

## PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE  RURAL HOUSING IMPROVEMENT			2. PROJECT NUMBER 522-0171	3. MISSION/AID/W OFFICE USAID/HONDURAS
5. KEY PROJECT IMPLEMENTATION DATES			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)	
A. First PRO-AG or Equivalent FY 81	B. Final Obligation Expected FY 86	C. Final Input Delivery FY 86	<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
6. ESTIMATED PROJECT FUNDING			7. PERIOD COVERED BY EVALUATION	
A. Total \$ 4,400,000			From (month/yr.) 6/81	
B. U.S. \$ 3,500,000			To (month/yr.) 11/83	
			Date of Evaluation Review 2/84	

## B. 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., telegram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
<p>8. <u>Actions</u></p> <p>1. <u>Political Support and Commitment</u></p> <p>1.1. Promote the project through mass-media coverage of main project activities to gain necessary political support.</p> <p>2. <u>Project's Financial Viability</u></p> <p>2.1 Perform financial analysis to determine INVA's administrative costs and income as a result of project activities.</p> <p>3. <u>Staffing of Rural Home Improvement Department</u></p> <p>3.1. Train project supervisors in bookkeeping practice, management, inventory control and basic construction supervision and provide them with the necessary support so that they can function as effective liaison officers between INVA and intermediaries.</p>	<p>E. Flores and C. Cerna, INVA.</p> <p>R. Baum, PCR and E. Flores, INVA.</p> <p>R. Baum, PCR and E. Flores, INVA.</p>	<p>Ongoing. Initiated, 3/84.</p> <p>Completed, 5/84.</p> <p>Ongoing. Initiated, 5/84.</p>

## 9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____
<input type="checkbox"/> Lease Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____

## 10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. <input checked="" 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  
(List APPROPRIATE (Names and Titles))

Javier Garza and Richard Ownes, Cooperative Housing Foundation, Evaluators  
 Elio Flores, INVA, Project Director, USAID/H  
 Ray Baum, and Marie Frances Likar, USAID/H Project Officers  
 Orlando Hernández, USAID/H, Evaluation Specialist

## 12. Mission/AID/W Office Director Approval

Signature \_\_\_\_\_  
 Typed Name Anthony J. Cauterucci  
 Date 7/2/84

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|--|--------------------------------------|---|
| 3.2. Assign Project Supervisors specific intermediaries to which they will be responsible and require them to prepare monthly work plans.  | E. Flores,<br>INVA.                  | Initiated<br>07/84.<br>Work plans<br>prepared<br>monthly. |
| 3.3. Add to Rural Housing Department two accountants, one secretary and one messenger/driver.  | Ing. Cerna,<br>INVA.                 | 11/84.  |
| 4. <u>INVA-INFOP Contract</u>  |                                      |   |
| 4.1. Increase supervision of INVA-INFOP contract. This should include review of draft materials prepared by INFOP. In accomplishing this task, special attention should be paid to courses on basic construction techniques. | E. Cruz,<br>INVA.                    | 11/84.  |
| 4.2. Institutionalize technical assistance provided by INFOP on basic construction techniques for all beneficiaries of INVA's future home improvement programs.  | M. Guevara,<br>INVA.                 | Completed,<br>6/84.                                       |
| 4.3. Design INFOP courses to satisfy the demand for specific types of improvements.  | M. Guevara,<br>INVA.                 | Completed,<br>06/84                                       |
| 4.4. Allow project supervisors to receive and approve all the requests from the intermediaries for training courses to be provided to participants by INFOP.   | M. Guevara,<br>INVA.                 | Ongoing   |
| 4.5. Prepare a training plan to reflect all training requests presented by intermediaries.   | M. Guevara,<br>INVA.                 | Completed,<br>06/84                                       |
| 4.6. Review the need for planned courses on the use of local construction materials, and depending on the results of this review determine the need to reduce the level of funding for this activity.                        | E. Flores and<br>M. Guevara,<br>INVA | Completed,<br>06/84.                                      |
| 5. <u>Participation of Intermediaries</u>  |                                      |   |
| 5.1. Promote the involvement of additional intermediaries in project activities.   | E. Flores                            | Ongoing.<br>Initiated,<br>3/84.                           |
| 5.2. Inform intermediaries of all training provided by INFOP in case they are interested in sending promoters or beneficiaries to other regions where training is being offered.   |                                      | Ongoing.<br>Initiated,<br>6/84.                           |

