain the soundness of the pool of mortgages securing the issue, CABEI is protected from default risk to a much greater extent than if it were purchasing whole mortgages or participations in a pool of mortgages, other things being equal. (Of course, if the mortgages constituting the pool in which participations were purchased were insured against default by an FHA-type agency, default risk would also be minimal.)

While the securities which CABEI acquires are true secondary market instruments, CABEI does not use them directly as negotiable issues for purposes of mobilizing funds in the international capital market; they simply become a part of CABEI's portfolio of earning assets. To mobilize capital in the regional and international capital markets, CABEI issues debt obligations secured by its general portfolio and net worth position, not by the Home Loan Fund portfolio alone. While this approach does not parallel the traditional lines of secondary market operations, this procedure is in part dictated by the fact that CABEI is a multi-purpose institution. Moreover, diversification of CABEI's total portfolio, both regionally and economically, may be perceived as a positive, risk-reducing factor.

Clearly, some of these advantages would not apply to BIAPE, which is an institution specialized in housing finance, but the features of regional diversification of BIAPE's portfolio certainly would, and the HG Program loan proposed here is designed to assist BIAPE in establishing a sound portfolio. Furthermore, certain features of CABEI's operations are different from those of BIAPE and, in this regard, BIAPE may enjoy an advantage over CABEI in gaining access to the international capital market.

In the 15 years from the time of its establishment through June 30 1975, CABEI had mobilized CA$ 440 million from external lenders, of which CA$ 183 million (41.6% of the total) was on non-concessional terms. Not all of these funds had been drawn down and substantial repayments of principal had been made over the period, so that CABEI's outstanding indebtedness of June 30, 1975, amounted to only CA$ 243.5 million, of which 27% of the total (CA$ 65.7 million) was comprised of non-concessional loans. Conventional debt-equity ratio analysis is not entirely valid in such a context, since the availability of long-term concessional resources permits a relatively rapid accumulation of earned surplus and surplus reserves in the capital account. Moreover, concessional resources can almost be treated as capital, particularly during their typically long grace periods. A more eclectic approach might suggest that the relevant debt-equity ratio for CABEI would be represented by its non-concessional debt outstanding relative to paid-in capital. In these terms, CABEI's debt-equity ratio would have stood at 1.38 in June 1975, compared with a conventional ratio, including all debt and all equity, of 3.34. Alternatively, the CA$ 40 million guaranty authority provided to CABEI by its member governments could be counted as capital, thus lowering the debt-equity ratio to 2.21, which is only slightly above that of the World Bank (1.9).

Because differences in their institutional structure make comparison of BIAPE and CABEI difficult, a better measure of creditworthiness may be the ratio of equity to risk assets, a commonly used device for measuring an institution's capital adequacy. This measure indicates the percentage of an institution's assets which could default and be written off against its capital before the institution would become insolvent. In the case of CABEI, in June 1975, risk assets were estimated by ROCAP to consist of only CA$ 96 million in loans of the Ordinary Fund, yielding an equity-to-risk asset ratio of 81.6%. By comparison, U.S. financial instituions are thought to have "adequate" capital if their equity-to-risk asset ratio of 8.6%. By comparison, U.S. financial instituions are thought to have "adequate" capital if their equity-to-risk asset ratio is in the neighborhood of 10-20%.

Given that BIAPE's long-term issues will be dollar-denominated and that the underlying collateral will be secured not only by real property but also by host country guarantees, BIAPE should be able to maintain an even higher equity-to-risk asset ratio than CABEI;

BIAPE's issues may, therefore, be accepted in the international capital market at an earlier stage in the institution's development than was the case with CABEI. Together with the acceleration of BIAPE's progress toward a strong financial position, to which the HG loan will make a substantial and significant contribution, this approach should assure BIAPE's ultimate success as an international secondary market facility.

AID's experience with CABEI also indicates that a regional financial institution can enjoy a significant advantage over national institutions in borrowing in international capital markets. A comparison of lending rates available in the private international capital market to CABEI and to the member countries revealed a rate differential of between 0.6% and 0.75% in favor of CABEI.[1]

Leading international investment and commercial banking firms indicated to ROCAP during the course of its 1975 study of CABEI that there were four factors operating in favor of CABEI over the five national governments operating separately: (1) CABEI's ability to mobilize capital and obtain guaranty authority from its five member country governments, (2) CABEI has a sound portfolio, two-thirds of which is guaranteed either by the borrowing government or by a national housing institution, (3) CABEI is considered to be less likely to default than the borrowing governments in the event of political changes or balance-of-payments pressure, and (4) CABEI's portfolio is distributed across the region, rather than within a given country, which serves to diversify the risk.[2] BIAPE can be expected to benefit similarly from these advantages.

2. Management

a. BIAPE

BIAPE now in its initial stage of operations, is in the process of strengthening its capabilities to administer this HG loan program. The Inter-American Development Bank, as part of its loan program, has provided a grant of $500,000 for technical assistance and staff development, for both BIAPE and its member institutions in their dealings with BIAPE. At the present time, BIAPE's staff includes the President, Director of Finance, General Counsel, Assistant Counsel, Chief Accountant, Assistant Accountant and two project analysts.

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[1] ROCAP, "The Central American Bank for Economic Integration (CABEI): An Analysis of the Bank's Objectives, Organization, Operations, Economic Impact and Financial Structure," December 15, 1975, p.80.

[2] ROCAP Study, p. 79.

Present plans call for several additional staff members, including a financial analyst and an economist, who will strengthen BIAPE capabilities in monitoring performance trends of national savings and loan systems and in the techniques of financial analysis and cash flow projections. BIAPE's current strategy calls for wide use of consultant services to carry out particular assignments, rather than for continued increases in permanent staff. Contracts are presently being negotiated for a variety of studies, including: the operational costs of savings and loan institutions in the region; BIAPE's internal operations: the legislation relevant to secondary mortgage operations in each of the twelve BIAPE member countries; the establishment of rural savings and loan institutions; and the development of low-cost indigenous building materials. BIAPE has already signed a contract with the Inter-American Savings and Loan Union to study the operations of secondary markets and rediscount facilities where these exist in member countries. An early vote of confidence has been given BIAPE management by the international banking community which is now making short-term credit available and considering medium term (3 to 5 years) facilities.

BIAPE's additional staff members will serve with present personnel as counterparts to the short-term technical expertise being provided with HG resources, and the extended consultant services granted by the technical cooperation program of the IDB. The additional technical assistance required to implement this program is discussed under Project Inputs.

b. Savings and Loan Systems

Low-cost projects will be developed with the resources of this HG loan by the Latin American savings and loan systems themselves as they draw on their considerable experience in mortgage origination, administration and project design itself. Though all the projects are developed by private sector contractors, the systems' pivotal role as virtually the only source of housing project financing has led the systems' management to active involvement in project design and implementation. The construction industry in all the BIAPE member countries has shown itself capable of producing the types of solutions which are the focus of the proposed project.

In many instances the S+L systems as the primary promoters of moderate and low-cost housing development have had to attack the problems of housing production which were not specifically in the realm of finance. The steady supply of construction materials has been confronted in Ecuador through direct investment of funds allocated for the housing sector in cement plants in order to increase the national supply of this scarce commodity. In Bolivia the S+L system has inaugurated the process of "mass produced" units requiring large quantities of components prepared off-site (window and door frames, for example) as contrasted with traditional methods of individual hand crafting. In addition, in order to contrast the impact of materials cost inflation on unit prices, the project itself purchased and warehoused materials. In this way a steady supply was assured and the project's costs were not continuously at the mercy of the contractor's cash flow and planning.

In an effort to better understand the needs of their clients and the limits to which family incomes can be stretched for housing many of the systems have conducted careful sociological studies of the target population. In Ecuador the BEV was prompted to raise the limit on the percent of income which might be allocated to housing to 40% after hearing considerable evidence that families were being left out of projects for which they were willing to make great sacrifices. This level of allocation is still the cause of concern among BEV officials and is, therefore, the focus of continued study.

The very existence of active housing finance systems has been sufficient to attract many people to play an active part in the money economy. None of the low-cost projects developed by the Latin American S+L systems have any lack of market. This has not always been true of government projects. The private sector's ability to insist their clients maintain a greater sense of responsibility for their financial obligations has resulted in delinquency rates for low-income mortgagors no worse than those for higher income families. The fact that the S+L systems continue to produce affordable units, though perhaps too slowly, has led to their recognition as viable institutions truly able to help a family improve its shelter conditions. In this way, the S+L systems have increased the target population's awareness of the value of saving and, on the other hand, the financial community's understanding that an attractive market exists among this segment of the population.

BIAPE's member institutions have developed a varied but well rounded experience in the use of foreign resources to expand their housing finance contributions. In most cases the first mortgage loan is the most common form of financing carried out; however, in Peru, for example, a variety of guaranties have been developed to permit financing of intermediate shelter solutions (infrastructure upgrading for example) for families not in a position to mortgage assets.

In order to better tap the resources of internal money markets the central organizations of the Ecuadorean and Costa Rican systems have issued mortgage backed bonds.

Honduras and Costa Rica, among those expected to make active use of the BIAPE/HG program, have developed the necessary mechanisms for dealing with CABEI and are therefore already familiar with many of the aspects of BIAPE's operational procedures. All the systems

waiting to use the proposed program have F.H.A.-type mortgage insurance programs in effect, and all may call on the full faith and credit guarantee of their national government to support foreign borrowings. These systems are also prepared to absorb 20% of the financing required by the projects to be included in the BIAPE/HG program.

Though the range of prevailing interest rates varies, BIAPE's member institutions plan to hold the interest differential to the minimum, gaining their principal benefit, not from the interest income, but from the impact of greatly expanded lending resources.

3. Environment

A negative environmental determination has been made with respect to the proposed project. The basis of this determination is predicated upon the following findings:

a. The loan requested is to an international credit institution whose financial activities in this case are not country-specific, nor earmarked to be specifically applied to a particular project.

b. In serving its savings and loan members, BIAPE will act as an intermediary in disbursing the requested loan monies.

c. Conduct of an environmental review of potential significant environmental impacts resulting from this action is not practical given the nature of the loan borrower.

B. Financial Analysis and Plan

1. Projected Financial Statements and Cash Flow

As part of the research in preparing this Project Paper, annual financial statements and cash flows have been projected for BIAPE for the next twenty years, from 1977 through 1996. (These are included in Annex H.2 as Tables 1 and 2.) The bases for the projections are presented in the following table. The four sources of funds in the projections include:

a. Paid-up Capital: BIAPE currently has $9.4 million in paid-in capital, $2.6 million of which will be disbursed as a counterpart fund for a loan BIAPE has received from the Inter-American Development Bank; $6 million will be invested in short-term loans to BIAPE member institutions; and $800,000 left in time deposits.

In addition to subscribing to capital, shareholders are required to assume extra responsibility by signing a liability agreement for an amount up to four times the value of their shareholdings. This provision is designed to assure BIAPE the flexibility needed to meet its commitments during the first years of operation. The shareholders issue, on behalf of BIAPE, renewable promisory notes in the amount of additional liability. When BIAPE exercises its right under a liability

agreement by using these promissory notes to meet obligations, the contribution of the individual shareholders is determined on a pro rata basis. At the notes' maturity the shareholders may request that BIAPE either repay or advance common shares for an amount equivalent to the amount disbursed.

An alternative permits immediate subscription of additional paid-in capital corresponding to four times the shareholder's original quota. When the additional amount is fully paid, the shareholder is no longer subject to the liability agreement.

Current projections, included in the cash flow analysis presented in Annex D, anticipate subscription of an additional $30 million in $10 million increments in 1981, 1984, and 1987.

b. Venezuela Investment Fund: A five-year loan has been received by BIAPE from the VIF. It will be re-loaned to member institutions for the same period.

c. Inter-American Development Bank: An IDB loan to BIAPE of $15 million in local currency will be re-loaned to member institutions, which will receive the same grace period on repayment of principal (10 years) which IDB has extended to BIAPE.

d. HG Loan: For purposes of preparing the cash flow, it has been assumed that BIAPE will relend the HG loan proceeds at 11% for an average repayment period of 15 years, with no grace period, and allow BIAPE to generate a rollover for reinvestment of approximately $10.5 million during the grace period which receives on the HG loan.

In addition, the following factors are reflected in the projections:

i. Administrative expenses of $740,000 for 1977 will increase at 7% per annum, which is the rate of inflation in the cost of living in Caracas, headquarters of BIAPE.

ii. A legal reserve of 5% of net income will be invested in CD's at 9%, compounded quarterly, with semi-annual withdrawals of interest only, and re-investment of the reserve at long term.

iii. Dividends of up to 80% of net income will be paid to BIAPE's stockholders commencing in the sixth year.

iv. Investments of the remaining 15% of net income will be made at long term (i.e. 15 years).

BASES FOR PREPARATION OF PROJECTED CASH-FLOW

Source of Funds	Terms: Source of Funds					Terms: Application of Funds			
	Amount (in Thousands)	Interest Rate	Maturity	Grace Period	Amortization	Interest Rate	Maturity	Grace Period	Amortization
a. Paid-Up Capital	39,400								
i. IDB Counter-part Fund	2,600	* --	--	--	--	5%	25 years	10 years	Commencing 12/1/87 for all disbursements
ii. Short Term	6,000	-- *	--	--	--	9-1/2%	3 years	None	Quaterly-To be Reinvested at same level of investment
iii. Time Deposits	800/	-- *	--	--	--	9%	compounded quaterly with interest only withdrawn semi-annually		
iv. Additional Paid-up Capital	30,000	-- *	--	--	--	11%	15 years	None	Semi-annual
b. Venezuela Investment Fund	5,000	8%	5 years	1-1/2 years	Semi-annual	9-1/2%	5 years	1-1/2 years	Semi-annual
c. IDB Loan	15,000	2%	25 years	10 years	Semi-annual beginning 11th year	5%	25 years	10 years	Semi-annual beginning in 11th year
d. HG Loan	30,000	9-1/2%	30 years	10 years on each disbursement	Semi-annual beginning 11th yr. after each disbursement	11%	15 years	None	Semi-annual

*Paid-up Capital from shareholders is not provided to BIAPE at a particular interest rate for a specific maturity. Dividends paid to shareholders will be paid starting in 1983.

The total original amount to be invested by BIAPE in this projection is $88.6 million (excluding $800,000 held in time deposits), at an average annual interest rate of 9.62%. The HG loan represents 34% of this total, with the remainder divided as follows: 44% from paid-up capital, 17% from the IDB loan, and 5% from the Venezuela Investment Fund.

While these projections are only illustrative, and do not take full account of BIAPE's actual activities in 1977, which are detailed below, they do provide a useful indication of the impact which the HG loan will have on BIAPE. A ten-year grace period on repayment of principal on the HG loan would allow BIAPE to generate at least $10.5 million in additional assets by 1987 (over and above the original $30 million HG). This estimate does not fully reflect BIAPE's reinvestment of the repayment of principal which it will receive from its initial lending of the $30 million, but it does indicate the extent to which the grace period on the HG loan assists BIAPE in building its assets.

The projected financial statements and cash flows are also useful in making a base line determination of BIAPE's ability to attract additional capital from international markets for housing finance in Latin America. If it were assumed that BIAPE had access to no other resources than its own paid-up capital, and the VIF, IDB and AID/HG loans during its first decade of operations, the projections indicate that by 1984 at the latest, it will have established a sufficiently sound financial position to attract additional capital investments. By 1984 the ratio of BIAPE's portfolio to loans payable (assets-to-liabilities) will have increased steadily to 1.70, while the ratio of its loans payable to net worth will have declined to 1.30. Interest earned will be more than twice interest paid, and its net income will be over 8.5 times its averaged net worth. Thus, it is reasonable to believe that BIAPE's financial position in 1984 will enable it to borrow additional capital from international markets by leveraging its increased net worth, even if no other sources of funds are opened to it prior to that time.

2. Impact of the HG loan

The ten-year grace period on repayment of principal is of particular importance to BIAPE in establishing its financial position. As the projections indicate, BIAPE expects to raise an additional $30 million in capital contributions from its shareholders. In order to raise this paid-up capital, BIAPE must show a record of making sound investments on a long-term basis, which yield a reasonable return to investors. With the grace period on the HG loan, and its 30-year term, BIAPE will have a large pool of resources which can be used to build its financial position and grant long-term loans to its borrowers.

Neither the IDB loan nor the VIF loan offer these advantages to BIAPE. While the IDB loan is for a term of 25 years, including a grace period of ten years, the grace period must be passed on to borrowers, which does not allow for the substantial reinvestment of repayments which will be a feature of the HG loan. In addition, the IDB loan is being provided largely in local currencies, with interest only to be repaid to BIAPE in U.S. dollars. Thus this loan does not provide BIAPE with assets which can be pledged or sold to potential investors. The VIF loan is essentially a pass-through operation, with the grace period of 1 1/2 years also being passed on to borrowers. Loans generated by BIAPE are sold to VIF, and full amortization is due in five years.

BIAPE has been offered lines of credit from international lenders in the U.S. and Europe totalling $15 million. These are for 180-day roll-over facilities with interest rates to be determined at the time the loans are drawn down, based on the London Interbank offer rate.

The long term HG loan with its constant interest rate and expanded grace period will permit BIAPE to operate in its initial years without the limitation of short- and medium-term financing.

3. Current Activities

BIAPE operations through October 1977 indicate that the bank was establishing its position, with the resources available, as an intermediary facility for housing finance in Latin America. Table 2 reflects the Bank's resource mobilization and lending activities (exclusive of capital formation). The operations were either completed or in active negotiations at the time. The only long-term resource was the IDB loan.

4. Financial Viability

One of BIAPE's major functions, and both a purpose and anticipated output of this AID loan, is to attract resources from international capital markets into housing finance in Latin America. Lenders and potential investors will evaluate BIAPE's performance and financial position in determining whether or not to participate in the region's housing finance markets through BIAPE as an intermediary. It is of critical importance then that BIAPE be able to raise additional resources from its members and from international markets if it is to support a continued expansion of the region's housing finance systems.

As BIAPE member institutions are both investors and potential borrowers, their motivation to purchase additional shares will be based on the soundness of BIAPE as a financial institution, and on the possibility of receiving assistance from BIAPE when needed. Potential lenders to BIAPE will look at the financial composition of its net worth and assets and the related liabilities in deciding whether to purchase BIAPE's financial paper.

Table 2

MAJOR FINANCIAL OPERATIONS - LIAPE
as of 22 October 1977

A. Resource Mobilization

Origin	Nature	Amount ($U.S.)
Inter-American Development Bank	Long Term Loan	$15,000,000
Inter-American Development Bank	Technical Assistance Grant	500,000
Venezuelan Investment Fund	Purchase of Notes	5,000,000
Commercial Bank	Medium Term Loan	2,000,000
Commercial Bank	Short Term Line of Credit	3,000,000
Commercial Bank	Short Term Line of Credit	2,000,000
Various Commercial Banks	Short Term Line of Credit	10,000,000
Total		$37,500,000

B. Loan Activity

Borrower (Country)	Source of Funds	Amount ($U.S.)
Costa Rica	Line of Credit	$ 1,000,000
Paraguay	Capital	2,000,000
Bolivia	Line of Credit	2,000,000
Costa Rica	Venezuelan Investment Fund	1,000,000
Costa Rica	Venezuelan Investment Fund	2,000,000
Dominican Republic	Capital	2,000,000
Chile	Medium Term Bank Loan	1,750,000
Brazil	Medium Term Bank Loan and Capital	450,000
Bolivia	Venezuelan Investment Fund	2,000,000
Peru	Inter-American Development Bank	5,200,000
Chile	Inter-American Development Bank	5,200,000
Honduras	Inter-American Development Bank	1,200,000
Nicaragua	Inter-American Development Bank	1,200,000
El Salvador	Inter-American Development Bank	1,200,000
Paraguay	Inter-American Development Bank	1,200,000
Costa Rica	Inter-American Development Bank	1,200,000

As noted above, by the end of 1984, BIAPE's assets will exceed liabilities by almost two to one, and its net worth will have grown to be nearly equal to its loans payable, that is, if BIAPE's borrowing activities remain as conservative as the assumptions applied in the projected financial statements. This position has been reviewed with Standard and Poors in New York, which concurs in finding that certainly under such conditions BIAPE instruments would be attractive to potential investors. (Standard and Poors has an internationally recognized bond rating service. Upon application from a potential bond issuer, which may be a national government, the service will perform an in-depth review of the creditworthiness of the issuer. The rating which results will be one of the primary determinants of the interest rate the issue will carry.) If BIAPE were not to attempt to leverage its net worth to raise additional capital, but continued to operate only with the funds available to it as assumed in the projections, it would nevertheless have a total net worth which exceeded its total liabilities by 1987. Such a position is so "financially sound" as to be excessively conservative for a financial institution. Not only could BIAPE raise additional capital by 1984, but good management requires that it should do so to expand the pool of resources available to its members as a result of some leveraging of its substantial net worth.

It should be borne in mind that the assets generated by BIAPE's lending activities will be supported by full faith and credit guarantees of the governments of BIAPE's borrowers. This will further strengthen BIAPE's position when it backs up its own borrowing with the government guaranteed loan assets in its portfolio. The projections assume that BIAPE will begin to pay dividends to its shareholders in 1983. Dividends paid in that year will be 4.06% of equity, and rise to 7.92% by 1990, further strengthening BIAPE's position to raise additional funds.

5. Financial Plan

The HG loan to BIAPE is for a total of $30 million for which authorization will be sought in equal shares of $15 million in FY 1978 and FY 79/80 depending on the progress of disbursement of the first $15 million.

Cash flow projections indicate that in 4 years BIAPE will have drawn down and disbursed the $30 million loan and be eligible for additional equity investments from its shareholders. It is fully expected that BIAPE will continue to have access to medium- and short-term capital from international lenders during the next several years. It is also anticipated that BIAPE will accomplish its objectives as a secondary source of funds for housing finance in Latin America by raising longer-term funds through the issuance of its own debt instruments. The technical assistance grant of this project will be used to help BIAPE develop appropriate instruments within the following general framework.

a. Debentures: BIAPE could issue debentures in the form of securities with bond-like characteristics to meet the needs of institutional lenders of individual investors. These debentures

would be issued in U.S. dollars with repayment levels and maturities established to allow BIAPE to fulfill its obligations with the inflows from its other assets. As noted above, debentures of this type could be issued starting in 1984, when BIAPE's assets will be 1.7 times its liabilities, which provides a reasonable margin for additional borrowing. In general, additional borrowing should be conditioned on the availability of short- or medium-term loan investments from BIAPE to its members, so that the ratio of its portfolio to loans payable (assets to liabilities) would be maintained at a minimum of 1.5.

b. Participation Certificates: BIAPE could also sell all or part of the loans it generates to potential investors while retaining the servicing and administration, as it is now doing with the VIF resources. In this instance, BIAPE would not assume the additional liability, but it would be responsible for collections of the loans it originates. As in the case of debentures, BIAPE's sale of such participations will be conditioned on the availability of new investment opportunities at rates of interest which are favorable to it.

As a condition of this loan, AID will initially require that BIAPE pledge to it the assets which are generated with the HG loan funds. AID will agree, however, to release the assets which are pledged to it, under predetermined conditions, in order to facilitate BIAPE's efforts to raise additional resources for housing finance. The particular conditions under which AID will release those BIAPE assets pledged to it will be specified in the Implementation Agreement, and in general provide for the timely release of the pledged assets as long as BIAPE substitutes collateral satisfactory to AID. It will be required that payment of the promissory notes evidencing the sub-loans will be guaranteed by the host country government of the sub-borrower, and that the rights under these guaranties will be transferrable to each and every holder of the promissory notes. A.I.D. shall perfect its security interest in the promissory notes and the guaranties thereto in accordance with the laws of Venezuela. In the event A.I.D.'s examination of such laws suggests that A.I.D.'s interests may not be protected adequately, A.I.D. will take physical possession of such notes.

