

CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE Los Pinos Project La Paz, Bolivia (511-HG-004)	2. PROJECT NUMBER 511-HG-004	3. MISSION/AID/W OFFICE Mission RHO/PSA
	4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) (Final Summary) <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY <u>72</u>	A. Total \$ <u>14,188,850</u>	From (month/yr.) <u>May 1977</u>
B. Final Obligation Expected FY <u>77</u>	B. U.S. \$ <u>6,000,000</u>	To (month/yr.) <u>February 1980</u>
C. Final Input Delivery FY <u>80</u>		Date of Evaluation Review

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
<p>Monitor replacement of \$2.1 million in ineligible mortgages with eligible mortgages and to certify eligible mortgages which was requirement for final disbursement.</p> <p><u>Clearance:</u> DR : JGarza <i>JG</i> DR : TBrown <i>TB</i> DPE: HRHandler <i>HR</i></p>	Mario Pita RHO/PSA	March 31, 1980

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT
<input checked="" type="checkbox"/> Project Paper <input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Financial Plan <input type="checkbox"/> PIO/T <u>Loan Agreement</u> <input type="checkbox"/> Logical Framework <input type="checkbox"/> PIO/C <u>Sept. 26, 1972</u> <input checked="" type="checkbox"/> Project Agreement <input type="checkbox"/> PIO/P <input type="checkbox"/> Other (Specify)	A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)	12. Mission/AID/W Office Director Approval
William Gelman, RHO/PSA Eduardo Frías, Director, Technical Division Caja Central de Ahorro y Préstamo Letitia A. Kelly, Acting Deputy Program Officer	Signature <i>x Malcolm H. Butler</i> Typed Name <u>Malcolm H. Butler</u> Date <u>6/13/80</u>

13. Summary: The Los Pinos Project, No. 511-HG-004 was designed to develop a low middle to middle income community consisting of predominantly four story walk-up apartment blocks, infrastructure, community facilities and open space. Authorized in 1972 with an AID Housing Guarantee Loan of \$6,000,000, this project began construction in 1974 and was physically completed around December, 1979. However, the HG funded development forms only a part of the overall US\$20 million housing complex consisting of a total planned unit development of around 3000 condominium apartments and facilities. Originally the HG Loan was designed to build 1100 units. Because of factors explained in the succeeding sections of this PES only 608 units were subsequently built with HG funds and another 243 were privately financed.

Aside from the goal of relieving the acute housing shortage in La Paz, the Project Paper also cited the following goals: (a) to strengthen the Bolivian Savings and Loan System and (b) to provide substantial employment for the construction industry. These goals have been achieved and will be explained and examined below.

Generally the construction of the project moved significantly slower than expected for reasons identified below under item 15. The generation of eligible, certified mortgages to secure the HG Loan is a requirement of the HG program and in this respect, the S and L System has had difficulty in obtaining titles for units within a reasonable amount of time, also explained under item 15.

14. Evaluation Methodology: The purpose of the evaluation is to examine the impact of the Los Pinos Project on the Bolivian S and L System and the other above-stated goals. Since the Housing Guarantee Program no longer finances middle income housing, however, the project's bearing on current DS/H operation is somewhat diminished.

As the Project Paper (PP) was approved in April, 1972, no Evaluation Plan was included. Moreover no qualitative or quantitative measures of project achievement were established other than the number and cost of units to be built, mentioned in the PP, the disbursement schedule in the Loan Agreement and the above-cited goals.

The data used for this evaluation will be the records of the Caja Central de Ahorro y Préstamo (CACEN), the Mutual La Paz, the Mutual La Primera, the Technical Project Office, USAID and RHO/PSA files and the 1976 Census. These records are readily available and complete. In addition, a series of interviews were held with those intimately related to the project.

In terms of methodology, a series of charts were submitted to the institutions for their completion. In the meantime, interviews were held to ascertain observations that were cross-checked with the data being provided. The evaluation was structured to strictly measure the performance of the institutions and project in relation to several general goals.

The evaluation per se was conducted within four days. The list of people contacted is attached.