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|-------|--|--|--|
| 5.3.  | Institute system to evaluate training provided to intermediaries. (Questionnaire at end of each training session)  | J. Destephen,<br>INVA.                 | Completed.<br>System<br>in place.                                      |
| 5.4.  | Develop policy on delinquencies for each of the payment modes offered by intermediaries based on previous analysis on the intermediaries' volume of lending.   | E. Flores,<br>INVA.                    | Completed,<br>3/84.  |
| 5.5.  | Require intermediaries interested in participating in the project to define/describe their delinquency policy.   | E. Flores,<br>INVA.                    | Ongoing.<br>Initiated,<br>3/84.  |
| 5.6.  | Provide assistance to intermediaries to enable them (a) to develop and use adequate accounting and management/inventory control systems, and (b) to develop the capability to project their recuperations on outstanding loans and to plan for their reinvestment in new home improvement loans. | E. Flores and<br>Supervisors,<br>INVA. | Ongoing.<br>Initiated,<br>3/84.  |
| 5.7.  | Improve INVA's communication system with participating intermediaries.   | E. Flores,<br>INVA                     | Ongoing.   |
| 5.8.  | Encourage suggestions from intermediaries for the purpose of improving the project.  | E. Flores,<br>INVA.                    | Initiated,<br>7/84.<br>Follow-up<br>activities<br>planned<br>for 1/85. |
| 5.9.  | Plan to provide additional loans funds to expand the project and to finance the construction of new houses with selected intermediaries.   | INVA/AID<br>Amendment                  | Completed,<br>06/84.   |
| 5.10. | Monitor project piggy-backing to ensure that project activities do not affect the intermediaries' ongoing program.   | E. Flores,<br>INVA.                    | Ongoing.   |
| 5.12. | Plan for short-term training sessions for intermediaries in the technical aspects of home improvements.  | E. Flores,<br>INVA.                    | 1/85.  |

## 6. Credit Terms

- |      |                                 |                          |          |
|------|---------------------------------|--------------------------|----------|
| 6.1. | Continue giving credit in kind. | INVA/<br>Intermediaries. | Ongoing. |
|------|---------------------------------|--------------------------|----------|

6.2. Change neither the maximum sub-loan amount nor the payback period. Changes should be introduced only if loans are authorized for the construction of new homes under the extended project. INVA/ Intermediaries. Ongoing.

7. PRONAVIR

7.1. Insure that the implementation of the PRONAVIR pilot project does not affect the priority and resources allocated to the rural home improvement program. INVA Ongoing.

7.2. Apply lessons learned from the rural home improvement program in the implementation of the PRONAVIR pilot project. INVA Ongoing.

### 13. Summary

The Project Agreement was signed on 5 June 1981. When the evaluation was conducted, the PACD was 3 June 1986.

The National Housing Institute (INVA) has established a Rural House Improvement Unit (RHUI) within its Rural Housing Department (RHD) to supervise and coordinate project activities. A Project Coordinator was designated by INVA in December 1981.

When the evaluation was conducted, the promotional efforts of the RHIU had resulted in twelve private, non-profit institutions (intermediaries) entering into contracts with INVA to develop home improvement programs for the rural poor in their respective areas. As of November 1983, INVA had approved the loan application of another intermediary and submitted a request to USAID Honduras for its concurrence to authorize INVA to sign a contract with the prospective intermediary.

As of October 1983, the twelve intermediaries had been authorized lines of credit by INVA totaling \$1.4 million of the \$1.5 million allocated in the project for home improvements. INVA had distributed \$0.68 million to the intermediaries who had made a total of 2,109 loans to project beneficiaries for \$0.51 million.

The beneficiaries who receive the loans have used them to improve the house they live in. The loans, which average \$245, have been used to build roofs, floors, exterior walls; install windows and doors; construct additional rooms; put in toilets, latrines, etc. In a few cases, the amount of the loans has been large enough to allow beneficiaries to build a small house.

In addition to providing the financing, INVA also offers technical assistance to the intermediaries and the beneficiaries in such areas as project orientation and implementation, bookkeeping and management controls, and construction techniques. This assistance is given by INVA staff and technicians from private and government agencies in specialized areas.