In terms of recording the pledge to AID, an alternative contemplated now is to have the notes issued by the different sub-borrowers transfered to AID with such transfer recorded in the books of BIAPE or the Venezuela public records. Another alternative contemplated now is to have the notes issued by the borrowers to BIAPE transfered to AID with the notes being kept by AID.

C. Social Analysis and the Role of Women

The target beneficiaries are those families with incomes below the median level. These families typically have been unable to participate in the existing housing finance market because of the high cost of shelter solutions and the absence of adequate quantities of financial resources.

This target population has a diverse make-up. The neighborhoods in which it lives vary in physical make-up from minimal structures housing families newly moved from rural areas to the city to well finished sturdy, though modest, structures belonging to neighborhood residents who have established a business base (retail sales or cottage industry). Electric power is quickly drawn to these neighborhoods, but almost without exception they have no sewer system. Water comes from wells in most cases and occasionally from taps in the more developed neighborhoods. Paved streets are a rarity.

The unemployment picture is as varied as the physical one. Those new residents with the most seasonal employment, and with the least understanding of urban culture will probably remain outside the scope of the BIAFE related programs. Many of the target population, however, have steady if modest employment. Jobs include unskilled construction work, low salaried government employment (janitors, messengers, chauffeurs), sales clerks and simple white collar work. The largest single grouping is often the self-employed. Once again, this group, which may constitute 40% of the neighborhood, has a wide variety of employ, and, therefore, income. Street vendors range from the perambulatory novice, to experts with carefully staked-out positions at key intersections or buildings. The top of the range in the target population is generally the merchant, though some cottage industries (tailor, seamstress, metal work, mechanic) develop important income stability and strength. In a 1976 survey of a typical pueblo joven in Lima, 37% of the economically active population was classified as "workers", implying a range of low-skilled jobs, 8% as "employees", often of the government, and 43% as "independently employed", meaning street vendors and those with home-based businesses (store keepers, tailor, mechanic, etc.). Twelve percent did not list any occupation. Unemployment has been estimated at one-third of the work force in these areas.

Employment for the target population in the San José (Costa Rica) metropolitan area reflects many of the same problems of transition from a rural setting. Nevertheless, it appears from some of the data available (including a shelter sector assessment completed in 1975) that families with incomes at or near the median have access to employment in industrial capacities including skilled construction work, truck driving and general factory labor. The low-cost housing programs of the BNAP in Paraguay are geared to a target population which includes low-level clerical employees such as store clerks and sales persons as well as janitors, telephone operators and elementary school teachers.

The proposed HG program is designed to support ongoing and new efforts to encourage more active involvement of Latin America's housing finance systems in the resolution of these problems. The program will use long term financing and technical assistance to encourage projects offering not only low cost completed dwelling units, but also such solutions as core housing units, home improvements, the upgrading of public utilities and infrastructure and rental units whose cost is tailored to the capacity of low-income families.

The long term of the HG loan will permit BIAPE's member institutions to create financing schemes which make credit more accessible to low-income families. The size of the loan will expand the resources available so that more such families are able to see the possibility of improvement in their living conditions. The encouragement of lower-cost shelter solutions combined with the smaller loan sizes should lead to the inclusion in the housing finance market of families with a broader range of those incomes below the 50th percentile.

The benefits are expected to accrue in important measure to women in the target population. The improvement of living conditions which results is rapidly reflected in an expansion of the time available for income producing activities. Traditionally women have played an important role in the operation of neighborhood commerce. Adequate living space is often converted into a store or work area. The improvements resulting from expansion of the income producing potential of women among the target population have a cyclical effect as they improve the earnings base of the family and ease the burden of carrying shelter-related debt.

D. Economic Analysis

One measure of the impact of increased savings and capital mobilization activities is the ratio of currency in circulation to the total money supply. Typically in developing countries, as savings and resources are transferred to the money economy, this liquidity ratio tends to fall. In the years from 1965 to 1975, the liquidity ratio of the countries in Latin America declined from an average of .32 to .23. While not all of this can be directly attributed to the growth of savings and loan institutions, there is no doubt that the mobilization of over $12 billion in savings by these institutions has been a significant contribution to the greater intermediation reflected in the decline. As housing finance markets broaden and deepen with the increase in BIAPE's activity, this trend will continue to bring resources which had not previously been intermediated into the economies of the region.

This HG loan will also have positive economic effects in terms of both the balance of payments of recipient countries and employment generation. The terms at which BIAPE will make loans to central savings and loan banks will be favorable when compared to the short- and medium-term credits now available from U.S. commercial lenders. These lines of credit carry interest rates which are to be determined when loans are actually drawn against them, while the rate on the BIAPE/HG loan will be constant for the life of the loans made to recipient countries. With regard to the employ-

ment effects, the availability of financing for low-cost housing will generate considerable construction activity in an expanded sector of the housing market, and result in an increase of employment opportunities mainly among semi-skilled and unskilled workers.

Finally, with respect to the risk involved for BIAPE in lending to its members for low-cost housing, BIAPE will negotiate with the governments of each member country for full faith and credit guaranties of loans made to participating institutions with HG resources.

IV. IMPLEMENTATION

A. Implementing Institutions

1. Recipients

The borrower (primary recipient) will be the Inter-American Savings and Loan Bank (BIAPE). BIAPE will re-lend the HG resources to its member savings and loan institutions. The past experience of both the central savings and loan banks and the individual savings and loan associations confirms that these institutions are capable of developing projects of the type to be financed by BIAPE under the proposed loan program. The program will carry the requirement that the resources will be used to finance shelter solutions for families with incomes below the median level.

2. AID

The proposed loan will be monitored by the AID Office of Housing (DS/H). Approval for disbursements will be made when AID is satisfied that the drawdowns on the loan comply with the terms of the Implementation Agreement. No additional AID staff will be required to administer this project.

B. Implementation Plan

1. Lending Procedures and Criteria

After the BIAPE loan is authorized, Loan, Guaranty and Implementation Agreements will be executed. BIAPE, immediately after, will issue the general parameters under which interested savings and loan systems could apply for AID-BIAPE funds. The following areas are expected to be covered in the announcement from BIAPE.

a. Purpose: The HG funds will be used by BIAPE for sub-lending to Latin American country Central Savings and Loan Banks who are members of BIAPE for the purpose of financing up to 80% of the loan value of shelter solutions for families below the median income of the urban and/or rural area where the solution is being developed. Not more than 20% of the HG resources will be lent to any one country.

b. Base Median Income: The Base Median Income will be established by BIAPE and approved by AID for interested BIAPE members. Upon the submission of a request from a Central Savings and Loan Bank to be considered as a potential recipient of HG resources, BIAPE will proceed to conduct an evaluation of the income distribution of the country to establish the Base Median Income for the country and areas where below median income housing projects could be implemented. The Base Median Income and the methodology used in calculating it will be reviewed and approved by AID prior to BIAPE's issuance of any commitment document.

c. Revisions of Median Income: The Base Median Income will be updated by BIAPE at least once every two years using the methods and procedures approved by AID at the time of approval of the Base Median Income.

d. Eligible Sub-Projects: BIAPE financing will be limited to the following types of shelter solutions for low-income families:

i. Completed low-income housing
ii. Core housing
iii. Home improvement loans
iv. Sites and services

e. Technical Reviews: Projects proposed for financing under the Loan will be approved by the Central Savings and Loan Banks before individual savings and loans can issue a commitment for financing. BIAPE will have the right to require technical changes in a specific project and to inspect the projects under construction.

f. Construction Advances: BIAPE may advance HG funds for the construction of specific projects provided the borrowing institution provides evidence that such advances are needed because the lack of short-term resources for construction and limited resources available to the savings and loan system.

No construction advances will be made and no long-term funds will be disbursed to any country until the Base Median Income has been approved by AID along with the method for adjusting such Base Median Income.

g. Host Country Guarantee: BIAPE will require, as part of the Sub-Loans with each participating institution, a full faith and credit guaranty of the country for the repayment of the dollar loans.

2. Sub-Project Development Procedures

The following provides a general understanding of how projects will be developed and how the HG funds will flow. The flow has been prepared starting with the project level. It describes the procedures for the financing of specific projects and the steps involved in the setting of a general line of credit for the purpose of financing home improvement type of loans.

Documentation	Implementing Entity
(1) Project Idea	
(i) Preliminary plans	(i) Private builder; co-operatives and other grou
(ii) Potential market for new housing; credit demand analysis for home improvement loans	(ii) Savings and loans; co-operatives and other grou
(2) Pre-feasibility Review	
(i) Letter of commitment to proceed with final plans. Terms of interim and construction finance established.	(i) Savings and loans
(ii) Letter of commitment to proceed with preparation of more detailed analysis of amounts, disbursement schedule for home improvement. Terms for loans established.	(ii) Central Savings and Loan
(3) Final Approval	
(i) Final plans, specifications and costs	(i) Savings and loans
(ii) Final amounts line of credit for home improvement developed and terms of contracts between Central Savings and Loan Banks and individual associations established.	(ii) Central Savings and Loan Banks
(4) Submission to BIAPE	
(i) Application for funds	(i) Central Savings and Loan Banks
(ii) Overall description of programs including target group.	

Documentation	Implementing Entity
(5) BIAPE Approval of Project	
(i) Financial, technical and related review documentation	(i) BIAPE
(ii) Letter of Commitment from BIAPE	(ii) Central Savings and Loan
(iii) Executed contracts between Central Savings and Loan and Savings and Loan	(iii) Savings and Loan
(iv) Letter of Commitment from Savings and Loan to sponsor (developer, cooperative group)	(iv) Savings and Loan
(v) Announcement by savings and loans home improvement line of credit has been established	
(6) Construction, Disbursements (Project Level)	
(i) Construction progress reports	(i) Builders
(ii) Construction payments	(ii) Savings and Loan
(iii) Credit review for completed units and individual home improvement loans	(iii) Savings and Loans
(7) Construction, Disbursements (Central Savings and Loan - BIAPE)	
(i) Certificate of completion - work in place (construction finance, certificate will reflect work in place as determined by savings and loan and verified by Central Savings and Loan)	(i) Central Savings and Loan Bank
(ii) Certificate of completion - loans for projects and home improvement	
(iii) Certificate that funds have been disbursed by Central Savings and Loan	
(iv) Promissory Note for amount of loan	

Documentation	Implementing Entity
(8) Disbursements U.S.-BIAPE	
(i) Request for Borrowing	(i) BIAPE
(ii) Legal Opinions (counsel to BIAPE)	(ii) AID
(iii) Certificate showing details of Sub-Loans (Summary of Certificate submitted under step 7 above)	(iii) U.S. Investor
(iv) Promissory Note from Sub-Borrower to BIAPE properly recorded as pledged to AID	
(v) Promissory Note for amounts being borrowed from U.S. Investor	

In step (7) above the in-country Central Savings and Loan Bank will provide a Promissory Note to BIAPE evidencing the debt obligation. It is expected that BIAPE will enter into Sub-Loan Agreements with each participating institution prior to the disbursement of any funds. This sub-loan agreement will establish a maximum amount to be loaned and the period under which such amounts should be disbursed. The Promissory Note in step (7) will be issued on the basis of the terms of the Sub-Loan Agreement.

In step (8) above, before AID authorizes the disbursement from the U.S. lender, the highest legal authority in the sub-borrower's country (Solicitor General, Ministry of Justice) will provide an opinion that the host country guaranty given to BIAPE under the terms of the Sub-Loan agreements is valid. This will be required only with the first disbursement from the U.S. Investor to BIAPE for the first project in each country. In subsequent disbursements, BIAPE and AID will rely on the opinion of counsel from Sub-Borrower that the host country guaranty is still valid.

The first step of the relation between BIAPE and a participating institution is a letter of intent from the in-country institution to participate in the AID-BIAPE loan. BIAPE will initiate the analysis of median income and the plan for updating the median income upon receipt of this letter of intent.

3. AID Approvals

The form of sub-loan agreements between BIAPE and Central Savings and Loan institutions will be approved in advance by A.I.D.

4. All Administrative Arrangements

The entire $30 million guaranty will be approved based on this Project Paper. Authorization of the first tranche of $15 million will be sent to BIAPE shortly after project approval. Authorization for a second tranche of $15 million will be issued if warranted by BIAPE performance under the first tranche. The decision to proceed with the second tranche will be based on an interim evaluation of the project. The purpose and scope of this evaluation is discussed under Section C, Monitoring and Evaluation.

The criteria for authorization of the second tranche will be:

a. need for additional resources, evidenced by full commitment of the first tranche and requests from Central Savings and Loan Banks for the full amount of the proposed second tranche.

b. demonstrated progress in developing additional sources of long-term capital evidenced by preparation and distribution of prospectuses to potential outside investors, design of instruments BIAPE can market to raise additional capital, and expressions of interest by outside investors in providing long-term capital to the Bank. The results of the evaluation and a request for authorization of the second $15 million will be submitted to the LA Bureau for review and approval.

C. Monitoring and Evaluation

Monitoring of the loan will be the responsibility of the Office of Housing. It will include reviews of BIAPE's procedures and actions with regard to commitment and disbursement of the loan. Regular and periodic statements of BIAPE's financial condition and activities will be forwarded to the Office.

The Office of Housing will require that two in-depth interim evaluations of the project's performance be conducted, the first following disbursement of 75% of the initial $15 million, estimated for the third quarter of CY 1979, and the second to fall in the fourth quarter of CY 1980 following disbursement of a substantial portion of the second $15 million. A final project evaluation is scheduled for late CY 1981 when the full loan has been disbursed.

The evaluations will consider the speed with which commitment and disbursement have taken place, and the breadth of response from all BIAPE's member institutions to the opportunities presented by the proposed HG project. They will also consider the impact of the HG resources on BIAPE's ability to tap international capital markets for long-term resources. The examination of BIAPE's performance will consider compliance with the directives, terms and conditions of the guaranty agreement, the efficiency of program administration and the bank's financial condition and development.

The evaluations will assess the use of the HG resources by BIAPE members to attract an increased percentage of Latin America's low-income populations to be served by their respective housing finance systems. Consideration will be given the impact of the project on savings mobilization, the cost of shelter solutions developed by the housing sector in the various countries involved and the financing arrangements developed to reach the target populations.

Finally, the later evaluations will assess the loan repayment experience of the member countries and the findings of the various systems with respect to repayment capacity, the appropriate size and term of loans, interest rate requirements, and delinquency.

D. Conditions Covenants

In addition to the standard conditions included in the Implementation Agreement, the following condition precedent to the first disbursement for each participating country will be included in the AID-BIAPE Implementation Agreement.

1. Median Income Definition. No disbursement from the U.S. Investor(s) to BIAPE will be authorized by AID unless the median income and the manner in which such median will be adjusted has been approved by AID for the country for which BIAPE intends to utilize the proceeds of the U.S. Loan.

2. Full Faith and Credit Guaranty. No disbursement from the U.S. Investor(s) to BIAPE will be authorized by AID unless the full faith and credit guaranty of the country to the obligations assumed by the borrower of HG funds from BIAPE has been obtained.

In addition, the AID-BIAPE Implementation Agreement will include a covenant to the effect that not more than 20% of the resources available under the U.S. Loan will be made available to any participating country.

ANNEX A

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project
From FY 78 to FY 81
Total U.S. Funding $30 million
Date Prepared Jan. 1978

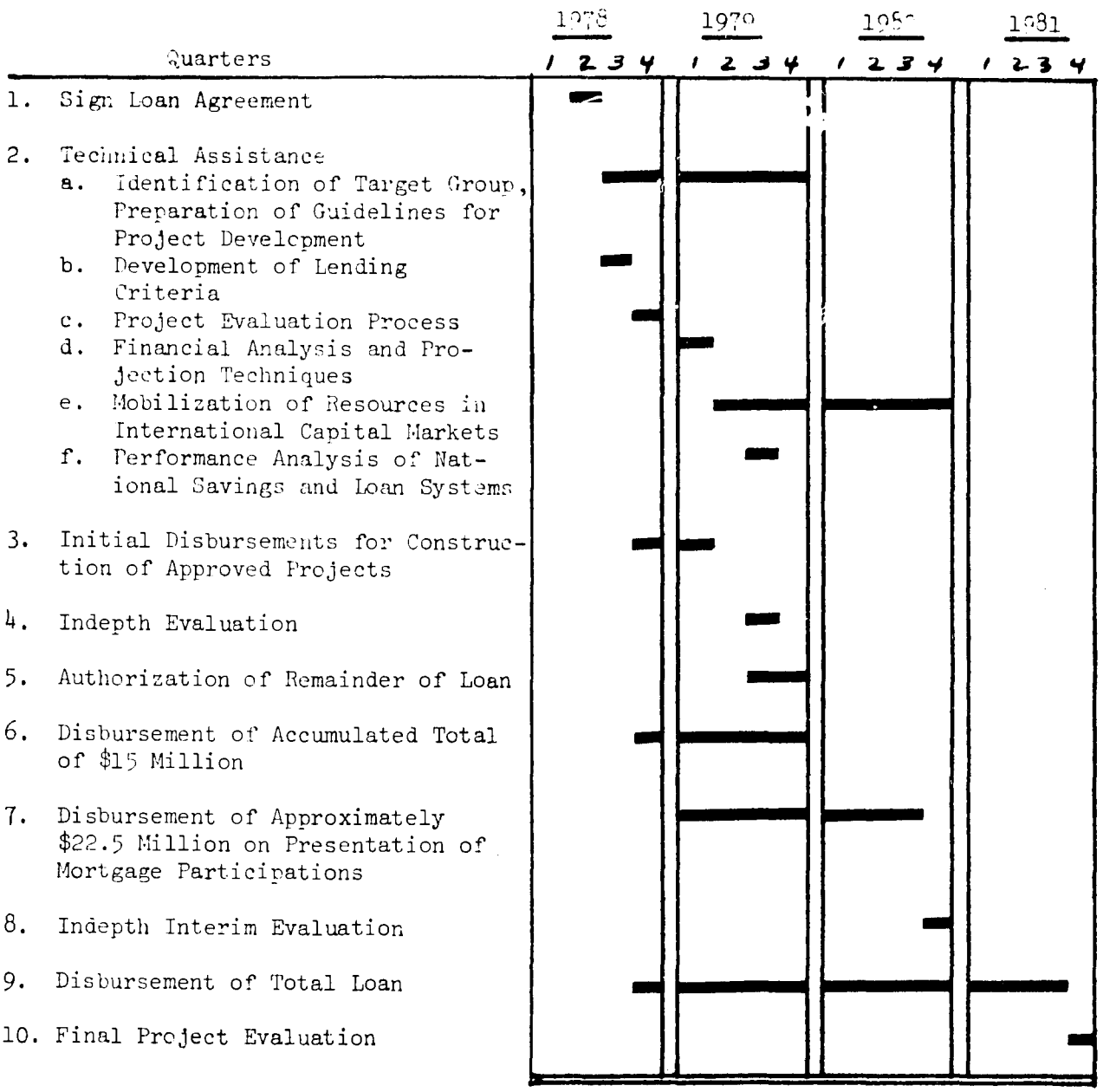
Project Title & Number Inter-American Savings and Loan Bank

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	1978	1979	1980	1981	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal: The broader objective to which this project contributes: To increase the availability of housing finance for low-income families provided by Latin American S&L systems	Measures of Goal Achievement: The investment and lending plans of BIAPE member institutions reflect an increased percentage of resources directed at the target population	(Cumulative)		10%	25%	BIAPE records S&L records	Assumptions for achieving goal targets No major economic recession in the region
Project Purpose: To develop a viable financial institution capable of operating in secondary markets to enhance the flow of private sector long-term financing into housing for low-income families in Latin America.	Conditions that will indicate purpose has been achieved: End of project status. 1. BIAPE portfolio (total $million)	16	22	33	43	BIAPE records	Assumptions for achieving purpose Loans carry interest rates that enable BIAPE to operate profitably. Demand from Central S&L Banks remains high.
	2. Profitable operations (total $thousand)	(146)	346	1174	650		
	3. BIAPE creditworthiness						
	a. Portfolio/Loans Payable	137%	124%	120%	137%		
	b. Loans Payable/Net Worth	148%	205%	283%	395%		
	4. External financing obtained:						
	a. Number of investors	--	--	1	.3		
	b. Investment ($million)	--	--	3.0	10.0		
Outputs: 1. Increased financing of low-cost shelter solutions	Magnitude of Outputs: 1. Completed shelter solutions					BIAPE records Project evaluation	Assumptions for achieving outputs S&Ls able to finance 20% of the value of mortgages generated
	a. Number of units	0	3000	10,000	15,000		
	b. Total price ($million)	0	7.5	25.0	37.5		
2. Development of a BIAPE program to attract long-term private sector financial resources	2. a. Prospectuses written & distributed					AID records/consultant reports Project evaluation	Technical assistance utilized effectively by BIAPE
	b. Debt instruments developed						
	c. Trained staff capable of negotiating international financing	1	3	3	3		
Inputs: HIG Loan funds $30,000,000	Implementation Target (Type and Quantity) Disbursements to Central S&LS ($million)	1.0	6.0	16.0	30.0	AID records	Assumptions for providing inputs HIG loan funds available on reasonable terms
SER/H funds for TA 120,000	TA ($thousand)	30.0	90.0	120.0	120.0	AID records	
Total Inputs $30,120,000							

PERT

Project _____

BIAHE
(Inter-American Savings and Loan Bank)



ANNEX C

9 MAR 1977

MEMORANDUM

TO: SER/H, Mr. Peter Kimm
Room 625 SA-12

FROM: AAA/LA, Donor M. Lich

SUBJECT: DAEC Review of Regional Inter-American Savings and Loan Bank (BIAPE) PRP

A. Summary.

The DAEC reviewed the subject PRP and authorized SER/H to proceed with the development of the proposed project utilizing HIG resources. However, before initiating an intensive review, SER/H was requested to prepare an interim report to address specific DAEC concerns.

B. Use of Development Loan (DL) Financing.

The proposed $5 million Development Loan was disapproved. The DAEC concluded that the use of DL financing for this project would be inappropriate. HIG standards will be used to determine eligible recipients of mortgages for low cost shelter solutions, e.g., urban families whose incomes are below the medium in both "developing" and "graduate" countries. However, these standards are inconsistent with the target group criteria normally used for Development Loan assisted projects. The DAEC also concluded that, even if BIAPE would be willing to orient a part of its secondary mortgage operations towards serving the housing needs of the poorest urban families, BIAPE is a relatively new and inexperienced institution, with limited capacity to assume the additional burdens of administration, promotion and risk, which an operation serving the 'poorest' urban families would require. Finally, even though the DAEC agreed with SER/H's argument that Development Loan financing would help BIAPE to increase its cash flow and capital assets more rapidly than would be possible using only HIG funds, existing and potential demand for secondary mortgage financing by primary Savings and Loans (S&L) institutions was not sufficiently demonstrated in the PRP to justify the need for the rapid increase in BIAPE's assets and cash flow which concessional lending would permit.

C. Interim Report. The IR should discuss:

1. Demand for Low Cost Housing. SER/H should examine the extent to which the lack of long term secondary market financing is the principal constraint to increased construction of low cost housing.

