

UNCLASSIFIED

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

ROCAP

PROJECT PAPER

CA SHELTER & URBAN DEVELOPMENT

Loan Number: 596-HG-006
596-W-025

Project Number: 596-0143

AID/LAC/P-330

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE
 A = Add
 C = Change
 D = Delete

Amendment Number _____

DOCUMENT CODE 3

2. COUNTRY/ENTITY
ROCAP

3. PROJECT NUMBER
596-0143 596-HG-006

4. BUREAU/OFFICE
Bureau for Latin America and the Caribbean 05

5. PROJECT TITLE (maximum 40 characters)
CA Shelter and Urban Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
MM DD YY
09 30 91

7. ESTIMATED DATE OF OBLIGATION
(Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 86 B. Quarter 4 C. Final FY 91

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 86 *			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total				19,000		19,000
(Grant)	()	()	()	(4,000)	()	(4,000)
(Loan)	()	()	()	(15,000)	()	(15,000)
Other U.S.						
1. Housing Guaranty	15,000		15,000	45,000		45,000
2. Host Country CABEI				15,000	10,000	25,000
Other Donor(s)						
TOTALS				79,000	10,000	89,000

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SD	720	860	860			4,000	15,000	4,000	15,000
(2) HG	720		860				45,000		45,000
(3)									
(4)									
TOTALS						4,000	60,000	4,000	60,000

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
840

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	B. Amount	BU	Part	Tng

13. PROJECT PURPOSE (maximum 450 characters)

To increase availability of shelter and basic services to low-income Central American families and to strengthen the existing capacity of CABEI and national and local public and private sector agencies to provide these services.

14. SCHEDULED EVALUATION

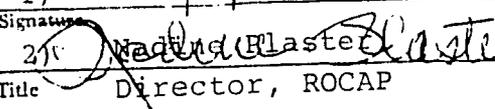
Interim MM YY 06 88 Final MM YY 09 91

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) _____

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

17. APPROVED BY

1)  Richard Goughnour, Acting Controller

Signature  Madeline Plaster

Title Director, ROCAP

Date Signed MM DD YY 09 08 06

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1390-4 (8-79)

*Housing Guaranty authorization

Best Available Document

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

PROJECT AUTHORIZATION

Name of Entity : Central American Bank for
Economic Integration (CABEI)

Name of Project : Central American Shelter and
Urban Development

Number of Project : 596-0143

Loan Number : 596-W-025

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Central American Shelter and Urban Development Project for the Central American Bank for Economic Integration (CABEI), involving planned obligations of not to exceed Fifteen Million United States Dollars (US \$15,000,000) in loan funds ("Loan") and Four Million United States Dollars (US \$4,000,000) in grant funds ("Grant") over a five-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is five years from the date of initial obligation.

2. The project ("Project") will increase the availability of shelter and basic services to low income families in those countries participating in this Project and will strengthen the existing capacity of CABEI and national and local public and private institutions to provide these services. In addition to providing financing, in conjunction with a Housing Guaranty loan to be authorized separately, for the construction of shelter and basic services, this Project will provide training and technical assistance to pursue policy objectives in the areas of private sector participation, cost recovery and program and financial management.

3. The Project Agreement, which may be negotiated and executed by the Officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject

to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Interest Rate and Terms of Repayment (Loan)

The Central American Bank for Economic Integration (CABEI) shall repay the loan to A.I.D. in U.S. Dollars within forty (40) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. CABEI shall pay to A.I.D. in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two per cent (2%) per annum during the first ten (10) years, and (ii) three per cent (3%) per annum thereafter, on the outstanding disbursed balance of the loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods, Nationality of Services (Loan)

Commodities financed by A.I.D. under the Loan shall have their source and origin in countries which are members of the Central American Common Market or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have countries which are members of the Central American Common Market or countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Loan shall be financed only on flag vessels of the United States, other countries included in A.I.D. Geographic Code 941, and countries which are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing.

c. Source and Origin of Goods, Nationality of Services (Grant)

Commodities financed by A.I.D. under the Grant shall have their source and origin in the United States or in countries which are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States or countries which are members of the Central American Common Market as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by the Grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

d. Conditions Precedent to Disbursement

(1) First Disbursement

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, CABEI shall

furnish to A.I.D., in form and substance satisfactory to A.I.D., the following:

(a) A plan demonstrating (i) how the Bank's project approval and implementation process has been streamlined; (ii) that appropriate delegation of responsibilities has occurred; and (iii) that CABEI has provided for sufficient management capability in the field.

(b) Evidence that CABEI will process disbursements for program components only to those countries which have adequate country subloan mechanisms in place.

(2) Subsequent Disbursements

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, for infrastructure projects after the first round of project selection, CABEI shall furnish to A.I.D., in form and substance satisfactory to A.I.D., the selection criteria, including environmental controls and cost recovery, to be used for future infrastructure project selection.

e. Covenants

CABEI shall covenant that:

(1) It will provide sufficient personnel in the field and in Tegucigalpa, to manage the implementation of this program.

(2) In order to expedite project implementation, it will delegate responsibilities to field managers.

(3) It will suspend disbursements under the Public Sector lending component of the Housing Fund to any country which is more than sixty (60) days delinquent on its payments to CABEI.

(4) It will require in its loan agreements with housing finance subborrowers that all construction will be done by the private sector.

(5) It will ensure that subprojects are environmentally sound.

(6) It will honor statutory limitations included in the U.S. Foreign Assistance Act of 1961, as amended, as well as such restrictions contained in authorization and appropriation bills for A.I.D., as well as pertinent U.S. policy, regarding use of Project funds.

(7) It will finance the cost of an annual independent audit which meets A.I.D. requirements and provides for additional certification statements as required.

Dwight Ink

Dwight Ink
Assistant Administrator
Bureau for Latin America and
the Caribbean

Sept 30, 1986
Date

Clearances:

GC/LAC, GADavidson, Jr.	<i>[Signature]</i>	Date	<i>9/26/86</i>
AA/LAC, MButler	_____	Date	_____
LAC/DR, TBrown	<i>T.B.</i>	Date	<i>9/30/86</i>
LAC/DR, ILevy	<i>[Signature]</i>	Date	_____
LAC/Cont, TTotino	_____	Date	<i>9/24/86</i>
LAC/Car, OLustig	<i>[Signature]</i>	Date	<i>9/26/86</i>
LAC/DP, PSellar	<i>(draft)</i>	Date	<i>30 Sept 86</i>
PPC/PB, JWeber	<i>[Signature]</i>	Date	<i>7/1/86</i>

[Signature]
GC/LAC:PGJohnson/tim:647-9182:0504B:09-24-86

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

ASSISTANT
ADMINISTRATOR

GUARANTY AUTHORIZATION

PROJECT NO. 596-HG-006

PROVIDED FROM: Housing Guaranty Authority

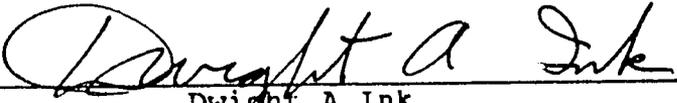
FOR: Central American Bank for Economic Integration

Pursuant to the authority vested in the Assistant Administrator, Bureau for Latin America and the Caribbean, Agency for International Development, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance to eligible U.S. investors (Investors) acceptable to A.I.D. of guaranties pursuant to Section 222 of the FAA of not to exceed Fifteen Million Dollars (\$15,000,000) in face amount. The guaranties shall assure against losses (of not to exceed one hundred percent (100%) of loan investment and interest) with respect to loans including any refinancings thereof, made to finance housing projects in the participating countries.

These guaranties shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans may extend for a period of up to thirty years (30) from the date of disbursement and may include such terms and conditions as shall be acceptable to A.I.D. The guaranties of the loans shall extend for a period beginning with the disbursements of the loans and shall continue until such time as the loans have been paid in full.
2. Interest Rate: The rate or rates 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 made in the long-term U.S. capital markets.

- 3. Fee: The fee of the United States shall be payable in dollars and shall be one-half percent (1/2%) per annum of the outstanding guaranteed amount of the loans plus a fixed amount equal to one percent (1%) of the amount of the loans authorized or any part thereof, to be paid as A.I.D. may determine upon disbursement of the loans.
- 4. Other Terms and Conditions: The guaranties shall be subject to such other terms and conditions as A.I.D. may deem necessary.



 Dwight A Ink
 Assistant Administrator
 Bureau for Latin America and the Caribbean

 3 sept 30, 1986

 Date

Clearances:

PRE/H:sLow	<u>A.L.</u>	Date	<u>9/24/86</u>
FConway	<u>IV</u>	Date	<u>9/24/86</u>
GC/PRE:MGKitay	<u>mlk</u>	Date	<u>9/25/86</u>
DAA/LAC:MButler		Date	
FM/LMD:TCully	<u>(phone)</u>	Date	<u>9/25/86</u>
SPapas	<u>(phone)</u>	Date	<u>9/25/86</u>
LAC/DR:PBuckles	<u>(phone)</u>	Date	<u>9/25/86</u>
LAC/CAP:OLustig	<u>(phone)</u>	Date	<u>9/26/86</u>

GC/PRE:IGS^{mlk}myer:gjg 9/9/86 #0186C X78235 rev 9/19/86

TABLE OF CONTENTS

	<u>Page</u>
List of Acronyms	
I. Project Summary	1
A. Recommendation	1
B. Summary Description	1
C. Summary Financial Plan	2
D. Composition of the Development Committee	2
II. Project Rationale and Description	4
A. Rationale	4
1. Overview	4
2. Relationship to A.I.D., LAC, Mission, and Host Government Strategies	7
a) A.I.D. and LAC Objectives	8
b) Mission and Host Country Strategies	8
3. Coordination with Other Donors	10
B. Objectives	13
1. Project Goal and Purpose	13
2. Expected Accomplishments (Outputs)	13
C. Project Description	14
1. Project Components	15
a) Shelter Component	16
b) Infrastructure Component	16
c) Country Shelter and Infrastructure Activities	17
d) Training and Technical Assistance Component	23
2. Project Demand	27
3. How Project Implementation Will Address Policy Objectives	28
4. Private Sector Participation	33
5. Institutional Absorptive Capacity	35
6. Development Process	37
III. Financial Plan	38
A. Summary Cost	38
B. Funding Requirements	38
C. Disbursement Schedule	39
D. Methods of Implementation and Financing	40
E. Financial Considerations	40
1. Interest Rates	40
2. Borrowing Terms	43
3. Interest Rates by Country	43
4. Real Interest Rates	44

	<u>page</u>
IV. Implementation Plan	45
A. Implementation Arrangements	45
B. Guaranty Arrangements	46
C. Management Arrangements	47
D. Monitoring, Audits and Evaluations	48
E. Conditions, Covenants and Negotiating Status	49
F. Gray Amendment Opportunities	50
G. Procurement Plan	50
V. Summary Project Analyses	52
A. Technical Analysis	52
B. Institutional Analysis	54
C. Economic Analysis	59
D. Financial Analysis	63
E. Recommended Environmental Threshold	68
F. Social Soundness Analysis	68

Annexes

A. Bilateral and Regional Strategies
B. PID Approval Message
C. Log Frame Matrix
D. Statutory Checklist
E. Analysis of Infrastructure Component
F. Borrower Request for Approval
G. Social Soundness Analysis
H. Financial Analysis
I. Institutional Analysis
J. Initial Environmental Examination
K. Technical Assistance and Training

List of Acronyms

Costa Rica

IAYA - Instituto de Acueductos y Alcantarillados
IFAM - Instituto de Fomento y Asesoría Municipal
INVU - Instituto Nacional de Vivienda y Urbanismo

El Salvador

IVU - Instituto de Vivienda y Urbanismo
FNV - Financiera Nacional de la Vivienda
FSV - Fondo Social para la Vivienda
PRONAVIPO - Programa Nacional de la Vivienda Popular
ANDA - Administración de Acueductos y Alcantarillados
SETEFE - Secretaría Técnica del Financiamiento Externo

Guatemala

FHA - Instituto de Fomento de Hipotecas Aseguradas
BANVI - Banco Nacional de la Vivienda
EMPAGUA - Empresa de Agua
SEGEPLAN - Secretaría General del Consejo Nacional de Planificación

Honduras

INVA - Instituto Nacional de la Vivienda
FINAVI - Financiera Nacional de la Vivienda
FOVI - Fondo de Vivienda
FEHCOVIL - Federación Hondureña de Cooperativas de Vivienda
SANAA - Servicio Autónomo Nacional de Acueductos y Alcantarillados
DIMA - División Municipal de Agua
INCAE - Instituto Centroamericano de Administración de Empresas

I. Project Summary

A. Recommendation

The Project Development Committee recommends that \$64 million (\$45 million Housing Guaranty Funds, \$15 million AID Loan and \$4 million AID grant) be authorized to carry out the Central American Shelter and Urban Development Project.

B. Summary Description

This is a proposal for a five year, \$85 million (including \$25 million in counterpart) regional program to finance low cost housing solutions and basic infrastructure for the urban poor in Costa Rica, El Salvador, Guatemala and Honduras. This capital inflow, along with a related \$4 million grant for technical assistance and training, will mobilize existing, under-utilized private and public capacity to help address the National Bipartisan Commission on Central America and the Jackson Plan objectives for shelter and infrastructure improvements in Central America.

The goal of this project is to improve the shelter conditions of low income families in Central America. The purpose of the project is to increase the availability of shelter and basic services to low income Central American families and to strengthen the existing capacity of the Central American Bank for Economic Integration (CABEI) and national and local public and private sector agencies to provide these services.

Within the limitations of identifiable projects, absorptive capacity and conformance with U.S.A.I.D. Mission strategies, project funds have been allocated relatively equally among the four countries. However, this distribution among countries and program components may shift based on effective utilization of allocated resources.

Physical outputs will include the production of an estimated 10,000 low cost shelter solutions and the provision of water, sewer and other community improvements to an estimated 145,000 families. Over 900,000 people will directly benefit from the project. The project will also generate approximately five million person days of employment.

Of equal importance to the physical outputs of this project are the policy objectives which have been incorporated into the program. The policy agenda focuses on three key areas: private sector participation, cost recovery and program and financial management. This project will support policy dialogue with CABEI, shelter finance institutions and national infrastructure agencies to achieve the following key changes:

1. Adoption and implementation by CABEI of a viable financial policy to restore financial stability to CABEI's Housing Fund. In the short term, the use of A.I.D. loan funds will allow CABEI to restore financial stability to its Housing Fund and to renew resource flows to

the region. As a condition to use of these resources, however, CABEI will adopt and implement a financial policy which provides for full cost recovery of borrowed resources, including administrative costs.

2. Housing finance institutions will increase private sector financing and construction of low cost housing, reduce delinquencies, and improve management.
3. Infrastructure agencies will increase cost recovery by a variety of strategies including adoption of betterment taxes, modification of tariff structures, installation and better maintenance of meters, and stricter collections policies; will move toward market interest rates on financing of off-site costs; and will improve strategic planning and management.

The training and technical assistance resources will be targeted to foster understanding, acceptance, adoption and implementation of these policy changes.

C. Summary Financial Plan

Of the projected \$45 million in HG loans, \$32.3 million will finance new housing while \$12.7 million will finance on-site infrastructure services. CABEI's contribution of \$25 million will be also split; \$10 million will finance new housing and \$15 million will finance on-site infrastructure. The \$15 million AID loan will be used to finance off-site infrastructure improvements. The following chart summarizes the source and use of projected resources.

<u>Source of Funds</u>	<u>Housing</u>	<u>Infrastructure</u>		<u>Technical Asst. and Training</u>	<u>Total</u>
		<u>On-Site</u>	<u>Off-site</u>		
1. HG Loan	32.3	12.7	-	-	45.0
2. AID Loan	-	-	15.0	-	15.0
3. CABEI	10.0	15.0	-	-	25.0
4. AID Grant	-	-	-	4.0	4.0
	<u>42.3</u>	<u>27.7</u>	<u>15.0</u>	<u>4.0</u>	<u>89.0</u>

D. Composition of the Project Development Committee

1. Project Committee

- Lee Roussel, Assistant Director, RHUDO/CA
- Alexandria L. Panehal, Regional Housing Officer, RHUDO/CA
- George Peterson, Urban Institute
- Dan Coleman, National Council of Savings Institutes
- Randy Lintz, National Council of Savings Institutes
- Joseph Arington, Planning and Development Collaborative

2. Mission Review Committee

Nadine Plaster, Director, ROCAP
Joe Hill, Jr. Acting Deputy Director, ROCAP
Michael Deal, Project Development Officer, ROCAP
Michael Lofstrom, Project Development Officer, ROCAP
Julian Heriot, Regional Economic Officer, ROCAP
Donald Richardson, ROCAP Advisor
Elena Brineman, Acting General Development Officer, ROCAP

3. CABEI

Jorge Papadopolo, Finance Manager
Mario Alberty, Project Coordinator
Armando Astorga, Project Technical Coordinator
Arnaldo Pasquier, Chief, Mobilization of Resources Unit
Pedro Lobo, Project Analysis Officer
Efraén Ardçn, Chief, Program Financial Analysis Unit
Véctor Rheinboldt, Chief Coordination of External Resources Unit
Carlos Godoy, Financial Program Officer

II. Project Rationale and Description

A. Rationale

1. Overview

This program has been developed in response to four identified regional needs: shelter and infrastructure requirements, capital shortages, inefficient management within public and private housing and infrastructure agencies and the need to revitalize the Central American Bank for Economic Integration's Housing Fund.

a. Shelter and Infrastructure Needs

The combined population of the four participating Central American countries in 1986 is approximately 20 million persons. At an annual population growth rate of 3 percent, the population of those same countries will increase to more than 30 million people by the year 2000. Today, 42 percent of the population lives in urban areas. With urban population growth rates of 5.4 percent in Guatemala City, 5.8 percent in Tegucigalpa, and 5 percent in San Salvador, by the end of the century all Central American countries will be predominantly urban.

Not only growth rates, but current concentration of this urban population in primary cities is another prevalent trend in these four countries. In 1983, 52 percent of the urban population of Costa Rica lived in San Jose, while 54 percent of the urban populations of El Salvador and Guatemala were located in San Salvador and Guatemala City, respectively. The twin phenomena of general urbanization and concentrated city growth imply that increasing demands for services will be forthcoming from capital cities.

Only 30 percent of the urban population in the region is considered to live in standard housing. To eliminate the current shelter deficit and provide for future needs, an estimated 120,000 new units must be produced and another 142,000 sub-standard units must be upgraded annually. Current production, however, lags far behind. In 1985, only an estimated 45,500 shelter solutions were produced in the region by the formal sector.

Nor is provision of infrastructure services keeping pace with demand. Potable water is provided to only 66 percent of urban households in El Salvador, 58 percent of urban families in Honduras, and 44 percent in Guatemala City. Only in Costa Rica is potable water available to the vast majority of its urban population. Urban households served by sewers are even lower. On average, only 42 percent of the urban population in the region had sewer connections.

Despite increased investments, due to population growth and migration, urban service coverage has actually declined in the last few years. For example, The World Bank estimates that sewerage coverage rates in the San Pedro Sula metropolitan area of Honduras actually declined from 78% in

1980 to 68% by 1986. Similar trends are apparent throughout the Central American Region.

b. The Capital Shortage

In the face of these overwhelming problems, the region's countries have been unable to mobilize the financial and human resources necessary to meet the demand for housing and basic infrastructure. The regional downturn in the economy since 1979 has weakened both shelter and infrastructure institutions. Public sector finance institutions face the simultaneous challenge of inflation and budget cuts which have drastically reduced their ability to produce housing. Some private savings and loan institutions are experiencing severe liquidity problems. Inflation coupled with fixed interest rate portfolios have limited their ability to maintain previous levels of investment in shelter.

A recently completed shelter needs assessment for Honduras reflects this trend. Private sector investment in housing dropped from an overall 15 year average of 59% of total investment to an average of 10% in the last five years.

The situation is no brighter for national infrastructure agencies. Water systems in Central America currently do not contribute significantly to their own capital costs. The bulk of resources continue to flow from international donors. However, these international capital flows have dwindled in recent years. Reduced central government support (and in El Salvador the continued destruction of the existing infrastructure network) coupled with rising costs of imported materials, has significantly diminished the capacity of these institutions to respond to the demands of a growing urban population.

c. The Human Dimension

The problems confronting shelter and infrastructure agencies in Central America are unfortunately not limited to a lack of capital.

Inefficient management and inappropriate policies (or lack of policies) exacerbate the problem. At the policy level, public/private responsibilities in national shelter finance systems need to be further realigned to promote greater efficiency. Public sector shelter institutions need to devolve more responsibility to private developers and construction firms and private sector finance institutions need to increase investments in housing for low income borrowers.

Economic pricing policies within infrastructure agencies, which could help to reduce urban sprawl as well as to finance future water expansion, are not being adopted system wide. New financing mechanisms introduced in conjunction with A.I.D. projects have not been adopted across the board. Thus in some instances, low income families who receive services in conjunction with AID projects are paying full costs while other low and moderate income families with services financed from central budget allocations receive subsidies. The political ramifications of maintaining such differential and inequitable pricing policies for services are self evident.

15

Inefficient management permeates institutions. To cite a few examples, delinquency rates on mortgage payments are unacceptably high, mobilization of domestic savings by private S&L's in some countries are unacceptably low and loss of water within existing distribution systems approaches 50% of total supply in many of these countries because of undetected water leaks and illegal connections.

In the public sector, inefficient management is a reflection not only of a lack of knowledge about what to change, but who is available to change it. And the 'whos' frequently change as well. Three new and democratically elected administrations have taken power in the last year in Central America. Personnel turnovers as a result of these power shifts are far reaching and often affect even lower level managers. Many of the individuals trained in the past have vacated their posts. The problem, therefore, is not only to train the new 'whos' but in a parallel plane, to focus more on building the institutional, as opposed to the individual, capacity to manage projects in order to minimize the deleterious effects of future administrative shifts.

In the private sector, the problem is not so much turnovers as it is inadequate financial management and knowledge gaps. Mismatches of assets and liabilities plague many private S&L's while the mistaken perception that a viable lending market with low income borrowers cannot be tapped inhibits the participation of private sector lenders in AID financed projects.

d. CABEI's Housing Fund

CABEI has had twenty years experience in financing low cost housing. To date, CABEI has financed \$236.3 million in housing projects in the region, which represents 48,000 units for nearly 300,000 people. An evaluation of CABEI's performance found that 78 percent of all beneficiaries under the recent HG program were low income families, well above the 55 percent required under this previous program. In addition to the physical impact on the housing sector, CABEI has introduced the concept of a secondary mortgage market, as well as a number of new and innovative financial instruments and concepts, such as Housing Investment Certificates (CIVs). Finally, CABEI has worked with a wider variety of public and private housing institutions than have A.I.D. bilateral programs; 30 versus 10.

A.I.D. assistance has been instrumental in helping CABEI to implement its housing programs. Of the \$236.3 million disbursed for housing projects through the Bank's Housing Fund, A.I.D. loans have accounted for \$114.8 million. Thus for every dollar of U.S. assistance, CABEI has generated \$1.13 from its own resources. Moreover, assistance channelled through CABEI almost equalled the \$121.9 million provided in bilateral HG assistance for housing programs in the region. Finally, CABEI has a better track record in channelling resources to the private sector than AID; over 59 percent of all CABEI funds have been provided to private sector institutions.

Nevertheless, CABEI's performance in the housing sector has been adversely affected by the economic events of the 1980's. Like borrowers

worldwide, CABEI did not anticipate the phenomenal increase in interest rates in the early eighties. As a result of forward lending commitments to borrowers, CABEI found itself in the position of making loans at a rate lower than its cost of funds, resulting in losses to its Housing Fund in the last three operating years. Additionally, arrears rose somewhat, particularly with respect to Nicaragua's inability to service its external debt, including debt to CABEI.

CABEI's response to resolve the problems of the Housing Fund has been to renegotiate a high interest rate HG loan; reduce their administrative expenses and successfully complete a new capital call, bringing \$10 million into the Housing Fund, quite an accomplishment and vote of confidence in light of the economic problems facing their member countries.

Despite these concrete actions taken by CABEI to unilaterally resolve their financial problems, they are not in a position to provide new capital resources for housing and infrastructure services nor to capitalize the Housing Fund without outside assistance.

This project will provide the necessary combination of capital, technical assistance and training and will encourage the adoption of policy changes within CABEI to ensure that CABEI will regain financial stability and retain its role as the principal mortgage lender in the region.

CABEI's presence as an active lender in the region is of critical importance to the success of U.S. policy in Central America. CABEI's ability to channel and generate a large volume of capital resources will improve the living standards of low income families and involve and support private sector institutions. Finally, it will add the support of CABEI's regional voice to A.I.D.'s struggle to promote responsible national sectoral policies and the adoption of financial practices which strengthen local institutions.

In summary, working through CABEI presents opportunities; to increase the production of low cost housing and the extension of basic services, to increase the participation of the private sector, both in construction and financing of low cost housing; to expand the institutional base of housing and urban actors involved in producing low cost solutions and thus expand AID's overall policy influence in the sector; to reinforce AID's bilateral policy dialogue with national institutions; and finally to support the National Bipartisan Commission on Central America's (NBCCA) recommendations related to CABEI and to the expansion of shelter and urban services.

2. Relationship to AID, LAC, Mission, and Host Government Strategies

In addition to responding to the regional needs listed above, this program will reinforce U.S.A.I.D., Mission and host government policies, including the basic elements of a focus on the urban poor, institutional development, cost recovery and private sector involvement.

a. A.I.D. and LAC Objectives

In all sectors, the growing gap between rising popular expectations and actual delivery of services creates the potential for political instability in Central America. Given the importance of US strategic and political interests in the region, the National Bipartisan Commission on Central America recognized that by addressing the shelter and basic service needs of low income families, both humanitarian needs and the political interests of the US would be served. For these reasons, the NBCCA report recommended a major expansion of assistance in labor intensive infrastructure and housing projects.

The NBCCA's recommendation assumed a more concrete form in the Jackson Plan. This plan stipulated that AID's goal should be to increase water and sewer coverage and shelter solutions by 25 percent over a five period. Subsequent LAC Bureau guidance proposed that \$200 million in Housing Guaranty resources be used to achieve this Jackson Plan goal. Since current and projected HG bilateral flows over the 1986/1987 through 1990/1991 period are only \$79.75 million, this program will help achieve this funding target. If projected ESF generated local currencies for shelter and infrastructure materialize, the \$200 million target will be attained.

While AID resources may approach the target funding level, in terms of achieving the Jackson Plan goals, projections show that outputs will fall short of the mark. Even if all projected resource flows - domestic, international and AID - were added together for the period 1986-90, the percentage increase in housing production would only be 10.41%. In the area of infrastructure the goal is stated in terms of an increase in coverage of projected urban population, rather than an increase in services over a period of time. The net effect of measuring performance in this way, as the following statistics illustrate, is significant. Despite a total projected investment in infrastructure of \$350 million, a 19.75% increase in households with new or improved access to water and a 16.43% increase in sewer services over 1985 levels, water and sewer coverage for the projected urban population in 1990 will remain essentially unchanged. The continued growth in urban areas and an increase in the household formation rate obscures the increase in the extension of basic services that will be provided. For this reason, in lieu of measuring performance in terms of coverage, the goal should be restated in terms of an increase of 25% in the number of urban households with new or improved access to water and sewer services over the next five years.

The National Bipartisan Commission also recommended that US support to CABEI be renewed. On the basis of the Commission's explicit support for CABEI, LAC Bureau guidance acknowledged that CABEI initiatives should be viewed by Missions as a complementary activity to their existing bilateral portfolio. This project, therefore, supports US and LAC policy objectives adopted for the region regarding CABEI and housing and infrastructure investments.

b. Mission and Host Country Strategies

This project has been designed to complement bilateral and host

country shelter and infrastructure strategies. Specific aspects of policy and programming coordination built into the CABEI program are highlighted below. A more extensive presentation of the integration of the CABEI program into each of the bilateral strategies is contained in Annex A.

Guatemala. The Guatemalan government has requested CABEI assistance to finance low-cost shelter. While the bilateral Housing Guaranty program will provide \$10 million for low-cost shelter, primarily through the private sector, the Cerezo administration is committed to a much higher level of investment. CABEI housing resources will complement bilateral HG resources to the private sector while an IDB sites-and-services program now being developed will support the public sector.

The three infrastructure projects proposed for CABEI financing in Guatemala complement the A.I.D. bilateral program and conform with Guatemala's national planning agency (SEGEPLAN) urban development philosophy. By emphasizing user charges and cost recovery, the projects will support the SEGEPLAN policy of avoiding subsidized public investment in the Guatemala City central region. CABEI capital, provided at market rates for water and road projects in poor neighborhoods of the capital, will be balanced by IDB capital, provided at below market rates for similar projects in secondary cities.

Honduras. The GOH has also requested CABEI assistance for shelter as well as pursuing negotiations on the bilateral HG program. Especially high priority has been given to water connections and upgrading of poor urban neighborhoods throughout the country and the GOH has requested that a current bilateral HG project (008) be re-programmed to serve these priorities. RHUDO and the U.S.A.I.D. Mission support these Honduran priorities.

More than in any other Central American country, the severe shortage of water in Tegucigalpa in the near term constrains the production of housing and the extension of infrastructure services to low income families. However, an emergency program to be funded with IDB and GOH resources will permit a limited amount of new household connections and a new dam now under design with U.S. financial assistance is planned for 1990. Operation of this new dam will effectively double the existing water supply in Tegucigalpa. SANAA is now developing a strategy to make the best use of this new supply. Their interim strategy is expected to focus on establishing the basic network for nearly complete household access to water over the next three years via community standpipes, with new individual household connections and low-cost shelter projects approved where technically cost-efficient.

It is expected that SANAA will request A.I.D. bilateral support for this interim strategy when defined and costed out. To complement this strategy adopted for Tegucigalpa, bilateral HG funds will be used during the 1987-1989 period to expand the upgrading program to San Pedro Sula and secondary cities, where water is not as severe a constraint, and to finance sewer and limited water projects in low income communities in Tegucigalpa through independent well systems. Starting in mid-1988, when major new water sources will be under construction in Tegucigalpa and the bulk of bilateral financing drawn down,

SANAA has agreed that full scale extension of upgrading in Tegucigalpa can resume with CABEI financing. The CABEI project, therefore, complements the planned bilateral HG program and Honduran and Mission strategies.

Since consumer demand for low-cost housing is strongest in Tegucigalpa, given limited water supplies in the short term, both the bilateral and CABEI programs will be designed to mitigate further drains on water supplies. Although the planned improvements to the existing water supply system in Tegucigalpa during 1987-1989 will allow only a limited number of new household connections, underground water supplies can be used to provide water to individual housing projects independent of the municipal system. Similar to the design of infrastructure improvements, while the bulk of HG bilateral resources for housing will be drawn down during 1987-1989, the majority of CABEI resources will flow from 1989-1991. Limited investments in housing will be made by CABEI during the period 1987-1989 where water is available on-site, independent of the municipal system, or where the water authority approves new connections.

Costa Rica The lack of water distribution systems has been identified by both USAID/Costa Rica and the Minister of Housing as the number one reason why local governments have rejected building permits for low-income housing. USAID/Costa Rica already has financed expansion of municipal water systems outside of San Jose to encourage low-income housing production and has requested that CABEI resources be made available to continue support for municipal infrastructure linked to production of low-cost shelter.

CABEI funds, therefore, will be used to extend a successful A.I.D. bilateral pilot project that has financed water supply improvements in municipalities where low-income housing permits have been rejected. CABEI financing will be specifically tied to municipal commitments to authorize low-income housing construction.

El Salvador. Both the bilateral A.I.D. Mission and the Salvadorean Government have assigned high priority to domestic water hook-ups in areas without piped water service. CABEI financing will be used to continue a domestic water connection project for the San Salvador area begun with a bilateral HG loan to ANDA, the national water authority. CABEI financing will begin in late 1987, once the current bilateral upgrading program is completed.

On the shelter side, resources will be coordinated with and offered first to the new national housing coordinating unit (PRONAVIPO). The Social Housing Fund (FSV), the National Housing Fund (FNV) and IVU (the public housing authority) are other likely clients that have expressed interest in CABEI resources.

3. Coordination with Other Donors

As was touched on in the previous section, the project team examined the effect other donor activities may have on implementation of the CABEI program, both in terms of institutional absorptive capacity and coordination of

activities. A more thorough summary of related donor activities follows.

a) Housing

The multilateral finance institutions, notably the World Bank and the Interamerican Development Bank, are not very active in the region with respect to housing projects. Neither institution plans to offer CABEI any housing assistance. Currently only two housing projects are being carried out in the region while two are in a planning stage of development.

Costa Rica. A sites and services project is currently being implemented by INVU, the National Housing Agency, financed by IDB.

Guatemala. IDB is planning a low-income shelter loan to BANVI, the National Housing Bank. The amount of the loan will be in the range of \$15 million to \$50 million. Loans will be offered at 2 percent for 40 years with BANVI on-lending the funds to beneficiaries at 8 percent.

El Salvador. The German aid agency may offer assistance to FUNDASAL, a private non-profit agency.

Honduras. The German aid agency is providing about \$1 million annually to finance rural housing, implemented through INVA, the National Housing Agency.

b) Infrastructure

Guatemala. The World Bank is preparing a major loan program (\$30 to \$40 million) to strengthen the capacity of the Municipality to deal with its urban problems. This loan will fund training, technical assistance and equipment. It will also help the city improve its property register (cadaster) system, and the street repair and maintenance system. Both of these elements are central to and complementary of the planned CABEI projects.

The World Bank is also developing a loan project to improve the internal management of EMPAGUA, the water authority for Guatemala City. That project will provide technical assistance to EMPAGUA and will fund a "sister city" exchange program in water management to learn from the experience of other Latin American cities.

Guatemala also has under discussion with both the World Bank and the Interamerican Development Bank long-run financing to increase the supply of water to Guatemala City. This supply augmentation is necessary to sustain continued expansion in water service.

These loans will directly complement the activities proposed to be financed by CABEI. For example, the World Bank loan will include assistance in updating and regularizing land ownership and land occupancy records while the technical assistance provided through the CABEI loan will improve the operation of the contribucion por mejoras office in collaboration with the cadaster revision.

Honduras. The Interamerican Development Bank is undertaking water supply expansion projects in Tegucigalpa and seven interior cities. The World Bank has a program of supply expansion and distribution improvements in San Pedro Sula. IDB is expected to finance both emergency water expansion in Tegucigalpa and construction of a new dam which will augment water supplies. While other international donors are planning investments to increase the overall supply of water in Tegucigalpa, they are not involved in financing extension of water and sewer services to low income families. Thus other donor projects will complement A.I.D. financed construction of household connections.

In the area of technical assistance, the French firm BCEOM is carrying out a comprehensive study of SANAA, the national water authority, for the World Bank. Their work is focusing on: (1) development of a leak detection and water management system; and (2) a top-to-bottom overhaul of SANAA's administrative structure (especially in finances, accounting, and maintenance operations).

The Italian Government is preparing a \$3.2 million donation to undertake the first detailed hydrologic study of Tegucigalpa's aquifers and to plan a new supply line to Tegucigalpa. The British Government has made a loan that includes installation of water mains and well drilling. All of these projects will help overcome the management and supply constraints which restrict the extension of basic services to individual households.

Costa Rica. The World Bank is carrying out a \$50 million primary water supply project for San Jose co-financed by the Commonwealth Development Corporation. This will help augment water supply to the capital region. The Interamerican Development Bank has a \$43 million program (lasting until 1989) with the Instituto Costarricense de Acueductos y Alcantarillados for improvements of water and sanitation systems in 20-30 small cities. This program directly complements proposed CABEI activities to finance parallel water improvements in cities where the municipal governments, not AyA, have responsibility for water operations.

El Salvador. The Interamerican Development Bank is considering support for water (\$20-\$30 million), and sewerage (\$40-\$50 million) projects in the eastern sector of greater San Salvador. The water project would pipe new water supplies to the capital and seek to establish legal regulations regarding rights of water use. If carried out, this project would make possible CABEI-financed household connections in an area where the current lack of water now paralyzes the extension of such services.

In summary, with the exception of a potential IDB loan to BANVI in Guatemala, no other international donors are currently financing low cost housing in Central America. As explained more fully in the country program descriptions, for both policy considerations and the issue of absorptive capacity the CABEI program in Guatemala does not envision channeling CABEI resources through BANVI to any significant degree.

In the infrastructure arena, large capital flows for both construction and technical assistance are planned by other donors. However, the

bulk of these resources will finance increases in the overall supply of water, not household connections. Therefore, the planned investments by CABEI to extend services to low income communities is a complementary component and a natural outgrowth of these other donor investments.

Technical assistance resource flows to infrastructure agencies in the region are also considerable. Most of these services are designed to improve the overall operation of water authorities. CABEI-financed technical assistance will benefit from these system improvements, but will focus more on the micro operation of management system improvements and cost recovery for low income projects.

The Mission, AID/Washington, and bilateral Missions will, to the extent possible, encourage other donors to support project policy objectives, including cost recovery, market rates of interest, and increased participation of the private sector in the financing and construction of low cost housing and related infrastructure.

B. Objectives

1. Project Goal and Purpose

The goal of this project is to improve the shelter conditions of low income families in Central America. The purpose of this project is to increase the availability of shelter and basic services to low-income Central American families, and to strengthen the existing capacity of CABEI and national and local public and private sector agencies to provide these services.

2. Expected Accomplishments

This program will address the need to increase and improve shelter and basic infrastructure conditions in the region and promote employment. It will also permit CABEI to continue to supply housing finance to the region, a task which CABEI has carried out admirably in the past. Moreover, it will allow CABEI to provide new financing in the area of small scale infrastructure, which will help alleviate shortages in this area. The new inflow of A.I.D. capital assistance will help to reverse CABEI's losses prevalent over the past three years, thereby permitting CABEI to recapitalize its Housing Fund, and continue to operate its housing and infrastructure loan programs for future generations.

Finally, the technical, managerial and policy skills of key individuals in CABEI, as well as the national implementing agencies, will be enhanced as a result of the technical assistance and training component of this program, which in turn will improve the capacity of those institutions to design, finance and implement future projects.

Specific expected outputs of this project are:

- A total of 155,000 families, almost a million people, will be assisted. 10,000 families will have improved shelter. An

additional 145,000 families will have gained access to water and sewer services;

- CABEI will have provided \$85 million over a five year period for shelter and infrastructure in the region, thereby helping to assure a steady flow of financial resources to crucial economic sectors;
- Cash flow projections, based on an influx of \$45 million HG, \$15 million AID Loan and \$25 million from CABEI demonstrate that by 1990/91, the Housing Fund will have positive net and retained earnings;
- 5 million person days of employment will be directly generated, much of it directed to unskilled and semi-skilled laborers living in marginal neighborhoods;
- 75% of all infrastructure construction will be through the private sector;
- 100% of all shelter will be constructed through the private sector.
- Collections by public shelter institutions will improve by 25%.
- Infrastructure institutions will collect 85% or more of total payments;
- Lending rates will be revised upward by at least eight financial institutions;
- Pricing policies will be revised by at least six municipalities/infrastructure institutions;
- 177 person months of technical assistance and 36 training seminars will be provided principally in the areas of financial management, cost recovery, and private sector development;
- CABEI will have expanded its capacity to finance urban upgrading and small scale infrastructure projects; and
- Shelter and infrastructure institutions in the region will have improved their capacity to finance, design, and develop environmentally sound and financially viable projects.

C. Project Description

This is an \$89 million project. Funds will be expended over a five year period. The source of funds are as follows: \$45 million HG, \$25 million CABEI contribution, \$15 million A.I.D. loan and \$4 million A.I.D. Grant. The projected use of funds is as follows: \$42.3 million in housing, \$27.7 million for upgrading, \$15 million for off-site infrastructure and \$4 million for technical assistance and training.

1. Project Components

The project will consist of three interrelated activities, all of which are designed to improve the living conditions of thousands of low income families in the region. One activity will permit CABEI and the various shelter finance and development agencies to continue to supply low cost shelter solutions to poor people. The second activity will give CABEI an opportunity to offer a new supply of funds for small-scale infrastructure in marginal neighborhoods. Finally, the provision of technical assistance and training to CABEI and the national participating agencies will lead to improvements in the capacity of those institutions to continue to serve the needs of poor families. A description of each activity follows.

a) The Shelter Component

The shelter activity will provide affordable shelter solutions for low income families. CABEI will allocate \$42.3 million to be loaned for housing purposes to financial institutions in Guatemala, El Salvador, Honduras and Costa Rica. Costs for shelter solutions are expected to range from \$1,200 to \$8,500, which will permit the construction of solutions for families with incomes below the median. Based on an average cost of \$4,158, approximately 10,000 low cost housing units will be produced. These institutions will in turn finance mortgages for low cost shelter projects designed to serve families whose income falls below the median established in each country.

Solutions ranging from basic serviced sites to one bedroom units will be the most probable types of solutions financed. Where self-help techniques are employed, larger units may be built. All units will be designed to permit eventual expansion, thus providing sufficient living space for the average family and an outlet for private individual investments.

Participating institutions will include private and public sector financial institutions, development agencies, and builders. Over the 20 plus years, CABEI has been involved in housing in Central America, more than 30 institutions have borrowed from CABEI. All the institutions operating in these four countries will be eligible to participate in this project, plus a number of other institutions.

In addition to the primary and secondary borrowers, as listed above, private sector developers and builder/contractors will also be involved. Developers will work with financial institutions in the development of purely private sector projects, or with public agencies in the development of turnkey projects. As a condition of this loan, CABEI will covenant that in all cases the projects will be built by private contractors.

Projects which maximize the participation of private sector entities will be given priority consideration for funding. The ideal private sector project will consist of a loan from CABEI to a private sector financial institution, which in turn will finance a project designed, developed, built, and in some cases sold by private sector entities. To date, 59 percent of

25

CABEI's housing loans have been channeled to the region in this fashion. This percentage figure includes loans to savings and loan associations which were funneled through central discount facilities.

b) The Infrastructure Component

The infrastructure component of the Project will provide basic public service facilities for existing housing that does not have access to drinking water, drainage, waste removal, electricity or roads; and will extend such services to areas where new low-income housing construction has been frustrated by lack of service access.

Although the "infrastructure" program has been developed separately from the "housing" program, and will work through different national institutions, the two components share much the same orientation. The housing sub-projects typically will finance integrated site development, with much of the emphasis on water, wastewater, electricity and road access. The final product is the basic housing unit, whose price includes the cost of infrastructure support. In the infrastructure programs, access to capital facilities is the specific product. Capital services will be charged separately for cost-recovery purposes. However, the programs carry the expectation that they will trigger complementary investment in new housing construction and upgrading.

Governments have traditionally financed infrastructure capital investments from a combination of operating and general tax revenues. Long delays in approving tariff increases, severe pressure on national tax revenues and accelerating urban growth have combined to create rapidly growing infrastructure deficits and large numbers of unserved low-income neighborhoods each year.

This Project aims to demonstrate alternative ways to meet financing requirements for infrastructure. Positive experiences worldwide and two recent programs in the Central America show that on-site investments can be fully recuperated from beneficiaries as is proposed in the Project. Since capital costs of developing major off-site investments, including development of water sources, sewage treatment and generation of electric power have rarely, if ever, been charged directly to individual upper and middle income beneficiaries, social equity, tradition, and severe budget restraints require that resources be provided especially for this purpose. Within the context of the infrastructure component of the project, alternative water and sanitation methods, such as rainwater catchment and water vending and non-water borne sewage systems, will be explored. An experimental approach to water supply, water vending by private individuals, has already been incorporated into the Guatemala program.

An extensive analysis (summarized in Annex E) demonstrates a probable excess of demand for resources to be invested on-site, given the availability of a minimum of \$15 million in soft resources to finance complementary off-sites. Severe budget cuts in A. I. D. resources dictated a stringent limitation of consideration to only those projects least dependent on off-site investments. Additional resources would relieve this strict constraint

to project implementation. Availability of an additional \$15 million in concessionary resources (either DA or ESF) would be absorbed easily within the original project time frame. It would also substantially accelerate absorption of planned on-site investments, would expand the number of beneficiaries of infrastructure services by at least 50,000 and would create over a million days of construction employment. Annex H, Scenario IV, describes the financial impact these additional low cost A.I.D. resources would have on CABEI's Housing Fund.

c) Country Shelter and Infrastructure Activities

1) Costa Rica

One of the principal bottlenecks to improving shelter conditions in Costa Rica is the lack of infrastructure to serve the growing population in the San Jose metropolitan region.

In Costa Rica, the CABEI project will provide \$15 million to IFAM, a municipal development institution, to expand water services in 22 secondary cities in order to facilitate low-income housing construction in these communities.

IFAM is presently carrying out a \$7.0 million USAID-funded project to expand municipal water supplies in eight municipalities. Mission resources will be fully expended by mid 1987. This activity has suffered some delays, but IFAM has been able to resolve the problems that have arisen and has mounted an administrative apparatus to replicate efficiently projects of this type in the future. Among other steps, IFAM has:

- Obtained authorization from the Controller General to use private bidding (short lists of qualified bidders) rather than public bidding for construction contracts. This is critical in speeding project construction.
- Agreed to have all construction work performed by private firms under the direction of a private supervising company.
- Conducted water tariff studies in the municipalities where projects are being carried out, to ensure that local water revenues are raised sufficiently to cover operating and maintenance costs. The first study of this type which was completed (for Santa Ana) has been adopted. This new tariff increased revenue over threefold from \$13,692 in 1983 to \$52,373 in 1985.
- Established a special implementing unit within IFAM to evaluate projects, supervise construction, and conduct tariff studies for A.I.D.-financed water projects.

Under its new management, IFAM has demonstrated strong support for the principles of cost recovery for capital expenditures and economic pricing of water services. The executive staff of IFAM has recommended to its Board that IFAM seek an increase from 6% to 10% in the interest rate it can charge municipalities on loans from its own resources and that it move toward market rates of interest in the near future, in order to avoid decapitalization.

IFAM has the legal authority to make water tariff increases conditions of its loans to municipalities, and has indicated that it will do so under the CABEI project. All municipal budgets must be approved by the Controller General, who will not grant such approvals unless localities are current in their debt repayments to IFAM and include payments due in their future year budgets. For this reason, IFAM now has, and customarily has, zero (0.0%) past-due loan payments from municipalities.

To further the policy goal of increasing low-income housing construction IFAM has agreed to tie loan disbursements under a CABEI program to the actual granting by a municipality of low-income housing building permits for projects which previously were blocked because of lack of adequate water supplies.

The USAID Mission in Costa Rica has urged a greater private sector management role in handling the contracting of water projects. IFAM has agreed to private sector contracting for the supervision and construction as well as the design of the proposed water projects.

IFAM is the traditional source of financing for improvements in municipal-owned infrastructure. The sewer and water systems in Costa Rica are allocated in a historically arbitrary manner between municipalities and the national Instituto de Acueductos y Alcantarillados (AyA).

AyA is presently administering a \$55 million World Bank/British loan for water systems in the greater San Jose region and a \$43.4 million IDB program of local water improvements and supply expansion for secondary cities. These programs are likely to stretch the implementation capacity of AyA for the next four years. Because of these other project activities, it is unlikely that AyA will be able to present eligible projects in a timely fashion and therefore, AyA has not been built into the original program design.

2) El Salvador

The National Housing Agency, IVU, has expressed strong interest in participating in this program. It has prepared a number of low income housing projects, totaling approximately 5,000 units, to be built over the coming years, for which IVU does not have financing. Although IVU has a considerable backlog of units, its current production has only been about 500 units annually. However, IVU has requested assistance in the 'turnkey' method of contracting, which in the case of Honduras increased production by their public housing agency from 500 to 3,500 units annually. With devolution of construction responsibilities to the private sector as a condition for

participation, it is expected that IVU's production capacity can benefit from a similar and dramatic increase through CABEI financing.

The FNV is an association of eight savings and loan institutions with over 70 branch offices. The Savings and Loan System has also expressed interest in the program. Although the savings and loan associations were nationalized in 1980, they still maintain their role as a primary provider of housing finance. Recently, they have principally been providers of construction financing, leaving the mortgage financing role to other institutions, mostly the Social Housing Fund, FSV. However, they do provide some long-term financing, and would welcome the opportunity to utilize CABEI funds for this purpose. At their current ceiling of 16 percent interest rates on low income mortgages in the system, rates less than 14 percent are feasible. CREDISA, one of the largest saving and loan association, estimates that it alone could absorb up to \$4 million in external funds. Two potential drawbacks in dealing with the savings and loan system are the current high liquidity within the system as a whole and its past disinclination to serve lower income families. Nevertheless, the liquidity situation could change overnight and the high demand for housing plus the fact that the mortgages are sold to CABEI may overcome the S&L's reluctance to work with poor people.

PRONAVIPO, the new national social housing coordination agency, was established to provide coordination for the sector and to promote and finance low-cost shelter including upgrading. The A.I.D. Mission has provided 25 million in colones as a local currency grant (now equivalent to \$5 million) as its initial capital and PRONAVIPO is working hard to establish its financial policies and regulations. PRONAVIPO is still a fledgeling organization and understandably believes it has sufficient resources at present. By 1988 or 1989, it will probably be interested in expanding its base and possibly would be a CABEI borrower in support of municipal upgrading and progressive housing programs.

The largest provider of long term financing for low cost housing is the Social Housing Fund (FSV). Based on a recent evaluation of FSV operations, FSV currently generates \$18 million of eligible mortgages per year. Its current cost of funds is only 1.5 percent, which it pays on member-employer contributions. Its monthly receipts from those contributions is \$2 million, which it invests in housing at an average rate of approximately 7 percent. These soft terms distort the shelter finance market and ignore the opportunity cost of capital. The bilateral AID Mission, therefore, is offering a mix of ESF-generated local currencies and HG financing in return for a package of policy reforms. If this negotiation is successful, and FSV meets the requirements for policy reform, FSV would be a candidate for CABEI loans.

In infrastructure, the CABEI project will provide ongoing funding for a household water connection program initiated under the bilateral HG program in the city of San Salvador. \$9.5 million will be provided to ANDA, the national water authority, for the distribution system and for water meters. Some extension of water mains and pumps will also be included in the activity. CABEI financing will begin in late 1987, once the bilateral HG resources are exhausted.

ANDA is currently operating a household water and sewerage connection program, with bilateral A.I.D. financing, in San Salvador, which in its first phase will involve about \$2.1 million. This project got off to a relatively fast start after responsibility for project cost estimation, design supervision, contractor selection, contract negotiations, and project monitoring was assigned to a private firm. The project recently has come to a halt because El Salvador was in arrears on other HG payments and could not receive new funding for the upgrading project. Consequently, there has not been an adequate opportunity to judge ANDA's implementation capacity in practice. Both ANDA and the local RHUDDO staff estimate that ANDA, given a regular flow of financing, can support \$2-\$3 million per year in upgrading projects. The backlog of project demand supports this level of activity.

3) Guatemala

The commercial banking sector has expressed interest in participating in the CABEI program. Given the lack of a savings and loan system in Guatemala, commercial banks have attempted to fill the need for mortgage finance.

The well functioning FHA mortgage insurance program has helped to ensure that commercial banks channel financing to the housing sector. However, commercial banks have almost withdrawn from the residential mortgage market, due to the high rate of inflation and the cap on interest rates, both of which made it unattractive to invest in long-term fixed interest rate mortgages. Recent policy changes, however, now permit FHA to insure variable rate mortgages and to accept progressive housing solutions. Therefore, it is expected that commercial banks will reenter the market.

The CABEI program is expected to be attractive to the commercial banks. With the increase in the interest rate cap to 14 percent, commercial banks will be able to obtain a better return on residential mortgages. In addition, they will be able to fully discount those mortgages to CABEI, which effectively reduces their risk. While commercial banks have been reluctant to finance low income housing, the recent changes in the financial regulation system, coupled with full discounting of mortgages by CABEI, will give these banks the incentive to participate.

Commercial banks in Guatemala, including the Banco de Construction and the Banco de Los Trabajadores, have participated in earlier CABEI-financed housing programs, although these programs were directed largely to middle income families. The Banco de los Trabajadores currently is the recipient of a \$4 million housing loan. This bank currently has loan applications from developers to finance housing for families whose incomes are effectively below the median. One project, El Quetzal, consists of some 5,000 units at an average sales price of \$2,592. The bank also is confident that once a line of housing credit is announced, developers would be forthcoming with additional eligible projects. Other banks, including Banco Granai and Townsend, the largest bank in Guatemala, have expressed interest in the program.

The public housing finance sector is represented by BANVI, the National Housing Bank, which also has been a recipient of housing loans from CABEI. BANVI is presently negotiating with IDB for a new housing loan in the \$15 to \$50 million range, which would be directed to low-income families. Assuming this loan is approved in November 1986 as BANVI hopes, BANVI may not participate in this program since the interest rate on the IDB loan is 2 percent, with lending rates to beneficiaries at 8 percent, lower than the expected CABEI rate.

The infrastructure projects in Guatemala will be carried out by two institutions: the Municipality of Guatemala and EMPAGUA. Both are competent organizations with experience in the administration of foreign loans.

The Municipality of Guatemala is the strongest local government in Central America. It has had a forty year history of relatively effective local administration. Its urban infrastructure and local services compare favorably with those of other Latin American cities of its size (1.4 million population).

EMPAGUA, the city's water authority, was created in 1972, as an independent, "business-like" organization to address the water needs of Guatemala City. It has strong leadership and enjoys a good reputation.

The urban infrastructure aspect of this project will fund three activities in Guatemala City. The first will fund material support for an urban upgrading activity in 55 of the poorest slum areas of the city. This activity designed by CARE will, using CABEI resources and self-help Food for Work Support, help these communities construct needed drains, sewers, retaining walls, walkways, garbage deposits and improved public water facilities. \$1.5 million will be provided for this activity to be administered by the Municipality of Guatemala and CARE.

The second activity will fund the paving of 67 km of streets in lower middle class areas of Guatemala City. These are older settlements which now have water, sewers and other basic infrastructure. Street paving will provide a significant upgrading for these communities. \$3 million will be provided to the Municipality of Guatemala for this priority activity.

The third activity will enable the water authority in Guatemala City, EMPAGUA, to extend the water system to virtually all of the presently unserved poor neighborhoods of the city. \$4.5 million will be provided to EMPAGUA to extend water lines and install public water taps in these communities. Water from these taps will be sold to nearby neighbors by a local store or through a cooperative arrangement among the neighbors themselves.

4) Honduras

The National Housing Agency, INVA, will be an active participant in CABEI's housing program. In the past, INVA was a major borrower of CABEI funds, and currently has a number of projects ready for financing.

The savings and loan associations will also continue to participate in CABEI's housing loan programs. Although the overall system has suffered due to a number of ill advised project investments and the demise of FINAVI, the regulatory and insurance agency for the system, the associations have continued to finance housing although at reduced levels. The current 19% interest rate on loans has resulted in reduced demand, although the associations indicate that if interest rates were reduced, they would be able to move significant amounts of funds. Currently the government, through FOVI, the new discount facility, is making funds available at 10% to the savings and loans, which in turn are lending these funds at about 14%. Assuming a spread of up to 4 points, the S&L's are receptive to receiving funds at 9 to 10 percent interest from CABEI. In recent discussions with two private S&L's, Futuro and La Vivienda, both were enthusiastic about the new program and had eligible projects ready to finance.

FEHCOVIL, the National Cooperative Housing Agency, has previously borrowed from CABEI for housing purposes. At the present time, FEHCOVIL has received 6 applications to finance 433 units of low income housing for a total investment of \$2.2 million.

The Honduras infrastructure program will be implemented through the Municipal government of Tegucigalpa, in collaboration with SANAA, the national water authority.

The Municipality already is well organized to develop, promote, and supervise the type of water and sewer connections contemplated. The Project Implementation Unit of the Municipality has successfully designed and executed 38 subprojects under the bilateral HG-financed Urban Upgrading Project. The unit has completed approximately 2,500 water or sewer installations per year, which also is the rate of completion foreseen under CABEI financing.

In Honduras, the project will fund water and sewer connections in the marginal communities of Tegucigalpa and other improvements determined to be of high priority by eligible communities. \$9.2 million will be provided to SANAA, the national water authority to provide approximately 10,000 households in these poor neighborhoods with water and sewer connections. Both household connections and public water taps will be used.

Table 1 summarizes the financial inputs by shelter and infrastructure activities, and by estimating the average cost per solution in each country, calculates the probable number of solutions that can be provided. Given that each solution is expected to assist one family, 155,173 families in the region will benefit from this program.

TABLE 1*

Shelter and Infrastructure Solutions

	Investment (\$)	Cost Per Solution (\$)	No. Of Solutions
Costa Rica			
Shelter	N/A	N/A	N/A
Infrastructure	15,000,000	1,250*	12,000
El Salvador			
Shelter	14,000,000	3,300	4,250
Infrastructure	9,500,000	630	13,000
Guatemala			
Shelter	14,500,000	4,500	3,240
Infrastructure	9,000,000	130**	70,000
Honduras:			
Shelter	13,800,000	5,140	2,683
Infrastructure	9,200,000	185	50,000
All Countries			
Shelter	42,300,000		10,173
Infrastructure	42,700,000		145,000

(Infrastructure investments include the use of \$15 million in AID loan resources to finance off-site infrastructure improvements for which there are no direct beneficiaries.)

* Unlike upgrading in other countries where some services exist, i.e. distribution lines to sites, installation of basic services in the municipalities of Costa Rica will be to currently unoccupied parcels where there is no installed infrastructure. For this reason, average costs are higher.

** Cost of installation of community water taps.

d) Training and Technical Assistance Component

Capital, human and institutional constraints must all be addressed in order to achieve the Jackson Plan goals. The CABEI project will help achieve these goals by providing:

- financing to increase the availability of these solutions and services;
- technical assistance and training to expedite implementation of this project; and
- technical assistance and training to focus on the policy issues that confront both the bilateral programs and the CABEI project.

i) Training and Technical Assistance Mechanisms

The specific characteristics of both the technical assistance and training programs are briefly described below.

The training component consists of three sub-components: regional and national training, on-the-job training and U.S. training.

The first sub-component of the training strategy for Central America will focus on regional and national training activities sponsored through INCAE. INCAE, the Central American Business Administration School, was founded in 1964 with the assistance of Harvard University. In addition to its regular two year academic program, INCAE has sponsored, often with AID financial assistance, seminars dealing principally with private sector management and banking.

INCAE's two strongest areas - finance and management - can fairly be described as the weakest areas of many of the regional shelter and infrastructure institutions. INCAE has also recently been developing a strong capacity to assist regional decision-makers to examine macroeconomic and monetary issues.

For this reason, the Regional Housing and Urban Development Office for Central America chose INCAE to develop and implement a regional training program for shelter and urban development officials. Since 1985, INCAE has designed and implemented a regional training seminar on housing and urban development policies and a series of national seminars dealing with housing finance and urban development. In the implementation of these seminars, INCAE has proven particularly effective in two areas. The contacts that INCAE has developed in each of the countries has served to attract a larger, more high-powered group of private sector actors in the shelter sector than has been seen in past AID-sponsored seminars. The expansion of AID's client base in the private sector has been one of the advantages for AID in working with INCAE. Secondly, INCAE also fortunately proved to be flexible in adjusting its program to incorporate evolving problems in the region, to focus on specific implementation problems and to adjust its program to suit needs identified by the participants.

Utilizing case studies to provoke discussions, the seminars have proved to be highly successful in addressing national policy issues. INCAE's technique of exposing decision-makers to the facts and the theoretical and historic advantages and disadvantages of alternate policies has been more effective, especially with high-level decision-makers, than any other approach to date.

In this project, INCAE will also provide mid-level training in finance and management to the officials and private sector managers who will make or break project implementation. This training will emphasize improved program and financial management for infrastructure project managers. INCAE will also provide more specialized courses in finance designed to assist private

24

and public finance institutions lending long-term for shelter to address methods of competing with commercial banks, the challenges of savings mobilization and the risks involved in long-term lending in Central America. Through its seminars, INCAE will also address the key infrastructure and housing policy issues in the region.

INCAE combines rigorous academic standards, a keen sense of the need to apply research to the region's problems, and an awareness of the pragmatic implications of applying its development theories to practice. The effective integration of INCAE within the program will not only provide a high-powered, clearly structured and integrated training program, but will expand the regional institution's understanding of, and capacity to respond to shelter and urban development problems.

Coordination of INCAE's programmed activities will be the responsibility of the Regional Housing and Urban Development Office, the long-term training/organizational development advisor, INCAE and its national training coordinators and CABEI. Planning meetings will be undertaken between CABEI, RHUDO and INCAE to plan each yearly program.

Because of INCAE's previous experience in implementing shelter and urban development training, their success in mounting these seminars, the desire to bolster existing regional institutions, and the lack of other regional institutions to assume this function, RHUDO will enter into a cooperative agreement with a single entity, INCAE, to provide training under this regional program.

The focus of on-the-job training will be in the area of municipal management. The objectives will be to select candidates who are currently in charge of specific municipal services and send them to work with either a U.S. or a Latin American municipality which is currently grappling with similar problems or has developed a creative and practical solution to a similar problem. Existing linkages between U.S. and Central American cities will be strengthened and similar relationships will be fostered for sponsoring on-the-job training in the more advanced Latin American countries.

The objective of training in the U.S. will be to develop specific individual skills which are in short supply in the region and which cannot be provided regionally in a timely manner. Areas currently targetted for U.S. training include management of urban services, personnel management and internal staff development programs, environmental planning and design, mortgage finance, construction planning and financial management.

Candidates for U.S. training will be selected from among the senior staff of shelter and urban development institutions based upon their commitment and the potential to effectively use and transmit the specialized skills learned. Language training will be provided in-country prior to departure if required.

The objectives of technical assistance are twofold: 1) at

25

the project level, technical assistance will be designed principally to expedite project implementation and production and to improve environmental controls; 2) at the policy level, technical assistance will be designed to set the general policy framework and goals to be achieved in order to provide a strengthened presence in the region to bolster RHUDO/CA's policy dialogue. Technical assistance will take two forms: short-term experts and long term resident advisors.

The financing of long term resident advisors will be especially important in developing a more systematic approach to the achievement of project goals and objectives at the project, program and policy levels in each of the four countries. The resident advisors will be responsible for assisting in: 1) implementation of the specific steps required to achieve the policy agenda established by the RHUDO, the Missions and ROCAP for each country and CABEI; 2) identifying tasks and experts required to achieve specific changes; and 3) ensuring the effective coordination of the technical assistance and activities at the project, program and policy levels. The three long term resident advisors attached to RHUDO will include an Urban Development Advisor, a Housing Finance Advisor, and a Training and Institutional Development Specialist. A fourth expert in betterment taxation will be assigned to work with the Municipality of Guatemala and will be available for consultation. For further details on technical assistance and training see Annex K.

ii) Technical Assistance and Training Budget

The total budget required for the training and technical assistance program over the five year project period is \$4,710,000. Of this total, \$4,000,000 will be provided from A.I.D. Grant Funds, \$610,000 from the RHUDO's training and technical assistance budget, an estimated \$25,000 already programmed through the Regional Economic Recovery project (596-0114) for environmental training for CABEI personnel, and \$75,000 will be requested from the Water and Sanitation for Health project (WASH) to finance technical assistance in areas such as leak detection, cost recovery and alternative water and sanitation technologies. The budget breakdown is as follows:

1. Technical Assistance	(\$000s)
a) Long Term Resident Advisors	2,105
b) Short Term Assistance	915
c) Technical Workshops	250
2. Training	
a) INCAE Training Program	897
b) On-the-Job Training	186
c) U.S. Training	152
d) CABEI Environmental Training	105
3. Project Evaluation	100
TOTAL	\$ 4,710

Grant Disbursements by Source
of Funds for Each Fiscal Year

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>TOTAL</u>
CABEI Project funds	1000	1238	927	785	50	4000
RHUDO	175	160	125	150	-	610
ROCAP*	25	-	-	-	-	25
WASH	-	25	25	25	-	75
	<u>1200</u>	<u>1423</u>	<u>1077</u>	<u>960</u>	<u>50</u>	<u>4710</u>

* Regional Economic Recovery Project (596-0114)

2. Project Demand

CABEI has received applications for loans from housing finance and development agencies throughout the region. A number of these applications have been processed and deemed eligible for CABEI financing if and when funds are available. Other applications have been received but are still being assessed. All applications were received prior to June 1985. While the unit prices need to be updated due to inflation, the basic demand for low-income housing is demonstrable. The figures show the following:

<u>Country</u>	<u>Approved Projects</u>		<u>Projects under Study</u>	
	<u>Projects</u>	<u>Units</u>	<u>Project</u>	<u>Units</u>
Costa Rica	3	230	19	1,697
El Salvador	4	1,656		-
Guatemala	3	211		-
Honduras	8	13,484	18	3,488
Total		<u>15,581</u>		<u>5,185</u>

During the preparation of this project, additional information on prospective low-income projects was obtained. The savings and loan system in El Salvador identified 6 projects totaling 6,408 units of low-income housing for which financing is not available now. FEHCOVIL in Honduras is seeking financing for 433 units of low-income housing. FENACOVIL, in Guatemala has pending 11 projects totaling 922 units, all of which will be built for low-income families. Conversations with public and private finance institutions in the region indicate that additional projects will be forthcoming once CABEI announces the availability of financing.

Both at the PID and Project Paper stages, RHUDO/CA and consultants discussed in the field with potential implementing agencies, central government authorities, and Central Banks, the effective demand for infrastructure project financing that was identifiable at the domestic currency interest rates foreseen in each country. The results of these country analyses are included in Annex E. The analyses show that there is probable excess demand

for the infrastructure financing, and that therefore CABEI will be able to move funds while selecting projects that carry strong policy commitments.