When the evaluation was conducted, it was too early to determine any delinquency patterns. Only in the case of two intermediaries was delinquency above the 10% range anticipated in project documents. At that time, most intermediaries did not foresee major problems in loan recuperations. Four reasons were offered to justify this forecast. First, repayment schedules were tailored to local characteristics taking into account the different activities of the agricultural cycle. Second, different types of guarantees have been required. Third, loan delinquency provisions (e.g., monthly delinquency charges) have been made by most intermediaries. And fourth, poor repayment performance would preclude beneficiaries from additional home improvement loans. In support of this forecast, the evaluators argued that the recuperation rate in loan programs for the rural poor tends to be much better than in the case of similar programs for urban, middle income borrowers. The reason for this performance being that for the rural poor these are opportunities never before afforded by formal lending institutions. Consequently, they tend to do everything possible to meet their commitments. The evaluators suggested, nevertheless, that INVA should assist the intermediaries in developing acceptable delinquency policies should problems arise.

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The project is being implemented as designed. The project purpose "to establish a system for sustained improvement of rural housing" is being met. INVA has developed and is improving its capacity to provide financial and technical assistance to intermediaries. INVA has established methods to enable it to work with the intermediaries in order to utilize and strengthen their capabilities to develop and implement home improvement programs for the rural poor in their respective areas of operation.

Two main problems were identified during the evaluation. First, the support being provided to the intermediaries in financial management and bookkeeping needs to be upgraded in order to determine the project's administrative costs for intermediaries, to either avoid or reduce loan delinquency and to project recuperations on outstanding loans and to plan for their reinvestment in new home improvement loans. And second, the content of some of the courses being planned by INFOP needs to be made relevant to project activities. To solve these problems two recommendations have been made. On the one hand, to provide additional training to the INVA Project Supervisors in the fields indicated above so that they can play their supportive role more efficiently. And on the other, to review the INVA-INFOP contract and to determine how to best use resources available.

Annex I summarizes the main post evaluation developments in the period 1/84 - 8/84.

#### 14. Methodology

This was a midterm evaluation. It was carried out by two consultants with extensive experience in housing projects in LDC. The consultants received technical direction from the Project Officer, the Project Support Officer and the Mission's Evaluation Specialist. Top management officials and project related staff within INVA, the implementing agency, were interviewed. Interviews were also held with representatives of the Professional Training Institute of Honduras (INFOP) to review the status of the INVA-INFOP contract. The consultants, in addition, visited eight intermediaries participating in the project. Structured interviews were held with managers of the intermediaries visited. Visits were also paid to project beneficiaries selected at random to determine their satisfaction with project activities.

#### 15. External Factors

1. Because of the economic crisis in Honduras and the shortage of revenue, the GOH and INVA have been forced to reduce their counterpart contributions for the project. This situation forced AID to provide a higher level of grant funding. The additional funds provided by AID have been utilized to hire the staff within the RHIU at INVA.
2. Despite the financial crunch faced by the GOH, funding for the creation of the National Program for Rural Housing (PRONAVIR) was created. When the evaluation was conducted, it was difficult to anticipate the effect of future PRONAVIR activities on the project's counterpart contribution.

## 16. Inputs

Project inputs are being met satisfactorily with the exception of INVA meeting its anticipated project costs. As indicated in Section 15, the economic situation in Honduras forced the GOH to reduce the level of their counterpart contributions for the project. This has necessitated the USAID to provide a higher level of grant funding to enable INVA to adequately staff the RHIU.

## 17. Outputs

<u>Anticipated</u>	<u>Accomplishments as of 10/83</u>
1. 10 intermediaries sign contracts and sponsor home improvements.	1. Contracts signed with 12 intermediaries.
2. Total subloans recipients: 32,000.	2. 2,109 sub-loans made.
3. 13,600 families benefiting from first use of \$1.5 million of credit funds.	3. Authorized line of credit to intermediaries: \$1.4 million. Two of the twelve intermediaries had disbursed 100% of these funds, two had disbursed from 75% to 99%, six had disbursed 50% to 74%, and two had disbursed less than 49%. It has been estimated that over 90% of the sub-loans approved as of 10/83 came from the first use of total line of credit authorized.
4. 18,400 families receive subloans financed by loan and subloan reflows.	4. It has been estimated that less than 10% of subloans approved as of 10/83 came from reflows.
5. PCO staff assigned and trained.	5. Project Coordination Office created. It is composed of one coordinator and three supervisors. Induction training has been provided to supervisors. However, additional training needed in financial management and accounting.
6. Management/bookkeeping system designed by INVA and adopted by all intermediaries.	6. 2 courses in bookkeeping, administrative controls and control of construction materials given to 24 representatives from 9 different intermediaries. Manuals in these areas also prepared. Some intermediaries