Within this framework SER/H should evaluate: (a) if effective demand from low income families is adequate to serve as the basis for a healthy primary mortgage market in both LDC's as well as "graduate" countries; (b) the degree to which local Savings and Loan associations are unable to meet this demand because of liquidity constraints; and (c) incentives that would be required to encourage Savings and Loan associations to reorient their mortgage financing programs to serve low income families. Based on the findings of its evaluation, SER/H should reassess the level of HIG financing that BIAPE will require to service local S&L's need for secondary mortgage financing, and readjust the HIG amount as appropriate. The IDB study as well as a survey of S&Ls in member countries might provide useful inputs in the evaluation required from SER/H.

2. Local Participation. As proposed in the PRP, BIAPE would buy 100% of primary mortgages issued by local Savings and Loan associations, and would also assume all the risks of mortgage default if not already covered by FHA-type insurance issued by the National Savings and Loan institutions. However, SER/H should investigate the possibilities of transferring a portion of the risks to member Savings and Loan associations, by limiting BIAPE's purchases to not more than 80% of primary mortgages, with the S&L associations assuming responsibility for the remaining portion. The local contribution could be considered as a counterpart contribution to the HIG loans, and also serve to demonstrate interest by S&Ls in promoting low cost housing construction through BIAPE in their respective countries.

3. Protection of AID Guaranteed Loans. To secure AID guaranteed loans to BIAPE against risks of default, SER/H would require BIAPE to pledge to AID as needed the mortgages which it acquires for its portfolio with the proceeds of the AID guaranteed loans. The DAEC concluded that AID guaranteed loan funds would be adequately protected if BIAPE's portfolio was secured by FHA-type insurance in member countries along with a host government full faith and credit guaranty of exchange convertibility. SER/H should reexamine the need for the pledging of BIAPE held mortgages to AID and reflect its findings and recommended alternatives in the interim report. The report should explain how the guaranty obtained from each government will be transferred to BIAPE, including the maintenance of value question.

D. Project Development. In preparing the PP, SER/H should address the following DAEC concerns:

1. Effect on Other Secondary Mortgage Activities. SER/H should examine the institutional and operating arrangements which will be established between BIAPE, the Central American Bank for Economic

Integration (CAPFI), and the Caribbean Development Bank (CDB), and propose such measures as necessary to insure that the secondary mortgage activities of these banks are not jeopardized.

2. Possibility of Increased FIV Financing. The Government of Venezuela has expressed interest in providing "FIV" loans to a number of Latin Countries and regional institutions as compensation for higher oil prices. SER/H should explore with the GOV the possibility of increasing its financial support to BIAPE.

3. Benefit Incidence. As a regional institution, BIAPE cannot discriminate among its member savings and loan associations. However, the DAEC was concerned that the more affluent countries within the LA region might serve to benefit disproportionately from BIAPE's secondary mortgage operations. The PP should contain an estimate of BIAPE's projected distribution of HIG funds by country, and if necessary, criteria should be established to insure that S&Ls in poorer countries have equal access to secondary mortgage financing.

E. Initial Environmental Examination

Based on a review of SER/H's Initial Environmental Examination, I have determined that the proposed project is not an action which will have a significant effect on the human environment and I approve a negative determination.

ANNEX D

26 OCT 1977

MEMORANDUM

TO: SER/H, Mr. Peter Kimm

FROM: AA/LA, Abelardo L. Valdez

SUBJECT: LA Bureau Review of the Interim Report for the BIAPE Project (FY 1978 HIG - $30 Million)

REFS: A. Lion-Kimm Memo dated March 9, 1977
B. Pita-Weinberg Memo dated September 22, 1977

As a result of the DAEC review of the BIAPE PRP, SER/H was requested (Ref A) to prepare an Interim Report which addresses three issues that were not resolved during the DAEC meeting. These issues are: (1) the effective demand for low-cost housing; (2) the extent of local participation in financing low-cost housing under the proposed project; and (3) the protection of AID guaranteed loans.

The Bureau has reviewed the Interim Report submitted by SER/H (Ref B). We believe that PP development should proceed, although two of the three issues outlined above are not fully addressed by the Interim Report. Resolution of these two issues in the PP will be a requirement for DAEC approval of the project. We suggest your treatment of these issues cover the following:

1. Demand for Low-Cost Housing. The Interim Report derives an estimate of effective demand from a macro-analysis of the global need for housing in Latin America. Our memo of April 21, 1977 requested an analysis of the effective demand for low-cost housing in each of the countries that would be eligible to receive guaranties under the project. The PP should more fully respond to this request. Specifically, the PP should discuss financing requests in hand and those expected to materialize over the life of the project (insofar as these are known). The extent to which such requests respond to the needs of AID's target group should then be analyzed. Finally, SER/H's analysis should demonstrate convincingly that a sufficient number of interested potential borrowers have incomes which would qualify them for the type of housing projects contemplated.

The PP should also analyze the institutional capabilities of the S&Ls which are expected to participate in this program, to include an evaluation of their performance and experiences in low-cost housing program design and implementation. Of particular importance will be the kind of procedures that will be established by S&Ls to insure

effective promotion of low cost housing solutions, and the financing and collection arrangements that will be instituted to permit efficient administration of low-cost housing projects, as well as enable increased access by low-income families to the low-cost housing units which will be constructed.

2. Protection of AID Guaranteed Loans. The government of each participating borrower will provide a full faith and credit guarantee to BIAPE against default and currency devaluation. SER/H believes that an additional guarantee is needed to ensure that BIAPE would use these funds (or other assets) to pay the Investor, and has proposed to require BIAPE to pledge assets generated with HIG funds to AID to provide protection of AID guaranteed loans. While pledging of assets to AID would ensure that AID has a priority claim against BIAPE's resources, and would be one way of protecting AID against guarantee claims, there are other viable options which may adequately protect AID's interests. We request that the PP address the following: the degree of risk in lending to BIAPE and the corresponding need for pledging BIAPE's portfolio to AID; the alternatives, other than pledging, (such as securing BIAPE's portfolio by FHA type insurance in member countries along with a host country full faith and credit guarantee of exchange convertibility) that SER/H has considered for protecting AID guarantee funds; and the reasons why SER/H prefers the pledging alternative.

We are looking forward to reviewing the PP in the near future.

ANNEX E

LA/DR-IEE-77-42

ENVIRONMENTAL THRESHOLD DECISION

Location : Latin America Regional (598)

Project Title : Inter American Savings and Loan (BIAPE)

Funding : FY 77 - $15,000,000; FY 78 - $15,000,000; Housing Investment Guaranty (HG)

Life of Project: Three (3) years

SER/H Recommendation

Based on the Initial Environmental Examination, SER/H has concluded that the project will not have a significant effect on the human environment and therefore recommends a Negative Determination.

The Latin America Bureau's Development Assistance Executive Committee has reviewed the Initial Environmental Examination for this project and concurs in SER/H's recommendation for a Negative Determination.

AA/LA Decision:

Pursuant to the authority vested in the Assistant Administrator for Latin America under Title 22, Part 216.4a, Environmental Procedures, and based upon the above recommendation, I hereby determine that the proposed project is not an action which will have a significant effect on the human environment, and therefore, is not an action for which an Environmental Impact Statement or an Environmental Assessment will be required.

Assistant Administrator
for Latin America

9 March 77
Date

Clearances:
DAEC Chairman:CWeinberg
LA Environmental Coordinator:MDeMetre (substance)

ANNEX F

DRAFT

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C. 20523

GUARANTY AUTHORIZATION

Provided From: Housing Investment Guaranty Authority

For: Inter-American Savings and Loan Bank (BIAPE)

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Section 222 of the FAA of not to exceed fifteen million dollars ($15,000,000) in face amount, assuring against losses of not to exceed one hundred percent (100%) of loan investment and interest with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance housing projects in Latin America.

This guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of successive disbursement and shall include a grace period on the repayment of principal of up to ten years (10) from the time of each successive disbursement. The guaranty of each loan shall extend for a period beginning with the first disbursement of the loan and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.

2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans.

3. Additional Guaranty: Each of the loans made by BIAPE to participating institutions for the financing of low-cost housing projects will carry full faith and credit guaranties of the governments in whose countries projects are located.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half of one percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus the fixed amount of $150,000 to be paid as A.I.D. may determine upon disbursement of the loans.

5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

Abelardo L. Valdez
Assistant Administrator
Bureau for Latin America

Date

Clearance:

DAA/LA:Edward W. Coy _____
LA/DP:Austin I. Heyman _____
LA/DR:Marshall Brown _____
SER/FM/LD:Steve Pappas _____
SER/H:Peter M. Kimm _____
SER/H:J. David McVoy _____
GC/H:Michael Kitay _____
GC/LA:Judd Kessler _____
PPC/EB:E. Hogan _____

Country Checklist

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Security Supporting Assistance funds.

A. GENERAL CRITERIA FOR COUNTRY

This is a regional project and, therefore, no specific country criteria are applicable. See Annex for FAA Section 116 discussion.

B. Project Checklist:

1. FAA Sec. 221;222. In what manner does the Project meet the criteria of Sec. 221 or 222? — The program qualifications under Sec. 222(b)(2), and (4).

2. FAA Sec. 222(c). Is the total principal amount of guaranties issued under Sec. 221, and 222 (including the amount requested to be for this project) in excess of $1,030,000? — Yes

3. FAA Sec. 223(i). Is the interest rate prescribed for loans issued under Sec. 221 or 222 consistent with the maximum rate criteria of Sec. 223(i)? — Yes

4. FAA Sec. 223(g). Are the guaranties issued under Sec. 221 or 222 for housing projects 1) except for regional projects, is countries receiving, or which in the previous two years have received, development assistance under Chapter 1 of Part 1 of this Act 2) coordinated with and complementary to such assistance and 3) specifically designed to demonstrate the feasibility and suitability of particular kinds of housing or of financial or other institutional arrangements? Is 90% or more of the aggregate face value of housing guaranties to be issued for housing or shelter suitable for families with income below the median income of the area in which the housing is located? — Yes

5. FAA Sec. 238 (c). Are the investors, at the time of the issuance of the guaranty, "eligible investors" within the meaning of Sec. 238(c)? — Yes

BIAPE
PROJECTED FINANCIAL STATEMENTS
YEAR ENDING ON DECEMBER 31, 1977 THROUGH DECEMBER 31, 1996
(In Thousands of Dollars)

STATEMENT OF CONDITION	12/31/77	12/31/78	12/31/79	12/31/80	12/31/81	12/31/82	12/31/83	12/31/84	12/31/85	12/31/86
Assets										
Cash	1,192	1,606	2,442	1,432	2,863	1,300	1,044	1,585	2,296	2,194
Certificates of Deposit	800	800	822	822	849	932	1,017	1,109	1,203	1,291
Portfolio Long Term										
Original Financing	14,400	21,124	31,423	41,348	56,459	54,567	53,372	62,042	60,561	58,914
Roll-over	1,500	1,457	1,408	1,353	1,815	5,899	8,442	10,064	12,235	15,435
Portfolio Short Term										
Original and Roll-over	5,112	4,759	4,460	4,928	4,663	4,723	4,575	4,653	4,647	4,638
Total Assets	23,004	29,746	40,555	49,883	66,649	67,421	68,450	79,453	80,942	82,472
Liabilities and Net Worth										
Loans Payable										
Venezuela Investment Fund	5,000	5,000	3,709	2,311	800	--	--	--	--	--
Interamerican Development Bank	3,750	7,500	11,250	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Housing Guaranty Loan	5,000	7,500	15,000	22,500	30,000	30,000	30,000	30,000	30,000	30,000
Total Liabilities	13,750	20,000	29,959	39,811	45,800	45,000	45,000	45,000	45,000	45,000
Net Worth										
Paid up Capital	9,400	9,400	9,400	9,400	19,400	19,400	19,400	29,400	29,400	29,400
Retained Earnings	(146)	346	1,174	650	1,400	2,889	3,833	4,744	6,139	7,581
Legal Reserve	--	--	22	22	49	132	217	309	403	491
Total Net Worth	9,254	9,746	10,596	10,072	20,849	22,421	23,450	34,453	35,942	37,472
Total Liabilities and Net Worth	23,004	29,746	40,555	49,883	66,649	67,421	68,450	79,453	80,942	82,472
STATEMENT OF INCOME & RETAINED EARNINGS										
Income										
Interest Earned										
Portfolio	622	2,152	2,791	3,687	4,976	5,713	6,057	6,721	7,322	7,388
Certificates of Deposit	209	238	180	78	78	82	82	86	86	90
Total	831	2,390	2,971	3,765	5,054	5,795	6,139	6,807	7,408	7,478
Interest Paid	237	1,106	1,274	3,383	3,307	3,185	3,152	3,152	3,152	3,152
Net Interest Income	594	1,284	1,697	382	1,747	2,610	2,987	3,655	4,256	4,326
Administrative Expenses	740	792	847	906	970	1,038	1,110	1,188	1,270	1,360
Net Income	(146)	492	850	(524)	777	1,572	1,877	2,467	2,986	2,966
Retained Earnings at the beginning of the period	--	(146)	346	1,174	650	1,400	2,889	3,833	4,744	6,139
Less: Legal Reserve	--	--	22	--	27	83	85	92	94	88
Dividends Paid	--	--	--	--	--	--	848	1,464	1,497	1,436
Retained Earnings as of the end of the year	(146)	346	1,174	650	1,400	2,889	3,833	4,744	6,139	7,581
RATIOS										
Portfolio / Loan Payable	153%	137%	124%	120%	137%	145%	148%	170%	172%	176%
Loan Payable / Net Worth	148%	205%	283%	395%	220%	200%	192%	130%	125%	120%
Dividends Paid / Stockholders' Equity							4.06%	5.56%	4.71%	4.42%

BANDE

PROJECTED FINANCIAL STATEMENTS
YEAR ENDING ON DECEMBER 31, 1977 THROUGH DECEMBER 31,1996
(In Thousands of Dollars)

	12/31/87	12/31/88	12/31/89	12/31/90	12/31/91	12/31/92	12/31/93	12/31/94	12/31/95	12/31/96
STATEMENT OF CONDITION										
Assets										
Cash	1,372	784	1,312	1,944	2,755	1,564	875	577	475	285
Certificates of Deposit	1,404	1,518	1,629	1,879	2,129	2,347	2,559	2,766	2,969	3,190
Portfolio Long Term										
Original Financing	66,680	63,810	60,665	57,220	53,441	49,283	45,597	42,269	39,697	37,968
Roll-over	19,711	24,511	30,178	32,322	34,040	38,277	41,667	44,090	45,522	46,238
Portfolio Short Term										
Original and Roll-over	4,650	4,653	4,769	4,798	4,726	4,609	4,591	4,687	4,671	4,672
Total Assets	93,817	95,276	98,553	98,163	97,091	96,080	95,289	94,389	93,384	92,353
Liabilities and Net Worth										
Loans Payable										
Venezuela Investment Fund										
Interamerican Development Bank	14,568	13,692	12,800	11,888	10,956	10,008	9,044	8,056	7,052	6,024
Housing Guaranty Loan	30,000	29,892	29,613	29,174	28,560	27,557	26,820	26,012	25,125	24,153
Total Liabilities	44,568	43,584	42,413	41,062	39,516	37,565	35,864	34,068	32,177	30,177
Net Worth										
Paid up Capital	39,400	39,400	39,400	39,400	39,400	39,400	39,400	39,400	39,400	39,400
Retained Earnings	9,245	11,574	15,911	16,622	16,846	17,568	18,266	18,955	19,638	20,386
Legal Reserve	604	718	829	1,079	1,329	1,547	1,759	1,966	2,169	2,390
Total Net Worth	49,249	51,692	56,140	57,101	57,575	58,515	59,425	60,321	61,207	62,176
Total Liabilities and Net Worth	93,817	95,276	98,553	98,163	97,091	96,080	95,289	94,389	93,384	92,353
STATEMENT OF INCOME & RETAINED EARNINGS										
Income										
Interest Earned										
Portfolio	8,104	8,872	9,109	9,435	9,252	9,231	9,173	9,130	9,104	9,534
Certificates of Deposit	90	90	106	112	123	135	145	154	163	173
Total	8,194	8,962	9,215	9,547	9,375	9,386	9,318	9,284	9,267	9,707
Interest Paid	3,152	3,137	3,102	3,050	2,984	2,908	2,828	2,732	2,638	2,528
Net Interest Income	5,042	5,825	6,113	6,497	6,391	6,478	6,490	6,552	6,629	7,179
Administrative Expenses	1,455	1,557	1,665	1,781	1,905	2,038	2,180	2,332	2,495	2,669
Net Income	3,587	4,268	4,448	4,716	4,486	4,440	4,310	4,220	4,134	4,510
Retained Earnings at the beginning of the period	7,581	9,245	11,574	15,911	16,622	16,846	17,568	18,266	18,955	19,638
Less: Legal Reserve	113	114	111	250	250	218	212	207	203	221
Dividends Paid	1,810	1,825	ø	3,755	4,012	3,500	3,400	3,324	3,248	3,541
Retained Earnings as of the end of the year	9,245	11,574	15,911	16,622	16,846	17,568	18,266	18,955	19,638	20,386
RATIOS										
Portfolio / Loan Payable	204%	213%	225%	230%	233%	245%	256%	267%	280%	295%
Loan Payable / Net Worth	90%	84%	76%	72%	69%	64%	60%	56%	53%	49%
Dividends Paid / Stockholders' Equity	4.73%	4.13%	--	7.92%	8.40%	7.31%	7.05%	6.84%	6.64%	7.19%

ANNEX H.1 TABLE 2

BIAPE
CASH FLOW PROJECTION
TWENTY YEAR ENDING ON DECEMBER 31, 1996
(In Thousands of Dollars)

	1/1/77 to 12/31/77	1/1/78 to 12/31/78	1/1/79 to 12/31/79	1/1/80 to 12/31/80	1/1/81 to 12/31/81	1/1/82 to 12/31/82	1/1/83 to 12/31/83	1/1/84 to 12/31/84	1/1/85 to 12/31/85	1/1/86 to 12/31/86
Balance Forward	Ø	1,192	1,606	2,442	1,432	2,863	1,300	1,044	1,585	2,296
INFLOW										
Source of Funds										
Paid up Capital	9,400	--	--	--	10,000	--	--	10,000	--	--
Venezuela Investment Fund	5,000	--	--	--	--	--	--	--	--	--
IDB Loan	3,750	3,750	3,750	3,750	--	--	--	--	--	--
HG Loan	5,000	2,500	7,500	7,500	7,500	--	--	--	--	--
Recuperation of Principal - Original Portfolio	--	176	1,601	1,975	2,389	1,892	1,195	1,330	1,481	1,647
Interest Earned on Investments - (Original Portfolio)	348	1,490	2,209	3,087	3,815	3,972	3,813	3,678	3,527	3,361
Recuperations - New Portfolio	--	43	49	55	201	407	592	892	1,233	1,481
Interest Earned on Investments (New Portfolio)	--	163	158	151	695	1,321	1,764	2,589	3,342	3,574
Recuperations - Short Term Loans	888	2,172	2,911	3,075	2,727	2,756	2,949	2,775	2,825	2,841
Interest Earned - Short Term Loans	274	499	424	449	466	420	480	454	453	453
Interest Earned - CDs	209	238	180	78	78	82	82	86	86	90
TOTAL	24,869	11,031	18,782	20,120	27,871	10,850	10,875	21,804	12,947	13,447
CUMULATIVE	24,869	12,223	20,388	22,562	29,303	13,713	12,175	22,848	14,532	15,743
OUTFLOW										
Loans	14,400	6,900	11,900	11,900	17,500	--	--	10,000	--	--
New Loans	1,500	--	--	--	663	4,491	3,135	2,514	3,404	4,681
New Loans (Short Term)	6,000	1,819	2,612	3,543	2,462	2,816	2,801	2,853	2,819	2,832
Deposits - CD's	800	--	--	--	--	--	--	--	--	--
Loans Payable Amortization										
IDB										
Interest	37	111	185	259	296	296	296	296	296	296
Principal	--	--	--	--	--	--	--	--	--	--
VIF										
Interest	200	400	375	268	155	33	--	--	--	--
Principal	--	--	1,291	1,398	1,511	800	--	--	--	--
HG										
Interest	--	595	714	2,856	2,856	2,856	2,856	2,856	2,856	2,856
Principal	--	--	--	--	--	--	--	--	--	--
Administrative Expenses	740	792	847	906	970	1,038	1,110	1,188	1,270	1,360
Legal Reserve (5%)	--	--	22	--	27	83	85	92	94	88
Dividends Paid to Stockholders (80%)	--	--	--	--	--	--	848	1,464	1,497	1,436
TOTAL	23,677	10,617	17,946	21,130	26,440	12,413	11,131	21,263	12,236	13,549
NET CASH FLOW	1,192	414	836	(1,010)	(1,431)	(1,563)	(256)	541	711	(102)
AVAILABILITY	1,192	1,606	2,442	1,432	2,863	1,300	1,044	1,585	2,296	2,194

BIAPE
CASH FLOW PROJECTION
TWENTY YEAR ENDING ON DECEMBER 31, 1996
(In Thousands of Dollars)

	1/1/87 to 12/31/87	1/1/88 to 12/31/88	1/1/89 to 12/31/89	1/1/90 to 12/31/90	1/1/91 to 12/31/91	1/1/92 to 12/31/92	1/1/93 to 12/31/93	1/1/94 to 12/31/94	1/1/95 to 12/31/95	1/1/96 to 12/31/96
Balance Forward	2,194	1,372	784	1,312	1,944	2,755	1,564	875	577	475
INFLOW										
Source of Funds										
Paid up Capital	10,000	--	--	--	--	--	--	--	--	--
Venezuela Investment Fund	--	--	--	--	--	--	--	--	--	--
IDB Loan	--	--	--	--	--	--	--	--	--	--
HG Loan	--	--	--	--	--	--	--	--	--	--
Recuperation of Principal - Original Portfolio	2,234	2,870	3,145	3,445	3,779	4,158	3,686	3,378	2,572	1,729
Interest Earned on Investments - (Original Portfolio)	3,174	2,938	2,663	2,363	2,029	1,650	1,262	932	656	467
Recuperations - New Portfolio	1,923	2,498	2,998	3,602	4,158	4,758	5,397	6,266	7,202	7,115
Interest Earned on Investments (New Portfolio)	4,477	5,519	6,038	6,659	6,775	7,132	7,466	7,754	8,000	8,623
Recuperations - Short Term Loans	2,822	2,716	2,689	2,639	2,676	2,782	2,798	2,729	2,771	2,777
Interest Earned - Short Term Loans	453	415	408	413	448	449	445	444	448	444
Interest Earned - CDs	90	90	106	112	123	135	145	154	163	173
TOTAL	25,173	17,046	18,047	19,233	19,988	21,064	21,199	21,607	21,812	21,328
CUMULATIVE	27,367	18,418	18,831	20,545	21,932	23,819	22,763	22,482	22,389	21,803
OUTFLOW										
Loans	10,000	--	--	--	--	--	--	--	--	--
New Loans	6,199	7,298	8,665	5,746	5,876	8,975	8,787	8,689	8,684	7,781
New Loans (Short Term)	2,834	2,719	2,805	2,668	2,604	2,665	2,780	2,825	2,755	2,778
Deposits - CDs	--	--	--	--	--	--	--	--	--	--
Loans Payable Amortization										
IDB										
Interest	296	284	268	248	228	212	196	172	156	132
Principal	432	876	892	912	932	948	964	988	1,004	1,028
VIF										
Interest	--	--	--	--	--	--	--	--	--	--
Principal	--	--	--	--	--	--	--	--	--	--
HG										
Interest	2,856	2,853	2,834	2,802	2,756	2,696	2,632	2,560	2,482	2,396
Principal	--	108	279	439	614	1,003	737	808	887	972
Administrative Expenses	1,455	1,557	1,665	1,781	1,905	2,038	2,180	2,332	2,495	2,669
Legal Reserve (5%)	113	114	111	250	250	218	212	207	203	221
Dividends Paid to Stockholders (80%)	1,810	1,825	Ø	3,755	4,012	3,500	3,400	3,324	3,248	3,541
TOTAL	25,995	17,634	17,519	18,601	19,177	22,255	21,888	21,905	21,914	21,518
NET CASH FLOW	(822)	(588)	528	632	811	(1,191)	(689)	(298)	(102)	(190)
AVAILABILITY	1,372	784	1,312	1,944	2,755	1,564	875	577	475	285

ESTIMATE OF HOUSING NEED OF BIAPE MEMBER COUNTRIES

	A	B	C	D (A + B - C = D)
	Units Needed for New Household Formation 1970-75	Existing (1) Deficit and Deterioration	Total Production 1970-1975 (Approx.)	Unmet Need as of 1975
ARGENTINA	550,000	NA	150,000	400,000
BOLIVIA	141,500	111,000	15,000	237,500
BRAZIL	3,524,000	2,205,000	280,000	5,449,000
CHILE	190,000	618,700	125,000	683,700
COSTA RICA	47,500	200,000	15,000	232,500
DOMINICAN REPUBLIC	183,000	NA	20,000	163,000
ECUADOR	244,000	410,000	37,500	616,500
EL SALVADOR	118,000	NA	4,000	114,000
HONDURAS	90,000	347,700	12,500	425,200
NICARAGUA	61,500	25,000	15,000	71,500
PARAGUAY	83,000	NA	5,000	78,000
PERU	500,000	450,000	50,000	900,000
VENEZUELA	370,000	NA	50,000	320,000
TOTALS	6,102,500	4,367, 400	779,000	9,690,900

(1) Based on overcrowded and inadequate housing units, plus deteriorated units presently in need of replacement.