3) How Project Implementation Will Address Policy Objectives

Policy objectives have been identified for CABEI, housing finance institutions and infrastructure agencies. For all participating entities, the focus will be on private sector participation, cost recovery and improved financial and program management. However, the specific strategy to be pursued under each of these rubrics will vary depending on the institution.

In CABEI, private sector participation will be encouraged through CABEI's loan contracts with implementing institutions. In these contracts, CABEI will insert a clause requiring housing finance institutions to contract with the private sector.

The main focus of policy changes related to CABEI, however, revolve around improvements to financial and program management. In this regard, policy objectives include adoption, and more importantly, implementation of interest rate policies by CABEI that recognize the need to recover the cost of borrowing and eliminate portfolio delinquencies. Policy objectives in CABEI's program management include streamlining the decision making process by reducing approval time and delegating more authority to field personnel.

In addition to contracting with the private sector for all housing construction, working with national governments and individual housing finance institutions, the project will also stress the need to focus on the low income market, to mobilize domestic savings and to reduce delinquent payments by beneficiaries. Delinquencies are a particular problem with public housing finance institutions. For this reason, CABEI will explicitly require a commitment from borrowers to pursue full cost recovery. The project will increase private sector participation by channeling the bulk of housing resources through private sector entities.

Policy objectives of the infrastructure component will typically require more change on the part of implementing institutions than the housing finance component. Therefore, projects using A.I.D. loan funds will be approved for project financing where they strongly and directly reinforce changes in policy consistent with USAID, RHUDO and Mission objectives. Because of this, the initial round of project selection in each country will be performed jointly by CABEI and RHUDO/CA.

After the first round of lending is approved, as a condition to future infrastructure loan approvals, CABEI will present for RHUDO approval the project selection criteria they will use. This will ensure that AID/RHUDO policy objectives are incorporated into the CABEI infrastructure program without requiring constant monitoring by RHUDO. In addition, it will create in CABEI an institutional capacity to incorporate needed policy changes into its own lending policies.

Since infrastructure projects vary considerably by country, the key policy objectives to be pursued are highlighted here. In Tegucigalpa, Honduras, the cost recovery design appears good but actual performance is not satisfactory. The current program faces a 55% delinquency rate on billed charges, and many beneficiaries have never made payments. A.I.D. has provided technical assistance to help install an automated billing system, which now is in operation. It is probable, however, that further technical assistance will be required, especially as concerns effective and socially acceptable collection techniques. DIMA, the San Pedro Sula water authority, has successfully applied a policy of water cut-off to households whose payments are badly in arrears. SANAA has stated its intention to pursue a similar policy and the project will encourage it to do so.

In El Salvador, ANDA currently constructs all upgrading projects with private construction firms under a private supervising firm. However, current management believes that ANDA itself can perform the coordination, design, cost-estimation, and contract award functions formerly assigned to a private coordinating company. This matter will have to be negotiated so that CABEI/RHUDO either is satisfied with the administrative and contract management capacity of ANDA staff or a return to the previous arrangement of virtually 100% private sector direction and management is agreed upon.

The concept of direct charges for the capital costs of water hook-ups has been accepted by community groups and community residents in San Salvador, even at 14% interest rates. However, to date there has been no repayment experience. Policy dialogue in the El Salvador upgrading project will therefore stress cost recovery and private contracting.

The success of the three activities proposed for funding by CABEI in Guatemala depends heavily upon the cost recovery systems which accompany each activity. The cost recovery system of the Municipality is based primarily on its "Contribution for Improvements" system. The office in the Municipality which administers this system, in collaboration with the Municipal cadaster office, determines the increase in value to an individual property which will result from the public work to be constructed. The property owners who benefit from the project then are billed on a monthly basis for a given period to recover the costs of the project. Payments are scaled proportionally to estimated benefits, e.g. on a front footage basis for road paving.

This system has worked particularly well for recovering the costs of streets, sidewalks and other public works in middle and upper class neighborhoods of the city. A similar system has worked in poorer neighborhoods in times of emergency such as the recovery from the 1976 earthquake. The CABEI projects will provide the basis for strengthening the application of this system for urban infrastructure in poor neighborhoods.

Technical assistance and training will be necessary to improve the effectiveness of the "Contribution for Improvements" system especially as it applies to improvements in poorer neighborhoods, where land registry now is weak.

In Costa Rica, policy initiatives include devolution of more responsibility to the private sector, increasing water tariff rates, moving to market interest rates for infrastructure improvements and directly linking infrastructure improvements to low-cost housing.

As stated previously, the principal policy objectives are to promote greater private sector involvement, to improve cost recovery and to improve program and financial management. A combination of project conditions, technical assistance, and project monitoring have been developed to ensure these policy objectives are attained. The following chart illustrates the linkage between the policy agenda and technical assistance and training.

<u>Policy Objective</u>	<u>Technical Assistance and Training Inputs</u>	<u>Policy Outputs</u>
1. Promote greater private sector involvement		
a) expand the use of "turnkey" housing production systems which require the private sector to obtain sites, all permits and construction financing	Technical assistance to public housing authorities to improve and clarify public contracting systems and to expand the use of "turnkey" contracts.	100% of publicly financed housing projects are built by the private sector. Production increases in countries where turnkey systems are adopted. Project completion expedited.
b) improve the design of private sector projects to reduce costs and to illustrate the profitability of low cost housing projects for the private sector.	Workshop on computer design of housing projects for private promoters and Camaras de Construccion. Site visits for developers to low-cost housing projects, workshops for private developers on use of local materials to reduce costs.	Participation of private developers in low-cost housing projects. Increased number of private developers designing lower cost projects.
c) promote or improve specialized private sector shelter finance institutions.	TA to assist in creating specialized finance institutions. TA to improve national housing finance	Increased housing production financed by the private sector.

<u>Policy Objective</u>	<u>Inputs</u>	<u>Policy Outputs</u>
	policies which support private sector shelter institutions.	
d) encourage public sector infrastructure agencies to contract with the private sector for design, construction and supervision.	TA to public sector agencies on benefits derived from private execution of construction contracts. Site visits to Costa Rica where IFAM is already carrying out such a program. Resident Advisor to monitor compliance with CPs.	75% of all infrastructure construction carried out by the private sector. At least three public infrastructure agency contracts with the private sector for the design of projects.
2. Cost Recovery		
a) reduce delinquencies in public sector shelter institutions	TA and training to improve monitoring and collection systems through U.S. training, on-the-job training and seminars to improve portfolio management. CABEI requires borrower commitment to full cost recovery.	Collections increased by 25%.
b) improve private institution financial management.	Seminars on cost recovery, and housing policy, and services of long term finance advisor.	Interest rates revised upward by at least 8 financial institutions.
c) revise interest rates.	Technical workshops on cost recovery mechanisms. Technical assistance, including Guatemala PSC, to improve cost recovery within individual institutions, policy seminars on cost recovery, services of long-term finance advisor and urban development advisor, and on-the-job training, U.S. training.	Revised cost recovery or pricing policies will be implemented by at least 6 infrastructure institutions. Collections maintained at 85% or better for infrastructure institutions.
d) Introduce more effective techniques for cost recovery, improve collections, revise tariff rates, increase recuperation of full costs within public infrastructure agencies.		

<u>Policy Objective</u>	<u>Inputs</u>	<u>Policy Outputs</u>
3. Program and Financial Management		
a) improve environmental controls and project design	Services of environmental expert to work with CABEI and implementing institutions to improve environmental guidelines, short-term training and technical assistance to implementing institutions to improve environmental design; US training, where appropriate, training and technical assistance to CABEI to improve environmental monitoring.	Greater consideration of environmental impacts in project design and implementation.
b) CABEI revises financial policies to ensure Housing Fund remains health	Technical assistance and training to update financial projections and monitor operational costs.	CABEI adopts revised interest rate policy.
c) CABEI improves ability to manage shelter and infrastructure projects	Short-term technical assistance and use of urban advisor to promote decentralization, streamline operations, and incorporate policy considerations into infrastructure project selection.	CABEI adopts guidelines for delegating responsibilities to the field; infrastructure selection criteria developed by CABEI, approved by RHUDO, and monitored by CABEI.
d) design infrastructure projects that are socially sound.	Technical assistance provided to improve affordability analysis and social promotion. Technical assistance provided to examine alternative technologies for water supply and sanitation	Beneficiaries repaying implementing institutions.

4) Private Sector Participation

Although dealt with in the context of individual country program descriptions, efforts to involve the private sector merit special attention. The following matrix with an accompanying explanation provides a regional overview of private sector involvement in the CABEI Program.

	<u>Construction</u>	<u>Financing</u>
Infrastructure	75% private sector	majority public sector
Housing	100% private	majority private sector

a) Infrastructure

In the area of financing, both at the PID and PP stage, the project team made a concerted effort to examine both the possibility of assisting existing private sector water and sewer authorities and of creating new private entities.

As to the first possibility, there is currently only one small private sector water authority (in Guatemala). Because of its size it cannot realize economies of scale required even to maintain, let alone expand its operation. Poor management has also plagued this company. They are going bankrupt and plan to sell their operation.

As to the second option, creating new private water and sewer authorities would duplicate existing operations, absorb an inordinate amount of limited technical assistance funds, and because of economies of scale, could not be competitive with existing large scale public authorities without subsidies into the foreseeable future. Because of the need to realize economies of scale, even in the United States purely private water and sewer companies are not that common. The project will, however seek opportunities to award contracts to the private sector for additional management and maintenance functions such as repair of leaks, maintenance of meters and collections.

In the area of construction, 75% of the infrastructure investments will be contracted with the private sector and supervised by the private sector. This represents a considerable achievement of AID over past practices and reflects the continuous policy dialogue that has occurred in the region to reduce public sector payrolls, to strengthen private sector involvement and to expedite project implementation. In the context of this project, it will promote the devolution to the private sector of the design of infrastructure projects as well.

b) Shelter

Although we would prefer to propose that all shelter units would be built and financed by the private sector, two factors mitigate against such a statement. First is the absence of private sector institutions in some countries, second is the reticence of some private sector institutions to service the client group. Both limitations have been examined in detail.

Not all countries currently have private sector shelter finance institutions. In the case of Guatemala, there are no private sector savings and loan associations. In the case of El Salvador, the government nationalized the savings and loan system in 1980. In Costa Rica, the USAID Mission is already planning to provide considerable resources over the next five years to a new, privately managed national mortgage bank. Therefore, proposing to channel CABEI resources exclusively to the private sector would severely limit the number and variety of institutions which could participate, the level of production which could be achieved, employment, and the equitable distribution of resources to lower income clientele.

This does not imply that the project is not or will not continue to promote in the future greater private sector participation. In the case of Guatemala, the project will target resources to private sector commercial banks. In El Salvador, there are neither private sector savings and loans nor private sector commercial banks. Since it is not in the overall interest of U.S. policy in the next five years to ignore El Salvador completely in pursuit of a purely private sector lending policy, our program in El Salvador will funnel the majority of resources to quasi-private entities - the Social Housing Fund and the savings and loans.

In Costa Rica, the limitations are absorptive capacity and coordination with USAID Mission objectives. The Mission is already providing \$50 million to support private savings and loans. The CABEI program in Costa Rica focuses on the principal bottleneck to expanded private sector shelter lending; the lack of infrastructure in the burgeoning small towns surrounding San Jose.

In Honduras, a second limitation to increasing private sector participation is evident; the reticence of the private sector to produce a large volume of units affordable to the client group. Honduran S&L's generally have a mismatch of liabilities and assets. Similar to the crisis recently faced by U.S. savings and loans, short term payments exceed the stream of long term income flows from fixed interest rate mortgage repayments from borrowers. In the past, the S&L's have resisted involvement in low-cost shelter. With the long-term resources to be made available under this project and the bilateral program, the project expects to overcome this resistance to serving low income families.

In summary, the following private sector initiatives will be undertaken:

1. All new shelter units will be constructed by the private sector.
2. 75% of infrastructure work will be constructed and supervised by the private sector.
3. The project will encourage the private sector to assume responsibility for construction, supervision, as well as design of infrastructure projects.
4. The private sector will be encouraged not only to design and construct shelter projects financed by the public sector, but to assume responsibility for the sale of these new units.

44

5. Preferential treatment will be given to affordable projects presented by the private sector.
6. Technical assistance and training will be provided to private sector developers and construction industry organizations to encourage them to design more affordable units and to convince them that a viable low income market exists.
7. In Honduras, technical assistance will be provided to S&L's in portfolio management and domestic savings schemes.
8. Technical assistance will be provided in Guatemala to promote the creation of a specialized shelter finance system.
9. The adoption of market interest rates will be promoted in all countries and a concomitant reduction in unit costs so that the private sector can service the client group and still make a profit.

In short, without abandoning a commitment to service below median income families, the CABEI project has been designed to promote maximum private sector participation.

5. Institutional Absorptive Capacity

During the period 1981-85, CABEI financed \$112 million of housing projects. The proposed project calls for financing \$40 million over a similar time frame; slightly more than one-third of CABEI housing finance activity in the first half of the 1980's. The inclusion of \$45 million for financing infrastructure brings the total to \$85 million, which is still significantly less than the previous level of activity. This comparison does not take into consideration the effect of inflation, which would indicate that the physical accomplishments will be less under the proposed project. Assuming that the institutional capacity of CABEI remains at the same degree of competency as in the 1980's, the absorptive capacity of CABEI to implement the project is more than sufficient.

At the national level, Central Banks and Ministries of Finance have responded enthusiastically to the possibility of new financing through CABEI. They have also been taking concrete steps to move HG bilateral pipeline resources.

The Honduran Minister of Finance recently visited the A.I.D. Mission to request speedy negotiation of the outstanding \$35 million HG authorization. The draft agreement was provided in September 1986. Negotiations should take place by mid-October and the initial disbursement by February 1987. In Guatemala, the Banco de Guatemala is in the midst of its final review before signing the \$10 million private sector program and has already requested additional resources. Borrowing should take place in the first half of 1987. In El Salvador, the Ministry of Plan has resolved GOES HG payment problems which impeded implementation and is pushing ANDA, the national water company to liquidate its advances. Meanwhile, ANDA is aggressively seeking immediate financing for a follow-on program described under this project. The Ministry of Plan is also supporting acceptance of a major Social Housing Fund (FSV) package of HG

resources, ESF local currency generations, and policy reform. When this package is approved, the FSV can be expected to absorb at least \$12 million annually. The Implementation Agreement is signed for HG-006 C. Full disbursement borrowing should take place in early 1987. If FSV performs as expected, the Mission and RHUDO will negotiate the Implementation Agreement for the final tranche of HG-006 in 1987 and expects to disburse by early 1988. The Costa Rica Central Bank is ready to borrow the final \$6 million for its private sector HG program. Thus in all countries, serious efforts are now underway by both RHUDO and the respective host governments to utilize remaining HG bilateral resources. The reasons for this sudden interest by host country governments are twofold.

Central Banks and Ministries of Finance interest in near-commercial rate resources flagged for a period when Central American governments perceived that U.S. policy would support apparently unlimited increases in soft resources. They have now gained a more realistic appreciation of potential U.S. financial support. U.S. interest rates have also become more attractive so that central authorities and implementing institutions alike are drawing down currently available funds and looking for more.

Elsewhere, this document presents projections of utilization by implementing institutions of the resources requested under this project. These projections are conservatively based on past performance by CABEI and implementing institutions for identical or similar programs. These projections take into account bilateral A.I.D. and other donor resources. Because of these other resource flows, some agencies have not been included although they want to be, while in other instances, CABEI resource flows will be drawn down after bilateral flows have been exhausted.

Large resource flows to be provided by IDB in Honduras, and IBRD in Guatemala and El Salvador are designed to increase the overall supply of water or to improve management by water authorities. They are not designed to finance extension of services to communities or households by other donors. Thus these investments will complement the investments contemplated under the CABEI program. Water agencies view the CABEI financing as essential to their ability to be able to recover the costs of these capital investments and to be able to distribute the benefits promptly to those families now without service. By contracting out to the private sector both the design and construction of the major capital investments and distribution systems to bring water and sewer services to beneficiaries, public agencies have the capacity to handle both types of projects simultaneously.

A parallel regional shelter program which provided financing to the Cooperative Housing Foundation for activities in Central America has now committed the majority of its resources. Specific program activities are expected to increase regional absorptive capacity by their contribution to strengthening existing private sector entities and support of the formation of new shelter institutions such as credit unions and cooperatives. As the scale of these activities to date has been small, the analysis of absorptive capacity has not relied on these activities. However, they will be considered for eligibility under the program.

4/6

In summary, project design directly addresses the issue of absorptive capacity through its offer of resources at a time when they are perceived to be needed, the regional approach which builds on an institution which has had considerable success in the past in moving resources, the private sector agenda, and the variety of institutions which can be considered for financing.

6. Development Process

a) Housing

The development process whereby the funds flow from CABEI to the potential homebuyer will vary depending on the institutional framework and policies in each country. The first step in this process requires CABEI to prepare a set of development guidelines which sets out the terms and conditions for loans, eligible institutional borrowers, types and cost of shelter solutions, income limit for beneficiaries, in short, any and all information that is required by a developer or financial institution to determine whether to participate in the program. However, the development process will differ slightly depending on whether the primary implementing agency is a private or public institution.

When the implementing agency is a public institution, the agency typically assumes the role of developer as well as financial intermediary. The authority or bank prepares a preliminary project proposal which it submits to CABEI for approval. Once the project is conditionally approved by CABEI, the authority prepares the final plans and a private construction contract is awarded. Construction financing will be obtained locally, either from the public institution's internal financial resources, from another financial institution, or from the government. In the event construction financing is not available locally, CABEI may authorize a construction loan.

Public housing institutions will employ the turnkey system whereby private sector firms, both financial and developmental, undertake primary project responsibility, with the role of the authority relegated to one of financial intermediary and overall responsibility for project approval and supervision. In this case, the public institution may retain the right to select beneficiaries, or may pass on this responsibility to the private developer. As the units are completed and sold to eligible beneficiaries, the authority will submit packages of mortgages to CABEI for financing.

When the financial entity is a private sector saving and loan association, a commercial bank, or a cooperative, it prepares a project proposal in conjunction with a private sector developer. The developer secures access to a suitable site and prepares a preliminary proposal based on CABEI's guidelines. Then the developer submits the proposal to a financial institution, which in turn submits the proposal to CABEI. As in the case of public sector proposals, construction financing will be secured locally, or alternatively from CABEI. The developer sells the units to eligible borrowers, who in turn secure a mortgage loan from the financial institution. A private sector builder, usually the developer, constructs the units. The financial institution services the loans and repays CABEI.

b) Infrastructure

The infrastructure component of the Project in some respects will be administered differently from the housing finance component.

Dollar loans to countries for infrastructure financing from HG resources will be made at the same market rate plus CABEI charges as HG loans for housing. To finance off-site investments that make possible on-site infrastructure improvements, but are not themselves fully cost recoverable (e.g., extensions of a water transmission main to an area to permit household connections), the Project will earmark \$15 million of A.I.D. loan funds for on-lending to Central Banks. These A.I.D. funds will be tied to programs of institutional strengthening at the same time they are used to finance off-site infrastructure. The Central Bank will on-lend local currency loans to implementing authorities, or, if the loans are made directly to implementing agencies, they will carry a central government guarantee. This procedure reduces repayment risk to CABEI since infrastructure projects cannot be foreclosed by the lending institution and sold in the event of non-payment by the borrower. The government guarantee replaces the construction project itself as security for CABEI.

Although efforts will be made to allocate initial funds approximately equally across the four eligible countries, thereafter, the pattern of country project financing will reflect local demand, local ability to implement projects in a timely manner, and the contribution of the proposed projects to policy changes in the infrastructure area.

III. Financial Plan

A. Summary Cost

The Regional Shelter and Urban Development Project will be implemented over a five year period at a total cost of \$89 million. Source of funding is comprised of \$45 million in Housing Guarantee, \$15 million A.I.D. Loan, \$4 million A.I.D. Grant and CABEI counterpart contribution of \$25 million.

Major elements to be financed under this project include new housing at \$42.3 million, on-site infrastructure investments at \$27.7 million, off-site infrastructure at \$15 million, and technical assistance and training at \$4 million.

The A.I.D. Loan and Grant will be obligated under a single project agreement signed by A.I.D. and CABEI.

B. Funding Requirements

The percentage of project resources flowing into the shelter sector is 47%, while 48% will be directed to the infrastructure activity, both on-site and off-site, and the remaining 5% will be used for technical assistance and training. CABEI's financial counterpart contribution will be equal to 28% of the total cost of the project.

58

TABLE 2
SUMMARY BUDGET
(Millions of US\$)

Source of Funds	A c t i v i t y				Total
	Housing	On-Site Infrastructure	Off-Site Infrastructure	TA & Training	
1. HG Loan	32.3	12.7	-	-	45.0
2. A.I.D.Loan	-	-	15.0	-	15.0
3. CABEI	10.0	15.0	-	-	25.0
4. AID Grant	-	-	-	4.0	4.0
	42.3	27.7	15.0	4.0	89.0

The total U.S. contribution of \$64 million will be disbursed in U.S. dollars. Based on past program experience, the possibility of potential additional local currency requirements to implement projects has been broached with bilateral Missions. In cases where this is possible, project-provided AID funds will be used for the dollar costs of off-site investments and Mission ESF local currency generations for domestic costs. In all cases, the Missions have committed themselves to consider such requests. USAID/Costa Rica has committed itself to a one time upfront \$1 million investment in the urban development program to facilitate program start up prior to the availability of DA resources in FY 88. Future competing demands for potentially smaller ESF allocations would understandably affect allocations of local currencies across all sectors, but the anticipated requirements of less than \$1 million per country per year appear to be reasonable to the bilateral Missions.

TABLE 3
PROJECTED OBLIGATION SCHEDULE

<u>Activity</u>	1986	1987	1988	1989	1990	1991	<u>TOTAL</u>
1. HG Loan Authori- zation	15.0		20.0	10.0			45.0
2. A.I.D. Loan		-	5.0	5.0	5.0	-	15.0
3. CABEI (inputs)		5.5	5.7	4.5	4.8	4.5	25.0
4. AID Grant		1.0	2.0	1.0		-	4.0
TOTAL	15.0	6.5	32.7	20.5	9.8	4.5	89.0

* HG Loans are authorized not obligated.

C. Disbursement Schedule

A.I.D. expects to approve the project in September, 1986. The Implementation Agreement which governs the use of the HG funds, and the HG loan contract and the A.I.D. project agreement are expected to be signed in the first quarter of 1987. Additional A.I.D. resources would be added to this project agreement once available. Up to \$5 million from the \$45 million HG loan can be advanced to CABEI to initiate project development. Subsequently, CABEI will borrow HG funds as eligible mortgages for housing are originated or as eligible

49

projects for infrastructure are approved and presented by national implementing agencies. The last HG loan of \$5 million is expected to take place in 1991. The \$15 million A.I.D. loan will be made available in blocks of \$5 million each in FY88, FY89, and FY90. CABEI will allocate its counterpart funds for the project throughout the life of the project, in amounts ranging from \$4.5 million to \$5.7 million, to total \$25 million. The peak year for influx of funds will be 1988, when it is expected that \$32.7 million of project funds will be utilized.

CABEI will make project funds available to borrowers over a period of five years beginning in 1987 and ending in 1991. In the first year, CABEI will loan \$10.5 million, of which approximately 50% will be channeled to housing programs and 50% to infrastructure. Disbursements will be relatively even for the period 1988 through 1990, ranging from \$19.8 million to \$25.5 million. At the end of the program in 1991, \$9.5 million will be disbursed. (See Table 4).

TABLE 5

D. Methods of Implementation and Financing

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Approximate Amount</u>
		(US \$000)
Capital Expenditures through Regional Institution (CABEI) working directly with intermediary cooperating institutions	Direct Reimbursement (advances for immediate disbursement requirements)	\$ 85,000
Technical Assistance HC, PSC's, IQC's, Profit making contractors	Direct Pay	\$ 3,270
Training: Cooperative Agreement, HC, PIO/P	Direct Pay	\$ 1,340
Evaluation: IQC's	Direct Pay	\$ 100
Total		\$ 89,710

(Note: These totals include all projected sources of funding for technical assistance and training)

For those technical services to be contracted by CABEI, RHUDO and ROCAP are satisfied that the Bank possesses the ability to properly a) advertise, award and negotiate contracts, b) monitor contract implementation, c) examine invoices and d) audit contractor records and reports. This judgment is based on the progress to date under the Regional Economic Recovery project (596-0114), under which CABEI has successfully contracted for two large and extremely complex technical assistance packages.

E. Financial Considerations

1. Interest Rates

The terms and conditions of the financial resources will vary by

source. The interest rate on the HG Loan will be determined by the financial market rates in the U.S. If a loan were contracted today, the interest rate, including the AID commission, would be approximately 9 percent, for 30 years with a 10 year grace period on principal repayment. The A.I.D. Loan will carry a 2 percent interest rate for the first 10 years, with interest payments only being made. The remaining 30 years of this loan will be amortized at a 3 percent interest rate.

CABEI's contribution will be derived from two sources. \$10 million will be generated from capital contributions by member countries made in 1985/86. The remaining \$15 million contribution by CABEI will consist of internal reflows and repayments of loans (transfers) made by the Housing Fund to the Ordinary Fund in previous years. The Housing Fund is currently receiving interest payments on this interfund loan, currently calculated at 8 percent, which in effect, would be the opportunity cost of these funds if used for other purposes.

Based on the expected cost of funds, a composite or blended interest rate can be calculated to give a general idea of the financial feasibility of the loan package. (See Table 6 below) Such factors as the term of the different loans cannot be taken into consideration, therefore, this calculation is only an approximation. The cash flows prepared as a part of this exercise are more accurate indicators of the financial feasibility of the program. The A.I.D. grant is omitted.

TABLE 6
Weighted Average Cost and Return on Funds

	<u>COST OF FUNDS</u>	<u>RETURN ON LOANS</u>
HG Loan	9.00%	10.00%
A.I.D. Loan	2.25%	6.00%
CABEI:		
Capital	0.00%	10.00%
Counterpart	<u>8.00%</u>	<u>10.00%</u>
	<u>6.57%</u>	<u>9.53%</u>

Based on this method, the average weighted cost of funds for this program, therefore, can be calculated at 6.57%. It should be pointed out that this blended rate can change if the interest rate or the quantity of any one or more of the sources change.

TABLE 4
PROJECT DISBURSEMENTS BY FISCAL YEAR
(Millions of US\$)

	1987	1988	1989	1990	1991	TOTAL
Costa Rica	<u>2.0</u>	<u>6.0</u>	<u>7.0</u>	-	-	<u>15.0</u>
Housing	-	-	-	-	-	-
Community-wide (HG + CABEI)	2.0	4.0	5.0	-	-	11.0
Infrastructure (DL)	-	2.0	2.0	-	-	4.0
El Salvador	<u>2.0</u>	<u>5.0</u>	<u>6.5</u>	<u>6.5</u>	<u>3.5</u>	<u>23.5</u>
Housing	<u>2.0</u>	<u>3.0</u>	<u>4.0</u>	<u>4.0</u>	<u>1.0</u>	<u>14.0</u>
On Site Infrastructure	-	1.5	2.0	2.0	2.5	8.0
Off-Site Infrastructure	-	.5	.5	.5	-	1.5
Guatemala	<u>4.5</u>	<u>5.5</u>	<u>6.5</u>	<u>5.5</u>	<u>1.5</u>	<u>23.5</u>
Housing	<u>2.0</u>	<u>3.0</u>	<u>4.5</u>	<u>4.0</u>	<u>1.0</u>	<u>14.5</u>
On Site Infrastructure	2.5	2.0	1.5	1.0	.5	7.5
Off-Site Infrastructure	-	.5	.5	.5	-	1.5
Honduras	<u>2.0</u>	<u>4.2</u>	<u>5.5</u>	<u>6.8</u>	<u>4.5</u>	<u>23.0</u>
Housing	<u>2.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.8</u>	<u>2.0</u>	<u>13.8</u>
On Site Infrastructure	-	.7	2.0	2.0	1.5	6.2
Off-Site Infrastructure	-	.5	.5	1.0	1.0	3.0
Total Loan Program	<u>10.5</u>	<u>20.7</u>	<u>24.5</u>	<u>19.8</u>	<u>9.5</u>	<u>85.0</u>
Housing	<u>6.0</u>	<u>9.0</u>	<u>11.5</u>	<u>11.8</u>	<u>4.0</u>	<u>42.3</u>
On-Site Infrastructure	4.5	8.2	10.5	5.0	4.5	32.7
Off-Site Infrastructure-	-	3.5	3.5	2.0	1.0	10.0
Technical Assistance						
1. Resident	.543	.592	.485	.485	-	2.105
Advisors						
2. Short Term	.380	.285	.150	.100	-	.915
3. Technical						
Assistance						
Workshops	.075	.050	.050	.075	-	.250
Training						
1. CABEI	.025	.040	.025	.015	-	.105
2. INCAE	.177	.339	.254	.127	-	.897
3. On-the-Job		.062	.062	.062	-	.186
4. U.S. Training		.030	.051	.071	-	.152
Training subtotal	<u>.202</u>	<u>.471</u>	<u>.392</u>	<u>.275</u>	-	<u>1.340</u>
Evaluations		.025		.025	.050	.100
Technical Assistance						
and Training Subtotal	1.200	1.423	1.077	.960	.050	4.710
TOTAL DISBURSEMENTS	<u>11.7</u>	<u>22.123</u>	<u>25.597</u>	<u>20.76</u>	<u>9.55</u>	<u>89.710</u>

(NOTE: These totals include all projected sources of funding for technical assistance and training).

It is expected that all of the \$75 million for housing and on-site infrastructure will be loaned at the same interest rate, in this example, 10%. Off-site infrastructure loans totaling \$10 million will carry a 6% interest rate. The remaining \$5 million in off-site infrastructure loans will be recovered at market interest rates. The average weighted return on loans can be calculated at 9.53%, as shown in Table 6.

The resulting spread of 2.96 points will be adequate to cover operating and administrative costs, which were calculated at 0.93% for the most recent fiscal year. The remaining points will be added to retained earnings, and in effect, help CABEI to recoup previous year losses as well as to capitalize the Housing Fund.

Because of Central Bank internal on-lending policies, the program could experience difficulties if the CABEI rate to the Central Banks exceeds 10%. For example, the current lending rate by the Central Bank in Honduras is 10 percent, which means that CABEI would not be able to lend to the Central Bank at a rate in excess of 10% unless the Central Bank absorbed the loss in on-lending or revised its internal on-lending interest rates. Although this limitation is now only immediately apparent in the case of Honduras, attractive U.S. interest rates to CABEI and Central Bank lending policies which facilitate the use of CABEI resources are important program factors.

2. Borrowing Terms

All member countries will have access to loans under equal terms and conditions for housing and infrastructure. While the HG rate has been calculated at 9 percent, and the rate for eligible borrowers at a slightly higher rate, prevailing market conditions in the U.S. will cause the HG rate to vary. Since CABEI will establish its on-lending rate based on its cost of resources and administrative expenses, and since it is planned that CABEI will have multiple borrowings, CABEI cannot guarantee to member countries that the dollar interest rate will remain fixed over the life of the project.

Interest rates to project beneficiaries will be governed by member countries lending policies and regulations. Private sector implementing institutions, which will receive loans directly from CABEI, will on lend the funds at a rate sufficient to cover costs and allow a profit. Loans from CABEI to public sector agencies will generally be funded through the Ministry of Finance, and these will be made available to the implementing agency at the prevailing market interest rate.

3. Interest Rates by Country

The terms and conditions of housing and infrastructure loans in the recipient countries are strictly controlled by national governments. They also vary considerably from country to country.

PROPOSED CENTRAL GOVERNMENT/CENTRAL BANK ON-LENDING RATES
TO FINANCIAL INSTITUTIONS

HONDURAS	COSTA RICA	GUATEMALA	EL SALVADOR
10%	16%	11%	12%

TABLE 7

CURRENT INTEREST RATES TO FINAL BORROWERS
ON HOUSING AND INFRASTRUCTURE LOANS
By Percent

	COSTA RICA	EL SALVADOR	GUATEMALA	HONDURAS
Housing:				
Commercial Banks	N/A	14-21%	14%	19%
S. and L. Assoc.	20%	16-21%	N/A	14-16%
Public Hg. Ag./Banks	20%	4-12%	8%	11-15%
Infrastructure				
Water & Sewer Auth.	N/A	14%	12%	N/A
Municipal Devl. Auth.	10%	N/A	N/A	17%

4. Real Interest Rates

Real interest rates are determined by estimating the rate of inflation and comparing that rate to the current interest rate. If the rate of inflation exceeds the interest rate at any given time, the real interest rate is negative. If the interest rate exceeds the rate of inflation, the rate is positive. Based on inflation rate projections over the implementation period of this project, Costa Rica and Honduras are expected to show positive real interest rates. In El Salvador, the AID Mission and the IMF are pressing for structural reforms including exchange rate adjustments and a decrease in the government deficit which should reduce the inflation rate. In addition, in January, 1986, the Junta Monetaria approved increases in interest rate ceilings. In the housing sector, RHUDO will encourage lending agencies to charge the maximum legally allowable interest rate and will design housing sector policies to be consistent with and supportive of the overall economic objectives of USAID/San Salvador.

Guatemala is also suffering from a recent increase in inflation. In response, interest rate ceilings in the housing sector were recently raised to 14% and a variable interest rate policy was adopted by the FHA.

RHUDO, in conjunction with USAID Missions, will continue to monitor inflationary trends, encourage further adjustments to housing sector interest rate policies where warranted, and design housing policies to be consistent with overall USAID monetary and fiscal policy objectives. Assuming that AID, IMF and host country policies effectively work to reduce inflation in Guatemala and El Salvador to 10% within the next two years and that interest rate ceilings are not reduced in-country, positive interest rates would emerge in year three of this program.

IV. Implementation Plan

A. Implementation Arrangements

CABEI will enter into two contracts; one for the HG loan in the amount of \$45 million and one for the AID loan and grant totalling \$19 million. The procedures governing both agreements are summarized below. An HG loan will be contracted from a U.S. lender upon presentation of evidence from CABEI that projects in an amount equal to the HG loan being contracted have been approved. With A.I.D. concurrence, CABEI will contract an HG loan with the funds to be placed in escrow, and released only upon presentation of eligible mortgages and/or eligible project expenditures to RHUDO. A.I.D. will, however, permit CABEI to contract and receive an advance not to exceed a total of \$5 million based upon evidence of construction already underway.

CABEI will use the proceeds from the HG loan to purchase eligible housing mortgages and to finance the cost of on-site infrastructure improvements in eligible neighborhoods or communities. Upon presentation of a package of eligible mortgages or project expenditures, CABEI will purchase the mortgages, leaving to the originating financial institution the task of servicing of the mortgages.

Under the terms and conditions of the A.I.D. project agreement, ROCAP will disburse the necessary foreign exchange to cover costs incurred by CABEI in carrying out on-site and off-site improvements. The disbursement of development loan and grant assistance will follow A.I.D.'s usual procedures. The direct reimbursement method of financing will be utilized for all AID loan funds. At A.I.D.'s option, an advance to finance up to 90 days of project implementation may be approved. Additionally, reimbursement may be requested for project expenditures made from CABEI's own funds. Local currency disbursements by CABEI will be reimbursed in equivalent U.S. dollars at the exchange rate the local currencies were obtained by CABEI; ROCAP will not make any local currency disbursements.

Based on the positive results of the recent financial reviews performed by the ROCAP Controller's Office, independent audits of CABEI's financial activity, and on-going review of CABEI financial controls applied to AID-financed activities, the Certified Disbursing Report method of accounting for project disbursements will be utilized. Advance requests presented through the submission of SF-1034 Public Vouchers for Purchases and Services other than Personal will be accompanied by narrative justification supporting each request, and such advances will be deposited into a U.S. dollar interest bearing account, with all earned interest reverting to the U.S. Government.

In all cases, it will be preferable for local implementing agencies to obtain construction financing from other sources. However, in the event construction financing is not available, CABEI can make available funds for construction financing.

RHUDO through CABEI will retain funds for each country in conformance with

the proposed disbursement schedule now included in the Project Paper. This will ensure that in those countries where proposed disbursements follow upon the draw down of bilateral resources that CABEI funds will remain available even though disbursements start at a later date. An assessment of project fund utilization for each country will be undertaken by RHUDO and CABEI each year. Reprogramming decisions will be taken after consultation with bilateral Missions.

B. Guaranty Arrangements

The proposed arrangement, based upon the existing \$100 million portfolio of HG loans to CABEI, is to rely upon CABEI's credit worthiness, payment history and the economic interests of CABEI's member states to maintain CABEI's financial viability. CABEI will provide A.I.D. with an institutional guarantee which is backed by the individual loan guarantees from each national government. The CABEI guarantee is also backed by the capital contributions of the five member countries to CABEI. Such paid in capital and reserves totalled US \$348.8 million as of June 30, 1985. CABEI in turn will obtain a guarantee from each of the participating Central Government's for loans made under the project. Such guarantees will take one of two forms, depending on the policy of the Central Bank in each country.

One form will be the continued use of the compensatory loan mechanisms, where CABEI swaps dollars with the Central Bank for an equivalent amount of local currency. This ensures the maintenance of value of the U.S. dollars. With the local currency, CABEI makes a project loan to the local borrower, who pledges the project as guaranty for repayment of the loan, again in local currency. When the borrower makes a loan repayment to CABEI, CABEI swaps that local currency with the Central Bank for U.S. dollars. Interest is charged on all loans. This mechanism will be used principally for private sector housing loans.

The other form involves a direct loan to the appropriate national government agency, usually the Ministry of Finance, with the U.S. dollars being passed through the Central Bank for conversion to local currency. The Ministry then makes the funds available to the implementing agency for project purposes. Alternatively, the government may approve a direct loan to a borrower, with the government guarantying the loan. The implementing agency repays the Ministry with proceeds from beneficiary loans, and the Central Bank converts the local currency to U.S. dollars to repay CABEI, which in turn pays the U.S. investor. In all cases, the government will provide a maintenance of value guaranty as well as a repayment guaranty to CABEI.

56

The Government of El Salvador, viewing the CABEI proposal as a series of social programs, has agreed to cover the exchange rate risk and guaranty repayment of the loans. The Ministry of Planning, SETEFE, would be the probable borrower, passing the funds to implementing agencies.

In Guatemala the government has indicated strong support for the CABEI program, and will provide CABEI with the appropriate guarantees necessary to ensure the flow of housing funds to the country.

In the case of Costa Rica, while the Government is willing to guarantee repayment, because of IMF restrictions, the Central Bank may require that all implementing agencies absorb an interest spread of 6-7% which the Central Bank estimates would cover its foreign exchange risk over the life of the loan, in the event of devaluation. While this does not pose a problem for housing finance institutions, given local market interest rates of 20%, it has precipitated the blending of resources to make a program, in the medium term, with IFAM, feasible.

Like Guatemala and El Salvador, the Central Bank of Honduras has agreed to guarantee repayment to CABEI.

C. Management Arrangements

1. Role of CABEI

Overall coordination of this project will reside with the Financial Management Division of the Bank. Project design and implementation will be the responsibility of the Housing and Social Infrastructure Section.

2. Role of ROCAF

RHUDO will make recommendations to ROCAF regarding the management of its overall strategy of assistance to CABEI and major program decisions and evaluations. ROCAF, through its General Development Office and its PSC Liaison officer for the Regional Economic Recovery project, will provide support to RHUDO in the management of the A.I.D. loan and grant resources for CABEI. Project expenditures will be approved by the ROCAF Controller.

The Regional Environmental Management Specialist (REMS) based in ROCAF's San Jose, Costa Rica Office will be called upon as needed to review the potential environmental impact of projects proposed for financing under this project.

3. Role of RHUDO

The RHUDO will recommend to ROCAF the specific policy agenda to be pursued in each country with the Missions. Coordination between bilateral policy dialogue and CABEI policy dialogue will be the responsibility of ROCAF with RHUDO assistance. RHUDO, ROCAF and the A.I.D. Missions will establish the

57

parameters of the policy dialogue to be initiated with implementing agencies in each country. These efforts will provide the policy basis for the development of the training and technical assistance program to support policy objectives.

RHUDO will also be responsible for recommending to ROCAP for approval the overall framework for technical assistance and training. RHUDO responsibilities will include supervising the long-term resident advisors, defining work to be performed by short-term experts, supervising the implementation of INCAE's training program, and contracting for services as reflected in the procurement plan.

D. Monitoring, Audits and Evaluations

1. Monitoring

This activity will be primarily the responsibility of RHUDO and the urban development advisor (UDA). It will require approximately 40% of the urban development advisor's time. The UDA will have to coordinate project monitoring with CABEI field staff, take the lead on major policy issues such as private sector roles and cost recovery, and intervene to solve the inevitable paperwork and bureaucratic obstacles to speed project implementation.

Projects will be supervised from the field by a CABEI engineer/institutional specialist, who will have a gamut of functions ranging from engineering oversight to help in resolving institutional and paperwork problems that arise in project execution. CABEI has agreed to assign adequate personnel to field positions outside Tegucigalpa and to delegate more authority for resolution of problems by field staff.

2. Evaluations

The project life is five years. Interim evaluations will be programmed for 1988 and 1990. The final evaluation will be scheduled for 1991. All evaluations will be conducted by independent contractors. Interim evaluations will assess progress in the following areas:

1. improvement in costrecovery by infrastructure and housing implementing agencies;
2. effectiveness of modalities used to provide TA and training;
3. progress made towards achieving construction targets;
4. extent to which low-cost housing is occupied by eligible beneficiaries;
5. effect improved personnel management and project review procedures within CABEI have had on expediting project implementation;
6. analysis of CABEI's financial management of the Housing Fund;
7. analysis of private contracting procedures by implementing agencies;
8. evaluation of environmental training and technical assistance program;

9. evaluation of the congruency of policy initiatives of CABEI and RHUDO;
10. recommendations related to reallocation of resources among countries or program components.

3. Audits

CABEI annually contracts for an audit of the financial condition of the Bank. The audit, conducted by an U.S. affiliated independent audit firm, includes an audit of balance sheets covering the Bank's assets and liabilities, statements of income and retained earnings, and statements of changes in the financial position of the Bank.

In the context of this project, CABEI will covenant that it will finance the costs of annual audits which meet A.I.D. requirements and provide for additional certification statements relating to this project as required.

E. Conditions, Covenants and Negotiating Status

1. Covenants

- a. That CABEI will provide sufficient personnel in the field and in Tegucigalpa, to manage the implementation of this program.
- b. That CABEI, in order to expedite project implementation, will delegate responsibilities to field managers and provide adequate personnel for project implementation.
- c. That CABEI will suspend disbursements under the Public Sector lending component of the Housing Fund to any country which is more than 60 days delinquent on its payments to CABEI.
- d. CABEI will require in its loan agreements with housing finance subborrowers that all construction will be done by the private sector.
- e. CABEI will insure that subprojects are environmentally sound.
- f. That CABEI will honor statutory limitations included in the U.S. Foreign Assistance Act of 1961, as amended, as well as such restrictions contained in authorization and appropriation bills for A.I.D. as well as pertinent U.S. policy, regarding use of project funds.
- g. CABEI will finance the cost of an annual independent audit which meets AID requirements and provides for additional certification statements as required.

2. Conditions Precedent to Borrowing

- a. That CABEI adopt an interest rate policy which stipulates that CABEI recover its cost of resources, i.e. as interest rates change, they recover their cost of borrowing plus administrative expenses.
- b. That CABEI provide evidence for four of the five countries that public Housing Fund accounts are current or are in compliance with existing payment arrangements with CABEI.

3. Conditions Precedent for First Disbursement

- a. That CABEI prepares a plan demonstrating how the Bank's project approval and implementation process has been streamlined and that appropriate delegation of responsibilities has occurred.
- b. CABEI will provide evidence that it will process disbursements for program components only to those countries which have provided evidence of adequate country subloan mechanisms.

4. Conditions Precedent for Subsequent Disbursements

- a. As a condition to approval of infrastructure projects after the first round of project selection, CABEI will present for RHUDO approval the selection criteria, including environmental controls and cost recovery, to be used for future infrastructure project selection.

5. Negotiating Status

RHUDO/CA has discussed at length with both the technical staff and the policy makers within CABEI the implications and underlying rationale for the above-stated covenants and conditions. As a result, the Borrowers Request for Approval of Project Funds explicitly included this list of covenants and conditions. Based on the consensus that has emerged as a result of these discussions, RHUDO/CA anticipates no major problems in negotiating the Implementation and Project Agreements with CABEI.

F. Gray Amendment Opportunities

Opportunities for Gray Amendment organizations will be available only under the Training and Technical Assistance component. This component will include a variety of short term assignments in the areas of cost recovery, environmental design, contracting procedures, project preparation and evaluation, decentralization of operations, and financial management.

G. Procurement Plan

Procurement of services financed by the AID grant will be through the following modes:

TABLE 8
PROCUREMENT PLAN

<u>Acct. No.</u>	<u>Services Required</u>	<u>Duration</u>	<u>Start Date</u>	<u>Cost</u> (US\$000)	<u>Procurement Mode</u>
*1	Urban Dev. Advisor	4 yrs	3/87	720	RFP Competitive
*2	Finance Advisor	4 yrs	3/87	720	RFP Competitive
3	Regional Train. Adv.	4 yrs.	3/87	500	PSC
4	INCAE Training and Technical Assistance	4 yrs	3/87	897	Cooperative Agreement
5	Guatemala Advisor	18 months	6/87	165	PSC
6	Evaluations	4 months	6/88 6/91 9/92	100	IQC
7	Short-term Tech. Ass.			915	IQC and CABEI (Host Country) Contracting
8	U.S. Training			152	PIO/P
9	On-the-job Training			186	Host Country Contracting
10	Technical Workshops			250	IQC/WASH
11	CABEI Environmental Training			105	IQC and CABEI (Host County Contracting)

* Contracts awarded FY86. Contractors hired with RHUDO funds until CABEI funds available.

1) Technical Assistance Procurement modes

For the Resident Advisors, RHUDO has already competitively bid for the Urban Development Advisor and the Finance Advisor and Contractors have already been selected. They will be paid from the RHUDO budget until the CABEI funds are available. Both are institutional contracts.

RHUDO will also competitively advertise and select the training PSC. CABEI will competitively advertise the local PSC for Guatemala a. Short term technical assistance and evaluations with the exception of environmental activities, will be contracted through existing AID IQC's. Planned environmental technical assistance will be procured through CABEI by means of host country contracting modes.

2) Training Procurement Modes

RHUDO will enter into a Cooperative Agreement with INCAE to provide the vast majority of training services. The estimated cost of this contract will be \$897,000. Environmental training will be contracted through CABEI. U.S. training, which will generally be short term in duration, and on-the-job training will be obtained through PIO/Ps and Host Country contracts, respectively.

V. SUMMARY PROJECT ANALYSIS

A. Technical Analysis

1. Shelter

The types of housing solutions to be provided under this project range from sites and services solutions to standard units. Under the sites and services solution, a fully serviced site, with water and sewage connections and electrical hook-up, will be provided to eligible borrowers, who as time and resources permit, will build a residence on that site. One step up will be the wet core solution, whereby the same serviced site is produced, but, in addition a small sanitary core is included. The next step is a basic core unit which will consist of the serviced site plus a single room of 20 to 25 square meters with sanitary facilities. Finally a standard unit of 40 to 45 square meters may be built depending on whether the cost of such a unit is affordable to low-income families, as will be discussed below.

Unit costs will vary in those countries where the proposed shelter solutions will be built. In El Salvador, the average rates for sites and services solutions, based on current IVU costs, will run about \$1,200. However, since land costs are a major component of this solution, the cost is highly contingent on site location. No wet core are currently being constructed in El Salvador, so comparable costs are not available. A basic core unit will cost about \$3,000, while a standard unit will run about \$6,000.

There has been no experience with sites and services and wet cores in Guatemala, however a one-bedroom unit of 27 square meters will cost about \$4,000 while a 42 square meters two-bedroom unit will be priced at \$6,200. In Honduras, a site and service solution will cost \$2,000, increasing to \$3,000 for the wet core, \$5,000 for the basic core and \$8,500 for the 2 bedroom unit. Again the costs are illustrative, and costs will vary depending on location, availability of services, demand, etc.

TABLE 9

SOLUTION	<u>TYPICAL UNIT COSTS</u>		
	EL SALVADOR	GUATEMALA	HONDURAS
- Sites and services	\$1,200		\$2,000
- Wet core			3,000
- Basic core	3,800	\$4,000	5,000
- Standard unit	6,000	6,200	8,500

2. Affordability Analysis

In all participating countries, site and service solutions, wet cores and basic cores are affordable by families whose incomes fall below the median income. This applies only to urban families, whose incomes are higher than incomes nationwide.

Table 10

AFFORDABILITY ANALYSIS

	<u>Month. Med. Incm.</u> (capital city)	<u>Max. Monthly Pmt.*</u>	<u>Max. Unit Cost**</u>
	\$		
Costa Rica	424	106	\$6,639
El Salvador	180	45	4,124
Honduras	469	117.25	9,685
Guatemala	234	58.5	4,832

* 25% of monthly income

** assumes in El Salvador 12% loan, 15 yrs., Guatemala 14% interest, 15 yrs.; Honduras 14% loan, 15 years, Costa Rica 20% loan, 15 years. 10% down payment.

Table 11

AFFORDABILITY ANALYSIS

	<u>Maximum Unit Cost</u>		<u>Cost of Solutions</u>
	(\$)		(\$)
El Salvador	\$4,124	site and service	\$1,200
		basic core	3,800
		standard unit	6,000
Guatemala	\$4,832	site and service	-
		wet core	-
		basic core	4,000
Honduras	\$9,685	standard unit	6,200
		site and service	2,000
		wet core	3,000
		basic core	5,000
		standard unit	8,500

- 66 -

In the case of Honduras, where the urban median monthly income is \$469, below median income families can also afford a standard unit.

In calculating the affordability of the various solutions, it was assumed that families could afford 25 percent of their monthly income to mortgage payments. Mortgage terms in each country were roughly equivalent: 15 years terms, in all countries, which reflect the expected term of the CABEI loan, and interest rates of 12 percent in El Salvador and 14 percent in Guatemala and Honduras.

Since it is anticipated that no housing will be constructed in Costa Rica through the CABEI program, no affordability analysis was included. In the case of Costa Rica, infrastructure improvements will be repaid through general tariffs raised by the municipalities, not from individual beneficiaries.

B. Institutional Analysis

CABEI is one of the most creditworthy borrowers of HG funds. It has never even been late on any payment. A 1984 institutional assessment of CABEI by Price Waterhouse concluded that "CABEI is a more credible and reliable channel for external financing to Central American economic development than the separate national entities". An evaluation of CABEI's management of the Housing Fund under the most recent Housing Guaranty Program came to a similar conclusion regarding CABEI's performance in the housing sector. In the context of this project, the institutional capability of CABEI has been reevaluated with special attention to two dimensions: financial and managerial. This analysis included not only CABEI's management of the Housing Fund, but its overall management capabilities.

1. Overall Financial Status

In its overall financial management, the two most important financial issues relate to improving CABEI's liquidity and reducing delinquencies.

CABEI has taken a number of steps to improve the liquidity situation and to strengthen its financial base. A total of \$57 million was raised in new capital in 1985/86 compared with \$8 million in 1983/84. This included \$50 million in contributions from member countries.

CABEI has also been successful in renegotiating Club loans. In 1984, CABEI negotiated a rescheduling of \$119 million by means of a Club loan with 34 international commercial lenders.

CABEI has made major efforts to renegotiate a second Club loan for \$166 million. This includes the creditors of Club Loan I, a revaluation of yen-denominated loans, and the inclusion of additional existing creditors. The advisory committee of this group of lenders agreed in late August, 1986, to the renegotiation of this loan. It is expected that a formal signing will occur before the end of September, 1986. This Club loan will strengthen the cash flow of CABEI by stretching payments over 10 years, and by reducing interest payments by \$2,000,000 a year because of the conversion from prime rate to LIBOR rates in many cases.

In addition to improvements in CABEI's financial standing due to renegotiating the Club loan, CABEI expects to sign agreements with EXIM-JAPAN for \$20 million to finance Japanese goods and with IDB for \$80 million for an highway construction loan at concessional rates.

Additionally, CABEI is obtaining funds from subscriptions of extraregional members into the Fund for Central America Social Development. In early September, 1986, Mexico is expected to sign for \$57 million, including \$14 million payable in 4 annual installments of paid-in capital. The Dominican Republic is expected to sign by the end of August 1986 for \$24 million, including \$6 million in four annual installments of paid-in capital. Argentina is expected to sign by the end of September in an amount not less than Mexico.

Venezuela has agreed to sign by the end of October for a trust arrangement for \$15 million. The Federal Republic of Germany and Spain have agreed to join in principle, but negotiations have not yet taken place.

In the area of arrears, as a result of pressure from international lending agencies as well as a sustained effort by CABEI management, the past due public sector obligations, other than Nicaragua (\$79.3 million), totals only \$19 million of which \$16.2 million is past due less than 90 days. Not including Nicaragua, public sector payments past due over 90 days had dropped from \$12.6 million in 1984 to \$3.3 million in 1986.

Unfortunately the trend in the private sector portfolio which represents 13% of the overall portfolio, continues to worsen. \$64.2 million of the total private sector portfolio of \$105 million is overdue. Only \$9 million of this is past due from Nicaragua. CABEI, with A.I.D. assistance under the Regional Economic Recovery Project (596-0114), is undertaking a major technical assistance program to define and implement actions to reduce the past due portfolio, either through liquidation or rehabilitation. Rehabilitation will involve taking steps to improve the operations or marketing ability of each company.

a) Year End Results

The Fiscal Year end as of June 30, 1986 has shown a marked improvement in liquidity compared to previous years. Foreign exchange holdings increased from \$6.5 million in FY 1985 to \$33.3 million in FY 1986, including \$25.1 million in dollars. The improvement was due principally to two factors: the improvement in collections of past due public sector obligations and \$15 million in grant money received from the AID Project 596-0114. Past due obligations did increase because of nonperforming loans in the Nicaraguan public sector, but there was a decrease in arrearages in public sector debt in the other four countries. The average age of past due loans has decreased over the last couple of years and there has been a downward trend in total arrearages. The percentage of arrears/total debt in 1986 was 3.68% compared to 4.26% in 1984 and 4.11% in 1985.

In 1986, CABEI received \$30.4 million more in repayments than it made in new disbursements.

b) Projections

To improve overall liquidity, CABEI has implemented policy changes over the last two years. Disbursements to member countries are now conditioned to the repayment of existing loans and disbursements are now being made as funds are received from international lending agencies.

A comparison of projections made two years ago in Chart B.3 of Project Paper 596-0114 and updated projections as of July, 1986 shows a significant decrease in disbursements, \$278 million over the period of CABEI's Fiscal Years 1987-1989. Loan recoveries are projected to be \$120 million less for these three years reflecting a more realistic assessment of payment of Nicaraguan debt

65

and a lengthening out of repayment of private sector debt. Some of the private sector loans have been written off and therefore expected future payments will be less.

The new projections also reflect lower expectations for obtaining extraregional member support for the next four years, a decrease from \$250 million to \$118 million.

The new Club loan negotiated with commercial banks includes \$170 million, compared with \$119 million in the previous Club loan. This will ease the cash flow problems as repayments will be much lower.

The projections also reflect continuation of the trend of negative cash flows from CABEI to member countries, with repayments being greater than disbursements for the next three years with net inflows to CABEI of \$49 million. This is a continuation of the trend for the last two years. The four countries have accepted CABEI's arguments that this is a necessary short term adjustment and that the countries will benefit over the longer term beginning in CABEI's fiscal year 1989/90 or possibly sooner if new credits are obtained from international lending agencies.

In summary, CABEI has taken a number of steps to improve its overall liquidity and strengthen its financial base. CABEI has reduced public sector arrears, implemented a program to reduce private sector arrears, increased capital contributions from current members, extraregional members and other international donors and renegotiated Club loans. CABEI has also instituted measures to improve its overall efficiency.

2. Overall Management

With some outside assistance, a reorganization of CABEI is under study by a high level executive commission within the bank. The purpose of the reorganization is oriented toward producing greater production by changing functional lines, decentralizing decision-making processes and reducing the number of offices reporting to the Executive Vice-President. Definition of the relationship and functions of the Board and Directors, Executive President and Executive Vice-President are particularly important. Once a six month review of job descriptions and salary schedules is completed, the reorganization is scheduled to take place at the end of first quarter of 1987.

3. Housing Fund Financial Management

In a parallel fashion, CABEI has taken action to strengthen the financial base of the Housing Fund. These efforts have included an infusion of new capital, refinancing of a high interest rate HG loan and reduction in arrears and administrative costs.

As a result of the capital received from member countries in 1985/86, \$10 million was deposited in CABEI's Housing Fund. The purpose of this contribution was to arrest partially the decapitalization of the Housing Fund. The result of

SUMMARY OF ARREARS AS OF JUNE 30, 1986 IN CAPITAL, INTEREST AND COMMISSIONS HOUSING FUND
BY COUNTRY, BY REGIONAL SECTORS AND MATURITY
(MILLIONS DOLLARS)

	C A P I T A L						I N T E R E S T A N D C O M M I S S I O N S						C O N S O L I D A T E D					
	GUAT.	SALV.	HOND.	NIC.	C.R.	TOTAL	GUAT.	SALV.	HOND.	NIC.	C.R.	TOTAL	GUAT.	SALV.	HOND.	NIC.	C.R.	TOTAL
Public	-0-	-0-	42	1156	257	1455	70	-0-	163	2010	688	2931	70	-0-	205	3166	945	4306
Less than 30 days	-0-	-0-	42	81	257	380	3	-0-	163	145	688	999	3	-0-	205	226	945	1379
betw. 31 & 90 days	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
betw. 91 & 180 days	-0-	-0-	-0-	79	-0-	79	3	-0-	(9)	113	-0-	107	3	-0-	(9)	192	-0-	186
more than 180 days	-0-	-0-	-0-	996	-0-	996	64	-0-	9	1752	-0-	1825	64	-0-	9	2748	-0-	2821
Private	236	15	962	-0-	658	1671	59	19	615	-0-	209	902	295	34	1577	-0-	867	2773
Less than 30 days	-0-	15	81	-0-	658	754	10	19	75	-0-	209	313	10	34	156	-0-	867	1067
betw. 31 & 90 days	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
betw. 91 & 180 days	-0-	-0-	47	-0-	-0-	47	10	-0-	74	-0-	-0-	84	10	-0-	121	-0-	-0-	131
more than 180 days	236	-0-	834	-0-	-0-	1671	49	-0-	466	-0-	-0-	595	275	-0-	1300	-0-	-0-	1575
Total	236	15	1004	1156	915	3126	129	19	778	2010	897	3833	365	34	1782	3166	1812	7159
Less than 30 days	-0-	15	123	81	915	1124	13	19	238	145	897	1312	13	34	361	226	1812	2446
betw. 31 & 90 days	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
betw. 91 & 180 days	-0-	-0-	47	79	-0-	126	13	-0-	89	113	-0-	191	13	-0-	112	192	-0-	317
more than 180 days	236	-0-	834	996	-0-	2004	103	-0-	476	1752	-0-	2330	339	-0-	1309	2748	-0-	4396

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67

this capitalization was readily apparent even though the new capital was attributed to the Housing Fund for only part of the year. Losses in the latest FY were only about half the losses in the 1984/85 FY.

Also in an effort to increase liquidity, CABEI successfully refinanced a \$18.9 HG loan. The loan, originally contracted at 17%, was refinanced in August 1986 at 10%. Finally as a result of staff reductions, administrative costs of the Housing Fund were reduced by \$124,000 between 1984/85 and 1985/86.

CABEI has proven more successful in reducing public sector arrears within the Housing Fund than in their overall operations. Mirroring their effort overall, total arrearages in the Housing Fund have fallen from 3.7% in 1985 to 1.3% in 1986, excluding Nicaragua. CABEI eliminated all public sector arrears of principal, except Nicaragua, and reduced considerably private sector arrears in the Housing Fund. As of June 30, 1986, Housing Fund arrears in excess of 90 days totaled US\$2.2 million in principal payments, which is equal to 2.6 percent of the loan portfolio of \$84 million. When Nicaragua's arrears are subtracted, just \$1.1 million is in arrearage, equal to 1.3 percent of the loan portfolio. In addition to the principal arrears, \$656,000 in interest is in arrears from the four countries, plus another \$1.9 million from Nicaragua.

SUMMARY OF ARREARS AS OF JUNE 30, 1986

The private sector arrears consist of a loan to Banco Sogerin in Honduras and to Banco de los Trabajadores in Guatemala. CABEI insists that both are collectable, and has reached agreement with both banks to schedule repayments. CABEI is not too sanguine about the prospects of Nicaragua repaying its current arrears, or in fact, repaying any of its current debt of \$2.748 million (see Table 12).

In summary, CABEI has taken a series of actions in 1985-1986 which have improved the financial base of their overall operations as well as the financial management of the Housing Fund. Such actions include an increase in capital, new international loans, renegotiating Club loans and a high interest rate HG loan, and a considerable reduction in public sector arrears.

4. Housing Fund - Program Management

From a program management standpoint, CABEI's capacity to undertake this project is good. Implementing an \$85 million project over the next five years will be significantly less of a burden than the implementation of the much larger (\$117 million) A.I.D. supported housing program over the 1981-85 period. Under the proposed project, the maximum amount of funds loaned in any one year is expected to total \$22.6 million in 1988 which is less than the \$28.0 million loaned for housing in 1983.

In the area of infrastructure, major projects financed by CABEI in the past included roads, airports, dams, electrical stations, ports, etc. With this background, CABEI is well versed in the key elements of infrastructure

formulation, design, and implementation. Implementing organizations that will be receiving loans from CABEI for infrastructure purposes will be able to draw on CABEI's technical depth to ensure that the infrastructure projects are designed and built properly.

CABEI, however, does not have any experience in promoting or supervising urban upgrading projects. Three related issues arose in the process of assessing CABEI's capacity to monitor infrastructure projects: the need for field supervision, decentralization and reduction in the time required for CABEI project approvals.

First, because of the need to supervise social promotion programs in conjunction with infrastructure projects, project supervision of this type requires a strong field presence. Second, CABEI has been criticized by many of the national implementing organizations for being excessively centralized. Every decision, it is claimed (and CABEI acknowledges the comments to be largely true), must go to headquarters in Tegucigalpa for action. CABEI has agreed to decentralize its operations to manage the current project more effectively and it will assign a field engineer/institutional specialist to each country to conduct subproject analyses and to supervise project implementation. These actions will add greater weight to ROCAP's overall effort to promote decentralization within CABEI to encourage organizational efficiency.

Decentralization of this type should greatly strengthen CABEI's overall management. During the first four months of the project, a technical assistance team will work intensively with CABEI to formalize the procedures necessary for effective field delegation of project supervision.

A third requirement of the project is speed and flexibility in the project approval process. CABEI projects sometimes have encountered long delays in obtaining Board approval. In the present case, the infrastructure projects will be financed through loans to the central governments or loans to implementing agencies that carry central government guarantees. This should speed initial project review, since CABEI will not have to make detailed judgements about sub-project bankability.

On the basis of discussions with CABEI staff, the Bank intends to reduce the project approval time frame from five to 2 1/2 months and the average time for selection, approval and execution from 8 to 4 1/2 months. Once project approval has been obtained, a local implementing agency can incur costs that are reimbursable under the project loan, subject to final completion of all the legalization steps. In cases where greater speed is necessary, the CABEI Board can approve a project "in concept" in as little as two weeks, subject to regular later review. The implementing agency then becomes eligible to receive bridge financing from CABEI or to use its own funds which become eligible for subsequent reimbursement. These project "advances" to speed implementation will be made from CABEI's own resources.

In summary, as described more fully in Annex I, CABEI has the personnel capacity to review, select, and monitor implementation of the infrastructure

projects it will finance. It has agreed to the decentralization and streamlining of operations necessary to supervise urban upgrading or similar projects in the field and has demonstrated in the past its capacity to move larger resource flows than are contemplated under this project.

C. Economic Analysis

The economic viability of a project such as this in financial intermediation is determined by the economic internal rate of return (EIRR) to the subprojects. Under the envisaged project, USAID will provide a guaranty to a U.S. investor indicating that repayment of a loan to CABEI will be guaranteed by the full faith and credit of the U.S. Government. Additionally, A.I.D. will itself provide dollar resources to CABEI. These monies will be on-lent to approved subborrowers in Costa Rica, El Salvador, Guatemala and Honduras. For this project to be economically viable, these resources must earn a rate of return at least equal to the opportunity cost of capital in the region. If this cannot be achieved, the financial resources destined for this project would be better utilized in other sectors of the region's economies.

The proposed project will establish lines of credit to finance a variety of solutions from water and sewer services to one bedroom units affordable to families with incomes at or below the national median level. However, there are no specific subprojects which can be analyzed before the project begins. In order to calculate an EIRR on the project, one would have to know the mix of subprojects to be financed for each type of solution, the detailed financial costs for each subproject, the adjustments required to convert financial costs into economic costs, and the stream of economic benefits.

Rather than forego the estimation of an EIRR for a HG line of credit loan to CABEI because of lack of data, one can compare economic and financial costs and benefits and determine whether the EIRR on proposed subprojects will exceed the opportunity cost of capital. One can also presume that the project as a whole would make CABEI's member countries better off than without the project, without attempting to quantify the important, longer-term economic and social benefits of the planned technical assistance in modifying housing sector policies.