adopted the systems proposed through the courses. Others, however, considered existing systems adequate and proposed changes were not introduced. Most intermediaries still need additional assistance in these same areas to track down all project related costs, to make projections of the outstanding loans, and to plan for the promotion and approval of additional home improvements with these funds. Only if this assistance is provided will it be possible to say that the project is cost-effective and that intermediaries are making the maximum use possible of repayments.

7. 150 promoters trained in basic construction techniques.

7. Given the anticipated number of intermediaries to be involved in the project, and the number of promoters each intermediary would assign to project activities, initial output listed in logical framework needs to be revised. Limiting the training to 100 promoters seems more realistic. Exact number of intermediaries trained as of 10/83 not available.

8. 1,000 presentations of basic construction courses given to rural communities by intermediaries.

8. Training for beneficiaries being provided by INFOP rather than INVA. Because of this arrangement, the number of presentations must be reduced to 200. As of 10/83, 13 different courses in basic construction techniques offered to 6 intermediaries. Most of the participants were project beneficiaries. Participants in these courses interviewed by evaluators indicated satisfaction with course content. The short courses still being designed by INFOP, however, need to be modified to make content relevant to needs and absorptive capacity of audience.

9. 3 Materials Production Teams provide local materials production assistance to 150 communities.

9. None of the proposed Materials Teams exist. Intermediaries were expected to detect training needs faced by local producers of building materials such as adobe, fired brick, floor tiles, window or door manufacturers. These teams were expected to provide TA to enable such producers improve the quality and quantity of production. Since intermediaries have been purchasing construction materials from suppliers who produce and/or stock acceptable materials, it has been argued that these teams are not needed. The evaluators have recommended to reduce the level of funding for this activity in the INVA-INFOP contract.

#### 18. Purpose

The project's purpose is to establish a system for sustained improvement of rural housing.

The three EOPS indicators for achieving this purpose and their respective accomplishments at the time the evaluation was conducted are described below.

#### EOPS Indicators

1. INVA's capacity to provide financial and technical assistance to intermediaries is established.

#### Accomplishments as of 10/83

1. INVA has established a RHIU within its existing RHD to supervise and coordinate project activities. The mechanisms have been created under which an intermediary submits a loan application to INVA for its participation in the project, the application is reviewed and approved, and a contract signed between INVA and the intermediary. The financial system to get the disbursements from INVA to the intermediary has been also established. INVA has, through inter-institutional agreements and its own staff, provided specialized technical assistance in bookkeeping and management and basic construction techniques to the intermediaries and some beneficiaries. As

already indicated, INVA needs to strengthen its capacity to offer assistance to the intermediaries in these areas.

2. At least five intermediaries that participate in the Project decide to continue and expand their efforts.
2. Twelve intermediaries were participating in the Project as of 10/83. All eight of the intermediaries visited during the evaluation stated their intention (a) to continue in the project in order to assist large number of rural families interested in making improvements, and (b) to expand the activity to include loans for the construction of new housing.
3. Total subloans portfolio surpasses \$1.0 million and is capitalizing at a rate of 2% per year.
3. INVA had disbursed as of 10/83, \$0.68 million to the intermediaries participating in the project. At this rate of disbursement, the evaluators anticipated that its subloan portfolio would surpass \$1.0 million by 6/1984. As of 10/83, the intermediaries were paying INVA 5% per year on the money that they were receiving. All of the intermediaries were then current in their payments to INVA. When the evaluation was conducted, INVA's administrative costs for the project (e.g., promotion, management, and portfolio servicing) were not known. The evaluators indicated that until those costs are determined, the net capitalization of the portfolio cannot be established.

#### 19. Goal

The project goal is to "provide healthier and more comfortable living conditions for the rural poor."