DEPARTMENT OF STATE
DIVISION OF LANGUAGE SERVICES

ANNEX H.3

(TRANSLATION)

LS NO. 47495
MD/DT
Spanish

1. The Birth of the Project

1. The Second Inter-American Savings and Loan Conference, held at Santiago, Chile, in January 1964, adopted recommendations of which the third reads as follows in its first part: "To support unanimously the idea of establishing an International Home Loan Bank or an International Savings and Loan Association."

2. The resolution adopted at the experts level by the Third Annual Meeting of the Inter-American Economic and Social Council (IA-ECOSOC), December 1964, was worded as follows: "In order to facilitate the financing of the housing programs, IA-ECOSOC requests the Inter-American Savings and Loan Union to establish as soon as possible a mortgage loan reinsurance system; and it recommends to the Governments that they study the desirability of adopting legislation to enable national savings and loan institutions to participate, through the Inter-American Savings and Loan Union, in mortgage loan transactions carried out by the systems of the other Latin American countries; and to invest directly in mortgage loans under national mortgage insurance systems and their corresponding reinsurance, taking into consideration the legal institutional requisites of each country".

3. Owing to the fact that the Inter-American Savings and Loan Union only came into being in 1964 and did not begin to organize itself until 1965, the above-mentioned resolution did not lead quickly to formal projects, even

though it has since then been the object of repeated consideration at the Union's working meetings.

4. In 1968, responding to latent restiveness and in view of projects presented by the delegations of Brazil and Peru, the Sixth Inter-American Savings and Loan Conference again took up the idea of establishing a multinational financing mechanism for housing and approved what was called the Declaration of Rio de Janeiro. In that Declaration representatives of the governing bodies of the systems of Argentina, Bolivia, Brazil, Chile, Ecuador, El Salvador, Guatemala, Panama, and Peru requested the Union to take steps to obtain the support of various international organizations for the establishment of an agency of that nature which would offer financial assistance to the savings and loan systems.

5. In the course of 1968 the Inter-American Savings and Loan Union took such steps and when it became evident that they were having no positive results, the Union took more direct action and began the consultations that led first to a proposal for a feasibility study regarding the establishment of a multinational financial support organization.

6. At meetings held in Santo Domingo in 1969, the presidents of central savings and loan organizations of America and of leagues of private institutions approved the Union's proposal and accordingly its General Secretariat, working with ADELATEC, a technical services firm, prepared the basic guidelines for the feasibility study which was to be carried out.

7. The heads of the same central organizations and leagues, meeting in Managua in 1970, endorsed the Union's action and, at its request, set up a committee to study and approve the guidelines worked out for the study, which would also be the principal guidelines for forming the prospective

organization.

The members of the committee were as follows: Dr. José Eduardo de Oliveira Penna, Director, National Housing Bank of Brazil; Dr. Guillermo Le Fort Campos, President, Central Savings and Loan Bank of Chile; Dr. Alfredo Tapia García, General Manager, Housing Bank of Peru; and Tulio Pineda Brigé, President, National Savings and Loan Bank of Venezuela.

8. The committee met in Lima in April 1970 and, with the authorities of the Inter-American Union, agreed on the outline for the prospective multinational financing organization, which outline was to be used by ADELATEC in studying the organization's feasibility.

Following these preliminary steps, and with the collaboration of practically all of the savings and loan systems of Latin America connected with the Union, a contract was let in 1970 for the feasibility study, and its conclusions, which positively confirmed the project's viability, were delivered in mid-1971.

9. The Tenth Inter-American Savings and Loan Conference held in Lima in 1972 concurred in those conclusions and in the study made of them at the national systems level. It unanimously resolved in favor of establishing the new organization, confirmed its endorsement of the Inter-American Union's activities in connection therewith, and entrusted the Union with the continuation of those activities until the new financing organization was formed.

10. The union incorporated this task into its special work program and appointed a committee to attend to it and collaborate in the preparation of documents required to form the new body. The committee was made up of José Eduardo De Oliveira Penna, Brazil; José Florencio Infante, Chile;

Rex G. Baker, United States; Alfredo Tapia, Peru; and Tulio Pinedo, Venezuela. Antonio Dudley and Danilo Martinez of Panama and Jorge Eduardo García Salas of Guatemala joined in the committee's activities later as representatives of systems that had already adopted formal resolutions to agree to the formation of the new organization.

11. In this manner the Inter-American Union prepared the preliminary drafts of the constituent documents of an inter-American savings and loan bank. In that task it enjoyed the cooperation of its Committee of Legal Experts, chaired by Dr. Samuel Lozada Tamayo of Peru and having as members at that time Francisco Ignacio Fontbona of Argentina, Arturo Zavala Rojas of Chile, Robert Elliott of the United States, and Pedro Lasa of Panama.

12. The aforesaid preliminary drafts were brought to the attention of the American savings and loan systems in order to elicit observations and suggestions, and to the same end a meeting of representatives of organizations interested in forming the bank was held in Caracas in November 1973. With the observations provided and the preliminary draft of the articles of incorporation before it, the Inter-American Union prepared a comparative text containing the alternatives and options determining the bank's activities, and presented it at a new meeting of the parties interested in its establisment, in Guatemala City in January 1974.

13. At the aforementioned meetings the decision to form the bank was reaffirmed, but, since certain national decisions still had to be finalized, it was resolved that the Inter-American Savings and Loan Union would set up one last special committee to review the preliminary data and studies previously accumulated and produce the final version of the documents designed

to facilitate the adoption of such decisions and the legalization of the bank's establishment.

14. That committee was chaired by Dr. Horacio Giménez Zapiola of Argentina, President of the Union, and its members were Luiz Carlos Vieyra Da Fonseca, Brazil; José Florencio Infante, Chile; Rex G. Baker, United States; Jorge Eduardo García Salas, Guatemala; Alfredo Tapia, Peru; Francisco Díaz Morales, Dominican Republic; Tulio Pinedo Brigé, Venezuela; and Ricardo García Rodríguez, Secretary General of the Union.

The committee held four more meetings in 1974: in Guatemala City (March), Rio de Janeiro (August), Lima (September), and Caracas (October). All the meetings were attended by Horacio Giménez Zapiola, Tulio Pinedo Brigé, José Florencio Infante, Luiz Carlos Vieyra Da Fonseca, and Ricardo García, Rodríguez. At the Rio meeting Derick Calderón susstituted for Jorge Eduardo García Salas, and at the Lima meeting Samuel Lozada substituted for Alfredo Tapia.

The work of the committee culminated in the proposals contained in the remaining explanatory documents.

2. Justification of the Project

1. Basic reasons for founding an inter-American savings and loan bank

Among the many different reasons for setting up an inter-American savings and loan bank, the following merit specific mention:

(a) The financing of housing involves a complex process different from other types of financing. The following factors make it a specialized field that requires refinancing systems specifically suited to its structure: The financing must be long-term; there must be a balance between the availability of financing and the availability of housing; the relationship between

financing and the ability of those who need it to afford it; the connection [of the foregoing] with the production of homes, which is linked with the equally complex process of construction and the various factors influencing it; and the management of funds from different sources, which means different costs and conditions of liquidity.

(b) The savings and loan systems have developed successfully in the hemisphere, and over the past 12 years they have undergone a steady rate of growth in Latin America. The mortgage assets of these systems represent approximately a million dwellings, and if the credits to finance them were to be conservatively estimated at an average of only US$5,000, they would represent a sum of approximately $5 billion. The United States system, in more than a century of operation, has accumulated assets worth about $250 billion. The Latin American system, in and by itself, represents unquestionably important support for undertaking the search for its own means of refinancing, and in the inter-American context, such support is clearly of exceptional significance.

(c) In addition to individual accomplishments of outstanding value, the savings and loan systems of South, Central, and North America have created permanent relations and effective links among themselves. This has enabled them to bring about an exchange of technology and of experiences on a scale not usually found in other inter-American fields of activity. The existence of the Inter-American Savings and Loan Union since 1964 has resulted in study programs, publications, technical assistance, personnel training, specialized meetings, annual conferences, committee works, and mechanisms for the participation of national systems in activities of mutual and international

interest, and it has thereby enabled these links to grow steadily, producing ever better results. However, that solid alliance of purposes and accomplishments has not thus far reached the financial sphere, although it constitutes a strong foundation for such an attainment.

(d) Home financing does not have specialized mechanisms for refinancing or foreign financing. The sources which have until now produced funds from abroad have been sporadic, unpredictable, and hedged with conditions. They have operated out of organizations whose objectives were disparate or limited by conditions restricting their ability to make their own decisions, which has prevented them from offering alternatives corresponding to the various national realities.

(e) The savings and loan systems have lacked access to the world capital market. And they have not evolved a multinational mechanism for financing transactions. Although they have received financial aid or made financing contracts--which have been very important and much appreciated--they have done so through essentially bilateral mechanisms, with the limitations and difficulties naturally attendant thereon.

(f) The need for housing is so great and its growth so rapid that it is imperative for home financing to achieve and maintain a growth rate bearing at least some relation to the demand for new dwellings. While it is indisputable that such a rate must be generated and sustained primarily with local resources, it is no less true that foreign aid will also be indispensable to stimulate, stabilize, speed, and augument local efforts. This is especially true if such outside support materializes in a spirit of solidarity and of awareness that the problem being faced transcends national

boundaries and hence requires joint action leading to better and more balanced international coexistence, source of justice and peace.

The reasons outlined above led to the idea of establishing a multinational home financing institution sufficiently broad in its conception to employ the support of the savings and loan systems and to facilitate their access to needed funds drawn from an unlimited market. Such an institution is also seen as a means to form and develop an inter-American capital market and promote effective American integration and solidarity.

2. A private international corporation

Once the idea of establishing a multinational financing organization took hold, the first feasible way for putting it into operation appeared to be by international treaty, making it an entity under international public law.

However, following an examination of the procedures that setting up the institution by international treaty would require and an evaluation of the essentially financial purposes of the new organization, which would operate outside political and other such relations, it was decided to establish it as a corporation and to call it a bank. This option, also recommended by the technical feasibility study, was seen to avoid negotiations, ratifications, and formalities at the level of national governments and public authoritie

In addition, the corporation makes possible the direct participation of the governing bodies of the savings and loan systems and of private entities, thereby ensuring the representation of those systems, all of like thought, within an organization appropriate to the desired specialized function.

3. Purpose of the institution

By their activities, the savings and loan systems have proved themselves

to be multipliers of the funds turned over to them and to be capable of effective administration and high productivity.

An inter-American savings and loan bank's first mission would be to serve as a source of encouragement, stimulation, and promotion of those productive multiplier instruments. Its action must therefore be such as to strengthen those systems, in their organizational as well as in their financial and technical aspects.

With that aim in mind, it is intended that the new institution should: (a) Grant loans to hasten the growth of savings and loan systems in the hemisphere, whose specific purpose will be determined by the beneficiary institutions themselves according to their plans and needs; (b) grant loans to support the formation and development of stabilization funds of secondary mortgage markets, considering these in the light of the diverse existing conditions in various parts of the hemisphere; (c) support the establishment of new savings and loan systems and facilitate the mobilization of seed capital needed for their initial development; and (d) grant short-term loans to satisfy possible liquidity requirements of the savings and loan systems, which requirements might also be met through recourse to systems finding themselves in a temporary state of excess liquidity.

The loan authorization principles are inspired by the idea that borrowers should be given wide freedom to employ the funds obtained in the manner most in harmony with national needs and conditions, rather than have the bank impose rigid practices that might run counter to such needs and conditions.

The foregoing would naturally not exclude the motivation of the credit application and the latter's influence on its acceptance, or the analysis of

the grounds for the loan in relation to the Bank's policies.

It is intended, further, that the Bank should serve as an instrument for home financing and improvement of the housing situation. In this connection it would: (a) Finance special urban and home development programs designed to promote social and economic advancement among groups whose incomes do not give them normal access to housing; and (b) provide technical assistance aimed at better management of funds available to national systems or entities and more efficient administration of their programs.

Finally, in view of the urgent need for change in home construction technology to bring it into line with the speed and prices demanded by housing conditions, the bank's role in making such change feasible and in helping to narrow the ever-widening gap between housing needs and what is being done to meet them should not be overlooked.

An effort has been made to outline the aims of the bank in broad terms in order to prevent those terms from becoming at some future time obstacles to the expansion and intensification of its activities.

4. An intermediate credit bank

The new institution is viewed basically as an intermediate financing organization that will place its resources at almost the same time it obtains them; attempt to attract investments in keeping with previously verified opportunities for placement; and, as a means to channel such investments, issue securities and negotiable paper secured by the guaranties that it requires of its borrowers and the superguaranty represented by its assets and the special additional liabilities contracted by its shareholders, as explained below.

The foregoing does not preclude the bank's making loans from its own capital or other funds, but this is not expected, at least in the first stage of its development, to be its principal mode of operation.

For this reason the bank's capital structure will take a different form than was thought initially. Originally it was assumed that the bank should have a sizeable capital paid in by its shareholders. However, this idea was soon rejected, since the aim is to attract funds from sources outside the savings and loan systems, and not to exact quotas from the systems that would require them to maintain a state of excess liquidity, a situation that is neither usual nor widespread.

Therefore, it was decided to offer facilities that would enable the bank to be incorporated with relatively limited capital quotas, even though the total authorized capital would be a much higher amount than what will presumably be subscribed and paid in, in order to permit the institution's growth, capitalization, and expansion without amendment to its articles of incorporation.

The granting of such facilities does not affect the intention that the bank should eventually have its own capital, subscribed and paid in, and larger than the amount with which it is launched. In this connection it should be noted that the articles of incorporation call for a method of obligatory capitalization proportionate to the bank's volume of business and drawn from the beneficiaries of that business.

5. Additional liabilities

A small paid-in capital, though appropriate to an intermediate financing institution, may be detrimental to the bank's solvency and its natural capacity to generate placements in the international market, even when one adds

to the said capital the guarantees and specific safeguards inherent in the loans granted by the bank.

To avoid such possible impairment of the institution's image, a mechanism was conceived, called "liability commitments" in the articles of incorporation, which effectively expresses the solidarity of the inter-American savings and loan movement and constructs an authentic multinationality. By means of these commitments the various members of the Bank assume a liability in addition to their contributions, for the purpose of backing the undertakings and obligations contracted by the institution. The commitments would apply in any case in which the guaranties covering the bank and its capital became insufficient for the punctual fulfillment of its obligations.

Actually, the liability commitments are not likely to be invoked, since it is required that the bank's active transactions be conditioned on adequate guaranties, including, when appropriate, a guaranty by the State concerned to assume obligations in currencies other than that in domestic circulation.

These commitments are seen to offer the most feasible means of giving the bank multinational solvency and security without freezing in advance a sizeable part of the systems' operating funds. Furthermore, in order to facilitate the development of the Bank's passive transactions, it has been provided that the commitments include provisions for the formalization of the undertakings through promissory notes or similar documents drawn up to the order of the bank by shareholders. The last point to note is that, while these liability commitments are designed to facilitate an undertaking entered into without immediate disbursements, shareholders who would prefer to pay in capital will obviously be free to do so, as expressly provided by the

articles of incorporation.

6. Limited categories of shareholders

Because of the special nature of the new organization, it has been thought inadvisable to offer its shares to all investors. Specific categories shareholders have therefore been established, with preference given to institutions active in fields directly or indirectly related to home financing.

Express mention has been made of the institutions comprising the national savings and loan systems, i.e., the central organizations governing them, the first-rank associations that collect savings and grant loans, and the institutions that complete this framework and strengthen the systems with their activities, such as leagues, federations, or associations of savings and loan institutions.

Emphasis has thus been placed on the presence in the bank of the savings and loan systems and on the essential feature of the bank's institutional framework, that is, its expression of the concerted will of many public and private organizations; this is an element, moreover, of the general structure of these home financing mechanisms in America.

Shares will also be made available to organizations which contribute to the development, security, and stabilization of secondary mortgage markets, and to international or internationally active organizations which further social and economic development or the work of the savings and loan systems. In this group a prominent place is reserved for the Inter-American Savings and Loan Union, in recognition of the impetus it has given to the creation of the bank.

Obviously, the limitations set forth above do not preclude ties between the bank and other types of institutions. Such organizations may participate in its development by making deposits, acquiring securities issued by it, or undertaking other action or entering into contracts that will contribute to better performance of the services it is designed to provide.

7. Decision-making powers

The committees that studied the creation of the Bank spent much time analyzing two alternative approaches to decision-making: the adoption of a system of voting by country or voting by shares.

The final choice was for voting by shares on a non-discriminatory basis, in order to strengthen the inter-American nature of the bank, apart from considerations of another order to which voting by country might give rise. At the same time it was thought desirable to offer shareholders full recognition as such, without making their status less appealing by circumscribing it within a voting-by-country system.

Nevertheless, in order to prevent a single shareholder or a group of shareholders from acquiring control of the bank, a limit on the maximum percentage allowed a single shareholder or a group from any one country in the total volume of votes was added to the provisions on voting.

In this manner, effective and equal participation of all shareholders has been reconciled with a restriction whereby a minority holding a large number of shares may [not] wield decisive policy-making powers.

8. Flexible and comprehensive articles of incorporation

An institution has been designed capable of developing its operations, growing, and planning its future with unlimited dynamic programming. Thus,

the foregoing enumeration of the actions that the bank will be able to carry out is very broad and pains have been taken to leave it free of any restrictive feature not related to its own goal, which has also been set forth with far-reaching vision.

For the same reason, regulatory authority has been established to supplement and detail the pertinent corporate rules in accordance with the bank's future development.

Since the bank must pursue its aims in an era of great changes, and the housing field, especially, is going to require radical renovation in the years ahead, it seems logical to endow the bank with the means that it will need to adapt itself to the new situations in which it will be operating, without requiring new consensuses among its shareholders, with the complexity inherent in their different nationalities, institutional characteristics, and places of operation.

These considerations led to the search for a flexible administrative system provided with a sufficiently powerful board of directors and an executive committee capable of managing the Bank's expanding operations efficiently and promptly

It was thought desirable to give the Inter-American Savings and Loan Union a voice on the board of directors through its Secretary General, in order to maintain a link between the bank and the Union and provide a channel through which the inter-American savings and loan system, in its totality, can express to the bank its criteria, aspirations, anxieties, and needs.

9. A promotion and improvement fund

A way was sought for the Bank's operations to lead to the formation of a special fund for the technical upgrading of the savings and loan systems.

As the maximum efficiency of the systems and their institutions and their resourcefulness in working with the means at hand are matters of vital interest to the bank, it seemed highly desirable to establish a source of funds to help in achieving good results in that direction.

Such efficiency and resourcefulness will help to improve the use and management by the bank's borrowers of the funds loaned to them and make them better able to meet the obligations that they contract with the bank.

The savings and loan systems are experiencing accelerated growth, and it is clearly necessary that this growth should not outstrip the technical capacity for its administration. The operations of this special fund will help to create and maintain equilibrium.

An additional purpose of this fund is to help bring about better promotion and knowledge of the significance and importance of the inter-American savings and loan system; it should aid the system's extension to nations where it has yet to be installed, and better understanding of its advantages in the inter-American world in general.

The administration of this fund has been assigned to the Inter-American Savings and Loan Union, with the unanimous appreciation and recognition of the institutions making up the various national systems, because of the Union's representative nature and its accumulation of experience in technical assistance, research, and personnel training.

10. Minimum quotas

Minimum quotas were set for payment by the members of any one country, as a whole, in order for them to become constituent shareholders.

The reference point chosen for the establishment of these minimum quotas

was the volume of mortgage assets in each national system as a whole, that is, the total volume of mortgage loans outstanding in the system.

A scale was developed on the basis of that reference point, with progressive steps, by which to determine the minimum national contributions. The distribution of these amounts among the various members of any one country will be made by whatever method the shareholders of that country adopt.

The same scale has served to determine the amounts of the minimum liabilities that must be assumed additionally under the so-called liability commitments; these amounts were established at 10 times the contribution amounts.

11. Transitory Provisions

Among the transitory provisions, which correspond in general to the usual needs when a juristic person is being established, attention is called to the one that empowers the board of directors to establish an internal administration and an executive structure different from those prescribed in the articles of incorporation, for a period of up to three years.

The reason for this provision is that maximum economy and productivity are desirable at the outset of the bank's operations, with no unnecessary structures and none but absolutely indispensable personnel. By the same token, formation of an executive committee may be postponed and limited during the first period of the bank's activities to, for example, the sole participation of a top executive. Such decisions may be adopted by the board of directors with a view to making better use of resources and ensuring the rational organization of the institution.

12. Legal Domicile

The legal domicile as set forth in the articles of incorporation will be located in the nation that, following a thorough technical analysis, appears best suited to give legal form to the new organization in accordance with its institutional interests.

SUMMARY OF INFORMATION GATHERED DURING VISIT OF SER/H CONSULTANT TO SELECTED LATIN AMERICAN SAVINGS + LOAN SYSTEMS 5-16 DECEMBER 1977

The information to be solicited from systems in Honduras, Ecuador, Peru, Costa Rica and El Salvador (the order visited) was identified in the SER/H cable (unclass State 285149) transmitted 30 November 1977 to the appropriate missions. A copy is attached. This summary will follow the pattern established by the cable. The questions were translated and presented to each contact for review. The content of the questions has been abbreviated as follows:

A. Recent Experience
B. Projections
C. Borrowing Mechanism
D. Interest Rates
E. Availability of Guaranty
F. S+L Commitment

Perceived Benefit from BIAPE Activities

Four of the five national savings and loan systems visited expressed interest in the possibility of expanded BIAPE activities, and indicated that they would actively solicit financing under the BIAPE/HG program. The four systems, those of Honduras, Ecuador, Costa Rica and Peru, expect that the main value of the BIAPE program will be its ability to assist the systems to increase the volume of low-cost housing activity handled by the system. It is expected that in all cases except Peru the interest rate differential will be too narrow to give rise to important profits. The increased volume of activity, however, will permit the systems to show a vitality that will result in greater prestige and an increased savings clientele. Furthermore, the systems, all of which have been active in the creation of BIAPE, also expect to benefit from BIAPE's expanded asset base, and increased prestige in international financial markets, which they expect to lead to continued expansion of the resources available for housing finance in Latin America.