The existence of effective consumer demand for projects that are priced to achieve full cost recovery by itself demonstrates that the private benefits of the project equal or exceed its costs. For example, in Tegucigalpa barrio residents have manifested their willingness to pay for water and sewer connections and local road improvements, even when these capital projects involve full cost recovery at 17 percent. A large, unsatisfied demand exists for more projects of the same type, on the same cost-recovery conditions. This demand has been registered in community petitions for local improvements. Similarly, in Guatemala City a long history exists of successful cost recovery for 70% of local road improvement costs, and a large backlog of community petitions for similar improvements awaits financing. Most low cost housing programs also have a backlog of demand.

For projects of this class it remains only to determine whether the external benefits and costs necessitate reconsideration of their desirability. Five external effects or cases where shadow prices may vary from the market prices charged to consumers deserve examination.

i) Project Benefits or Costs that Consumers are not in Position to Value

Research studies have demonstrated that consumers tend to value most highly the cost savings, time saving, and convenience associated with projects. They tend to undervalue health benefits, as measured by the economic value of less time sick, longer life expectancy, or higher child survival rates. This finding often is attributed to the difficulty households have in assessing probable health benefits.

The projects to be financed under the CABEI project have positive health benefits. Adjustment for this factor, therefore, would tend to increase the public rate of return relative to the private rate of return. In particular, household or community water connections, household sewer connections, the construction of retaining walls and improved dwellings all increase health benefits or protect against hazards whose value individual families may underestimate.

ii) External Benefits or Costs of Projects

Almost all of the projects contemplated for financing will yield benefits beyond the households paying for project installation. This consideration, too, raises the public rate of return relative to the private rate of return. Illustrative of this class of external benefits is the general increase in sanitation resulting from sewer installations. The principal beneficiaries of wastewater hook-ups frequently are the households located below the point of installation, who have had to suffer from the run-off of unclean waters, and the community at large, which has to live with the polluted streams and collection bodies into which untreated and uncontrolled discharges flow.

Road paving projects also plainly bring benefits to people other than those living alongside the roads. The roads in question connect to an urban network that is used by residents throughout the neighborhood and region. For this reason, cost-recovery systems frequently place ceilings on the percentage of costs that can be recovered from those whose property abuts an improved road. New construction projects also provide benefits to adjacent landowners due to improved transportation networks and direct or indirect benefits from improved water and sewer services financed by the projects.

iii) Labor Costs

In conditions of high and persistent unemployment, the out-of-pocket costs of labor are likely to exceed their shadow costs. That is, workers, especially unskilled workers, would accept employment at lower wages than those offered for public projects, if such work was available and if

institutional rules permitted lowering wages below the minimum wage. This conclusion is buttressed by a comparison of formal and informal labor markets. Unskilled labor sold in informal markets often commands a price below the minimum wage. Recognition of the economic and social costs of unemployment has led A.I.D. to sponsorship of employment generation projects.

Any reduction in the shadow cost of labor relative to actual program costs would increase the public rate of return relative to the private rate of return. Most of the projects considered here are labor-intensive and will contribute to employment generation. Their adjusted rate-of-return therefore would exceed the unadjusted rate of return.

iv. Foreign Exchange

The cost of foreign exchange to projects may be undervalued in private rate-of-return calculations, because of national currencies that are maintained at artificially high exchange rates. The projects to receive CABEI financing generally have modest requirements for imported materials--though there are individual exceptions, such as the Guatemala community water tap project. Moreover, the overvaluation of currencies in Honduras, Costa Rica, El Salvador, and Guatemala, as measured by the discrepancy between blackmarket and formal exchange rates, has narrowed greatly over the past year. Costa Rica, El Salvador, and Guatemala all have devalued their currencies. As a consequence, although adjustment for the shadow price of foreign exchange would increase project costs and reduce the public rate of return relative to the private rate of return, the adjustment today would be a small one.

v. Aggregate Scarcity of Water Resources

Probably the most important adjustment to be made to a private benefit-cost calculation concerns the aggregate scarcity of water in some metropolitan areas, which is not reflected adequately in the water tariff structure. Scarcity is most severe in Tegucigalpa, where water prices are greatly below the short-run incremental cost of increasing water supply. Less severe but significant under-pricing of water is apparent in the other three countries. Adjustments for this factor would require including the capital cost of developing new water sources in the water tariff and reestimating consumer demand under adjusted tariff rates.

Therefore, in Tegucigalpa the program of household water extension will not move forward until Tegucigalpa's short and intermediate term water supply problems have been resolved. Although household demand for water connections remains very strong, and households are willing to pay the capital cost of installation, under current conditions an expansion of connections would only exacerbate water supply problems for existing consumers, who already are without water delivery for prolonged periods during the dry season. New construction projects in Tegucigalpa will be required to develop their own sources of water, whose costs will be included in the cost of housing.

vi. Net Adjustment to Market Demand

Although the above factors cannot be quantified exactly, their relative importance can be specified to determine whether the subprojects meet the test of market demand after adjustment for appropriate shadow prices.

In the first four adjustments—project benefits that consumers are not in a position to value, external benefits, differences between market and shadow prices of labor and the difference between the market and shadow price of foreign exchange—only the latter works to lower the market rate of return. All of the other factors raise the adjusted rate of return relative to the unadjusted market rate. The adjustment for foreign exchange overvaluation under present conditions also is the least important of the adjustments to be made. Black market currency rates are now between 5% and 15% above legal exchange rates. The market price of labor exceeds its shadow price by a much larger amount, and the project portfolio to be financed by the program makes far greater use of labor than imported capital.

It is known, therefore, that the adjusted rate of return on water projects is well above the private market interest rate cost of 17% before the final adjustment for scarcity of water resources. This last adjustment can be quantified more precisely. Studies by the World Bank and IDB demonstrate that on average in Latin America, the capital cost of developing water sources accounts for 25% of properly adjusted user costs. The cost of capital for distribution systems is 40% of the total and operating costs another 35%. Let us suppose the local water tariff structure recovers no part of the capital cost of source development, but as is true of projects in all four countries, recovers the full cost of operations, maintenance and the full cost of distribution. Then adjusting the true user cost for the cost of water source development would require adjusting capital costs upward by a factor of 1.625. (Equal to $(.40+.25)/.40$)

The user cost of capital, calculated at 17% on the cost of distribution only, then is equivalent to user cost of 10.3% on the total cost of capital, for both distribution and source development. Given the strong upward adjustment to the rate of return that results from the other factors cited here, we can be certain from the revealed market demand alone that the projects meet the standard of 12-15% rate of return that both AID and the World Bank have identified as the alternative cost of capital in the region. As emphasized below, the actual rate of return to the project, taking into account consumer surplus as revealed by the demand for alternative types of water supply is in fact far higher than this standard.

One final note is necessary. In the short run, before new water sources can be developed through capital investments, the shadow price of water can be very much higher than the market price in locations of water scarcity. This situation now holds true in Tegucigalpa.

Consumer Surplus

Although consumer demand for projects at market prices establishes

13

that the projects at least meet the market rate of return test, there is an additional consumer surplus associated with the projects. That is, full consumer willingness to pay for water connections or road improvements or new housing typically exceeds, often by a large margin, actual charges. The true private rate-of-return is much higher than the market standard.

A large volume of research has established that barrio residents value water and sewer hook-ups at far more than their cost of installation. For example, in Peru in 1980 the addition to the market value of a basic housing unit, as a result of access to water and sewer and plumbing installation, was US \$4,000, or several times more than the cost of public and private construction. Similar results have been reported for Cartagena, Colombia, and Bogota. In other words, an extremely large consumer surplus is associated with these improvements.

Representative internal rates of return for the projects proposed for CABEI financing further illustrate the magnitude of consumer surplus. Consider the EMPAGUA water tap project. Families in these neighborhoods now pay from Q.70 to Q1 per day per family for 55 gallon barrels of water purchased from private tank trucks. Under the proposed community tap system, EMPAGUA estimates that it can provide 60 liters of water per day to each person (more than a 50% increase in per person consumption) at a cost per family of Q5 per month, including operating costs, capital costs, and interest at 12% per year on capital. This would produce a savings of 16-25 quetzales per family per month. On a capital cost of Q233 per family, this produces an internal rate of return of 80%-120% per year from cost savings alone, before taking into account either the increased water consumption or the health benefits produced.

The same calculations in Tegucigalpa produce similar results, although as noted Tegucigalpa's short-run water scarcity makes it undesirable to expand water connections until water supply is augmented.

In summary, since the financial terms (and therefore the Financial Internal Rate of Return) of subloans can be assumed to be mutually satisfactory to both borrowers and lenders and economic benefits have been shown to exceed financial benefits, the proposed project can be considered to be economically viable.

D. Financial Analysis

1. Cash Flows for CABEI's Housing Fund

a) Basic Scenarios

The PID guidance cable specifically requested that the project paper contain a number of cash flow analyses designed to address two basic issues: to ascertain the effect the proposed A.I.D. financial assistance package would have on CABEI's ability to recapitalize its Housing Fund and to determine CABEI's overall ability to repay the A.I.D. loan. Over seventy cash flows and income projections have been calculated to attempt to cover the gamut of financial possibilities. An index of the cash flows is contained in Annex H to assist the reader.

To prepare the cash flows relating to CABEI's Housing Fund, four basic scenarios were drawn up:

- Scenario I - No further assistance from A.I.D., i.e. the base case scenario;
- Scenario II - A \$65 million funding package, of which HG resources contributed \$25 million, an A.I.D. loan of \$15 million, and \$25 million from CABEI;
- Scenario III - An \$85 million package identical to Scenario II except that the HG contribution is increased to \$45 million;
- Scenario IV - A \$100 million package identical to Scenario III except that the A.I.D. loan is increased to \$30 million.

Scenario I (the base case) demonstrates that without an infusion of additional capital that the Housing Fund would be constrained in its efforts to finance regional programs of any magnitude unless it begins to deplete its cash position which is presently used to generate income to offset expenditures. The best mix of resources to accelerate the recapitalization of CABEI's Housing Fund is Scenario IV. The principal reason this scenario is so beneficial to the financial standing of the Housing Fund is because of the projected 2% spread CABEI could accrue from lending \$30 million in low cost AID resources.

The most likely financial package, however, is Scenario III which assumed \$45 million HG, \$15 million low cost AID resources and \$25 million from CABEI. Based on the results of Scenario III, it is clear that CABEI will be able to recapitalize the Housing Fund, although not at the rate it could under Scenario IV.

A full list of assumptions is contained in Annex H. One of the basic assumptions was that HG resources would be obtained at an interest rate of 9 percent and that AID loan resources would be at 2 percent for the first 10 years and 3 percent for the remaining 30 years. CABEI would make housing and on-site infrastructure loans at 9 percent for 15 years and off-site infrastructure at 4 percent for 15 years. In Scenarios II, III, and IV it was assumed that \$15 million of the funding package would be loans for off-site infrastructure.

b) First Run - Sensitivity Analyses

Once the basic scenarios were prepared, sensitivity analyses were performed on Scenarios II, III and IV. The sensitivity analyses included:

- A) The rate of interest on "soft" off-site loans increased from 4 percent to 6 percent;
- B) The disbursement period on CABEI loans is increased from three to four years;

75

- C) The rate of interest on CABEI housing and on-site infrastructure loans increased from 9 percent to 9.5 percent;
- D) The HG interest rate is increased from 9 percent to 11 percent and the interest rate on CABEI loans for housing and on-site infrastructure is increased to 11 percent also;
- E) Proceeds from repayment of existing housing sector loans from member countries are reduced by 10 percent; and
- F) The rate of interest on CABEI housing and on-site infrastructure loans increased from 9 percent to 9.5 percent and off-site infrastructure loans from 4 percent to 6 percent, i.e., combining A and C above.

Excluding Scenario IV as being unrealistic at this point, Scenario III with sensitivity analysis F provides the brightest picture for CABEI. Because of the spread of .5 percent on HG resources, a spread of 4 percent on low cost AID resources, and the spread CABEI earns on lending its own funds, the Housing Fund demonstrates positive net income throughout the period and positive retained earnings by 1990/91.

Overall, this set of sensitivity analyses demonstrates that three variables are more likely than others to affect the future viability of the Housing Fund: the availability of low cost AID resources, any increase in non-payment of debts and the disbursement schedule. First, the availability of low cost AID resources is crucial to the renewed financial stability of the Housing Fund. CABEI only makes a comfortable margin on the funds lent for off-site infrastructure. Under this scenario, the .5% spread CABEI would earn on the HG loan is not sufficient to recapitalize the Housing Fund nor cover the Housing Fund's current administrative costs of .93%. Thus, without the influx of low cost AID resources, CABEI will not be able to recapitalize the Housing Fund and retained earnings will remain negative through 1995/96. Second, a reduction in payments by member countries of 10% cripples the Housing Fund, regardless of the level of AID assistance. It should be noted that this sensitivity analysis was rather drastic in that it assumed non-payment by member countries, a situation that has not emerged with respect to the Housing Fund and is not expected to emerge in the future, except with respect to Nicaragua. Delinquencies, or late payments, but payments nevertheless, within the Housing Fund currently only amount to 1.3% and have been declining over time. Although the third variable, extending disbursements from CABEI to subborrowers from three to four years, improves CABEI's earnings, it is clearly not to the advantage of AID or CABEI's subborrowers.

c) Second Run - Sensitivity Analyses

To fine tune these results, additional cash flows were run on Scenarios II and III, to test the following changes:

i) A change in the lending rates for a portion of the low cost AID resources. Originally, it was assumed all \$15 million in low cost AID resources would be required to finance off-site infrastructure. Based on field investigations, a more likely assumption is that \$10 million will be loaned at 6 percent while \$5 million will be lent at market interest rates for off-site infrastructure.

ii) The spread CABEI needs currently to cover administrative costs was calculated at .93%. Therefore, additional cash flows were run with a spread to CABEI of 1% on HG resources.

iii) The disbursement schedule was extended from four to five years.

The reallocation of low cost AID resources, \$10 million on lent at 6% and \$5 million on lent at market rates (here assumed to be 9.5%) clearly accelerates the recapitalization of CABEI's Housing Fund. Extension of the disbursement schedule to five years also serves to improve the financial standing of the Housing Fund.

However, based on the calculation of CABEI's current administrative costs (.93%) and current U.S. interest rates, the most likely Scenario is III G. Scenario III G assumed \$45 million in HG, \$15 million in A.I.D. loan resources and \$25 million in CABEI resources. Funds are disbursed over three years. CABEI earns a one percent spread on HG resources, a four percent spread on A.I.D. loan resources, a 10% spread on \$10 million of CABEI resources and a 2 percent spread on the remaining \$15 million of CABEI resources.

The results of Scenario III G demonstrate that CABEI will have positive net earnings throughout the period. Total net earnings amount to \$10,246,600, a 135% increase over the net earnings of the Scenario III base case. Positive retained earnings materialize in 1990/91 and by 1995/96 amount to \$4,857,600.

The difference in the results between Scenario III F, which assumed a .5% spread on HG resources, versus a 1% spread assumed under Scenario III G, however, are not significant. The increase in net earnings between the two is only \$654,993. Again, this demonstrates that the improvement in the financial standing of CABEI's Housing Fund is precipitated principally by the spread earned by the use of A.I.D. loan funds and not on an increase in the spread earned on HG resources.

2. Conclusions of the Cash Flows and Sensitivity Analyses for CABEI's Housing Fund

The cash flows have served to highlight that there are several key elements to utilization of AID's funds which can serve to recapitalize the Housing Fund. Chief among them are the following:

a. That the use of low cost AID resources is crucial to recapitalizing the Housing Fund. The spread CABEI can earn on these resources is the principal instrument CABEI would have at its disposal to rejuvenate the Housing Fund. With HG funds, the spread CABEI could earn to cover its administrative costs and to recapitalize the Fund and still remain competitive are limited.

b. With CABEI concurrence, it has been concluded that the rate charged by CABEI for use of HG resources must recover the cost of borrowing plus administrative expenses to prevent future decapitalization of the Housing Fund. A condition precedent to this effect has been incorporated into the project.

c. That the need to recover payments from member countries is also an essential ingredient to renewed stability of the Housing Fund. A covenant has been incorporated into the project to ensure that CABEI continues aggressively to recover payments from its borrowers.

In summary, the most likely cash flow, Scenario III and sensitivity analyses G, indicate that CABEI will restore financial health to its Housing Fund over the life of this project. As an extra precaution, conditions precedent have been written to further protect the financial stability of CABEI's Housing Fund. It is worth remembering, however, that cash flow analyses and income projections are a tool only; they do not predict the future, particularly the future of ten year loans. They do show that a particular course of action is feasible and serve to highlight those variables which can be foreseen that are crucial to achieving project goals. However, the most crucial element to ensure that AID assistance to CABEI is well spent is for CABEI to develop and maintain a good financial management system, a system that is both vigilant and flexible, to permit CABEI to adjust to the unforeseen and uncontrollable events that could have a negative impact on CABEI's financial condition.

3. Impact of AID Financial Assistance on CABEI's Ability to Repay

The results of each of the Housing Fund cash flows for the basic Scenarios I through IV were integrated into a series of consolidated cash flows for CABEI. The purpose of these cash flow analyses was to determine the overall capability of CABEI to meet all hard currency obligations over a 10 year period.

Basic assumptions that were applied to all consolidated cash flows included the eight assumptions used to generate the Housing Fund cash flows plus the following explanatory note on incomes and expenditures in the consolidated fund contained in Annex H.

In Scenarios I through IV, Cash Flow projections were made to determine the availability of foreign currency for both the new HG and AID loans as well as for repayment of hard currency debt.

The results are as follows:

Scenario I, which presumes no new AID Housing Fund program and no hard currency contribution by CABEI, shows that CABEI's overall financial position remains healthy over the next 10 years.

In Scenarios III, the most likely case, over the 10 year time frame of these projections, the inclusion of this new housing/infrastructure program adds \$10 million in net income. In all cases, overall foreign exchange within the consolidated fund, counting only that portion without restriction, is sufficient to repay outstanding hard currency repayments in every year, under every scenario throughout the ten year projection.

One can conclude, therefore, that the consolidated income and foreign exchange cash flows demonstrate that there is sufficient foreign exchange and income for CABEI to meet their overall debt service requirements. The program, therefore, achieves its objective of recapitalizing the Housing Fund and just as importantly, contributes to reestablishing CABEI as an overall net lender in the region.

Based on these financial analyses, RHUDO and ROCAP have concluded that this project will serve to assist CABEI in recapitalizing its Housing Fund. RHUDO and ROCAP have also concluded that on the basis of the cash flow projections for CABEI overall that it will have sufficient foreign exchange to repay all its outstanding liabilities and new liabilities to be incurred under this project. Therefore, RHUDO and ROCAP recommend that CABEI be approved as a Borrower under the Housing Guaranty Program, that AID loan resources be approved, subject to the availability of funds, that AID grant funds be approved and that this overall project be approved.

E. Recommended Environmental Threshold

Pursuant to LAC guidance, the design of the PP included a review of potential environmental issues which would arise in the process of project implementation and an analysis of environmental procedures used by implementing agencies and CABEI.

Based on these analyses, an appropriate training and technical assistance program targetted for both CABEI and implementing agencies, has been incorporated into the project. The training and technical assistance includes among other things short-term technical assistance, a regional seminar, training for CABEI staff, and a mobile seminar to be presented in each country. With these safeguards in place, an IEE recommending a negative threshold decision has been developed, as described in Annex J.

F. Social Soundness Analysis

The target group for this project includes approximately 155,000 below median income families, close to 900,000 people, who live in urban areas of El Salvador, Guatemala, Honduras and Costa Rica.

Be they called cuarterias or tugurios, low income settlements in Central America share the same basic characteristics. In these neighborhoods, dwellings are overcrowded and made of impermanent materials and often precariously located in areas plagued by mudslides or floods. Secure tenure is rare and living quarters are frequently shared by domestic animals. The proportion of families living in such conditions is frequently staggering. In Tegucigalpa, an estimated 80% of the current population lives under such conditions.

Community organizations are weak and family structures unstable, with common law marriages approaching 34% in many of these communities. As a corollary to the high percentage of common law marriages, the number of female headed households in low income areas exceeds the average. Recent analyses have shown that, as in the case of the San Jose Metropolitan area, the number of low income families headed by women is twice the average rate for the area as a whole. In El Salvador's marginal urban areas, 35% of the households are headed by women.

Access to public services is poor. Roads are frequently nothing more than paths, impossible for vehicular traffic, impassable for pedestrians in the rainy season. Schools and health clinics are a rare sight.

Access to water and sewer services is equally limited. With the exception of Costa Rica, where urban residents generally enjoy a higher standard of living, the majority of residents in marginal areas have limited or no access to potable water, let alone sewers. The scarcity of piped water forces many residents to purchase poor quality water from vendors, frequently at five times the price of municipal water. In the case of Tegucigalpa an estimated 31.2 percent of the urban population now has no identifiable means of access to a reliable supply of water. Sewers are even more uncommon. Only 42 percent of the urban population in the region have sewer services.

Throughout these communities, low income families typically work as cooks, maids, cleaners, unskilled factory or construction workers or in various service capacities. Work for these families is often unstable and subject to economic exigencies. For this reason, it is common to find many family members, including children, contributing to family income. Median incomes in each of the four countries is shown in Table 13.

TABLE 13

MEDIAN MONTHLY FAMILY INCOME FOR CENTRAL AMERICAN COUNTRIES

<u>Country</u>	<u>Exchange Rate</u> <u>\$1.00 Equals</u>	<u>National</u>	<u>Capital</u>	<u>Total Urban</u>
Costa Rica	54.85 colones	\$360	\$424	NA
El Salvador	5.0 colones	\$180	\$180	\$180
Honduras	2.0 lempiras	\$205	\$469	\$264
Guatemala	2.7 quetzales	\$213	\$234	\$204

Despite meager incomes, the demand and willingness to pay for improved services or housing is high. In Guatemala in 1982, 60 percent of the urban population were renting and 70 percent of those surveyed were willing to pay for serviced lots and basic core units.

There are a myriad of benefits which will be generated by this project. The most important is the production of new housing and access to water and sewer improvements. The affordability analysis has shown that the solutions planned to be financed by CABEI will be affordable to these low income families. In some cases, the program will be able to reach down to the bottom fifth income percentile of the population, with close to full cost recovery. Improved living conditions will have a direct impact on the health of these families by reducing gastrointestinal diseases resulting indirectly in increased productivity at work and in school because of reduced absences due to illnesses. Women will have unimpaired access to financing necessary to benefit from shelter and urban service improvements. Given their more than average representation in low income neighborhoods, we can expect a disproportionate share of beneficiaries will be women, as has been shown to be the case in projects sponsored by INVA in Honduras and INVU in Costa Rica.

Secure tenure as a result of many of these projects will provide an outlet for individual private investment. 'Housing', in whatever form it takes, provides one of the few mechanisms available to many of these low income families to save.

In addition, family stability, at a minimum in a locational sense, increases as the uncertainty of eviction is removed. All of these factors lead to increased stability and a decrease in social tensions as a larger percentage of society is assured of the basic necessities of life.

Honduras Shelter and Urban Development Strategy

The overall goal in Honduras is to improve the production of appropriate shelter solutions to meet the needs of low income families.

To achieve this goal, the following objectives will be pursued:

1. To develop a rational shelter finance policy to provide for the mobilization of domestic capital resources to meet the needs of low income families through:

- a) technical assistance to improve domestic savings;
- b) technical assistance to improve national shelter finance policies; and
- c) technical assistance to improve cost recovery in shelter and infrastructure agencies.

2. To provide external capital resources to expand the production of appropriate low-cost shelter solutions and basic services through:

- a) \$35.0 million in HG bilateral resources and \$7.5 million in local currencies;
- b) \$23 million in CABEI resources, and
- c) expansion of low-cost shelter production to secondary cities.

3. To improve interinstitutional coordination to ensure the timely provision of public utilities for shelter projects through technical assistance.

4. To increase the participation of the private sector in low income housing and upgrading through:

- a) use of the turnkey method for construction of all public sector financed shelter projects;
- b) stimulation of the participation of private finance institutions by channelling AID resources to them;
- c) continuation of contracting to private firms for construction of infrastructure improvements; and
- d) provision of technical assistance to study the land market to identify constraints to private sector provision of shelter for low income families.

5. To institutionalize the provision of technical assistance and training in the region. Inputs include:

- a. a grant to INCAE to develop and implement a regional training and technical assistance program;
- b. provision of technical assistance and training to and through CABEI to support national implementing agencies; and
- c. investment in three RHUDO resident advisors on four year contracts to work full-time in the region to support regional and bilateral programs and policy dialogue.

Costa Rica Shelter and Urban Development Strategy

The long-term goal is to increase access to better living conditions for lower income families by increasing production of new shelter and improving the infrastructure base. To achieve this goal, the following objectives will be pursued:

1. To create a Central Housing Mortgage Bank to coordinate and increase financing for low cost shelter. Inputs to this objective include:

- a) provision of \$50 million in ESF seed capital, provided over the FY87-90 period;
- b) technical assistance and training in management and financial planning;
- c) increasing domestic savings for shelter and creation of incentives for investment in the Central Mortgage Bank by pension funds; and
- d) provision of financing to expand low cost housing programs to municipalities surrounding San José.

2. To improve national and local policy and planning capabilities in order to rationalize the need for subsidies, to reduce the public sector role in housing production and to reduce barriers to production of low income housing in municipalities. To achieve this objective, the following inputs will be provided:

- a) technical assistance to revise and consolidate National Housing Codes and Regulations;
- b) assistance to the GOCR in developing the 1986-87 National Shelter Plan and Strategy;
- c) finance market studies on effective demand and affordability;
- d) provide training and technical assistance to the Instituto Nacional de Vivienda y Urbanismo to improve its operations;
- e) conduct local management and planning studies of constraints; and
- f) technical assistance to improve cost recovery in public sector shelter institutions to expansion in municipalities.

3) To make more efficient use of installed private sector capacity. To achieve this objective, the following initiatives will be undertaken:

- a) channel the majority of AID shelter resources to the private sector
- b) devolve more responsibility to private sector firms in infrastructure programs.
- c) finance studies which examine constraints to private sector production of low-cost shelter.

4) To improve the infrastructure base in municipalities to promote the orderly expansion of housing and industry. Inputs to achieve this objective include:

- a) completion of a \$7 million AID grant to IFAM;
- b) provision of CABEI follow on funding of \$15 million; and
- c) to link directly the provision of improved infrastructure to building permits for low income housing.

El Salvador Shelter and Urban Development Strategy

The overall goal in El Salvador is to provide increased access to better living conditions for urban residents by improving shelter finance and infrastructure delivery systems.

To achieve this goal, the following objectives will be pursued:

1. To expand urban services to low income families. Inputs to achieve this objective will include:

- a) \$9.5 million in CABEI resources to finance upgrading programs;
- b) technical assistance to expand private contracting and management to expedite project implementation;
- c) technical assistance and training to establish ANDA's system for recovery of capital investment in new connections for low-income families; and
- d) technical assistance to promote the adoption of revised construction standards appropriate for and affordable to low-income families.

2. To expand the availability of financing for housing for low-income families. Intended inputs include the following, subject to on-going policy assessment by USAID:

- a) \$10 million in HG bilateral resources, \$10 million in ESF resources and \$7 million in CABEI resources to the Social Housing Fund and/or the savings and loan associations (USAID-FSV discussions to begin soon);
- b) \$7 million in CABEI resources to institutions willing to produce low cost housing through the private sector
- c) policy dialogue with the Social Housing Fund to extend its target group by financing lower cost solutions;
- d) technical assistance and training to PRONAVIPO to develop progressive housing programs;
- e) technical assistance to PRONAVIPO to improve its managerial capacity;
- f) technical assistance to PRONAVIPO to promote the adoption of market interest rates throughout the sector
- g) technical assistance and training to improve cost recovery in FSV, FNV, and IVU; and
- h) technical assistance to the Social Housing Fund (FSV) to improve actuarial management.

3. To expand private sector participation through:

- a) technical assistance to IVU to adopt and implement a turnkey approach to public sector financed housing;
- b) technical assistance to expand private sector contracting and management of infrastructure improvements;

- c) expansion of available long-term financing to support private sector production and marketing of low-cost shelter; and
- d) seminars for private promoters and the Cámara de Construcción to encourage the design of progressive housing solutions.

Guatemala Shelter and Urban Development Strategy

The overall goal is to support the adoption of reforms and provide capital which will improve the access of lower income families to affordable shelter solutions. To achieve this goal, the following objectives will be pursued:

1) To encourage revisions in the organization and functioning of the GOG housing finance sector. Inputs to achieve this objective will include:

- a) TA to the GOG to encourage the further development of a private shelter finance system;
- b) TA to assist GOG in defining role of proposed housing sector coordinating unit;
- c) TA to FHA to encourage lowering of standards to accommodate sites and service project;
- d) TA to determine market acceptability of variable interest rate mortgages;
- e) increase in interest rate ceiling;
- f) using long-term PSC to provide strategic analyses of housing sector changes;
- g) closer policy coordination on interest rate with IDB.

2. To increase capital flows to the housing sector through domestic, bilateral and multilateral channels to finance low cost housing. Inputs would include:

- a) TA to increase domestic savings;
- b) use of \$12.5 million in HG bilateral funds and local counterpart for housing projects during FY 1986-89;
- c) use of approximately \$14.5 million through CABEI to finance low-cost housing.

3. To increase private sector participation in financing and constructing low-cost housing projects. This objective will be sought through the following mechanisms:

- a) targetting CABEI resources to private sector financial institutions;
- b) requiring that all CABEI financed shelter projects be built by the private sector;
- c) TA to assist the development of a private sector savings and loan system or other public policy measures to encourage shelter finance;
- d) requiring that all public sector financed housing projects be built under a turnkey arrangement;
- e) contracting infrastructure work to the private sector.

4. To increase access of lower income families to improved shelter by expanding GOG programs to include slum upgrading. Specific

inputs to achieve this objective would include using \$9 million of CABEI funds for water, environmental, sewer and street improvements in low income communities in Guatemala City.

5) To more equitably distribute available resources to low-income families.

- a) private sector shelter financing targetted to between the 40-49 income percentile;
- b) IDB shelter financing to 25-49 income percentile;
- c) \$9 million CABEI infrastructure resources to finance community improvements serving 0-49 income.

ANNEX A

Regional Shelter and Urban Development Strategy

The goal of the Regional Housing and Urban Development Office for Central America is to improve the living conditions for low income families in Central America.

To achieve this goal, our objectives are to increase the availability of low cost shelter and access to basic services for low income families and to promote policy changes which improve the performance of the sector. Both bilateral and regional programs will be utilized to achieve these objectives.

The specific physical and policy sub-objectives of the bilateral programs are highlighted in individual bilateral strategies.

Regional sub-objectives are as follows:

1. To complement bilateral policy dialogue. Inputs to achieve this sub-objective include:
 - a. targetting of technical assistance and training to institutions designated by the USAID Missions for implementation of the CABEI program; and
 - b. coordinating the financing of CABEI projects to complement bilateral Mission policies
2. To finance shelter and basic services for low income families by providing \$85 million through AID and CABEI in long-term financing to produce 10,000 shelter solutions and provide improved basic services to 145,000 families.
3. To increase private sector participation in low cost housing and basic infrastructure. Regional actions to achieve this include:
 - a. CABEI contracting provisions which require all housing finance institutions to use private construction firms;
 - b. channelling the majority of CABEI shelter financing to private sector institutions; and
 - c. encouraging the greater use of private sector firms in the design, supervision, construction and maintenance of infrastructure improvements
4. To improve CABEI's financial management capacity. Actions include:
 - a. requiring CABEI to cover its cost of borrowing, including administrative costs, in future lending;
 - b. to implement actions which reduce public and private sector arrearages in CABEI's Housing Fund; and
 - c. To provide technical assistance and training to improve CABEI's financial management and planning

UNCLASSIFIED ANNEX B
Department of State

OUTGOING
TELEGRAM

PAGE 01 OF 02 STATE 264828
ORIGIN AID-08

5875 216815 A102865

STATE 264828

5875 215815 A102361

ORIGIN OFFICE LACR-31
INFO GEOP-01 FPM-02 SERP-01 MALA-01 LACE-03 LACO-01 LADP-04
AMAD-01 PPCE-01 IG-01 CC-01 CECO-02 GCLA-03 GCFL-01
PSC-03 IGA-01 IGM-04 IGEP-02 IGI-04 EC-01 RELO-01
AGEE-01 /043 HQ

INFO LOG-02 APA-02 /802 R

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TAGS:

SUBJECT: ROCAP CENTRAL AMERICA SHELTER AND URBAN DEVELOPMENT PID (NO. 556-HG-206)

1. THE SUBJECT PID WAS REVIEWED ON MAY 15, 1986, AND APPROVED. THE FOLLOWING GUIDANCE IS PROVIDED FOR DEVELOPMENT OF THE PROJECT PAPER.

2. STRATEGY AND RATIONALE

A. APPROACH THE PROJECT PAPER SHOULD INCLUDE AS AN ANNEX SUMMARIES OF EACH OF THE BILATERAL MISSION STRATEGIES AND THE REGIONAL STRATEGY FOR ADDRESSING SHELTER AND URBAN DEVELOPMENT NEEDS IN THE CENTRAL AMERICAN REGION. THE MAIN TEXT OF THE PROJECT PAPER SHOULD INCLUDE A SECTION WHICH RELATES THE PROPOSED PROJECT TO THE IDENTIFIED GOALS AND OBJECTIVES OF THE BILATERAL AND REGIONAL STRATEGIES. THIS SECTION OF THE PROJECT PAPER SHOULD ALSO SET FORTH AN ASPECT UPON APPROACH TO COORDINATE THE SHELTER-RELATED POLICY DIALOGUE EFFORTS OF THE REGIONAL HOUSING AND URBAN

DEVELOPMENT OFFICE (RHUDD/CA), CABEI, AND THE BILATERAL MISSIONS.

B. FUNDING LEVEL THE PID INDICATED THAT ONE OF THE PRINCIPAL REASONS TO SUPPORT THE PROJECT IS THE IMPACT IT IS EXPECTED TO HAVE ON ACHIEVING THE NBCCA RECOMMENDATIONS OF A 25 PERCENT INCREASE IN SHELTER AND A 25 PERCENT INCREASE IN WATER AND SEWER CONNECTIONS. THE PROJECT PAPER SHOULD INCLUDE A DISCUSSION OF THE ESTIMATED LEVEL OF RESOURCES REQUIRED TO ACHIEVE THE AFOREMENTIONED GOALS AND INDICATE TO WHAT EXTENT CURRENT AND PROJECTED BILATERAL AND CABEI RESOURCE FLOWS ARE EXPECTED TO SATISFY THE FUNDING REQUIREMENT. IN ADDITION, THE PROJECT PAPER SHOULD INDICATE TO WHAT EXTENT RHUDD FUNDS WOULD BE USED TO SUPPORT TECHNICAL ASSISTANCE AND TRAINING ACTIVITIES TO BE FINANCED THROUGH CABEI.

C. FUNDING SOURCES - ANTICIPATED SOURCES OF FUNDING PROPOSED FOR THE PROJECT INCLUDE DOLLARS 45 MILLION IN HOUSING GUARANTEED FUND, DOLLARS 4 MILLION IN DEVELOPMENT ASSISTANCE FUND, DOLLARS 10 MILLION IN

ECONOMIC SUPPORT FUND (ESF) LOAN ASSISTANCE, AND DOLLARS 25 MILLION IN CABEI CONTRIBUTIONS. GIVEN PROBABLE SIGNIFICANT REDUCTIONS IN FY 87 ASSISTANCE LEVELS AND UNCERTAINTY REGARDING HQ AUTHORITY IN FY 87, THE DAEC CONCLUDED THAT THE PP SHOULD BE DEVELOPED WITH SEVERAL FINANCIAL SCENARIOS, BEGINNING WITH THE BASE CASE AS PROPOSED IN THE PID. THE PROJECT PAPER TEAM SHOULD ALSO CONDUCT THE FOLLOWING SENSITIVITY ANALYSES:

(1) THE EFFECT A REDUCTION IN HQ RESOURCES FROM DOLLARS 45 MILLION TO DOLLARS 25 MILLION WOULD HAVE ON PRODUCTION TARGETS AND THE RECAPITALIZATION OF CABEI'S HOUSING FUND; AND

(2) THE EFFECT AN ELIMINATION OF ESF RESOURCES WOULD HAVE ON PRODUCTION TARGETS, THE RECAPITALIZATION OF CABEI'S HOUSING FUND, AND PROJECT FEASIBILITY. DURING THE ROCAP FY 87-88 ACTION PLAN REVIEW, IT WAS CONCLUDED THAT AT CURRENTLY ANTICIPATED FY 87 LEVELS, ROCAP WILL NOT HAVE ANY ESF RESOURCES. THE MISSION, HOWEVER, PROPOSED AS PART OF ITS WORST CASE SCENARIO UNQUOTE FY 87/88 BUDGET THAT IT WOULD BUDGET UP TO DOLS. 15 MILLION IN CA LOAN FUNDS FOR FY 88/89 AND THE DOLS. 4 MILLION DA GRANT BEGINNING IN FY 87. THEREFORE, THE PP TEAM SHOULD ADD THIS AS ANOTHER RESOURCE SCENARIO. IN ADDITION, THE PP

TEAM SHOULD ASSUME THAT DA RESOURCES ARE USED ONLY FOR ACTIVITIES WHICH CANNOT BE FINANCED UNDER HQ AUTHORITY, UNLESS A PERSUASIVE JUSTIFICATION IS PRESENTED.

BASED ON THE RESULTS OF THE ABOVE ANALYSES, THE PROJECT PAPER DEVELOPMENT TEAM SHOULD MAKE A DETERMINATION OF THE MINIMUM AMOUNT AND APPROPRIATE MIX OF RESOURCES REQUIRED TO ENSURE THE PROJECTS VIABILITY. SEPARATE ANALYSES TAKING INTO ACCOUNT THE POSSIBILITY THAT ESF RESOURCES COULD NOT BE MADE AVAILABLE FOR THE PROJECT AT THE REQUIRED MINIMUM LEVEL SHOULD EXAMINE (I) ALTERNATIVES FOR RECAPITALIZING THE HOUSING FUND; AND (II) TO WHAT EXTENT RHUDD COULD RELY ON BILATERAL MISSION LOCAL CURRENCY TO FINANCE OFF-SITE INFRASTRUCTURE ACTIVITIES ASSOCIATED WITH CABEI PROJECTS.

3. ABSORPTIVE CAPACITY - THE STRATEGIC OBJECTIVES AND FUNDING REQUIREMENTS NOTWITHSTANDING, THE PROJECT PAPER SHOULD EXPLICITLY ADDRESS THE ISSUE OF ABSORPTIVE CAPACITY OF BOTH CABEI AND THE NATIONAL IMPLEMENTING AGENCIES WITH RESPECT TO THE PROJECTED BILATERAL AND MULTILATERAL FLOWS OF FINANCIAL RESOURCES OVER THE PERIOD 1986 - 1989.

4. POLICY ISSUES

A. TERMS OF AID - THE PROJECT PAPER SHOULD INCLUDE A DISCUSSION OF HOW THE PROJECT WILL ADDRESS THE POTENTIAL IMPLEMENTATION PROBLEMS RELATED TO NEGATIVE REAL INTEREST RATES, PARTICULARLY IN GUATEMALA AND EL SALVADOR, AS WELL AS THE EFFECT CONTINUED INFLATION MIGHT HAVE ON PROJECT FEASIBILITY.

B. PRIVATE SECTOR - THE PROJECT PAPER SHOULD IDENTIFY IN GREATER DETAIL THE PROJECT'S PRIVATE SECTOR LINKAGES.

5. CREDITWORTHINESS ANALYSIS OF CABEI - THE CREDITWORTHINESS ANALYSIS SHOULD ADDRESS THE ISSUES SET FORTH IN A MEMORANDUM FROM PROSEA DATED JUNE 18, 1985, HANDCARRIED BY TEAM. THE MEMORANDUM NOTES THAT THE CREDITWORTHINESS ANALYSIS OF A LOAN TO CABEI SHOULD BE CONCERNED WITH CABEI'S CURRENT FINANCIAL STANDINGS AND VIABILITY. THE ANALYSIS SHOULD EXAMINE AUDITED FINANCIAL STATEMENTS (INCOME AND EXPENSE, BALANCE SHEET) FOR 1985

91

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM

PAGE 02 OF 02 STATE 264828

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WITH APPROPRIATE SCHEDULES. SHOULD THE FINANCIAL ANALYSIS SUGGEST THAT CAGEI IS FINANCIALLY VULNERABLE, A COUNTRY RISK ANALYSIS SHOULD BE CARRIED OUT TO EXAMINE THE MEDIUM TERM OUTLOOK OF CAGEI MEMBER COUNTRIES.

6. TARGET BENEFICIARIES

BILATERAL MISSION REVIEW RAISED THE QUESTION OF WHETHER THE DETERMINING FACTOR FOR THE MAXIMUM LOAN AMOUNT OF THE PROPOSED SHELTER SOLUTIONS WOULD BE THE TARGET BENEFICIARIES' CAPACITY TO PAY (AFFORDABILITY) OR WHETHER PRE-ESTABLISHED SHELTER TYPOLOGIES WOULD GOVERN THE LOAN AMOUNT. IT WAS RECOMMENDED THAT CONSIDERATION BE GIVEN TO ALLOCATING RESOURCES TO SPECIFIC INCOME GROUPS INSTEAD OF ESTABLISHING RIGID CONSTRUCTION PARAMETERS SUCH AS MAXIMUM SIZE OF THE HOUSE TO BE FINANCED.

7. STAFFING REQUIREMENTS

DURING INTENSIVE REVIEW, THE MISSION SHOULD UNDERTAKE AN IN-DEPTH ANALYSIS OF ADDITIONAL STAFF NEEDS FOR PROJECT IMPLEMENTATION AND MANAGEMENT. ALTERNATIVE MEANS OF MEETING STAFFING NEEDS SHOULD BE EXAMINED, FOR EXAMPLE: AVAILABLE DIRECT HIRE AND CONTRACT PERSONNEL, HOST COUNTRY NATIONALS, THIRD COUNTRY NATIONALS, AND SO FORTH. VARIOUS CONTRACTING ARRANGEMENTS, FOR EXAMPLE, PSC, INSTITUTIONAL CONTRACT, DIRECT HIRE, ETC. SHOULD ALSO BE CONSIDERED.

8. ENVIRONMENTAL EXAMINATION

IN ACCORDANCE WITH REG. 216.2 (C) (2) (X), SUPPORT FOR INTERMEDIATE CREDIT INSTITUTIONS (ICI) SUCH AS CAGEI IS NOT SUBJECT TO THE PROCEDURES SET FORTH IN 216.3 WHEN THE OBJECTIVE IS TO ASSIST IN THE CAPITALIZATION OF THE INSTITUTION OR PART THEREOF AND WHEN SUCH SUPPORT DOES NOT INVOLVE RESERVATION OF THE RIGHT TO REVIEW AND APPROVE INDIVIDUAL LOANS MADE BY THE INSTITUTION. UNDER THESE CIRCUMSTANCES, DECISIONS ARE MADE ON AN INDIVIDUAL BASIS FOR EACH LOAN AGREEMENT AND MAY SET FORTH ADDITIONAL CONDITIONS ON WHICH THE CATEGORICAL EXCLUSION WILL BE GRANTED. IN THIS CASE, CAGEI'S ABILITY TO EVALUATE AND MONITOR ENVIRONMENTAL IMPACTS OF PROPOSED SUBPROJECTS IS A NECESSARY PREREQUISITE.

IN VIEW OF THE ABOVE, A REVISED INITIAL ENVIRONMENTAL EXAMINATION (IEE) SHOULD BE PREPARED PROVIDING A CONVINCING DEMONSTRATION THAT CAGEI AND COOPERATING INTERMEDIATE FINANCIAL INSTITUTIONS HAVE OR WILL HAVE BY PROJECT IMPLEMENTATION STAGE THE CAPACITY TO ADEQUATELY EVALUATE THE ENVIRONMENTAL IMPACT OF THE SHELTER AND URBAN DEVELOPMENT SUBPROJECTS AND TO MONITOR AND

IMPLEMENT THEM IN AN ENVIRONMENTALLY SOUND MANNER. THE PROJECT DESIGN AND IMPLEMENTATION STRATEGY SHOULD CONTAIN THE FOLLOWING ESSENTIAL ELEMENTS THAT WILL HELP PROMOTE ENVIRONMENTAL SOUNDNESS:

(1) TECHNICAL PROCEDURES, GUIDELINES, AND REGULATIONS REQUIRED BY CAGEI AND INTERMEDIARY FINANCIAL INSTITUTIONS TO CARRY OUT ENVIRONMENTAL ASSESSMENTS AND IMPLEMENT SUB-PROJECTS CONSISTENT WITH THE RECOMMENDATIONS AND FINDINGS OF THE ASSESSMENTS.

(2) CONFIRMATION THAT CAGEI AND THE INTERMEDIARY FINANCIAL INSTITUTIONS HAVE IDENTIFIED PERSONNEL WITH SUFFICIENT ENVIRONMENTAL TRAINING AVAILABLE FOR THEIR STAFFS OR THROUGH CONTRACTUAL ARRANGEMENTS TO CARRY OUT NECESSARY ENVIRONMENTAL ASSESSMENT AND CONTROL TASKS, AND THAT THE PERSONNEL WILL BE COMMITTED TO THESE TASKS.

(3) IN SUPPORT OF THE ABOVE REQUIREMENTS, A STAFFING AND INSTITUTIONAL STRENGTHENING PLAN, INCLUDING TRAINING AND TECHNICAL ASSISTANCE, SHOULD BE INCLUDED IN THE PROJECT PAPER.

IN ADDITION, THE MISSION SHOULD KEEP IN MIND THAT, GIVEN THE NATURE OF THE PROJECT, AN ENVIRONMENTAL SOUNDNESS COMPONENT SHOULD BE SPECIFIED IN THE LOAN AGREEMENT. THIS CONDITION SHOULD REQUIRE EVIDENCE THAT ALL ENGINEERING PLANS AND TECHNICAL DESIGNS TO BE FINANCED ARE ENVIRONMENTALLY SOUND AND HAVE BEEN APPROVED BY CAGEI ACCORDING TO THEIR ENVIRONMENTAL REGULATIONS AND PROCEDURES PRIOR TO A.I.D.'S GUARANTEE OF ADDITIONAL AND FINAL DISBURSEMENTS. WHERE SIGNIFICANT IMPACT IS EXPECTED, MITIGATION MEASURES SHOULD BE INCLUDED IN THE ARRANGEMENT FOR PROJECT IMPLEMENTATION.

9. PAYMENT VERIFICATION

THE MISSION IS REMINDED THAT ALL PROJECT PAPERS MUST FOLLOW THE GUIDANCE PROVIDED ON PAYMENT VERIFICATION POLICY IN THE MEMORANDUM FROM AA/M TO MISSION DIRECTORS DATED DECEMBER 30, 1983, PARTICULARLY PP. 6-8, WHICH DEAL SPECIFICALLY WITH PROJECT PAPERS.

10. STATUTORY CHECKLISTS

THE PROJECT PAPER SHOULD INCLUDE THE APPROPRIATE STATUTORY CHECKLISTS IN ACCORDANCE WITH GUIDANCE PROVIDED

TO THE MISSIONS IN MEMORANDUM FROM GC/LAC DATED JANUARY 30, 1986.

11. GRAY AMENDMENT

GRAY AMENDMENT POLICIES SHOULD BE CAREFULLY CONSIDERED DURING PROJECT PAPER PREPARATION. A PLAN FOR THE UTILIZATION OF MINORITY- AND WOMEN-OWNED BUSINESSES SHOULD BE INCLUDED IN THE PROJECT PAPER.

12. HOUSING GUARANTEE PIPELINE

CONCERN WAS EXPRESSED ABOUT THE AMOUNT OF THE UNCONTRACTED HGS IN EL SALVADOR, HONDURAS, COSTA RICA, AND GUATEMALA. PLEASE INCLUDE IN THE PROJECT PAPER AN ASSESSMENT OF THE STATUS ON AVAILABLE HG FUNDS, A DISCUSSION OF THE EXPECTED CONTRACTING AND OBLIGATION SCHEDULE, AND HOW THE PROPOSED PROJECT PLANS TO TAKE THESE FUNDS INTO ACCOUNT IN PROJECT IMPLEMENTATION.

13. PROJECT PAPER APPROVAL AUTHORITY.

THE PROJECT PAPER SHOULD BE SUBMITTED TO AID/M FOR REVIEW AND APPROVAL. WHITEHEAD

UNCLASSIFIED

92

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.)

Life of Project:
From FY 86 to FY 91
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: Central American Shelter and Urban Development Assistance

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>Improve living conditions of lower income families in Central America.</p>	<p>Measures of Goal Achievement:</p> <p>Increase in the level of investment in housing and basic infrastructure for the urban poor in Central America.</p>	<p>Comparison of national statistics in each CA country with respect to investments in shelter, both public and private, and in extension of basic services.</p>	<p>Assumptions for achieving goal targets:</p> <p>Economic and political conditions will permit large-scale investments in construction of shelter and infrastructure.</p>

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: _____

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p> <p>Increase the availability of shelter and basic services (water, sewer, electricity, roads) to low-income Central American families and strengthen the existing capacity of CABEI and national public and private sector agencies to provide these services.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <p>1) Shelter production increases by 10,000 solutions over 5 years.</p> <p>2) Basic services extended to or improved for 145,000 families.</p> <p>3) Management and Financial status of CABEI and participating institutions has been improved as a result of project.</p> <p>4) Private sector participation in at least 75% of contracts for infrastructure construction and 100% of shelter construction.</p>	<p>1) Review of production statistics for shelter agencies.</p> <p>2) Review of production statistics for infrastructure agencies.</p> <p>3.1) CABEI Housing Fund losses reduced each year and fund earning a profit by 1992/93 as confirmed by CABEI's audited financial statements.</p> <p>3.2) Review of financial statements of participating institutions.</p> <p>3.3) Review of outputs in disbursement document and other records.</p> <p>4.1) Review of program records to determine percent private sector participation in all contracts financed under program and through other resources.</p> <p>4.2) Review of past and current production performance.</p>	<p>Assumptions for achieving purpose:</p> <p>1) New national administrations will support these sectors and the policy objectives previously adopted.</p> <p>2) Changes in administrations do not adversely and irrevocably affect the availability of qualified staff of executing agencies.</p> <p>3) Member countries remain eligible to receive CABEI funds.</p> <p>4) Interest rates in the U.S. make borrowing of HG resources attractive for CABEI and in turn Central Banks.</p>

14

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: _____

PAGE 3

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs:</p> <p>1. New shelter units constructed</p> <p>2. Basic services improved</p> <p>3. Direct employment in construction.</p> <p>4. Improved financial policies.</p> <p>5. Improved Cost Recovery.</p>	<p>Magnitude of Outputs:</p> <p>1. 10,000 below median income families benefit.</p> <p>2. 155,000 low-income families enjoy improved physical standard of living.</p> <p>3. Five million days of employment generated</p> <p>4.1 CABEL charges interest rates which recover cost of borrowings and administrative costs.</p> <p>4.2 Lending rates revised upward by eight financial institutions.</p> <p>4.3 Pricing policies for basic services revised by six agencies and municipalities.</p> <p>5.1 Reports on collections as well as cash/flow and audits are standard tools for implementing agencies and CABEL.</p> <p>5.2 Collections improve 25% for public housing institutions.</p> <p>5.3 Collections maintained at 85% or better for infrastructure institutions.</p>	<p>1. Review project disbursement requests.</p> <p>2. Review project disbursement requests.</p> <p>3. Project reporting</p> <p>4. Internal institutional financial policies and actual loan terms.</p> <p>5. Collections reporting and audits of implementing agencies.</p>	<p>Assumptions for achieving outputs:</p> <p>1. Changes in CABEL management do not alter their long term commitment to lending for shelter and infrastructure.</p> <p>2. National governments continue to place a high priority on investments in shelter and infrastructure.</p> <p>3. Implementing agencies are willing to use the available resources from CABEL.</p>

9/5

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: _____
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: _____

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Inputs:</p> <p>6. Role of private sector firmly established.</p> <p>7. 1,500 professionals trained.</p>	<p>Implementation Target (Type and Quantity)</p> <p>6.1 All housing finance institutions use private contractors.</p> <p>6.2 Majority of public sector infrastructure agencies use private contractors.</p> <p>6.3 At least two major infrastructure maintenance responsibilities have been delegated to the private sector, e.g. meter maintenance, well operations.</p> <p>7.1 36 training seminars and workshops held.</p> <p>7.2 177 months of technical assistance provided to: shelter institutions, infrastructure agencies and CABEI.</p>		<p>Assumptions for providing inputs:</p>

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY _____ to FY _____
Total U.S. Funding: _____
Date Prepared: _____

Project Title & Number: _____

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS					MEANS OF VERIFICATION*	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity) (\$ Millions)						Assumptions for providing inputs:
	HG	AID Loan	Grant	CABEI	Total		
1. Housing Finance	32.3	-	-	10.0	42.3	1. CABEI audit reports.	1. Funding provided by AID in subsequent years on a timely basis.
2. Infrastructure On-site Off-site	12.7	5.0	-	15.0	32.7	2. A.I.D. contract records.	
	-	10.0	-	-	10.0		
3. Technical Assistance and Training	-	-	4.0	-	4.0		
TOTAL	45.0	15.0	4.0	25.0	89.0		

97

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:
B.1. applies to all projects funded with Development Assistance loans, and
B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

- 1. FY 1986 Continuing Resolution Sec. 524; FAA Sec. 634A.

Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project.

This project was presented in the FY 1986 Congressional Presentation

- 2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

a) Yes
b) Yes

- 3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

N/A

4. FAA Sec. 611(b); FY 1986 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. Project is a regional effort with the Central American Bank for Economic Integration
7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Project will foster private sector initiatives, encourage use of housing coops, and savings and loans and improve efficiency

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Private U.S. suppliers may sell goods and services for the project.
9. FAA Sec. 612(b); 636(h); FY 1986 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. CABEI will provide \$25 million in counterpart for this program
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
12. FY 1986 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? Project is not designed to promote export commodities

100

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests? Yes
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)? N/A
15. FY 1986 Continuing Resolution Sec. 533. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? No
16. ISDCA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? A portion of project resources will be used to finance short term training and technical assistance. Such organizations as listed in Section 310 ISDCA of 1985 can submit proposals

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance
Project Criteria

- a. FAA Sec. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status, (e) utilize and encourage regional cooperation by developing countries?

Project will have direct impact on all these items

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? Yes
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Yes
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country)? Yes
- e. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? Yes

f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

The project is directly supportive of initiatives to strengthen CABEI which have been agreed to by the four participating member countries

104

2. Development Assistance Project
Criteria (Loans Only)

a. FAA Sec. 122(b).
Information and conclusion on
capacity of the country to
repay the loan, at a
reasonable rate of interest.

See
Project Financial
Analysis

b. FAA Sec. 620(d). If
assistance is for any
productive enterprise which
will compete with U.S.
enterprises, is there an
agreement by the recipient
country to prevent export to
the U.S. of more than 20% of
the enterprise's annual
production during the life
of the loan?

N/A

3. Economic Support Fund Project
Criteria

a. FAA Sec. 531(a). Will this
assistance promote economic
and political stability? To
the maximum extent feasible,
is this assistance
consistent with the policy
directions, purposes, and
programs of part I of the
FAA?

Yes

b. FAA Sec. 531(c). Will
assistance under this
chapter be used for
military, or paramilitary
activities?

No

c. ISDCA of 1985 Sec. 207.
Will ESF funds be used to
finance the construction of,
or the operation or
maintenance of, or the
supplying of fuel for, a
nuclear facility? If so,
has the President certified

N/A

that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes
2. FAA-Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?? Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of a agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where N/A

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?
- Yes
- Yes
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?
- No
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?
- Yes

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

9. FY 1986 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

The construction of progressive housing and small scale infrastructure projects has not been an area in which U.S. engineering firms have exhibited interest

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

Yes

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)?

Yes

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? Yes

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? Yes

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

4. Will arrangements preclude use of financing:
 - a. FAA Sec. 104(f); FY 1986 Continuing Resolution Sec. 526. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo N/A

Analysis of the Infrastructure Component

Because the infrastructure component of the Project will involve a new type of lending for CABEI and a new type of project implementation for some of the national implementing institutions, both at the PID and Project Paper stage, RHUDO and consultants made special efforts to identify the character and magnitude of program demand.

The sub-project summaries below provide information on projects that have been identified by the institution(s) responsible for project implementation and by the respective central governments and A.I.D. Missions as consistent with project and Mission policy goals and feasible to implement at the interest rates projected for financing. These projects will be elaborated to the point of loan applications during the first six months of the Project by a joint RHUDO-CABEI-Consultant team working with the national institutions. At this point, the projects represent the best forecast of the type of projects to be financed under the Infrastructure heading.

The projects described fall into two broad categories. The water and sewer and general upgrading projects for very poor neighborhoods tackle the most difficult policy and implementation questions. These projects will have the greatest value if implemented successfully, but also pose the greatest problems in execution and cost recovery. A second group of projects--particularly neighborhood street paving projects--are more straightforward to implement. They represent less policy innovation, but have the advantage of taxing less severely institutional management capacity.

Guatemala

Three projects are proposed at this point for Guatemala: two with the Municipality of Guatemala (the capital city) and one with EMPAGUA, the water authority for Guatemala City. These projects are:

1. A Q4 million loan to the Municipality to provide material support for a CARE designed Food For Work project which will provide essential urban infrastructure for 55 of the poorest communities in Guatemala City.
2. A Q7.5 million loan to the Municipality to pave 67.44 km of streets in lower middle class areas of the city.
3. A Q7.5 to Q10.0 million loan to EMPAGUA to extend water service through self-financing community water taps in the poorest areas of the city.

1. General Urban Upgrading

This project will be carried out by the Municipality of Guatemala to develop crucial public infrastructure in 55 of the poorest communities in the city. Approximately 30,000 families with about 155,000 people live in these settlements. Together they comprise over one half of the city's slum communities.

The project will first build drainage and sewerage treatment systems for the 55 communities. The project will then provide for the construction of retaining walls where steep hillsides threaten housing with mud slides during the rainy season. Community garbage deposits will be built and public water supply facilities will be improved.

The project will be implemented under the direction of municipal engineers and supervisors working with a committee of local citizens in each community. CARE will assist the Municipality in organizing and supplying the project activities.

Food For Work assistance will be provided over 5,000 workers on the project. These workers, who live in the same communities to be helped by the project, will receive food payments in exchange for their work on the project. These payments will represent an increase in family income for the workers and their estimated 20,000 dependents of from \$39 to \$58, at current market prices, for each month that they work on the project.

CABEI loan funds will be used to finance the materials needed for the project. These are construction materials available in the local market. No importation of materials is anticipated.

The project study has been fully prepared and is ready to begin as soon as funds are available. The Municipality has indicated its intention to make an immediate request to CABEI to seek advance funding at the earliest possible date. CARE, A.I.D. and Food For Work support have been approved for the project.

The project will directly benefit the quality of life of 155,000 urban slum dwellers. Sixteen percent of these people will receive increased family incomes for each month that they participate in the project. Eighty percent of the households will be connected to new sewer systems with resulting increases in sanitation and family health benefits. One-half of the communities will have retaining walls and all will have paved walkways and improved public water systems.*

* As CARE gives a low priority to water systems in this type of project, these funds will be used primarily for storage tanks and minimal extension of water lines into the communities to be served. The EMPAGUA community water taps activity, discussed below, will serve most of the same communities and will be developed in a coordinated manner.

It is anticipated that construction on the project will take 18 months. It will create 507,000 man days of unskilled labor and 175,000 man days of skilled labor (masons) during the life of the project.

Cost recovery of the funds borrowed from CABEL for the project will be obtained from the beneficiaries of the project through the Municipality's well-established "Contribution for Improvements" systems. This system is used regularly by the Municipality to recover up to 70% of the costs of community improvements (water, sewers, street improvements, etc.) Normally the beneficiaries of these improvements have two years to pay the Municipality. In the case of this project, the period will be extended to three years at a 12% interest rate, and collections will be made through community committees. These charges and the cost recovery system will be discussed with each community before construction begins. The cost recovery system will recover 100% of materials costs, or roughly 50% of total project costs. The rest of total project cost is being funded through external donations. The Municipality intends to establish a revolving fund which can finance 4 or 5 generations of such projects within the lifetime of a 15 year CABEL loan.

2. Street Paving

This project will pave 67.44 km of streets in 10 lower middle class neighborhoods in Guatemala City. The average monthly family income in the neighborhoods to be served is Q243.60 (\$97). The range of average incomes is from Q277 (\$110) to Q181 (\$75). This compares with a city wide estimated median family income of Q633 (\$240).

The Municipality receives frequent requests for the paving of streets. These requests usually come from older, more established neighborhoods. These areas have typically been improving their quality of life and consider street paving a major step in that direction. The Municipality responds to these requests in accord with its own economic situation, and with the capacity to pay of the beneficiaries who live along the streets to be paved. Work is initiated only if a high proportion of the properties along the street have been registered in the Municipal Cadaster system. The majority of costs of street paving (up to 70%) are recovered by the Municipality through the system of "Contributions for Improvements" from bordering land owners. Communities must have water and sewer lines in place in order to be eligible for road paving, so as to avoid digging up the road surface in the near future.

Approximately one-half of street paving and other municipal public works are contracted out to private contractors. In the case of this project, however, the Municipality plans to do the work with the staff and equipment of its Directorate of Maintenance and Public Works. This will constitute the Municipality's local counterpart for foreign borrowing, and will not be charged to the project.

These streets will directly benefit 100,700 people who live on them. An estimated 325,200 will indirectly benefit as a result of the project. These people live in areas served by the streets but do not live directly on the streets to be paved.

These streets will be paved with poured concrete or with locally produced concrete paving blocks. In either case, by avoiding the use of asphalt, no foreign costs will be incurred for the materials used in the project.

The Municipality proposes to carry out the project over a three year period. They anticipate the need for one-third of the loan funds in each of the three years.

The recovery of costs for the project will be done through the Municipality's regular system of "Contributions for Improvements". Land owners along the street which is paved are billed according to the frontage of their property on the street and the distance from the curb to the middle of the street. In this case, it is proposed that the residents pay 100% of the materials costs (the part covered by borrowing) or a little less than 50% of total costs. Typically a family on a newly paved street will pay Q 10 (US\$ 4) per month for a five year period. Less than 100% cost recovery from direct beneficiaries is appropriate since many of the benefits accrue to others living in the general area or in Guatemala City as a whole.

3. Community Water Taps

The continuing increase in the population of Guatemala City with widely scattered settlements has created problems in providing basic public services. Household water connections in the poorer neighborhoods have been particularly difficult because of the lack of a capacity to pay and questions related to ownership of the land where these houses are built.

As a result, approximately 20% of the city's present population have no easy access to public water supplies, i.e., are not within 200 meters of a safe water source. These people currently buy water from vendors or carry it considerable distances from public taps.

With this project, EMPAGUA proposes to construct 1,500 community water taps to serve approximately 250,000 people in poor neighborhoods not now served with public water service. Each tap will be located in a convenient location to serve approximately 30 families. The families serviced will be expected to pay the cost of installation and operation of the system through one of two alternatives: either the tap will be located in a neighborhood store whose owner will sell water by the container to his neighbors or the tap will be operated by a community committee who will share the cost of the service.

If successful, the system will enable EMPAGUA to serve virtually all of the currently unserved population of the city on a full cost recovery basis.

The project will cost an estimated Q 10.5 million to extend water lines to the communities and to install the 1,500 community water taps.

The cost of each tap will average Q 7,000. This cost is divided between the extension of a plastic pipe from the existing water line to the tap (Q 5,500 at a cost of Q 11 per meter) and for the installation of the tap and accompanying water meter (Q 1,500). The total investment per family served will be approximately Q 233. Some off-site investment will be necessary for water mains and pumps to bring water into each of the locations.

The project will take four years to complete. EMPAGUA projects that between 60% and 70% of total spending will be needed for imported project materials.

The project will be carried out by EMPAGUA's own staff and contractors. An estimated 50% of the work will be done by contractors. This will generate the need for the employment of between 300 and 500 workers during the four year life of the project.

The community tap program will utilize water lines that at a later date can support individual household connections. As a follow-on program to the community water taps project, EMPAGUA proposes that CABEI consider funding for 14,000 household water connections. This program will be necessary as water supplies to the city increase in the years ahead and demand for household connections grows. At an average cost of Q 750 per household connection this program would cost Q 10.5 million over a four year period.

Project Issues

The success of the three activities proposed for funding by CABEI depends heavily upon the cost recovery systems which accompany each activity. The cost recovery system of the Municipality is based primarily on its "Contribution for Improvements" system. The office in the Municipality which administers this system, in collaboration with the Municipal cadaster office, determines the increase in value to an individual property which will result from the public work to be constructed. The property owners who benefit from the project then are billed on a monthly basis for a given period to recover the costs of the project. Payments are scaled proportionally to estimated benefits, e.g. on a front footage basis for road paving.

This system has worked particularly well for recovering the costs of streets, sidewalks and other public works in middle and upper class

115

neighborhoods of the city. A similar system has worked in poorer neighborhoods in times of emergency such as the recovery from the 1976 earthquake. The CABEI projects will provide the basis for strengthening the application of this system for urban infrastructure in poor neighborhoods.

Technical assistance and training will be necessary to improve the effectiveness of the "Contribution for Improvements" system especially as it applies to improvements in poorer neighborhoods, where land registry now is weak. This requirement is described under Technical Assistance.