15. External Factors: The external factor that affected the disbursement schedule and completion of shelter solutions were the following:

a) A complicated contracting procedure involving a consortium of three first class construction firms in Bolivia resulted in difficulties in the supervision of the contractors' performance. The consortium idea grew out of the belief that such a consortium was needed to carry out a project as huge as Los Pinos.

b) Rapidly rising construction costs that could not be adjusted upwardly fast enough because of AID and Government of Bolivia controls and this

caused a work stoppage and raised the costs of the units. Wage guidelines established by the government had to be respected because the GOB had signed the guarantee and believed that if it was to continue to be a party to the program, those guidelines had to be followed. This caused the government with AID to reevaluate its wage guidelines which, while they were meant to control inflation, were in fact unrealistically low. The reevaluation process was lengthy and slowed progress. The contractors meanwhile had paid wages exceeding the guidelines, to keep the project going and they wanted to be reimbursed for those costs incurred.

c) Drastic shortages of building materials occurred due to a boom in construction just as the project began which had the effect of slowing construction progress.

d) An exceedingly complicated title registry process which encumbered the ability of the S and L system to submit to AID required certified mortgages as disbursements were made. This occurred because Los Pinos was a condominium project, a form of property ownership which had never been carried out in Bolivia before, and therefore required new titling procedures. All of the above-stated factors combined to delay construction, increase prices and thereby reduce the number of units as well as delay the disbursements.

16. Inputs: The primary inputs consisted of a US\$6,000,000 Housing Guarantee Loan and the following technical assistance (a) physical design of the project; (b) selection of construction systems; (c) drafting and negotiating construction contracts; (d) construction management; and (e) formulation of homeowner regulations. While disbursements lagged behind the original schedule, they were designed to occur in relation to certified mortgages issued, and, therefore, the disbursement process did not impede progress. Technical

Assistance was provided in a timely manner and was instrumental in sustaining the momentum of the project, and at several junctures, saved the system from making some very serious mistakes. For example, technical assistance discouraged the selection of a construction system that was technically infeasible

17. Outputs: The only actual measures of progress were the following:

a) The number of units planned and completed, price range planned and achieved, execution time-frame planned and actual, and the disbursement schedule planned and as completed.

	<u>Planned</u>	<u>As Completed</u>
Number of Units	1,100	608 HG/243 Other
Price Range of Units	\$2,800-\$7,800	\$12800-\$18700
Project Completion	12/76	1/78
Schedule of Disbursements	8/75	1/79

The nature, size and complexity of the project undertaken has had a significant impact on such less-tangible outputs as the management of urban land development, construction management, environmental planning and real estate practices. It is the only large-scale integrated urban development carried out in Bolivia until now.

Outputs as they relate to goals will be discussed under item 19.

18. Purpose: The purpose of the project was designed to develop the first stage of a US\$20 million housing complex consisting of about 3,000 condominium apartments in elevator and walk-up buildings together with a complete range of community facilities. The HG loan was to assist in building 1,100 units and community facilities.

As stated above, only 608 units of the 1,100 originally programmed units were built with HG resources and another 243 were locally financed. The combination of a construction boom in Bolivia, rapidly rising construction costs, a cumbersome consortium construction process, and construction material shortages combined to substantially reduce the number of units completed.

Virtually all of the infrastructure and community facilities designed for the first stage of the project have been built or are in construction. And the second stage of construction has begun. By 1985, it is hoped that about 2750 units will be built. The number of units was reduced slightly because of design and technical problems as well as recent zoning restrictions imposed by the Municipality of La Paz.

With regard to unit prices, they rose dramatically from the original estimates in 1972 to delivered prices in 1979 for four reasons. First, while the 1972 price range was \$2800 to \$7500, the low figure of \$2,800 was probably not a realistic figure at the time. Second, after original estimates were made, a 1972 devaluation occurred which had the effect of dramatically increasing the costs on all imported construction material and even after that, they continued to spiral. Overall increases between 1970 and 1978 totaled 360 percent. Third, the cost of construction escalated very rapidly due to a general inflationary cycle which precipitated increased labor cost. Another factor adding to costs were the delays that resulted in the complex management format established for the project which was tested to its maximum by a series of unexpected events. Nevertheless, units in Los Pinos are considered to be the least expensive units of their type and size on the market today, about 40 to 100 percent cheaper than any other units in La Paz depending on location.

19. Goal/Sub-Goal: The goals for the project as identified by the PP include the following:

- A) To relieve the existing housing shortage in La Paz;
- B) To further support the Bolivian Savings and Loan System; and
- C) To provide substantial employment in the Bolivian construction industry

A. Housing Shortage - There is no question that the housing shortage in La Paz as well as most of Bolivia's urban areas is still acute. For example, at the most recent offering of Los Pinos units, 1,200 applicants were filed for 288 apartments and 80 percent of the applicants met eligibility criteria.

Nevertheless, the Los Pinos Project is the only large-scale community planned for La Paz consisting of 851 units already built, 316 units in construction and another 1,583 units to be constructed by about 1985. So over the time period 2,750 units will be added to the La Paz housing stock estimated to be 152,000 units in 1976.

It is very unlikely that the project would have been built without the up-front HG financing because the site for the project probably would never have been acquired. Moreover, the housing industry's attitude regarding market receptivity for large scale projects and housing for middle and low middle income families has been affected dramatically.