Honduras

A. Recent Experience

In response to requirements set by CABEI that 30% of certain funds borrowed from that institution be directed at financing low-cost housing, the S+L system has designed projects with units costing $3,750 to $4,000. The largest number is being constructed in the San Pedro Sula section of the country. The associations in the Tegucigalpa area have found that they must go outside the metropolitan area to be able to keep costs to $4,000 (lempiras 8,000). The unit being constructed in Danli, for example, has a built area of 42 m^2 on a 200 m^2 lot.

All system projects are built by private contractors. In most cases, the system makes construction financing available. Median monthly family income is now estimated at $140 in Honduras' urban areas. Local housing experts feel this is low but will have to wait until later in the year, when the Consejo Superior de Planificación Económica is expected to finish a study of household income and expenditure patterns. A family with a $140 monthly income can handle a unit of about $4,200 using present S+L system terms (12% interest, 20 year term) and assuming a 10% down payment and 30% of income allotted to housing.

B. Projections

The S+L system expects to begin work in 1978 on projects developing 1,784 units with prices ranging between $3,750 and $4,450, resulting in a total investment of about $7.2 million. FINAVI, the regulating and secondary mortgage facility for the system, expects to buy mortgages totalling about $1.2 million in 1978. FINAVI will use resources developed by its bond sales and about $250,000 from a BIAPE loan for these purchases. FINAVI policy calls for a continued commitment by the system to low-cost unit construction. They have indicated that they expect to greatly expand their support of the system's low-cost housing following implementation of the BIAPE/HG program, expecting to request financing of as much as $11 million when funds become available.

C. Borrowing Mechanism

FINAVI has already developed considerable system familiarity with mortgage backed financing. The system makes only first mortgage loans, and in situations where FINAVI assists with project financing it does so through purchase of mortgages. These become the source of revenue which may be used to service the bonds FINAVI sells in local capital markets to raise additional working capital. FINAVI has made active use of CABEI resources and recently completed negotiations for a $2 million loan from BIAPE. Borrowings from BIAPE under the proposed HG program would follow the pattern of the recent FINAVI/BIAPE loan.

D. Interest Rates

The legal maximum for first mortgage loan interest in Honduras is 12%. An additional 1% is added to cover the FHA insurance provided by FINAVI. This agency would charge a maximum of 1/2% on any funds developed through BIAPE. The S+L's stated they would add 2% or 3%; however, FINAVI officials stated that any BIAPE/HG financing would be treated specially and margins would be held to a minimum.

The nation's housing development agency, INVA, is now charging 8%, using BID soft loans, giving the agency an advantage over S+L system projects. The INVA, in spite of its advantages, is not producing in sufficient quantity to present an obstacle to S+L system production. Demand continues very strong.

E. Availability of Guaranty

The FINAVI authorizing legislation makes clear that the full faith and credit guaranty of the government as well as a currency guaranty is available.

F. S+L Commitment

The system is fully prepared to finance 20% of the projects which might be funded under a BIAPE/HG program. Present operating practices establish such a relationship between the S+L associations and the FINAVI.

Ecuador

A. Recent Experience

The most recent experience with the production of low-cost shelter solutions in Ecuador is evident in programs developed by the Junta Nacional de la Vivienda (JNV) and its financing arm, the Banco Ecuatoriano de la Vivienda (BEV). JNV/BEV programs have units designed for low-land coastal areas costing about $2,000 (sucres 50,000). In the Quito metropolitan area the Hacienda Mena project offers some units at about $3,500 (sucres 90,000). The S+L associations are not presently producing any units below $13,500; however, about five years ago one association in Quito completed a project of units running about $2,300 with a built-up area of about 35-40 m^2 on lots of about 60 m^2. Analysis of income for the nation's principal urban areas completed in 1975 suggests that currently the median urban area monthly family income is roughly $180.

B. Projections

JNV/BEV policy requires that at least 40% of the units produced annually by these institutions cost less than $5,700. 1978 projections call for construction of about 8,800 units. The project development budget is $53.8 million. Roughly 3,520 units (about $17 million) will be low-cost. Officials claim that the institution's technical and administrative capacity is adequate for production levels of 12,000 units annually. Expanded use of foreign resources will be needed to reach that level.

All JNV/BEV and S+L system development is handled by private contractors who are selected in a competitive bidding process. JNV/BEV policy restricts activity to 100 units per contractor in an effort to encourage small business development.

At present, the S+L associations themselves are not planning to reenter the low-cost market, though there has been some discussion of rural housing programs.

C. Borrowing Mechanism

BEV is the Ecuadorean shareholder of BIAPE. They expect that borrowings from that institution would take much the same form as earlier HG loans in which mortgages were pledged as collateral. BEV has the authority to issue bonds and has done so in local capital markets. Thus a mortgage backed bond is a possibility. BIAPE/HG financing would probably be directed at JNV/BEV projects though funds could be channeled to S+L associations for low-cost projects as they have been in the past.

All S+L system financing is on a first mortgage basis, but BEV loans may be made for home improvement, rehabilitation and completion of a unit as well as for new construction. The associations are lending for new construction only.

D. Interest Rates

The legal maximum for mortgage rates is now 12%. The S+Ls lend at this level, adding about 1% for FHA-type insurance and other insurance coverage.

The BEV finances much of its low-cost housing with funds which are allocated from government oil revenues. About 20% of BEV's working capital came from this source in 1976; however, BEV projections had anticipated the participation to be nearly 30%. Because this direct budget allocation is available, the BEV is able to make loans at rates as low as 5% p.a. for families with very low incomes. BEV officials, therefore, consider the BIAPE/HG funds costly when applied to financing for low-income families. They are aware, nevertheless, that they may not be able to rely consistently on the supply of petroleum revenues, and that in any event the direct budget allocation is insufficient to produce the quantity of housing needed. The BEV pays 7% interest on the bonds it was authorized in 1976 to sell ($7.7 million at 20 years). Thus the BIAPE/HG program resources, though of interst to the BEV in general, will have to be considered in the context of a review of Ecuadorean national policy and housing finance programs if they are to be applied in the near future.

E. Availability of Guaranty

The BEV, as a governmental finance institution, has direct access to the government's guaranty for its foreign and domestic transactions.

F. S+L Commitment

Both the JNV/BEV and the S+L associations would accept a 20% commitment if BIAPE/HG projects were developed.

Peru

A. Recent Experience

In the past seven years the Banco de la Vivienda del Perú (BVP), the government's housing finance institution, and the regulatory agency for the S+L system, has negotiated up to $90 million in foreign source loans to finance its housing programs. The programs, some of which are just getting started, have been located in many of the country's urban areas, as well as in some very poor rural areas affected by earthquakes or flooding.

In Lima, the BVP has financed slum upgrading programs involving installation of electricity and water and sewer networks all with individual unit hook-ups. Loans, all to families with incomes well below the urban area median of roughly $180, have ranged in size from $60 to $1,000. Comparable programs have been begun in centers such as Chimbote, Trujillo, and Arequipa.

The BVP has also used these foreign resources to assist in the financing of new unit construction, many classified as nuclear or basic units, and has completed over 5,000 units with prices of less than $5,600, the majority costing less than $4,500. All BVP unit construction programs are developed by private contractors. The programs have been located throughout the country.

The S+L associations have participated in the infrastructure loans, but have not developed any new construction programs for units which serve the AID target population.

B. Projections

The BVP is expecting to disburse $10 million in foreign resources for infrastructure and core housing programs in the 1978-79 period and is negotiating for a further $50 million to cover the coming five years. The BVP, one of the early proponents of BIAPE, is now negotiating a $5 million credit from that institution and expects to make the fullest and most immediate use of the institution at all times. It is the aim of BVP management to channel any new resources through the S+L associations in order to expand their commitment to and experience with low-cost housing programs.

Some of the S+L associations (principally those in Ica and Chiclayo) are producing core house designs and programs. Costs are still beyond the median family income possibilities but only slightly, with large lots being the main reason. The interst of the S+L associations in this type of program has been made clear in recent meetings of system officials, who can be expected to respond positively to the impulse of increased BIAPE resources.

C. Borrowing Mechanism

The BVP now makes available credit for a wide variety of home and community improvement actions, as well as for new construction. Whereas mortgages are the most common form of collateral, the BVP has developed a variety of forms of individual guaranty which may be applied to infrastructure loans, for example, where a mortgage is impractical.

The BVP also lends for construction advances.

The traumatic growth of Peru's urban areas in recent years, and the present tight money conditions evident in the S+L system due to a slowdown in savings growth lead to great interest in the possibility that BIAPE will have additional resources. The proposed project is seen as having important benefits for housing finance in Peru.

The BVP may draw on BIAPE's resources in a variety of ways. They may employ current techniques of securing loans with portions of their mortgage portfolio. They are also authorized to develop mortgage backed paper for issue. The exact technique will depend on BIAPE's operating procedures at the time of any borrowing.

D. Interest Rates

The maximum S+L system interest rates are now 17.5% to which almost 2% added in insurance fees and commissions. Passbook savings earn 13%. Fixed term savings may earn up to 16%.

The BVP sets interest rates on its loans based on criteria which include the section of the country, priority based on national policy, and income levels. They do not adjust rates based on the cost of funds.

E. Availability of Guaranty

The foreign borrowings of the BVP carry the full faith and credit guaranty of the Peruvian government. The government can be expected to review the BIAPE situation closely, as it is a new institution without the renown of other established international lenders.

F. S+L Commitment

The BVP and S+L system are fully prepared to commit themselves to 20% of the investment in any BIAPE/HG assisted project.

Costa Rica

A. Recent Experience

The 1977-78 program of the S+L system, developed by the S+L association with financial assistance from the Banco Crédito Agrícola de Cartago, the system's regulatory agency, has completed, or has under construction,

1,374 units with prices ranging from $3,500 to $4,000. In previous years, the system has produced a comparable quantity of units with prices ranging closer to $3,000. These projects are developed by private contractors who receive construction financing from the S+L promoting the project. Median monthly family income levels for the San José area have been estimated at around $260, placing a $4,000 unit easily within reach.

The Banco Crédito's S+L department, DECAP, has worked closely with the national housing institution, INVU. The bank has financed some INVU production as well. The interchange of information has made possible S+L system benefit from some INVU low-cost unit experience.

Foreign financial resources have been used. At present the system has used up its allocation of CABEI housing finance resources, having refinanced about $14 million with that organization, of which about $5 million was for low-cost housing.

B. Projections

DECAP anticipates investment of about $7.2 million in mortgages on low-cost units in 1978. This amounts to about 30% of the total investment projected for the year. DECAP expects to continue at least at this pace in future years and is looking for additional resources to expand the possibilities. DECAP is already using existing BIAPE resources (detailed in the project paper) to expand its facilities.

C. Borrowing Mechanism

The Banco Crédito has sold mortgage participations to CABEI. The bank develops most of its resources in local capital markets through the sale of mortgage-backed certificates. These compete actively with other institutional investments (cooperatives' bonds, etc.) and provide a better source of funds than traditional savings. Thus, Costa Rican financial operating practices are sufficiently developed to coordinate with those which will be developed to permit BIAPE to act as a secondary market resource.

D. Interest Rates

Mortgage loans carry an 11-1/4% rate. With insurance and fees added, effective interest is about 12-3/4%. Passbook savings draw 6%. As the Banco Crédito is a state institution, and as the S+L associations are non-profit organizations, the pass-through commissions on BIAPE-originated funds will be held to a minimum in the event a lending operation develops.

E. Availability of Guaranty

The full guaranty of the government is available through the Banco Central in the case of foreign financial transactions.

F. S+L Commitment

The S+L associations and the Banco Crédito are accustomed to making a commitment of their own in the case of projects financed with foreign resources.

El Salvador

A. Present Experience

The S+L system in this country is not producing any shelter solutions which relate to the A.I.D. target population. The regulatory agency, the Financiera Nacional de la Vivienda, is the BIAPE shareholder, and operates principally as a regulator and system monitor.

The bulk of S+L sponsored production costs about $18,000. The S+Ls do finance some units sponsored by the government's National Housing Fund. These units carry prices of around $7,000 and are essentially middle class units.

Housing which relates to the A.I.D. new directions targets is being produced by the non-profit, non-governmental, Fundación Salvadoreña de Desarrollo y Vivienda Mínima. This Foundation estimates that the median monthly family income in the San Salvador metropolitan area is about $140. The Foundation at present has no ties to the S&L system or BIAPE.

B. Projections

The S&L system has no projections for dealing with shelter solutions of the type suitable for A.I.D. assistance.

C. Borrowing Mechanism

Local borrowings are mortgage only. No interest exists in BIAPE/HG resources.

D. Interest Rates

Mortgage loans carry 11% interest and a 15-year term. Passbook savings earn 6-1/2%.

E. Availability of Guaranty

The Financiera, as a state entity, may operate with the full guaranty of the government.

F. S&L Commitment

Not applicable due to lack of interest in BIAPE/HG program.

Latin American Savings and Loan System Visit
December 5-16, 1977

LIST OF CONTACTS

U.S.A.I.D. or Embassy Personnel

Daniel Driver, Tegucigalpa
Patricio Maldonado, Quito
Joe Sconce, Quito
Edward Cohen, U.S. Embassy, Quito
David Olinger, Lima
Rudy Fascell, San José
Eric Zallman, TDY, San José
Roberto Gavidia, San Salvador

Honduras

Roberto Ordoñez, Gerente, La Vivienda, S.A.
Carlos Zapata, Presidente, Casa Propia, S.A.
Rafael Carias, Gerente General, Casa Propia, S.A.
Mario Castañeda, Presidente Ejecutivo, Financiera Nac. de la Vivienda
Juan Mondragón, Jefe de Planificación Social, Consejo Superior de Planificación Económica

Ecuador

Luis Madera, Director Ejecutivo, Asociación Nac. de Mutualistas
Hernando Villagómez, Gerente, Mutualista Benalcazar
Jorge Arteta, Gerente General, Mutualista Pichincha
Galo Salvador, Director Técnico, Junta Nac. de Planificación

Peru

Victor Castro, Gerente, Banco de la Vivienda del Perú (BVP)
Federico Melo, Sub-Gerente, BVP
Reineiro Ibañez, Jefe, Análisis de Créditos, BVP

Costa Rica

Roberto Cossani, Gerente, Banco Crédito Agrícola de Cartago
Manuel Pineda, Director, Depto. Central de Ahorro y Préstamo (DECAP), Banco Crédito
Marialba Montoya, Jefe Area, DECAP, Banco Crédito
Alvaro Sancho, Gerente, Mutual Alajuela
Rafael Solis, Architect, Alajuela

El Salvador

Benjamín Cañas, Presidente, Financiera Nac. de la Vivienda
Roberto Freund, Presidente, Asociación Atlacatl
Edwin Sagrera, Gerente General, Asociación Atlacatl
Iari de Andrade, Gerente de Finanzas, BIAPE

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Department of State

OUTGOING TELEGRAM

ANNEX H.4

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ORIGIN AID-48

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AMEMBASSY SAN SALVADOR PRIORITY

UNCLAS STATE 285149

AIDAC, TEGUCIGALPA (FOR RHIDD/ROCAP), LIMA (FOR DAVE OLINGER)

E.O. 11652: N/A

TAGS:

SUBJECT: INTER-AMERICAN SAVINGS AND LOAN BANK (BIAPE)

REF: PITA-OLINGER TELCON NOVEMBER 25
PITA-HANSEN TELCON NOVEMBER 28

1. SUBJECT REGIONAL INSTITUTION CREATED BY THE S & L SYSTEMS OF LA WITH THE PARTICIPATION OF SOME U.S. S & L ASSOCIATIONS IN THE U. S. HAS APPLIED FOR A 30 MILLION DOLLAR HOUSING GUARANTY PROGRAM FOR THE PURPOSE OF RE-LENDING TO MEMBER COUNTRIES FOR SHELTER SOLUTIONS FOR LOW INCOME FAMILIES.

2. PID AND PRP FOR 30 MILLION DOLLARS HAS BEEN APPROVED AND A MAIN ISSUE IDENTIFIED DURING THE REVIEW PROCESS TO BE ADDRESSED AS PART OF THE PP RELATES TO THE ESTIMATED DEMAND FROM THE S & L SYSTEMS FOR PROGRAMS THAT WILL BE AFFORDABLE BY FAMILIES BELOW THE MEDIAN INCOME IN THE URBAN AREAS.

3. THE ISSUE OF DEMAND OUTLINED IN PARAGRAPH 2 ABOVE WILL BE ELABORATED IN THE PP ALONG THE FOLLOWING LINES:

A) EVIDENCE THAT INTEREST EXISTS ON THE PART OF THE S AND L SYSTEMS TO FINANCE SHELTER FOR LOW INCOME FAMILIES;

B) POTENTIAL DEMAND FROM LOW INCOME FAMILIES;

C) ADMINISTRATIVE CAPABILITIES OF THE LENDING INSTITUTIONS TO EXPAND THEIR SERVICES TO LOW INCOME HOUSING;

D) FINANCIAL AND ADMINISTRATIVE ARRANGEMENTS, I.E. INTEREST RATES, CLOSING COSTS.

4. FOR THE PURPOSE OF COMPILING AND EVALUATING THE INFORMATION TO ADDRESS THE DEMAND ISSUE, SER/H HAS SELECTED EDWARD ROBBINS FROM THE NATIONAL SAVINGS AND LOAN LEAGUE WHO PLANS TO TRAVEL TO THE ADDRESSEE COUNTRIES ON THE DATES SHOWN BELOW. IN ADDITION TO ROBBINS, ERIC ZALLMAN, LA/DR, WILL PARTICIPATE IN THE FIELD REVIEW TO BE CONDUCTED IN COSTA RICA.

5. PREVIOUS DISCUSSIONS WITH BIAPE AND REPRESENTATIVES FROM THE S AND L SYSTEMS HAVE PROVIDED SUBSTANTIAL INFORMATION NEEDED TO ADDRESS THE DEMAND ISSUE. THEREFORE, THE MAIN OBJECTIVE FIELD TRIP IS TO ELABORATE THE DETAILS TO BE INCLUDED IN THE PP. THE MAIN QUESTIONS THE NSLL CONSULTANT WILL BE FOCUSING ON ARE THE FOLLOWING:

A) WHAT PROJECTS HAVE BEEN COMPLETED IN THE RECENT PAST, OR ARE UNDER WAY, OR IN PLANNING STAGE WHICH INVOLVE FINANCING SHELTER SOLUTIONS (BASIC UNITS, HOME IMPROVEMENTS, INFRASTRUCTURE, ETC.) WHICH COST 3,000 DOLLARS TO 6,000 DOLLARS OR LESS? HOW MANY SHELTER SOLUTIONS FOR EACH PROJECT?

B) WHAT ARE THE PROJECTIONS FOR THE TYPE OF PROJECTS OUTLINED IN A) ABOVE? IN OTHER WORDS, HOW MUCH ADDITIONAL FINANCING IS ESTIMATED FOR LOW INCOME SOLUTIONS IN THE NEXT FEW YEARS?

C) HOW WILL THE FUNDS FROM BIAPE BE BORROWED? WHAT ARE THE POSSIBILITIES FOR SECURING THE FULL FAITH AND CREDIT GUARANTY OF THE GOVERNMENTS RECEIVING FUNDS FROM BIAPE? WHO WILL PLAY THE ROLE OF DEVELOPERS (PRIVATE CONTRACTORS, NON-PROFIT ORGANIZATIONS, PUBLIC HOUSING INSTITUTIONS)? WHAT INTEREST RATE THE ULTIMATE RECIPIENT OF THE BIAPE LOANS WILL BE CHARGED? ARE THE ASSOCIATIONS WILLING TO FINANCE AT LEAST 20 PERCENT OF THE LOANS FOR LOW INCOME FAMILIES? IN CASE OF HOME IMPROVEMENT LOANS HOW DO THE ASSOCIATIONS PLAN TO ADMINISTER SUCH LOANS? WHAT ARE THE LEGAL BASIS FOR LENDING FOR LOW INCOME SHELTER SOLUTIONS, I.E. MORTGAGE LIEN, PERSONAL LOANS? WHAT ARE THE BENEFITS THE S AND L SYSTEMS EXPECT TO RECEIVE FROM THE BIAPE LOAN (INTEREST DIFFERENTIAL, CLOSING COSTS, INCREASING OF SAVINGS)?

6. TO MAXIMIZE THE RESULTS OF THE FIELD TRIP, MEETINGS SHOULD BE ARRANGED WITH THE HEAD OF THE CENTRAL SAVINGS AND LOAN BANKS FIRST AND WITH REPRESENTATIVES OF THE ASSOCIATIONS AFTER.

7. ROBBINS' SCHEDULE FOLLOWS:

TEGUCIGALPA:	TAN 773	11:25 A.M.	DEC 5 ETD DEC 7
QUITO:	BRANIFF 911	8:00 A.M.	DEC 8 ETD DEC 10
LIMA:	ECUADORIAN 061	10:45 A.M.	DEC 10 ETD DEC 14
SAN JOSE:	TACA 310	7:00 A.M.	DEC 14 ETD DEC 15PM
SAN SALVADOR	TACA 110	4:45 P.M.	DEC 15 ETD DEC 17

8. ACTION REQUESTED: FOR RHIDD/ROCAP: CONTACT THE HEADS OF THE S AND L SYSTEMS IN HONDURAS, COSTA RICA AND EL SALVADOR TO A) ALERT UPCOMING VISIT AND THE MATTERS THAT WILL BE DISCUSSED; B) REQUEST SYSTEMS PREPARE WRITTEN STATEMENTS ADDRESSING THE QUESTIONS OUTLINED IN 5 ABOVE; C) REQUEST MEETINGS IN ACCORDANCE WITH PARAGRAPH 6 ABOVE BE ARRANGED FOR THE DATES ROBBINS EXPECTS TO VISIT COUNTRIES.

FOR LIMA (DAVE OLINGER): SAME AS ACTION REQUESTED FROM RHIDD/ROCAP. VANCE

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ANNEX I

BIAPE BANCO INTERAMERICANO DE AHORRO Y PRESTAMO

SG-000357

Caracas, 13 de mayo de 1976

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MAY 24 1976
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Señores
Agencia para el Desarrollo Internacional (ADI)
SER/H Room 300 SA/2
Washington, D.C. 20523
U.S.A.

Muy señores nuestros,

El BANCO INTERAMERICANO DE AHORRO Y PRESTAMO (BIAPE), institución de ámbito operativo continental, con sede en Caracas, República de Venezuela, inscrita en el Registro Mercantil Segundo del Distrito Federal y Estado Miranda bajo el Nº14 del Tomo 76-A, con fecha 3 de noviembre de 1975, representado por su Presidente Ejecutivo, Dr. Luiz Carlos Vieira da Fonseca, viene, por el presente documento, a proponer a la AGENCIA PARA EL DESARROLLO INTERNACIONAL (ADI) una operación crediticia cuyos términos y condiciones se exponen a continuación.

I

El BIAPE tiene como objetivo principal el "contribuir al desarrollo del movimiento interamericano de ahorro y préstamo a través del fortalecimiento de los Sistemas de Ahorro y Préstamo existentes y de su creación en las naciones donde aún no se hayan constituido y servir de instrumento para el financiamiento de la vivienda y del desarrollo urbano y sub-urbano y para el perfeccionamiento del medio habitacional americano, todo ello con un carácter eminentemente técnico y financiero." (Art. 2º de los Estatutos - Anexo 1).