Honduras

The Honduras infrastructure component will continue and expand upon the bilateral Urban Upgrading Project (522-HG-006) which is providing water and sewerage solutions to over 15,600 families (or 93,500 people) in Tegucigalpa and San Pedro Sula. To this end, the Project will finance approximately \$9.2 million in infrastructure services (water and sewerage) in Tegucigalpa on a cost recoverable basis. An estimated 50,000 families will receive water and/or sewer hook-ups. The Project incorporates key lessons learned from bottlenecks experienced in the Urban Upgrading Project in the areas of absorptive capacity (timing of localized supply and off-site infrastructure) and cost recovery mechanisms.

The target group is the 50,000 households in Tegucigalpa living in marginal communities characterized by deficient provision of basic services and generally substandard condition of the housing stock. This population is growing at about 7.8% a year or 4000 families primarily in the southern and eastern sectors of Tegucigalpa. The Project is expected to provide household water connections for roughly 35% of the 1986 barrio population currently without such services.

The municipality of Tegucigalpa through its Barrio Project Implementation Unit (Unidad Ejecutora) and the national water and sewerage utility (SANAA) are already well organized to provide this type of infrastructure extension to "barrios marginales". The Unidad Ejecutora has currently documented 58 subprojects awaiting funding which total about \$14 million for water and sewerage (\$10.8 million on-site and \$3.2 million off-site) for 15,650 families. These projects were requested by barrio organizations (patronatos) for inclusion in the Urban Upgrading Project after program funds had already been fully committed. For each subproject the Unidad Ejecutora has already conducted prefeasibility studies which surveyed barrio population and produced initial estimates of on-site and off-site construction costs.

The full cost of installing infrastructure services (including design, administration, financing, and construction) will be charged through the system of "contribucion de mejoras" to residents of the communities receiving the services. The cost recuperation for water and sewerage will be handled

through a computerized billing system in place at SANAA which lists an explicit water consumption charge, sewerage charge, and loan repayment charge. Typical terms in the Urban Upgrading Program were 12 years at 17%. The documented excess demand, even on 17% money, demonstrates the strong willingness to pay for this type of project. Current projections indicate that infrastructure loans for the CABEL project will reach barrio residents at 10% for 12-15 year terms. Off-site infrastructure will be financed at an expected 5% offering rate using DA financing.

CABEL financing is projected to commence in FY 1988. Before that date, a systematic plan of water hook up will be impossible to implement, because of the overall water shortage in Tegucigalpa.

Project Issues

A. Relation to Bilateral A.I.D. Activities

The Urban Upgrading Program (522-HG-006), which began in 1981, developed the implementation capacity and methodology to be followed in the CABEL Project. Final work on off-site infrastructure for this project will be substantially complete by the end of 1986 and will thus not overlap the proposed CABEL projects.

However, in order to execute future projects it is crucial to maintain in place the institutional capacity developed by the Project Implementation Unit in Tegucigalpa (Unidad Ejecutora). A significant finding from the Urban Upgrading Project was the longer-than-predicted lag time necessary to develop the capacity to begin implementing projects. Thus, over 80% of beneficiaries were reached during the last three years of project implementation. Future AID activities in this area will have the opposite trajectory: without prompt commencement of project activity, the capacity to execute barrio upgrading may be lost.

Simultaneously with the development of the CABEL project, RHUDO/CA is re-programming bilateral HG-008 to provide \$20 million of funding for urban upgrading throughout the country.

All except \$5 million of this bilateral funding will, at President Azcona's request, be directed outside Tegucigalpa. It will be used to finance water and sewer connections, household electricity installation, and road paving in San Pedro Sula and secondary cities.

The \$5 million of the bilateral program funding directed to Tegucigalpa will serve as bridge financing in FY87 and FY88. It will permit construction of part of the backlog of road and sewer projects awaiting financing in Tegucigalpa. Equally important, it will maintain the

institutional capacity of the Unidad Ejecutora, until completion of the Concepción R o Grande dam permits resumption of household water connections. As CABEL project financing comes on line in FY88 and FY89, CABEL will specialize in financing of water and sewer hook-ups in Tegucigalpa.

B. Overall Water Supply

SANAA and the government of Honduras have two strategies for meeting the overall need for water in the Tegucigalpa area. An 8-point Summer 87 package will construct 15 new wells and repair five wells which are currently out of service. These wells will produce 150 liters/second in new supply. The plan will also finance repairs and improvements to 32 water distribution centers. This program will significantly ameliorate the current dry season deficit.

Expansion of household hook-ups, however, must await completion of the Concepción R o Grande dam.

The new government and IDB decided in June 1986 to accelerate the Concepción R o Grande Project which had been planned for the mid-1990s, rather than go ahead with the previously planned \$240 million Guacerique II Project. Previous SANAA policy had been to fully develop each watershed before moving on to another, but this has proven to be much too expensive. The R o Grande dam will produce about 75% of the raw supply which the Guacerique II Project would have provided but will be no more than 60 meters high, cost approximately \$40 million, and will still roughly double available raw water supply for Tegucigalpa. The dam is planned in an unpopulated area, where land costs are low. Since the dam will capture only about 50% of river flow (as opposed to over 80% for Guacerique II), environmental impact should be relatively mitigated. The dam will use RCC (rolled concrete construction) technology now in common usage in the US which allows for significant time and cost savings over previous dam building methods. The Concepción R o Grande dam will provide sufficient supply to Tegucigalpa at least through the mid 1990s. Dam completion is now scheduled for mid-1989.

Costa Rica

The Costa Rica sub-project will be carried out primarily through the Instituto de Fomento y Asesoría Municipal (IFAM). The Instituto Costarricense de Acueductos y Alcantarillados may also play an implementing role.

Background and Project Description

Costa Rica starts from a much different water coverage position than other Central American countries. Census and special survey estimates place the

proportion of urban families having on-site access to water at more than 99%*. Even among tugurio residents, coverage rates are extremely high. Estimates by the Instituto Mixto de Ayuda Social indicate that 72% of tugurio houses have individual access to inside piped water, and that almost all of the rest have on-site access either to wells or shared pipe outlets.

For this reason, an upgrading program designed to extend household connections does not make economic sense in Costa Rica. Current coverage rates are too high to justify making such a program a social priority.

In contrast, Costa Rican municipalities have been far more effective at restricting new housing construction, because of water shortages, than have municipalities in other countries. Virtually all municipalities have a backlog of rejected building permits, especially for low income housing proposed to be built in areas without water distribution lines. In fact, both the USAID Mission in its housing sector strategy and the Minister of Housing have identified shortages of deliverable water as the number one obstacle to low-income housing construction.

In response to this assessment, USAID has launched a pilot project designed to encourage low-income housing construction by working with communities to remove the water supply constraint. The type of investment covered includes small-scale investment in source development, installation or replacement of distributions mains, installation or expansion of water treatment plants, and installation of pumping equipment.

*For example, a 1983 survey by the Instituto Nacional de Vivienda y Urbanismo found the following coverage for the San Jose metropolitan area and other metropolitan areas.

	San Jose Metropolitan Area	Other Urban Area
Total in Sample	623	1,099
Inside Individual Connection	586	961
Outside Individual Connection	17	.
Shared Inside Connection	19	112
Wells (on-side)	0	6
Public Fountain	1	8
Other	0	12

The initial AID program is sponsoring \$7 million (C 308 million) of water system improvements. Works are being carried out in eight communities, where A.I.D. estimates that the water system improvements will unblock construction of 7,000 low-income housing units. The initial A.I.D. funding has been provided through ESF grant funds. There is no capital cost recovery, although IFAM and the municipalities agree to make the tariff adjustments necessary to cover future operations and maintenance costs.

The proposed project for CABEI financing would extend this pilot Mission project, by providing \$15 million of additional funding for IFAM. Projects in 11 municipalities totaling US\$ 9 million have been studied in preliminary detail. For these communities, 7,200 building permits for low-income housing units have been identified as having been rejected or applications discouraged from submission because of lack of adequate water supply. More than half these pending permits are from private contractors. At this same proportion, the \$15 million program would make possible construction of 12,000 low-income housing units over a five-year period.

CABEI financing also will permit gradual institutionalization of cost recovery for projects of this type. IFAM has accepted the principle that capital costs should be recovered, and has indicated that it would aim to lend extend resources to municipalities at 12% interest rate. The move from zero cost recovery to full recovery of capital cost at a 12% represents a very large advancement in cost recovery practice. IFAM has stated that its intermediate-term policy is to move toward full cost recovery at full market rates of interest.

Project Issues

Five policy issues stand out in the Costa Rican Project:

1. Low-Income Housing Authorization

The municipal water improvement projects have the purpose, from AID's perspective, of increasing low-income housing provision. Each of the municipalities proposed for works in Phase I or Phase 2 of the project have rejected building permits, citing lack of adequate water supply as the reason. Removal of this bottleneck is expected to permit previously blocked housing construction.

Municipal authorization of low-income housing building permits, however, is not a condition of IFAM loans to municipalities or of A.I.D.'s loan to IFAM. In fact, many reasons exist at the municipal level for resistance to the concept of progressive housing solutions and to integrating low and moderate income housing into the community. Lack of water may be the reason expressly stated, but

surmounting this barrier does not ensure municipal approval of building permits. In our follow-up with the municipalities participating in Phase I, several indicated that they did not intend to authorize low-income applications, even after completion of the water improvements. (This response may, to some degree, represent a lack of understanding of the program on the part of newly elected mayors who only recently had entered office).

It is planned to include in any future agreement with IFAM a requirement that IFAM disbursements to municipalities be tied to the municipalities' actual approval of pending low-income building permits. IFAM has agreed that such a requirement is desirable is desirable.

2. Interest Rates

The Costa Rican Central Bank has taken the position that it will not insure dollar loans against exchange risk i.e., that it either will pass the exchange risk on to the implementing institution or refuse the loan. It has indicated that it may make an exception in the case of a socially valued investment, like water system improvement. However, in this case it would add an additional spread to cover the exchange risk. The Central Bank estimated this spread at six percentage points or more.

A six point spread by the Central Bank for exchange risk implies that a dollar loan to Costa Rica at 9% would become a 15% or 16% domestic currency loan to IFAM, after other charges. This would appear to be incompatible with the 12% lending rate that IFAM believes is a practical ceiling on the rate at which it can lend resources to municipalities.

Four solutions to this dilemma are possible. First, the cost of the dollar resources can be lowered by mixing DA with HG funds. Since the infrastructure projects in question are all off-site, a component of DA funding is appropriate. The tentative financing mix proposed is \$11 million of HG and \$4 million of DA, provided at 5%. Even this mix, however, will go only part way toward meeting the re-lending interest rate objective. Second, bilateral ESF resources could also be made available to meet this requirement.

Third, it may be possible to accelerate delivery of the DA funds, allowing IFAM a period to invest them at local market rates (now about 25% per annum) thereby strengthening IFAM's financial position and its benefits from program participation.

Fourth, IFAM has agreed in principal to mix its own resources, received from earmarked taxes with CABEI funds in municipal lending.

Since IFAM now faces a 6% legal ceiling on lending from its own resources (which it is attempting to raise to 10%), any blending of external funds with internally generated funds would lower the overall re-lending rate, bringing it within program feasibility.

3. Private Sector Management Coordination

The Costa Rican Mission has urged that greater responsibility for project management coordination be given to the private sector. This would expand the Mission's success with such a strategy in road building. In a pilot project, a private implementing institution was set up through the Roads and Highways Association. This unit has selected investment priorities, designated contractors, and supervised design and works for road and highway projects in one canton. Per kilometer final construction costs are reported to have been reduced by almost 50% relative to public construction, with an even greater shortening of the construction period.

IFAM already has adopted some of the most important characteristics of this model. It has secured approval for private (short-list) bidding, and has agreed to do all construction with private firms under private supervision. IFAM, RHUDO and the Mission will discuss enlargement of the private sector role.

4. Institutional Capability of IFAM

IFAM has had 15 years of experience as a development bank for municipal projects with subsidized lending rates. It is committed to moving toward market rates in its lending. The present project will support this policy change. IFAM is also committed to using private sector organizations to increase its project implementing capability. Although delays have occurred in the execution of the A.I.D. grant program, IFAM has taken significant steps in recent months to expedite its contracting and purchasing procedures. All but one of the water projects have now been contracted out.

Our overall evaluation is that IFAM is a serious, committed credit and technical assistance organization that is well qualified to carry out the proposed project.

5. Municipal Debt Capacity

IFAM's preliminary analysis concludes that the 22 municipalities who are proposed as participants in this project have the capacity to borrow the funds proposed in this project. In most cases these are major secondary cities which are growth centers. Their existing and prospective debt capacity is significantly greater than for the country-wide average among all the municipalities.

El Salvador

CABEI financing in El Salvador is planned to be directed primarily toward a household water connection program in San Salvador. This portion of the program would be financed by a HG loan and would be fully cost recoverable. The program would be administered by ANDA, the national water authority. Development Assistance funds would be used to finance a meter installation program, critical to ANDA's revenue collection efforts, and for off-site improvements necessary to sustain water delivery to the upgraded neighborhoods. These off-site investments would include water main installation and perhaps small water purification plants to remove the cyanide found in current well sources.

The El Salvador USAID mission has agreed to give consideration to the use of ESF local currency for off-site investment support. If this consideration is favorable, the Project would use DA funding for the foreign currency portion of off-site expenditures and ESF funding for the local currency element.

Background and Project Description

Data for 1982 indicate that 61 percent of the urban population in El Salvador is served by household connections while another five percent is served by public standpipes. An estimated 47 percent of the urban population is served by the formal sanitary sewerage system (dwelling connections). All average ratios are somewhat higher in San Salvador.

ANDA is now carrying out with RHUDO financing its first household connection/urban upgrading program in San Salvador. This program is designed to recover 50% of installation costs from direct beneficiaries.

In social promotion and in stimulating demand, the ANDA upgrading program has been highly successful. Community organizations have accepted the principle of cost recovery for water installation, and a large backlog of demand has been registered for hook-ups. As of July, 1986, ANDA had completed preliminary review of \$2.3 million of additional project applications, which are unfunded from current programs but eligible for water installation. It has requested additional funding of this magnitude from USAID and RHUDO, as the second step of the upgrading program. This demand could be satisfied through CABEI financing.

In implementation, the ANDA program to date has been less successful. At its inception, the program had difficulties as the ANDA bureaucracy had a difficult time managing the public bidding process. The President of ANDA then decided to turn over management coordination to a private firm, which became responsible for preliminary cost estimates and designs, contractor selection, contract negotiation, and supervision of works. Production rates increased from 600 meters of distribution pipe installed

per month to 4,000 meters of pipe installed. The first four of the 10 sub-project groups were completed swiftly.

The Program subsequently encountered financing difficulties, and came to a halt. As the government of El Salvador was past due in other HG debt payments, no new funding could be released for urban upgrading. These problems now have been resolved, and resumption of funding is in process.

Phase 1 of the Urban Upgrading Project will require most of FY1987 to complete. Phase 2 which encompasses 72 new projects providing approximately 2,900 household connections can begin in FY 1987 for completion in FY1988. ANDA staff and resident RHUDO advisers estimate that a new program of roughly this magnitude (\$2.3 million) can be undertaken each year. The effective constraint is not household demand, which is very large relative to production capacity, but ANDA's ability to implement programs and El Salvador's general debt repayments, which are necessary to assure the timely arrival of new funding.

The urban upgrading program in El Salvador places relatively modest demands on off-site infrastructure. ANDA believes that it can satisfy several years of demand for household connections from its already installed basic distribution system. The only off-site requirement will be for modest main extensions and occasional pumps.

ANDA is pursuing a program of meter installation. Because of political resistance, it has been unable to raise water tariffs. Metering is seen as a method of augmenting revenues, as well as support for water conservation. In a pilot test, ANDA found that households quintupled their average monthly water payments, when converted from a flat rate water tariff (9 colones per month) to a tariff based on metered consumption (average of 45 colones per month). ANDA now wants to install 50,000 meters in the metropolitan San Salvador area, at an estimated total cost of slightly over US\$1 million. This investment will significantly strengthen ANDA's financial position. It could be financed either through DA funding, or because of its strong cost recovery characteristics, through HG funding.

Issues

Four program issues stand out in El Salvador:

(1) Role of Private Sector in Management Coordination

The present management of ANDA intends to remove project coordination from the private sector and return it to ANDA. It acknowledges that contracting out coordination responsibilities to a private firm was essential in setting up the new program, but believes that ANDA can now perform the management coordination with its own staff. Whether

ANDA can in fact manage the program on its own remains to be seen. If the current upgrading work is implemented on schedule, there will be no need for a larger private sector role (all construction is being performed by private firms under private contract supervision). However, if implementation continues to lag, it should be a condition of the CABEI loan that project management again be contracted out to the private sector.

(2) Municipal Water Concessions to Private Firms

The former President of ANDA, now special adviser to the President of the Republic, has recommended pilot experiments of privatization in the water sector. He has recommended that the government grant to private firms concessions to carry out all water supply responsibilities in selected towns. The private firm would operate and maintain the water system, provide new hook-ups, charge and collect revenues subject to government review of tariffs, and retain all profits and losses. An inquiry was made whether such a pilot project would be eligible for CABEI financing.

It should be a program priority to elaborate this idea with El Salvador officials, with a view to eventual funding. Because of its political repercussions, the decision to move forward will have to come from the President's office.

(3) Relationship to Bilateral HG Program

The Project described here assumes that the first step of the upgrading program will be financed through the current bilateral HG project, as originally planned, and that the program then will move to CABEI financing. However, RHUDO has other bilateral resources tied up in El Salvador. If these are re-programmed to finance further ANDA upgrading, it would reduce the amount of resources ANDA could be expected to request of CABEI.

(4) Cost Recovery

The current upgrading program was designed to recover 50% of costs from direct beneficiaries and 50% through the general tariff structures. ANDA has been unable to achieve tariff increases and has fallen into a severe deficit position. A CABEI project should insist on at least 75% cost recovery from direct beneficiaries, with the other 25% of cost to be recovered from the revenue gains associated with meter installation. Alternatively, the upgrading project could recover 100% of hook-up costs from users, while using all revenue gains from metering to strengthen the institution's overall financial position.

125

T A B L E 1: SUMMARY COMPARISON OF INITIAL INFRASTRUCTURE PROJECTS

Item	G u a t e m a l a			H o n d u r a s	
	<u>CARE Upgrading</u>	<u>Road Paving</u>	<u>Community Water Taps</u>	<u>Household Water and Sewer Connections/Upgrading</u>	
<u>Total Project Cost</u> (million \$)	1.5	3.0	4.5	9.2	
On-Sites	1.5	3.0	3.0	6.2	
Off-Sites	0	0	1.5	3.0	
<u>Timing of Outlays</u> (US Fiscal Year)					
1987	1.5	1.0	0.5	0	
1988	0	1.0	1.5	1.2	
1989	0	1.0	1.0	2.5	
1990	0	0	1.0	3.0	
1991	0	0	0.5	2.5	
<u>Implementing Agency</u>	Municipality	Municipality	EMPAGUA	Municipality/SANAA	
<u>Cost Recovery</u>	100% of CABEI Loan 100% of Materials 50% of Total	100% of CABEI Loan 100% of Materials 50% of Total	100% of Total	100% of Total	
<u>Innovative Private Role</u>	-	-	Yes. Private sale of water from Community Taps		
<u>Domestic Interest Rate</u> (Based on 10% dollar loan to Central Bank)	12%	12%	12%	10%	

12%

T A B L E 1 (Cont)

Item	Costa Rica		El Salvador		<u>Total</u>
	<u>Municipal Water Expansion</u>		<u>Water Connections</u>		
<u>Total Project Cost</u>	15.0		9.5		42.7
On-Sites	11.0		8.0		32.7
Off-Sites	4.0		1.5		10.0
<u>Timing of Outlays</u>					
1987	3.0		0.5		6.5
1988	6.0		2.5		12.2
1989	6.0		2.5		13.0
1990	0		2.0		6.0
1991	0		2.0		5.0
<u>Implementing Agency</u>	IFAM		ANDA		
<u>Cost Recovery</u>	100% of Total Cost		100% of Total Cost		
<u>Innovative Private Role</u>	(1) Private sector role in project management.		Private sector role in project management.		
	(2) Disbursements tied to municipal approval of private low-income housing permits.				
<u>Interest Rate</u>	16%		12%		
	(Includes Central Bank charges for maintenance of value. Final lending rate to municipalities to be approximately 12% after blending with IFAM funds)				

TABLE 2
Beneficiaries and Job Creation

	<u>Direct Beneficiaries</u>	<u>Person Days of Employment</u>	
<u>Guatemala</u>			
1. CARE	154,500 residents of poorest neighbors	507,000 44,000	unskilled semi-skilled
2. Road Paving	110,700 families living on streets to be paved (325,200 residents of communities where paving will occur)	800,000	
3. Water Taps	250,000 users	300,000	
<u>Honduras</u>			
Household Connections	55,000 users	400,000	
<u>Costa Rica</u>			
Municipal Water Supply	66,000 new residents of low-income housing 280,000 current users of water systems	690,000	
<u>El Salvador</u>			
Household Connection & Meters	64,000 users of connections 275,000 users of meters	620,000	
TOTAL	1,255,200 (excludes community residents for road paving)	3,361,000	

128

TABLE 3
Changes in Water Coverage Rates

Guatemala City

	<u>Current Coverage</u>	<u>1990 Coverage*</u>
Household Connections	71.0%	71.5%
Public Fountains	7.0%	27.0%
Wells	2.0%	1.5%
Uncovered	20.0%	0

Tegucigalpa

Household Connections	67.0%	73.0%
Public Fountains	8.5%	20.0
Wells	3.0%	4.0%
Uncovered	21.5%	30.0

San Salvador

Household Connections	66.0%	72.0%
Public Fountains	10.0%	15.0%
Wells	3.0%	3.0%
Uncovered	21.0%	10.0%

Costa Rica (secondary cities)

Household Connections	98.0%	100%
Public Fountains	2.0%	0%

* Target estimates. Unusual urban growth rates will affect these targets.

* Distribution of remaining 23% between uncovered and public fountains will depend on whether SANAA carries out planned program of expansion of public taps.

BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA

CALLE 10-100, ZONA 10, CIUDAD GUATEMALA, GUATEMALA, C.A.
TELEFONO (502) 231-1111

CORE-205/86

29 de agosto de 1986

Sra. Nadine Plaster
Directora ROCAP/AID
8a. calle 7-86, zona 9
Ciudad Guatemala
Guatemala, C.A.

REF.: Solicitud Formal Programa Vivienda
e Infraestructura

Estimada señora Plaster:

Una de las principales actividades que el BCIE le ha dado prioridad en su gestión crediticia ha sido el financiamiento de proyectos para la construcción de viviendas, dado el considerable déficit habitacional existente en la región y los limitados recursos disponibles para satisfacer la creciente demanda. Para llevar a cabo esos Programas se ha contado siempre con el amplio apoyo de la USAID, lo que nos ha permitido desarrollar una serie de proyectos en los países miembros, que han beneficiado principalmente a grupos familiares de bajos ingresos.

Dado que las necesidades en materia de vivienda tienden a aumentar, el BCIE está conformando un nuevo Programa para atender dicho sector, y por tal razón sometemos a consideración de ese Organismo solicitud formal de financiamiento por US\$60.0 millones, cuyo destino será realizar un Programa de Vivienda y dotación de servicios básicos a barrios y poblaciones marginadas de la región centroamericana.

Según los análisis realizados conjuntamente entre especialistas de la AID y el BCIE, para llevar a cabo el referido Programa serán necesarios US\$45.0 millones que podrían provenir de una garantía de la AID y US\$15.0 millones en recursos concesionados de dicha Agencia. El BCIE aportará una contraparte de US\$15.0 millones que serán transferidos de inversiones que mantiene el Fondo Financiero de la Vivienda en otros fondos del Banco, y US\$10.0 millones provenientes del capital pagado por los países en reciente llamamiento. De esta forma se configurará un monto total para el Programa por US\$85.0 millones.

Adicionalmente, me permito plantear requerimientos por US\$4.0 millones en calidad de donación, para contratar asistencia técnica y capacitar al per-

BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA

CORE-205/86

-2-

sonal encargado del Programa y promover mejoras en la administración y en las políticas financieras de los organismos ejecutores y del mismo Banco, especialmente en el campo de infraestructura urbana.

De acuerdo a la demanda identificada, se espera que los recursos podrán dividirse en la forma siguiente:

RUBROS A FINANCIARSE	US\$ (MILLONES)	ORIGEN DE LOS FONDOS
1) Vivienda de Bajo Costo	42.3	Garantía AID más aporte BCIE
2) Infraestructura en Sitio	32.7	Garantía AID + Recursos Especiales + Aporte BCIE
3) Infraestructura fuera de Sitio	10.0	Recursos Especiales
SUB-TOTAL....	<u>85.0</u>	
4) Asistencia Técnica y Capacitación	4.0	Donación AID
TOTAL.....	<u>89.0</u>	

El Programa contempla financiar los componentes de vivienda e infraestructura en sitio a costos financieros de mercado; la inversión en infraestructura fuera del sitio se realizará a un costo subsidiado debido a la lenta recuperación de las obras.

Como puede apreciarse el flujo financiero que será proporcionado a los países durante los próximos cinco años permitirá una movilización considerable de recursos; sin embargo, y dada la inactividad que ha mantenido el Fondo Financiero de la Vivienda en los últimos años, será necesario contar con suficientes recursos concesionados para lograr devolverle su liquidez y rentabilidad dentro del período anteriormente citado.

Me permito indicarle que el financiamiento solicitado, permitirá lograr un incremento en la liquidez global del Banco, con la cual se podrá mantener un saldo positivo de recursos hacia los países de forma tal que éstos podrán continuar al día en sus compromisos de pago con el BCIE. Este a su vez, seguirá cumpliendo sin interrupción sus acuerdos con las fuentes de crédito.

Asimismo, técnicos de RHUDO y del BCIE han discutido las condiciones previas para implementar los respectivos acuerdos y de momento no se vislumbra problemas para su cumplimiento.

Es oportuno mencionar el impacto que podrá lograrse al beneficiar 155 mil fami-

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131

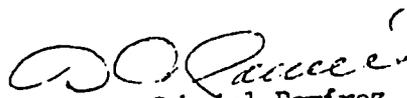
BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA

CORE-205/86

-3-

lias con las obras provenientes del Programa, además los niveles de ocupación calculados en 5.0 millones de personas-día de empleo, que serán generados durante la etapa de construcción de las mismas. Tal como ha sido previsto dentro de la estrategia del Plan Jackson, el Programa dará considerable soporte a la actividad privada en la Región Centroamericana, mediante la asignación de contratos de construcción a empresas privadas y otros beneficios de la intermediación financiera que será llevada a cabo por entidades también privadas.

Esperando contar con la aprobación de la presente solicitud por parte del prestigiado Organismo a su cargo, quedo de usted muy atentamente.


Dante Gabriel Ramirez
Presidente Ejecutivo

ANEXO CORE-205/86

CONDICIONES PREVIAS Y CONVENIDAS

1. Acuerdos (Covenants)

- a) El BCIE proveerá suficiente personal en la sede y en los países para administrar eficientemente el Programa.
- b) El BCIE para facilitar la implementación de los proyectos, delegará las responsabilidades apropiadas tanto en la sede como en los países. (Lo anterior significa que en alguna medida el Banco establecerá la debida delegación de autoridad que facilite la toma de decisiones sobre el Programa de Vivienda e Infraestructura).
- c) El BCIE suspenderá los desembolsos bajo el componente de préstamo del sector público del Fondo Financiero de la Vivienda, a cualquier país que se encuentre atrasado más de 60 días en sus pagos al Banco.
- d) El BCIE deberá incluir en sus convenios de préstamo con los sub-prestatarios del Fondo Financiero de la Vivienda, que todas las construcciones serán ejecutadas por empresas privadas.
- e) El BCIE asegurará que los subproyectos a financiarse no causarán impacto negativo al medio ambiente.
- f) El BCIE respetará las regulaciones estatutarias incluidas en el Acta de Asistencia Externa de 1961 del Gobierno de los Estados Unidos de América, así como las enmiendas y restricciones contenidas en las normas y decretos de autorización y apropiación para AID y las políticas pertinentes del Gobierno de los Estados Unidos respecto al uso de los fondos del proyecto.
- g) El BCIE contratará los servicios de una firma independiente de auditores, que certifique los requerimientos de información que AID señale y en la forma que ésta lo requiera.

2. Condiciones previas para el otorgamiento de créditos

- a) El BCIE adoptará para el Fondo Financiero de la Vivienda, una política

de tasas de interés que estipule la recuperación efectiva del costo de los recursos. En otras palabras, los ajustes que se efectúen a las tasas de interés, deberán reflejar la recuperación de los costos financieros y administrativos.

- b) El BCIE proveerá evidencia que en cuatro de los cinco países, sus cuentas con el Fondo Financiero de la Vivienda, se encuentran al día o están de acuerdo con arreglos de pagos existentes.

3. Condiciones Previas para el Primer Desembolso

- a) El BCIE preparará un plan demostrando como el proceso de aprobación e implementación de proyectos, contiene procedimientos ágiles y que se ha producido una adecuada delegación de responsabilidades.
- b) El BCIE proveerá evidencia que procesará desembolsos para los componentes del Programa únicamente a los países que hayan provisto evidencias de un adecuado mecanismo interno para canalizar los recursos.

4. Condición Previa para Subsecuentes Desembolsos

- a) Como una condición para autorizar los proyectos de infraestructura, después que la primera ronda de proyectos haya sido aprobada, el BCIE presentará para la aprobación de RHUDO los criterios de selección incluyendo los controles ambientales, de recuperación de costos, que serán aplicados para declarar elegibles futuros proyectos de infraestructura.



A N N E X G

Social Soundness Analysis

HONDURAS

I. POPULATION

A. Country population

Honduras is experiencing the most rapid population growth in Central America and also has the lowest urban/rural ratio in the region.

The population was estimated at 4.2 million in 1985, more than double the 1955 population of 1.6 million. With an annual growth rate of 3.47 percent per annum, the population of Honduras is expected to reach 8 million by the year 2000. (USAID, Population Strategy Paper, 1984). This growth rate has been the second highest in the western hemisphere over the last 25 years. The high fertility rate means that a very large percentage of the Honduran population is young. As of 1982, 47.5 percent of the population was under 15 years of age. Even with reduced fertility, the momentum of population growth will continue as these young people enter their reproductive years.

Approximately 64% of the population, (2.6 million) live in rural areas, at or near subsistence level. Approximately 39 percent live in urban areas. The urban areas are growing at a faster rate (4.5% per annum) than the non-urbanized areas (2.8% per annum), but in absolute numbers the rural population will continue to predominate giving rise to continued rural-urban migration with all the concomittant pressures on the urban areas to absorb the migrants. Urban population is estimated to reach 2.24 million by the year 2,000.

B. Urban Trends

The latest census dates from March, 1974, with the next census scheduled for 1987. Therefore, current urban population figures and growth rates are based on projections from twelve year old data. The SANAA report, PROGRAMA DE FORTALECIMIENTO INSTITUCIONAL Y MEJORAS OPERATIVAS DEL SANAA, (BCEOM, June, 1986) analyzed the various projections of population in Tegucigalpa (see Table I) and conducted field work related to their analysis of infrastructure needs for the city. Their estimates are used in the following section.

The majority of urban dwellers live in the two primary cities, Tegucigalpa with an estimated population in 1986 of 531,000, (BCEOM, 1986) and San Pedro Sula, estimated population in 1984 of 323,500. (Central Bank of Honduras, 1984). Tegucigalpa has had a growth rate of 5.8 percent since 1974. In the ensuing years, it is estimated that Tegucigalpa will continue to grow at a slower rate than San Pedro Sula, (4.5% compared with 5.42%) and that Tegucigalpa will actually lose in share of total urban population. In terms of absolute numbers of people,

125

TABLE I

cuad I-3 población de Tegucigalpa urbano según varias proyecciones

ref	fuente	ano	POBLACION					2000	CRECIMIENTO 74-85 (geca proead)
			1974	1975	1980	1985 (interp.)	1990		
1/	Censo 74		274						4.9%
2/	Metroplan 2a proy		268	293	361	459	583	976	5.4%
2/	3a proy		270	285	373	488	638	1088	5.0%
3/	Calade 1a proy		295	326	406	509	637	974	6.1%
4/	2a proy		305	326	445	595	796	1327	6.5%
5/	Consuplana/Censo		274			554			6.4%
6/	Banco Central		270		400	545	744	1373	5.5%
7/	Lahaeyer-Conesh		274		374	499	665	1136	5.7%
	procedio		279	308	393	521	677	1146	5.7%
8/	estis BEEOM		274		385	531			5.8%

NOTA: Los valores corresponden al mes de junio de cada año, con excepción del censo de 1974 (marzo) y la estimación de BEEOM (diciembre).

Source: Programa de Fortalecimiento Institucional y Mejoras Operativas del SANAA. BEEOM. Junio, 1986.

however, Tegucigalpa will continue to be the larger city. (Urban/Regional Assessment Report, USAID, 1983).

Secondary cities are assuming an increasingly important role. The number of people living in urban areas nearly tripled from 1950 to 1980 and the proportion of the population living in urban areas rose from 10% to 24% in 1960 to the current 36%. This increase occurred primarily in the number of cities with a population of between 10,000 and 20,000 and from 20,000 to 50,000. By 1980 the number of secondary cities with a population between 10,000 and 20,000 people increased by one-third, to a total of nine. Twenty-nine rural centers are estimated to increase their population to over 10,000 by 1990.

The secondary cities are projected to grow at over 4% per year, a rate which is higher than the projected national average. At the same time, the number of smaller settlements will also be increasing rapidly.

The entry of new cities (those increasing to more than 10,000 inhabitants) in the 1950-1980 period was 31 percent (increasing from 5 to 16), considerably larger than any of its Central American neighbors.

II. BENEFICIARY POPULATION

Identification of Target Population

The beneficiaries of the projects are low income households between the 5th and 50th percentile who do not own their homes. A portion of the beneficiaries are expected to come from the low income neighborhoods in secondary cities.

A. Living Conditions of the Urban Poor

Four major studies of marginal neighborhoods in Honduras have been completed in recent years. Two studies were undertaken by USAID in 1981 and 1982 to determine the ability of low-income families to pay for home improvement loans, Informe Final de la Encuesta sobre Viviendas y Servicios, Judith F. Laird, and Análisis del Impacto del Programa de Mejoramiento de los Barrios Marginados en Tegucigalpa y San Pedro Sula, by Joseph F. Lombardo. Ingreso, Gasto, Barrio y Familia: Estrategias de los Pobladores de Barrios en Tegucigalpa was completed in 1982 by ASEPADE. In March, 1984, selected low-income neighborhoods in Tegucigalpa and San Pedro Sula were studied by ASEPADE as part of a feasibility study for a USAID-sponsored program to help industries in Honduras. This latter study was entitled Estudio de Diagnostico de la Poblacion de los Barrios Chamelecon, Suyapa, Fe y Esperanza. The BCEOM study cited earlier updates, by individual barrio, the population and growth rate from 1974 for the capital. The following description is taken from all of the above sources.

1. Overview of Low Income Neighborhoods

It is estimated that approximately 80 percent of the population of Tegucigalpa lives in low-income barrios (neighborhoods). While there is no uniform list, one estimate is that approximately 84 of the total of 191 barrios can be considered low-income or marginal. The formation of marginal barrios has been underway for over 20 years. Many of these originated in spontaneous land invasions of ejidal (comunal) and private lands. Others are sub-divisions developed by private real estate companies, often in violation of municipal ordinances, as they do not provide adequate services. The growth of the marginal barrios in Tegucigalpa, as well as in San Pedro Sula, has been spurred by the continuing influx of rural migrants.

By contrast, BCEOM estimated that housing of good quality (middle, and upper class and part of the center city housing stock) is reserved for 15 percent of the population.

The low-income neighborhoods have been divided into four distinct types: centrally located barrios, marginal areas on the periphery of the cities, and squatter settlements. Twenty percent of the population of the city lives in neighborhoods which are institutional solutions to the housing problems of the poor (programas de vivienda economica) generally built by INVA. These are not included in the description below as it is assumed that the housing problems of this group of the poor have been solved. As the remaining three areas differ by the composition of the population, economic activity, and housing conditions, each is described separately below.

The centrally located barrios such as Sipile and Las Crucitas in Tegucigalpa have been formed around the market, which provides the major source of employment for residents. They are generally the oldest and the most densely populated neighborhoods, and overcrowding is severe, with 6-10 people occupying a single room. Estimates in 1980 reached as high as 855 persons per hectare for downtown Tegucigalpa (ASEPADE: 1982). Over sixty percent of the residents in these areas live in one room (cuarterias), located in long shed-like buildings which are divided into 8-10 one-room units on deep lots. Across a narrow open yard are rows of temporary shacks used as kitchens, as well as toilet or latrine. While some residents have lived in the same room for 10 years or more, most residents are transient, and finding employment is their primary concern. Many seek to improve their living environment and move into one of the other types of neighborhoods. Ninety percent of the population rents, incurring a monthly expense of L60-80 per month. Those who do own their homes, however, generally have secure title and land tenure.

These neighborhoods have reached the limit of growth and according to BCEOM have remained relatively stable since 1974.

The marginal areas on the periphery of the cities are often the result of the sub-division of former haciendas (farms). Originally they housed farm workers, but increasingly they have attracted rural migrants looking for economic opportunities in the capital. Many of these areas are semi-rural, with little access to urban infrastructure, but they offer larger land areas with room for small amounts of livestock and agriculture. Density is low, with 39.9 people per hectare (ASEPADE: (1982)). Approximately 60 percent of the people owned their home, but did not have secure title, due to the fact that much of this land was sub-divided and sold by people who themselves did not have formal title.

Squatter settlements (tugurios) are the result of illegal invasions of urban land, characterized by a near total lack of urban services. Population density is low, but the housing conditions are among the poorest of the low-income areas. The majority of the residents live in individual mud huts, built as quickly as possible to avoid the possibility of being kicked out before they are firmly established on the land. Eighty percent are owners, who either bought a shack from a previous owner, or who built one at the time they invaded the land, but tenure is insecure as they have no title to the land. Renters pay between L38 and L50 per month. The number of squatter settlements has increased significantly in the last five years, accounting for much of the growth in Tegucigalpa.

In general, the rental housing which is within the means of marginal families is badly deteriorated due to the lack of maintenance. Unsanitary conditions are prevalent in both central and peripheral marginal barrios, and the latter are often subject to flooding, erosion, and landslides.

2. Characteristics of the Population

The National Development Plan 1985 - 1989, ST/CONSULPLANE, October, 1985 concluded that because of the economic crisis facing Honduras, the levels of extreme poverty and the population's dissatisfaction with the basic necessities have increased sharply.

The percentage of household income spent on housing tends to increase as family income increases. The study, Housing Sector Analysis, 1974 presented the following statistics. The families in Tegucigalpa and San Pedro Sula, of the low, middle and high income groups pay 17%, 24% and 30% respectively. Families in the urban areas pay more for housing than in the rural areas where the percentages by socio-economic group are 10%, 13%, and 14%.

The characteristics of the low-income populations are very similar in the two principal cities of Honduras, with the exception that the low income housing in San Pedro Sula is generally of better quality than the housing in Tegucigalpa. This is a result of flat land being available in San Pedro Sula which lowers the cost of housing construction

and allows more room for expansion. The majority of the low-income neighborhoods in Tegucigalpa are located on the hillsides surrounding the city, making it very difficult and costly to build even the smallest shack.

The population in marginal neighborhoods is very young. The ASEPARE study found that 56 percent of the population was under 19 years old and that 75.6 percent was below 30. Thirty-seven percent of the population was of school age, but nearly one-half of this group was not enrolled in school at the time of the study. Employment opportunities were not growing fast enough to provide jobs for the large young population and evidence was found of social problems among the youth, including alcoholism, drug addiction, and prostitution. Literacy rates were generally lower among the marginal population as well.

The household income and expenditure study in 1978 - 79 estimated the average family size nationwide at 6.0 and 5.9 in the urban areas.

Families in the marginal neighborhoods are larger than the average Honduran household. Family sizes range from 5-8 members, with an average of 7.0 people per family. An average of 1.06 families lives in each household. As a result of overcrowding and inadequate sanitary facilities in the majority of the marginal areas, infant mortality is high from dysenteries, enterities, and other diarrhea-related diseases.

B. Income and Employment

1. Income

The monthly median income for 1986 as calculated by RHUDO/Honduras is nationwide, L409 (\$204.50); total urban L528 (\$264); Tegucigalpa L938 (\$469).

Income levels will vary considerably among the smaller cities as well, depending upon their size and economic base. Puerto Cortes, for example, with an industrial free zone and port, can be expected to have higher incomes than other towns of similar size which function as market towns or rural service centers. The wide variation in economic strength among the urban areas in Honduras underlines the importance of careful analysis of the potential demand for housing in each area prior to undertaking a project.

The most recent national household survey reporting income is the 1978 CONSUPLANE Household Expenditure Survey. The data were corrected in 1982 and annual estimates have been calculated using this distribution as the base. The National Council of Savings Institutions formula for estimated median income was used to calculate the annual update.

L470

2. Employment

Results of an analysis of the CONSULPLANE Household Income and Expenditure Survey, 1978/79, showed that 67 percent of those considered poor and 62 percent of those considered extremely poor work in the service sector. The manufacturing sector provides employment to 29 percent of the poor and to about 23 percent of the extremely poor. (Hernandez, Description of the Honduran Poor, USAID March, 1984).

The occupations of the residents of the marginal areas vary by neighborhood. Those living in the centrally located barrios work as vendors in the market, as ambulatory street vendors, or in low level civil service positions and report the highest earnings. In the peripheral neighborhoods, employment is less stable, with many people running a business from their homes. The 1984 ASEPADE study confirmed a much larger number of small industries located in the peripheral neighborhoods than elsewhere. These included occupations such as tailors, shoemakers, and carpenters. Many also work as day laborers in construction. Due to the nature of their employment, however, the wages are very irregular and a common strategy for many is to go into debt for housing and pay several months at once.

Sixty-four percent of the families had more than one wage-earner, with an average number of 1.5 wage-earners per family.

C. Role of Women

Thirty three percent (33%) of the low-income families in Honduras are headed by women. The percentage of families headed by women varies by neighborhood, ranging from a low of 27 percent in the peripheral neighborhoods to a high of 43 percent in the centrally located areas. More women live alone with children in these areas because it is close to their place of employment (the market) and because the proximity of neighbors in the cuarterias allow for sharing of child-care responsibilities.

Women have a high rate of employment in Honduras. Forty-five percent of the women over age 15 are employed in Tegucigalpa; 40.6 percent of the women in San Pedro Sula are employed. The majority are employed in commerce (21 percent) domestic service (31 percent), or as factory workers (10.5 percent).

The very poor women living in squatter settlements spend considerable time during the day collecting firewood or obtaining free water from relatively distant sources to reduce household expenditures. These women cannot generate a complementary cash income for the family by making food or holding a regular job as is the case in other families.

There are no legal barriers to women owning property in their own name, or obtaining credit. Further a majority of the homes in recent INVA projects are titled in the woman's name, whether married, divorced, or single. Conceivable explanations include the desire of mothers to provide security for themselves and their children regardless of their relationship with the father of the children, the desire of fathers engaged in small-scale commercial enterprises to protect their families in case of business failure, and the result of a traditional pattern of material favors offered by higher status, wealthier men to lower-income women.

III. NEED AND DEMAND FOR HOUSING IN HONDURAS

The latest housing census also dates from March, 1974 and although out of date, continues to serve as the basis for discussion of housing needs. The most recent is the "Diagnostico y pronostico de Necesidades de Vivienda en Honduras" (Linares, PADCO, 1986)

A. Quality of Housing Stock

The current housing stock of the country is estimated at 707,570 units. In the metropolitan area of Tegucigalpa, 5.6 percent of the units were substandard (non-upgradable). Forty-eight per cent (47.9%) were considered upgradable. In the other urban areas, a higher percentage of the housing stock was considered non-upgradable (25 percent), but fewer were in need of upgrading. (25%). The largest number of sub-standard units are found in the rural areas; 60 percent of the rural units, 300,800 houses, were non-upgradable. Twenty percent (20.6%) of the rural housing was in need of upgrading.

A disproportionate number of substandard units is found in the neighborhoods where the target population is currently living. An earlier study done by PADCO in 1978 indicated that as much as 65% of housing in low income neighborhoods in the two primary cities was constructed by the informal sector of substandard materials in marginal neighborhoods.

Basic services of potable water and solid waste disposal are also deficient. Nation-wide, only 30.2 percent of the population has access to piped potable water. In the capital, 62.8 percent have access to water. In other urban areas, 45.7 percent has access, while in the rural areas, the percentage drops dramatically to 17.9 percent.

While conditions vary according to the type of neighborhood, the urban poor have very inadequate service. One study reported that "only 34% have piped water within the house. 37% have access to collective faucets and 16% buy water either from neighbors or from vendors. 44% of the houses have either washable toilets or latrines. Depending on the neighborhood, between 9% and 40% do not have any sanitary facility at all." (Hernandez, Description of the Urban Poor, USAID, 1984).

B. Housing Deficit

The need for housing in all areas of the country continues to be very high. The projections from the Housing Needs Assessment model (PADCO, 1986) indicate that in the year 1990, new construction needed nation-wide is 49,100. In the metropolitan area, a total of 14,580 new units is needed. The largest number, representing 58% of the total number of new units needed, is for new household formation. New families are being formed at the rate of 7,900 in the year 1990, and increases to 13,300 in the year 2005.

The number of houses needing upgrading in the metropolitan area is the second largest category of construction needed. This reaches 2,200 per year by the year 1990, or 16% of the total need.

The capacity of the construction sector to provide the housing needed is inadequate. A 1984 report from CONSUPLANF (Irma de Díaz) said that "Even though the production capacity of the sector has improved noticeably, having gone from an average of 2,287 houses per year constructed in the period from 1970 - 1979, to 3,857 houses per year in the period 1980 - 1983, this is still insufficient to cover the deficit generated by the increase in population."

C. Demand

Housing demand studies have been undertaken in several secondary cities in the country including Puerto Cortes, La Ceiba, San Pedro Sula and Choluteca. Results from the Puerto Cortes provide an indication of the level of demand in one city.

The demand for housing was so great in Puerto Cortes that the initial reaction of many respondents when asked what kind of solution they preferred, serviced lot, wet core, and basic core, was that any solution would be acceptable if it would allow them to purchase a home with adequate services in an area that was not subject to constant flooding.

INVA solutions have been well received by the beneficiary population. In Puerto Cortes, for example, the serviced lot, a new housing solution being introduced by INVA was favorably viewed by 80.6%. 86.2% of the respondents liked the basic core unit because it was complete and ready to occupy.

The experiences from 522-HG-005 in Tegucigalpa, San Pedro Sula, El Progreso and Comayagua have shown the high acceptability of the wet core and basic rooms for the wet core and additions to the basic 18 m² core. A large number of families have used part of the house for small businesses. A year after sales, families in both Hato de Enmedio and El Carmen were beehives of construction activity. Today they are functioning communities with few houses left to be constructed.

HONDURAS: BASE CASE WITH REVISED HOUSING STOCK
HOUSING STOCK AND REPLACEMENT

TABLE A.3

	1995 ----	1990 ----	1995 ----	2000 ----	2005 ----
Metropolitan Area					
Dwelling Units by Construction Standard					
Acceptable Construction	68.60	134.65	211.12	294.56	387.58
(Annual Planned Repl.)	0.00	1.37	2.69	4.22	5.89
Non-Upgradable Construct.	8.30	6.23	4.15	2.08	0.00
(Annual Planned Repl.)	0.00	0.42	0.42	0.42	0.42
Upgradable Construction	70.80	53.10	35.40	17.70	0.00
(Planned Ann. Upgrading)	0.00	3.54	3.54	3.54	3.54
Total Dwelling Units	147.70	193.98	250.67	314.33	387.58
Total Overcrowded Units	0.08	0.00	0.00	0.00	0.00
Planned Annual Construction to					
Relieve Overcrowding	0.00	1.36	1.36	1.36	1.36
New Households/Year	0.00	7.90	9.98	11.37	13.29
Construction New Units/Yr	0.00	11.04	14.45	17.57	20.96
Total Construction/Year	0.00	14.58	17.99	20.91	24.50
Other Urban Areas					
Dwelling Units by Construction Standard					
Acceptable Construction	17.10	44.30	72.65	105.03	139.50
(Annual Planned Repl.)	0.00	0.34	0.89	1.45	2.10
Non-Upgradable Construct.	15.30	11.48	7.65	3.83	0.00
(Annual Planned Repl.)	0.00	0.77	0.77	0.77	0.77
Upgradable Construction	28.70	21.50	14.30	7.10	-0.10
(Planned Ann. Upgrading)	0.00	1.44	1.44	1.44	1.44
Total Dwelling Units	61.10	77.27	94.60	115.95	139.40
Total Overcrowded Units	0.03	0.00	0.00	0.00	0.00
Planned Annual Construction to					
Relieve Overcrowding	0.00	0.56	0.56	0.56	0.56
New Households/Year	0.00	2.67	2.90	3.71	4.13
Construction New Units/Yr	0.00	4.34	5.12	6.49	7.55
Total Construction/Year	0.00	5.78	6.56	7.93	8.99

HONDURAS: BASE CASE WITH REVISED HOUSING STOCK
HOUSING STOCK AND REPLACEMENT (CONTINUED)

Rural Areas

Dwelling Units by Construction Standard

Acceptable Construction	94.80	280.25	475.16	680.17	895.74
(Annual Planned Repl.)	0.00	1.90	5.60	9.50	13.60
Non-Upgradable Construct.	300.80	225.60	150.40	75.20	0.00
(Annual Planned Repl.)	0.00	15.04	15.04	15.04	15.04
Upgradable Construction	103.10	77.33	51.55	25.77	-0.00
(Planned Ann. Upgrading)	0.00	5.16	5.16	5.16	5.16
Total Dwelling Units	498.70	583.17	677.11	781.14	895.74
Total Overcrowded Units	0.00	0.00	0.00	0.00	0.00
Planned Annual Construction to					
Relieve Overcrowding	0.00	1.87	1.87	1.87	1.87
New Households/Year	0.00	15.02	16.92	18.9	
	0.00	15.02	16.92		
		18.94	21.05		
Construction New Units/Yr	0.00	33.83	39.43	45.35	51.56
Total Construction/Year	0.00	38.99	44.59	50.50	56.72

TOTAL COUNTRY

New Construction/Year	0.00	49.21	58.99	69.21	80.07
Total Construction/Year	0.00	59.35	69.13	79.34	90.21

145

A N N E X G

Social Soundness Analysis

COSTA RICA

I. Population

The most recent National Housing and Population Census was undertaken in June, 1984. The official results have not yet been published, however, as there are apparent discrepancies in the definitions used for urban and rural areas. This has made it difficult to compare the data from the census of 1963, 1973 and 1984. The discussion below is based primarily upon information in the document, "Diagnostico y Pronostico de Necesidades de Vivienda en Costa Rica". PADCO, 1986.

A. Country Population

After experiencing a long period of extreme population growth, the rate of population increase in the country has decreased sharply in the last few years. Costa Rica has experienced the most rapid and sustained reduction in the birth rate of any country in Latin America as a result of a very successful birth control campaign. The growth rate has declined from 3.4 percent in 1974 to 2.4 per cent in 1984.

According to the 1984 Census, the population of the country is approximately 2.5 million people. If the projected gradual decline in the growth rate is maintained, (2.47 - 1985 - 1990, 2.10 to 2000), the total population of the country would reach about 4 million in the year 2000.

B. Urban-Rural Trends

Over half the population (1.25 million people) lives in the urban areas of the country. The SJMA with 700 million inhabitants, accounts for over half of the urban population, with more than half a million living in the other urban centers of the country. These urban centers are growing at a much faster rate than the capital (7.43 for the other areas, 2.95 percent for the capital). Thus, as the population continues to grow, the other urban areas will increase their proportion of the total urban population of the country and the capital will decrease. By the year 2000, it is projected that the capital will represent less than half of the country's urban population. (Table I)

This trend is explained by the historical urbanization process of the country. Costa Rica's four main provincial capitals (San Jose, Alajuela, Cartago and Heredia) are located in the country's central inter-mountain valley. This Valle Central, the most heavily populated area of the country and location of many of the "other urban areas," was originally a densely populated rural area located near the cities. As the economy of the area changed, these areas have lost their rural characteristics and become increasingly urban.

Table

Costa Rica: Population by Province 1973, 1980 and 1984

<u>Province</u>	<u>1973</u>	<u>1980</u>	<u>1984</u>	Percentage Change		
				<u>1973/80</u>	<u>1980/84</u>	<u>1973/84</u>
Total Costa Rica	1,871,780	2,216,117	2,460,226	18.4	- 11.0	31.4
San José	695,163	832,075	893,254	19.7	7.4	29.5
Alajuela	326,032	387,176	430,634	18.8	11.2	32.1
Cartago	204,699	243,609	267,860	19.0	10.8	31.8
Pereña	133,844	159,761	195,389	19.4	22.3	46.0
Guanacaste	178,691	214,480	193,024	20.0	-10.0	8.0
Puntarenas	218,208	266,563	291,008	22.2	9.2	33.4
Limón	115,143	141,773	187,057	23.1	31.9	62.5

Source: Dirección General de Estadística y Censos

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Best Available Document

141

to 4.59 people per family. Family size has shrunk to 4.29 in the SJMA according to data collected in the same study.

Demographic projections from CELADE indicate that family size will continue to decrease in Costa Rica, reaching 4.19 by the year 1995. Others suggest that the fertility rate, which dropped dramatically during the decade of the 70's has begun to rise again in the first half of the 80's and may continue on the increase, thus slowing the decrease in family size.

3. Role of Women

Seventeen percent of the households surveyed in the Kerley-Lintz-Russin study, were headed by women when the family entered the INVU progressive housing program. The number increased to 22% after two years in the program. This is significantly higher than the number of female headed - households in SJMA reported in the INVU-BID study at 10.3 percent.

Thirty percent of the women in the program were employed. Half had full-time permanent employment as factory workers or domestics; half had occasional work as household servants or in handicrafts.

The higher female to male ratio in urban areas continues to show continued female migration to the capital and urban areas for employment opportunities. As many of these women are heads of households, equal access to housing must remain a criterion of the HG Program.

A. Income and Employment

1. Income

The most recent data on family income for urban areas is found in the study of Effective Demand completed by INVU and the Inter American Bank (Encuesta De Demanda Efectiva Para El Area Metropolitana, Puntarenas, Limon, y Otras Ciudades. Programa de Lotes y Servicios y Desarrollo Comunal. BID-INVU, 1983-84)

In the HNA the average monthly family income for the San Jose Metropolitan Area in 1985 values was c24,619. In the Other Urban Areas of the country, the average income was c13,040; in the rural areas the average income was c8,855.

The median income is considerably lower than the average because of the skewed distribution of income in Costa Rica. The difference between average family income and the median income was estimated at approximately 6,000 colones per month.

148

Current estimates of the median income for 1986 were obtained by USAID/Costa Rica by updating this income distribution using the National Council of Savings Institutions methodology. The median income is c19,771 for the country, c23,260.50 for total urban areas. The income for the total urban areas is heavily influenced by the income of San Jose and therefore has been used for both the SJMA and "other urban areas."

2. Employment

In a recent study of the low-income population, ("Research On Progressive Housing in Costa Rica and Honduras, "Kerley, Lintz and Russin, Sept, 1985), the sources of income were described in detail. All the surveyed population was earning well below the median income. The heads of households were largely employed as blue-collar workers, with the largest group employed in the building trades. While not well paid and experiencing periodic unemployment, they also had the highest potential for moonlighting to earn extra income. Other occupational categories found in this group included service workers such as cooks, cleaners, guards, janitors, unskilled factory workers, and low-level clerical workers. These occupations are consistent with the brief description of the lowest 25% of the population studied by INVU/BID.

III. Need and Demand for Housing Solutions

A. Need for housing

1. Quality of Housing Stock

The quality of housing is poorest in the rural areas of the country. The SJMA has, in both absolute and relative terms, the greatest number of houses in good condition. 70 percent of the housing in the SJMA is in good condition, compared with 47 percent in the other urban centers and 32 percent of the rural housing.

Nearly all urban housing, (99.5 percent) in Costa Rica has running water; in the rural area, this service reaches 63 percent of the houses. Over 98 percent of urban dwellings have either a septic tank or are connected to city sewer lines.

2. Housing Deficit

The total housing deficit in 1983, nationwide was estimated at approximately 132,000. This total includes the number of houses rated as "poor" (not upgradable), as well as the number of houses needed to decrease overcrowding and to accommodate new household formation. This number had increased from 85 million in 1973.

The housing deficit in SJMA was estimated at 16,300 houses in 1984 (INVU-BID Effective Demand Study, 1984). This figure also includes construction needed to reduce overcrowding and the number to replace non-upgradable houses.

The USAID Housing Needs Assessment Model was applied to the Costa Rican situation and projections of the deficit over the next twenty years are available (PADCO; April, 1986). Construction to cover the demand from new household formation represents the greatest need in both the SJMA and the other urban areas. As a result of the demographic explosion in the decade of 1950 - 1960 (3.8 percent growth), Costa Rica's baby boom generation is now in the market for housing.

Thus, in 1990 in the SJMA, 7,220 new housing solutions must be provided solely for new household formation; in the other urban areas, 7,160 new houses must be built. The number increases in the year 2005 to 9,220 in the SJMA and 10,250 in other urban areas, annually to meet the demand from new households.

Total annual construction for Costa Rica is estimated at 30,000 in new construction and upgrading of another 8,000 units in the year 1990. Total annual construction reaches 52,540 in the year 2005.

Currently nearly all the housing in the urban areas has access to the basic services, electricity, water and some type of sewerage. In order to maintain this excellent coverage, it will be necessary for the country to provide substantial investment in urban services in order to keep pace with new housing demand.

B. Demand For Housing

The potential demand for new housing solutions in Costa Rica is high. According to the 1985 INVU study of the San Jose Metropolitan Area, 29 percent of the families in the SJMA are currently renting. Two-thirds of this group are interested in either buying a house (52.3%) or building their own house (14%). Six percent had already begun making arrangements to obtain a house.

The potential demand may be even greater than this, as the large majority of the renters who did not want to buy or build a home cited the high cost of houses or the lack of money to purchase home as the principal constraint. If solutions affordable to the target population are offered, effective demand (number of families who both want the solution offered and can afford to buy it) will increase substantially.

Demand for the particular types of solutions offered by INVU is also high. The study concluded that "a strong global demand exists for the type of housing solution that INVU proposes, that is progressive housing, and that this analysis of global demand indicates that if a

152

Table I
 Costa Rica: Geographic Distribution of Critical Shelter Needs
 (September 1984)

<u>IMAS Administrative Region</u>	<u>Number of Squatter Settlements</u>	<u>Number of Dwellings in Settlements</u>	<u>Households per Dwelling</u>	<u>Number of Households in Need of Shelter Solutions</u>
San Jose	21	276	1.07	295
Cartago	30	1,874	1.03	1,903
Heredia	20	350	1.00	350
Alajuela	36	580	1.05	609
Puntarenas	66	4,035	1.10	4,438
Guanacaste	41	798	1.10	878
Limon	43	2,171	1.05	2,280
Perez Zeledon	26	954	1.14	1,088
<u>San Jose Metropolitan Area</u>	<u>212</u>	<u>17,917</u>	<u>1.08</u>	<u>19,426</u>
TOTAL	495	28,975	1.08	21,267

Source: Instituto Mixto de Ayuda Social

program were begun, it would have strong justification and a high acceptance. A similar program was begun in the metropolitan area and the demand has exceeded the supply." (INVU-BID Study)

Acceptance of INVU solutions is also reflected in the response to the question on preference for types of solutions. Over 75 percent preferred a lot with a completed home. Nevertheless, a large number of the low income population expressed a willingness to accept a less complete solution such as a serviced lot in order to become homeowners. Low and lower middle class families, the potential beneficiaries of a CABEI financed program, were asked additional questions during the INVU-BID study about the sites and services program that INVU has done previously. Over 70 percent knew very little about the program. Once the interviewer explained the program, however, interest increased and over half (50.6%) indicated interest in the progressive housing solution.

Interest in a home improvement program also was expressed by 20% of the homeowners. A large group is interested in repairs (principally roof and floors); another group is interested in enlarging the house.

Families are actually spending a small amount of their household budget on housing. The INVU-BID study reported that in the SJMA, renters are paying 12 percent of the income. A second study, however, undertaken in July 1982, as part of the National Household Survey, found that families are willing to pay considerably more, as much as 25 to 20 percent for a new housing solution. As Linares reports, these results are consistent with studies from other countries, which in fact reflects the value that families place on owning their own homes.

A N N E X G

Social Soundness Analysis

GUATEMALA

I. POPULATION

A. Country Totals

Over the last 30 years, Guatemala has experienced growth in population and a shift in the geographic location of its people. The annual growth rate of 2.8 percent increased the population from 2.8 million in 1950 to 8 million in 1986. Current projections indicate that the population will reach 12.0 million inhabitants by the year 2000, an increase of 4 million from 1986. (UN Preliminary Report, Proyecto de Apoyo de Desarrollo Urbano, April, 1986).

B. Urban/Rural

During the same period, the urban population grew nearly twice as fast as the rural population, with the result that in 1986, over 40% lived in urban areas, compared with 25 percent in 1950. The population has shifted from being basically a rural population to a highly urbanized society, and it is estimated that by the year 2000, over 50% of the population or approximately 6 million people, will live in cities.

The largest growth has occurred in the metropolitan area of the capital, Guatemala City (annual growth rate of 5.4%). The estimated 1984 population of 1.8 million represents approximately 20 percent of the total population. Twenty-one percent of the population (21% lives in other urban areas; 59% lives in rural areas.

The southern city of Escuintla, center of a large agroindustrial area, is emerging as the fastest growing city (annual growth at 6.9%) rivaling Quetzaltenango traditionally the second largest city in the country. The population of Quetzaltenango in 1985 was estimated at 82,000; Escuintla at nearly 55,000 (UN April, 1986).

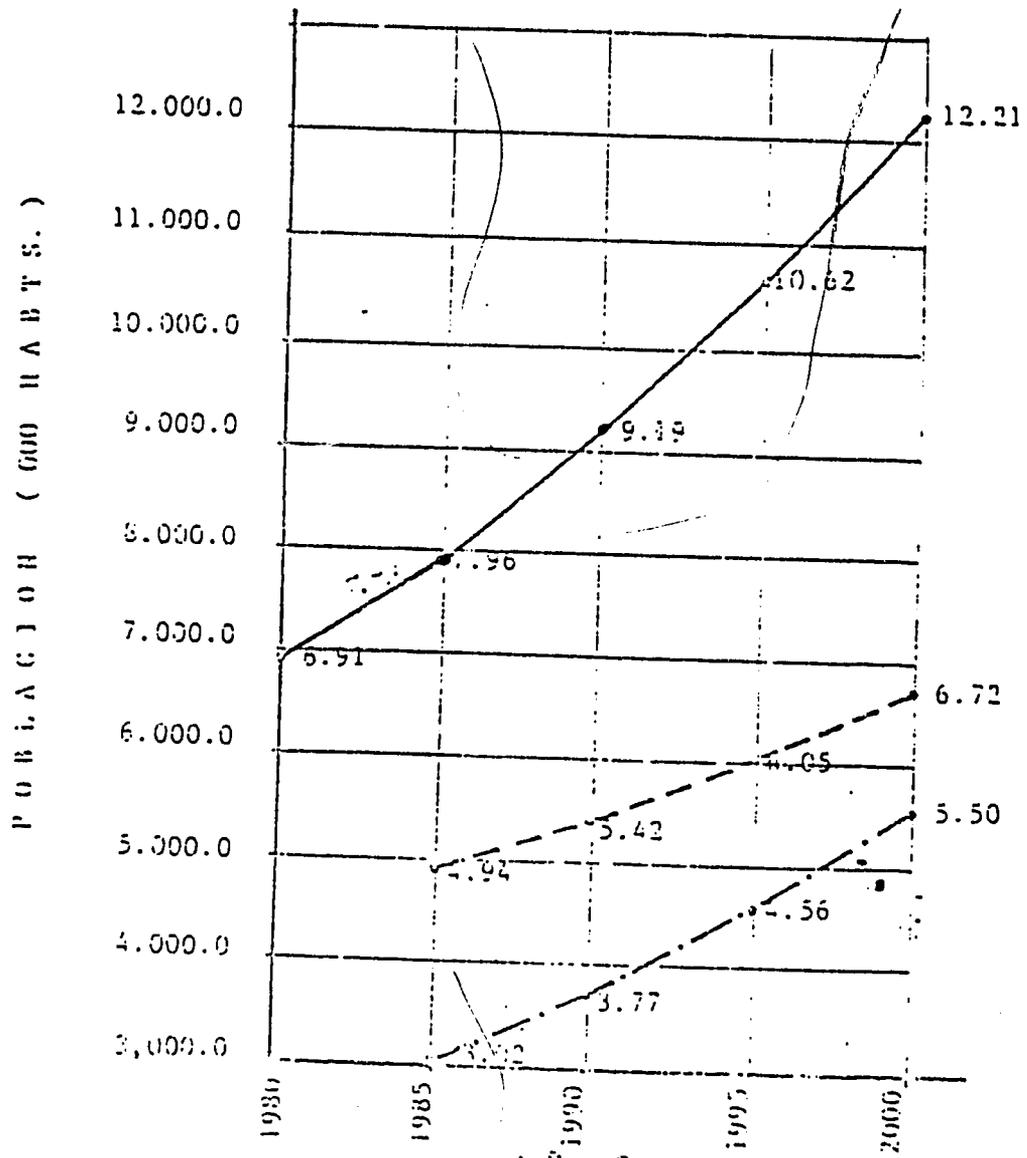
Migration accounts for nearly half of the metropolitan growth, but most migrants conform to the step-migration pattern, emigrating from rural areas to small town before moving to the capital.