Of the 2,109 loans to beneficiaries made as of 10/83, 49% had been to replace a roof, 15% were for the construction of either concrete or tile floors and 8% were to install water lines into the lot or house and/or build and outside or inside toilet. Many of these improvements will have an important health impact on project beneficiaries.

The kinds of improvements made have been based on the priorities established by the beneficiaries themselves with respect to their living needs. Only in a few cases the intermediary sponsoring the project activities suggested the type of improvements to be considered. All of the improvements make the houses more comfortable for the recipients, both physically and psychologically. The quality of the houses that have been improved through project activities are generally better than the unimproved houses of the rural population.

## 20. Beneficiaries

Direct project beneficiaries are low income families who live in small towns, market and communication centers and rural areas. While most of the beneficiaries are farmers, farm laborers and proprietors and employees of small service businesses dependent on agriculture, such as blacksmiths and mechanics, some of them are owners and employees of family-owned enterprises, employees of agro-industries, and municipal and government employees. The direct beneficiaries are those who receive a loan to make an improvement on their house.

Indirect project beneficiaries are people who are contracted to work on the home improvements and who are working in the production, warehousing, sale and transportation of construction materials.

## 21. Unplanned Effects

1. Several groups of beneficiaries have requested and received basic and advanced courses in construction techniques. They used this training to complete their respective home improvements and then to work for other project beneficiaries on their improvements. At least two of the groups that received the training were organized into worker associations, and at the time the evaluation was conducted they were marketing their services within the community in which they are located. The training has enabled these beneficiaries to improve their income.
2. At least two of the intermediaries require that the beneficiary provide as a loan guarantee a municipal certificate of title to their property. Reportedly, in some municipalities this is a fairly simple procedure, but in others it involves a long, difficult process. Most of the beneficiaries had to request their certificate from the municipality because they had not needed to ask for it previously. The project is supporting, in these instances, formalization of property ownership in rural areas.
3. Two of the intermediaries are using local banks to handle the recuperation of the loans financed by the project. The banks report to the intermediary on the payments received and the beneficiaries who are current and delinquent in their payment. This is the first time that some of the beneficiaries have dealt with a bank. The project, in these cases, is getting private sector banking institutions involved and the beneficiaries accustomed to dealing with them.

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4. The actual contribution of the beneficiaries in most cases is probably higher than that anticipated in the design of the project. The loan documents, for example, say that the beneficiary would make a down-payment equal to 20% of the estimated cost of the improvement and would provide self-help labor equivalent to 15% of the improvement. The impression acquired from talking to a small sample of beneficiaries is that most of them are doing less by self-help and more by contracting skilled and semi-skilled labor to carry out the improvements. This increases the total value of the contribution of the beneficiaries. It also augments the number of indirect beneficiaries, a positive effect for the local economy.
5. The use of private, non-profit institutions as intermediaries in the project was reportedly agreed to by INVA with some apprehension because it had no previous experience of working with such organizations. After the decision was made to work with these institutions, however, INVA actively sought their cooperation in the implementation of the project. The success of the Project is the result of this joint effort and a modification in INVA's usual operating procedure.

## 22. Lessons Learned

The home improvement program that has been designed and is in place to carry out the project is working well and could, in the opinion of the evaluators, be considered as a model to be adopted in other countries with a minimum of modifications. The model makes use of existing institutions. It is a cooperative effort of these institutions, public and private, to provide a large number of rural families with financial and technical assistance to improve their houses.

## 23. Special Comments

None.

Rural Housing Improvement  
Project Evaluation Update

**CURRENT STATUS:** As of September 30, 1984, INVA had authorized a total of \$1,360,000 through signed INVA/Intermediary agreements to finance lines of credit for 13 intermediaries. Status of individual intermediary subprojects follows:

	<u>Authorized</u> <u>by INVA</u>	<u>Received</u> <u>by PVOs</u>	<u>Value</u> <u>of Loans</u>
1. Hermandad de Honduras, Dept. of Ocotepeque	\$150,000	\$125,000	\$138,862
2. CARITAS de Santa Rita, Dept. of Yoro 5/82	60,000	60,000	46,261
3. CARITAS de Morazán, Dept. of Yoro 8/82	100,000	78,750	103,333
4. CARITAS de Olanchito, Dept. of Yoro 6/82	125,000	75,000	162,500
5. CEVER Yoro-Yoro 8/82	100,000	67,900	88,305
6. CARITAS de Danlí 11/82	150,000	95,000	227,485
7. Asociación San José Obrero 11/82	150,000	110,000	131,716
8. Comité Evangelico de Desarrollo y Emergencia Nacional (CEDEN) 11/82	75,000	64,541	50,505
9. CARITAS de Victoria, Yoro 7/83	75,000	50,000	43,288
10. FEHCIL (nationwide) 7/83	150,000	75,000	101,009
11. FACACH Pinalejo, Santa Bárbara	75,000	55,000	51,721
12. Américas Mano a Mano	75,000	46,000	42,413
13. CARITAS Paraiso	75,000	30,000	23,310