Esta finalidad última está desarrollada en las demás disposiciones estatutarias, en la ley que autoriza su funcionamiento (Anexo 2) y en los otros documentos complementarios que se acompañan, tales como la Memoria relativa al ejercicio contable correspondiente al año 1975 (Anexo 3) y la Resolución del Directorio sobre operaciones activas (Anexo 4).

De la lectura de los indicados documentos se puede concluir que el BIAPE traduce y representa el resultado de los esfuerzos mancomunados que, a nivel interamericano. fueron realizados durante varios años, en una constante persecución del propósito de dotar a la comunidad continental de ahorro y préstamo de un instrumento financiero válido para la solución de los problemas de vivienda y desarrollo urbano, a través de una consciente integración de voluntades especializadas en dichos problemas.

II

Este hecho, cuyo reconocimiento está demostrado por la presencia de los sectores público y privado de los catorce países representados en el cuadro actual de accionistas del BIAPE, fué comprendido igualmente por la iniciativa privada y por algunos sectores gubernamentales norteamericanos, tales como el Federal Home Loan Bank Board, cuyo ex-Presidente, Sr. Thomas Bomar, señalaba como un hecho de gran importancia la espontaneidad con que había nacido el BIAPE, organismo nuevo que no debería ser ignorado en el panorama de las relaciones recíprocas del continente. Lo mismo ocurrió en el seno del Congreso de los Estados Unidos de América cuyo Senado Federal aprobó y envió a revisión a la Cámara de Representantes, un proyecto de ley que permite y propicia el ingreso al BIAPE, en calidad de accionistas, de las asociaciones tuteladas por el Sistema Federal de Ahorro y Préstamo de ese país. Previamente a ello, asociaciones de ahorro y préstamo del Estado de Texas, regidas por una legislación estadal especial, se habían integrado al grupo de accionistas fundadores de la Institucion.

III

El BIAPE, por definición legal, es un organismo privado cuyo mayor desafío será el de conseguir una conciliación entre sus fines y los medios financieros que deberá utilizar en su gestión diaria, para lograr lo cual ha establecido una estrategia global que está contenida en sus políticas de acción. Corresponderá a sus organismos fundamentales - Asamblea de Accionistas, Directorio y Administración Ejecutiva - adoptar las variantes tácticas que las circunstancias aconsejen, las cuales deberán respaldarse con un eficaz apoyo logístico a través de instrumentos ágiles y modernos como lo son las técnicas de presupuesto-programa y, por tanto, de permanente comparación entre lo presupuestado y lo efectivamente ejecutado, en cuanto a las metas anuales o plurianuales o a los presupuestos de caja, apoyando permanentemente estos controles en el procesamiento de datos que está en vías de instalarse.

IV

Las operaciones activas y pasivas del BIAPE tenderán siempre a maximizar los resultados, no solo por la vía de emplear las técnicas más modernas en su manejo, sino a través de la naturaleza misma de las operaciones que realizará.

En lo relativo a las operaciones pasivas, éstas se orientarán a lograr que los recursos ingresen armoniosamente a corto, mediano y largo plazo. Para los recursos a corto plazo, la captación se dirigirá básicamente al mercado internacional de capitales. Las entrevistas realizadas hasta ahora con representantes de bancos privados norteamericanos y europeos de primera línea, han resultado positivas y estimulantes, al extremo de que ya han sido acordadas, en principio, algunas líneas de crédito con ellos. La captación de recursos a mediano plazo se ha orientado hacia conversaciones y contactos con el Fondo de Inversiones de Venezuela (FIV), con el mercado de ahorro y préstamo europeo, el cual tiene un exceso coyuntural de liquidez, y con algunos bancos privados europeos que tienen tradición operacional en préstamos de esa naturaleza. En cuanto a las operaciones a largo plazo, el BIAPE espera obtener apoyo de instituciones como el Banco

Interamericano de Desarrollo, la Canadian International Development Agency, con la cual ya se han iniciado contactos preliminares, y la Agency for International Development, conforme se solicita en el presente documento. La combinación armoniosa de las diferentes tasas de interés y plazos de amortización a corto, mediano y largo plazo, deben producir tasas medias ponderadas más compatibles con la realidad económico-financiera de nuestro espectro operacional.

V

En cuanto a las operaciones activas, el BIAPE, a grandes rasgos, las orientará a sus actividades fines y a operaciones de mercado. Respecto a las primeras, cuyas características constan en los documentos anexos, de su examen se desprende que, al lado de las actividades directamente ligadas a sus objetivos básicos, se ha previsto la posibilidad de realizar lo que hemos llamado "préstamos de promoción institucional", con el propósito de fomentar el desarrollo de sistemas incipientes de ahorro y préstamo, conscientes como estamos de que ellos son un mecanismo válido en la captación de recursos a nivel interno de cada país y de que el ahorro constituye,"per se",un instrumento valioso en el desarrollo y fortalecimiento de las economías nacionales. En lo que concierne a las operaciones de mercado, dadas sus características de agilidad, deben mirar a optimizar la rentabilidad de los recursos del BIAPE, observando las sanas normas de liquidez, seguridad y rendimiento de ellos.

VI

A través de las líneas de operación hasta ahora indicadas, pretenden los órganos de dirección y administración del BIAPE hacer factible, sobre las bases previstas, la política de capitalización de la Institución. En este aspecto, la creación del BIAPE, reuniendo aportes públicos y privados en su capital social y en la formación de sus recursos, está rigurosamente identificada con las más modernas tendencias y con las doctrinas de los expertos económicos, en cuanto ella contribuye a optimizar el efecto multiplicador de los recursos disponibles.

VII

De acuerdo a lo anteriormente expuesto y a lo manifestado en las conversaciones preliminares sostenidas con algunos funcionarios de esa Institución, el Banco Interamericano de Ahorro y Préstamo está interesado en obtener de la Agencia Internacional para el Desarrollo, a través de los mecanismos crediticios de esa Agencia, un apoyo financiero, con las siguientes características:

Monto de la Operación

El monto de la operación propuesta ascendería a la cantidad de US$ 55.000.000, de los cuales US$ 30.000.000 serían con cargo a los Programas de Inversiones Garantizadas y US$ 25.000.000 con cargo a los Programas Especiales de Desarrollo.

Plazos de Amortización

La amortización de los préstamos contratados sería de 20 años para

el primer tipo de préstamo y de 40 años para el segundo, mediante pagos semestrales o anuales, el primero de los cuales se efectuaría al mes siguiente de concluido el plazo de gracia que más adelante se señala.

Plazos de Gracia

Los préstamos solicitados tendrían un plazo de gracia de cuatro y cinco años, respectivamente, según sea el tipo de préstamos que se otorguen, en el entendido que los intereses de ese período serían pagados trimestralmente.

Tasas de Interés

Las tasas de interés que el BIAPE pagaría por los préstamos del Programa de Inversiones Garantizadas serían las más bajas posibles de obtener en el mercado de capitales al momento de materializarlos, en el entendido de que AID cobraría por su gestión aseguradora un 1/2% anual sobre los saldos deudores del préstamo.

En cuanto a la tasa de interés de los préstamos que se hicieran con cargo a los Programas Especiales de Desarrollo, ésta podría alcanzar un tope máximo de 4% anual, también sobre saldos deudores.

Desembolso de los préstamos

De conformidad a las proyecciones financieras del BIAPE para esta etapa de puesta en marcha, las colocaciones de recursos en sus operaciones normales de crédito deben tomar algo de tiempo, por lo cual se ha previsto que el desembolso de los préstamos aquí solicitados se desarrolle en varias etapas semestrales de acuerdo a un cronograma distinto según se trate de préstamos con cargo a los Programas Especiales de Desarrollo (PED), o con cargo al Programa de Inversiones Garantizadas, según se señala en el cuadro siguiente:

	2º Sem. 77	1º Sem. 78	2º Sem. 78	1º Sem. 79	2º Sem. 79
PED	10	10	5	-	-
PIG	5	5	10	10	10

(en millones de dólares)

Garantías de los Préstamos

A los efectos de garantizar las operaciones propuestas, a AID directamente o a las instituciones financieras aseguradas por AID, el BIAPE está en condiciones de ofrecer las siguientes alternativas:

a) Suscripción de pagarés de su propia emisión, o cesión de pagarés suscritos por los socios del BIAPE en cumplimiento de las responsabilidades adicionales asumidas por ellos al momento de incorporarse al Banco, y señaladas en los artículos 16 y siguientes de los Estatutos.

b) La garantía de los respectivos gobiernos de los países de los prestatarios del BIAPE, la cual se constituiría a medida que las cuotas de los préstamos al Banco se vayan desembolsando, ya que en

ese momento se conocería el destino final de los recursos así obtenidos.

Naturaleza de las Aplicaciones

El BIAPE destinaría los recursos provenientes de las operaciones descritas, a financiar la construcción o adquisición de viviendas por intermedio de los sistemas de ahorro y préstamo locales a nivel interamericano. Estas viviendas deberán ser destinadas a beneficiar a prestatarios situados en los niveles de ingresos más bajos que sean compatibles con las posibilidades financieras de las instituciones de dichos sistemas.

El BIAPE realizaría sus programas de financiamiento preferentemente a través de los organismos centrales de los sistemas de ahorro y préstamo de cada país, lo cual facilitaría, por una parte el control de la inversión final y, por la otra, la obtención de la garantía de los respectivos gobiernos arriba señalada.

En cuanto al destino final de la inversión, BIAPE propone que se fijen "a priori" los parámetros generales de dicha inversión, la cual sería controlada "a posteriori" mediante la intervención conjunta de BIAPE y los organismos centrales respectivos a través de los mecanismos que en su oportunidad se fijen y que representen una garantía para AID en cuanto al cumplimiento de dicho destino final.

Esperamos que una favorable acogida a la consideración de esta solicitud de apoyo financiero sea el comienzo de un trabajo conjunto de la Agencia para el Desarrollo Internacional y el Banco Interamericano de Ahorro y Préstamo a los fines de contribuir positivamente en la solución de los problemas de un importante sector de la realidad socio económica de América Latina, como lo es el de la vivienda y el desarrollo urbano.

Sin otro particular, los saluda

Atentamente,

Luiz Carlos V. da Fonseca
Presidente Ejecutivo

GSR/mr
Anexos
cc: Sr. Peter Kimm

EXHIBIT IX

LIST OF SHAREHOLDERS

Shareholder	Number of Shares	Amount Invested
INTERAMERICAN UNION		
Union Interamericana de Ahorro y Prestamo para la Vivienda	100	$ 10,000
ARGENTINA		
Camara Argentina de Ahorro y Prestamo para la Vivienda	10	1,000
BOLIVIA		
Camara Argentina de Ahorro y Prestamo para la Vivienda	10	1,000
Caja Central de Ahorros y Prestamo Para la Vivienda de Bolivia	500	50,000
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "LA PRIMERA" de Bolivia	100	10,000
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "LA PAZ" de Bolivia	100	10,000
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "GUAPAY" de Bolivia	60	6,000
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "EL PROGRESO" de Bolivia	40	4,000
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "LA PLATA" de Bolivia	40	4,000
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "LA PROMOTORA" de Bolivia	40	4,000

Shareholder	Number of Shares	Amount Invested
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "PAITITI" de Bolivia	40	4,000
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "POTOSI" de Bolivia	40	4,000
Asociacion Mutual de Ahorro y Prestamo para la Vivienda "TARIJA" de Bolivia	40	4,000
BRAZIL		
Banco Nacional da Habitacao, Brasil	15,469	1,546,900
Associacao Brasileira das Entidades de Credito Imobiliario e Poupanca ABECIP	10	1,000
Sociedad de Credito Inmobiliario COMIND, Brasil	220	22,000
Sociedad de Credito Inmobiliario BANORTE, Brasil	100	10,000
Sociedad de Credito Inmobiliario CASA FORTE, Brasil	361	36,100
Sociedad de Credito Inmobiliario HASPA, Brasil	220	22,000
Sociedad de Credito Inmobiliario BMG, Brasil	30	3,000
Sociedad de Credito Inmobiliario ECONOMIA, Brasil	240	24,000
Sociedad de Credito Inmobiliario INCA, Brasil	191	19,100
Sociedad de Credito Inmobiliario VITORIA MINAS, Brasil	510	51,000
Sociedad de Credito Inmobiliario COPEG, Brasil	585	58,500
Sociedad de Credito Inmobiliario CREFISUL RIO, Brasil	120	12,000

ANNEX J

Shareholder	Number of Shares	Amount Invested
Sociedad de Credito Inmobiliario DELFIN RIO, Brasil	501	12,000
Sociedad de Credito Inmobiliario LETRA, Brasil	251	25,100
Sociedad de Credito Inmobiliario RESIDENCIA, Brasil	592	59,200
Sociedad de Credito Inmobiliario BRANDE RIO, Brasil	80	8,000
Sociedad de Credito Inmobiliario VERBA RIO, Brasil	220	22,000
Sociedad de Credito AUREA, Brasil	150	15,000
Sociedad de Credito Inmobiliario BRADESCO, Brasil	220	22,000
Sociedad de Credito Inmobiliario CREFISUL, Sao Paulo, Brasil	170	17,000
Sociedad de Credito Inmobiliario CREFISUL, Porto Alegre, Brasil	120	12,000
Sociedad de Credito Inmobiliario DELFIN, Sao Paulo, Brasil	1,014	101,400
Sociedad de Credito Inmobiliario AUREASUL, Brasil	20	2,000
Sociedad de Credito Inmobiliario SAFRA, Brasil	220	22,000
Sociedad de Credito Inmobiliario VERBA, Sao Paulo, Brasil	220	22,000
Sociedad de Credito Inmobiliario. BANESTADO, Brasil	210	21,000
Sociedad de Credito Inmobiliario BAMERINDUS, Brasil	200	20,000
Sociedad de Credito Inmobiliario FEDERAL SAO PAULO, Brasil	220	22,000
Sociedad de Credito Inmobiliario SUL BRASILEIRO, Brasil	250	25,000

ANNEX J

Shareholder	Number of Shares	Amount Invested
Sociedad de Credito Inmobiliario PAES DE BARROS, Brasil	250	25,000
Sociedad de Credito Inmobiliario FINANCILAR, Brasil	10	1,000
Sociedad de Credito Inmobiliario ITAU, Brasil	220	22,000
Sociedad de Credito Inmobiliario PROVINCIA, Brasil	250	25,000
Sociedad de Credito Inmobiliario CONTINENTAL, Brasil	1,138	113,800
Companhia Real de Credito Inmobiliario, Brasil	220	22,000
APEMAT A.P.E., Brasil	35	3,500
MORADA A.P.E., Brasil	100	10,000
MUTUAL A.P.E., Brasil	10	1,000
LAREIRA A.P.E., Brasil	50	5,000
TAMOYO A.P.E., Brasil	100	10,000
CADERNETA, A.P.E., Brasil	20	2,000
APEM A.P.E., Brasil	81	8,100
COFRELAR A.P.E., Brasil	60	6,000
PATRIMONIO A.P.E., Brasil	20	2,000
BAIXADA SANTISTA A.P.E., Brasil	200	20,000
APESC A.P.E. de Santa Catarina, Brasil	46	4,600
COLMEIA A.P.E., Brasil	250	25,000
SEULAR A.P.E., Brasil	200	20,000
HABITACIONAL A.P.E., Brasil	200	20,000
ASPEB A.P.E. DA BAHIA, Brasil	40	4,000
APESUL A.P.E., Brasil	140	14,000

Shareholders	Number of Shares	Amount Invested
HABITACAO A.P.E., Brasil	140	14,000
FIN-HAB A.P.E., Brasil	140	14,000
MAUA A.P.E., Brasil	50	5,000
SOLAR A.P.E., Brasil	50	5,000
PROPRIA A.P.E., Brasil	20	2,000
VIVENDA A.P.E., Brasil	28	2,800
APEPE A.P.E. de Pernanbuco, Brasil	30	3,000
APEAL A.P.E. Do Alagoas, Brasil	10	1,000
CAIXA FORTE A.P.E., Brasil	10	1,000
APERN A.P.E. Do Rio Grande Do Norte, Brasil	70	7,000
APESP A.P.E. Da Sao Paulo, Brasil	50	5,000
APEPAR A.P.E. de Parana, Brasil	90	9,000
Caixa Economica do Estado de Santa Catarina, Brasil	10	1,000
Caixa Economica do Estado de Minas Gerais, Brasil	325	32,500
Caixa Econimica de Goias, Brasil	206	20,600
Caixa Economica Federal Del Brasil, Brasil	7,000	700,000
Caixa Economica do Estado do Rio Grande do Sul, Brasil	197	19,700
CHILE		
Asociácion de Ahorro y Prestamo del Norte, Chile	343	34,300
Asociacion de Ahorro y Prestamo "ACOVAL", Chile	223	22,300

Shareholder	Number of Shares	Amount Invested
Asociacion de Ahorro y Prestamo "DIEGO PORTALES", Chile	304	30,400
Asociacion de Ahorro y Prestamo "AHORROMIN", Chile	1,203	120,300
Asociacion de Ahorro y Prestamo "BERNARDO O'HIGGINS", Chile	637	63,700
Asociacion de Ahorro y Prestamo "CALICANTO", Chile	560	56,000
Asociacion de Ahorro y Prestamo "CASAPROPIA", Chile	806	80,600
Asociacion de Ahorro Y Prestamo "CASAS CHILE", Chile	562	56,200
Asociacion de Ahorro y Prestamo "LIBERTAD", Chile	305	30,500
Asociacion de Ahorro y Prestamo "RENOVACION", Chile	670	67,000
Asociacion de Ahorro y Prestamo del Centro, Chile	105	10,500
Asociacion de Ahorro y Prestamo "ISABEL RIQUELME-LAJA", Chile	86	8,600
Asociacion de Ahorro y Prestamo "ANDALIEN", Chile	259	25,900
Asociacion de Ahorro y Prestamo "VICENTE PEREZ ROSALES", Chile	50	5,000
Asociacion de Ahorro y Prestamo "RELONCAVI", Chile	62	6,200
Asociacion de Ahorro y Prestamo "PATAGONIA", Chile	48	4,800
Centro de Productividad del Sistema Nacional de Ahorro y Prestamo, Chile	1	100
Asociacion de Ahorro y Prestamo "JUAN GODOY", Chile	57	5,700
Asociacion de Ahorro y Prestamo "FRANCISCO DE AGUIRRE", Chile	45	4,500

Shareholders	Number of Shares	Amount Invested
Asociacion de Ahorro y Prestamo de la Frontera, Chile	157	15,700
Asociacion de Ahorro y Prestamo "PIEMAIGUEN", Chile	50	5,000
Caja Central de Ahorro y Prestamo, Chile	3,333	333,300
Federacion Nacional de Asociaciones de Ahorro y Prestamo, Chile	60	6,000
Asociacion de Ahorro y Prestamo "MANSO DE VELASCO", Chile	75	7,500
COSTA RICA		
Banco Credito Argricola de Cartago, Costa Rica	1,000	100,000
DOMINICAN REPUBLIC		
Banco Nacional de la Vivienda, Republica Dominicana	1,000	100,000
ECUADOR		
Banco Ecuatoriano de la Vivienda Ecuador	400	40,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "SEBASTIAN DE BENALCAZAR", Ecuador	120	12,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "PICHINCHA", Ecuador	120	12,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "PREVISION Y SEGURIDAD", Ecuador	120	12,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "CHIMBORAZO", Ecuador	20	2,000

Shareholders	Number of Shares	Amount Invested
Asociacion Mutualista de Ahorro y Credito para la Vivienda "IMBABURA", Ecuador	20	2,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "GUAYAQUIL", Ecuador	60	6,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "EL ORO", Ecuador	10	1,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "AMBATO", Ecuador	60	6,000
Asociacion Mutualista de Ahorro y Credito para la Vivenda "LUIS VARGAS TORRES", Ecuador	20	2,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "MANABI", Ecuador	10	1,000
Asociacion Mutualista de Ahorro y Credito para la Vivienda "AZUAY", Ecuador	20	2,000
EL SALVADOR		
Financiera Nacional de la Vivienda, El Salvador	1,000	100,000
HONDURAS		
Financiera Nacional de la Vivienda, Honduras	750	75,000
La Vivienda Asociacion Hondurena de Ahorro y Prestamo S.A. Honduras	250	25,000
NICARAGUA		
Banco de la Vivienda de Nicaragua	500	50,000
Inmobiliaria de Ahorro y Prestamo S.A., Nicaragua	200	20,000

Shareholders	Number of Shares	Amount Invested
Centroamericana de Ahorro y Prestamo S.A., Nicaragua	200	20,000
Financiera de la Vivienda, Nicaragua	200	20,000
PARAGUAY		
Banco Nacional de Ahorro y Prestamo para la Vivienda, Paraguay	500	50,000
Ahorro Paraguayos Sociedad Anonima de Ahorro y Prestamo para la Vivienda, Paraguay	167	16,700
Hogar Propio Sociedad Anonima para la Vivienda, Paraguay	167	16,700
Progreso Ahorro y Prestamo para la Vivienda Sociedad Anonima, Paraguay	166	16,600
PERU		
Banco de la Vivienda de Peru	1,000	100,000
UNITED STATES		
Southwestern Savings Association, U.S.A.	1,000	100,000
Mutual Savings Association, U.S.A.	1,000	100,000
Abilene Savings Association, U.S.A.	1,000	100,000
United Savings Association, U.S.A.	700	70,000
Brownsville Savings Association, U.S.A.	500	50,000
Surety Savings Association, U.S.A.	300	30,000

Shareholders	Number of Shares	Amount Invested
VENEZUELA		
"PRO-VIVIENDA SAN CRISTOBAL", Entidad de Ahorro y Prestamo, Venezuela	100	10,000
Industrial Entidad de Ahorro y Prestamo, Venezuela	20	2,000
Banco Nacional de Ahorro y Prestamo Venezuela	30,544	3,544,000
Federacion Venezolana de Entidades de Ahorro y Prestamo, Venezuela	10	1,000
"LA VIVIENDA", Entidad de Ahorro y Prestamo, Venezuela	2,000	200,000
La Primera Entidad de Ahorro y Prestamo de Zulia, "CAJA POPULAR DE OCCIDENTE", Venezuela	250	25,000
"VALENCIA", Entidad de Ahorro y Prestamo, Venezuela	100	10,000
"CASA PROPIA", Entidad de Ahorro y Prestamo, Venezuela	100	10,000
"BANCARIOS" Entidad de Ahorro y Prestamo, Venezuela	250	25,000
"HORIZONTE", Entidad de Ahorro y Prestamo, Venezuela	96	9,600
"MARACAY", Entidad de Ahorro y Prestamo, Venezuela	250	25,000
"MIRANDA", Entidad de Ahorro y Prestamo, Venezuela	80	8,000
"ASOCIACION GUAYANESA DE AHORRO Y PRESTAMO", Entidad de Ahorro y Prestamo, Venezuela	30	3,000
"GUARICO-APURE", Entidad de Ahorro y Prestamo, Venezuela	100	10,000

Shareholders	Number of Shares	Amount Invested
"EL PORVENIR", Entidad de Ahorro y Prestamo, Venezuela	250	25,000
"ORIENTE", Entidad de Ahorro y Prestamo, Venezuela	20	2,000
"MERIDA", Entidad de Ahorro y Prestamo, Venezuela	320	32,000
"FONDO COMUN", Entidad de Ahorro y Prestamo, Venezuela	200	20,000
"CORO", Entidad de Ahorro y Prestamo, Venezuela	100	10,000
"LA MARGARITA", Entidad de Ahorro y Prestamo, Venezuela	100	10,000
"PROGRESO", Entidad de Ahorro y Prestamo, Venezuela	100	10,000

ACTA CONSTITUTIVA Y ESTATUTOS DEL

BANCO INTERAMERICANO DE AHORRO Y PRESTAMO

(Sociedad Anónima de Capital Autorizado)

Nosotros _____ (identificar), en nombre y representación de _____ (identificar los organismos a quienes representan e indicar la naturaleza de la representación que ostentan), reunidos en _____ (señalar el sitio de la reunión), ubicado en la ciudad de Caracas, República de Venezuela, a los _____ días del mes de _____ de 1975, hemos procedido a constituir el Banco Interamericano de Ahorro y Préstamo, Sociedad Anónima de Capital Autorizado, cuya estructura, organización y funcionamiento se regirán por las disposiciones contenidas en este documento, el cual ha sido redactado con suficiente amplitud para que sirva a la vez de Acta Constitutiva y Estatutos de la sociedad.