II. BENEFICIARY POPULATION

This relies heavily on the AID Urban Poverty Study, one of the most recent studies available with in depth descriptions of the urban poor, the potential beneficiaries of the CABEI loans and the 1982 Market Demand Study, Kerley/Padco, which surveyed households in each of these neighborhoods. The reader wishing more information on the low-income population in Guatemala is referred to this study and the work of Marroquin. (Hermes Marroquin, El Problema de la Vivienda Popular en el

153

EVOLUCION DE LA POBLACION TOTAL, URBANA Y RURAL

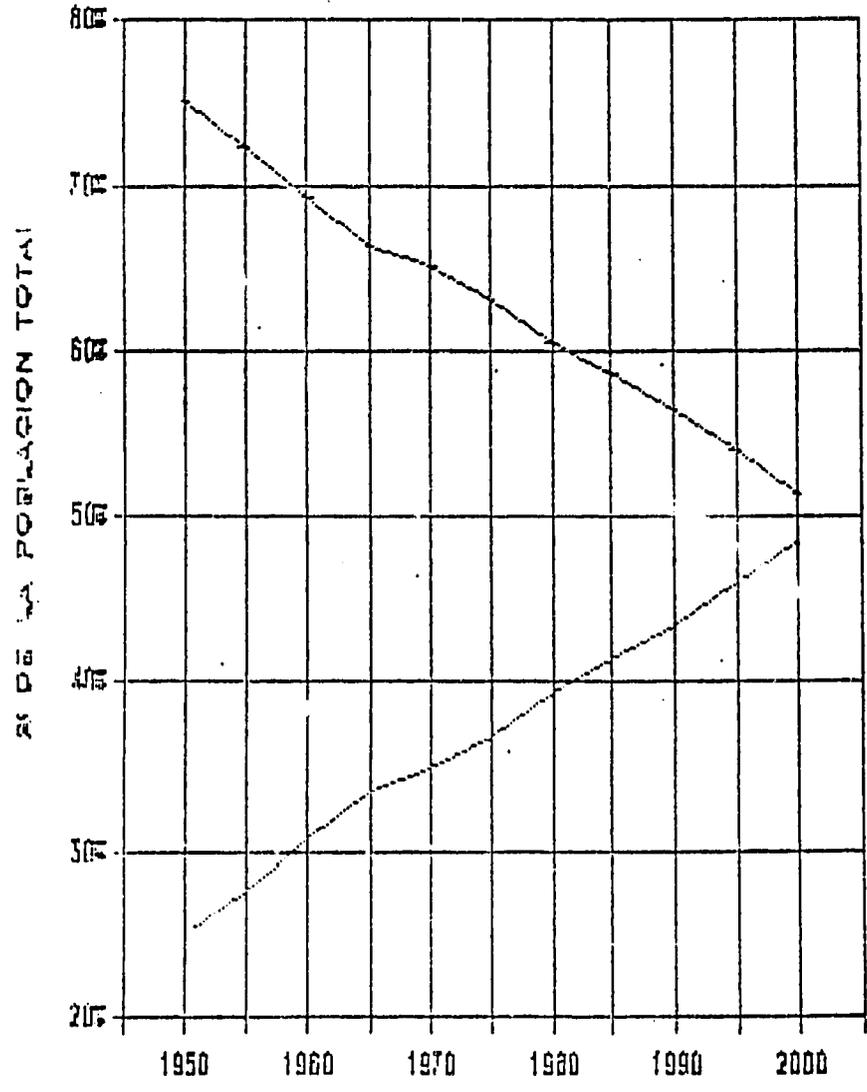


- - - - - POBLACION TOTAL
 - - - - - " URBANA
 - . - . - " RURAL

154

PROCESO DE URBANIZACION DEL PAIS

GUATEMALA 1950 - 2000

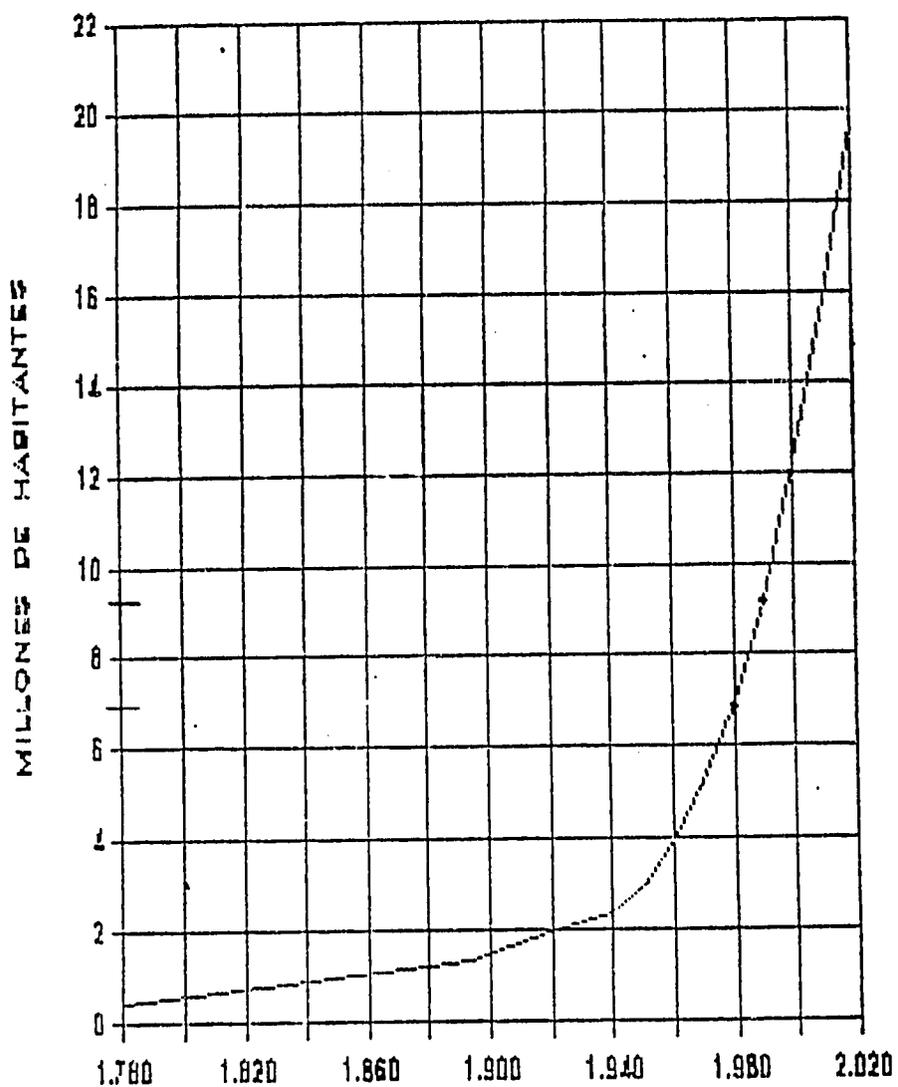


GRAF 002 FUENTE: CUADRO No 4
— POB URBANA + POB RURAL

103

CRECIMIENTO DE LA POBLACION

GUATEMALA 1778 - 2025



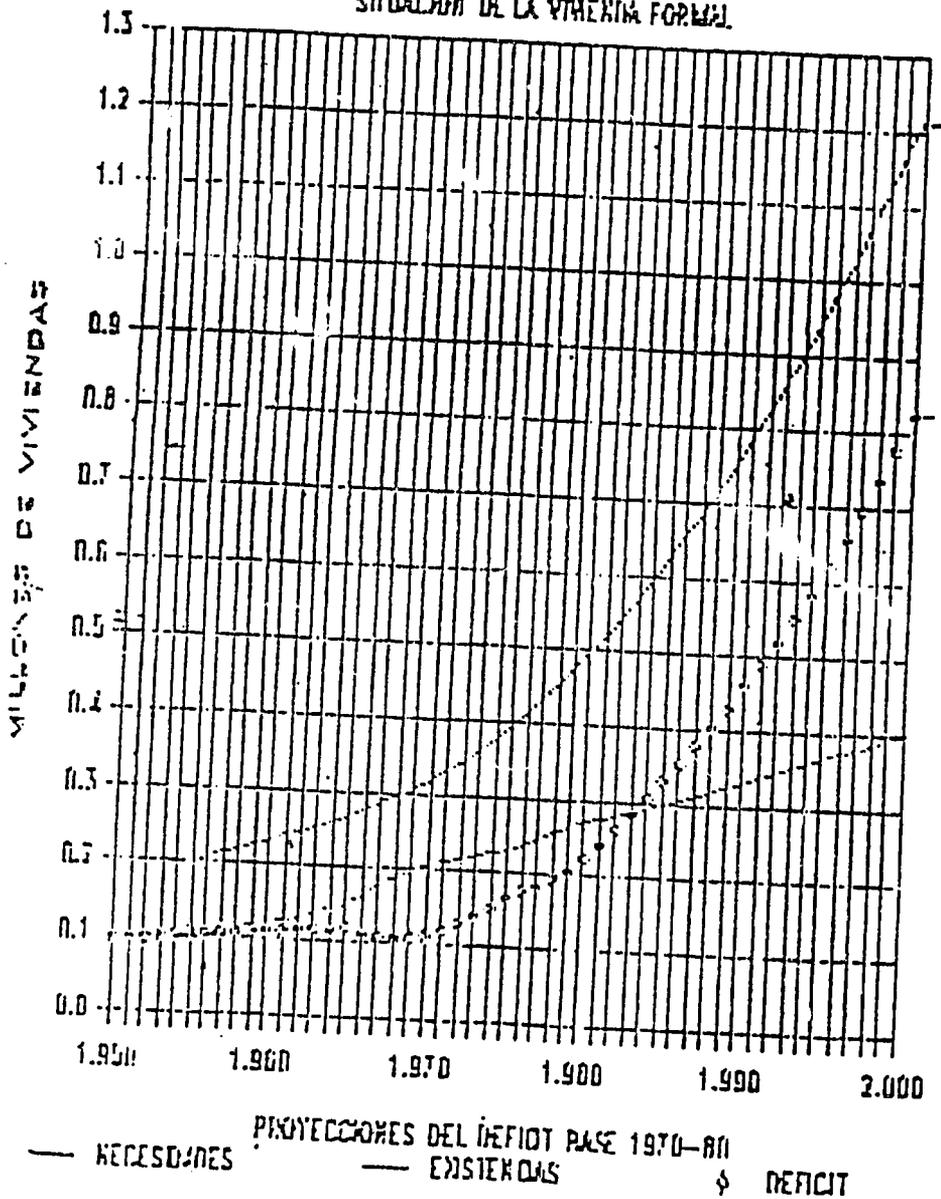
GRAF 001 FUENTE: CILGROS No 1 Y 3
— POBLACION TOTAL

ANEXO 6

LA VIVIENDA EN GUATEMALA

VIVIENDA URBANA DE GUATEMALA

SITUACION DE LA VIVIENDA FORMAL



137

Area Metropolitana de Guatemala, 1978, and AID Office of Housing, Urban Poverty in Guatemala, 1980).

A. Income

The national urban monthly median income estimated at c576. The median family income for Guatemala City is estimated at c633 and in "total urban areas," it is estimated at Q552.

The national urban income was updated, using the methodology from the National Council of Savings Institutions, from the 1984 Median calculated by RHUDO/Honduras.

B. Sources of Employment

The study, Urban Poverty in Guatemala, (USAID 1980) provides the most recent description of the sources of income for the urban poor.

The poor in the metropolitan area work mainly in small-scale industries services, construction and commerce. Their share of service workers is relatively small (half the Guatemala City average). In 1980 their share of construction workers was large, three times the city average. The 1980 report concluded, therefore, that any decline in Guatemala City's construction activity could seriously worsen the living conditions of the urban poor.

In fact, in 1985, unemployment rose to 43.5 percent and was expected to be higher in 1986. The construction industry was one of the most seriously affected. Statistics from the Guatemalan Camara de Construccion indicated that the level of activity in 1984 was similar to the level of the 1960s. This resulted in a very adverse effect on many poor households.

About 30 percent of the metropolitan poor are self employed, typically in informal businesses such as tortilla making, laundering and small scale commerce. Self employment and informal work generally supplements the family income, with the important exception of single-parent households which are nearly all headed by women.

In some lower income neighborhoods nearly three workers per household were found. Except for the poorest family income tends to come from more than one source.

C. Living Conditions

As the urban population has increased, distinct types of neighborhoods have developed within the large cities, especially the capital. In order to understand these differences, the physical characteristics of each neighborhood are described and a composite picture of the type of people who were surveyed in each follows:

158

1. Deteriorated Center City

The central area of Guatemala City, once the domain of the wealthy, has been left to the lower income groups as the original residents move further away to suburban areas. Housing in the central area of town is sited on a regularized grid dating from colonial times, with auto access and a full range of deteriorating urban services. Homes are generally of adobe brick or bajareque with roofs of iron lamina or clay tile. Most homes are single family units and are occupied legally. Some of the large homes have been subdivided into a Guatemalan version of rooming houses called "palomares" (chicken coops). Palomares are of two types. The most common are multi-family units with common services which have been created in once single family homes. The other type of palomar is akin to an add-on apartment wherein the renter pays for the land and adds on a room or set of rooms.

These houses are generally one story adobe or brick buildings (vivienda del pueblo) with several rooms circling an inner courtyard. The sanitary facilities, water and electricity are communal, with upwards of 10-12 families sharing services designed for a one-family dwelling. The social problems encountered contribute to a high turnover.

The average family size in these homes is six people. Few families have small children under 12 years of age and households often span two and three generations.

In this area, housing is both rented and owner occupied. About forty percent are homeowners. Houses are large, and public services are available to most of the homes, although they are old and not well maintained.

b. Rooming Houses (Palomares)

Overall, the living conditions of the residents of the palomares are the most severe. Low rate of homeownership is to be expected since the palomares are basically rental units with the owner occasionally living in a part of the house while renting the rest. Rent is comparatively high considering that the family rents only one room, has no separate kitchen, and must use communal sanitary facilities shared with 30 to 40 people. Although electricity and water are available, they are often strictly controlled and available only at certain periods of the day, after which the main switches are cut off.

The most striking example of overcrowding is found in the Palomares. Households tend to be smaller, as more single people rent rooms and families are smaller. Nevertheless, the average family size is 4.9 people and over 50 percent of the Palomares households have five or more people. The largest number of women headed households is found in these units as well, where 24 percent of the women are the sole support

of the family, compared with 20 percent reported by other studies for low-income neighborhoods in the capital.

c. Squatter Communities (Tugurios)

Squatter communities have arisen in Guatemala City conforming to the unique geographical features of the capital. Located in a mountainous region, Guatemala City has steep ravines (barrancos) surrounding the central city which have not been suitable for formal development. These have become the prime areas for squatter developments, known as tugurios.

As pointed out in the AID report on poverty, however, there is a relative scarcity of this land which is both "sufficiently rugged and unusable" yet suitable for carving out squatter sites. Thus, squatters were kept at a relatively low level until the earthquake. Since then, public and private land, parks and other open areas, have been invaded as well, increasing the number of tugurios. The more stable tugurios are to be found in the steeply sloped areas near the center of the city. Newer tugurios are on the edge of the city.

Development is usually the result of land invasions. Houses are irregularly sited, and the street systems are akin to a labyrinth. Houses are by and large spontaneously constructed of the leftovers of an urban society, such as tin cans, plastic and heavy cardboard, and afford imperfect protection from the elements. The majority of houses consist of one room in which the whole family lives.

The most impoverished households are found in the tugurios. Men and women both are working in the informal sector and include a large number of vendors, messengers, domestics and the like.

Families in the tugurios average 5.7 persons, with many small children. Women are the sole support of the family in many of the households, and children frequently contribute financially as well.

The most precarious land tenure is found in these areas, where the majority have claim to the land as a result of a land invasion. Less than one quarter (24 percent) are homeowners. In the tugurios, many claim to be owners when in fact they have no legal claim to the land or are just paying rent for the land.

Household expenses can be high for this group, but they are distributed differently than for other groups. Nearly two-thirds (21 percent) pay nothing for their house. On the other hand, few tugurios are serviced by the city for water, sewage, and electricity. As a result, these families spend a disproportionate amount of their family budgets on potable water and alternative energy sources. The tugurio households in the PADCO survey were very similar to those described by Marroquin as "characterized by unstable tenancy, small and insufficient space and inadequate services."

d. Unplanned Peripheral Neighborhoods

Increasingly, low-income families have been pushed out to the marginal areas on the periphery of the city. These relatively new neighborhoods are sometimes illegal subdivisions. Others are large parcels which have been subdivided and sold by a private developer to individuals. The streets remain unpaved, and complete infrastructure is often lacking. Those located at a considerable distance from the center of the city are more rural than urban.

Families living in peripheral neighborhoods are similar in many ways to families in the tugurios, but their living conditions are better. Households are roughly the same size, although the largest number of families with more than four children is found here (26.0 percent).

Incomes are low, and women were the sole support of 18 percent of the PADCO surveyed families.

The largest concentration of home owners, however, is found in the peripheral areas (47.6 percent), where many have purchased land from a private developer and built a home. Public utilities reached many of these homes; nearly all had electricity and two-thirds had piped water.

The advantages of having more space and the ability to own instead of rent is offset by the high cost of transportation to employment. This is compounded by the inadequacies of the bus service to many of these areas. Over half the families spend a sizeable portion of their household budgets.

III. NEED AND DEMAND FOR NEW HOUSING SOLUTIONS

A. Guatemala

1. Need

The need for housing is very high. The housing shortage in Guatemala, caused by two commonly seen problems in Latin America, high population growth and a shift from rural to urban areas, is further compounded in Guatemala, by the inability of the GOG to rebuild the thousands of homes, mostly in the low income neighborhoods, destroyed in the earthquake of 1976. Those left homeless in the rural areas abandoned the countryside to relocate in cities, aggravating the problem.

As a result of an unclear policy regarding financial mechanisms to stimulate the construction sector, new housing construction has not kept up with the demand. It is estimated that 20,000 new households are formed annually, while new housing construction in the formal sector has barely reached 5,000 units per year. (Camara de la Construccion, 1986). The remainder seek housing through the informal

sector which provides 4 to 5 times more housing solutions than the public and private sector combined.

The quality of this type of housing is largely inadequate, however, being built of non-permanent materials on improperly prepared sites. A serious problem encountered with much of the housing built in the informal sector is that it does not meet the necessary, minimum standards to withstand earthquakes. The destruction from the earthquake in 1976 was largely in the low income areas.

Access to basic urban services is also lacking. As described briefly in Section I, statistics from a 1982 Market Demand Study (Kerley: PADCO, 1982), while not current, reflect the problem. In the tugurios, where much of the informal housing is found, only 25 percent had access to water and 27 percent to the sewerage system.

Overcrowding is a serious issue in the deteriorating center city and in the palomares (rooming houses). Most have access to services, but must share one bathroom with several families.

While the problem of the housing shortage in Guatemala is well known, exact numbers to describe the magnitude are few. The Camara de la Construccion recently published statistics, however, which permits reasonable estimate to be made. Earlier estimates of 650,000 (SEGEPLAN, SECRETARIA GENERAL DE PLANIFICACION) have been superseded by the estimate of 800,000 made by the Camara de la Construccion. Nevertheless, estimates made by SEGEPLAN of the needed investment to meet the earlier figure provides a clear idea of the seriousness of the problem. SEGEPLAN reported that to produce 650,000 housing solutions, using the most economical solution of a serviced lot, would require an investment of Q3,250 million. The 1986 national budget is Q1,710.4 million.

B. Demand

Demand for new housing solutions is very high in Guatemala. In the 1982 Demand study (Kerley: PADCO, 1982), over 60 percent (62.7) of all households surveyed were currently renting, and over 90 percent of the palomar residents clearly a large market exists for new affordable solutions.

Effective demand is somewhat less, but still high. Over 70 percent of the renters expressed an interest in buying a home and over two thirds of the sample expressed a willingness to move to another location in order to purchase a home.

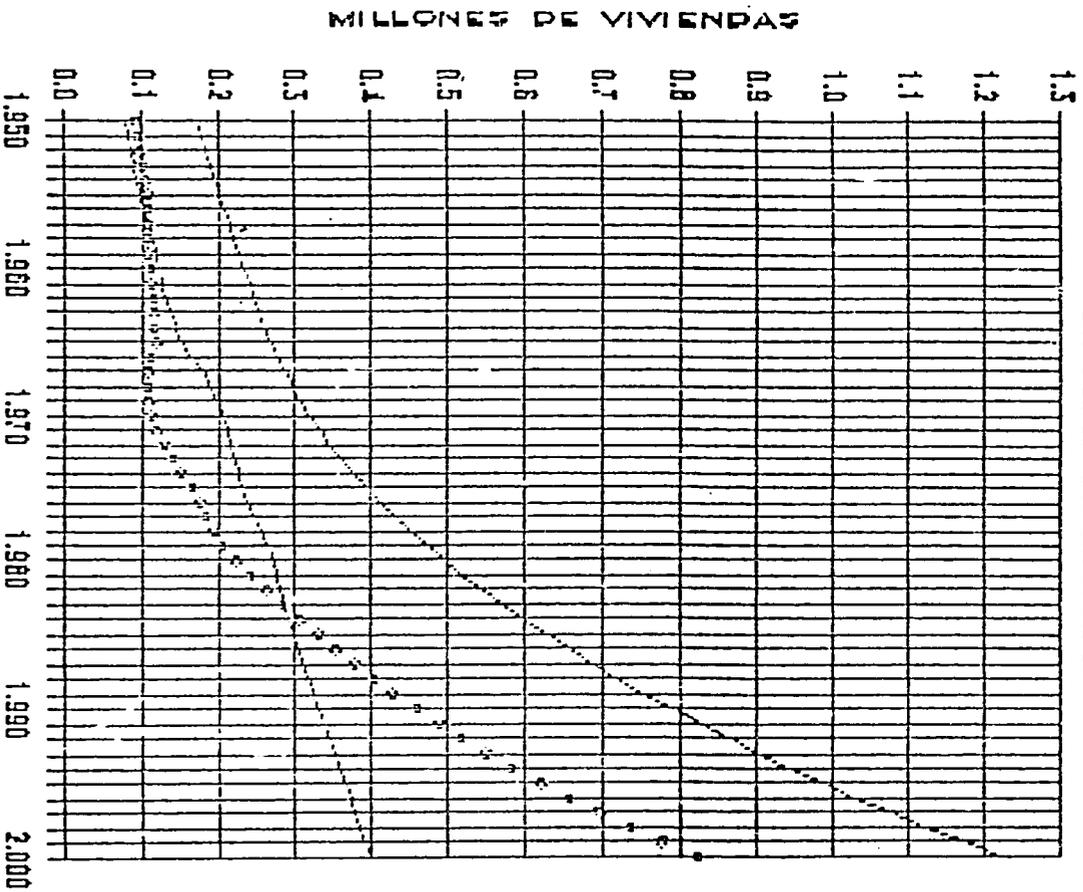
Households also expressed a willingness to pay more for new housing, especially those currently paying little or nothing who comprised 60 percent of the households surveyed. Over half were willing to pay over 20 percent of their incomes for housing and women not currently active in the labor force were prepared to seek employment to help finance a new home.

Palomar residents are already paying a considerable percentage of their income for housing and were able to afford many of the solutions offered as examples during the market survey.

Further evidence of effective demand in Guatemala is the successful implementation of CHF's Trabajo y Techo Program with cooperatives in Guatemala City. In June 1986 HODE (Hogar y Desarrollo) began construction of 200 core housing units for corporate members and FENACOVI will finance the completion of 311 units for two cooperatives.

VIVIENDA URBANA DE GUATEMALA

SITUACION DE LA VIVIENDA FORMAL



NECESIDADES

PROYECCIONES DEL DEFICIT BASE 1970-80

— SISTEMAS

◇ DEFICIT

PERFIL GENERAL URBANO

AÑO 1984	CONSTRUC. PRIVADA	SEGUROS EMITIDOS	SOLUC. BANVI	DEMANDA BANVI/MET	BANVI SOL DEMANDA
Unidades Vivienda	2, 220	1, 420	+ 1000	6, 705	15%

ACTIVIDAD CONSTRUCTORA NORMAL:

$$C_n = \frac{1}{5.4} \left[0.3 + \frac{2}{75(2 \cdot 75 \times 0.03 - 0.03)} \right] = 6.7 \text{ viviendas } \times 1000 \text{ habitantes}$$

- Población urbana + 3, 2 millones, $C_u = 21.440$ viviendas (soluciones habitacionales).
 - Necesidades x decil = 2, 145
 - Sector Bancario, 2 deciles = 4, 290
 - Sector Público, 4 deciles = 8, 580 x 6, 000 = 51.480
 - Sector especializado 4 deciles = 8, 580 x 12, 500 = 107.250
- 158.730
- Ingreso del trabajo no rural: 1, 984 = Q.955.9 millones FONAVI 2.5% = 24.9 miles
5% = 47.8 miles

165

ANEXO 7
 LA VIVIENDA EN GUATEMALA
 DEMANDA DE VIVIENDA URBANA POR NIVELES DE INGRESO

	INGRESO MENSUAL	CUOTA NIVELADA	TASAS DE INTERES	VALOR VIVIENDA	% POBLACION POR NIVEL DE INGRESOS
VIVIENDA MEDIA ALTA	MAS DE 1,000	400,00	BANCARIA	35,000	6.31
VIVIENDA MEDIA	1,000 600	200.00	BANCARIA	17,000	9.38
VIVIENDA MEDIA ORGANIZADA	400	125,00	BANCARIA (-) 2%	12,000	13.69
VIVIENDA BASICA	200	75,00	8%	9,500	33.14
LOTE URBANIZADO Y UNIDAD BASICA	100	37,50	6%	5,500	27.56
LOTE URBANIZADO	MENOS DE 100	20,00	4%	3,000	9.93

FUENTE: CAMARA GUATEMALTECA DE LA CONSTRUCCION

166

ANEXO 8

LA VIVIENDA EN GUATEMALA

NECESIDADES DE VIVIENDA POR SECTOR
(Unidades)

SECTOR	1986		1987		1988		1989		1990	
	P	R	P	R	P	R	P	R	P	R
6.31%	1,859	429	1,930	1,257	2,006	1,343	2,087	1,400	2,419	1,486
9.38%	2,763	882	2,869	2,059	2,981	2,294	3,103	2,412	3,597	2,588
13.69%	4,033	1,417	4,197	2,750	4,351	2,500	4,529	2,583	5,250	2,750
33.14%	9,764	4,947	10,137	5,474	10,534	6,000	10,964	6,812	12,708	7,368
27.56%	8,121	1,636	8,430	5,818	8,760	6,000	9,117	6,182	10,568	7,031
9.93%	2,925	1,667	3,040	1,667	3,153	1,667	3,284	1,667	3,807	6,364
	29,465	10,978	30,587	19,025	31,785	19,804	33,084	21,086	38,349	27,647

NECESIDADES DE VIVIENDA POR SECTOR
(Millones de Q.)

	1986		1987		1988		1989		1990	
	P	R	P	R	P	R	P	R	P	R
3,500	65,1	15,0	67,6	44,0	70,2	47,0	73,0	49,0	84,7	52,0
7,000	47,0	15,0	48,8	35,0	50,7	39,0	52,8	41,0	61,1	44,0
2,000	48,4	17,0	50,2	33,0	52,2	30,0	54,3	31,0	63,0	33,0
9,500	92,8	47,0	96,3	52,0	100,1	57,0	104,2	65,0	120,7	90,0
5,500	44,7	9,0	46,4	32,0	48,2	33,0	50,1	34,0	20,6	35,0
3,000	8,8	5,0	9,1	5,0	9,5	5,0	9,9	5,0	10,0	6,0
	298,0	108,0	309,3	201,0	321,4	211,0	334,4	225,0	350,4	240,0
			65,0		65,7		67,3		68,5	

FUENTE: CAMARA GUATEMALTECA DE LA CONSTRUCCION

167

A N N E X G

Social Soundness Analysis

EL SALVADOR

I. Population

Lack of recent data makes it extremely difficult to portray an accurate and quantifiable description of the population. The most recent population census was conducted in 1971 and several household surveys were carried out between 1975 and 1980. Since 1980, however, the civil war has prevented further attempts to perform national surveys. At the same time, the violence from the war has caused significant changes in the demographic patterns in the country, making projections of urban growth and urbanization from these data very unreliable.

The urban and rural population figures used in this section are based upon official estimates from the Ministry of Planning.

A. Country Population

The most recent estimate of total country population is 5,235,700 (Celade: 1985). El Salvador's very high growth rate combined with limited land area and resources has resulted in a very densely populated country.

Since 1950, the population has grown at an average annual rate of 3%. Population density is the highest in the Western Hemisphere, at approximately 220 persons per square kilometer in 1983. Nearly all available agricultural land is under cultivation, leaving virtually no land for expansion.

The armed conflict has spurred a huge exodus of population to other countries. Gross population growth rates remain high, but since 1978 well over one million people have left El Salvador, according to DIGESTYC. As a result, net national population growth has slowed in the last six years to little more than one percent per annum. Underlying this overall slowdown is a dramatic decline in rural population. MIPLAN estimates that total rural population actually dropped, as a result of the armed conflict, by more than 200,000 people over 1978-83. These displaced people have flocked to the cities and towns, causing an abrupt shift in the urban-rural balance. In the last six years, the proportion of people living in urban areas increased from 41 percent to 49 percent.

MIPLAN forecasts that once the armed conflict ends, net population growth will return to pre-1978 levels and remain high well into the next century (see Table II.4). National population is expected to reach about 7.1 million by the year 2000. The proportion of urban population in that year is projected to be about 55 percent, and the San Salvador Metropolitan Area should reach two million between 2000 and 2005.

B. Urban - Rural Migration

El Salvador historically had a low proportion of the population in urban areas, 36% in 1950. By 1983, however, the percent of people living in urban areas had increased to 49.3 percent, or 2.2 million people.

The San Salvador Metro Area (SSMA) experienced the greatest urban growth growing at the high rate of five percent (5%) per year. The capital doubled in size between 1964 and 1978.

Currently almost half the national urban population (46%) is located in the SSMA, which in 1983 reached over one million in population. The SSMA accounts for almost one quarter (22.7%) of the total population.

II. Beneficiary Population

A. Living Conditions of the Poor

1. Overview of Low-Income Neighborhoods

The urban poor cannot afford to live in housing which meets even minimum structural and infrastructure standards. They live in three basic types of housing: Mesones (inner city rooming houses; Colonias ilegales (parcels sub-divided and sold with no provision for basic urban services); and tugurios (squatter settlements).

These housing types occur primarily in the largest cities and are most numerous in San Salvador. The only one of the three for which national-level data exist are the mesones. The 1978 Household Survey found that about 23 percent of urban housing units are rooms in mesones. The proportion of mesones to total stock is about the same for the SSMA as it is for other urban areas.

According to EDURES, a 1976-78 World Bank study³, tugurios housed about five percent and colonias ilegales about 19 percent of the SSMA population in 1977. Mesones covered about 21 percent. In addition, EDURES found that around three percent of the 1977 SSMA population was living in campamentos, temporary collective structures erected to house persons displaced by the 1965 earthquake. Some of these campamentos still exist today.

³ EDURES, A Program for the Integrated Improvement of Critical Metropolitan Areas in El Salvador (Programa para el Mejoramiento Integrado de las Areas Criticas Metropolitanas), MIPLAN/UNDP/IBRD/PADCO, Inc., May 1978.

A CONADES survey done in 1982 of displaced persons' settlements found the following housing conditions: 41 percent of dwelling walls were made of improvised materials; 63 percent of floors were of earth; 70 percent used kerosene for light; for water 33 percent depended on rainfall or rivers and 50 percent on standpipes or venders; 44 percent had access to latrines and 37 percent had no sanitary facilities at all.

The temporary communal shelters for displaced persons are unpopular because they do not provide adequate shelter or security. These are essentially wooden frames with plastic sheets for walls and roofed with "lámina", designed to house 12 families.

B. Housing Stock and Deficit

Nearly 48% of the current housing stock in the SSMA is either in need of upgrading or is sub-standard (non-upgradable). In other urban areas, the figure reaches over 63% and in the rural areas, 97% of the houses fall into these categories (Table I)

A recent application of the Housing Needs Assessment Model in El Salvador provides projections of the housing needs for the country to the year 1990. For the nation as a whole, the annual number of new households requiring shelter reaches 25,000 and is projected to reach 50,000 per year in 2005. 10,000 of these new households will be found in the capital alone in 1990. Construction to relieve overcrowding, to replace non-upgradable units, and to replace permanent units brings the total number of new units needed in 1990 to 45,000. By the year 2005, the annual requirement for new housing construction may reach 89,000 country wide. (Table II).

C. No demand studies have been done recently in El Salvador. However, the recent experience of the Cooperative Housing Foundation's program in "Cooperative Neighborhood Improvement and Job Program for Central America" (Programa Techo y Trabajo) indicates that demand is great.

CHF reports that "The demand for credit, not previously readily available to lower income groups, is very strong and widespread. To more accurately measure effective demand and to protect the Federation (FEDECACES) and participating credit unions from unnecessary accumulation of interest charges, it was agreed that drawdowns from CHF could only be triggered by approved and processed applications from credit union members. The pent-up demand was clearly demonstrated when 100 percent of the initial loan fund was disbursed within two months of the January 1986 signing of the loan agreement between CHF and FEDECACES." (CHF, Progress Report, May, 1986).

The mesones are large, centrally-located old houses that have been subdivided into one-room rental units. Water and sanitation are comunal, with piped water and sewer predominating. Charges for water and electricity are included in rent. Densities in meson districts are high; the Vivienda Popular study estimated it at 658 persons per hectare. Family size tends to be smaller than average, 3.8, which reflects the fact that the meson, with its limited space and low rent, is appropriate for younger families and recent migrants. In the SSMA a majority of mesones are constructed of mud and wattle, while in other principal cities the predominant building material is adobe. The stock of mesones grew between 1971 and 1978 by about 15,000 units, but it is unclear how much more growth there has been or can be, given the finite supply of existing subdividable houses. According to some observers, a number of new rooming house buildings have been constructed in recent years. There are no figures on the magnitude of "new meson" construction.

Tugurios are squatter settlements found mainly in the SSMA but which also occur in other cities. Tugurios develop piecemeal on public lands that are generally unsuitable for regular construction, ravines, public rights-of-way, and the like. Tugurio settlements tend to obtain electricity relatively rapidly, but piped water in the form of standpipes can take years to arrive. In the interim, water is often obtained by the barrel from vendors or through rooftop collection during the rainy season. Housing construction is progressive with a heavy component of self-help and family labor. Construction materials are primarily mud and wattle in the SSMA and a variety of permanent and temporary materials in other cities. Lots tend to be small, and densities are on the order of 350 persons per hectare. Average family size was found in one study to be 4.7 persons, suggesting that tugurios are especially suitable for families that are too large to fit into a meson room but too poor to afford monthly payments for a lot in a colonia ilegal.

It is likely that the proportion of urban population living in tugurios has increased by several percentage points since the late 1970s as a result of the influx of rural people displaced by the civil war).

Colonias ilegales were identified in the mid-1970s as the fastest growing type of urban settlement. It is important to note that colonias ilegales are illegal in the sense that they violate DUA's physical standards. However, the property rights of a lot owner in a colonia ilegal can in some cases be perfectly legal. Essentially a colonia ilegal begins with the subdivision of a tract of land into modest-sized lots (80 to 150 m² according to EDURES) located on the periphery of the city. Lots are sold without services, usually on a "rent with promise of sale" (arrendamiento con promesa de venta) basis. This means that the seller/landlord retains ownership until payments are completed. The Vivienda Popular study found that down payments were around five to ten percent and terms between five and ten years. Housing construction is progressive, with the pace of construction and materials used varying with income. Newly-established colonias ilegales consist mainly of dwellings made of "improvised" materials or mud and wattle.

Older colonias ilegales in the SSMA and other cities have high proportions of masonry houses. Subdividers normally make no investments in services. Electricity is usually the first to arrive; water can take years. In the late 1970s average family size in colonias ilegales was 5.8, and incomes were higher than in mesones or tugurios. This indicates that colonias ilegales are appropriate for families that are "later in the life cycle"; that is, those that are larger, with more income, and with an interest in more secure tenure. It is quite likely that the share of the urban population living in colonias ilegales has risen above the levels of the late 1970s.

2. Characteristics of the Beneficiaries

a. Family Types

Ethnically, El Salvador's population is homogeneous, the result of a long racial mixing of Spanish and Indian blood and relatively little immigration by other ethnic groups. There are virtually no culturally distinct subgroups and no traditional Indian social structure. There is no strong communal tradition. People tend to be individualistic with few ties beyond the immediate family.

Family structure tends to be unstable, with a high proportion of common-law marriage (34.4% of the population over age 20). Because of the lack of employment opportunities, women enter into "companion-ship" relationships in search of economic security. Children are an attempt to cement the relationship, though the result often is a series of relationships with children by different fathers. Since female hopes for security rest on producing children, the desire to limit family size is weak.

b. Other Characteristics

Health conditions among the low income population are poor and have been linked to shelter conditions. The high rate of infant mortality and the prevalence of respiratory and gastrointestinal disease are directly related to the lack of adequate water and sanitation, overcrowding, dampness, and poor construction. One study noted a marked decline of disease after completion of a housing project. A second study, of a project in Santa Ana, while noting the importance of improved housing for health condition, stressed that poverty is the basic cause of poor health -- the inability to secure not only adequate shelter and sanitation but also adequate food and medical attention.

The weakness of community organizations complicates the ability to improve shelter conditions. There are few ties beyond the immediate family and little spontaneous inclination toward organizing. Participation in any kind of organization is extremely low. In one survey, 96% of the study population household belonged to no organization of any kind, and only 15.3% reported turning to neighbors for help when having problems.

172

In addition to cultural factors, Harth notes that the scarcity of urban housing persuades people not to do anything that might be construed as threatening by a landlord. Fear of eviction restrains organizing around community or political issues. This is particularly true for mesones.

B. Income and Employment

1. Income

Income statistics suffers from the same lack of recent national survey data as do other areas. The most recent household income estimates for the population at large are from the 1976-77 Multi Purpose Household Survey. Based on these data, the median household income calculated by USAID/El Salvador for June 1985 was C733 per month (Sam Peck, US League, May 1986). This figure was updated using the National Council of Savings Institutions methodology to yield an urban median income of C901 (\$180 at 1-5).

Factors contributing to the justification of one figure are the following. Family incomes in San Miguel are reported as higher than in the capital, due to the large influx of rural migrants to San Salvador. It is estimated that their low incomes deflate the income of the city's population. San Miguel is reported as relatively more prosperous than San Salvador due to the agricultural base of the area.

2. Employment

No information available.

C. Role of Women

Though the population as a whole is roughly evenly divided between males and females, females are a growing majority in urban areas. In 1975, females constituted 54.10% of the urban population. This is due to the greater number of females migrating from rural areas, a common pattern in Latin America. These trends take on significance when we come to consider the high and growing number of women-headed households in urban marginal areas.

About 35% of households are headed by women in marginal urban areas. In some areas a proportion as high as 75% was reported. The proportion is lower in rural areas (around 15%), but virtually all poor rural women, whether heads of household or not, try to earn some money to help meet family needs. They are handicapped both by the scarcity of jobs and by the seasonal character of most employment opportunities. The disadvantages are compounded by their lack of skills and their lower educational attainment. Lack of affordable child care is also an important constraint.

Woman's role is highly traditional, especially among the poor. Although women have equal political and legal rights, custom and tradition limit using them. Urban-rural differences in the economically active population (EAP) composition by sex are sharp. A 1975 labor force study indicates that women form 25.3% of the total EAP; 73% of the female EAP is urban, 27% is rural.

Women's earnings are lower than those of men. In 1975, 57.2% of all working women earned less than C99 per month; almost half of employed men earned between C40 and C199 a month.

IV. Need and Demand for New Housing Solutions

A. Housing Need

The lack of recent data makes it difficult to paint a reliable picture of current housing conditions in El Salvador. The last housing census was carried out in 1971. Several household surveys were completed from 1975 - 1989, but since 1980, the civil war has prevented attempts to conduct national level surveys. A recent Shelter Sector Assessment completed by USAID Office of Housing provides statistics taken from the 1978 Multi-Purpose Household Survey for analyzing the current need in El Salvador.

The very high population growth rate and the disproportionate growth have increased the pressure on the housing stock of the urban areas of urban centers.

The low-income population in particular suffers from inadequate housing conditions as described earlier. Extra legal housing solutions (mesones, turgurios, and colonias ilegales) sheltered close to half the population of the Capital of San Salvador in the late 1970's.

A major contributing factor to the housing shortage in El Salvador is the huge exodus of population from the country side to the cities as a result of the armed conflict. It is generally estimated that around one million people have been displaced by the civil war since 1980. According to an AID study, around 15 percent of the displaced population, around 150,000 people, lives in separate settlements, with the rest taken in by relatives or absorbed into existing urban areas. This appears to be the explanation for the recently reported increase in household size to 6.2. This has significantly increased the overcrowding of houses in the urban areas.

There are five types of settlements of the displaced: 1) Thirty-six officially designated settlements, 2) "ad-hoc" settlements, 3) extensions of existing squatter areas, 4) occupied buildings, and 5) sanctuaries (churches). The people living in these settlements suffer from serious deficiencies in nutrition, health, and education.

TABLE I
HOUSING STOCK AND REPLACEMENT 1990-2005
(Thousands of Units)

	1990	1995	2000	2005
SSMA				
New Households per Year	10.23	15.06	15.26	19.85
Replacement of Permanent Units (2% per year)	2.68	4.74	7.09	9.45
Replacement of Non-Upgradable Units*	2.00	-	-	-
Construction to Relieve Overcrowding**	2.80	2.80	2.80	2.80
Subtotal: New Construction per Year	17.71	22.60	25.14	32.11
Annual Upgrading***	5.60	5.60	5.60	5.60
Total Construction per Year (New Units Plus Upgrading)	23.31	28.20	30.74	37.71
Total SSMA Housing Stock	322.14	411.43	501.71	614.98
Other Urban				
New Households per Year	6.43	11.21	12.71	15.46
Replacement of Permanent Units (2% per year)	2.08	4.00	6.24	8.64
Replacement of Non-Upgradable Units*	1.60	-	-	-
Construction to Relieve Overcrowding**	2.80	2.80	2.80	2.80
Subtotal: New Construction per Year	12.91	18.01	21.76	26.90
Annual Upgrading	8.40	8.40	8.40	8.40
Total Construction per Year (New Units Plus Upgrading)	21.31	26.41	30.16	35.30
Total Other Urban Housing Stock	326.17	396.22	473.77	565.08
Rural				
New Households per Year	8.39	12.27	11.97	14.68
Replacement of Permanent Units (2% per year)	0.24	3.15	6.45	9.71
Replacement of Non-Upgradable Units*	4.00	4.00	4.00	4.00
Construction to Relieve Overcrowding**	1.20	1.20	1.20	1.20
Subtotal: New Construction per Year	13.83	20.62	23.57	29.59
Annual Upgrading***	15.50	15.50	15.50	15.50
Total Construction per Year (New Units Plus Upgrading)	29.33	36.12	39.07	45.09
Total Rural Housing Stock	451.93	519.28	584.92	664.31
Total Country				
New Construction per Year	44.45	61.23	70.47	89.59
Annual Upgrading	29.50	29.50	29.50	29.50
Total Construction per Year	73.95	90.73	99.97	118.09
Total Housing Stock	1,100.24	1,326.93	1,560.40	1,844.37

175

TABLE II.
 CATEGORIES OF HOUSING STOCK QUALITY 1978
 (Percentages)

	<u>SSMA</u>	<u>Other Urban</u>	<u>Rural</u>
Permanent			
1. Permanent Materials, Private Services	52.1	36.6	3.0
Upgradable			
2. Permanent Materials, Communal Services	23.9	20.3	0.6
3. Permanent Materials, Some Services	17.2	24.7	15.2
4. Permanent Materials, No Services	2.5	14.9	61.2
Non-Upgradable			
5. Non-Permanent Materials, Some Services	3.7	0.9	0.9
6. Non-Permanent Materials, No Services	0.6	2.6	19.1
Total	100.0	100.0	100.0

NOTE: "Permanent" materials include masonry, mud and wattle, adobe, and wood.

Source: 1978 Multi-Purpose Household Survey

TABLE I.1
URBAN AND RURAL POPULATION 1950 - 1983
(Thousands)

	Total	(AAGR)	All Urban	(AAGR)	San Salvador Metropolitan Area	(AAGR)	Other Urban	(AAGR)	Rural	(AAGR)
1950	1,856	<100.0>	677	<36.5>	213	<11.5>	464	<25.0>	1,179	<63.5>
%		2.79		3.79		4.67		2.59		2.48
1961	2,511	<100.0>	967	<38.5>	352	<14.0>	615	<24.5>	1,544	<61.5>
%		3.54		3.81		4.85		3.18		3.36
1971	3,555	<100.0>	1,406	<39.5>	565	<15.9>	841	<23.6>	2,149	<60.5>
%		3.00		3.67		5.09		2.65		2.54
1978	4,372	<100.0>	1,810	<41.4>	800	<18.3>	1,010	<23.1>	2,562	<58.6>
%		1.14		4.72		5.59		4.02		1.74
1983	4,627	<100.0>	2,280	<49.3>	1,050	<22.7>	1,230	<26.6>	2,347	<50.7>

AAGR = Average Annual Growth Rate

NOTE: "Urban" is defined as the settlement area in which the municipal authority is located; the limits of this area are determined by the same authority.

Sources: DIGESTYC, 1950, 1961, and 1971 Censuses.
MIPLAN, Department of Population, 1978 and 1983
urban and rural population estimates.
PADCO analysis, 1978 and 1983 SSMA - Other Urban
breakdown.
Shelter Sector Assessment, PADCO, 1984, Page 2.

Annex H

FINANCIAL ANALYSIS

1. Projections of the Future Financial Condition of CABEI's Housing Fund.

The baseline data used to develop the following cash flow and income and expenditure projections were provided by CABEI and is derived in part from unaudited figures for the fiscal year ending June 30, 1986. CABEI is currently undergoing an audit and the results of that exercise will be made available in September 1986. The advantage of using the most recent data available upon which to base projections of CABEI's future financial condition is clear and is further justified by the fact that CABEI's financial condition has improved since the release of audited financial statements in 1985.

A. The Scenarios

Four basic scenarios have been developed for this financial analysis. Scenario I assumes no further USAID support to CABEI's Housing Fund. Scenario II assumes that the project will be implemented as follows: US\$25 million in Housing Guaranty (HG) resources; US\$15 million in Development Assistance (DA) resources and CA\$25 million^{1/} in CABEI contributions. Scenario III is identical to Scenario II with the exception of an increase in HG resources to US\$45 million. Scenario IV is identical to Scenario III with the exception of an increase in DA resources to US\$30.

These scenarios carry eight basic assumptions which serve as underpinnings to the cash flow and income and expenditure projections and the accompanying sensitivity analyses. 1) CA\$12.6 million will be recovered from CABEI's interfund investments and transferred to the Housing Fund as follows: CA\$5 million in 1986/87 and 1987/88 and CA\$2.6 million in 1988/89. The interest earned on these interfund investments will also be transferred to the Housing Fund over the three year period; 2) CA\$10 million in capital contributions from member countries was allocated to the Housing Fund during 1985/86; 3) operating costs are assumed to increase at an annual rate of 8 percent; 4) it is assumed that beginning in 1986/87 debt service on the existing US\$18.9 million HG loan from Salomon Brothers will be reduced by 10 percent due to refinancing; 5) HG resources are borrowed at 9 percent interest for 30 years and are on-lent to member countries at 9 percent interest for 15 years; 6) DA resources are borrowed at 2 percent interest for 10 years then 3 percent interest for 30 years and are on-lent at 4 percent interest for 15 years; 7) the Housing Fund's obligated disbursements of CA\$6.7 are borrowed at an average of 11 percent and on-lent at 13 percent for 15 years; and 8) the interest rate for one year investments made by the Housing Fund is 8 percent.

^{1/} 1 CA\$ = 1 US\$

The Appendix to this Annex presents the cash flow and income and expenditure projections based on the above assumptions.

(1) Scenario I

This scenario illustrated in Table 1 limits CABEI's involvement in the regional housing sector to only two previously obligated disbursements of CA\$4.6 and CA\$4.1 million in 1986/87 and 1987/88, respectively. Inflows decline by over CA\$10 million during the 10 year period while outflows remains relatively constant. The relatively large cash position at the end of 1985/86 allows the fund to earn a significant amount of interest income from short-term investments which more than offsets the seven consecutive years of negative net cash flow between 1989/90 and 1995/96. Net income, though positive through the early stage of the projection period, also begins consecutive years of decline after 1992/93 and is negative at the end of the 10 year period (Table 2).

(2) Scenario II

In addition to the eight basic assumptions described above, this scenario assumes the infusion of US\$25 million and US\$15 million in HG and DA resources, respectively, into CABEI's Housing Fund. As illustrated in Tables 3 and 4, the results of Scenario II are much better in terms of improving the Housing Fund's liquidity so as to develop the capacity to finance housing programs independent of donor assistance.

However, retained earnings only reach CA\$65,000 at the end of the 10 year projection period, and the trend is downward, which is not adequate to recapitalize the Housing Fund. (Table 4)

(3) Scenario III

This scenario assumes an additional US\$20 million in HG resources available to the Housing Fund for on-lending. The result of this higher level of HG resources is depicted in Table 5. The Fund's net income is lower at the end of the projection period than that recorded in Scenario II (Table 6). This is primarily the result of an increase in total HG debt service of nearly 70 percent compared to Scenario II while net income over the projection period is only slightly lower than that projected for Scenario II. Retained earnings at the end of 1995/96 were still negative. The proportion of investment income to total income remains approximately the same as that for Scenario II.

(4) Scenario IV

The sharp increase in the level of HG debt service characterized by Scenario III is partially offset by the addition of US\$15 million in concessional resources for off-site infrastructure assumed for Scenario IV. This US\$30 in concessional resources on-lent with a two point interest spread results in an increase in net income over the projection period compared to Scenario III (Table 8). A comparison of Tables 6 and 8 indicate that end-of-period retained earnings in Scenario IV have reached almost CA\$2 million.

In summary, the projections presented in Scenarios II, III and IV do not enable CABEI to significantly improve the liquidity position of its Housing Fund. However, it is the effect of the concessional assistance that impacts most positively on net income and retained earnings due to onlending with a two point interest spread. Increasing levels of HG borrowed and on-lent at the same interest rate primarily increases expenditures in the form of debt service, although there is some marginal income from on-lending for a shorter term than the debt service period. Therefore, the availability of concessional assistance is a key factor required to improve the Housing Fund's capital base thereby developing within CABEI the ability to generate housing programs in the future without donor assistance.

B. Sensitivity Analyses

Scenarios II through IV were subjected to sensitivity analyses to determine the effect of six separate variations on the original cash flow and income and expenditure projections. These variations, labeled A through F in the Appendix to this Annex are as follows: a) the on-lending rate for off-site infrastructure is increased from 4 to 6 percent; b) the disbursement schedule for loans to member countries for housing and on-site infrastructure is spread out over four years rather than three and the yearly proportions for the disbursements are 20 percent in 1987/88, 30 percent in 1988/89, 30 percent in 1989/90, and 20 percent in 1990/91; c) the on-lending rate for housing and on-site infrastructure loans to member countries is raised from 9 to 9.5 percent; d) the onlending rate for housing and on-site infrastructure loans to member countries is raised from 9 to 11 percent and the interest rate at which the HG loan is contracted is also raised from 9 to 11 percent; e)

proceeds from repayment of existing housing sector loans from member countries are reduced by 10 percent; and f) the on-lending rate for housing and on-site infrastructure loans is raised from 9 to 9.5 percent and the on-lending rate for off-site infrastructure loans is increased from 4 to 6 percent.

Scenarios II and III were subject to five additional sensitivity analyses to determine the effect of several other variations on these two scenarios' base case cash flow and income and expenditure projections. These variations, labeled G through K in the Appendix to Annex H, are as follows: g) the on-lending rate for housing and on-site infrastructure loans to member countries is raised from 9 to 10 percent; h) the on-lending rate for housing and on-site infrastructure loans is raised from 9 to 12 percent; i) the disbursement schedule for loans to CABEI's members for housing and on-site infrastructure is spread out over five years rather than three and the yearly disbursement proportions are 15 percent in 1987/88, 20 percent in 1988/89, 25 percent in 1989/90, 30 percent in 1990/91, and 10 percent in 1991/92; j) only \$10 million is required to finance off-site infrastructure costs and will be on-lent at a 6 percent annual interest rate, the remaining \$5 million of the Development Assistance loan will be used for on-site infrastructure and on-lent to member countries at a 9 percent annual interest rate; and k) \$15 million in low cost Development Assistance resources is not available to CABEI.

(1) Scenario II

The results of the sensitivity analyses for Scenario II are presented in the Appendix, Tables 9-30 and summarized in Table H-1. An analysis of these results shows that:

- (a) Tables 9 and 10. Raising off-site interest rate from 4-6 percent increases total net income for the 1986/87-1995/96 period by 42 percent while retained earnings at the end of 1995/96 are up by over CA\$2.3 million. Investment income is increased by less than one percent. Negative net cash flows are lower in certain years due to larger inflows of funds resulting in a larger cumulative cash position at the end of 1995/96.
- (b) Tables 11 and 12. Adding a year to the disbursement schedule and changing the proportion of funds disbursed in each year also increased total net income but by a lesser amount of 21 percent. Retained earnings at the end of 1995/96 are over 18 times higher and total investment income is increased by over 2 percent. The cumulative cash position at the end of the 10th year is marginally lower.
- (c) Tables 13 and 14. Raising the on-lending interest rate for housing and on-site infrastructure from 9 to 9.5 percent has

the effect of increasing total net income over the projection period by over 38 percent. There is a significant increase in retained earnings at the end of the period of over CA\$2.1 million. Investment income is marginally higher and the cumulative cash position at the end of 1995/96 is nearly two percent higher.

- (d) Tables 15 and 16. An increase in the on-lending rate for housing and on-site infrastructure to 11 percent and an increase in the HG loan interest rate also to 11 percent has the effect of increasing total net income by 55 percent. Retained earnings at the end of 1995/96 would be increased by nearly CA\$3 million. Total investment income over the period is slightly higher as is the cumulative cash position at the end of 1995/96.
- (e) Tables 17 and 18. If reflows from existing housing sector loans to member councils were to decline by 10 percent, the result would be negative total net income of nearly CA\$825,000 at the end of the projection period and a retained deficit of CA \$6.2 million in 1995/96. Total investment income would decline by nearly 11 percent and the cumulative cash position for 1995/96 would be reduced by 19 percent.
- (f) Tables 19 and 20. Increasing both the on-lending rate for housing and on-site infrastructure from 9 to 9.5 percent and the on-lending rate for off-site infrastructure from 4 to 6 percent has the effect of increasing total projected net income by 81 percent and retained earnings in 1995/96 by CA\$4.4 million. Given these two interest rate changes, total investment income would be marginally higher and the cumulative cash position in 1995/96 would increase by nearly 4 percent.
- (g) Tables 21 and 22. Increasing the on-lending rate for housing and on-site infrastructure from 9 to 10 percent has the effect of increasing the Housing Fund's projected net income to CA\$9.7 million, a 77 percent increase over the base case level. Retained earnings in 1995/96 would be CA\$4.3 million, over 65 times greater than those of the base case. The cumulative cash position in 1995/96 would be nearly 4 percent higher and the end of period cumulative cash position would be marginally higher.
- (h) Tables 23 and 24. Mirroring the positive trend produced in (g) above, an increase in the on-lending rate for housing and on-site infrastructure from 9 to 12 percent renders the following changes over the base case scenario: net income rises by 235 percent to CA\$18.3 million; retained earnings

Table H-1
 Summary of Key Variables in Scenario II
 Subjected to Sensitivity Analyses
 (Current Central American Pesos; End of Projection Period)

<u>Scenario II</u>	<u>Cumulative Cash Position</u>	<u>Net Income</u>	<u>Retained Earnings</u>	<u>Total Investment Income</u>
Base Case	94,954,635	5,454,460	65,460	59,382,263
Variation A	96,807,792	7,759,797	2,370,797	59,819,315
Variation B	93,219,301	6,574,172	1,185,172	60,748,402
Variation C	96,701,789	7,551,603	2,162,603	59,793,673
Variation D	96,555,442	8,430,274	3,041,274	59,593,266
Variation E	76,844,355	(824,281)	(6,213,281)	53,103,522
Variation F	98,554,946	9,856,940	4,467,940	60,230,725
Variation G	98,470,408	9,666,140	4,277,140	60,210,138
Variation H	105,748,833	18,285,017	12,896,017	61,924,020
Variation I	91,425,512	8,341,855	2,952,855	62,050,213
Variation J	97,990,794	9,482,355	4,093,355	59,722,769
Variation K	87,597,235	2,416,046	(2,972,954)	57,693,437

Table H-2
 Summary of Key Variables in Scenario III
 Subjected to Sensitivity Analyses
 (Current Central American Pesos; End of Projection Period)

<u>Scenario III</u>	<u>Cumulative Cash Position</u>	<u>Net Income</u>	<u>Retained Earnings</u>	<u>Total Investment Income</u>
Base Case	100,808,247	4,350,269	(1,038,731)	59,847,338
Variation A	102,661,405	6,655,607	1,266,607	60,284,390
Variation B	98,378,781	5,955,860	566,860	61,759,933
Variation C	103,254,264	7,286,269	1,897,269	60,423,312
Variation D	101,639,714	7,106,746	1,717,746	59,913,079
Variation E	32,697,968	(1,928,472)	(7,317,472)	53,568,597
Variation F	105,107,421	9,591,607	4,202,607	60,860,364
Variation G	105,730,330	10,246,622	4,857,622	61,006,362
Variation H	115,920,125	22,313,049	16,924,049	63,405,197
Variation I	96,365,640	8,373,820	2,984,820	63,976,537
Variation J	103,844,407	8,378,164	2,989,164	68,187,843
Variation K	93,450,848	1,311,855	(4,077,145)	58,158,512

- (b) Tables 33 and 34. Lengthening the disbursement schedule and changing the yearly proportions of funds disbursed would raise projected total net income by 37 percent; projected retained earnings in 1995/96 would also rise by CA\$1.6 million over the Scenario III base case. In terms of cash flow, investment income would be greater over the projection period by over 3 percent. However, the cumulative cash position at the end of 1995/96 is projected to be lower by CA\$2.4 million.
- (c) Tables 35 and 36. Raising the housing and on-site infrastructure on-lending interest rate by fifty basis points would result in a total projected net income gain of nearly CA\$3 million, an increase of 67 percent. Projected retained earnings in 1995/96 would be CA\$1.9 million as a result of this change. Both investment income and the end of period cumulative cash position would be marginally higher.
- (d) Tables 37 and 38. Increasing the rate at which the HG loan is projected to be contracted to 11 percent and, correspondingly, raising the on-lending rate for housing and on-site infrastructure to 11 percent would have the effect of increasing projected net income of the Housing Fund by 63 percent to CA\$7.1 million; retained earnings for 1995/96 would be CA\$1.7 million compared to the million peso deficit projected for the Scenario III base case. Given these interest rate changes, investment income would remain nearly the same over the projection period and the projected cumulative cash position in 1995/96 would be less than one percent higher.
- (e) Tables 39 and 40. A 10 percent reduction in reflows from existing housing sector loans to member countries would have a highly detrimental effect upon the Housing Fund. Total net income would be a negative CA\$1.9 million with an accompanying retained deficit in 1995/96 projected to be CA\$7.3 million. In terms of cash flow, investment income would be expected to decline by over 10 percent during the projection period and the cumulative cash position at the end of the period would be off by 18 percent.
- (f) Tables 41 and 42. An increase in both the interest rates for housing and on-site infrastructure and off-site infrastructure by 0.5 and 2 percent, respectively, would, on the other hand, have a highly positive impact on CABEI's Housing Fund. Total net income for the projection period would rise by over CA\$5 million, an increase of over 120 percent while retained earnings would rise to CA\$4.2

million. Investment income over the period would be up and the projected cumulative cash position in 1995/96 would also be higher.

- (g) Tables 43 and 44. A 100 basis point increase in the on-lending rate for housing and on-site infrastructure would result in a 136 percent increase in net income to CA\$10.2 million. Correspondingly, retained earnings would rise to CA\$4.9 million compared to the million peso deficit projected for the Scenario III base case. This interest rate change would increase both total investment income and the cumulative cash position at the end of the projection period by 2 and 5 percent, respectively.
- (h) Tables 45 and 46. A 300 basis point increase in the on-lending rate for housing and on-site infrastructure would have a considerably more positive impact on CABEI's Housing Fund. Net income at the end of the 10 year projection period would rise to CA\$22.3 million, a 5-fold increase over the base case level. There would be a concomitant increase in retained earnings to CA\$16.9 million by the end of the projection period and the end-of-period cumulative cash position would be up by 6 and 15 percent, respectively.
- (i) Tables 47 and 48. By extending the disbursement schedule for housing and on-site infrastructure loans to five years relative to the Scenario III base case, all variables except the cumulative cash position would rise. Net income at the end of the projection period would nearly double to CA\$8.4 million and end-of-period retained earnings would be CA\$3 million compared to the million peso deficit projected for the base case. Although total investment income for the period increases by 7 percent, the end-of-period cumulative cash position declines by nearly 5 percent to CA\$96 million.
- (j) Tables 49 and 50. If \$5 million in Development Assistance resources are redirected to on-site infrastructure and on-lent at a 9 percent interest rate and the remaining \$10 million in low cost resources are on-lent for off-site infrastructure at a 6 percent annual interest rate, the following changes relative to the base would occur: net income at the end of the period would nearly double to CA\$8.4 million; end-of-period retained earnings would be CA\$3 million, nearly a four-fold increase; total investment income would be up by 14 percent; and the cumulative cash position at the end of the projection period would increase by 3 percent to CA\$103.4 million.

Table H-3
 Summary of Key Variables in Scenario IV
 Subjected to Sensitivity Analyses
 (Current Central American Pesos; End of Projection Period)

<u>Scenario IV</u>	<u>Cumulative Cash Position</u>	<u>Net Income</u>	<u>Retained Earnings</u>	<u>Total Investment Income</u>
Base Case	108,165,647	7,388,683	1,999,683	61,536,165
Variation A	111,871,962	11,999,358	6,610,358	62,410,268
Variation B	105,736,180	8,994,273	3,605,273	63,448,759
Variation C	110,611,663	10,324,683	4,935,683	62,112,139
Variation D	108,997,113	10,145,159	4,756,159	61,601,905
Variation E	90,055,367	1,109,941	(4,279,059)	55,257,424
Variation F	114,317,978	14,935,358	9,546,358	62,986,241

- (d) Tables 59 and 60. Assuming that the HG loan would be contracted at 11 percent and on-lending for housing and on-site infrastructure would also carry an 11 percent interest rate, the effect on the Housing Fund would be positive. Total net income at the end of the projection period would be 37 percent above the base case and retained earnings would be up by 138 percent. Inflows of investment income would only be marginally higher, however, and the projected cumulative cash position at the end of the 10th year would be up by CA\$831,000 or less than 1 percent.
- (e) Tables 61 and 62. The effect of 10 percent reduction in repayment of existing loans to the Housing Fund would, as for Scenarios II and III, be detrimental to the Fund. Total net income over the 10 year period would be CA\$1.1 million, an 85 percent decline over the base case. The retained deficit in 1995/96 would be CA\$4.3 million compared to retained earnings of CA\$2 million without a reduction in inflows of the existing loan portfolio. Investment income would decline by over 10 percent over the period and the cumulative cash position at the end of the projection period would be off by nearly 17 percent as a result of a fall-off in repayments of loan obligations by member countries.
- (f) Tables 63 and 64. A 0.5 and 2 percent increase in the on-lending interest rates for housing and on-site infrastructure and off-site infrastructure, respectively, would have a significantly positive impact upon CABEI's Housing Fund. Total net income over the projection period would be CA\$7.5 above the Scenario IV base case, a 102 percent increase. Even more significant, retained income at the end of the projection period would be nearly five times that of the base case. Although investment income would only rise modestly during the projection period, the cumulative cash position for 1995/96 would be nearly CA\$6.2 million higher, an increase of 6 percent over the Scenario IV base case.

C. Summary and Conclusions

The four scenarios and their sensitivity analyses lead to several conclusions regarding the viability of CABEI's Housing Fund as a source of regional housing finance resources.

First and foremost, the Housing Fund will require more external assistance if it is to function as a provider of resources to the regional housing sector. Scenario I demonstrates that without an infusion of additional capital, the Housing Fund would be constrained in its efforts to finance regional programs of any magnitude unless it begins to deplete its cash position which is presently used to generate income to offset expenditures.

On the other hand, Scenarios II through IV demonstrate that USAID's assistance can bring about a considerable improvement in the Fund's viability to support the region's housing sector. If USAID is prepared to provide assistance to CABEI's Housing Fund, then the fundamental questions are those relating both to the magnitude of this assistance and the terms at which it is offered.