A cash flow of the total line of credit follows:

\$ Authorized for PVOs	\$ Received by PVOs	\$ Sub-Loaned to Beneficiaries	\$ Recuperated by PVOs
\$1,360,000	\$932,190	\$1,210,710	\$653,105

Through the respective intermediaries, the Project has financed 6,600 improvements for 4,824 rural families. During the period July-September 1984, the intermediaries signed agreements for 646 sub-loans. Credit lines for several of the intermediaries were increased using decreases from intermediaries working with reflows. This explains the difference between amount of loans authorized by INVA as of 10/83 and as of 10/84. A request for a new credit line for the Sociedad Buena Fe was submitted to AID, reviewed, and approved in October 1984. In addition, INVA has initiated contacts with several other organizations. Using the audio-visual presentation described below, INVA is accelerating its promotional campaign to recruit new intermediaries.

**PROJECT EXTENSION:** An amendment to the Project Agreement was signed on July 9, 1984, providing an additional \$1.0 million in credit funds to increase the number of PVOs providing housing improvement loans, test new lending channels with rural businesses and industries, and allow for limited new housing construction with intermediaries with proven track records in administering home improvement loans. During the quarter, INVA requested an extension of the terminal date to meet the Condition Precedent in the Amendatory Agreement requiring a legal opinion.

PROMOTION CAMPAIGN: In July, under an IQC contract, a Cooperative Housing Foundation (CHF) contractor prepared an audio-visual presentation which is being used to promote the Project. The presentation has been shown and very well received within the Mission, in the Honduran government, including in the Casa Presidencial, as well as to potential intermediaries and in conferences in Nicaragua and within Honduras. The Mission will execute a new contract in early November for the preparation of a similar presentation directed at subborrowers. In addition, the project has received newspaper publicity recently (copies of articles available from USAID upon request) and INVA has prepared a series of radio publicity spots to promote the project (samples available from USAID).

INVA-INFOP CONTRACT: INVA/INFOP and the Mission redefined the basic skills training needs of the Project, and a renegotiated agreement between INVA and INFOP was approved by AID and signed in August. In late August and September, INFOP undertook a series of visits to ten of the intermediaries to survey the training needs of those agencies and plans were made for the initiation of training courses.

REPAYMENT PERFORMANCE: In general, the beneficiaries' repayment performance has been good and the level of delinquency has been within that estimated by the project paper (10%). Where delinquencies have occurred, the intermediaries and INVA have stepped up supervision of the subloans. In two cases, INVA has stopped disbursements to intermediaries with excessive delinquency. Following corrective action by INVA based on the recommendations of recent audits, one of these intermediaries, FEHCIL, recommenced lending operations. With INVA assistance and guidance, another intermediary, CEDEN, is taking the necessary corrective action to reduce its delinquencies.

USE OF REFLOWS: Eight of the 13 intermediaries have used reflows to make loans in excess of the amount of funds disbursed to them by INVA. Two of the intermediaries--C aritas Morazan and C aritas Santa Rita--have decided to repay INVA and to operate with their own funds. These project "graduates" will make it possible for INVA to provide credit lines to additional intermediaries, thereby increasing the spread effect of the project.

IMPACT OF PRONAVIR PROJECT ON 0171: Since PRONAVIR is a construction project and 0171 is primarily an improvement program, the two do not enter into conflict. The question one might ask is whether INVA, which is putting its own resources into PRONAVIR, will also be able to support the recurrent costs of administering the rural housing improvement project once A.I.D. assistance has ended. Since the 0171 credit lines themselves become self-supporting with reflows from previous subloans, INVA could maintain the program with minimum administrative costs and if additional resources were available, it could expand the program to new intermediaries.