TITULO I

Del Nombre, Objeto, Domicilio y Duración

Artículo 1°.-

El nombre de la sociedad será "Banco Interamericano de Ahorro y Préstamo", Sociedad Anónima de Capital Autorizado, en español; "Banco Interamericano de Poupança e Empréstimo", en portugués; e "Inter-American Savings and Loan Bank", en inglés. Podrá usar como nombre abreviado, en cualquier idioma, la sigla "BIAPE".

Artículo 2°.-

La sociedad tendrá por objeto contribuir al desarrollo del movimiento interamericano de ahorro y préstamo a través del fortalecimiento de los Sistemas de Ahorro y Préstamo existentes y de su creación en las naciones donde aun no se hayan constituido;servir de instrumento para el financiamiento de la vivienda y del desarrollo urbano y para el perfeccionamiento del medio habitacional americano; y coadyuvar a la formación y crecimiento del mercado interamericano de capitales; todo ello con un carácter eminentemente técnico y financiero.

Artículo 3°.-

El Banco fija su domicilio legal en la ciudad de Caracas, República de Venezuela, y podrá establecer sus centros de operaciones en otros lugares y países y crear las corresponsalías, representaciones, sucursales y agencias que estime conveniente.

Artículo 4°.-

El plazo de duración del Banco será de noventa y nueve (99) años, contado a partir de la fecha de su inscripción en el Registro competente, prorrogable por períodos iguales cuando la Asamblea General así lo decidiere con veinte (20) años de anticipación, por lo menos, al vencimiento del plazo inicial, o de cualquiera de las prórrogas en sus casos.

TITULO II

De los Accionistas

Artículo 5°.-

Sólo podrán ser accionistas del Banco las entidades, organismos e instituciones que se encuentren comprendidas en una de las siguientes categorías:

Categoría A: Organismos centrales de los Sistemas de Ahorro y Préstamo para Vivienda de los países de América;

Categoría B: Entidades privadas, de primer grado, de los Sistemas de Ahorro y Préstamo para Vivienda de los países de América;

Categoría C: Ligas, Federaciones o Cámaras que agrupen a entidades privadas de Ahorro y Préstamo para Vivienda de los países de América;

Categoría D: Entidades o instituciones, públicas o privadas, que tengan vinculación con la atención de las necesidades de vivienda y de su financiamiento y operen en países de América en que no existan Sistemas de Ahorro y Préstamo debidamente estructurados; y entidades o instituciones americanas estabilizadoras del mercado secundario de hipotecas o aseguradoras de créditos hipotecarios;

Categoría E: Organismos internacionales o de acción internacional y otras instituciones u organizaciones, nacionales o internacionales, que tengan vinculación con la promoción del desarrollo socio-económico o con la atención de las necesidades habitacionales en los países de América.

La Unión Interamericana de Ahorro y Préstamo para la Vivienda, por derecho propio, podrá adquirir la condición de accionista del Banco, y para todos los efectos contemplados en estos Estatutos se asimilará a las instituciones comprendidas en la Categoría E.

No será necesario para el funcionamiento del Banco que cuente con accionistas de todas las categorías señaladas en este artículo.

Artículo 6°.-

El Directorio calificará a los solicitantes y aceptará o denegará su incorporación al Banco. En este último caso el interesado podrá apelar ante la Asamblea General.

Para incorporarse como accionista se requiere tener el mínimo de acciones suscritas y pagadas que fije la Asamblea.

Al momento de incorporarse cada accionista deberá designar su representante permanente ante el Banco. Cualesquiera cambios, o designaciones de representantes para actos especiales, deberán ser oportunamente participados al Secretario del Banco.

Artículo 7°.-

Los accionistas perderán la calidad de tales:

a) Por pérdida de las condiciones que lo habilitaron para adquirir sus acciones;

b) Por renuncia;

c) Por no mantener, a título de propiedad, el mínimo de acciones que se requirió para su incorporación;

d) Por quiebra;

e) Por incumplimiento, calificado por el Directorio, de las obligaciones contraídas con el Banco; y

f) Por resolución fundada del Directorio, adoptada por los dos tercios (2/3) de sus integrantes con derecho a voto. De esta resolución podrá apelarse ante la Asamblea General.

TITULO III

Del Capital y de las Acciones

Artículo 8°.-

El capital autorizado del Banco es de Cien Millones de Dólares de los Estados Unidos de América (U.S $ 100.000.000,oo).

Artículo 9°.-

Los aportes de capital se efectuarán sólo mediante la suscripción total de las acciones que los representen, y mediante el pago en dinero efectivo de las mismas, en la proporción que en cada caso se establezca conforme a estos Estatutos.

Artículo 10°.-

El capital del Banco estará representado por acciones que tendrán un valor nominal unitario de Cien Dólares de los Estados Unidos de América — (U.S $ 100,oo).

Artículo 11°.-

Las acciones podrán ser ordinarias o privilegiadas correspondiendo al Directorio fijar las condiciones de emisión, excepto la naturaleza de los privilegios, cuya determinación compete a la Asamblea. Las acciones serán nominativas y se inscribirán en el Registro de Accionistas que se llevará bajo la responsabilidad del Secretario del Banco.

Artículo 12°.-

Las acciones serán de libre transferencia entre los accionistas del Banco. La transferencia a quienes no tengan esa calidad deberá ser previamente aprobada por el Directorio, en cuyo caso se aplicará lo dispuesto en los Artículos 5° y 6° de estos Estatutos.

Artículo 13°.-

Cada una de las acciones pagadas dará derecho a un voto, con las excepciones que puedan resultar de la aplicación del Artículo 11°

Artículo 14°.-

No obstante lo dispuesto en el artículo anterior, ningún accionista ni los accionistas de una misma nacionalidad en su conjunto, podrán tener en una Asamblea más del 10% de los votos correspondientes al total de acciones con derecho a voto, ni más del 20% del total de los votos presentes o representados en dicha Asamblea.

Los accionistas de la Categoría E no podrán, individualmente ni sumados entre sí, tener en una Asamblea más del 5% de los votos correspondientes al total de acciones con derecho a voto, ni más del 10% del total de votos presentes o representados en la misma.

Artículo 15°.-

Si un accionista pierde su calidad de tal por motivos diferentes a la transferencia de sus acciones,el Banco procederá a rescatar los títulos de las acciones que el titular posea y restituirá a éste el valor correspondiente. El Directorio fijará dicho valor y las modalidades de restitución, tomando en consideración, entre otros factores, las obligaciones contraídas por el Banco con anterioridad a la fecha en que se hubiere perdido la calidad de accionista.

TITULO IV

De los Convenios de Responsabilidad

Artículo 16°.-

Independientemente de su aporte de capital, los accionistas de las Categorías A, B y D asumirán una responsabilidad adicional por las sumas que en cada caso determine el Directorio, para respaldar las obligaciones que el Banco contraiga. Dichas sumas constituirán una reserva de carácter patrimonial.

Artículo 17°.-

Esta responsabilidad adicional se fijará al efectuarse cada suscripción de acciones, mediante un Convenio de Responsabilidad que se inscribirá en los registros correspondientes.

No obstante, una vez determinada la responsabilidad adicional, el accionista podrá exonerarse de celebrar el Convenio respectivo, suscribiendo y pagando acciones del Banco por una suma equivalente a aquélla. En este caso el valor de las acciones será el nominal, sin prima alguna.

Artículo 18°.-

Sin que constituya novación de las obligaciones que emanen de los Convenios de Responsabilidad, quienes los suscriban emitirán y aceptarán a favor del Banco documentos negociables correlativos a dichas obligaciones con el fin de facilitar un mejor desenvolvimiento de las operaciones del Banco. Estos documentos tendrán las modalidades que establezca el Directorio del Banco y sólo podrán ser utilizados manteniendo la proporcionalidad establecida en el Artículo 21°.

Artículo 19°.-

Si llegare a hacerse efectivo un Convenio de Responsabilidad, el accionista tendrá derecho a requerir del Banco la entrega de acciones por un monto equivalente al que desembolse por tal concepto, pasando ese monto a incrementar su cuota de capital suscrito y pagado. En este caso, el Banco entregará las acciones que corresponda a su valor nominal, sin prima alguna.

Artículo 20°.-

Si el accionista que cumpliere con un Convenio de Responsabilidad no hiciere uso del derecho contemplado en el artículo anterior, las sumas entregadas constituirán créditos a su favor por el plazo que determine el Directorio del Banco y a las tasas de interés que éste aplicare a sus operaciones pasivas.

Artículo 21°.-

Cuando el Banco deba hacer efectivos los Convenios de Responsabilidad distribuirá la suma que requiera entre todos los signatarios, a prorrata de los montos de sus respectivos Convenios.

No obstante, en casos debidamente calificados, el Directorio podrá efectuar una distribución transitoria diferente, que no afectará la repartición definitiva que deba hacer a prorrata de las responsabilidades asumidas.

Sin perjuicio de las obligaciones contraídas con terceros, el Banco destinará preferentemente sus recursos a la devolución y cancelación de las sumas que adeudare a los accionistas por razón de haberse hecho efectivos los Convenios de Responsabilidad, y al pago de los intereses que a dichas sumas correspondan.

Artículo 22°.-

La extinción de los Convenios a que se refieren los artículos precedentes, sólo podrá producirse por acuerdo de los otorgantes o por decisión del accionista notificada por escrito al Banco. La decisión o el acuerdo sólo podrán adoptarse después de transcurridos cinco (5) años desde la celebración del respectivo Convenio y no producirá efecto sino después de transcurridos diez (10) años contados a partir de la fecha de su anotación al margen de la correspondiente inscripción del Convenio de Responsabilidad.

La pérdida de la calidad de accionista producirá el efecto de dar comienzo al plazo de diez (10) años señalado en este artículo. Dicho plazo se ampliará, si la calidad de accionista se perdiere antes de transcurridos cinco (5) años contados desde la celebración del Convenio, por el tiempo que restare para que el mismo alcance esa antiguedad.

Artículo 23°.-

No obstante lo expresado en los artículos anteriores, en caso de disolución del Banco, al término del consiguiente proceso de liquidación se producirá la extinción de los Convenios de Responsabilidad que estuviesen en vigor.

TITULO V

De las Operaciones del Banco

Artículo 24°.-

El Banco deberá estimular, promover y orientar cuantos esfuerzos, inversiones y aportes puedan contribuir al cumplimiento de sus objetivos. A tales fines, podrá realizar especialmente las siguientes operaciones:

a) Realizar todas las operaciones conducentes a la obtención de recursos financieros, provenientes de cualesquiera instituciones, organizaciones, personas o países;

b) Aceptar y suscribir obligaciones de tráfico bancario y de cualquier otra índole;

c) Emitir bonos, cédulas hipotecarias y toda clase de documentos negociables en el mercado mundial de capitales o en cualquier mercado nacional, regional o internacional;

d) Otorgar préstamos y conceder créditos a instituciones de los países americanos para el financiamiento de operaciones enmarcadas dentro de los objetivos del Banco;

e) Adquirir y enajenar toda clase de bienes, a cualquier título, y constituir fondos para fines específicos;

f) Otorgar fianzas, garantías y cauciones;

g) Recibir en depósito, en administración, en garantía, en fideicomiso o en otras formas, toda clase de bienes y valores;

h) Actuar como agente financiero en la captación directa de recursos externos para sus accionistas;

i) Obtener apoyos técnicos de cualesquiera instituciones, organismos, personas o países y dar asistencia técnica a quienes la requieran;

j) Celebrar toda clase de actos y contratos con personas naturales y jurídicas, públicas o privadas; asociarse con otras entidades o participar en su constitución, y contraer los compromisos que sus actividades hagan necesarios.

La enumeración precedente no tiene carácter taxativo ni restrictivo, en cuya virtud, el Banco podrá realizar toda clase de operaciones activas, pasivas, de gestión, de garantía u otras de cualquier índole, que estime convenientes

Artículo 25°.-

Las operaciones del Banco podrán realizarse en cualquier tipo de moneda, corriente o convencional, pero deberán expresarse y contabilizarse en su equivalente en dólares de los Estados Unidos de América.

El Banco podrá mantener la totalidad o parte de su patrimonio en cualquier tipo de monedas, corrientes o convencionales, o en cualquier clase de bienes.

Artículo 26°.-

El Directorio establecerá las condiciones y modalidades aplicables a las operaciones del Banco, de acuerdo con sus fines y dentro de una sana política de administración financiera.

Artículo 27°.-

El Banco concederá especial atención a aquéllas de sus operaciones que contribuyan al fomento y desarrollo de un mercado interamericano de capitales.

Artículo 28°.-

El Banco otorgará préstamos preferentemente a aquellas instituciones de los países americanos que requieran financiamiento para el cumplimiento de las finalidades que señala el Artículo 2° de estos Estatutos.

Artículo 29°.-

Los accionistas que reciban préstamos deberán suscribir nuevas acciones o títulos valores emitidos por el Banco, en el porcentaje de dichos préstamos que fije el Directorio.

Artículo 30°.-

El Directorio calificará las solicitudes de préstamo atendiendo a la naturaleza del solicitante, a su experiencia, solvencia y capacidad técnica, a los fines que se persigan con el empleo del crédito y a las garantías ofrecidas. Salvo casos excepcionales, no se vinculará el préstamo a proyectos específicos de construcción.

En ningún caso, el Directorio estará obligado a expresar los motivos de su pronunciamiento en relación a las solicitudes que se sometan a su consideración.

Artículo 31°.-

Las operaciones del Banco serán objeto de una auditoría externa anual, practicada por profesionales de reconocida competencia e idoneidad, distintos de los inspectores de cuentas o comisarios, todos los cuales serán designados por la Asamblea General Ordinaria.

TITULO VI

De la Dirección y Administración del Banco

Artículo 32°.-

El Banco será dirigido y administrado por los siguientes órganos directivos y ejecutivos:

a) La Asamblea General;

b) El Directorio; y

c) El Comité Ejecutivo.

Sección Primera

De las Asambleas

Artículo 33°.-

La Asamblea General constituye el órgano máximo de autoridad y decisión del Banco y estará integrada por todos los accionistas. Se reunirá en forma ordinaria anualmente, dentro de los primeros seis (6) meses del año calendario, y con carácter extraordinario cuantas veces la convoque el Directorio o lo solicite un tercio (1/3) de sus accionistas.

Las Asambleas deberán ser convocadas mediante comunicación telegráfica a los accionistas, enviada a la dirección que tengan registrada en el Banco, con sesenta (60) días continuos de anticipación, por lo menos, a la fecha prevista para la respectiva reunión.

Las Asambleas sólo podrán conocer los asuntos expresamente enunciados en la respectiva convocatoria.

Todos los accionistas tendrán derecho a voz en las Asambleas y para los efectos de votaciones regirá lo establecido en los Artículos 13° y 14°.

Artículo 34°.-

La Asamblea se constituirá bajo la dirección del Presidente del Banco, a los fines de calificar la representación de los accionistas presentes y los poderes de los representados, y elegir al Presidente de la misma. Practicada la elección, la Asamblea será dirigida por su respectivo Presidente.

Los poderes para representar a los accionistas deberán obrar en poder del Secretario del Banco, con una anticipación a la celebración de cada Asamblea, no menor de quince (15) días continuos.

Artículo 35°.-

Las Asambleas deberán celebrarse a la hora fijada en la convocatoria con la asistencia de accionistas que representen por lo menos la mitad de las acciones emitidas con derecho a voto. Si tal quorum no se alcanzare en los trein

ta (30) minutos posteriores a la hora fijada, la Asamblea respectiva se llevará a cabo tres (3) horas después de la señalada en la convocatoria, cualquiera sea el número de accionistas presentes o representados.

Para la validez de las decisiones de las Asambleas se requerirá la mayoría absoluta de los votos presentes, ponderados de conformidad con el Artículo 14°

Artículo 36°.-

Corresponde especialmente a la Asamblea General:

a) Aprobar las políticas generales del Banco, sus líneas de acción, sus planes anuales de trabajo y sus políticas presupuestarias;

b) Aprobar la Memoria anual de las actividades, los Balances de cada ejercicio, los informes de los comisarios y de los auditores externos, la constitución de fondos de reservas, y la forma de repartir las utilidades;

c) Reformar los presentes Estatutos;

d) Aumentar o reducir el capital autorizado del Banco;

e) Autorizar los ajustes contables que resulten de variaciones cambiarias;

f) Elegir al Directorio y fijar su remuneración;

g) Designar a los comisarios y auditores externos y fijar sus honorarios; y

h) Acordar la disolución del Banco y designar al representante de los accionistas en la Comisión Liquidadora.

Artículo 37°.-

Las atribuciones señaladas en las letras c), d) y h) del artículo anterior, sólo podrán ejercerse en Asamblea General Extraordinaria, para cuyas deliberaciones se requerirá un quorum de al menos tres cuartos (3/4) del total de las acciones emitidas con derecho a voto. Los acuerdos en estos casos deberán ser adoptados por una mayoría de dos tercios (2/3) de los votos presentes ponderados de conformidad con el Artículo 14°.

Sección Segunda

Del Directorio

Artículo 38°.-

Corresponderá al Directorio, además de las funciones que otras disposiciones de estos Estatutos le encomienden, dirigir la actividad del Banco. Estará compuesto por nueve (9) miembros titulares y nueve (9) alternos, quienes actuarán sólo en ausencia de sus respectivos titulares.

Los miembros del Directorio serán elegidos de tal manera que al menos tres (3) de ellos y sus respectivos alternos tengan la representación permanente de accionistas de la Categoría A; y que al menos dos (2) de ellos, con sus alternos, tengan respectivamente la representación permanente de accionistas de las Categorías B y C.

El resto de los Directores será de libre elección de la Asamblea requiriéndose, en todo caso, que tengan la representación permanente de un accionista del Banco.

Artículo 39°.-

Mientras la Unión Interamericana de Ahorro y Préstamo para la Vivienda sea accionista del Banco, su Secretario General, conjuntamente con los nueve (9) titulares, integrará el Directorio, como miembro nato del mismo, con derecho a voz, pero sin voto.

Artículo 40°.-

En el caso de que no hubiere accionistas de algunas de las categorías señaladas en el Artículo 38°, la elección de los Directores que deberían tener la representación de aquéllos será efectuada libremente por la Asamblea. Estos Directores durarán en sus cargos hasta la siguiente Asamblea General Ordinaria, en la cual se elegirá a quienes deban concluir el período de tres (3) años.

Artículo 41°.-

Los Directores durarán tres (3) años en sus cargos y podrán ser reelegidos. La renovación del Directorio se efectuará por tercios,de tal manera que corresponda cada año designar tres (3) de ellos con sus respectivos alternos.

Si por cualquier causa un Director titular no pudiere seguir desempeñando su cargo, será sustituido por su respectivo alterno. Si éste, a su vez, resultare impedido, el Directorio designará su reemplazante eligiéndolo, cuando así proceda, de entre quienes tengan la representación de accionistas de su misma calidad y procurando que el elegido sea de la misma nacionalidad del anterior titular.

El nombramiento del nuevo Director regirá hasta la celebración de la siguiente Asamblea General Ordinaria, en la que se elegirá a quien deba concluir el período original de tres (3) años.

Artículo 42°.-

Corresponde especialmente al Directorio:

a) Dar cumplimiento a los acuerdos de la Asamblea General;

b) Aceptar o denegar las solicitudes de incorporación al Banco y determinar la categoría de los accionistas;

c) Fijar las políticas específicas de acción, las tasas de interés,las comisiones, cargas y, en general, las condiciones y modalidades de sus operaciones y los procedimientos que se emplearán en ellas;

d) Presentar a la consideración de la Asamblea los Balances, Estados

de Ganancias y Pérdidas y Memorias de las actividades del Banco, así como los planes anuales y políticas presupuestarias;

e) Proponer a la Asamblea la constitución de los fondos y reservas que se estimen necesarios y la forma de distribuir o aplicar las utilidades del ejercicio;

f) Aprobar el presupuesto anual;

g) Fijar las normas de encaje que estime conveniente aplicar;

h) Aprobar el Reglamento Interno y la estructura administrativa del Banco;

i) Pronunciarse sobre las operaciones del Banco y calificar tanto las garantías como la aplicación de los recursos;

j) Velar porque los recursos se empleen con una adecuada y justa proporción entre los países a los cuales pertenezcan las instituciones beneficiarias; y

k) Conferir poderes generales y especiales, para la representación judicial o extrajudicial del Instituto.

Artículo 43°.-

Corresponderá al Directorio la interpretación de los presentes Estatutos. En el caso de que su interpretación no estuviere respaldada por la unanimidad de los miembros concurrentes al acuerdo, los interesados podrán solicitar a la Asamblea General que revise la resolución y la modifique, si lo juzga procedente, teniéndose entre tanto como válida la interpretación acordada por el Directorio.

Artículo 44°.-

El Directorio se reunirá ordinariamente por lo menos cada cuatro (4) meses, y extraordinariamente cuando el Presidente Ejecutivo lo convoque por requerirlo así las necesidades operacionales del Banco o cuando lo soliciten tres (3) de sus miembros.

La convocatoria de los Directores se realizará mediante comunicación telegráfica enviada a la dirección que cada uno de ellos tenga registrada en el Banco, con diez (10) días continuos de anticipación a la fecha de la reunión.

El Directorio sesionará con la asistencia de al menos cinco (5) de sus miembros con derecho a voto y sus acuerdos se adoptarán por mayoría absoluta de los presentes con tal derecho, salvo disposición especial de los Estatutos.

Artículo 45°.-

El Director que dejare de tener la representación permanente de un accionista ante el Banco cesará inmediatamente en el ejercicio de su cargo. No obstante, si un accionista perdiere su calidad de tal, la cesación del Director que hubiese sido elegido por su condición de representante permanente del mismo, sólo producirá efecto una vez que sea expresamente declarada por el Directorio.

Los Directores cesarán automáticamente en sus cargos por inasistencia no justificada a tres (3) sesiones consecutivas de Directorio o a seis (6) no consecutivas.

Los Directores podrán ser removidos de sus cargos por acuerdo de la Asamblea General.

Artículo 46°.-

Los Directores percibirán la remuneración que fije la Asamblea General y tendrán derecho al reembolso de los gastos en que incurran para cumplir sus funciones.

Artículo 47°.-

No obstante haberse cumplido los plazos para los cuales hubiesen sido designados, los miembros del Directorio proseguirán en el ejercicio de sus funciones hasta que los reemplazantes asuman sus cargos.

Artículo 48°.-

El Directorio designará un Tesorero del Banco y un Secretario Abogado y les fijará sus funciones y remuneraciones. El Secretario Abogado lo será también de la Asamblea General, del Directorio y del Comité Ejecutivo, correspondiéndole certificar los acuerdos emanados de estos órganos colegiados que consten en los respectivos Libros de Actas.