Scenarios II-K and III-K both demonstrate that the availability of assistance on concessionary terms such as those offered by a Development Assistance (DA) loan is critical if CABEI is to recapitalize its Housing Fund over the projection period. Without an envisaged \$15 million DA loan offered at an annual rate of 2 percent for ten years and 3 percent thereafter, CABEI would be unable to earn sufficient income from a mark-up in the interest rate spread of its Housing Guaranty loan to have positive retained income by the end of 1995/96. A mark up in the interest rate spread of low-cost resources such as a DA loan, however, would allow CABEI to generate sufficient retained income over the projection period to provide future assistance to the region's shelter sector independent of donor assistance.

Assuming that a DA loan would be made available to CABEI, the scenarios demonstrate that if USAID chooses to minimize its assistance to CABEI in terms of guaranty authority, Scenarios II-F (Tables 19 & 20), II-G (Tables 21 & 22) or II-H (Tables 23 & 24) would allow the Housing Fund to generate the most net income over the projecton period. This would place the Fund in much better position to generate regional housing programs independent of future donor assistance. However, pursuit of these two scenarios would minimize the actual level of housing construction which would occur over the life of the project. By carrying out Scenarios III-F (Tables 41 & 42), III-G (Tables 43 & 44) or III-H (Tables 45 & 46) with guaranty authority of US\$45 million, the dual objectives of making the Housing Fund a more viable development tool and maximizing actual housing construction in the region could be realized. These two alternatives also require a lesser amount of scare concessional resources compared to the many Scenario IV alternatives.

One consistency demonstrated by sensitivity analyses of Scenarios II-IV is that regardless of the level of resources assumed, a 10 percent reduction in reflows of the existing loan portfolio would be extremely detrimental to the Housing Fund. In all cases, projected retained earnings for 1995/96 would be negative and only Scenario IV-E demonstrates a slightly positive total net income.

D. Impact of AID Financial Assistance on CABEI's Ability to Pay

The results of each of the four basic scenarios prepared for the Housing Fund were applied to CABEI's consolidated financial projections. Three projections for each scenario were prepared: one projection covering the overall institutional cash, another singling out the hard currency cash flow, and the third an income projection. Analyses of these projections demonstrate the impact of the four scenarios on CABEI's overall financial position as well as the ability of CABEI to generate sufficient hard currency to repay the AID loans. Tables 65 through 76 show the result of the projections for each scenario, while Table 77 is a summary sheet of those tables.

The results of these analyses are as follows:

- a) Scenario I assumes no additional AID financial assistance to the Housing Fund, and essentially is the base case for applying new assumptions on AID financial assistance. The three projections - consolidated cash flow, hard currency cash flow, and income projection - indicate that CABEI's current financial situation is sound and that CABEI will generate sufficient hard currency over the next 10 years to service its external debt. (See Tables 65 through 67)
- b) Scenario II shows the impact on CABEI's overall financial condition if AID supplies \$40 million to the Housing Fund. An analytic comparison of the three tables (68 through 70) with the base case scenarios shows that CABEI will be able to service the AID loans over the next 10 years. Because CABEI is converting its cash investments into housing investments, as its counterpart contributions, the overall cash position is reduced. Nevertheless the impact on CABEI's income over this period is negligible, given the margin of error in the calculation.
- c) Scenario III assesses the impact on CABEI's financial position if AID increases its financial assistance to \$65 million, which represents an increase of \$20 million in IGF funds. Since in this scenario CABEI's contribution remains the same, the impact on CABEI's financial position is essentially equal to the impact in Scenario II. (See Tables 71 through 73)
- d) Scenario IV shows the impact if AID's contribution is even greater, increasing to \$75 million, representing an increase of \$15 million in the AID loan. With the increase in concessional assistance, CABEI's financial position improves; however, this improvement is marginal. (See Tables 74 through 76)

Table 77 compares the consolidated cash flow and the income projections for all four scenarios. Again, this summary table demonstrates that the impact of AID's financial assistance on CABEI's cash flows and earnings is insignificant.

Given the magnitude of overall operations and consideration of the fact that the calculations cover a ten year period, the differences in net earnings for the various scenarios are negligible. One can conclude, therefore, that while the upfront net outflow of hard currency to finance this new program reduces foreign exchange in the short term over the ten year period, the consolidated income and foreign exchange cash flows demonstrate that there is sufficient foreign exchange and income for CABEI to meet its overall debt service requirements.

APPENDIX TO ANNEX H
Description of Tables 1-64

<u>Tables</u>	<u>Description</u>
1 & 2	No USAID assistance
3 & 4	Infusion of \$25 million and \$15 million in HG and DA resources, respectively
5 & 6	Additional \$20 million in HG resources
7 & 8	Additional \$15 million in DA resources
9 & 10	Variation of Tables 3 & 4 with interest rate for off-site infrastructure raised to 6 percent
11 & 12	Variation of Tables 3 & 4 with disbursement schedule extended one year
13 & 14	Variation of Tables 3 & 4 with interest rate for housing and on-site infrastructure loans raised to 9.5 percent
15 & 16	Variation of Tables 3 & 4 with interest rate for housing and on-site infrastructure loans raised to 11 percent; HG loan interest rate also raised to 11 percent
17 & 18	Variation of Tables 3 & 4 with reflows from existing loans to CABEI's members reduced by 10 percent
19 & 20	Variation of Tables 3 & 4 with interest rates for housing and on-site infrastructure and off-site infrastructure loans raised to 9.5 and 6 percent, respectively
21 & 22	Variation of Tables 3 & 4 with interest rate for housing and on-site infrastructure loans raised to 10 percent
23 & 24	Variation of Tables 3 & 4 with interest rate for housing and on-site infrastructure loans raised to 12 percent
25 & 26	Variation of Tables 3 & 4 with disbursement schedule extended two years
27 & 28	Variation of Tables 3 & 4 with \$10 million loaned for off-site infrastructure at the 6 percent interest and an additional \$5 million loaned for on-site infrastructure at 9 percent
29 & 30	Variation of Tables 3 & 4 with no concessional loan available to CABEI

<u>Tables</u>	<u>Description</u>
31 & 32	Variation of Tables 5 & 6 with interest rate for off-site infrastructure raised to 6 percent
33 & 34	Variation of Tables 5 & 6 with disbursement schedule extended one year
35 & 36	Variation of Tables 5 & 6 with interest rate for housing and on-site infrastructure loans raised to 9.5 percent
37 & 39	Variation of Tables 5 & 6 with interest rate for housing and on-site infrastructure loans raised to 11 percent; HG loan interest rate also raised to 11 percent
39 & 40	Variation of Tables 5 & 6 with reflows from existing loans to CABEI's members reduced by 10 percent
41 & 42	Variation of Tables 5 & 6 with interest rates for housing and on-site infrastructure and off-site infrastructure loans raised to 9.5 and 6 percent, respectively
43 & 44	Variation of Tables 5 & 6 with interest rate for housing and on-site infrastructure loans raised to 10 percent
45 & 46	Variation of Tables 5 & 6 with interest rate for housing and on-site infrastructure loans raised to 12 percent
47 & 48	Variation of Tables 5 & 6 with disbursement schedule extended two years
49 & 50	Variation of Tables 5 & 6 with \$10 million loaned for off-site infrastructure at the 6 percent interest and an additional \$5 million loaned for on-site infrastructure at 9 percent
51 & 52	Variation of Tables 5 & 6 with no concessional loan available to CABEI
53 & 54	Variation of Tables 7 & 8 with interest rate for off-site infrastructure raised to 6 percent
55 & 56	Variation of Tables 7 & 8 with disbursement schedule extended one year
57 & 58	Variation of Tables 7 & 8 with interest rate for housing and on-site infrastructure loans raised to 9.5 percent

<u>Tables</u>	<u>Description</u>
59 & 60	Variation of Tables 7 & 8 with interest rate for housing and on-site infrastructure loans raised to 11 percent; HG loan interest rate also raised to 11 percent
61 & 62	Variation of Tables 7 & 8 with reflows from existing loans to CABEI's members reduced by 10 percent
63 & 64	Variation of Tables 7 & 8 with interest rates for housing and on-site infrastructure and off-site infrastructure loans raised to 9.5 and 6 percent, respectively

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 1
(Current Central American Pesos; July-June)

TABLE 1

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,668	14,564,367	13,884,545	12,192,545	10,994,545	10,733,545	10,626,545	10,138,545	9,593,545	9,297,545
Housing Guaranty Loan Disbursements To CAREI											
Development Assistance Loan Disbursements To CAREI											
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program →	0.930		0	0	0	0	0	0	0	0	0
CAREI Program →	0.138	178,348	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure →	0.930		0	0	0	0	0	0	0	0	0
Interest Rate For Off-Site Infrastructure →	0.048		0	0	0	0	0	0	0	0	0
Total Proceeds From Repayments By Member Countries		16,466,000	15,438,000	15,239,000	13,547,000	12,349,000	12,088,000	11,981,000	11,493,000	10,954,000	10,652,000
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,368,000	1,248,000	1,540,000	1,150,000	1,730,000	1,268,000	1,578,000	1,675,000
Paid-In Capital And Other Sources		10,068,000	50,000	55,000	48,000	45,000	37,000	48,000	43,000	45,000	58,000
TOTAL SOURCES		23,055,000	21,794,000	19,267,000	14,843,000	13,992,000	13,275,000	13,751,000	12,796,000	12,569,000	12,397,000
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USAID Program		4,610,000	4,143,000								
CAREI Program											
CAREI Disbursements To Member Countries For On-Site Infrastructure											
CAREI Disbursements To Member Countries For Off-Site Infrastructure											
Total CAREI Disbursements To Member Countries		4,610,000	4,143,000	0	0	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase →	1.000	1,150,000	1,242,000	1,341,300	1,448,669	1,564,562	1,689,727	1,824,985	1,978,838	2,128,578	2,258,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,000,000	14,004,000	14,006,000	14,441,000	14,834,000	14,726,000	15,533,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate →	0.930	0	0	0	0	0	0	0	0	0	0
CAREI Repayment Of Development Assistance Loans: Interest Rate →	0.820	0	0	0	0	0	0	0	0	0	0
Repurchases Of CIVs		1,413,000	1,351,000	1,288,000	1,348,000	1,400,000	1,250,000	1,638,000	1,368,000	1,478,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	14,000	11,000	15,000
TOTAL USES		18,251,000	21,001,000	16,642,300	16,812,669	16,982,562	17,331,727	18,270,985	18,818,838	19,262,578	18,439,855
(1) NET CASH FLOW		4,778,000	743,000	2,624,640	(1,972,669)	(3,432,562)	(4,116,727)	(4,547,985)	(5,264,838)	(6,633,578)	(6,042,855)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCES: Interest Rate →	0.000	4,412,337	5,175,130	5,666,332	6,354,479	6,718,167	7,019,890	7,259,985	7,485,886	7,669,361	7,755,331
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(1) + (2)(1) + (3)(1-1))		53,161,000	62,351,337	68,269,467	76,560,439	86,942,249	81,567,853	87,478,216	98,182,296	92,482,484	93,438,275

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO I
(Current Central American Pesos) July-June

TABLE 2

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		0	0	0	0	0	0	0	0	0	0
Housing: CAMEI Program	149,825	738,241	1,184,421	1,861,923	1,823,833	988,928	932,361	877,463	815,483	745,417	8,421,973
Housing: Ongoing Programs	9,862,175	6,887,759	6,945,579	6,334,877	5,756,187	5,222,888	4,656,639	4,828,511	3,414,517	2,828,583	56,256,827
Infrastructure: On-Site		0	0	0	0	0	0	0	0	0	0
Infrastructure: Off-Site		0	0	0	0	0	0	0	0	0	0
Investment Of End Of Period Cash Balance 2/	5,312,337	5,629,138	5,798,332	6,354,479	6,718,167	7,819,898	7,299,985	7,485,886	7,669,361	7,755,331	66,933,297
TOTAL INCOME	14,524,337	14,367,138	13,848,332	13,750,479	13,498,167	13,222,898	12,848,985	12,331,886	11,839,361	11,329,331	131,671,297
EXPENDITURES											
Operating Expenses 3/	1,211,888	1,387,688	1,412,518	1,525,511	1,647,552	1,779,356	1,921,785	2,075,441	2,241,476	2,428,795	17,543,227
Finance Charges											
Housing Guaranty Loan	0	0	0	0	0	0	0	0	0	0	0
Development Assistance Loan	0	0	0	0	0	0	0	0	0	0	0
Existing Loans	11,553,929	12,848,888	11,878,888	11,712,888	11,532,888	11,312,888	11,824,888	10,683,888	10,329,888	9,781,888	111,764,888
TOTAL EXPENDITURES	12,764,888	13,347,888	13,290,518	13,237,511	13,179,552	13,031,356	12,945,785	12,758,441	12,578,476	12,121,795	129,307,227
NET INCOME	1,768,337	1,019,250	549,822	512,967	318,615	138,734	(96,728)	(367,355)	(671,116)	(732,464)	2,364,070
RETAINED EARNINGS (DEFICIT) 4/	(3,628,663)	(2,689,413)	(2,859,591)	(1,546,621)	(1,228,889)	(1,897,275)	(1,193,995)	(1,561,351)	(2,232,466)	(3,824,938)	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of C\$15,389,000 As Of June 30, 1986

1/9/86

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO II
(Current Central American Pesos; July-June)

TABLE 3

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,267,660	14,564,367	13,884,545	12,192,545	10,990,545	10,733,545	10,626,545	10,138,545	9,599,545	9,297,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program --)	0.090		325,655	1,736,824	3,365,897	4,342,861	4,342,861	4,342,861	4,342,861	4,342,861	4,342,861
CAREI Program --)	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.090		139,566	744,353	1,442,185	1,868,883	1,868,883	-1,868,883	1,868,883	1,868,883	1,868,883
Interest Rate For Off-Site Infrastructure --)	0.040		112,426	562,132	1,011,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,466,000	16,015,647	18,282,310	19,366,119	19,897,861	19,640,861	19,533,861	19,045,861	18,545,861	18,294,861
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,380,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,535,000
Paid-In Capital And Other Sources	10,860,000	50,000	55,000	48,000	45,000	45,000	37,000	48,000	43,000	45,000	50,000
TOTAL SOURCES		28,829,000	37,321,647	32,310,310	38,659,119	21,442,861	20,827,861	21,383,861	20,348,861	20,121,861	19,349,861
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USAID Program			10,500,000	14,000,000	10,500,000						
CAREI Program		4,610,000	4,143,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			4,500,000	6,000,000	4,500,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAREI Disbursements To Member Countries		4,610,000	24,143,000	25,000,000	20,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,360	1,448,669	1,564,562	1,683,727	1,824,905	1,978,898	2,128,578	2,298,355
CAREI Repayment Of Existing Housing Sector Loans		11,863,000	14,250,000	14,006,000	14,004,000	14,006,000	14,441,000	14,834,000	14,720,000	15,593,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans Interest Rate --)	0.090	225,000	900,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CAREI Repayment Of Development Assistance Loans Interest Rate --)	0.020		91,389	274,168	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,288,000	1,348,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	41,992,389	43,491,528	39,294,616	13,788,899	20,190,864	21,037,242	20,853,234	22,000,906	21,238,192
(1) NET CASH FLOW		9,553,000	(4,670,742)	(11,181,219)	(8,635,497)	1,661,162	636,997	205,819	(511,173)	(1,873,845)	(1,883,131)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.060	4,412,337	5,571,453	5,646,211	5,185,809	4,900,569	5,445,190	5,950,000	6,460,939	6,954,766	7,375,982
(3) END OF PERIOD CUMULATIVE CASH POSITION (1) (t) + (2) (t) + (3) (t-1)		53,161,000	67,126,337	68,827,847	62,492,840	59,843,352	65,685,883	71,687,270	77,643,897	83,792,862	88,857,783

197

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO 11
(Current Central American Pesos; July-June)

TABLE 4

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Housing: USAID Program		236,250	1,251,954	2,365,426	2,952,020	2,082,777	2,664,241	2,513,238	2,340,644	2,169,236	19,303,785
Housing: CAREI Program		730,241	1,104,421	1,061,323	1,023,053	980,920	932,361	877,469	815,483	745,417	6,421,973
Housing: Ongoing Programs	149,825	8,007,759	6,945,579	6,334,077	5,756,107	5,222,000	4,656,639	4,020,511	3,414,517	2,820,503	56,256,027
Infrastructure: On-Site	9,062,175	101,250	536,552	1,013,754	1,265,151	1,201,190	1,141,010	1,077,102	1,006,562	929,673	8,273,051
Infrastructure: Off-Site		50,000	247,503	427,427	546,559	506,966	473,280	430,246	401,811	363,919	3,455,710
Investment Of End Of Period Cash Balance 2/	5,312,337	6,025,453	5,770,211	5,186,009	4,900,569	5,445,190	5,950,000	6,460,933	6,954,766	7,375,382	59,202,263
TOTAL INCOME	14,524,337	15,150,953	15,056,219	16,389,415	16,444,299	16,159,122	15,010,347	15,395,524	14,941,783	14,412,010	155,032,010
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,000	1,412,510	1,525,511	1,647,552	1,779,356	1,921,705	2,075,441	2,241,476	2,420,795	17,543,227
Finance Charges											
Housing Guaranty Loan		900,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	18,225,000
Development Assistance Loan	225,000	50,000	149,172	245,045	290,795	284,016	279,546	274,170	260,687	263,034	2,106,123
Existing Loans	11,553,000	12,040,000	11,078,000	11,712,000	11,532,000	11,312,000	11,024,000	10,683,000	10,329,000	9,701,000	111,764,000
TOTAL EXPENDITURES	12,989,000	14,297,000	15,014,683	15,500,356	15,720,347	15,626,172	15,475,250	15,202,611	15,007,163	14,634,888	149,630,350
NET INCOME	1,535,337	853,073	841,537	861,059	723,953	532,950	343,096	112,913	(147,300)	(222,078)	5,454,460
RETAINED EARNINGS (DEFICIT) 4/	(3,853,653)	(3,000,590)	(2,159,054)	(1,277,994)	(554,041)	(21,032)	322,005	434,918	207,530	65,460	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of C\$15,389,000 As Of June 30, 1986

198

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO III
(Current Central American Pesos) July-June

TABLE 5

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,668	14,564,367	13,884,545	12,192,545	10,978,545	10,733,545	10,626,545	10,134,545	9,537,545	9,237,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program →	0.030		465,221	2,481,178	4,077,282	6,282,944	6,282,944	6,282,944	6,282,944	6,282,944	6,282,944
CAREI Program →	0.130	178,348	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure →	0.030		186,858	932,471	1,922,913	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure →	0.040		112,426	562,132	1,011,837	1,343,117	1,343,117	1,343,117	1,343,117	1,343,117	1,343,117
Total Proceeds From Repayments By Member Countries		16,466,000	16,201,736	13,274,781	21,287,832	22,378,238	22,121,238	22,014,238	21,526,238	20,787,238	20,685,238
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Flareover Of CIVs		1,513,000	1,251,000	1,360,000	1,240,000	1,500,000	1,150,000	1,730,000	1,200,000	1,270,000	1,630,000
Paid-In Capital And Other Sources		10,060,000	50,000	48,000	45,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		28,039,000	37,507,736	43,302,781	42,562,832	23,923,238	23,300,238	23,784,238	22,829,238	22,682,238	22,436,238
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USAID Program			15,000,000	20,000,000	15,000,000						
CAREI Program		4,618,000	4,143,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAREI Disbursements To Member Countries		4,618,000	20,143,000	33,000,000	26,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase →	1.000	1,150,000	1,242,000	1,341,360	1,448,669	1,564,712	1,689,727	1,824,305	1,978,858	2,128,578	2,278,855
CAREI Repayment Of Existing Housing Sector Loans		11,863,000	14,250,000	14,096,000	14,004,000	14,006,000	14,411,000	14,834,000	14,720,000	15,533,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate →	0.030	225,000	900,290	2,825,000	3,375,000	4,858,000	4,858,000	4,858,000	4,858,000	4,858,000	4,858,000
CAREI Repayment Of Development Assistance Loans: Interest Rate →	0.030		91,389	274,168	456,947	548,336	48,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,288,000	1,348,000	1,400,000	1,250,000	1,620,000	1,250,000	1,478,000	1,450,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	12,000
TOTAL USES		18,476,000	47,932,389	51,941,528	46,644,616	21,508,039	21,950,064	22,837,242	22,629,234	23,800,306	23,038,132
(1) CASH FLOW		9,553,000	(10,404,654)	(8,638,748)	(4,062,584)	2,342,348	1,318,175	886,997	178,894	(1,138,668)	(687,353)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate →	0.000	4,412,337	5,571,453	5,163,660	4,875,229	4,942,678	5,547,331	6,117,165	6,695,507	7,268,520	7,772,330
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)+(2)-(1)		53,161,000	67,126,337	62,213,136	58,738,048	59,550,693	66,835,711	73,701,217	80,785,378	87,573,883	93,643,811

100

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO III
(Current Central American Pesos) July-June

TABLE 6

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USRID Program		337,580	1,788,585	3,379,180	4,217,171	4,003,967	3,886,863	3,599,340	3,355,205	3,090,563	27,576,836
Housing: CAREI Program	149,825	738,241	1,184,421	1,861,923	1,823,893	988,920	932,361	877,483	815,483	745,417	8,421,973
Housing: Ongoing Programs	9,062,175	8,987,759	6,945,579	6,334,877	5,756,187	5,222,850	4,656,639	4,028,511	3,414,517	2,858,583	56,256,857
Infrastructure: On-Site		125,000	715,482	1,351,672	1,686,869	1,681,587	1,522,424	1,436,136	1,342,082	1,239,253	11,030,735
Infrastructure: Off-Site		58,000	247,583	427,427	546,553	586,966	473,288	438,246	401,811	363,913	3,455,718
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	5,287,668	4,875,229	4,942,678	5,547,331	6,117,165	6,698,597	7,268,598	7,772,359	59,647,358
TOTAL INCOME	14,524,337	15,285,353	16,869,870	17,429,588	18,173,277	17,862,851	17,587,927	17,069,228	16,577,688	16,048,781	166,568,619
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,387,000	1,412,510	1,525,511	1,647,552	1,773,256	1,921,785	2,075,441	2,241,476	2,428,745	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	900,000	2,825,000	3,375,000	4,858,000	4,858,000	4,858,000	4,858,000	4,858,000	4,858,000	38,225,000
Development Assistance Loan		58,000	149,172	245,345	290,795	284,816	273,546	274,178	268,687	263,834	2,195,123
Existing Loans	11,523,000	12,848,000	11,878,000	11,712,000	11,532,000	11,312,000	11,824,000	10,683,000	10,329,000	9,781,000	111,764,000
TOTAL EXPENDITURES	12,963,000	14,297,680	15,464,682	16,652,856	17,558,347	17,426,172	17,275,250	17,002,611	16,682,153	16,454,684	162,235,250
NET INCOME	1,561,337	987,673	1,405,188	776,732	624,930	436,679	312,677	(133,383)	(291,475)	(386,197)	4,333,369
RETAINED EARNINGS (DEFICIT) 4/	(2,853,663)	(2,865,598)	(2,241,283)	(1,478,851)	(1,017,121)	(588,443)	(347,766)	(361,149)	(622,624)	(1,038,731)	

1/ Does Not Include Interest Earned On Contingency Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of CAC\$389,680 As Of June 30, 1986

282

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IV
(Current Central American Pesos; July-June)

TABLE 7

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries	16,287,660	14,561,367	13,681,545	12,192,545	10,930,545	10,733,545	10,626,545	10,138,545	9,573,545	9,237,545	
Housing Guaranty Loan Disbursements To CBAEI	5,000,000	10,000,000	15,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CBAEI		10,000,000	10,000,000	10,000,000							
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program --)	0.090		465,221	2,481,178	4,887,282	6,292,944	6,292,944	6,292,944	6,292,944	6,292,944	6,292,944
CBAEI Program --)	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.090		106,000	992,471	1,922,913	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure --)	0.040		224,053	1,124,264	2,023,675	2,670,233	2,670,233	2,670,233	2,670,233	2,670,233	2,670,233
Total Proceeds From Repayments By Member Countries	16,466,000	16,314,162	19,836,912	22,390,607	23,727,355	23,478,355	23,364,355	22,872,355	22,358,355	21,914,355	21,914,355
Interfund Transfers	5,000,000	5,000,000	2,600,000								
Placement Of CIVs	1,513,000	1,251,000	1,380,000	1,210,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,690,000	
Paid-In Capital And Other Sources	10,000,000	50,000	55,000	40,000	45,000	45,000	37,000	40,000	45,000	45,000	50,000
TOTAL RECEIPTS	28,023,000	42,620,162	48,864,912	48,593,607	52,272,355	54,657,355	55,134,355	54,176,355	53,351,355	53,779,355	
USES OF FUNDS											
CBAEI Disbursements To Member Countries For Housing			15,000,000	20,000,000	15,000,000						
USAID Program				4,113,000							
CBAEI Program		4,610,000									
CBAEI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CBAEI Disbursements To Member Countries For Off-Site Infrastructure			10,000,000	10,000,000	10,000,000						
Total CBAEI Disbursements To Member Countries		4,610,000	35,113,000	38,000,000	31,000,000	0	0	0	0	0	0
CBAEI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,360	1,448,685	1,564,562	1,687,727	1,824,395	1,978,878	2,148,578	2,338,855
CBAEI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,006,000	14,004,000	14,006,000	14,441,000	14,834,000	14,720,000	15,532,000	14,631,000
CBAEI Repayment Of Housing Guaranty Loans: Interest Rate --)	0.090	225,000	300,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
CBAEI Repayment Of Development Assistance Loans: Interest Rate --)	0.020		182,779	548,335	913,894	1,036,672	1,036,672	1,036,672	1,036,672	1,036,672	1,036,672
Repurchases Of CIVs		1,413,000	1,251,000	1,288,000	1,348,000	1,400,000	1,258,000	1,620,000	1,260,000	1,470,000	1,450,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	53,063,779	57,215,696	52,101,562	22,129,235	22,538,400	23,445,578	23,287,578	24,343,242	23,566,528
(1) NET CASH FLOW		9,553,000	(10,463,617)	(8,350,784)	(3,507,955)	3,143,120	2,118,955	1,687,777	978,784	(337,887)	132,827
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.060	4,412,337	5,571,453	5,165,406	4,901,021	5,016,666	5,613,325	6,342,300	7,000,800	7,671,193	8,274,860
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)+(2) + (3) (1-1)		53,161,000	67,126,337	62,234,173	59,040,795	60,442,122	60,601,907	64,414,955	62,424,623	69,697,940	109,155,647

201

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IV
(Current Central American Person) July-June

TABLE B

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		337,500	1,788,585	3,279,180	4,217,171	4,863,967	3,886,459	3,598,340	3,355,285	3,836,389	27,576,836
Housing: CABEI Program	119,825	738,241	1,184,421	1,861,923	1,823,893	988,928	932,361	877,483	815,483	745,417	5,421,973
Housing: Ongoing Programs	9,862,175	8,887,759	6,945,579	6,334,877	5,756,187	5,222,888	4,656,639	4,038,511	-3,414,517	2,858,583	56,254,927
Infrastructure: On-Site		135,000	715,482	1,251,672	1,686,869	1,681,527	1,562,424	1,436,136	1,342,982	1,233,563	11,059,729
Infrastructure: Off-Site		188,000	495,086	854,853	1,893,318	1,813,931	946,555	876,473	883,622	727,838	6,911,469
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	5,289,446	4,981,821	5,816,666	5,693,925	6,342,250	7,888,898	7,671,199	8,274,850	61,525,165
TOTAL INCOME	14,524,337	15,335,953	16,338,319	17,882,726	18,793,824	18,516,418	14,286,432	17,617,657	17,482,189	16,915,159	171,734,158
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,387,888	1,412,516	1,525,511	1,647,552	1,779,356	1,921,785	2,075,441	2,241,476	2,428,730	17,242,227
Finance Charges											
Housing Guaranty Loan	225,000	988,000	2,825,888	3,377,608	4,858,888	4,858,888	4,858,888	4,858,888	4,858,888	4,858,888	38,825,888
Development Assistance Loan	188,000	188,000	238,344	431,669	581,589	569,632	559,891	548,348	537,373	526,767	4,212,246
Existing Loans	11,553,000	12,848,000	11,878,000	11,712,000	11,532,000	11,312,000	11,824,000	10,683,000	10,229,000	9,791,000	111,764,000
TOTAL EXPENDITURES	12,989,000	14,347,888	15,613,855	17,184,228	17,811,141	17,718,988	17,554,796	17,356,781	17,157,850	16,637,365	164,344,423
NET INCOME	1,535,337	988,073	724,464	778,526	982,683	895,421	651,636	461,876	244,259	217,268	7,389,735
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,865,590)	(2,141,126)	(1,362,601)	(379,918)	425,583	1,077,139	1,536,215	1,782,474	1,993,683	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of C\$15,359,000 As Of June 30, 1986

202

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IIA
(Current Central American Pesos; July-June)

Table 9

	1985/1985	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,660	14,561,367	13,684,545	12,192,545	10,790,545	10,733,545	10,626,545	10,138,545	9,599,545	9,297,545
Housing Guaranty Loan Disbursements To CABEI		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CABEI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program -->	0.090		325,655	1,736,824	3,365,097	4,342,061	4,342,061	4,342,061	4,342,061	4,342,061	4,342,061
CABEI Program -->	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.070		139,566	741,353	1,442,185	1,860,883	1,860,883	1,860,883	1,860,883	1,860,883	1,860,883
Interest Rate For Off-Site Infrastructure -->	0.060		128,703	643,517	1,158,331	1,544,441	1,544,441	1,544,441	1,544,441	1,544,441	1,544,441
Total Proceeds From Repayments By Member Countries		16,456,000	16,031,924	18,363,695	19,512,613	20,692,396	19,835,326	19,728,386	19,240,396	18,701,386	18,393,386
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,350,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,450,000
Paid-In Capital And Other Sources	10,660,000	50,000	55,000	48,000	45,000	45,000	37,000	40,000	45,000	45,000	50,000
TOTAL SOURCES		28,629,000	37,337,924	32,391,695	30,865,613	21,637,386	21,022,366	21,498,386	20,543,386	20,316,386	20,144,386
USES OF FUNDS											
CABEI Disbursements To Member Countries For Housing											
USAID Program			10,500,000	14,000,000	10,500,000						
CABEI Program		4,610,000	4,143,000	6,000,000	4,500,000						
CABEI Disbursements To Member Countries For On-Site Infrastructure			5,000,000	5,000,000	5,000,000						
CABEI Disbursements To Member Countries For Off-Site Infrastructure											
Total CABEI Disbursements To Member Countries		4,610,000	24,143,000	25,000,000	20,000,000	0	0	0	0	0	0
CABEI Administrative Costs: Annual Rate Of Increase -->	1.000	1,150,000	1,242,000	1,341,360	1,448,669	1,564,562	1,689,727	1,824,905	1,970,696	2,128,576	2,293,655
CABEI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,006,000	14,004,000	14,006,000	14,441,000	14,634,000	14,720,000	15,593,000	14,631,000
CABEI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.090	225,000	800,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CABEI Repayment Of Development Assistance Loans: Interest Rate -->	0.020		91,389	274,158	456,947	546,336	546,336	546,336	546,336	546,336	546,336
Repurchases Of CIVs		1,413,000	1,351,000	1,200,000	1,340,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,455,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		16,476,000	41,992,357	43,491,528	39,294,616	19,780,899	20,190,964	21,077,242	20,859,234	22,000,906	21,252,191
(1) NET CASH FLOW		9,553,000	(4,654,465)	(11,099,833)	(8,489,003)	1,856,487	832,322	401,144	(131,849)	(1,684,520)	(1,693,805)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.060	4,412,337	5,571,453	5,647,562	5,195,027	4,921,628	5,484,208	6,008,477	6,540,473	7,057,113	7,503,633
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(t) + (2)(t) + (3)(t-1))		53,161,000	67,126,337	68,043,325	62,591,054	59,297,077	66,075,193	72,391,725	73,851,244	85,026,569	96,398,562

Financial Internal Rate Of Return (1)

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203

CENTRAL AMERICAN LOAN FOR ECONOMIC INTEGRATION
 HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IIA
 (Current Central American Pesos; July-June)

Table 10

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	
INCOME											
Interest 1/											
Housing: USAID Program		236,250	1,251,954	2,365,426	2,552,020	2,802,777	2,864,241	2,513,238	2,345,644	2,149,236	19
Housing: LAEI Program	149,825	730,241	1,104,421	1,061,923	1,623,893	990,920	932,361	877,569	615,493	745,517	8
Housing: Other Programs	9,062,175	8,607,759	6,945,579	6,334,077	5,756,107	5,222,080	4,656,639	4,023,511	3,414,517	2,622,523	26
Infrastructure: On-Site		101,250	536,552	1,013,754	1,265,151	1,201,150	1,141,615	1,077,162	1,006,562	923,673	6
Infrastructure: Off-Site		75,000	371,778	645,807	830,369	777,879	731,865	683,132	631,453	576,674	5
Investment Or End Of Period Cash Balance 2/	5,312,337	6,625,453	5,771,562	5,195,027	4,921,628	5,464,208	6,008,477	6,546,423	7,057,113	7,533,636	27
TOTAL INCOME	14,524,337	15,375,953	15,981,845	16,616,013	16,749,153	16,469,055	16,135,422	15,719,944	15,273,772	14,752,517	157
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,367,660	1,412,516	1,525,511	1,647,552	1,779,356	1,921,795	2,075,441	2,241,476	2,421,755	17
Finance Charges											
Housing Guaranty Loan	225,000	900,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	12
Development Assistance Loan		50,000	149,172	245,345	290,795	364,816	279,546	274,176	239,537	201,916	2
Existing Loans	11,553,000	17,040,000	11,878,990	11,712,000	11,532,000	11,312,000	11,024,000	10,683,000	10,334,000	9,761,000	111
TOTAL EXPENDITURES	12,989,000	14,297,660	15,014,683	15,508,355	15,720,347	15,526,172	15,475,250	15,250,511	15,059,153	14,621,663	129
NET INCOME	1,535,337	878,073	967,163	1,107,658	1,028,841	642,892	660,171	437,333	165,669	117,731	28
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,975,596)	(2,008,428)	(900,770)	128,071	970,954	1,631,125	2,068,429	2,253,367	2,320,797	

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments Sc/87 - EB/89
 3/ Assumes An 8 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of CASH,389,000 As Of June 30, 1986

204

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUNDS CASH FLOW PROJECTIONS - SCENARIO 116
(Current Central American Prices July-June)

Table 11

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,261,560	14,364,267	13,691,545	12,197,245	10,990,545	10,732,245	10,626,545	10,126,545	9,599,245	9,297,245
Housing Guaranty Loan Disbursements To CASEI		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CASEI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing			217,103	1,194,067	2,496,685	3,690,752	4,342,061	4,242,061	4,242,061	4,242,061	4,312,061
USAID Program -->	0.050										
CASEI Program -->	0.120	178,310	873,833	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.090		93,044	511,743	1,070,002	1,551,751	1,850,853	1,850,853	1,850,853	1,850,853	1,850,853
Interest Rate For Off-Site Infrastructure -->	0.043		112,428	562,137	1,011,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,468,060	15,860,574	17,568,942	19,125,530	18,968,819	19,640,081	19,533,081	19,045,061	18,536,061	18,204,061
Interfund Transfers		5,000,000	5,000,000	2,400,000							
Placement Of CIVs		1,513,000	1,251,000	1,380,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,655,000
Paid-In Capital And Other Sources		10,610,000	50,000	55,000	48,000	45,000	45,000	40,000	45,000	45,000	50,000
TOTAL SOURCES		28,029,060	27,164,574	31,534,942	29,418,530	20,511,819	20,627,081	21,303,081	20,346,061	20,121,061	19,949,061
USES OF FUNDS											
CASEI Disbursements To Member Countries For Housing			7,000,000	10,500,000	10,500,000	7,000,000					
USAID Program											
CASEI Program		4,610,000	4,143,959								
CASEI Disbursements To Member Countries For On-Site Infrastructure			3,000,000	4,500,000	4,500,000	3,000,000					
CASEI Disbursements To Member Countries For Off-Site Infrastructure			3,000,000	5,000,000	5,000,000						
Total CASEI Disbursements To Member Countries		4,610,000	19,143,959	20,000,000	20,000,000	10,000,000	0	0	0	0	0
CASEI Administrative Costs: Annual Rate Of Increase -->	1.000	1,150,000	1,247,000	1,341,350	1,448,669	1,564,562	1,689,727	1,824,905	1,970,958	2,128,570	2,298,852
CASEI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,000,000	14,000,000	14,000,000	14,441,000	14,934,000	14,700,000	15,193,000	14,631,000
CASEI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.050	225,000	900,000	1,575,000	2,225,000	2,150,000	2,220,000	2,250,000	2,250,000	2,250,000	2,250,000
CASEI Repayment Of Development Assistance Loans: Interest Rate -->	0.020		51,309	274,168	456,947	548,326	548,326	548,326	548,326	548,326	548,326
Repurchases Of CIVs		1,413,000	1,351,000	1,250,000	1,248,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,445,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	36,992,369	39,491,578	39,294,616	29,780,819	20,159,024	21,097,242	20,359,234	22,046,976	21,238,171
(1) NET CASH FLOW		9,553,060	174,164	(6,956,637)	(9,876,086)	(9,269,000)	236,957	205,819	(211,173)	(1,925,915)	(1,289,110)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.080	4,412,337	5,571,453	6,616,336	5,972,954	5,645,996	5,343,514	5,645,308	6,247,549	6,821,565	7,242,562
(3) END OF PERIOD CUMULATIVE CASH POSITION: (1)(1) + (2)(1) + (3)(1)-(1)		23,161,000	67,126,337	72,871,974	71,963,725	68,060,593	68,440,316	70,425,821	70,476,948	62,313,223	63,219,224

Financial Internal Rate Of Return (1)

-158.582

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205

CENTRAL AMERICAN BANK FOR ECONOMIC DEVELOPMENT
 MISSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO 110
 (Current Central American Pesos; July-June)

Table 12

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
Interest 1/										
Mortgage: USFD Program		157,500	800,396	1,729,807	2,535,558	3,637,855	2,746,462	2,545,435	3,381,159	2,425,689
Mortgage: C&D Program	149,825	730,211	1,104,421	1,051,923	1,023,893	990,920	972,261	877,469	615,453	792,417
Mortgage: Ongoing Programs	9,062,175	8,097,759	6,945,529	6,334,077	5,756,197	5,227,660	4,654,631	4,053,521	3,618,517	2,628,252
Infrastructure: On-Site		67,500	368,151	754,203	1,069,885	1,234,294	1,170,355	1,106,903	1,041,224	957,455
Infrastructure: Off-Site		50,600	287,503	427,427	516,259	596,966	673,250	758,746	847,811	952,919
Investment Of End Of Period Cash Balance 2/	5,312,337	6,025,453	6,172,338	5,972,924	5,640,996	5,316,514	5,045,308	4,817,559	4,621,555	4,242,169
TOTAL INCOME	14,524,337	15,038,453	15,699,678	16,310,390	16,597,810	16,329,250	15,625,072	15,468,115	15,868,156	14,574,253
EXPENDITURES										
Operating Expenses 3/	1,211,000	1,367,880	1,412,510	1,525,511	1,647,552	1,779,323	1,921,765	2,075,441	2,241,476	2,420,792
Finance Charges										
Mortgage Guaranty Loan	225,000	900,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
Development Assistance Loan	50,000	149,172	245,645	245,645	290,795	294,816	279,546	274,179	263,651	252,974
Existing Loans	11,533,600	12,040,060	11,878,000	11,712,000	11,532,000	11,312,000	11,024,000	10,662,000	10,329,000	9,701,000
TOTAL EXPENDITURES	12,999,600	14,297,030	15,014,483	15,548,356	15,770,347	15,626,172	15,475,256	15,782,611	15,667,163	14,624,566
NET INCOME	1,524,737	741,423	685,195	602,034	677,463	704,606	349,622	163,502	779,767	160,633
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(3,113,090)	(2,428,095)	(1,826,061)	(148,570)	(44,184)	305,338	460,340	1,245,607	1,165,171

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments 85/87 - 88/89
 3/ Assumes An 8 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of C\$15,339,000 As Of June 30, 1986

209

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 11C
(Current Central American Pesos; July-June)

Table 13

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,610	14,564,357	13,681,545	12,192,545	10,590,545	10,733,545	10,426,545	10,138,545	9,599,545	9,297,545
Housing Guaranty Loan Disbursements To CASEI		5,600,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CASEI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program -->	0.095		335,327	1,788,412	3,465,048	4,571,029	4,471,029	4,471,029	4,471,029	4,471,029	4,471,029
CASEI Program -->	6.120	177,310	873,433	1,254,455	1,254,455	1,254,455	1,254,455	1,254,455	1,254,455	1,254,455	1,254,455
Interest Rate For On-Site Infrastructure -->	6.095		143,712	766,462	1,485,020	1,916,155	1,916,155	1,916,155	1,916,155	1,916,155	1,916,155
Interest Rate For Off-Site Infrastructure -->	0.040		112,426	562,132	1,011,837	1,345,117	1,345,117	1,345,117	1,345,117	1,345,117	1,345,117
Total Proceeds From Repayments by Member Countries		16,464,920	16,029,465	18,256,004	15,508,908	20,691,301	19,824,361	19,717,301	19,229,301	16,650,301	18,582,301
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,380,000	1,248,000	1,500,000	1,120,000	1,730,000	1,269,000	1,570,000	1,652,000
Faid-In Capital And Other Sources		10,000,000	50,000	48,000	45,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		25,024,000	27,331,465	22,384,004	20,801,908	23,826,301	22,611,351	21,497,301	20,551,301	20,300,301	20,322,301
USES OF FUNDS											
CASEI Disbursements To Member Countries For Housing			10,500,000	11,000,000	10,500,000						
USAID Program			4,143,000								
CASEI Program		4,610,000	4,500,000	6,000,000	4,500,000						
CASEI Disbursements To Member Countries For On-Site Infrastructure			5,000,000	5,000,000	5,000,000						
CASEI Disbursements To Member Countries For Off-Site Infrastructure											
Total CASEI Disbursements to Member Countries		4,610,000	24,143,000	25,000,000	20,000,000	0	0	0	0	0	0
CASEI Administrative Costs: Annual Rate Of Increase -->	1.680	1,150,000	1,242,000	1,311,360	1,418,659	1,544,562	1,687,727	1,824,965	1,970,598	2,129,570	2,299,500
CASEI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,006,000	14,064,000	14,608,000	14,441,000	14,654,000	14,720,000	15,575,000	14,921,000
CASEI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.090	325,000	600,000	1,275,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CASEI Repayment Of Development Assistance Loans: Interest Rate -->	0.020		91,389	274,168	454,547	546,336	546,336	546,336	546,336	546,336	546,336
Repurchases Of CIVs		1,413,000	1,351,000	1,280,000	1,318,000	1,400,000	1,250,000	1,550,000	1,360,000	1,470,000	1,435,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		19,476,000	41,992,389	43,491,528	39,294,616	19,720,856	20,190,984	21,097,212	20,851,234	22,000,506	21,238,100
(1) NET CASH FLOW		5,548,000	(4,660,924)	(11,107,522)	(18,492,708)	4,105,445	2,420,367	390,000	(2,299,933)	(11,695,405)	(11,104,500)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.060	4,412,337	5,571,453	5,647,358	5,194,157	4,920,390	5,481,947	5,005,109	4,535,904	7,051,246	7,455,700
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)+(2)) + ((3)-(1))		53,161,000	67,126,337	68,918,815	62,589,701	59,282,157	66,047,951	72,351,137	78,746,305	84,955,276	90,310,918
Financial: Internal Rate Of Return (1)											

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207

GENERAL ACCOUNTS DATA FOR ECONOMIC INTEGRATION
 INCLUDING FUND INCOME AND EXPENDITURE PROJECTIONS - CEMSA-11C
 (Current Central American Funds July-June)

Table 14

INCOME	1984/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Housing (HAB) Program		249,275	1,321,635	2,499,622	3,123,651	2,971,165	2,818,576	2,672,653	2,501,819	2,314,753	22,322,774
Housing Credit Program	149,625	730,261	1,164,421	1,061,923	1,023,893	980,520	922,261	872,429	811,453	745,417	6,411,912
Housing Credit Program	9,662,175	8,097,757	6,540,579	6,336,077	5,755,197	5,222,060	4,353,627	4,023,511	3,414,517	2,828,555	50,122,000
Infrastructure On-Site		50,000	50,000	1,011,381	1,336,712	1,273,356	1,227,291	1,145,422	1,072,114	966,000	6,775,000
Infrastructure Off-Site		50,000	247,503	627,427	546,559	506,946	473,230	420,345	361,251	303,971	3,422,700
Interest 6/ End Of Period Cash Balance 2/	5,312,337	6,025,453	5,771,328	5,194,167	4,920,330	5,481,947	6,605,109	6,650,304	7,051,246	7,455,762	59,792,732
TOTAL INCOME	14,524,337	15,149,793	15,957,176	15,955,863	16,709,322	16,428,431	16,148,357	15,876,213	15,227,070	14,741,441	127,221,457
EXPENDITURES											
Operating Expenses 3/	1,211,050	1,367,660	1,412,510	1,525,511	1,647,252	1,779,356	1,921,765	2,075,441	2,241,476	2,420,755	(7,541,227)
Finance Charges											
Housing Security Loan	225,000	900,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,229,000	2,150,000	2,050,000	15,225,000
Development Assistance Loan	50,000	50,000	149,172	245,645	230,755	284,916	279,545	274,170	246,667	222,574	2,110,122
Existing Loans	11,553,000	12,660,000	11,878,000	11,712,000	11,532,000	11,312,000	11,024,000	10,651,000	10,327,300	9,741,000	121,754,000
TOTAL EXPENDITURES	12,819,050	14,297,660	13,814,182	13,508,356	13,728,317	13,628,172	13,675,255	13,352,611	12,659,183	11,634,329	149,629,349
NET INCOME	1,535,327	871,823	2,142,994	2,447,507	3,081,105	2,800,259	2,473,102	2,523,602	2,567,887	3,107,112	7,592,108
RETAINED EARNINGS (DEFICIT) 4/	(3,853,443)	(2,981,613)	(2,039,327)	(153,819)	30,156	840,418	1,473,324	1,664,142	2,057,649	2,162,003	

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments 8/87 - 88/89
 3/ Assumes an 8 Percent Annual Increase In Operating Expenses
 4/ Includes a Retained Deficit Of \$312,309,000 As Of June 30, 1986

202

Table 15

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,267,680	14,564,367	13,881,545	12,192,545	10,990,545	10,733,545	10,626,545	10,138,545	9,599,545	9,267,545
Housing Guaranty Loan Disbursements To CAGEI		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAGEI			5,660,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAIU Program -->	0.110		365,046	1,948,913	3,772,145	4,867,293	4,867,293	4,867,293	4,867,263	4,867,293	4,867,293
CAGEI Program -->	0.130	173,240	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.110		156,448	834,391	1,616,633	2,085,979	2,085,979	2,085,979	2,085,979	2,085,979	2,085,979
Interest Rate For Off-Site Infrastructure -->	0.640		112,426	552,132	1,011,837	1,346,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,440,920	16,071,921	16,582,427	19,947,615	20,647,378	20,390,378	20,231,376	19,755,378	19,256,376	18,654,117
Interest Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,515,000	1,251,000	1,380,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,655,000
Paid-In Capital And Other Sources		10,000,000	50,000	48,000	45,000	45,000	37,000	60,000	43,000	45,000	52,000
TOTAL SOURCES		29,025,000	37,377,921	32,610,427	31,240,615	22,192,378	21,577,376	22,653,376	21,659,378	20,871,376	20,099,117
USES OF FUNDS											
CAGEI Disbursements To Member Countries For Housing			10,500,000	14,000,000	10,500,000						
USAIU Program		4,612,000	4,143,000								
CAGEI Program			4,500,000	5,000,000	4,500,000						
CAGEI Disbursements To Member Countries For On-Site Infrastructure			5,000,000	5,000,000	5,000,000						
CAGEI Disbursements To Member Countries For Off-Site Infrastructure											
Total CAGEI Disbursements To Member Countries		4,612,000	24,143,000	25,000,000	20,000,000	0	0	0	0	0	0
CAGEI Administrative Costs: Annual Rate Of Increase -->	1.080	1,153,000	1,247,000	1,341,360	1,438,869	1,544,562	1,669,727	1,824,905	1,979,898	2,128,570	2,259,600
CAGEI Repayment Of Existing Housing Sector Loans		11,061,000	14,250,000	14,608,000	14,604,000	14,604,000	14,411,000	14,624,000	14,720,000	15,273,000	14,631,000
CAGEI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.110	272,030	1,100,000	1,925,000	2,475,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000
CAGEI Repayment Of Development Assistance Loans: Interest Rate -->	0.620		91,369	214,166	456,947	546,336	546,336	546,336	546,336	546,336	546,336
Repurchases Of CIVs		1,413,000	1,351,000	1,230,000	1,348,000	1,400,000	1,250,000	1,630,000	1,330,000	1,479,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,223,030	42,197,269	43,841,220	39,744,616	20,280,899	20,670,064	21,577,242	21,359,234	22,505,706	21,723,117
(1) NET CASH FLOW		9,501,970	(4,819,348)	(11,231,091)	(8,504,001)	1,911,480	897,315	456,137	(260,856)	(11,629,527)	(11,036,600)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.080	4,412,337	5,567,303	5,629,789	5,164,682	4,687,737	5,452,069	5,976,235	6,512,264	7,021,150	7,479,400
(3) END OF PERIOD CUMULATIVE CASH POSITION: (1)(1) + (2)(1) + (3)(1)-(1)		53,161,000	67,074,337	67,829,171	68,888,750	65,687,967	72,027,351	78,461,722	84,713,151	70,114,773	66,555,573

Financial Internal Rate Of Return (1)

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209

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO 110
(Current Central American Pesos; July-June)

Table 16

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Housing: USAID Program		269,750	1,531,907	2,901,476	3,441,731	3,481,746	3,327,337	3,160,183	2,972,250	2,762,991	21,074,154
Housing: CAPEL Program	149,625	730,241	1,104,421	1,631,923	1,023,693	550,420	922,341	872,459	815,482	742,417	8,422,673
Housing: Othering Program	9,062,175	8,667,729	6,945,519	4,334,677	5,756,107	5,322,030	4,656,639	4,020,511	3,441,512	2,820,553	56,726,607
Infrastructure: On-Site		123,750	856,403	1,244,764	1,549,743	1,472,177	1,426,659	1,324,256	1,272,277	1,134,545	15,227,444
Infrastructure: Off-Site		50,600	247,503	427,429	566,559	503,566	473,280	438,246	401,811	362,709	3,427,111
Investment Of End Of Period Cash Balance 2/	5,312,337	6,021,303	5,753,763	5,164,682	4,887,737	5,452,029	6,678,235	6,512,284	7,031,120	7,379,462	59,597,126
TOTAL INCOME	14,521,337	15,321,603	16,239,301	17,137,569	17,416,771	17,135,657	16,766,710	16,371,649	15,999,210	15,325,237	162,243,224
EXPENDITURES											
Operating Expenses 3/											
	1,211,000	1,307,880	1,412,510	1,529,511	1,647,552	1,776,356	1,921,705	2,075,441	2,241,476	2,420,755	17,143,223
Finance Charges											
Newly Guaranty Loan	275,000	1,106,000	1,925,000	2,475,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	23,275,000
Development Assistance Loan		50,000	149,172	245,845	290,793	264,916	279,546	274,170	263,637	252,154	2,110,413
Existing Loans	11,553,000	12,040,000	11,878,000	11,712,000	11,532,000	11,312,600	11,024,000	10,531,000	10,229,000	9,701,000	107,714,000
TOTAL EXPENDITURES	13,039,000	14,497,880	15,364,683	15,956,356	16,229,347	16,126,172	15,975,250	15,762,611	15,269,163	15,124,910	157,667,636
NET INCOME	1,482,337	723,723	874,619	1,179,213	1,186,427	1,009,785	821,459	568,438	520,055	230,999	8,470,274
RETAINED EARNINGS (DEFICIT) 4/	13,903,163	13,179,740	12,305,122	11,125,833	70,539	1,080,324	1,901,763	2,470,221	2,810,225	3,041,274	

1/ Does Not Include Interest Earned On Co-operative Loans
2/ Includes Interest Earned Through Interfund Investments 06/87 - 08/89
3/ Assumes An 8 Percent Annual Increase In Operating Expenses
4/ Includes A Retained Deficit Of CASH,250,000 As Of June 30, 1986

210

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IIE
(Current Central American Pesos; July-June)

Table 17

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans by Member Countries		14,538,874	13,107,930	12,496,091	10,973,291	9,891,491	9,660,191	9,533,871	9,124,671	8,639,591	8,367,7
Housing Guaranty Loan Disbursements To CAEEL		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAEEL			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program -->	0.090		325,655	1,736,824	3,365,097	4,342,061	4,342,061	4,342,061	4,342,061	4,342,061	4,342,061
CAEEL Program -->	0.130	1,834,000	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.090		139,565	744,353	1,442,185	1,860,683	1,860,683	1,350,683	1,860,683	1,860,683	1,860,683
Interest Rate For Off-Site Infrastructure -->	0.640		112,425	552,132	1,011,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		14,872,234	14,559,211	16,693,635	18,145,865	18,796,066	18,566,706	18,470,466	18,031,706	17,546,106	17,274,234
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,300,000	1,248,000	1,500,000	1,150,000	1,730,000	1,700,000	1,570,000	1,650,000
Paid-In Capital And Other Sources	10,060,000	50,000	55,000	48,000	45,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		26,460,234	35,865,211	30,521,855	29,439,865	20,343,066	19,753,706	20,240,466	19,334,706	19,161,106	19,019,234
USES OF FUNDS											
CAEEL Disbursements To Member Countries For Housing											
USAID Program			10,500,000	14,000,000	10,500,000						
CAEEL Program		4,610,000	4,143,000								
CAEEL Disbursements To Member Countries For On-Site Infrastructure			4,500,000	6,000,000	4,500,000						
CAEEL Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAEEL Disbursements To Member Countries		4,610,000	24,143,000	25,000,000	20,000,000	0	0	0	0	0	0
CAEEL Administrative Costs: Annual Rate Of Increase -->	1.080	1,150,000	1,242,000	1,341,360	1,448,667	1,564,562	1,689,727	1,824,905	1,970,893	2,128,570	2,298,920
CAEEL Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,000,000	14,004,000	14,005,000	14,441,000	14,834,000	14,720,000	15,593,000	14,831,000
CAEEL Repayment Of Housing Guaranty Loans: Interest Rate -->	0.090	255,000	900,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CAEEL Repayment Of Development Assistance Loans: Interest Rate -->	0.620		91,389	274,169	458,947	546,336	548,336	548,336	548,336	548,336	548,336
Repayments Of CIVs		1,413,000	1,351,000	1,260,000	1,348,000	1,490,000	1,250,000	1,630,000	1,300,000	1,470,000	1,450,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,475,000	41,992,389	43,491,528	39,294,616	19,780,899	20,190,064	21,097,242	20,259,234	22,603,906	21,236,100
(1) NET CASH FLOW		7,931,234	16,127,179	(12,539,673)	(9,854,751)	562,109	(436,357)	(850,836)	(1,525,029)	(2,229,600)	(2,216,866)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.080	4,412,337	5,436,266	5,378,921	4,782,092	4,361,064	4,769,664	5,129,346	5,483,965	5,812,555	6,059,234
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(1) + (2)(1) + (3)(t-1)		53,161,000	65,497,571	64,806,659	57,615,906	52,543,246	57,466,417	61,799,744	66,072,257	70,031,194	73,663,946

Financial Internal Rate Of Return (1)

ERR

211

Table 18

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 2/	236,250	1,251,954	2,355,425	2,952,020	2,502,277	2,664,241	2,513,233	2,349,544	2,167,206	19,325,765	
Household Credit Program	149,825	720,241	1,104,421	1,051,923	1,023,893	960,520	877,189	815,183	727,617	6,451,773	
Household Credit Program	149,825	8,007,259	6,324,077	5,756,107	5,222,050	4,655,639	4,028,511	3,516,517	2,822,293	24,125,222	
Household Savings Programs		101,250	525,552	1,013,754	1,265,121	1,261,150	1,077,102	1,106,262	927,675	5,273,252	
Infrastructure On-Site		50,000	247,503	427,427	516,539	506,966	473,280	438,265	401,811	3,455,710	
Infrastructure Off-Site											
Investment On End Of Period Cash Balance 2/	9,312,327	5,910,266	5,502,921	4,782,092	4,361,041	4,769,684	5,129,346	5,452,955	5,512,255	4,629,292	53,103,222
TOTAL INCOME	14,524,327	15,015,766	15,069,929	15,984,568	15,904,794	15,483,417	14,997,687	14,416,050	13,799,571	12,156,117	145,814,665
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,860	1,412,510	1,525,511	1,647,582	1,779,354	1,921,705	2,075,441	2,251,476	2,420,755	17,543,225
Finance Charges											
Housing Guaranty Loan	225,000	100,000	1,525,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	19,225,000
Foreign Direct Assistance Loan	50,000	149,172	245,915	245,915	290,795	261,616	279,546	276,170	263,587	263,634	2,116,112
Existing Loans	11,553,000	12,010,000	11,878,000	11,712,000	11,532,000	11,312,000	11,024,000	10,683,000	10,329,500	9,701,000	111,334,000
TOTAL EXPENDITURES	12,989,000	14,297,030	15,014,483	15,509,356	15,720,387	15,426,172	15,475,250	15,282,411	15,167,163	14,634,839	149,528,225
NET INCOME	1,535,327	717,886	574,216	476,313	184,197	162,552	147,563	134,041	112,897	112,759	1,024,281
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,135,777)	(2,561,531)	(2,685,168)	(1,900,741)	(2,043,297)	(2,520,860)	(2,784,921)	(4,474,512)	(6,212,251)	

1/ Does not include interest earned on compensatory loans
 2/ Includes interest earned through Interfund Investments 65/87 - 89/89
 3/ Includes an 8 Percent Annual Increase in Operating Expenses
 4/ Includes a Retained Deficit of C\$15,359,000 as of June 30, 1982

2/2

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IIF
(Current Central American Pesos; July-June)

Table 19

	1982/1986	1986/1-97	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,650	14,564,267	13,634,595	12,192,545	10,990,545	10,733,545	10,626,545	10,122,545	9,599,545	9,297,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAIL Program -->	0.095		335,327	1,789,412	3,485,048	4,471,029	4,471,029	4,471,029	4,471,029	4,471,029	4,471,029
CAREI Program -->	0.120	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.095		143,712	766,462	1,485,020	1,916,155	1,916,155	1,916,155	1,916,155	1,916,155	1,916,155
Interest Rate For Off-Site Infrastructure -->	0.060		128,703	643,517	1,128,331	1,544,441	1,544,441	1,544,441	1,544,441	1,544,441	1,544,441
Total Proceeds From Repayments By Member Countries		16,466,000	16,045,242	18,437,591	19,625,399	20,276,625	20,019,626	19,912,626	19,424,626	18,852,626	18,587,626
Interfund Transfers		5,000,000	5,000,000	2,000,000							
Placement Of CIVs		1,513,000	1,251,000	1,280,000	1,243,000	1,500,000	1,150,000	1,730,000	1,200,000	1,570,000	1,410,000
Paid-In Capital And Other Sources		10,000,000	50,000	48,000	45,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		28,029,000	37,351,742	32,465,591	30,548,399	21,821,676	21,206,676	21,482,626	20,727,676	20,560,676	20,228,626
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USAIL Program			10,500,000	14,000,000	10,500,000						
CAREI Program		4,610,000	4,143,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			4,500,000	6,000,000	4,500,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAREI Disbursements To Member Countries		4,610,000	24,143,000	25,000,000	20,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase -->	1.000	1,150,000	1,242,000	1,341,360	1,446,449	1,564,562	1,687,727	1,824,905	1,976,898	2,172,570	2,426,62
CAREI Payment Of Existing Housing Sector Loans		11,963,000	14,220,000	14,000,000	14,000,000	14,000,000	14,441,000	14,824,000	14,720,000	15,572,000	14,321,000
CAREI Payment Of Housing Guaranty Loans: Interest Rate -->	0.050	225,300	950,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CAREI Payment Of Development Assistance Loans: Interest Rate -->	0.020	91,369	274,158	456,967	546,336	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,230,000	1,344,000	1,400,000	1,720,000	1,620,000	1,260,000	1,470,000	1,455,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,669	41,952,389	42,591,573	38,294,415	19,780,859	20,190,664	21,397,242	20,856,234	22,630,904	21,222,15
(1) NET CASH FLOW		9,552,331	(4,600,647)	(11,026,137)	(8,245,216)	2,040,728	1,016,012	585,384	(121,008)	(1,500,228)	(104,521)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.080	4,412,337	5,371,453	5,648,709	5,202,385	4,941,449	5,520,956	4,063,578	6,815,439	7,153,563	7,622,61
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(1) + (2)(1) + (3)(1)-1		53,161,000	67,125,337	68,057,143	62,679,713	59,535,884	61,518,011	73,625,590	79,704,552	68,162,383	91,641,495
Financial Interest Rate Of Return (1)											
ERR											

2/3

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 HOLDING FUNDS INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IIF
 (Current Central American Pesos; July-June)

Table 20

	1985/1987	1987/1989	1989/1991	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing USAG Program		249,375	1,321,635	2,459,698	3,123,641	2,971,165	2,828,678	2,672,655	2,501,859	2,314,732	20,493,799
Housing CASEI Program	145,825	730,241	1,104,421	1,061,523	1,623,653	980,920	932,361	877,439	615,483	745,417	8,421,923
Housing Orphan Programs	9,332,175	8,002,759	6,542,579	6,334,677	5,756,707	5,322,093	4,856,639	4,628,511	3,414,517	2,823,253	56,254,627
Infrastructure: On-Site		105,375	533,531	1,671,261	1,226,712	1,273,356	1,212,791	1,145,423	1,072,254	972,026	8,775,771
Infrastructure: Off-Site		75,000	371,778	645,807	830,349	777,079	731,685	652,132	671,453	576,674	5,323,965
Investment Of End Of Period Cash Balance 2/	5,312,337	6,025,453	5,772,709	5,202,385	4,911,449	5,020,964	6,063,578	6,615,437	7,153,693	7,522,615	60,230,725
TOTAL INCOME	14,524,337	15,154,763	16,263,822	16,015,461	17,614,211	16,745,367	16,425,432	15,022,648	15,229,659	15,690,251	159,452,211
EXPENDITURES											
Operating Expenses 3/	1,211,800	1,207,850	1,412,510	1,525,511	1,647,552	1,779,356	1,921,705	2,075,441	2,241,475	2,420,795	17,542,227
Finance Charges											
Housing Guaranty Loan	725,000	900,000	1,375,000	2,075,000	2,750,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	16,225,000
Development Assistance Loan		20,000	149,172	242,815	250,795	264,816	278,345	274,170	249,387	232,441	2,163,223
Existing Loans	11,532,030	12,640,330	11,875,900	11,712,640	11,532,600	11,312,000	11,024,600	10,683,000	10,325,600	9,701,360	111,764,210
TOTAL EXPENDITURES	12,989,000	14,297,850	15,614,483	15,509,356	15,720,347	15,676,172	15,475,250	15,242,611	15,665,155	14,834,858	149,255,220
NET INCOME	1,535,337	856,823	1,059,140	1,207,165	1,293,864	1,120,194	950,181	740,037	499,675	415,263	9,655,940
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,958,810)	(1,638,701)	(581,295)	712,249	1,832,463	2,782,444	3,522,661	4,022,578	4,467,940	

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments 66/87 - 68/87
 3/ Assumes a 3 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of CMC, 257,609 As Of June 30, 1986

2/4

HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 11-6
(Current Central American Pesos) July-June

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,660	14,564,367	13,061,545	12,192,545	10,990,545	10,733,545	10,626,545	10,138,545	9,599,545	9,297,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USRID Program --)	0.100		315,119	1,810,633	3,566,226	4,601,582	4,601,582	4,601,582	4,601,582	4,601,582	4,601,582
CAREI Program --)	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.100		147,900	788,843	1,528,383	1,972,187	1,972,187	1,972,187	1,972,187	1,972,187	1,972,187
Interest Rate For Off-Site Infrastructure --)	0.040		112,426	562,132	1,011,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,466,000	16,843,453	18,430,887	19,633,446	20,267,895	20,019,885	19,983,885	19,415,885	18,876,885	18,574,885
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,388,000	1,240,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,635,000
Paid-In Capital And Other Sources		10,000,000	50,000	55,000	48,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		28,979,000	37,349,453	32,450,687	30,916,446	21,812,895	21,197,885	21,673,885	20,718,885	20,491,885	20,311,885
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USRID Program			10,500,000	14,000,000	10,500,000						
CAREI Program		4,618,000	4,143,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			4,500,000	5,000,000	4,500,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAREI Disbursements To Member Countries		4,618,000	24,143,000	25,000,000	20,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,360	1,448,669	1,564,562	1,689,727	1,824,505	1,970,690	2,129,570	2,298,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,086,000	14,004,000	14,005,000	14,411,000	14,831,000	14,720,000	15,573,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate --)	0.050	225,000	900,000	1,575,000	2,825,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CAREI Repayment Of Development Assistance Loans: Interest Rate --)	0.020		91,309	274,166	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,200,000	1,248,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	41,992,389	43,491,520	39,294,616	19,780,899	20,190,864	21,097,242	20,053,234	22,000,906	21,230,192
(1) NET CASH FLOW		9,503,000	(4,642,936)	(11,040,833)	(8,378,170)	2,032,000	1,007,021	576,643	(148,425)	(1,509,021)	(918,307)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.080	4,412,337	5,571,453	5,648,519	5,201,617	4,940,454	5,519,157	6,068,886	6,611,791	7,140,911	7,617,013
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(1) + (2)(1) + (3)(1-1))		53,161,000	67,126,337	60,054,853	62,676,452	59,523,899	66,496,268	73,023,159	79,560,689	86,131,971	91,771,782

12/5

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO II-B
 (Current Central American Pesos) July-June

TABLE 22

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		262,580	1,351,730	2,634,563	2,295,849	3,148,490	2,994,381	2,833,661	2,626,869	2,442,370	21,672,458
Housing: CRED Program	149,825	730,241	1,184,421	1,861,923	1,823,893	908,320	932,261	877,489	815,483	745,417	8,421,573
Housing: Ongoing Program	9,862,175	8,887,759	6,945,579	6,334,877	5,756,187	5,222,088	4,858,679	4,448,911	4,114,517	3,828,583	56,256,827
Infrastructure: On-Site		112,580	596,459	1,125,898	1,412,587	1,345,521	1,283,786	1,214,426	1,130,658	1,055,313	9,288,133
Infrastructure: Off-Site		58,800	747,583	427,427	546,559	586,564	473,288	438,246	481,811	353,919	3,455,718
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	5,772,519	5,891,617	4,948,454	5,519,157	6,858,685	6,611,791	7,148,911	7,617,813	68,218,138
TOTAL INCOME	14,524,337	15,188,453	16,858,228	15,768,785	15,375,369	16,715,537	16,488,853	16,984,125	15,576,249	15,872,643	153,384,438
EXPENDITURES											
Operating Expenses 3/	1,211,800	1,287,868	1,412,518	1,525,511	1,473,552	1,779,356	1,921,783	2,075,441	2,241,476	2,428,795	17,543,227
Finance Charges											
Housing Guaranty Loan	225,890	988,000	1,575,888	2,825,000	2,250,000	2,250,899	2,250,000	2,250,000	2,250,000	2,250,000	18,225,888
Development Assistance Loan		58,000	149,172	211,000	298,795	244,416	279,516	274,178	268,637	263,934	2,186,123
Existing Loans	11,553,000	12,948,000	11,878,000	11,100,000	11,532,000	11,312,000	11,824,000	10,683,000	10,325,000	9,791,000	111,764,888
TOTAL EXPENDITURES	12,989,890	14,293,868	15,814,683	15,508,356	15,728,347	15,626,172	15,675,298	15,282,611	15,829,163	14,634,888	141,639,338
NET INCOME	1,535,337	898,573	1,043,537	1,260,349	1,255,023	1,089,365	925,683	721,514	487,085	437,754	9,666,140
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,963,890)	(1,919,553)	(639,284)	615,818	1,785,183	2,638,786	3,352,299	3,839,366	4,277,148	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 06/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of CR15,389,000 As Of June 30, 1986

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO II-H
(Current Central American Period July-June)

TABLE 23

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		15,217,660	14,561,367	13,884,545	12,192,543	10,998,545	10,733,545	10,626,545	10,138,545	9,577,545	9,277,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	5,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program —)	0.120		385,414	2,855,539	3,902,680	5,138,848	5,138,848	5,138,848	5,138,848	5,138,848	5,138,848
CAREI Program —)	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure —)	0.120		165,177	888,945	1,786,832	2,282,364	2,282,364	2,282,364	2,282,364	2,282,364	2,282,364
Interest Rate For Off-Site Infrastructure —)	0.040		112,426	562,132	1,011,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,466,000	16,181,817	18,737,617	29,248,277	21,835,328	29,778,328	29,671,328	29,183,328	19,644,328	19,342,328
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,388,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,635,000
Paid-In Capital And Other Sources		18,060,000	50,000	55,000	48,000	45,000	37,000	48,000	43,000	45,000	50,000
TOTAL SOURCES		28,029,000	37,487,817	32,765,617	31,541,277	22,569,328	21,965,328	22,441,328	21,486,328	21,259,328	21,687,328
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USAID Program		4,610,000	10,500,000	14,000,000	18,500,000						
CAREI Program			4,143,000	6,000,000	4,500,000						
CAREI Disbursements To Member Countries For On-Site Infrastructure				5,000,000	5,000,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure				5,000,000	5,000,000						
Total CAREI Disbursements To Member Countries		4,610,000	24,143,000	25,000,000	28,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase —)	1.000	1,150,000	1,242,000	1,341,350	1,448,669	1,564,562	1,687,727	1,824,985	1,970,898	2,128,575	2,298,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,006,000	14,001,000	14,006,000	14,441,000	14,834,000	14,769,000	15,573,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate —)	0.030	225,000	900,000	1,575,000	2,825,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CAREI Repayment Of Development Assistance Loans: Interest Rate —)	0.020		91,389	274,168	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,251,000	1,200,000	1,348,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,425,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	41,992,339	43,491,528	33,294,616	19,788,899	20,190,864	21,897,242	20,859,234	22,800,986	21,238,192
(1) NET CASH FLOW		9,553,000	(4,505,522)	(10,725,911)	(7,753,339)	2,799,438	1,775,265	1,344,087	627,094	(141,577)	(158,863)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate —)	0.000	4,412,337	5,571,453	5,653,297	5,232,273	5,023,025	5,672,285	6,290,428	6,924,089	7,550,834	8,115,999
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(1) + (2)(1) + (3)(1)-1)		53,161,000	67,125,337	68,112,418	63,839,883	68,518,737	68,311,192	75,788,742	83,423,257	98,974,441	97,783,697

217

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO II-H
(Current Central American Prices July-June)

TABLE 24

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		315,000	1,671,550	3,175,123	3,903,426	3,826,146	3,668,622	3,432,155	2,294,597	3,873,207	26,585,946
Housing: CRIEI Program	149,825	738,241	1,104,421	1,061,923	1,023,893	900,920	532,361	877,489	815,483	745,417	8,421,973
Housing: Ongoing Programs	9,062,175	8,087,759	6,945,579	6,334,877	5,756,187	5,222,888	4,656,639	4,028,511	3,414,517	2,828,503	56,254,897
Infrastructure: On-Site		125,000	716,379	1,368,767	1,789,754	1,639,777	1,572,267	1,436,625	1,011,970	1,317,123	11,359,691
Infrastructure: Off-Site		58,000	247,583	427,427	546,559	586,966	473,280	438,246	481,811	363,919	3,450,718
Investment Of End Of Period Cash Balance 2/	5,312,337	6,425,453	5,777,277	5,232,273	5,023,025	5,672,285	6,290,428	6,964,689	7,558,834	8,115,939	61,924,928
TOTAL INCOME	14,524,337	15,263,453	15,462,729	17,531,589	18,948,784	17,848,174	17,543,597	17,257,185	15,689,212	14,444,327	167,923,367
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,387,800	1,412,510	1,525,511	1,647,552	1,779,356	1,921,785	2,075,441	2,241,476	2,428,795	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	590,000	1,575,000	2,672,000	2,258,000	2,258,000	2,258,000	2,258,000	2,258,000	2,258,000	18,225,000
Development Assistance Loan		50,000	149,172	-5,845	270,793	284,816	275,516	274,178	264,687	263,934	2,196,123
Existing Loans	11,553,000	12,048,000	11,878,000	11,712,000	11,532,000	11,312,000	11,024,000	10,683,000	10,329,000	9,781,000	111,764,000
TOTAL EXPENDITURES	12,989,000	14,277,800	15,014,583	15,580,356	15,728,347	15,626,172	15,475,258	15,282,611	15,083,163	14,634,885	149,638,358
NET INCOME	1,535,337	985,653	1,448,046	2,003,233	2,320,418	2,222,002	2,118,346	1,974,574	1,806,049	1,809,439	18,285,917
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,883,890)	(1,448,844)	643,189	2,971,687	5,193,689	7,311,955	5,286,538	11,886,578	12,836,817	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 85/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of CASH,389,808 As Of June 30, 19...