The S and L system has become a major financier and producer of housing, generating about 12,000 units or eight percent of the total 1976 estimated La Paz housing supply between 1974 and 1978. This is a testament to the vitality of the system and its important role in housing production. Los Pinos was a major factor, though not the only one, in making this possible.

More important, the S and L system has become a primary producer of low, low middle and middle income housing in Bolivia as will be explained below. The system has participated in the following efforts:

a. The Cipriano Barace Project consisting of 760 units in Trinidad to serve low and low income families whose homes were destroyed by floods (financed by BID).

b. A project consisting of 134 units costing \$6,000 each developed for the Empresa Nacional de Fundiciones in Oruro (financed with German assistance).

c. A self-help project consisting of 43 units in Oruro.

d. A project consisting of about 2,000 basic units and home improvements loans to be carried out in rural areas for low income families (financed by the AID HG program).

These projects were or are being developed by the system because of the considerable prestige and expertise gained in the Los Pinos Project.

B. Strengthen the S and L System - Although the system was growing from its inception in 1964 to 1972, its point of take-off was in 1973-4 when a \$6 million Development Loan (511-048) to the system was being implemented and the Los Pinos Project construction began. While the Development Loan exerted a system-wide impact, the Los Pinos Project focused specifically on the CACEN and two mutuales, La Paz and La Primera. Of the \$4.5 million in loans under the 511-048 Program only 30 percent went to the La Paz and La Primera. Under the Housing Guarantee Program, the \$6 million was split between the two mutuales.

One of the conditions of the pre-sale of units in Los Pinos was that buyers had to open a savings account in the mutuales in an amount equivalent to 20 percent of the cost of the unit to be purchased. This policy led to the following results:

Savings (in 000s \$b.)

	<u>Mutual La Primera</u>	<u>Mutual La Paz</u>	<u>Total</u>
1973	21,108	3,205	24,313
1974	47,607	8,051	55,658
1975	45,603	17,299	62,902
1976	91,964	35,321	127,285
1977	143,552	44,304	187,856

These two institutions experienced roughly a seven and one-half fold increase in savings from 1973 to 1977. The two key years were 1974 and 1976 when the first and second phases of the Los Pinos project were offered for pre-sale with the condition that a beneficiary deposit 20 percent of the unit's price in a savings account. The project had the effect of drawing savers whose principal aim in opening an account was to gain access to financing a home.

Another key factor in the S and L system is the Caja Central de Ahorro y Préstamo para la Vivienda. It plays an important role in coordinating the S and L associations, providing technical assistance and attracting external working capital. Since the program was initiated in 1973 its reserves have grown from \$b. 3.3 million to \$b. 23.2 million in 1979, roughly a seven-fold increase and its portfolio rose five-fold from \$b. 112.7 million to \$b. 551.5 million during the same period. Of course, the Development Loan had a dramatic impact on these figures.

Qualitatively the system has benefitted from the prestige as indicated earlier. Also, the experience gained in the design, construction, and management of the project has enabled the system to work more effectively with the contractors, thus enabling a stabilization in costs and more timely delivery of units.

C. Provide Substantial Employment - Project records disclose that the annual employment levels from 1974 to 1978 were as follows:

<u>Year</u>	<u>Employment</u>	<u>Indirect Employment Estimates</u>
1975	350	1750-2450
1976	300	1500-2100
1977	530	1650-3710
1978	1130	5650-7910
1979	540	1700-3780

In 1976, the peak construction year in Bolivia, there were 22,000 employed in the construction sector. The 350 workers employed in Los Pinos in 1975 constituted roughly about 1.6 percent of the total sector employment. By 1978, there were about 1,130 workers on site which was about 5 percent of the total sector employment figure for the city. This in and of itself is an impressive statistic.

Equally important is the fact that while construction employment began to fail after 1976, due to the decline in large public works project, residential construction remained high because of the vitality of the S and L System and the Los Pinos Project.

Another important factor is the indirect employment generated by the Los Pinos Project. There is an infrastructure that supports actual

construction: mining of rock, production of cement, brick and related materials; wholesale and retail sales; fabrication of doors, hardware, etc.; transportation and the like. In addition, the income generated by laborers translates itself into the acquisitions of goods and services that adds to the multiplier effect. Very rough estimates of total employment generated by the project range from 1750-2450 jobs in 1975 to 6600 to 8800 jobs in the peak year of 1978 or 3 to 4 percent of the cities estimated labor force (221,000).