Sección Tercera

Del Comité Ejecutivo

Artículo 49°.-

El Comité Ejecutivo será la máxima autoridad ejecutiva del Banco y estará integrado por un Presidente Ejecutivo y dos o más Vicepresidentes, nombrados por el Directorio.

Para la designación del Presidente Ejecutivo se requerirá el acuerdo de, al menos, seis (6) de los miembros del Directorio con derecho a voto, en tanto que para la de los Vicepresidentes bastará el acuerdo de cinco (5) de ellos.

Artículo 50°.-

Los miembros del Comité Ejecutivo no podrán ser Directores del Banco, durarán tres (3) años en sus cargos y podrán ser reelegidos.

El Directorio, por acuerdo fundamentado, podrá remover de sus cargos a los miembros del Comité Ejecutivo antes del vencimiento de sus respectivos períodos, requiriéndose para ello las mismas mayorías exigidas para su designación.

Artículo 51°.-

El Comité Ejecutivo tendrá a su cargo la diaria gestión de los negocios del Banco, especialmente la ejecución de sus programas, la realización de sus

operaciones, la custodia de su patrimonio y el cumplimiento de todos los acuerdos y resoluciones emanados del Directorio.

Coresponderá al Comité Ejecutivo, además, ejercer todas las atribuciones que estos Estatutos no hayan encomendado a otro órgano directivo, administrativo o ejecutivo, salvo que por su naturaleza sean de la competencia de la Asamblea o del Directorio.

Artículo 52°.-

El Directorio, por acuerdo de seis (6) de sus miembros con derecho a voto, podrá revisar las decisiones adoptadas por el Comité Ejecutivo.

Artículo 53°.-

Será de la competencia del Comité Ejecutivo todo lo relacionado con el nombramiento, promoción, transferencia, remoción, remuneración y demás condiciones de trabajo del personal del Banco.

Artículo 54°.-

El Directorio fijará las remuneraciones de los miembros del Comité Ejecutivo, establecerá las atribuciones de los Vicepresidentes y determinará las garantías que para estos cargos estime necesario exigir.

Artículo 55°.-

El Comité Ejecutivo se reunirá con la frecuencia que exija la marcha del Banco pero, en todo caso, deberá celebrar dos (2) reuniones mensuales. Sesionará con la asistencia de más de la mitad de sus miembros o del número entero inmediatamente superior y sus acuerdos se adoptarán por mayoría de los presentes. En caso de empate, decidirá el voto del Presidente.

Artículo 56°.-

El Presidente Ejecutivo será el representante legal del Banco, autorizará con su firma todos los actos, contratos, convenios y demás documentos y presidirá el Comité Ejecutivo y las reuniones del Directorio, aun cuando en estas últimas no tendrá derecho a voto.

En caso de ausencia o impedimento del Presidente Ejecutivo, sus funciones serán asumidas por los Vicepresidentes en el orden que el Directorio haya establecido a esos fines.

Artículo 57°.-

Será aplicable a los miembros del Comité Ejecutivo lo dispuesto en el Artículo 47°.

TITULO VII

Del Balance y la Memoria

Artículo 58°.-

El Banco hará corte de cuentas al 30 de Junio y 31 de Diciembre de cada

año y elaborará los balances correspondientes los cuales, junto con un estado pormenorizado de sus cuentas de ganancias y pérdidas y la Memoria anual de sus actividades, serán presentados por el Comité Ejecutivo al Directorio. Este, después de considerarlos, los someterá, conjuntamente con el informe de los comisarios y de los auditores externos, a la aprobación de la Asamblea General Ordinaria.

Artículo 59°.-

Una vez aprobados los estados financieros en referencia, y después de practicadas las destinaciones a fondos y reservas, la Asamblea General distribuirá las utilidades a los accionistas en proporción a su participación en el capital pagado y en la forma y oportunidades que estime conveniente.

Artículo 60°.-

El Balance se elaborará con sujeción a las reglas y principios de contabilidad generalmente aceptados; demostrará con evidencia y exactitud los beneficios realmente obtenidos y las pérdidas experimentadas; y reflejará las partidas del acervo social por el valor que realmente tengan o razonablemente se les presuma. No se otorgará valor alguno a los créditos incobrables.

TITULO VIII

Del Fondo de Promoción y Perfeccionamiento Técnico

Artículo 61°.-

El Banco agregará al principal de sus operaciones activas un 0,1%, con el objeto de formar con esos ingresos un Fondo especial que destinará a promover el desarrollo y el perfeccionamiento técnico de Ahorro y Préstamo en América.

El Banco confiará la administración y el uso de este Fondo a la Unión Interamericana de Ahorro y Préstamo para la Vivienda. En caso de que esta administración no fuere factible, el Directorio dispondrá acerca de la misma.

TITULO IX

De la Disolución y Liquidación

Artículo 62°.-

El Banco se disolverá por las causales establecidas en las leyes sobre la materia, y especialmente:

a) Por pérdidas en sus Balances que signifiquen la disminución de su capital pagado en más de un 75%; y

b) Por verse obligado a hacer efectivo más del 50% del monto de los Convenios de Responsabilidad de que trata el Título IV de estos Estatutos, si así lo acordare una Asamblea General especialmente convocada al efecto.

Artículo 63°.-

Acordada la disolución, la Asamblea General procederá a designar la persona que en representación de los accionistas integrará la Comisión Liquidadora del activo y pasivo del Banco que señala la Ley. La Asamblea que haga la designación anterior establecerá el plazo dentro del cual debe cumplirse el proceso de liquidación.

Artículo 64°.-

La Comisión Liquidadora ejercerá las facultades del Directorio y del Comité Ejecutivo, debiendo rendir cuenta de su administración a los accionistas reunidos en Asamblea General celebrada de acuerdo con los Artículos 33° y siguientes.

Artículo 65°.-

Si al término de la liquidación hubiere remanente de los bienes, este será distribuido entre los accionistas a prorrata de su cuota de capital pagado.

TITULO X

Del Arbitraje

Artículo 66°.-

Toda discrepancia que se suscite entre los accionistas del Banco, en relación a sus respectivos intereses en el mismo, o entre éstos y sus órganos de dirección, administración o ejecución, sea durante la marcha del Banco o durante su proceso de liquidación, será resuelto por una Comisión Arbitradora, que dirimirá tales situaciones en única instancia, sin forma de juicio y sin ulterior recurso.

Esta Comisión estará integrada, en cada caso por tres (3) árbitros arbitradores. Uno de ellos será designado por el Comite Ejecutivo del Banco o por la Comisión Liquidadora, en su caso; otro, por el o los accionistas interesados;y el tercero, de común acuerdo entre estos últimos y el Banco.

Si no se produjere acuerdo para designar al tercer árbitro, cualquiera de las partes podrá solicitar al Tribunal competente que efectúe la designación.

TITULO XI

Disposiciones Transitoria y Complementarias

Artículo 67°.-

El capital del Banco es la cantidad de _____ millones de Dólares de los Estados Unidos de América (U.S $ _____) y ha sido suscrito y pagado por los accionistas constituyentes, en la forma que a continuación se determina:

Accionistas	No. de acciones	Monto U.S $ suscrito	Monto U.S $ pagado

Artículo 68°.-

La Asamblea Constituyente ha autorizado al Directorio para aumentar el capital del Banco hasta la cantidad de Cien Millones de Dólares de los Estados Unidos de América (U.S $ 100.000.000,oo) mediante la emisión de nuevas acciones ordinarias.

Artículo 69°.-

De conformidad con lo dispuesto por el Título IV de estos Estatutos los accionistas constituyentes han suscrito Convenios de Responsabilidad por un monto global de _____ Millones de Dólares de los Estados Unidos de América (U.S $ _____), distribuido en la siguiente forma:

Accionista	Monto U.S $

Los documentos negociables correlativos a dichos Convenios de Responsabilidad, han sido emitidos y aceptados por los respectivos accionistas, de acuerdo a lo dispuesto en el Artículo 18° de estos Estatutos.

Artículo 70°.-

La disposición contenida en la segundo párrafo del Artículo 6° sólo regirá a partir de la Primera Asamblea General Ordinaria.

Artículo 71°.-

Para desempeñar los cargos de miembros titulares y alternos del Directorio del Banco, por los plazos que más adelante se determinan, han sido elegidas las siguientes personas:

Titular	Alterno	Categoría del accionista a quien representa

Los Directores Principales _____ y sus alternos _____, durarán en el ejercicio de sus funciones hasta que se reuna la Primera Asamblea General Ordinaria; los Directores Principales _____ y sus alternos _____ hasta que se reuna la Segunda Asamblea General Ordinaria; y los Directores Principales _____ y sus alternos _____ hasta que se reuna la Tercera Asamblea General Ordinaria.

Artículo 72°.-

Si los supuestos previstos en los Artículos 40° y 41° ocurrieren durante los tres (3) primeros años de funcionamiento del Banco, la Asamblea General Ordinaria que deba elegir los reemplazantes definitivos de estos Directores, lo hará de tal manera que se mantenga la renovación por tercios prevista en dichos artículos.

Artículo 73°.-

Para desempeñar los cargos de Comisario Principal y Suplente, hasta que se reuna la Primera Asamblea General Ordinaria, han sido designados los señores _____ y _____, respectivamente.

Artículo 74°.-

Se faculta al Directorio para que durante los tres (3) primeros años de funcionamiento del Banco, pueda sustituir el régimen de administración a cargo del Comité Ejecutivo previsto en los Estatutos, por un sistema de administración unipersonal, acorde con sus necesidades operativas iniciales, que será ejercido por el Presidente Ejecutivo.

Hasta tanto el Directorio proceda a efectuar las designaciones definitivas de los integrantes del Comité Ejecutivo previsto en estos Estatutos, se designa Presidente Ejecutivo al señor _____.

Artículo 75°.-

El primer ejercicio económico del Banco se iniciará en la fecha de la autorización de funcionamiento que le sea otorgada conforme a la Ley y concluirá el día _____.

Artículo 76°.-

Se autoriza suficientemente al señor _____ para que en su carácter de _____ proceda a la presentación y registro de este documento por ante las autoridades competentes, firmando los Protocolos y demás Actas que fueren necesarias.

TITULO XII

Disposición Final

Artículo 77°.-

En todo lo no previsto en esta Acta Constitutiva y Estatutos regirán las disposiciones de la Ley General de Bancos y Otros Institutos de Crédito, de la Ley de Mercado de Capitales, del Código de Comercio y de las demás leyes sobre la materia.

A.I.D. Project Number

IMPLEMENTATION AGREEMENT

BETWEEN

(Name of Borrower)

and the

UNITED STATES OF AMERICA

FOR

(Name of Project)

Dated as of

IMPLEMENTATION AGREEMENT

Between [insert name of Borrower] ("Borrower")

And The United States of America, acting through the Agency for International Development ("A.I.D.")

ARTICLE I THE AGREEMENT

Section 1.01. Background and Purpose. Reference is made to a series of agreements dated as of the date hereof, whereunder Borrower will borrow a sum as specified below from [name of Investor] ("Investor"), A.I.D. has guaranteed the Borrower's repayment obligations to the Investor and [name of Host Country] ("_____") has agreed to reimburse A.I.D. for any losses that A.I.D. incurs by virtue of the A.I.D. guaranty to the Investor. The purpose of this Implementation Agreement ("Agreement") is to set forth the understandings of the Borrower and A.I.D. ("Parties") with respect to the undertakings by the Borrower of the Project described below, and with respect to the financing of the Project.

Section 1.02. Definitions.

(a) [Insert definitions if appropriate]

ARTICLE II THE PROJECT

Section 2.01. Description of the Project. The Project ("Project"), which is further described in Annex A, attached hereto, will consist of [insert brief general description of the Project].

Within the limits of the above delineation or description of the Project, elements of the further project description in Annex A may be changed by written agreement of the authorized representatives of the Parties named in Section 9.02 without formal amendment of this Agreement.

ARTICLE III FINANCING

Section 3.01. The A.I.D.-Guaranteed Loan. To assist the Borrower to meet the costs of carrying out the Project, the Borrower will borrow up to [insert amount] United States dollars ($) (the "Loan") from the Investor. A.I.D. will guaranty to the Investor the repayment of the Loan by Borrower. The terms and conditions of the "Loan Agreement" have been approved by A.I.D. The Borrower will use the proceeds of the Loan for the sole purpose of financing the Project in the manner described in this Agreement.

Section 3.02. Borrower Resources for the Project.

(a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Borrower for the Project will be not less than the equivalent of US$ including costs borne on an "in-kind" basis.

(c) [If applicable, insert other sources of Project financing, e.g. other donors, PVO contributions, self-help contributions, etc.]

Section 3.03. Project Assistance Completion Date.

(a) The Project Assistance Completion Date, which is _____, 19___, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not guaranty additional borrowings or disbursements under the Loan Agreement which would facilitate the procurement of goods and services performed or to be performed after the Project Assistance Completion Date.

ARTICLE IV LOAN TERMS, FEES AND PAYMENT

Section 4.01. Loan Terms. Reference is made to the provisions of the Loan Agreement including the definition of terms used therein, which are hereby incorporated by reference in this Agreement.

Section 4.02. Payment of A.I.D. Guaranty Fee.

(a) Borrower shall pay A.I.D. a Guaranty Fee calculated at the rate of one-half of one percent (1/2%) per annum of the aggregate unpaid principal amount of all Eligible Notes issued and outstanding under the Loan Agreement. The Guaranty Fee shall be charged from the date each Eligible Note is issued under the Loan Agreement, and shall be payable concurrently with payments of interest on each such Note until each Note is fully repaid. In the event of late payment of this fee, Borrower shall, upon request, pay A.I.D. interest on the

due and unpaid fee, at the contract rate of interest contained in the Loan Agreement.

(b) In addition to the fee stated above, Borrower shall pay to A.I.D. a fixed fee amounting to US$ [1% of the total face amount of the Loan]. Such fee shall be paid to A.I.D. at a rate of two percent (2%) of the amount of each disbursement until the total amount due is fully paid, or such fee shall be paid at such other times as may be mutually agreed. This fee shall be non-refundable, notwithstanding the failure of Borrower to subsequently receive additional disbursements of the full amount of the Loan.

Section 4.03. Payments by Borrower.

(a) In order to facilitate payments due Investor and A.I.D., Borrower agrees to remit all sums required by the Loan Agreement and Article IV hereof to the A.I.D. Fiscal Agent at the address specified herein. In the event Borrower fails to remit to the A.I.D. Fiscal Agent when due any payment required by the Loan Agreement, A.I.D. in its sole discretion may discharge its obligations to the Investor under the A.I.D. Guaranty Agreement by making payment to the Investor from A.I.D.'s own resources. In such event, Borrower agrees that it will promptly pay to A.I.D. or the Fiscal Agent, as appropriate, a sum equal to the amount of such payment, plus, upon request, interest on the amount of such payment. Interest shall be computed, at the contract rate of interest specified in the Loan Agreement, from the date of such payment made by A.I.D. to the date of remittance by Borrower to A.I.D. or the Fiscal Agent.

(b) A.I.D. may at any time discontinue its engagement of the A.I.D. Fiscal Agent and give notice thereof to the Borrower. In such event, the payments due Investor and the Guaranty Fees due A.I.D. will be made directly to Investor and to A.I.D.

ARTICLE V CONDITIONS PRECEDENT TO DISBURSEMENT

Section 5.01. Basis for Disbursement. Prior to any disbursement under the Loan Agreement being guarantied by A.I.D.," all conditions precedent and other requirements set forth in the Loan Agreement and this Agreement will be satisfied. All documents required for a disbursement will be delivered to A.I.D. at least five (5) business days prior to the requested disbursement date. The basis for disbursements hereunder will be [evidence of Borrower's costs of work in place, or the face amount or fixed % of mortgages contracted, etc.].

Section 5.02 Conditions Precedent to the First Disbursement. Prior to the first disbursement under the Loan or the issuance of the A.I.D. Guaranty, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) a legal opinion of [the appropriate governmental legal officer] of [insert name of Country], dated the closing date and satisfactory in form and substance to A.I.D. stating that:

(i) Counsel has reviewed the [insert name of

Country] Guaranty Agreement, the Implementation Agreement, the Loan Agreement, and the A.I.D. Contract of Guaranty relating to the Project; and

(ii) the [insert name of Country] Guaranty Agreement has been duly executed and delivered by [insert] with all necessary legal formality and is a legal, valid, and binding agreement enforceable in accordance with all of its terms; and

(iii) the execution of the various other agreements contemplated by or mentioned in the [insert] Guaranty Agreement and the consummation of the transactions contemplated by such various other agreements do not violate any provisions of law, order, decree or regulation within [insert];

(b) a legal opinion of Counsel to Borrower satisfactory to A.I.D., dated the closing date and satisfactory in form and substance to A.I.D. with respect to those matters set forth in Section _____ of the Loan Agreement;

(c) a statement of the names of the representatives of the Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement;

(d) a Request for Disbursement and Certificate duly signed and completed in the form of Annex B;

(e) A Project Delivery Plan showing projected construction activity or other uses of the loan over the duration of the implementation period. This plan shall be prepared by the Borrower with the assistance of A.I.D. and shall reflect the anticipated time, costs, disposal, and financing of the Project or subproject in accordance with the guidelines in the Project Monitoring Manual provided by A.I.D.;

[(f) other conditions to be inserted as appropriate, e.g., including legislative and financial obligations of the Borrower, legal opinions regarding Eligible Mortgages, etc.]; and

(g) such other evidence or materials as A.I.D. may reasonably request.

Section 5.03. Conditions Precedent to Additional and Final Disbursements. Prior to additional disbursements under the Loan, and except as A.I.D. may otherwise agree in writing, the Borrower shall deliver in form and substance satisfactory to A.I.D.:

(a) an updated legal opinion in accord with Section 5.02 (b);

(b) a Request for Disbursement and Certificate in the form of Annex B;

[(c) additional conditions to be inserted as appropriate.]; and

(d) such other evidence or materials as A.I.D. may reasonably request.

Section 5.04. Notification. When A.I.D. has determined that the applicable conditions precedent specified above have been met, A.I.D. will promptly notify the Borrower and Investor.

Section 5.05. Terminal Date for Conditions Precedent.

(a) If all of the conditions specified in Section 5.02 have not been met as of the date specified in the Loan Agreement for the first disbursement, or such later date as Investor and A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower and Investor.

(b) If all of the conditions specified in Section 5.03, with respect to the final disbursement, have not been met as of the date for the final disbursement established in the Loan Agreement, the Project Assistance Completion Date set forth in Section 3.03, or such later date as Investor and A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower and Investor. In such case, among other things, A.I.D. shall have no further obligation to guarantee Notes issued by the Borrower to the Investor.

ARTICLE VI SPECIAL COVENANTS

Section 6.01. [List special covenants as appropriate.]

ARTICLE VII GENERAL COVENANTS

Section 7.01. Project Implementation Letters. To assist Borrower in the implementation of the Project, A.I.D. from time to time may issue Project Implementation Letters that will furnish

additional information about matters stated in this Agreement. The Parties may also jointly agree to Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex A.

Section 7.02. Project Evaluation. The Parties agree to establish an evaluation program as an integral part of the Project. Except as the Parties otherwise agree in writing, the program will include during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems, in this or other projects; and (d) to the degree feasible evaluation of the overall developmental impact of the Project.

Section 7.03. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors or suppliers engaged on the Project, and any other matters relating to the Project.

Section 7.04. Execution of the Project. The Borrower will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) provide qualified and experienced management, and train such staff as may be appropriate, for the maintenance and operation of the Project, and cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

Section 7.05. Reports, Records, Inspections, Audit. The Borrower will:

(a) furnish A.I.D. on a quarterly basis until the Project is completed and the Loan fully disbursed, a copy of the Project Progress Status form showing the status on a quarterly basis of the time, costs, disposal, and financing of the Project or subproject. This form will be prepared with direct reference to the Project Delivery Plan identified in Section 5.02 (e), in accordance with the guidelines in the Project Monitoring Manual provided by A.I.D. The Borrower in addition will furnish A.I.D. with a remittance reconciliation report on forms submitted by A.I.D., together with such other information and reports relating to the Project, the Loan, and to this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project, to the Loan, and to this Agreement, adequate to show without limitation, the receipt and use of goods and services acquired under the Loan; and

(c) afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the Project and books, records, and other documents relating to the Project, to the Loan, and to this Agreement. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement. Such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services, the basis of awards of contracts and orders, and the overall progress of the Project toward completion.

Section 7.06. Completeness of Information. The Borrower confirms that:

(a) the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching this Agreement with A.I.D., are accurate and complete, and include all facts and circumstances that might materially affect the Project, the Loan, and the discharge of Borrower's responsibilities under this Agreement; and

(b) it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect,

or that it is reasonable to believe might so affect, the Project, the Loan, or the discharge of responsibilities under this Agreement.

Section 7.07. Publicity. The Borrower will give appropriate publicity to the Loan and to the Project, as a program to which the United States has contributed and identify the project site as described in Project Implementation Letters.

Section 7.08. Other Payments. Borrower affirms that no payments have been or will be received by any official of the Borrower in connection with the procurement of goods or services financed under the Loan except fees, taxes, or similar payments legally established in the country of the Borrower for the account of the Borrower.

Section 7.09. Reasonable Price. No higher than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Loan. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

Section 7.10. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower will furnish A.I.D. such information with regard thereto and at such times as A.I.D. may request in Project Implementation Letters.

ARTICLE VIII RIGHTS OF A.I.D.

Section 8.01. Suspension and Acceleration.

(a) In the event that the Borrower materially breaches this Agreement or the Loan Agreement, or [ ] breaches the Guaranty Agreement and such breach is not rectified within a period of ninety (90) days from the delivery of notice by A.I.D. with respect thereto, then A.I.D. may take any or all of the following actions:

(i) decline to cause the A.I.D. Guaranty legend on any further Notes to be signed under the Contract of Guaranty (except pursuant to Section 5.04 of the Contract of Guaranty); and

(ii) at any time that a prepayment is permitted under the Loan Agreement (or Investor otherwise consents to accept a prepayment), require Borrower to immediately prepay to Investor all or any part of the unpaid principal of the Eligible Notes which may be prepaid with accrued interest and Guaranty Fee to the date such payment is made.

(b) In the event that the guaranty of further Notes is contrary to legislation governing A.I.D., by notice to Borrower A.I.D. may exercise the remedy specified in paragraph (a)(i) above.

Section 8.02. Non-Waiver of Remedies. The marking of any Eligible Note by A.I.D., the payment by A.I.D. to Investor of any amounts pursuant to the Contract of Guaranty, the delay or failure

of A.I.D. to make any claim for payment, or the delay or failure of A.I.D. to give its written approval to an acceleration of the Notes by Investor shall not operate as a waiver by A.I.D. of any rights accruing to A.I.D. under this Agreement, the Loan Agreement, or the Contract of Guaranty.

ARTICLE IX MISCELLANEOUS

Section 9.01. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Borrower:

Mail Address:

Alternate Address for Cables:

To A.I.D.:

Mail Address:

Alternate Address for Cables:

To A.I.D. Fiscal Agent:

Mail Address:

Alternate Address for Cables:

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Borrower, in addition, will provide the resident USAID Mission with a copy of each communication sent to A.I.D.

Section 9.02. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of and A.I.D. will be represented by the individual holding or acting in the office of , each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.01 to revise elements of the amplified description in Annex A. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in the implementation of this Agreement, until receipt of written notice of revocation of their authority.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

[NAME OF BORROWER]

By: _____

Title: _____

UNITED STATES OF AMERICA

By: _____

Title: _____