2/8

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO II-1
(Current Central American Pesos July-June)

TABLE 25

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,660	14,561,367	13,884,515	12,192,545	10,990,545	10,733,545	10,626,545	10,138,545	9,577,545	9,237,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAREI			5,820,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program --)	0.070		162,827	858,412	1,791,100	2,930,831	4,816,486	4,342,861	4,342,861	4,342,861	4,342,861
CAREI Program --)	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.090		77,537	493,191	730,629	1,287,111	1,752,332	1,631,830	1,631,830	1,631,830	1,631,830
Interest Rate For Off-Site Infrastructure --)	0.040		112,426	562,132	1,011,837	1,343,117	1,343,117	1,343,117	1,343,117	1,343,117	1,343,117
Total Proceeds From Repayments By Member Countries		16,466,000	15,790,790	17,072,725	17,148,567	17,312,119	19,285,855	19,564,875	19,876,875	18,537,875	18,235,875
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,380,000	1,218,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,625,000
Paid-In Capital And Other Sources		10,000,000	50,000	55,000	40,000	45,000	37,000	40,000	45,000	45,000	52,000
TOTAL SOURCES		28,029,000	37,896,790	31,100,725	28,441,567	19,457,119	20,382,855	21,334,875	20,373,875	20,152,875	19,950,875
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USAID Program			5,250,000	7,000,000	8,750,000	10,500,000	3,500,000				
CAREI Program		4,610,000	4,113,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			2,520,000	3,000,000	3,750,000	4,500,000	1,500,000				
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAREI Disbursements To Member Countries		4,610,000	12,823,000	15,000,000	17,500,000	15,000,000	5,000,000	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.060	1,150,000	1,242,000	1,341,360	1,448,669	1,564,562	1,689,727	1,824,585	1,970,838	2,128,570	2,298,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,258,000	14,006,000	14,004,000	14,006,000	14,441,000	14,834,000	14,720,000	15,593,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate --)	0.070	225,000	500,000	1,575,000	2,005,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CAREI Repayment Of Development Assistance Loans: Interest Rate --)	0.020		91,389	274,168	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,280,000	1,348,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	34,742,389	33,491,528	36,794,616	34,700,899	25,190,064	21,997,242	20,853,234	22,420,906	21,230,192
(1) NET CASH FLOW		9,553,000	2,354,401	(2,390,793)	(8,353,049)	(15,223,780)	(4,797,209)	236,834	(400,159)	(1,848,031)	(1,279,316)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.000	4,412,337	5,571,453	6,229,295	6,547,889	6,398,461	5,657,231	5,728,612	6,223,741	6,700,456	7,103,138
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(1) + (2)(1) + (3)(1)-(1))		53,161,000	67,126,337	75,052,191	78,890,693	77,085,532	68,159,814	69,019,835	74,985,201	80,720,864	85,500,489

279

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO 11-1
(Current Central American Pesos; July-June)

TABLE 26

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		118,125	625,977	1,261,163	2,824,578	2,867,894	2,433,484	2,158,760	4,226,925	3,965,369	19,834,694
Housing: CAREI Program	143,825	738,241	1,184,421	1,661,923	1,823,893	988,920	932,361	877,483	815,483	745,417	8,431,973
Housing: Ongoing Programs	9,862,175	8,887,739	6,945,579	6,334,877	5,756,187	5,222,880	4,656,639	4,828,511	3,414,517	2,828,583	26,256,827
Infrastructure: On-Site		56,250	298,584	561,577	887,721	1,281,984	1,368,787	1,321,787	1,138,823	1,862,325	7,361,679
Infrastructure: Off-Site		58,000	247,583	427,427	546,559	586,966	473,288	438,246	481,811	363,919	3,454,718
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	6,333,295	6,547,889	6,398,061	5,637,231	5,728,612	6,223,741	6,788,456	7,182,138	62,828,213
TOTAL INCOME	14,524,337	14,987,828	15,567,359	16,194,355	16,636,919	16,516,794	15,632,162	16,949,454	16,698,845	15,168,753	157,968,295
EXPENDITURES											
Operating Expenses 3/	1,211,888	1,387,688	1,412,518	1,525,511	1,647,552	1,779,326	1,921,785	2,075,441	2,241,476	2,428,795	17,543,227
Finance Charges											
Housing Guaranty Loan	225,886	988,890	1,575,899	1,125,898	2,258,898	2,252,898	2,258,898	2,258,898	2,258,898	2,258,898	18,225,898
Development Assistance Loan		58,888	149,172	245,815	298,795	284,816	279,516	274,178	268,687	263,894	2,186,123
Existing Loans	11,953,888	12,848,888	11,878,888	11,712,888	11,532,888	11,312,888	11,824,888	10,683,888	10,329,888	9,781,888	111,764,888
TOTAL EXPENDITURES	12,989,888	14,277,888	15,914,683	15,588,356	15,728,347	15,626,172	15,475,258	15,282,611	15,889,163	14,634,689	147,638,358
NET INCOME	1,535,337	689,948	552,676	686,000	916,572	898,622	177,912	757,843	1,689,682	533,865	8,341,805
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(3,163,715)	(2,611,839)	(1,925,848)	(1,088,468)	(117,646)	68,266	812,188	2,418,931	2,952,655	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of CR\$5,389,000 As Of June 30, 1986

200

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO II-J
(Current Central American Pesos July-June)

TABLE 27

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,668	14,564,367	13,884,515	12,192,545	10,990,545	10,733,545	10,626,545	10,138,545	9,593,545	9,297,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program --)	0.090		325,655	1,736,824	3,365,097	4,342,861	4,342,861	4,342,861	4,342,861	4,342,861	4,342,861
CAREI Program --)	0.130	178,348	673,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.090		186,868	992,471	1,922,913	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure --)	0.060		128,783	643,517	1,829,628	1,829,628	1,829,628	1,829,628	1,829,628	1,829,628	1,829,628
Total Proceeds From Repayments By Member Countries		16,456,000	16,178,446	16,611,813	19,864,638	20,197,866	19,948,866	19,833,866	19,345,866	18,895,866	18,544,866
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,221,000	1,380,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,578,000	1,695,000
Paid-In Capital And Other Sources		10,060,000	50,000	55,000	48,000	45,000	37,000	49,000	43,000	45,000	50,000
TOTAL SOURCES		28,029,000	37,384,446	32,639,813	31,157,638	21,742,866	21,127,866	21,683,866	20,648,866	20,421,866	20,243,866
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USAID Program			10,500,000	14,000,000	10,580,000						
CAREI Program		4,610,000	4,143,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000							
Total CAREI Disbursements To Member Countries		4,610,000	25,643,000	27,000,000	16,580,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,368	1,448,669	1,564,562	1,689,727	1,824,905	1,970,898	2,128,578	2,298,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,006,000	14,084,000	14,876,000	14,441,000	14,834,000	14,720,000	15,533,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate --)	0.090	225,000	908,000	1,575,000	2,825,000	2,258,000	2,258,000	2,258,000	2,258,000	2,258,000	2,258,000
CAREI Repayment Of Development Assistance Loans: Interest Rate --)	0.020		91,389	274,168	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,288,000	1,348,000	1,400,000	1,250,000	1,638,000	1,368,000	1,478,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	43,492,369	45,491,528	35,794,616	19,788,899	20,198,864	21,897,242	20,859,234	22,000,995	21,238,192
(1) NET CASH FLOW		9,553,000	(6,107,923)	(12,851,715)	(4,636,978)	1,961,968	937,883	506,624	(218,368)	(1,579,129)	(100,326)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.080	4,412,337	5,571,453	5,526,924	4,918,978	4,942,376	5,515,433	6,051,818	6,595,332	7,125,288	7,585,616
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(1) + (2)(1) + (3)(1-1)		53,161,000	67,126,337	66,589,847	59,265,856	59,547,848	66,451,391	72,984,627	79,462,299	85,847,263	91,393,583

221

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO II-J
(Current Central American Pesos; July-June)

TABLE 20

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USRID Program		236,250	1,251,954	2,365,426	2,952,000	2,082,777	2,664,211	2,512,230	2,340,644	2,169,636	13,303,785
Housing: CAREI Program	149,825	730,241	1,104,421	1,061,923	1,023,092	908,320	532,361	877,489	815,483	745,417	6,421,973
Housing: Ongoing Programs	9,862,175	8,007,759	6,945,579	6,334,877	5,756,107	5,222,000	4,656,639	4,020,511	3,414,517	2,820,503	56,256,027
Infrastructure: On-Site		135,000	715,482	1,351,672	1,686,069	1,601,507	1,522,424	1,436,136	1,342,002	1,239,563	11,030,735
Infrastructure: Off-Site		75,000	371,770	570,007	533,611	1,010,664	503,192	471,606	430,125	402,634	4,385,416
Investment Of End Of Period Cash Balance 2/	5,312,337	6,025,453	5,650,924	4,910,970	4,942,376	5,515,433	6,051,440	6,595,332	7,125,200	7,585,616	59,722,769
TOTAL INCOME	14,524,337	15,209,703	16,040,050	16,602,075	16,094,075	17,141,460	16,329,965	15,922,311	15,404,131	14,971,950	153,120,705
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,000	1,412,510	1,525,511	1,647,552	1,779,356	1,921,705	2,075,441	2,241,476	2,420,795	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	900,000	1,575,000	2,425,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	18,225,000
Development Assistance Loan		50,000	149,172	245,045	290,795	204,016	279,516	274,170	260,607	263,094	2,105,123
Existing Loans	11,553,000	12,040,000	11,078,000	11,712,000	11,532,000	11,312,000	11,024,000	10,603,000	10,329,000	9,701,000	111,764,000
TOTAL EXPENDITURES	12,989,000	14,297,000	15,014,683	15,500,756	15,720,347	15,626,172	15,475,250	15,202,611	15,003,163	14,634,888	149,630,250
NET INCOME	1,535,337	911,823	1,025,375	1,094,519	1,174,528	1,515,288	854,655	639,700	394,968	336,162	9,482,355
RETAINED EARNINGS (DEFICIT) 4/	(3,053,663)	(2,941,040)	(1,916,465)	(021,946)	352,503	1,067,070	2,722,525	3,362,225	3,757,193	4,093,355	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of Ch15,309,000 As Of June 30, 1986

222

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO II-M
(Current Central American Pesos July-June)

TABLE 29

1985/1986 1986/1987 1987/1988 1988/1989 1989/1990 1990/1991 1991/1992 1992/1993 1993/1994 1994/1995 1995/1996

SOURCES OF FUNDS

Proceeds From Repayments Of Existing Loans By Member Countries	16,287,668	14,564,367	13,881,545	12,192,545	10,930,545	10,733,545	10,626,545	10,138,545	9,537,545	9,237,545
Housing Guaranty Loan Disbursements To CAREI	5,000,000	10,000,000	5,000,000	5,000,000						
Development Assistance Loan Disbursements To CAREI										
Proceeds From Scheduled Repayments By Member Countries										
Interest Rate For Housing										
USAID Program --)	0.030		325,655	1,736,824	3,365,897	4,342,861	4,342,861	4,342,861	4,342,861	4,342,861
CAREI Program --)	0.130	178,310	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.030		139,566	744,353	1,442,185	1,868,883	1,868,883	1,868,883	1,868,883	1,868,883
Interest Rate For Off-Site Infrastructure --)	0.040		0	0	0	0	0	0	0	0
Total Proceeds From Repayments By Member Countries	16,466,000	15,983,221	17,729,178	18,354,282	18,547,944	18,239,944	18,183,944	17,626,944	17,156,944	16,854,944
Interfund Transfers	5,000,000	5,000,000	2,600,000							
Placement Of CIVs	1,513,000	1,251,000	1,388,000	1,248,000	1,500,000	1,150,000	1,730,000	1,200,000	1,570,000	1,675,000
Paid-In Capital And Other Sources	10,050,000	50,000	55,000	48,000	45,000	45,000	37,000	48,000	43,000	50,000
TOTAL SOURCES	28,029,000	22,289,221	26,748,178	24,647,282	20,092,944	19,477,944	19,953,944	18,930,944	18,771,944	18,539,944

USES OF FUNDS

CAREI Disbursements To Member Countries For Housing										
USAID Program		18,588,000	14,000,000	10,500,000						
CAREI Program	4,618,000	4,413,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure		4,500,000	5,000,000	4,500,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure										
Total CAREI Disbursements To Member Countries	4,618,000	19,143,000	29,000,000	15,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,368	1,448,669	1,564,562	1,689,727	1,824,965	1,970,838	2,128,578
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,000,000	14,000,000	14,000,000	14,111,000	14,634,000	14,728,000	15,533,000
CAREI Repayment Of Housing Guaranty Loans Interest Rate --)	0.030	225,000	900,000	1,575,000	2,025,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000
CAREI Repayment Of Development Assistance Loans Interest Rate --)	0.020		0	0	0	0	0	0	0	0
Appurchases Of CIVs		1,413,000	1,351,000	1,280,000	1,348,000	1,400,000	1,250,000	1,638,000	1,368,000	1,478,000
Other Uses*		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	15,000
TOTAL USES		8,476,000	36,991,000	38,217,368	33,837,669	19,232,562	19,641,727	20,548,965	22,318,838	21,452,578

(1) NET CASH FLOW		9,553,000	(4,691,779)	(11,469,182)	(9,196,387)	868,382	(163,783)	(551,961)	(1,311,954)	(2,688,626)	(2,689,911)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.060	4,412,337	5,571,423	5,644,465	5,161,817	4,826,581	5,298,596	5,724,783	6,158,556	6,552,157	6,873,432
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(1) + (2)(1) + (3)(1-1)		53,161,000	67,126,337	68,496,818	62,181,293	63,838,886	68,973,699	74,183,520	78,942,122	82,813,654	87,597,235

23

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO II-K TABLE 30
 (Current Central American Pesos) July-June

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Housings: USRID Program		236,250	1,251,954	2,365,426	2,952,020	2,682,777	2,664,241	2,513,230	2,348,644	2,159,236	19,382,785
Housings: CRBEI Program	119,025	730,211	1,184,421	1,061,923	1,023,833	908,520	932,361	877,489	815,483	745,417	8,421,933
Housings: Ongoing Programs	9,862,175	8,007,759	6,945,579	6,334,877	5,756,187	5,222,000	4,656,439	4,028,511	3,414,517	2,820,203	56,256,027
Infrastructure: On-Site		101,250	536,552	1,013,754	1,265,151	1,201,190	1,141,010	1,077,102	1,006,562	929,673	8,273,051
Infrastructure: Off-Site		0	0	0	0	0	0	0	0	0	0
Investment Of End Of Period Cash Balance 2/	5,312,337	6,125,453	5,768,465	5,161,017	4,826,581	5,298,596	5,724,783	6,150,356	6,552,157	6,073,432	57,693,437
TOTAL INCOME	14,524,337	15,100,553	15,606,970	15,936,197	15,023,752	15,505,563	15,119,042	14,646,095	14,937,262	13,546,401	149,948,273
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,688	1,412,510	1,525,511	1,647,552	1,779,356	1,921,705	2,075,441	2,241,476	2,424,735	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	900,000	1,575,000	2,200,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	18,225,000
Development Assistance Loan		0	0	0	0	0	0	0	0	0	0
Existing Loans	11,553,000	12,048,000	11,878,000	11,712,000	11,532,000	11,312,000	11,024,000	10,683,000	10,329,000	9,781,000	111,764,000
TOTAL EXPENDITURES	12,989,000	14,247,688	14,865,510	15,262,511	15,429,552	15,341,356	15,195,705	15,008,441	14,820,476	14,371,735	147,532,227
NET INCOME	1,535,337	853,073	741,460	673,685	394,200	164,207	(75,663)	(136,546)	(163,114)	(182,334)	2,416,046
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(3,000,590)	(2,259,130)	(1,585,445)	(1,191,245)	(1,027,038)	(1,102,900)	(1,454,446)	(2,147,561)	(2,972,954)	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of C\$85,389,600 As Of June 30, 1986

228

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IIIA
(Current Central American Pesos; July-June)

Table 31

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries	16,261,660	14,264,367	13,654,545	12,192,545	10,990,545	10,733,545	10,626,545	10,128,545	9,599,545	9,247,545	
Housing Guaranty Loan Disbursements To CABEL	5,000,000	10,000,000	5,000,000	5,000,000							
Development Assistance Loan Disbursements To CABEL		5,000,000	5,000,000	5,000,000							
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing			462,221	2,481,178	4,897,192	6,292,944	6,262,944	6,232,944	6,202,944	6,172,944	6,142,944
CABEL Program -->	0.050		462,221	2,481,178	4,897,192	6,292,944	6,262,944	6,232,944	6,202,944	6,172,944	6,142,944
CABEL Program -->	0.120	176,370	972,072	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.090		166,129	932,471	1,972,413	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For On-Site Infrastructure -->	0.080		128,703	643,517	1,156,331	1,544,441	1,544,441	1,544,441	1,544,441	1,544,441	1,544,441
Total Proceeds From Repayments By Member Countries	16,466,660	14,219,633	13,256,166	11,425,525	10,273,525	10,216,525	10,209,525	10,171,525	10,131,525	10,091,525	
International Transfers	5,000,000	5,000,000	2,500,000								
Placement Of CIVs	10,000,000	50,000	50,000	48,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Placed-In Capital And Other Sources											
TOTAL SOURCES	31,466,660	37,559,633	41,284,166	42,718,525	41,118,525	41,500,525	41,509,525	41,521,525	41,521,525	41,521,525	41,521,525
USES OF FUNDS											
CABEL Disbursements To Member Countries For Housing		15,000,000	20,000,000	15,000,000							
CABEL Program		4,610,000	4,147,000								
CABEL Program		6,000,000	6,000,000	6,000,000							
CABEL Disbursements To Member Countries For On-Site Infrastructure		5,000,000	5,000,000	5,000,000							
CABEL Disbursements To Member Countries For Off-Site Infrastructure											
Total CABEL Disbursements To Member Countries	4,610,000	30,147,000	31,000,000	26,000,000	0	0	0	0	0	0	0
CABEL Administrative Costs: Annual Rate Of Increase -->	1.250	1,150,000	1,242,000	1,341,750	1,449,167	1,564,262	1,687,727	1,824,412	1,975,928	2,148,070	2,340,655
CABEL Repayment Of Existing Housing Sector Loans	0.090	11,000,000	14,200,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
CABEL Repayment Of Housing Guaranty Loans: Interest Rate -->	0.090	225,000	500,000	2,000,000	2,500,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
CABEL Repayment Of Development Assistance Loans: Interest Rate -->	0.020	1,411,000	1,351,000	1,250,000	1,248,000	1,400,000	1,200,000	1,500,000	1,200,000	1,400,000	1,400,000
Repurchases Of CIVs		15,000	15,000	15,000	12,000	12,000	11,000	11,000	11,000	11,000	11,000
Other Uses											
TOTAL USES	16,476,000	47,992,000	51,941,000	48,644,616	41,531,667	41,991,667	41,531,667	41,531,667	41,531,667	41,531,667	41,531,667
(1) NET CASH FLOW	5,550,000	(10,466,377)	(8,657,834)	(15,916,091)	(1,537,142)	(1,511,142)	(1,511,142)	(1,511,142)	(1,511,142)	(1,511,142)	(1,511,142)
(2) INVESTMENT INCOME OF PREVIOUS PERIOD PLUS/LESS: Interest Rate -->	0.030	4,410,000	5,071,400	5,165,411	4,663,447	4,163,727	3,569,229	3,175,224	2,776,224	2,376,224	1,976,224
(3) END OF PERIOD CUMULATIVE CASH POSITION (C1) + (2) + (3)(1-2)	55,161,000	47,116,623	37,229,413	28,827,031	24,024,418	22,513,270	21,002,122	19,491,000	17,979,858	16,468,716	14,957,574
Financial Internal Rate Of Return (1)											

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2/25

CENTRAL AMERICAN FUND FOR ECONOMIC INTEGRATION
 POLICING FUND INCOME AND EXPENDITURE PROJECTIONS - BEHARID IIIA
 (Current Central American Pesos; July-June)

Table 32

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	1996
Interest 1											
Monetary Fund Program		327,000	1,728,000	3,379,100	4,212,171	4,605,567	3,800,000	3,579,000	3,222,000	3,100,000	2,700,000
Monetary Fund Program	149,000	700,000	1,164,000	1,001,000	1,000,000	900,000	900,000	900,000	900,000	900,000	900,000
Monetary Fund Program	9,082,175	8,000,000	6,945,000	6,224,000	5,750,000	5,222,000	4,650,000	4,120,000	3,600,000	3,100,000	2,600,000
Infrastructure: On-Site		185,000	715,000	1,201,000	1,695,000	1,601,000	1,500,000	1,400,000	1,300,000	1,200,000	1,100,000
Infrastructure: Off-Site		75,000	371,778	645,000	830,000	777,000	731,000	663,000	631,000	570,000	500,000
Interest 2: End Of Period Cash Balance 2/	5,312,000	6,000,000	5,390,000	4,600,000	4,900,000	5,000,000	6,100,000	6,700,000	7,000,000	7,000,000	6,000,000
TOTAL INCOME	14,551,327	15,110,000	16,218,078	17,050,100	17,428,166	18,172,567	17,625,000	17,299,000	16,920,000	16,300,000	15,300,000
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,000	1,417,000	1,500,000	1,600,000	1,700,000	1,800,000	2,000,000	2,200,000	2,400,000	2,600,000
Finance Charges											
Monetary Fund Loan	225,000	500,000	2,000,000	3,200,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Development Assistance Loan		50,000	149,172	235,000	250,000	280,000	270,000	270,000	270,000	270,000	270,000
Existing Loans	11,553,000	12,040,000	11,878,000	11,715,000	11,530,000	11,210,000	11,000,000	10,800,000	10,700,000	10,600,000	10,500,000
TOTAL EXPENDITURES	12,989,000	14,297,000	15,464,172	16,570,000	17,330,000	17,490,000	17,270,000	17,070,000	16,970,000	16,970,000	16,970,000
NET INCOME	1,562,327	813,000	753,906	480,100	998,166	682,567	625,000	629,000	550,000	530,000	430,000
RECONCILING DIFFERENCE (DEFICIT) 4/	(3,853,681)	(2,940,500)	(2,070,577)	(1,272,827)	(322,000)	411,662	561,354	1,272,071	2,212,000	1,200,000	1,200,000

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments 85/87 - 86/89
 3/ Assumes An 8 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of C\$15,399,000 As Of June 30, 1996

224

Table 33

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,653	14,564,347	13,854,545	12,192,545	10,990,545	10,733,545	10,626,545	10,138,545	9,599,545	9,297,545
Housing Guaranty Loan Disbursements To C&E1		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To C&E1			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USRID Program -->	0.050		310,147	1,795,819	3,566,493	5,272,503	6,202,944	6,202,944	6,202,944	6,202,944	6,202,944
C&E1 Program -->	0.120	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.040		124,655	682,324	1,426,677	2,107,601	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure -->	0.040		112,426	582,132	1,011,637	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,466,000	15,984,632	18,185,265	19,557,207	21,675,620	22,121,238	22,014,238	21,526,238	20,987,238	20,655,238
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,380,000	1,248,000	1,500,000	1,150,000	1,730,000	1,280,000	1,570,000	1,653,000
Paid-In Capital And Other Sources		10,080,000	50,000	48,000	45,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		25,029,000	37,276,532	42,217,265	40,845,207	42,620,620	43,369,236	43,781,238	42,659,238	42,600,238	42,420,238
USES OF FUNDS											
C&E1 Disbursements To Member Countries For Housing											
USRID Program			10,000,000	15,000,000	15,000,000	10,400,000					
C&E1 Program		4,610,000	4,143,000								
C&E1 Disbursements To Member Countries For On-Site Infrastructure			4,000,000	4,000,000	4,000,000	4,000,000					
C&E1 Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total C&E1 Disbursements To Member Countries		4,610,000	23,143,000	26,000,000	26,000,000	14,000,000	0	0	0	0	0
C&E1 Administrative Costs: Annual Rate Of Increase -->	1.000	1,150,000	1,242,000	1,341,360	1,448,659	1,564,562	1,689,727	1,824,505	1,970,878	2,129,576	2,299,855
C&E1 Repayment Of Existing Housing Sector Loans		11,063,600	14,250,000	14,000,000	14,024,000	14,000,000	14,441,000	14,824,600	14,720,000	15,572,000	16,331,000
C&E1 Repayment Of Housing Guaranty Loans: Interest Rate -->	0.070	225,000	500,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
C&E1 Repayment Of Development Assistance Loans: Interest Rate -->	0.020		91,287	271,168	456,947	546,326	548,326	548,326	548,326	548,326	548,326
Repurchases Of CIVs		1,413,000	1,351,000	1,280,000	1,348,000	1,490,000	1,250,000	1,630,000	1,350,000	1,470,000	1,455,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	12,000
TOTAL USES		18,476,600	40,992,289	44,941,228	46,844,616	35,580,899	21,990,064	22,597,242	22,659,234	23,690,506	23,638,192
(1) NET CASH FLOW		9,552,400	(3,715,757)	(2,724,263)	(5,799,409)	(12,960,279)	1,318,175	838,997	170,004	(1,118,550)	(667,552)
(2) INVESTMENT INCREASE ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.680	4,412,137	5,571,453	5,726,677	5,975,832	5,990,475	5,411,985	5,970,585	6,539,761	7,076,228	7,566,159
(3) END OF PERIOD CUMULATIVE CASH POSITION (111E) + (2)(1E) + (3)(1E-1)		53,161,000	67,129,137	68,996,633	71,998,407	72,174,631	65,205,028	71,935,187	78,792,759	85,502,534	91,400,525

227

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO 111B
 (Current Central American Pesos) July-June

Table 34

	1985/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		225,000	1,229,837	2,314,009	3,672,283	4,339,279	3,823,559	3,779,145	4,851,413	5,485,556	27,490,201
Housing: CASEI Program	149,825	736,241	1,104,421	1,051,923	1,023,893	980,426	932,361	877,467	815,483	745,427	8,421,717
Housing: Other Programs	9,062,175	8,337,759	6,965,579	6,224,077	5,756,107	5,272,080	4,656,579	4,028,411	3,414,517	2,823,253	26,253,951
Infrastructure: On-Site		90,000	491,625	1,065,064	1,648,913	1,945,712	1,561,324	1,476,537	1,388,259	1,259,940	16,430,200
Infrastructure: Off-Site		50,000	247,503	427,427	566,359	506,965	473,263	438,246	431,811	363,919	3,455,777
Investment Of End Of Period Cash Balance 2/	5,312,237	6,025,453	5,820,637	5,975,822	5,790,175	5,411,925	5,970,585	6,529,751	7,076,448	7,265,195	61,759,522
TOTAL INCOME	14,524,337	15,128,453	15,869,911	17,319,312	18,358,231	18,106,941	17,512,718	17,141,769	17,910,352	18,276,015	167,184,221
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,367,530	1,412,510	1,525,311	1,647,552	1,779,356	1,921,705	2,075,441	2,241,476	2,420,755	17,543,2
Finance Charges											
Housing Guaranty Loan	225,000	900,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	24,825,000
Development Assistance Loan		50,000	149,172	245,815	290,755	284,816	274,546	274,170	288,687	263,054	2,106,111
Existing Loans	11,552,000	12,043,000	11,878,000	11,712,000	11,532,000	11,312,000	11,024,000	10,682,000	10,329,000	9,701,600	111,744,000
TOTAL EXPENDITURES	12,988,000	14,297,530	15,481,683	16,858,326	17,520,347	17,426,172	17,275,220	17,402,611	16,839,163	16,434,610	162,225,3
NET INCOME	1,535,337	830,923	405,228	469,316	867,884	680,769	242,497	59,078	1,029,229	(155,272)	5,458,6
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(3,023,090)	(2,617,862)	(2,157,346)	(1,289,461)	(608,692)	(369,193)	(307,059)	722,121	566,849	

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89
 3/ Assumes An 8 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of CASH,389,000 As Of June 30, 1985

228

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 111C
 (Current Central American Focus; July-June)

Table 35

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,630	14,561,357	13,894,545	12,192,515	10,990,545	11,733,545	10,676,545	10,126,545	9,595,545	9,297,545
Housing Guaranty Loan Disbursements To CAHEI		5,061,500	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAHEI			5,600,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program -->	0.095		479,639	2,554,874	4,950,068	6,387,165	6,387,165	6,387,165	6,387,165	6,287,165	6,287,165
CAHEI Program -->	0.130	176,340	873,633	1,354,425	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.095		191,615	1,021,950	1,980,027	2,554,874	2,554,874	2,554,874	2,554,874	2,554,874	2,554,874
Interest Rate For Off-Site Infrastructure -->	0.040		112,426	562,132	1,011,637	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,464,000	16,521,061	19,377,955	21,488,923	22,630,175	22,379,175	22,272,175	21,754,175	21,145,175	20,543,175
Interfund Transfers		5,090,000	5,020,000	2,600,000							
Placement Of CIVs		1,212,000	1,231,000	1,380,000	1,248,600	1,500,000	1,150,000	1,730,000	1,200,000	1,570,000	1,655,000
Paid-In Capital And Other Sources		10,080,000	50,000	55,000	48,000	45,000	37,000	60,000	43,000	45,000	50,000
TOTAL SOURCES		28,826,000	37,527,061	43,405,955	42,781,933	44,181,175	43,566,175	44,642,175	43,087,175	42,860,175	42,688,175
USES OF FUNDS											
CAHEI Disbursements To Member Countries For Housing											
USAID Program			15,000,000	20,000,000	15,000,000						
CAHEI Program		4,610,000	4,142,000								
CAHEI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	8,000,000						
CAHEI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAHEI Disbursements To Member Countries		4,610,000	30,142,000	33,000,000	28,000,000	0	0	0	0	0	0
CAHEI Administrative Costs: Annual Rate Of Increase -->	1.080	1,123,000	1,212,000	1,341,363	1,448,567	1,564,562	1,689,727	1,824,705	1,970,668	2,128,570	2,298,855
CAHEI Repayment Of Existing Housing Sector Loans		11,053,000	14,226,000	14,070,000	14,004,000	14,090,000	14,441,000	14,824,000	14,740,000	15,575,000	14,831,000
CAHEI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.190	225,000	900,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,150,000
CAHEI Repayment Of Development Assistance Loans: Interest Rate -->	0.020		91,369	274,168	456,547	545,236	548,324	540,376	548,326	546,226	546,316
Repurchases Of CIVs		1,413,000	1,351,000	1,280,000	1,243,000	1,400,000	1,250,000	1,650,000	1,260,000	1,470,000	1,495,000
Other Uses		15,000	15,000	15,000	15,000	12,600	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	47,922,339	51,941,520	46,644,616	21,500,879	21,910,064	22,877,242	22,354,274	23,860,906	22,138,192
(1) NET CASH FLOW		9,553,000	(10,465,309)	(3,535,573)	(3,862,683)	2,600,277	1,576,112	1,144,933	427,941	(140,721)	(350,416)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.080	4,812,337	5,271,452	5,165,265	4,865,531	4,570,427	5,268,752	6,174,205	6,803,459	7,503,261	7,940,051
(3) END OF PERIOD CUMULATIVE CASH POSITION (111E) + (121E) + (131E)-(1)		53,121,000	67,126,327	62,237,481	58,082,173	59,365,022	67,425,726	74,330,620	81,985,669	89,201,203	95,254,264
Financial Internal Rate Of Return (1)											18.261

229

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 BUSINESS FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IIIC
 (Current Central American Funds; July-June)

Table 36

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	1996/1997
REVENUES											
Interest In											
- Housing: IZOP Program		356,250	1,638,335	3,571,269	4,462,373	4,214,521	4,640,968	3,010,078	3,578,013	3,206,700	27,200,000
- Housing: IZOP Program	149,825	730,341	1,104,421	1,051,823	1,925,613	960,820	922,361	672,469	615,463	741,417	1,340,000
- Housing: Ongoing Programs	9,062,175	8,602,759	4,945,579	4,334,077	5,726,107	5,222,080	4,856,629	4,035,211	3,414,557	2,820,150	26,270,000
- Infrastructure: On-Site		162,560	755,354	1,422,568	1,761,949	1,697,609	1,616,387	1,527,231	1,429,665	1,321,710	11,700,000
- Infrastructure: Off-Site		50,000	247,563	422,427	516,259	566,966	473,260	428,243	491,521	362,919	3,400,000
Interest On End Of Period Cash Balance ^{1/}	5,512,337	6,025,453	5,259,245	4,855,531	4,970,427	5,552,770	6,194,365	6,605,455	7,463,221	7,441,668	10,400,000
TOTAL INCOME	14,524,337	15,312,203	16,220,437	17,700,735	18,541,509	18,251,680	17,913,941	17,622,014	17,928,649	16,529,656	100,000,000
EXPENDITURES											
Operating Expenses ^{2/}	1,211,660	1,367,860	1,412,510	1,525,511	1,447,552	1,779,356	1,921,765	2,075,441	2,241,426	2,416,750	10,000,000
Finance Charges											
- Housing: Guaranty Loan	225,000	500,000	2,625,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	2,000,000
- Development Assistance Loan		50,000	149,172	745,815	290,745	264,816	275,246	224,170	265,687	222,750	2,000,000
- Existing Loans	11,553,000	12,049,000	11,878,600	11,711,000	11,552,000	11,312,000	11,624,000	10,633,000	10,329,000	9,713,000	111,000,000
TOTAL EXPENDITURES	12,989,660	14,257,860	15,464,660	16,850,326	17,250,347	17,426,172	17,275,150	17,652,911	16,559,153	16,429,650	120,000,000
NET INCOME	1,535,337	1,054,323	765,755	850,379	1,023,962	824,915	638,690	610,493	149,427	72,673	7,260,000
RETAINED EARNINGS (DEFICIT) ^{3/}	(3,853,663)	(2,839,340)	(2,073,581)	(1,223,207)	(199,245)	625,671	1,264,361	1,674,764	1,521,691	1,257,261	

^{1/} Does Not Include Interest Earned On Depository Loans
^{2/} Includes Interest Earned Through Interfund Investments 86/87 - 88/89
^{3/} Also as a % Percent Annual Increase In Operating Expenses
^{4/} Includes A Reseved Deficit Of CUS\$359,000 As Of June 30, 1986

250

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IIID
(Current Central American Fees; July-June)

Table 37

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,267,660	14,564,367	13,684,545	12,192,545	10,990,545	10,733,545	10,676,545	10,128,545	9,569,545	9,267,545
Housing Guaranty Loan Disbursements To CAPEI		5,000,000									
Development Assistance Loan Disbursements To CAPEI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAFID Program -->	0.110		521,495	2,781,305	5,389,778	6,953,262	6,953,262	6,953,262	6,953,262	6,953,262	6,953,262
CAPEI Program -->	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.110		208,518	1,112,522	2,155,511	2,731,305	2,781,305	2,781,305	2,781,305	2,781,305	2,781,305
Interest Rate For Off-Site Infrastructure -->	0.040		112,426	562,132	1,011,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,453,006	16,250,519	19,694,959	22,105,127	23,426,683	23,171,683	23,064,683	22,576,683	22,037,683	21,725,683
Interest Transfers		5,000,000	5,000,000	7,600,000							
Placement Of CDS		1,213,300	1,251,000	1,380,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,650,000
Paid-In Capital And Other Sources	10,060,000	50,000	55,000	48,000	43,000	45,000	37,000	40,000	42,000	45,000	50,000
TOTAL SOURCES		28,029,306	37,551,519	41,722,959	42,746,127	44,973,163	44,308,653	44,874,653	43,877,653	43,652,653	43,426,653
USES OF FUNDS											
CAPEI Disbursements To Member Countries For Housing			15,000,000	20,000,000	15,000,000						
USAFID Program			4,610,300	4,183,600							
CAPEI Program			4,000,000	8,000,000	6,000,000						
CAPEI Disbursements To Member Countries For On-Site Infrastructure											
CAPEI Disbursements To Member Countries For Off-Site Infrastructure											
Total CAPEI Disbursements To Member Countries		4,610,300	30,183,600	33,690,000	26,000,000	0	0	0	0	0	0
CAPEI Administrative Costs: Annual Rate Of Increase -->	1.030	1,150,300	1,242,000	1,341,360	1,446,669	1,564,562	1,689,727	1,824,905	1,970,918	2,128,570	2,299,655
CAPEI Repayment Of Existing Housing Sector Loans		11,043,360	14,256,600	14,066,000	14,004,000	14,006,000	14,441,000	14,824,000	14,720,000	15,597,000	16,631,000
CAPEI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.110	275,300	1,109,000	2,475,000	4,125,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000
CAPEI Repayment Of Development Assistance Loans: Interest Rate -->	0.020		91,369	274,168	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CDS		1,413,360	1,351,000	1,280,000	1,348,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,526,300	48,192,389	52,391,528	47,394,116	22,480,899	22,890,064	23,797,242	23,559,234	24,700,596	23,938,112
(1) NET CASH FLOW		9,503,006	(10,640,870)	(8,668,570)	(3,698,489)	2,492,264	1,468,620	1,037,442	320,449	(1,048,223)	(457,503)
(2) INVESTMENT INCOME OR PREVIOUS PERIOD BALANCE: Interest Rate -->	0.080	4,412,337	5,567,303	5,149,104	4,856,510	4,526,246	5,544,187	6,126,247	6,720,336	7,305,252	7,824,582
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(1) + (2)(1) + (3)(1)-(1))		53,161,000	57,076,337	62,037,767	58,518,304	59,376,605	64,797,836	73,810,643	80,974,331	88,015,610	94,272,639

Financial Internal Rate Of Return (11)

ERR

203

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO 111D
(Current Central American Pesos; July-June)

Table 38

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	1996/1997
Interest 1/											
Housing: USID Program		412,500	2,189,811	4,149,280	5,202,478	4,973,925	4,754,196	4,514,518	4,246,257	3,945,486	3,621,645
Housing: CASEI Program	149,825	736,241	1,314,421	1,681,923	1,023,593	960,520	922,361	877,469	812,483	745,417	6,821,877
Housing: Ongoing Programs	9,042,175	8,607,759	6,545,579	6,334,077	5,754,167	5,222,680	4,654,439	4,029,511	3,414,517	2,825,552	2,254,742
Infrastructure: On-Site		145,050	872,214	1,529,712	2,680,991	1,989,549	1,502,478	1,065,607	1,659,563	1,379,294	1,025,255
Infrastructure: Off-Site		50,000	247,503	427,427	544,559	506,956	473,280	438,246	401,811	367,929	3,425,110
Investment Of End Of Period Cash Balance 2/	5,312,337	4,621,303	5,273,104	4,824,590	4,928,246	5,544,187	6,126,247	6,720,830	7,350,252	7,924,233	8,543,117
TOTAL INCOME	14,524,337	15,385,803	16,633,822	18,489,459	19,538,273	19,217,645	18,847,201	18,385,461	17,831,823	17,204,352	16,515,731
EXPENDITURES											
Operating Expenses 3/	1,211,090	1,307,280	1,412,510	1,325,511	1,447,552	1,779,356	1,921,705	2,075,441	2,241,476	2,426,792	2,543,025
Finance Charges											
Housing Guaranty Loan	275,000	1,100,000	2,475,000	4,125,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000
Development Assistance Loan		50,000	149,172	245,645	290,795	284,816	275,546	274,170	268,237	262,174	257,112
Existing Loans	11,353,000	12,049,000	11,878,060	11,712,090	11,532,000	11,312,060	11,074,000	10,893,063	10,729,150	10,561,122	10,397,813
TOTAL EXPENDITURES	13,629,090	14,497,650	15,914,893	17,606,356	18,429,347	18,326,172	18,175,250	17,982,611	17,751,126	17,504,006	17,297,650
NET INCOME	1,485,337	688,723	719,139	661,053	1,117,926	891,473	671,950	462,796	92,650	281,221	7,218,081
RETAINED EARNINGS (DEFICIT) 4/	(3,503,643)	(3,014,740)	(2,295,611)	(1,414,545)	(296,621)	594,652	1,268,862	1,669,592	1,762,252	1,737,746	1,737,746

1/ Does not include interest earned on compensatory loans
2/ Includes interest earned through interbank investments 86/87 - 88/89
3/ Assumes a 2 Percent Annual Increase In Operating Expenses
4/ Includes a Retained Deficit Of \$495,329,000 As Of June 30, 1986

232

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IIIIE
(Current Central American Pesos; July-June)

Table 39

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		14,656,854	13,167,930	12,496,671	10,973,291	9,891,491	9,660,191	9,563,891	9,124,671	8,639,591	8,267,791
Housing Guaranty Loan Disbursements To CABEI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CABEI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program -->	0.090		465,221	2,491,178	4,807,282	6,202,944	6,202,944	6,202,944	5,202,944	4,202,944	6,202,944
CABEI Program -->	0.130	178,340	673,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.090		186,088	992,471	1,922,913	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure -->	0.040		112,426	542,122	1,611,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		14,835,254	14,745,299	17,886,326	20,067,777	21,279,184	21,047,884	20,951,591	20,512,384	20,027,284	19,755,464
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,300,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,650,000
Paid-in Capital And Other Sources		10,000,000	50,000	55,000	48,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		26,400,254	26,051,299	41,914,326	41,362,777	22,824,184	22,234,694	22,721,591	21,815,384	21,642,284	21,500,464
USES OF FUNDS											
CABEI Disbursements To Member Countries For Housing											
USAID Program			15,000,000	20,000,000	15,000,000						
CABEI Program		4,810,000	4,143,000								
CABEI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CABEI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CABEI Disbursements To Member Countries		4,810,000	10,143,000	13,000,000	26,000,000	0	0	0	0	0	0
CABEI Administrative Costs: Annual Rate Of Increase -->	1.000	1,150,000	1,242,000	1,341,200	1,443,459	1,544,582	1,649,727	1,724,945	1,970,698	2,126,576	2,238,855
CABEI Repayment Of Existing Housing Sector Loans		11,663,000	14,250,000	14,000,000	14,064,000	14,000,000	14,441,000	14,324,000	14,710,000	15,153,000	14,631,000
CABEI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.090	225,300	929,032	2,025,000	3,375,330	4,050,000	4,050,000	4,050,000	4,651,000	4,651,000	4,651,000
CABEI Repayment Of Development Assistance Loans: Interest Rate -->	0.020		91,389	274,163	454,947	549,336	549,336	549,336	549,336	549,336	549,336
Repurchases Of CIVs		1,413,000	1,351,000	1,280,000	1,348,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,425,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	12,000
TOTAL USES		18,476,000	47,992,269	51,941,528	46,644,616	21,580,819	21,970,064	22,697,242	22,659,234	22,570,706	23,039,162
(1) NET CASH FLOW		7,924,254	(11,941,091)	(10,027,202)	(15,281,839)	1,243,365	244,820	(117,651)	(843,852)	(2,156,422)	(1,537,702)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.050	1,412,337	5,426,266	4,696,389	4,470,512	4,403,173	4,871,826	5,296,505	5,721,533	6,126,375	6,452,700
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(1) + (2)(1) + (3)(1-1))		53,161,000	55,197,571	58,992,746	53,861,913	53,050,597	58,897,045	63,815,691	68,934,538	73,812,220	77,779,576
Financial Internal Rate Of Return (1)	ERR										

203

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 ALIQUOT FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IITE
 (Current Central American Pesos; July-June)

Table 40

INCOME	1981/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	1996/1997
Interest 1/											
Balance 19-20 Program		337,550	1,759,565	3,379,180	4,217,171	4,063,967	3,804,029	3,519,349	3,229,165	3,059,761	27,576,677
Balance CBED Program	149,825	726,241	1,164,321	1,641,923	1,023,693	980,520	932,361	877,489	815,463	745,437	6,221,877
Balance Other Programs	9,062,172	8,007,759	6,945,579	6,324,677	5,750,107	5,222,600	4,656,629	4,026,551	3,444,517	2,822,652	21,221,111
Infrastructure On-Site		135,000	715,492	1,351,672	1,684,649	1,521,267	1,322,424	1,136,126	1,042,422	1,022,122	11,111,111
Infrastructure Off-Site		50,000	247,563	427,427	545,559	506,946	473,280	429,246	391,511	357,559	2,455,677
Investment SE End Of Period Cash Balance 2/	5,312,337	5,890,266	5,020,369	4,470,512	4,403,173	4,671,826	5,290,565	5,721,533	6,120,378	6,422,700	51,222,222
TOTAL INCOME	14,524,337	15,150,766	15,821,779	17,024,761	17,633,771	17,187,345	16,697,267	16,052,254	15,455,476	14,722,641	100,000,000
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,367,800	1,412,510	1,525,511	1,647,552	1,779,356	1,921,795	2,075,441	2,241,476	2,422,735	17,247,111
Provision Charges											
Interest Guaranty Loan	225,000	910,000	2,025,000	3,375,000	4,050,000	4,050,000	4,650,000	4,250,000	4,650,000	4,650,000	4,650,000
Guarantee Assistance Loan		50,000	149,172	245,845	270,795	284,816	279,546	274,170	268,657	262,744	2,455,677
Existing Loans	11,253,000	12,019,000	11,870,000	11,712,000	11,532,000	11,512,000	11,021,000	10,837,119	10,722,000	10,722,000	10,722,000
TOTAL EXPENDITURES	12,969,000	14,297,350	15,464,183	16,652,356	17,529,347	17,425,172	17,672,341	17,152,661	16,699,185	16,699,185	100,000,000
NET INCOME	1,555,337	852,666	357,696	166,435	113,425	(236,827)	(287,981)	(599,257)	(1,622,651)	(11,722,751)	0
RETAINED EARNINGS (DEFICIT) 4/	(3,652,162)	(3,000,777)	(2,443,681)	(2,437,246)	(2,363,821)	(2,602,643)	(3,190,631)	(4,189,928)	(5,814,375)	(7,217,422)	

1. Does not include interest earned on Expenditure Loans
 2. Includes interest earned through Interfund Investments Board - 68/69
 3. Also includes 9 percent annual increase in Operating Expenses
 4. Assumes a Retained Earnings of 645,389,000 As Of June 30, 1990

234

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IIIF
(Current Central American Pesos; July-June)

Table 41

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,600	14,564,367	13,681,545	12,192,545	10,990,545	10,733,545	10,626,545	10,138,545	9,569,545	9,297,545
Housing Guaranty Loan Disbursements To CAHEI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAHEI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program -->	0.075		479,039	2,554,874	4,950,068	6,387,165	6,387,135	6,357,185	6,387,185	6,387,185	6,387,185
CAHEI Program -->	0.120	171,340	873,623	1,354,455	1,354,455	1,254,455	1,354,455	1,254,455	1,254,455	1,254,455	1,254,455
Interest Rate For On-Site Infrastructure -->	0.095		171,516	1,021,520	1,926,627	2,554,874	2,554,874	2,554,874	2,554,874	2,554,874	2,554,874
Interest Rate For Off-Site Infrastructure -->	0.060		128,703	643,517	1,158,331	1,544,441	1,544,441	1,544,441	1,544,441	1,544,441	1,544,441
Total Proceeds From Repayments By Member Countries		16,466,000	16,237,358	19,459,341	21,635,427	22,831,500	22,571,500	22,457,500	21,979,500	21,440,500	21,138,560
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,512,000	1,251,000	1,300,000	1,248,000	1,260,000	1,150,000	1,730,000	1,240,000	1,570,000	1,690,000
Paid-In Capital And Other Sources		10,000,000	50,000	52,000	48,000	45,000	45,000	37,000	40,000	42,000	50,000
TOTAL SOURCES		38,620,000	37,543,358	43,467,341	42,926,427	44,376,500	43,761,500	44,237,500	43,262,500	42,622,500	42,933,560
USES OF FUNDS											
CAHEI Disbursements To Member Countries For Housing											
USAID Program			15,000,000	20,000,000	15,000,000						
CAHEI Program		4,610,000	4,143,000								
CAHEI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CAHEI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAHEI Disbursements To Member Countries		4,610,000	16,143,000	33,000,000	26,000,000	0	0	0	0	0	0
CAHEI Administrative Costs: Annual Rate Of Increase -->	1.000	1,150,000	1,242,000	1,341,350	1,448,169	1,564,547	1,689,727	1,824,905	1,970,898	2,128,570	2,298,855
CAHEI Payment Of Existing Housing Sector Loans		11,023,000	14,259,000	14,000,000	14,000,000	14,000,000	14,441,000	14,824,000	14,720,000	15,553,000	16,631,000
CAHEI Payment Of Housing Guaranty Loans: Interest Rate -->	0.070	225,000	400,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
CAHEI Payment Of Development Assistance Loans: Interest Rate -->	0.020		91,289	274,168	458,947	548,326	548,326	548,326	548,326	548,326	548,326
Repayments Of CIVs		1,413,000	1,351,000	1,280,000	1,348,000	1,409,000	1,250,000	1,630,000	1,360,000	1,470,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	12,000
TOTAL USES		18,476,000	47,992,339	51,941,528	45,444,616	21,580,899	21,990,664	22,817,242	22,659,234	23,860,506	23,939,192
(1) NET CASH FLOW		9,551,000	(10,449,022)	(8,454,187)	(5,716,139)	2,795,662	1,771,437	1,340,258	623,266	1745,466	(1,541,611)
(2) INVESTMENT INCOME (4 PREVIOUS PERIOD BALANCE): Interest Rate -->	0.080	4,412,337	5,571,453	5,166,616	4,893,749	4,591,496	5,637,811	6,252,715	6,662,993	7,564,008	8,657,125
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(1) + (2)(1) + (3)(1-1)		53,161,000	67,129,337	62,249,758	59,961,187	60,138,747	67,925,825	75,335,083	82,928,115	90,434,375	97,154,977

Financial Internal Rate Of Return (11)

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235

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IIIIF
(Current Central American Pesos; July-June)

Table 42

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Housing: ESFIS Program		359,250	1,089,335	3,371,269	4,462,373	4,244,521	4,640,968	3,818,078	3,574,013	3,319,761	27,022,659
Housing: CAEEI Program	149,825	759,541	1,164,421	1,661,923	1,923,893	1,980,920	932,361	677,489	915,453	145,417	8,421,872
Housing: Other Programs	9,362,175	8,507,729	6,943,579	6,234,077	5,756,107	5,222,680	4,156,659	4,028,511	3,914,517	2,559,855	26,126,127
Infrastructure: On-Site		142,500	758,324	1,428,518	1,784,949	1,697,826	1,616,387	1,527,132	1,429,645	1,222,763	14,110,439
Infrastructure: Off-Site		25,000	371,778	645,607	630,389	777,879	731,655	622,132	651,453	574,674	5,322,499
Investment Or End Of Period Cash Balance 2/	5,312,337	4,425,453	5,290,616	4,893,749	4,991,486	5,537,811	5,252,775	4,882,993	7,506,008	8,067,125	69,556,224
TOTAL INCOME	14,524,337	15,227,705	16,358,063	17,935,133	18,649,198	18,561,620	18,231,016	17,817,424	17,371,136	16,842,275	171,859,472
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,880	1,412,510	1,525,511	1,647,552	1,779,356	1,921,705	2,075,441	2,241,476	2,420,715	17,542,222
Finance Charges											
Housing Guaranty Loan	225,000	900,000	2,025,000	3,325,000	4,050,000	4,650,000	4,650,000	4,650,000	4,650,000	4,350,000	27,525,000
Development Assistance Loan	50,000	50,000	149,172	245,645	290,795	281,816	279,546	274,170	258,637	251,474	2,169,127
Existing Loans	11,553,000	12,045,000	11,878,090	11,712,090	11,522,000	11,312,000	11,024,000	10,663,000	10,329,000	9,741,000	111,764,000
TOTAL EXPENDITURES	12,989,000	14,297,880	15,464,693	16,823,356	17,850,347	17,426,172	17,275,250	17,082,611	16,639,163	16,424,689	167,529,222
NET INCOME	1,535,337	1,029,825	891,390	1,078,977	1,328,851	1,134,847	955,765	734,823	481,917	412,587	9,591,180
RETAINED EARNINGS (DEFICIT) 4/	(3,953,663)	(2,814,310)	(1,922,960)	(845,983)	452,868	1,617,716	2,572,481	3,368,304	3,790,270	4,202,667	

1/ Does Not Include Interest Earned On Cosponsory Loans
2/ Includes Interest Earned Through Interfund Investments 05/87 - 09/89
3/ Assumes A 3 Percent Annual Increase In Operating Expenses
4/ Includes A Retained Deficit Of C445,399,000 As Of June 30, 1986

2/8

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 111-6
(Current Central American Pesos; July-June)

TABLE 43

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,668	14,564,367	13,884,545	12,132,545	10,998,545	10,733,545	10,626,545	10,138,545	9,593,545	9,297,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USRID Program --)	0.100		493,827	2,629,476	5,894,689	6,573,689	6,573,689	6,573,689	6,573,689	6,573,689	6,573,689
CAREI Program --)	0.130	178,348	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.170		197,211	1,051,798	2,037,844	2,629,476	2,629,476	2,629,476	2,629,476	2,629,476	2,629,476
Interest Rate For Off-Site Infrastructure --)	0.040		112,426	562,132	1,011,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,466,000	16,248,664	19,482,398	21,691,290	22,877,281	22,648,281	22,533,281	22,045,281	21,505,281	21,244,281
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,388,000	1,248,000	1,500,000	1,158,000	1,738,000	1,268,000	1,578,000	1,635,000
Paid-In Capital And Other Sources		10,050,000	50,000	55,000	48,000	45,000	37,000	48,000	47,000	45,000	50,000
TOTAL SOURCES		28,025,000	37,546,664	43,518,398	42,984,290	24,442,281	23,827,281	24,383,281	23,348,281	23,121,281	22,349,281
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USRID Program			15,000,000	20,000,000	15,000,000						
CAREI Program		4,618,000	4,143,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAREI Disbursements To Member Countries		4,618,000	30,143,000	33,000,000	26,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,350	1,448,669	1,564,562	1,689,727	1,824,905	1,970,898	2,128,578	2,298,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,005,000	14,004,000	14,005,000	14,441,000	14,834,000	14,728,000	15,593,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate --)	0.020	225,000	300,000	2,825,000	3,375,000	4,850,000	4,850,000	4,850,000	4,850,000	4,850,000	4,850,000
CAREI Repayment Of Development Assistance Loans: Interest Rate --)	0.020		91,389	274,168	456,947	545,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,288,000	1,348,000	1,406,000	1,250,000	1,630,000	1,368,000	1,478,000	1,455,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	47,992,389	51,941,528	46,644,616	21,580,899	21,298,864	22,897,242	22,659,234	23,809,506	23,838,132
(1) NET CASH FLOW		9,553,000	(10,445,726)	(8,431,130)	(3,668,326)	2,861,382	1,837,217	1,486,039	689,047	(679,625)	(88,911)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.060	4,412,337	5,571,453	5,166,891	4,895,960	4,998,517	5,650,885	6,272,394	6,989,700	7,548,352	8,109,833
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(1) + (2)(1) + (3)(1)-(1))		53,161,000	67,126,337	62,252,064	50,987,824	68,223,459	68,863,358	75,571,461	83,249,854	90,848,641	97,789,408

231

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO III-G
(Current Central American Pesos) July-June

TABLE 44

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		375,000	1,900,197	3,763,662	4,780,336	4,486,415	4,277,687	4,448,837	3,795,527	3,517,711	30,560,643
Housing: CAREI Program	149,825	730,241	1,104,421	1,061,923	1,023,633	980,920	932,361	877,489	815,483	745,417	8,421,973
Housing: Ongoing Programs	9,062,175	0,007,759	6,945,579	6,334,877	5,756,107	5,222,000	4,656,639	4,028,511	3,414,517	2,828,583	56,256,027
Infrastructure: On-Site		150,000	795,273	1,585,465	1,883,342	1,794,566	1,711,075	1,619,235	1,510,211	1,407,004	12,384,257
Infrastructure: Off-Site		50,000	247,503	427,427	546,559	506,966	473,200	438,246	401,811	363,919	3,455,710
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	5,290,891	4,895,960	4,990,517	5,650,885	6,272,354	6,989,700	7,540,352	8,109,833	61,006,362
TOTAL INCOME	14,524,337	15,330,453	16,371,870	17,008,513	18,916,775	18,641,831	18,323,436	17,521,268	17,485,942	16,972,547	172,404,972
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,000	1,412,510	1,525,511	1,647,532	1,779,356	1,921,705	2,075,441	2,241,476	2,420,795	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	900,000	2,825,000	3,377,112	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	28,825,000
Development Assistance Loan		50,000	143,172	211,845	290,735	281,816	273,546	274,170	268,687	263,094	2,106,123
Existing Loans	11,553,000	12,040,000	11,078,000	11,712,000	11,532,000	11,312,000	11,024,000	10,683,000	10,329,000	9,701,000	111,764,000
TOTAL EXPENDITURES	12,989,000	14,297,000	15,464,683	16,658,356	17,520,347	17,426,172	17,273,250	17,002,611	16,809,163	16,434,888	162,230,350
NET INCOME	1,535,337	1,040,573	907,187	1,130,157	1,396,428	1,215,659	1,048,185	830,657	596,779	537,659	10,246,622
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,813,090)	(1,905,903)	(775,746)	620,682	1,836,341	2,884,527	3,723,104	4,319,963	4,857,622	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 66/87 - 88/

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of CR15,389,000 As Of June 30, 1986

238

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO III-H
(Current Central American Pesos; July-June)