20. Beneficiaries: The Los Pinos Project was authorized prior to the enactment of Section 1.02 (d) of the FAA. The primary criterion of the act to which the program responds is that of increasing employment opportunities. As indicated above, the program and its labor intensive nature has had substantial impact on providing employment to both skilled and unskilled construction labor as well as those indirectly affected by the Los Pinos development.

The program also has promoted greater equality in income in a sense, through increased employment opportunities; but equally important, through the development of housing for low middle and middle income families and the investment equity it implies. That is, the initial and recent beneficiaries are enjoying substantial capital gains on apartments that cost significantly more elsewhere. One observation from beneficiary information, is that while the project began in 1974 as a lower middle to middle income project, because of the rise in construction costs and popularity of the project, by 1979, a relatively higher income population was attracted to the project. Also, with each new phase of the project, the availability of the smaller, less expensive units was reduced in favor of the production of costlier solutions.

The HG Loan benefitted directly 608 families or 2736 people and the counterpart contribution benefitted another 343 families or 1544 people. Moreover the additional 316 units to be built will benefit another 1422 people. It is unlikely that the design of the Los Pinos Project in terms of the target groups it reached will be replicated unless the system can obtain substantial external capital to finance development costs. However, it was a useful experience for AID and the GOB as well as the S and L System in terms of developing a large-scale, integrated complex of residential, recreation, commercial and community facility development. It also provided a methodology for institutional coordination for the public as well private sector and many of those experiences have been incorporated in recent, similar efforts (e.g. the Cipriano Barace low income housing project in Trinidad).

21. Unplanned Effects: The following unplanned effects occurred:

a) The project served as a training ground for Bolivian financial specialists, architects and engineers from S and Ls throughout the country. This increased expertise has had beneficial effects on urban development and construction practices.

b) The S and L System, and particularly the CACEN, provided substantial human resources adding leadership and management to the public sector housing and urban development institutions of Bolivia. One staff member became the Sub-Secretary of Housing, numerous others are in important positions in the Ministry of Urbanism and Housing, and another is now the President of the Banco de la Vivienda. Another current staff member was formerly the Sub-Secretary of Planning and Sub-Secretary of Urban Development. The Los Pinos experience has given each a broadened view of housing and integrated urban development.

c) The experience with Los Pinos has encouraged the system to expand their market orientation from middle and low middle income housing to even low income housing development. That is, the system has developed the confidence necessary to try new solutions and programs in urban and rural areas.

d) As a result of the difficulties encountered with the first class construction firms, the system sought out second and third class (i.e. smaller) firms with very favorable results. The original assumption was that such firms could not successfully carry out the project. By seeking out and using these smaller firms a new, healthy sense of competition has emerged and construction industry reducing costs and development have been better managed.

e) New housing legislation for condominium development and more flexible building and land development codes were promulgated.

Caja Central de Ahorro y Préstamo para la Vivienda (CACEN)

Ernesto Wende, President
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LOS PINOS HOUSING PROJECT

1. EVALUATION OF LOS PINOS

a) Page 4.17 Outputs

The price of \$18,700 showed in the table is excessive. The last selling price approved on February 6, 1979 range between \$245,581 and \$354,254 which at the exchange rate of 20 pesos per 1 dollar is \$12,276 to 17,712. Any change in sale prices should be approved by AID in advance.

b) Page 10. 20 Beneficiaries

In the last paragraph of page 10 says: "...because of the rise in construction costs and popularity of the project, by 1979, a relatively higher income population was attracted to the project".

I would say that the tendency and requirement of the project was to maintain the same income level group. For instance when an increase of prices was approved in February 1977, a requirement from AID was that Caja Central provide a list of the names of the originally selected purchasers and a list of the purchasers after the new price was established. No changes were observed.

Also the materials and size of the apartments were not changed or improved. Only the two bed room apartment was not offered in the second tranche because buildings under construction by the mutuales (same plans, materials and size) were included in AID program instead of initiating the construction of a new group of buildings. This exchange was done to maintain prices as low as possible since the mutuales buildings showed over 60% advance. The mutuales project did not include the two bedrooms apartments and this is the reason why there was no availability of the smaller apartments.

c) Caja Central must replace by March 31, 1980, US\$2.1 million previously posted with ineligible mortgages for eligible mortgages.

2. STATUS OF THE PROJECT

Funds have been fully disbursed. The project was divided in two stages, the first one involved the construction of 36 blocks (288 apartments) and the second one 32 blocks (256 apartments). All the apartments were already delivered to the home owners.

Caja Central has to provide eligible mortgages by March 31, 1980 and is facing problems since some of the home owners included in the above apartments have prepaid their mortgages loans and hence those apartments can not generate eligible mortgages for collateral. The Caja will not prepay to the financier and alternate eligible mortgages should be sought and accepted.