TABLE 45

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,668	14,564,367	13,064,545	12,193,545	10,999,545	10,732,545	10,626,545	10,138,545	9,573,545	9,237,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USGID Program --)	0.120		558,551	2,936,485	5,689,439	7,341,212	7,341,212	7,341,212	7,341,212	7,341,212	7,341,212
CAREI Program --)	0.130	178,240	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.120		269,236	1,174,534	2,275,776	2,936,485	2,936,485	2,936,485	2,936,485	2,936,485	2,936,485
Interest Rate For Off-Site Infrastructure --)	0.040		112,426	562,132	1,011,837	1,343,117	1,343,117	1,343,117	1,343,117	1,343,117	1,343,117
Total Proceeds From Repayments By Member Countries		16,466,000	15,321,254	19,912,211	22,524,852	23,971,813	23,714,813	23,607,813	23,119,813	22,560,813	22,278,813
Interfund Transfers		5,000,000	5,000,000	2,500,000							
Placement Of CIVs		1,513,000	1,251,000	1,388,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,578,000	1,695,000
Paid-In Capital And Other Sources		10,869,000	50,000	48,000	45,000	45,000	37,000	48,000	43,000	45,000	50,000
TOTAL SOURCES		28,829,000	37,627,254	43,940,211	43,817,852	25,516,813	24,901,813	25,377,813	24,422,813	24,125,813	24,023,813
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USGID Program		4,510,000	15,000,000	20,000,000	15,000,000						
CAREI Program			6,000,000	8,000,000	6,000,000						
CAREI Disbursements To Member Countries For On-Site Infrastructure			5,000,000	5,000,000	5,000,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure											
Total CAREI Disbursements To Member Countries		4,510,000	36,000,000	33,000,000	26,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,360	1,448,669	1,564,562	1,689,727	1,824,905	1,978,890	2,126,578	2,258,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,258,000	14,005,000	14,004,000	14,006,000	14,441,000	14,834,000	14,720,000	15,533,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate --)	0.070	225,000	900,000	2,025,000	3,375,000	4,850,000	4,850,000	4,850,000	4,850,000	4,850,000	4,850,000
CAREI Repayment Of Development Assistance Loans: Interest Rate --)	0.020		91,309	274,168	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,298,000	1,348,000	1,420,000	1,250,000	1,620,000	1,360,000	1,478,000	1,455,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	47,932,309	51,941,528	46,644,616	21,560,859	21,990,654	22,837,242	22,653,234	23,000,916	23,020,192
(1) NET CASH FLOW		9,353,000	(10,365,136)	(8,001,318)	(2,827,563)	3,925,915	2,911,750	2,460,572	1,763,579	394,997	585,622
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.000	4,412,337	5,571,452	5,173,500	4,938,879	5,114,117	5,865,265	6,593,753	7,316,917	8,103,054	8,689,413
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(t) + (2)(t) + (3)(t-1)		53,161,000	67,126,337	62,332,654	59,504,916	61,616,231	70,666,263	79,443,278	88,517,602	97,520,699	115,920,125

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO III-H
(Current Central American Pesos) July-June

TABLE 46

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		458,000	2,387,929	4,535,890	5,699,100	5,465,924	5,248,889	4,588,858	4,786,567	4,398,489	37,865,638
Housing: CAREI Program	149,825	736,241	1,184,421	1,861,923	1,623,893	988,928	932,361	877,489	815,483	745,417	8,421,973
Housing: Ongoing Programs	9,852,175	8,987,759	6,945,579	6,334,877	5,756,187	5,222,888	4,656,639	4,828,511	3,414,517	2,828,583	56,256,827
Infrastructure: On-Site		188,000	933,172	1,814,256	2,279,672	2,186,369	2,496,356	1,935,548	1,882,627	1,756,164	15,146,255
Infrastructure: Off-Site		58,999	247,583	427,427	546,559	586,966	473,288	438,246	481,811	363,919	3,455,718
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	5,277,588	4,938,879	5,114,117	5,865,265	6,593,753	7,346,917	8,183,884	8,888,413	63,485,737
TOTAL INCOME	14,524,337	15,442,453	16,938,183	19,112,551	20,419,528	20,227,524	19,993,277	19,675,554	19,324,889	18,892,905	184,551,448
EXPENDITURES											
Operating Expenses 3/	1,211,888	1,387,688	1,412,518	1,525,511	1,647,552	1,779,356	1,921,785	2,075,441	2,241,476	2,428,735	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	999,000	2,825,000	3,371,000	4,858,000	4,858,000	4,858,000	4,852,000	4,858,000	4,258,000	38,825,000
Development Assistance Loan		58,000	149,172	245,845	298,795	284,816	279,546	274,178	268,687	261,874	2,186,123
Existing Loans	11,553,000	12,948,000	11,878,000	11,712,000	11,532,000	11,312,000	11,824,000	18,683,000	18,329,000	9,781,000	111,764,000
TOTAL EXPENDITURES	12,989,888	14,297,888	13,464,688	16,856,356	17,529,347	17,425,172	17,275,258	17,882,611	16,889,163	16,434,888	162,238,250
NET INCOME	1,535,337	1,145,573	1,473,581	2,256,195	2,899,181	2,801,351	2,718,026	2,592,943	2,434,326	2,458,017	22,313,199
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,788,998)	(1,234,599)	1,819,685	3,918,787	6,728,138	9,438,164	12,831,187	14,466,832	16,924,843	

1/ Does Not include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of C\$85,389,000 As Of June 30, 1986

242

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO III-1
(Current Central American Pesos; July-June)

TABLE 47

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,668	14,564,367	13,844,545	12,192,545	10,990,545	10,733,545	10,626,545	10,138,545	9,577,545	9,297,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	18,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USAID Program --)	0.090		232,619	1,248,589	2,543,207	4,124,958	5,675,694	6,148,915	6,148,915	6,148,915	6,148,915
CAREI Program --)	0.130	178,340	873,633	1,354,455	1,354,455	1,351,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.090		93,844	496,236	1,023,486	1,674,735	2,295,083	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure --)	0.040		112,426	562,132	1,011,837	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117	1,349,117
Total Proceeds From Repayments By Member Countries		16,466,008	15,876,861	17,337,956	18,125,538	19,493,869	21,407,908	21,952,293	21,464,293	20,925,293	20,623,293
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,308,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,578,000	1,695,000
Paid-In Capital And Other Sources		10,068,000	50,000	55,000	45,000	45,000	37,000	48,000	43,000	45,000	50,000
TOTAL SOURCES		28,029,000	37,182,861	41,565,956	39,418,538	41,038,869	42,534,908	43,722,293	42,767,293	42,549,293	42,368,293
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USAID Program			7,500,000	10,000,000	12,000,000	15,000,000	5,000,000				
CAREI Program		4,618,000									
CAREI Disbursements To Member Countries For On-Site Infrastructure			3,000,000	4,000,000	5,000,000	6,000,000	2,000,000				
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000	5,000,000						
Total CAREI Disbursements To Member Countries		4,618,000	19,643,000	19,000,000	22,000,000	21,000,000	7,000,000	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,368	1,448,669	1,564,562	1,689,727	1,824,905	1,970,838	2,128,578	2,298,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,000,000	14,000,000	14,000,000	14,441,000	14,834,000	14,720,000	15,533,000	14,631,000
CAREI Repayment Of Housing Guaranty Loan: Interest Rate --)	0.090	225,000	900,000	2,825,000	3,375,000	4,850,000	4,850,000	4,850,000	4,850,000	4,850,000	4,850,000
CAREI Repayment Of Development Assistance Loan: Interest Rate --)	0.020		91,389	274,168	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,208,000	1,348,000	1,400,000	1,250,000	1,630,000	1,368,000	1,478,000	1,425,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	37,432,389	37,941,528	42,644,616	42,500,639	40,990,064	42,837,242	42,659,234	43,000,906	43,038,192
(1) NET CASH FLOW		9,553,000	(319,528)	3,624,428	(3,226,078)	(21,542,029)	(6,395,164)	824,957	187,975	(1,260,677)	(669,983)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.000	4,412,337	5,571,453	6,000,125	6,007,622	7,184,088	5,906,613	5,066,063	6,421,415	6,963,352	7,436,663
(3) END OF PERIOD CUMULATIVE CASH POSITION (1) (2) + (3) (1)-(2)		53,161,000	57,126,337	72,387,481	82,829,835	85,681,572	71,164,431	70,675,879	77,366,918	83,896,389	89,598,954

1986

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO III-1
(Current Central American Prices July-June)

TABLE 48

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Housing: USAID Program		158,750	894,253	1,798,848	2,847,637	4,855,891	3,522,831	4,462,972	6,092,546	4,345,483	28,863,682
Housing: CAREI Program	149,625	738,241	1,184,421	1,861,923	1,823,633	908,938	932,361	877,489	815,483	745,417	8,421,973
Housing: Ongoing Programs	9,862,175	8,087,759	6,945,579	6,334,877	5,756,187	5,222,888	4,636,639	4,028,511	4,414,517	2,828,583	56,256,827
Infrastructure: On-Site		67,588	357,781	728,836	1,156,382	1,683,738	1,881,673	1,739,865	1,487,859	1,397,588	18,412,321
Infrastructure: Off-Site		58,888	247,583	427,427	546,359	586,366	473,288	432,246	481,811	363,919	3,455,718
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	6,132,125	6,687,622	7,184,888	5,985,613	5,866,863	6,421,415	6,963,352	7,436,669	63,976,537
TOTAL INCOME	14,524,337	15,843,783	15,681,582	17,142,725	18,435,986	18,355,465	17,251,448	17,968,498	18,864,767	17,117,659	178,612,178
EXPENDITURES											
Operating Expenses 3/	1,211,888	1,387,688	1,412,518	1,525,511	1,647,552	1,779,356	1,921,785	2,075,441	2,241,476	2,428,795	17,543,227
Finance Charges											
Housing Guaranty Loan	225,888	988,888	2,825,888	3,375,888	4,858,888	4,858,888	4,858,888	4,858,888	4,858,888	4,858,888	38,825,888
Development Assistance Loan		58,888	149,172	245,845	298,795	284,816	279,546	274,178	268,687	263,894	2,186,123
Existing Loans	11,353,888	12,848,888	11,878,888	11,712,888	11,532,888	11,312,888	11,824,888	18,683,888	18,329,888	9,781,888	111,764,888
TOTAL EXPENDITURES	12,969,888	14,297,888	15,464,683	16,858,356	17,528,347	17,426,172	17,275,258	17,882,611	16,889,163	16,434,888	162,238,358
NET INCOME	1,555,337	751,823	216,899	284,369	915,639	929,293	(23,882)	885,887	2,195,684	682,771	8,373,828
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(3,181,848)	(2,884,941)	(2,688,572)	(1,684,333)	(755,648)	(779,442)	186,445	2,382,849	2,984,828	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of CR\$5,389,000 As Of June 30, 1986

242

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO III-J
(Current Central American Pesos; July-June)

TABLE 49

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,668	14,564,387	13,881,545	12,192,545	10,999,545	10,733,545	10,626,545	10,138,515	9,593,245	9,297,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAREI			5,000,000	5,000,000	5,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USRID Program --)	0.090		465,721	2,481,178	4,007,282	6,292,944	6,292,944	6,292,944	6,292,944	6,292,944	6,292,944
CAREI Program --)	0.130	178,348	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.090		232,618	1,248,589	2,483,641	3,191,472	3,191,472	3,191,472	3,191,472	3,191,472	3,191,472
Interest Rate For Off-Site Infrastructure --)	0.060		128,783	643,517	1,029,628	1,029,628	1,029,628	1,029,628	1,029,628	1,029,628	1,029,628
Total Proceeds From Repayments By Member Countries		16,466,000	16,264,535	19,604,281	21,787,558	22,679,844	22,422,844	22,315,844	21,827,844	21,288,844	20,966,844
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,514,000	1,251,000	1,388,000	1,218,000	1,500,000	1,158,000	1,738,000	1,268,000	1,578,000	1,635,000
Laid-In Capital And Other Sources		10,000,000	50,000	40,000	45,000	45,000	37,000	48,000	43,000	45,000	50,000
TOTAL SOURCES		28,020,000	37,578,535	43,632,281	43,880,558	24,224,844	23,589,844	24,085,844	23,138,844	22,703,844	22,731,844
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing			15,000,000	20,000,000	15,000,000						
USRID Program											
CAREI Program		4,610,000	4,143,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			7,500,000	10,000,000	7,500,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure			5,000,000	5,000,000							
Total CAREI Disbursements To Member Countries		4,610,000	31,643,000	35,000,000	22,500,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,368	1,448,669	1,564,562	1,687,727	1,824,985	1,978,838	2,168,578	2,338,825
CAREI Repayment Of Existing Housing Sector Loans		11,863,000	14,258,000	14,886,000	14,884,000	14,886,000	14,441,000	14,834,000	14,729,000	15,533,000	14,621,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate --)	0.090	225,000	900,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
CAREI Repayment Of Development Assistance Loans: Interest Rate --)	0.020		91,369	274,168	456,947	548,336	548,336	548,336	548,336	548,336	548,336
Repurchases Of CIVs		1,413,000	1,351,000	1,288,000	1,348,000	1,400,000	1,258,000	1,638,000	1,368,000	1,478,000	1,475,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	49,432,389	53,941,528	43,144,616	21,568,899	21,998,864	22,877,242	22,637,234	23,889,206	23,838,192
(1) NET CASH FLOW		9,553,999	(11,821,853)	(10,309,244)	(64,865)	2,643,145	1,618,980	1,187,882	478,810	(897,862)	(387,148)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.000	4,412,337	5,571,453	5,844,373	4,687,391	4,984,485	5,617,574	6,218,285	6,832,980	7,439,184	7,982,824
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(2) + (2)(1) + (3)(1-1)		53,161,000	67,126,337	68,775,935	55,511,863	68,854,389	67,682,819	74,918,573	82,324,588	89,628,289	103,844,487

243

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO III-J
(Current Central American Pesos; July-June)

TABLE 50

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Housing: USRID Program		337,500	1,780,595	3,379,100	4,217,171	4,983,967	3,866,829	3,599,340	3,355,295	3,030,799	27,576,836
Housing: CAREI Program	149,825	730,241	1,184,421	1,861,923	1,823,831	980,920	532,361	877,489	815,463	745,417	8,421,973
Housing: Ongoing Programs	9,862,175	8,087,739	6,945,579	6,334,877	5,756,187	5,222,000	4,656,639	4,028,511	3,414,517	2,828,583	56,256,827
Infrastructure: On-Site		168,750	834,253	1,683,590	2,100,506	2,001,984	1,903,030	1,795,170	1,677,683	1,549,454	12,788,410
Infrastructure: Off-Site		75,000	371,778	578,887	533,611	1,010,664	583,192	471,686	438,125	482,634	4,385,416
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	5,168,373	4,687,391	4,584,485	5,617,574	6,218,295	6,832,989	7,433,104	7,982,024	48,187,843
TOTAL INCOME	14,524,337	15,344,783	16,272,900	17,642,966	18,623,853	18,845,189	18,019,466	17,596,815	17,140,836	16,687,821	179,616,514
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,800	1,412,510	1,525,511	1,647,552	1,779,356	1,921,705	2,075,441	2,241,476	2,420,735	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	900,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	38,825,000
Development Assistance Loan		50,000	149,172	245,000	290,795	264,816	273,546	274,178	268,687	263,874	2,185,123
Existing Loans	11,553,000	12,048,800	11,878,000	11,710,000	11,532,000	11,312,000	11,024,000	10,682,000	10,323,000	9,781,000	111,764,000
TOTAL EXPENDITURES	12,989,000	14,297,600	15,464,682	16,650,511	17,529,347	17,426,172	17,275,250	17,982,611	16,883,163	16,434,856	162,238,350
NET INCOME	1,535,337	1,047,183	808,220	784,612	1,103,506	1,419,016	744,215	513,484	250,673	172,133	8,378,164
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,806,840)	(1,998,615)	(1,214,003)	(118,497)	1,380,519	2,052,754	2,366,158	2,817,831	2,983,164	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of C\$45,389,000 As Of June 30, 1986

244

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 111-K
(Current Central American Pesos; July-June)

TABLE 51

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,660	14,564,367	13,884,545	12,132,545	10,999,545	10,733,545	10,626,545	10,130,545	9,591,545	9,237,545
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAREI											
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USCID Program --)	0.090		465,221	2,481,178	4,087,282	5,292,944	6,292,344	6,292,944	6,292,944	6,292,944	6,292,344
CAREI Program --)	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure --)	0.090		186,808	932,471	1,922,913	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure --)	0.040		0	0	0	0	0	0	0	0	0
Total Proceeds From Repayments By Member Countries		16,466,000	16,803,307	18,712,643	20,277,194	21,029,122	20,772,122	20,665,122	20,177,122	19,630,122	19,336,122
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,360,000	1,240,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,625,000
Paid-In Capital And Other Sources		10,000,000	50,000	40,000	45,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		28,029,000	32,375,307	37,740,643	36,570,194	22,574,122	21,959,122	22,435,122	21,480,122	21,253,122	21,061,122
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing											
USCID Program			15,000,000	20,000,000	15,000,000						
CAREI Program		4,610,000	4,143,000								
CAREI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure											
Total CAREI Disbursements To Member Countries		4,610,000	25,143,000	28,000,000	21,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase --)	1.000	1,150,000	1,242,000	1,341,360	1,448,669	1,564,562	1,683,727	1,824,905	1,978,630	2,128,570	2,290,855
CAREI Repayment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,005,000	14,004,000	14,006,000	14,441,000	14,834,000	14,720,000	15,593,000	14,631,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate --)	0.090	225,000	500,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
CAREI Repayment Of Development Assistance Loans: Interest Rate --)	0.020		0	0	0	0	0	0	0	0	0
Repurchases Of CIVs		1,413,000	1,351,000	1,280,000	1,340,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,435,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	42,901,000	46,667,360	41,187,669	21,832,562	21,441,727	22,340,905	22,110,630	23,252,570	22,403,855
(1) NET CASH FLOW		9,553,000	(10,505,693)	(8,926,717)	(4,617,474)	1,541,559	517,394	86,216	(630,776)	(1,999,448)	(1,400,734)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate --)	0.020	4,412,337	5,571,453	5,161,914	4,849,437	4,068,690	5,400,730	5,091,940	6,306,124	6,065,301	7,263,300
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)+(2) + (3)(1)-(2))		53,161,000	67,126,337	62,192,099	58,427,301	58,659,264	65,069,513	70,907,645	76,965,001	82,723,140	87,509,681

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CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO III-K
(Current Central American Pesos; July-June)

TABLE 52

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		337,540	1,788,595	3,379,188	4,217,171	4,983,967	3,896,059	3,530,348	3,355,295	3,896,989	27,576,636
Housing: CREFI Program	143,825	738,241	1,194,421	1,961,923	1,823,833	968,920	332,361	877,483	815,483	745,417	6,421,973
Housing: Ongoing Programs	9,852,175	8,987,759	6,945,379	6,334,877	5,756,187	5,222,808	4,656,633	4,828,511	3,414,517	2,828,583	56,256,427
Infrastructure: On-Site		125,000	715,482	1,351,672	1,686,867	1,681,587	1,522,424	1,436,136	1,342,082	1,233,563	11,838,735
Infrastructure: Off-Site		0	0	0	0	0	0	0	0	0	0
Investment Of End Of Period Cash Balance 2/	5,312,337	6,825,453	5,285,914	4,849,437	4,868,690	5,488,738	5,891,948	6,388,124	6,865,981	7,269,988	58,158,512
TOTAL INCOME	14,524,337	15,235,953	15,839,821	16,976,289	17,552,738	17,293,292	16,889,422	16,328,599	15,793,268	15,182,372	161,444,983
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,387,880	1,412,518	1,525,511	1,547,552	1,779,356	1,921,785	2,075,441	2,241,476	2,426,795	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	988,000	2,825,000	3,375,000	4,858,000	4,858,000	4,858,000	4,858,000	4,858,000	4,858,000	38,625,000
Development Assistance Loan		0	0	0	0	0	0	0	0	0	0
Existing Loans	11,553,000	12,849,880	11,878,000	11,715,000	11,532,000	11,419,000	11,824,000	18,683,000	18,329,000	9,781,000	111,754,000
TOTAL EXPENDITURES	12,989,000	14,247,880	15,315,518	15,612,511	17,229,552	17,141,356	16,995,785	16,868,441	16,629,476	16,171,735	168,132,227
NET INCOME	1,535,337	988,073	524,318	363,778	323,178	67,936	(106,363)	(487,842)	(827,208)	(198,363)	1,311,856
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,865,590)	(2,341,280)	(1,977,502)	(1,654,324)	(1,586,389)	(1,772,672)	(2,268,514)	(3,087,722)	(4,877,145)	

1/ Does Not Include Interest Earned On Compensatory Loans

2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89

3/ Assumes An 8 Percent Annual Increase In Operating Expenses

4/ Includes A Retained Deficit Of CUS\$383,800 As Of June 30, 1986

2/10

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 MISSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IVA
 (Current Central American Funds; July-June)

Table 54

	1982/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Messico: USGAS Program		337,500	1,783,505	3,379,163	4,217,173	4,005,967	3,871,059	3,599,343	3,355,745	3,078,529	27,576,950
Messico: CPSEL Program	147,625	720,241	1,164,411	1,661,925	1,923,893	999,520	922,741	877,459	815,453	742,437	8,441,377
Messico: Ongoing Programs	9,052,375	8,097,759	8,945,579	6,334,077	5,759,167	5,222,050	4,659,537	4,028,511	3,434,517	2,828,053	56,256,907
Infrastructure: On-Site		135,000	715,402	1,321,672	1,654,869	1,401,587	1,522,424	1,456,136	1,342,452	1,235,263	11,029,775
Infrastructure: Off-Site		152,000	743,556	1,491,514	1,660,777	1,555,756	1,463,770	1,266,244	1,262,508	1,123,348	13,647,577
Investment Of End Of Period Cash Balance 2/	5,312,337	4,625,453	5,292,168	4,917,457	5,625,764	5,771,962	6,459,328	7,167,958	7,875,493	8,528,553	62,456,321
TOTAL INCOME	14,524,337	15,225,953	16,539,570	18,325,927	19,403,602	19,136,274	18,840,532	18,416,597	18,666,697	17,554,968	176,342,621
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,860	1,412,510	1,525,511	1,647,352	1,779,356	1,921,705	2,075,441	2,241,476	2,420,395	17,542,221
Finance Charges											
Messico Guaranty Loan	725,000	500,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	33,825,000
Development Assistance Loan	100,000		298,344	491,659	581,559	569,532	555,071	543,346	537,373	526,187	4,212,527
Existing Loans	11,533,000	12,040,000	11,978,000	11,712,000	11,532,000	11,312,000	11,024,000	10,682,000	10,329,000	9,791,000	111,734,000
TOTAL EXPENDITURES	12,969,000	14,247,860	15,613,625	17,104,200	17,811,141	17,710,989	17,554,796	17,756,781	17,557,250	16,977,582	164,244,748
NET INCOME	1,555,337	1,039,073	975,916	1,231,727	1,592,460	1,425,286	1,285,735	1,199,916	1,109,447	877,386	11,097,873
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(2,815,590)	(1,839,675)	(608,153)	584,368	2,469,594	3,695,379	4,845,295	5,713,522	6,610,328	

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments 86/87 - 88/89
 3/ Assumes An 8 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of \$415,289,030 As Of June 30, 1986

278

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 1(B)
(Current Central American Pesos; July-June)

Table 55

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,650	14,564,367	13,881,545	12,192,515	10,990,545	10,733,545	10,629,545	10,138,545	9,299,545	9,297,545
Housing Guaranty Loan Disbursements to CAEBI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements to CAEBI			10,000,000	10,000,000	10,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USATO Program -->	0.090		310,147	1,705,810	3,566,693	5,272,503	6,202,944	6,292,944	6,202,944	6,202,944	6,202,944
CAEBI Program -->	0.130	178,340	673,633	1,351,455	1,351,455	1,351,455	1,351,455	1,351,455	1,351,455	1,351,455	1,351,455
Interest Rate For On-Site Infrastructure -->	0.090		124,057	622,324	1,426,677	2,109,061	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure -->	0.040		224,853	1,124,264	2,023,675	2,698,233	2,698,233	2,698,233	2,698,233	2,698,233	2,698,233
Total Proceeds From Repayments By Member Countries		16,466,000	16,057,059	16,751,397	20,564,045	22,424,737	22,470,355	22,362,355	22,675,355	22,336,355	22,024,355
Interest Transfers		5,300,000	5,300,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,380,000	1,248,000	1,200,000	1,150,000	1,720,000	1,260,000	1,570,000	1,595,000
Part-In Capital And Other Sources		10,000,000	50,000	55,000	48,000	45,000	37,000	40,000	45,000	45,000	50,000
TOTAL SOURCES		28,629,000	42,403,059	47,779,397	46,657,045	23,969,737	24,657,355	25,133,355	24,178,355	23,951,355	23,779,355
USES OF FUNDS											
CAEBI Disbursements To Member Countries For Housing			10,000,000	15,000,000	15,000,000	10,000,000					
USATO Program			4,410,000	4,143,000							
CAEBI Program			4,000,000	6,000,000	6,000,000	4,000,000					
CAEBI Disbursements To Member Countries For On-Site Infrastructure			10,000,000	10,000,000	10,000,000						
CAEBI Disbursements To Member Countries For Off-Site Infrastructure											
Total CAEBI Disbursements To Member Countries		4,410,000	28,143,000	31,000,000	31,000,000	14,000,000	0	0	0	0	0
CAEBI Administrative Costs: Annual Rate Of Increase -->	1.650	1,150,000	1,242,000	1,341,350	1,448,669	1,564,527	1,689,727	1,824,975	1,970,618	2,128,070	2,298,655
CAEBI Payment Of Existing Housing Sector Loans		11,063,000	14,250,000	14,000,000	14,664,000	14,068,600	14,441,000	14,534,000	14,720,000	15,293,000	14,631,000
CAEBI Payment Of Housing Guaranty Loans: Interest Rate -->	0.090	225,300	900,000	2,025,000	3,325,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
CAEBI Payment Of Development Assistance Loans: Interest Rate -->	0.020		192,779	548,336	913,694	1,096,672	1,096,672	1,096,672	1,096,672	1,096,672	1,096,672
Repurchases Of CIVs		1,413,000	1,351,000	1,260,000	1,348,000	1,400,000	1,250,000	1,620,000	1,300,000	1,470,000	1,495,000
Other Uses		15,600	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		18,476,000	46,083,779	50,215,696	52,181,592	36,129,235	22,538,400	23,445,578	23,207,570	24,344,342	23,530,528
(1) NET CASH FLOW		9,553,000	(3,580,720)	(2,436,299)	(5,244,518)	(12,159,498)	2,118,955	1,687,777	970,784	(397,227)	192,627
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.090	1,412,337	5,571,453	5,728,383	6,001,624	6,064,484	5,558,579	6,195,810	6,650,141	7,499,277	8,063,669
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(1) + (2)(1) + (3)(1-1)		53,161,000	67,126,237	69,617,070	72,309,156	73,066,260	66,971,225	74,348,756	82,532,346	90,353,274	97,454,464

Financial Internal Rate Of Return (1)

-46.101

2019

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IVB
 (Current Central American Pesos; July-June)

Table 56

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USAID Program		222,440	1,229,837	2,514,009	3,622,283	4,339,279	3,523,559	3,779,165	4,541,613	3,445,553	27,911,214
Housing: CAIEI Program	149,825	739,241	1,104,421	1,061,923	1,023,893	959,920	932,361	877,439	815,433	745,117	8,431,273
Housing: Ongoing Programs	9,052,175	8,667,757	8,945,579	8,334,077	5,756,167	5,222,060	4,856,639	4,636,511	3,414,517	2,658,423	56,356,177
Infrastructure: On-Site		99,900	451,935	1,005,824	1,448,913	1,645,712	1,561,224	1,475,537	1,256,259	1,269,940	16,419,263
Infrastructure: Off-Site		150,000	415,006	854,852	1,073,118	1,612,431	548,559	876,452	305,622	727,626	6,911,420
Investment Of End Of Period Cash Balance 2/	5,312,337	6,625,453	5,652,583	4,662,524	4,064,464	3,553,575	3,190,810	2,850,144	2,479,277	2,056,569	63,445,755
TOTAL INCOME	14,524,337	15,173,453	16,119,160	17,272,091	19,068,778	18,769,500	18,716,252	17,570,338	16,722,812	17,145,625	172,328,746
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,830	1,412,510	1,523,511	1,647,552	1,779,326	1,921,705	2,075,441	2,241,476	2,420,795	17,542,227
Finance Charges											
Housing: Guaranty Loan	225,000	500,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	39,225,000
Development Assistance Loan		100,000	298,341	491,487	581,597	567,432	559,091	549,340	527,373	524,127	4,212,146
Existing Loans	11,553,600	12,040,000	11,878,600	11,772,000	11,532,000	11,312,600	11,024,000	10,685,000	10,319,000	9,741,000	111,754,600
TOTAL EXPENDITURES	12,589,600	14,347,830	15,613,855	17,104,200	17,511,141	17,710,988	17,554,796	17,356,781	17,157,650	16,697,922	164,344,673
NET INCOME	1,935,337	830,573	505,305	667,890	1,197,627	1,049,512	861,456	820,227	1,254,933	462,443	8,994,273
RETAINED EARNINGS (DEFICIT) 4/	(3,853,663)	(3,023,090)	(2,517,765)	(1,849,875)	(1,521,258)	(397,254)	1,058,710	1,592,267	3,157,220	3,615,273	

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments 92/87 - 00/89
 3/ Assumes A 3 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of C\$13,289,000 As Of June 30, 1986

250

CENTRAL AMERICAN BORN FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCECAEIO IVC
(Current Central American Pesos) July-June

Table 57

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries	16,287,663	14,564,367	13,884,245	12,192,545	10,590,545	10,733,545	10,626,545	10,138,545	9,599,545	9,297,545	
Housing Guaranty Loan Disbursements To CAEII	5,000,000	10,000,000	15,000,000	15,000,000							
Development Assistance Loan Disbursements To CAEII		10,000,000	10,000,000	10,000,000							
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USFID Program -->	0.095		479,039	2,254,874	4,950,058	6,387,185	6,387,185	6,387,185	6,387,185	6,387,185	6,387,185
CAEII Program -->	0.130	178,340	873,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.095		191,616	1,021,959	1,989,027	2,554,874	2,554,874	2,554,874	2,554,874	2,554,874	2,554,874
Interest Rate For Off-Site Infrastructure -->	0.040		224,853	1,124,284	2,023,675	2,698,233	2,698,233	2,698,233	2,698,233	2,698,233	2,698,233
Total Proceeds From Repayments By Member Countries	16,456,000	16,333,507	19,940,067	22,500,770	23,765,292	23,728,292	23,621,292	23,133,292	22,594,292	22,292,292	
Interest Transfers	5,000,000	5,000,000	2,600,000								
Placement Of CIVs	1,513,000	1,251,000	1,389,000	1,248,000	1,500,000	1,150,000	1,730,000	1,260,000	1,570,000	1,675,000	
Face-In Capital And Other Sources	10,080,000	50,000	55,000	48,000	45,000	37,000	40,000	43,000	45,000	50,000	
TOTAL SOURCES	28,029,000	42,637,507	46,968,067	46,793,770	25,570,292	24,915,292	25,391,292	24,426,292	24,209,292	24,037,292	
USES OF FUNDS											
CAEII Disbursements To Member Countries For Housing											
USFID Program			15,000,000	20,000,000	15,000,000						
CAEII Program	4,610,306	4,145,000									
CAEII Disbursements To Member Countries For On-Site Infrastructure		4,000,000	8,000,000	6,000,000							
CAEII Disbursements To Member Countries For Off-Site Infrastructure		10,000,000	10,000,000	10,000,000							
Total CAEII Disbursements To Member Countries	4,610,306	15,145,000	23,000,000	31,000,000	0	0	0	0	0	0	
CAEII Administrative Costs: Annual Rate Of Increase -->	1.000	1,150,100	1,242,000	1,341,360	1,446,669	1,564,562	1,639,727	1,824,505	1,970,856	2,125,570	2,228,255
CAEII Repayment Of Existing Housing Sector Loans	11,063,200	14,250,000	14,000,000	14,004,000	14,000,000	14,441,000	14,204,000	14,720,000	15,593,000	14,631,000	
CAEII Repayment Of Housing Guaranty Loans: Interest Rate -->	0.090	225,100	900,000	2,025,000	3,375,000	4,950,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
CAEII Repayment Of Development Assistance Loans: Interest Rate -->	0.020		187,779	549,336	913,894	1,090,672	1,090,672	1,090,672	1,090,672	1,090,672	1,090,672
Repurchases Of CIVs	1,413,400	1,351,000	1,280,000	1,348,000	1,400,000	1,250,000	1,630,000	1,360,000	1,470,000	1,475,000	
Other Uses	15,400	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000	
TOTAL USES	18,476,406	33,063,779	37,215,696	52,101,562	22,129,235	22,538,400	23,445,578	23,207,570	24,349,242	23,589,328	
(1) NET CASH FLOW	9,552,594	(10,426,272)	(8,247,629)	(15,307,792)	3,441,057	2,376,892	1,945,714	1,228,721	(119,951)	450,764	
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.080	4,412,237	5,571,453	5,167,011	4,511,323	5,044,415	5,745,356	6,419,531	7,113,842	7,804,270	8,442,571
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(1) + (2)(1) + (3)(1-1)	53,161,000	47,126,727	62,253,518	59,172,920	62,776,451	69,221,524	77,344,201	85,709,445	94,052,068	101,718,326	110,611,663
Financial Internal Rate Of Return (1)	-10.972										

51

Table 53

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds from Repayments of Existing Loans by Member Countries		16,267,600	14,564,367	13,894,545	12,192,545	10,950,545	10,723,545	10,626,545	10,130,545	9,579,545	9,294,545
Housing Guaranty Loan Disbursements to CASEI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements to CASEI			10,000,000	10,000,000	10,000,000						
Proceeds from Scheduled Repayments by Member Countries											
Interest Rate for Housing			463,221	2,491,178	4,607,282	6,202,944	6,202,944	6,202,944	6,202,944	6,202,944	6,232,944
US-10 Program -->	0.090										
CASEI Program -->	0.130	171,300	873,833	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate for On-Site Infrastructure -->	0.090		164,082	992,471	1,922,913	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate for Off-Site Infrastructure -->	0.060		257,407	1,287,035	2,316,282	3,068,653	3,068,653	3,068,653	3,068,653	3,068,653	3,092,153
Total Proceeds from Repayments by Member Countries		16,431,000	16,346,716	19,979,683	22,592,857	24,116,005	23,861,005	23,734,005	23,266,005	22,727,005	22,425,405
Interest Transfers		5,000,000	5,000,000	2,000,000							
Placement of Divs		1,512,000	1,251,000	1,330,000	1,248,000	1,500,000	1,150,000	1,720,000	1,266,000	1,570,000	1,650,000
Paid-in Capital and Other Sources		10,000,000	50,000	55,000	48,000	45,000	37,000	60,000	43,000	15,000	50,000
TOTAL SOURCES		26,943,000	42,652,716	49,027,683	48,886,857	25,663,005	25,043,005	25,524,005	24,569,005	24,342,005	24,170,005
USES OF FUNDS											
CASEI Disbursements to Member Countries for Housing			15,000,000	20,000,000	15,000,000						
US-10 Program		4,610,000	4,143,000								
CASEI Program			8,000,000	8,000,000	6,000,000						
CASEI Disbursements to Member Countries for On-Site Infrastructure			10,000,000	10,000,000	10,000,000						
CASEI Disbursements to Member Countries for Off-Site Infrastructure											
Total CASEI Disbursements to Member Countries		4,610,000	35,143,000	28,000,000	21,000,000	0	0	0	0	0	0
CASEI Administrative Costs: Annual Rate of Increase -->	1.080	1,150,000	1,742,000	1,311,350	1,442,669	1,564,562	1,699,727	1,824,905	1,970,296	2,123,070	2,295,805
CASEI Payment of Existing Housing Sector Loans		11,063,000	14,250,000	14,000,000	14,004,000	14,000,000	14,441,000	14,834,000	14,720,000	15,503,000	16,221,000
CASEI Payment of Housing Guaranty Loans: Interest Rate -->	0.090	225,000	90,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
CASEI Payment of Development Assistance Loans: Interest Rate -->	0.020	1,413,000	1,351,000	1,230,000	1,263,000	1,400,000	1,250,000	1,050,000	1,050,000	1,350,000	1,470,000
Repurchase of CIPs		15,000	15,000	15,000	15,000	12,600	11,600	10,000	10,000	11,000	15,000
Other Uses											
TOTAL USES		18,476,000	51,883,779	57,215,696	57,101,562	22,129,235	22,528,400	23,445,578	23,267,570	24,349,242	23,564,539
(1) NET CASH FLOW		9,557,000	(10,431,063)	(8,186,013)	(13,214,705)	3,533,770	2,514,605	2,078,427	1,301,434	(7,237)	583,477
(2) INVESTMENT INCOME IN PREVIOUS PERIOD & LARISE: Interest Rate -->	0.080	4,412,337	5,371,453	5,166,108	4,917,457	5,056,764	5,771,562	6,459,326	7,167,926	7,875,893	8,519,736
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)+(2)) + ((1)-(2))		53,161,000	47,126,337	42,266,727	38,214,622	40,940,573	49,542,127	77,423,694	86,361,449	94,870,011	102,759,497
Financial Internal Rate of Return (1)											-7.451

247

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 ADJUSTING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIOS I/IV
 (Current Central American Projections; July-June)

Table 58

	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
INCOME											
Interest 1/											
Housing: USRID Program		556,250	1,559,335	3,571,269	4,462,373	4,264,521	4,040,568	3,919,079	3,574,313	3,306,751	29,222,519
Housing: CREED Program	149,823	720,241	1,164,421	1,061,923	1,023,673	920,920	932,351	877,489	815,453	745,417	6,421,473
Housing: Drifting Programs	9,042,175	8,007,757	6,640,579	6,224,077	5,756,167	5,222,000	4,856,829	4,328,511	3,814,517	2,628,553	56,259,027
Infrastructure: On-Site		142,560	725,324	1,428,568	1,784,949	1,497,589	1,616,267	1,527,231	1,429,605	1,322,705	11,735,000
Infrastructure: Off-Site		100,000	452,000	824,823	1,093,110	1,013,931	946,259	876,492	803,622	727,659	6,911,400
Investment Of End Of Period Cash Balance 2/	5,312,337	6,025,423	5,291,011	4,911,323	5,046,415	5,745,386	6,419,531	7,113,642	7,806,270	8,442,271	62,112,137
TOTAL INCOME	14,524,337	15,362,203	16,479,686	18,161,923	19,164,856	18,964,647	18,612,445	18,211,543	17,843,511	17,373,875	174,649,156
EXPENDITURES											
Operating Expenses 3/	1,211,600	1,307,850	1,412,510	1,525,511	1,647,352	1,779,356	1,921,795	2,075,441	2,241,476	2,419,795	17,543,227
Finance Charges											
Housing Guaranty Loan	225,000	100,000	2,925,000	3,275,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	20,625,000
Development Assistance Loan		100,000	295,344	491,689	581,539	569,637	559,051	545,310	537,373	526,157	4,212,146
Existing Loans	11,553,600	12,040,000	11,878,000	11,712,000	11,532,000	11,312,000	11,024,000	10,683,000	10,327,000	9,761,000	111,754,000
TOTAL EXPENDITURES	12,989,000	14,347,850	15,613,654	17,104,200	17,611,141	17,710,988	17,554,795	17,354,721	17,157,850	16,597,855	154,344,473
NET INCOME	1,535,337	1,014,353	865,931	1,057,723	1,353,715	1,193,659	1,057,649	884,362	695,661	625,653	10,304,683
RETAINED EARNINGS (DEFICIT) 4/	13,853,663	12,839,340	11,973,591	1915,751	637,959	1,631,617	2,689,266	3,574,128	4,259,789	-425,625	

1/ Does Not Include Interest Earned On Co-operative Loans
 2/ Includes Interest Earned Through Interfund Investments 85/87 - 88/89
 3/ Assumes An 8 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of C\$12,389,000 As Of June 30, 1986

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CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 1VD
(Current Central American Cases; July-June)

Table 59

	1985/1986	1985/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		16,287,660	14,564,367	13,886,545	12,192,545	10,990,545	10,723,545	10,526,545	10,138,545	9,599,545	9,297,545
Housing Guaranty Loan Disbursements To CAEEI		5,000,000	10,000,000	15,000,000	15,900,000						
Development Assistance Loan Disbursements To CAEEI			10,000,000	10,000,000	10,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USCID Program -->	0.110		521,495	2,751,305	5,369,778	6,923,262	6,953,262	6,953,262	6,957,262	6,953,262	6,952,262
CAEEI Program -->	0.130	178,340	873,633	1,331,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,351,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.110		208,598	1,112,522	2,155,511	2,781,305	2,781,305	2,781,305	2,781,305	2,781,305	2,781,305
Interest Rate For Off-Site Infrastructure -->	0.040		224,853	1,124,264	2,022,675	2,658,233	2,658,233	2,658,233	2,658,233	2,658,233	2,658,233
Total Proceeds From Repayments By Member Countries		16,466,000	16,392,945	20,257,090	23,114,564	24,777,090	24,520,000	24,413,000	23,925,000	23,388,000	23,084,500
Interfund Transfers		5,000,000	5,000,000	2,600,000							
Placement Of CIVs		1,513,000	1,251,000	1,380,000	1,248,000	1,500,000	1,150,000	1,720,000	1,260,000	1,570,000	1,652,000
Paid-In Capital And Other Sources		10,000,000	50,000	55,000	48,000	45,000	37,000	63,000	42,000	45,000	50,000
TOTAL SOURCES		28,029,000	42,696,945	49,285,090	49,407,964	26,322,090	25,707,000	26,183,800	25,229,900	25,061,800	24,829,500
USES OF FUNDS											
CAEEI Disbursements To Member Countries For Housing											
USCID Program			15,000,000	20,000,000	15,000,000						
CAEEI Program		4,610,000	4,143,000								
CAEEI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CAEEI Disbursements To Member Countries For Off-Site Infrastructure			10,000,000	10,000,000	10,000,000						
Total CAEEI Disbursements To Member Countries		4,610,000	35,143,000	26,000,000	31,000,000	0	0	0	0	0	0
CAEEI Administrative Costs: Annual Rate Of Increase -->	1.000	1,150,000	1,242,000	1,341,350	1,446,657	1,564,562	1,689,727	1,824,905	1,970,818	2,128,570	2,298,355
CAEEI Facurement Of Existing Housing Sector Loans		11,653,000	14,200,000	14,008,000	14,905,000	14,068,000	14,441,000	14,824,000	14,700,000	15,582,000	14,631,000
CAEEI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.110	275,000	1,109,000	2,475,000	4,125,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000
CAEEI Repayment Of Development Assistance Loans: Interest Rate -->	0.020		162,777	548,336	912,854	1,095,672	1,076,672	1,076,672	1,055,672	1,021,672	1,025,672
Repurchases Of CIVs		1,413,000	1,351,000	1,280,000	1,348,000	1,400,000	1,250,000	1,620,000	1,360,000	1,470,000	1,495,000
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	15,000
TOTAL USES		16,526,000	53,263,779	57,665,676	52,551,562	23,029,222	25,429,400	24,345,578	24,107,570	25,149,242	24,468,529
(1) NET CASH FLOW		9,503,000	(10,566,834)	(5,378,586)	(13,443,598)	3,292,868	2,277,600	1,838,222	1,121,229	(147,442)	262,272
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.030	4,412,337	5,267,203	5,150,850	4,822,732	5,002,234	5,696,781	6,351,471	7,051,213	7,707,601	8,327,672
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)(2) + (3)(1) + (3)(2-1)		53,161,000	67,074,337	62,050,806	58,029,051	60,269,234	68,564,033	76,524,214	81,715,768	92,868,350	100,326,764
Financial Internal Rate Of Return (1)											-14.621

53

CENTRAL AMERICAN DATA FOR ECONOMIC INTEGRATION
 HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IVB
 (Current Central American Pesos; July-June)

Table 60

INCOME	1983/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	1996/1997
Interest 1/											
Housing: USAID Program		412,500	2,189,011	4,149,250	5,292,478	4,973,923	4,754,174	4,514,218	4,249,257	3,966,430	34,371,645
Housing: CIEB Program	149,825	250,241	1,194,421	1,061,923	1,023,633	980,920	932,351	877,459	819,483	745,417	5,111,933
Housing: Housing Programs	9,062,175	8,407,759	4,945,579	3,334,077	5,755,107	5,222,660	4,450,639	4,014,511	3,414,517	2,912,227	5,117,117
Infrastructure: On-Site		155,000	875,204	1,659,712	2,689,991	1,959,569	1,702,476	1,855,637	1,678,102	1,579,274	12,720,255
Infrastructure: Off-Site		160,000	475,000	854,653	1,692,118	1,015,921	946,559	876,492	803,522	727,823	6,911,423
Investment Of End Of Period Cash Balance 2/	5,312,237	6,021,303	5,274,650	4,882,762	5,602,234	5,650,781	4,351,472	7,031,213	7,707,884	6,322,072	61,601,913
TOTAL INCOME	14,524,327	15,435,833	16,863,071	18,942,927	20,159,520	19,671,221	19,545,745	19,124,621	18,256,243	18,150,711	161,529,623
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,267,669	1,412,510	1,525,311	1,547,352	1,775,350	1,921,705	2,075,411	2,241,476	2,400,746	17,540,223
Debt Service Charges											
Housing Guaranty Loan	275,000	1,100,000	2,475,000	4,125,000	4,750,000	4,950,000	4,950,000	4,950,000	4,950,000	4,950,000	37,650,000
Development Assistance Loan		160,000	296,344	491,459	581,589	569,832	555,091	540,340	527,373	520,197	4,212,246
Existing Loans	11,533,000	12,040,000	11,878,000	11,712,000	11,532,000	11,312,000	11,024,000	10,655,000	10,229,000	9,792,000	111,760,000
TOTAL EXPENDITURES	13,029,000	14,547,669	16,643,854	17,854,260	18,711,141	18,610,958	18,454,746	18,225,781	18,027,650	17,572,946	171,140,469
NET INCOME	1,495,327	868,164	819,216	1,088,667	1,447,679	1,260,263	1,090,939	877,250	628,394	558,619	16,140,154
RETAINED EARNINGS (DEFICIT) 4/	(3,983,633)	(3,014,740)	(2,195,524)	(1,107,077)	340,582	1,890,746	2,691,707	3,248,957	4,197,350	4,756,129	

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments ES/87 - BS/89
 3/ Assumes An 8 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of C\$45,389,000 As Of June 30, 1983

254

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO IVE
(Current Central American Pesos; July-June)

Table 61

	1985/1986	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996
SOURCES OF FUNDS											
Proceeds From Repayments Of Existing Loans By Member Countries		14,636,894	13,107,930	12,495,091	10,973,291	9,891,491	9,660,191	9,565,891	9,124,691	8,639,591	8,387,791
Housing Guaranty Loan Disbursements To CAREI		5,000,000	10,000,000	15,000,000	15,000,000						
Development Assistance Loan Disbursements To CAREI			10,000,000	10,000,000	10,000,000						
Proceeds From Scheduled Repayments By Member Countries											
Interest Rate For Housing											
USRID Program -->	0.090		465,221	2,491,178	4,807,267	6,202,944	6,202,944	6,202,944	6,202,944	6,202,944	6,202,944
CAREI Program -->	0.130	176,340	672,633	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455
Interest Rate For On-Site Infrastructure -->	0.090		126,088	992,471	1,922,913	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178	2,481,178
Interest Rate For Off-Site Infrastructure -->	0.040		224,853	1,124,264	2,023,675	2,658,233	2,658,233	2,658,233	2,658,233	2,658,233	2,658,233
Total Proceeds From Repayments By Member Countries		14,837,234	14,857,725	18,448,458	21,081,615	22,428,300	22,397,000	22,300,700	21,891,500	21,376,450	21,164,600
Interest Transfers		5,000,000	5,000,000	2,400,000							
Placement Of CIVs		1,513,600	1,251,000	1,360,000	1,248,000	1,500,000	1,150,000	1,720,000	1,200,000	1,570,000	1,550,000
Paid-In Capital And Other Sources		10,000,000	50,000	55,000	49,000	45,000	37,000	40,000	43,000	45,000	50,000
TOTAL SOURCES		20,360,234	21,143,725	20,448,458	21,374,615	24,173,300	23,584,000	24,070,700	23,144,200	22,991,450	22,814,600
USES OF FUNDS											
CAREI Disbursements To Member Countries For Housing			15,000,000	20,000,000	15,000,000						
USRID Program			4,143,000								
CAREI Program		4,610,000									
CAREI Disbursements To Member Countries For On-Site Infrastructure			6,000,000	8,000,000	6,000,000						
CAREI Disbursements To Member Countries For Off-Site Infrastructure			10,000,000	10,000,000	10,000,000						
Total CAREI Disbursements To Member Countries		4,610,000	15,143,000	20,000,000	11,000,000	0	0	0	0	0	0
CAREI Administrative Costs: Annual Rate Of Increase -->	1.080	1,159,000	1,242,000	1,341,250	1,448,659	1,564,562	1,689,727	1,824,765	1,970,828	2,129,570	2,278,255
CAREI Repayment Of Existing Housing Sector Loans		11,663,000	14,250,000	14,600,000	14,004,000	14,068,000	14,441,000	14,221,000	14,720,000	15,252,000	15,821,000
CAREI Repayment Of Housing Guaranty Loans: Interest Rate -->	0.070	225,000	500,000	2,025,000	3,375,000	4,650,000	4,050,000	4,250,000	4,650,000	4,650,000	4,650,000
CAREI Repayment Of Development Assistance Loans: Interest Rate -->	0.020	1,413,000	1,351,000	1,280,000	1,348,000	1,400,000	1,250,000	1,630,000	1,380,000	1,470,000	1,470,000
Repurchases Of CIVs		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	10,000
Other Uses											
TOTAL USES		18,476,000	21,081,779	20,448,458	21,101,562	22,129,235	22,538,460	23,445,578	23,207,570	24,345,242	25,556,578
(1) NET CASH FLOW		7,924,234	(11,920,054)	(9,739,228)	(4,726,948)	2,044,666	1,045,401	625,122	(45,070)	(11,257,642)	(736,927)
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.080	6,412,331	5,436,265	4,896,115	4,496,304	4,477,161	5,019,419	5,221,730	6,031,616	6,529,951	6,128,189
(3) END OF PERIOD CUMULATIVE CASH POSITION ((1)(1) + (2)(1) + (3)(1)-(1))		53,161,000	65,497,371	59,013,783	54,172,860	53,942,016	60,463,242	66,527,262	72,674,115	78,562,960	83,874,105
Financial Internal Rate Of Return (1)											
EIR											

25

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO IVE
(Current Central American Pesos; July-June)

Table 62

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Housing: C&D Program		337,500	1,788,505	3,379,160	4,217,171	4,603,967	3,806,459	3,580,340	3,355,245	3,093,909	27,529,838
Housing: CASEI Program	149,825	730,241	1,194,421	1,061,523	1,023,893	980,920	932,361	877,439	815,453	745,417	8,421,673
Housing: Ongoing Program	9,662,175	8,607,759	8,945,579	8,334,677	5,756,107	5,232,090	4,656,829	4,029,511	3,414,517	2,829,293	56,256,627
Infrastructure: On-Site		135,600	715,462	1,251,672	1,189,869	1,601,597	1,222,424	1,454,136	1,342,082	1,235,593	11,620,725
Infrastructure: Off-Site		100,000	495,600	854,853	1,093,118	1,013,931	948,559	676,492	832,622	727,833	5,911,423
Investment Of End Of Period Cash Balance 2/	5,312,337	5,810,266	5,822,115	4,496,384	4,177,161	5,018,419	5,521,730	6,031,616	6,523,987	6,956,157	52,257,424
TOTAL INCOME	14,524,337	15,360,766	16,071,028	17,472,009	18,254,319	17,840,504	17,385,772	16,840,883	16,259,897	15,516,520	165,424,415
EXPENDITURES											
Operating Expenses 3/	1,211,000	1,307,890	1,412,510	1,525,511	1,647,552	1,779,356	1,921,705	2,075,441	2,241,476	2,420,795	17,243,227
Finance Charges											
Housing Guaranty Loan	225,000	963,000	2,025,000	3,375,000	4,650,000	4,650,000	4,650,000	4,650,000	4,629,000	4,650,000	39,325,000
Development Assistance Loan		160,000	278,344	491,689	531,589	549,632	559,691	548,340	537,373	526,187	4,212,266
Existing Loans	11,553,000	12,649,060	11,878,069	11,712,000	11,532,000	11,312,000	11,024,606	10,683,000	10,329,000	9,701,000	111,764,900
TOTAL EXPENDITURES	12,989,000	14,349,000	15,413,225	17,104,200	17,811,141	17,710,960	17,554,796	17,254,781	17,157,850	16,597,922	162,344,473
NET INCOME	1,535,337	1,011,766	657,803	373,809	443,177	129,916	(169,024)	(413,901)	(497,953)	(1,081,402)	3,179,942
RETAINED EARNINGS (DEFICIT) 4/	(3,633,663)	(3,669,777)	(2,543,664)	(2,169,795)	(1,726,618)	(1,596,702)	(1,765,726)	(2,201,626)	(3,179,576)	(4,277,651)	

1/ Does Not Include Interest Earned On Compensatory Loans
2/ Includes Interest Earned Through Interfund Investments 06/87 - 08/89
3/ Assumes An 8 Percent Annual Increase In Operating Expenses
4/ Includes A Retained Deficit Of CASH,389,000 As Of June 30, 1986

257

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
HOUSING FUND CASH FLOW PROJECTIONS - SCENARIO 1W
(Current Central American Pesos; July-June)

Table 63

	1983/1984	1985/1986	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/
SOURCES OF FUNDS											
Proceeds from Repayments of Existing Loans by Member Countries	16,287,610	14,584,367	13,834,545	12,192,545	10,970,542	10,733,545	10,626,545	10,125,545	9,577,545	9,29	
Housing Guaranty Loan Disbursements to CABEI	5,000,000	10,000,000	15,000,000	15,000,000							
Development Assistance Loan Disbursements to CABEI		10,000,000	10,000,000	10,000,000							
Proceeds from Scheduled Repayments by Member Countries											
Interest Rate For Housing											
USAID Program -->	0.055		478,039	2,554,874	4,950,068	6,387,185	6,387,185	6,387,185	6,387,185	6,297,185	6,29
CABEI Program -->	0.130	176,340	873,433	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,354,455	1,35
Interest Rate For On-Site Infrastructure -->	0.095		191,616	1,021,153	1,993,027	2,554,874	2,554,874	2,554,874	2,554,874	2,554,874	2,55
Interest Rate For Off-Site Infrastructure -->	0.060		757,407	1,281,035	2,316,652	5,066,853	5,066,853	3,056,663	3,928,363	3,183,683	3,18
Total Proceeds from Repayments by Member Countries	16,466,660	16,368,661	20,162,858	22,793,758	24,375,542	24,110,942	24,011,942	23,523,542	22,924,542	22,482	
Interest Transfers	5,000,000	5,000,000	2,600,000								
Placement of CIVs	1,513,000	1,251,000	1,360,000	1,248,000	1,500,000	1,150,000	1,750,000	1,260,000	1,570,000	1,495	
Paid-in Capital and Other Sources	10,000,000	50,000	55,000	48,000	45,000	45,000	27,000	43,000	42,000	42,000	50
TOTAL SOURCES	29,979,660	42,672,061	49,130,856	49,068,758	29,920,542	25,205,942	25,205,942	25,781,542	24,825,542	24,599,542	24,427
USES OF FUNDS											
CABEI Disbursements to Member Countries for Housing											
USAID Program		15,000,000	20,000,000	15,000,000							
CABEI Program	4,610,000	4,142,000									
CABEI Disbursements to Member Countries for On-Site Infrastructure		8,000,000	8,000,000	8,000,000							
CABEI Disbursements to Member Countries for Off-Site Infrastructure		10,000,000	10,000,000	10,000,000							
Total CABEI Disbursements to Member Countries	4,610,000	35,142,000	28,000,000	31,000,000	0	0	0	0	0	0	
CABEI Administrative Costs Annual Rate of Increase -->	1.000	1,150,000	1,242,000	1,341,260	1,445,619	1,564,562	1,689,727	1,824,905	1,970,873	2,129,570	2,295
CABEI Repayment of Existing Housing Sector Loans		11,043,000	14,220,000	14,004,000	14,004,000	14,000,000	14,441,000	14,834,000	14,720,000	15,553,000	14,37
CABEI Repayment of Housing Guaranty Loans: Interest Rate -->	0.090	225,000	900,000	2,025,000	3,375,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,05
CABEI Repayment of Development Assistance Loans: Interest Rate -->	0.020		152,777	548,336	913,694	1,096,672	1,498,672	1,096,672	1,498,672	1,096,672	1,09
Repayments of CIVs		1,413,000	1,351,000	1,240,000	1,248,000	1,400,000	1,250,000	1,250,000	1,250,000	1,170,000	1,17
Other Uses		15,000	15,000	15,000	12,000	12,000	11,000	10,000	10,000	11,000	1
TOTAL USES	19,476,000	53,633,779	57,215,596	52,161,562	22,129,235	22,539,456	22,445,578	22,445,578	23,207,570	24,247,242	23,566
(1) NET CASH FLOW	9,503,660	(10,411,717)	(8,084,740)	(2,014,605)	3,791,307	2,767,542	2,756,364	1,611,371	1,627,972	1,352,299	64
(2) INVESTMENT INCOME ON PREVIOUS PERIOD BALANCE: Interest Rate -->	0.060	4,412,337	5,571,453	5,169,713	4,927,759	5,086,534	5,623,423	6,556,469	7,772,910	8,616,562	8,65
(3) END OF PERIOD CUMULATIVE CASH POSITION (1)+(2)+(3)-(1)	53,163,000	47,126,337	42,265,472	39,370,977	41,283,902	40,162,142	40,753,167	47,425,940	56,518,221	64,779,285	114,31
Internal Rate of Return (2)	-1.151										

25/1

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION
 MISSING FUND INCOME AND EXPENDITURE PROJECTIONS - SCENARIO 1/2/3
 (Current Central American Pesos; July-June)

Table 64

INCOME	1986/1987	1987/1988	1988/1989	1989/1990	1990/1991	1991/1992	1992/1993	1993/1994	1994/1995	1995/1996	TOTAL
Interest 1/											
Messico US-15 Program		355,250	1,069,355	3,571,267	4,462,373	4,214,521	4,040,958	3,815,078	3,574,613	3,325,741	27,220,559
Messico CAEEI Program	149,825	725,241	1,104,421	1,061,723	1,023,853	960,920	932,361	877,469	812,453	742,417	8,421,573
Messico Ciguing Program	9,062,175	8,607,759	8,545,579	8,324,377	5,754,197	5,222,689	4,654,679	4,028,511	3,414,517	2,825,553	28,255,527
Infrastructure: On-Site		142,560	755,324	1,423,548	1,784,949	1,497,855	1,614,387	1,527,251	1,428,645	1,322,745	11,772,325
Infrastructure: Off-Site		159,003	743,556	1,741,614	1,580,777	1,555,758	1,463,370	1,346,264	1,262,476	1,153,243	10,441,352
Investment Cf. End Of Period Cash Balance 2/	5,312,337	4,025,453	5,293,713	4,527,759	5,024,534	5,813,423	4,534,449	7,272,910	5,010,945	5,474,679	62,951,241
TOTAL INCOME	14,524,337	15,412,203	16,730,938	16,315,150	17,774,634	17,524,511	17,244,395	16,873,452	16,507,425	15,622,445	127,275,321
EXPENDITURES											
Operating Expenses 3/	1,211,060	1,367,839	1,412,510	1,525,311	1,647,552	1,779,354	1,921,765	2,075,441	2,241,475	2,420,795	17,142,227
Finance Charges											
Messico Guaranty Loan	225,000	930,000	2,025,000	3,375,000	4,054,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	30,625,000
Development Assistance Loan		100,000	290,344	491,869	561,529	519,632	515,891	545,243	527,373	525,187	4,025,255
Existing Loans	11,553,000	12,549,000	11,878,500	11,712,000	11,572,600	11,312,000	11,014,000	10,693,000	10,322,000	9,721,900	112,754,000
TOTAL EXPENDITURES	12,769,060	14,317,860	15,613,655	17,104,200	17,811,141	17,710,969	17,554,716	17,356,721	17,157,650	16,657,652	147,241,472
NET INCOME	1,532,337	1,094,343	1,117,893	1,510,949	1,963,492	1,813,542	1,691,759	1,532,702	1,359,640	1,225,111	14,625,322
RETAINED EARNINGS (DEFICIT) 4/	(3,853,631)	(2,739,340)	(1,672,257)	(111,368)	1,822,184	3,615,707	5,307,506	6,811,258	8,170,847	9,546,325	

1/ Does Not Include Interest Earned On Compensatory Loans
 2/ Includes Interest Earned Through Interfund Investments 03/87 - 08/89
 3/ Assumes An 8 Percent Annual Increase In Operating Expenses
 4/ Includes A Retained Deficit Of 605,359,000 As Of June 30, 1986

258

Table 65

ANEXO CUENTAS DE ESTADO DE INGRESOS Y GASTOS
MISMO

INGRESOS Y GASTOS POR ADMINISTRACION
EN MILLONES DE DOL.

EN LOS CINCO PERIODOS AFECTADOS

Concepto	1968/67	1970/69	1972/71	1974/73	1976/75	1978/77	1980/79	1982/81	1984/83	1986/85	Total
INGRESOS											
Recup. principal e int.	66,724	79,637	94,477	101,655	111,526	126,378	134,581	148,306	163,191	161,816	1,178,629
Recup. principal e int. - PIB	195,516	27,641	33,917	46,725	58,212	61,516	74,054	107,072	120,000	154,648	743,865
Utilizacón rec. externos	1,700	21,278	6,235	7,838	7,253	6,491	10,492	11,571	10,622	6,018	120,705
Utilizacón recursos int.	1,000	1,000	1,150	1,150	1,200	1,250	1,300	1,350	1,400	1,450	12,500
Productos e inversiones	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
Total Ingresos	365,940	329,553	335,879	357,368	388,781	415,534	429,424	467,274	495,211	523,924	3,175,759
GASTOS											
Servicio de la deuda	221,426	67,405	71,141	91,362	61,520	75,476	100,718	125,009	135,376	146,816	1,144,279
Servicio de la deuda - PIB	45,000	60,000	57,000	72,000	70,000	100,000	110,000	115,000	120,000	130,000	1,028,000
Desembolsos de préstamos	63,200	60,300	57,700	72,000	70,000	100,000	110,000	115,000	120,000	130,000	1,055,000
Otros programas	0	0	0	0	0	0	0	0	0	0	0
Programa ad-hoc	0	0	0	0	0	0	0	0	0	0	0
Transferencias	0	0	0	0	0	0	0	0	0	0	0
Transferencias a otros	0	0	0	0	0	0	0	0	0	0	0
Transferencias a otros - PIB	0	0	0	0	0	0	0	0	0	0	0
Transferencias a otros - PIB	0	0	0	0	0	0	0	0	0	0	0
Total Gastos	284,626	127,705	128,841	174,362	131,520	175,476	210,718	240,009	255,376	276,816	2,269,079
Ingreso neto	81,314	201,848	207,038	183,006	207,261	240,058	208,706	202,274	239,835	247,108	906,680
ALICUOTAS Y GASTOS E INVERSIONES											
Alícuotas	145,454	17,200	14,200	14,200	15,200	16,200	17,200	18,200	19,200	20,200	145,454
Gastos e inversiones	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	100,000
Gastos e inversiones - PIB	0	0	0	0	0	0	0	0	0	0	0

El total de los ingresos y gastos en millones de dólares al término de...

259

Table 66

PAIS: GUINEA-BISSAU DE INDEPENDENCIA ECONOMICA
LESION: 1960

PROYECCIONES FINANCIERAS CON AJUSTACIONES
en miles de \$US

BASE CON NUEVAS AFIRMACIONES

CONCEPTO	1960/67	1961/68	1962/69	1963/70	1964/71	1965/72	1966/73	1967/74	1968/75	1969/76	TOTAL
INGRESOS											
Recup. principal e ints.	129,454	136,075	163,382	177,282	467,710	207,022	221,194	236,590	258,071	264,844	2,120,427
Recup. principal e ints.-MIB	0	0	0	0	0	0	0	0	0	0	0
Utilizacion rec. externos	201,110	26,992	33,017	49,725	58,412	63,216	94,054	107,092	126,000	154,468	946,210
Utilizacion recursos -MIB	0	0	0	0	0	0	0	0	0	0	0
Ingresos varios	41,253	60,753	17,575	9,322	20,243	9,111	11,237	13,191	11,472	16,148	166,626
Productos de inversiones	11,345	17,025	25,416	24,561	32,221	4,457	47,645	52,222	55,528	57,624	375,681
TOTAL INGRESOS	384,177	350,865	243,392	265,715	558,496	343,408	375,066	411,095	451,071	507,504	3,569,145
GASTOS											
Servicio de la deuda	227,175	12,570	76,344	97,224	70,521	99,581	114,240	170,277	175,227	151,741	1,101,284
Servicio de la deuda -MIB	0	0	0	0	0	0	0	0	0	0	0
Operaciones de prestatas	56,740	105,120	87,234	104,470	132,705	151,306	177,767	209,841	232,033	309,334	1,825,056
Otros programas	90,740	103,200	87,234	104,470	132,705	151,306	177,767	209,841	232,033	309,334	1,825,056
Programa AID-Vie.	0	0	0	0	0	0	0	0	0	0	0
Transferencias	0	0	0	0	0	0	0	0	0	0	0
Transferencias -MIB	0	0	0	0	0	0	0	0	0	0	0
Inversión en capital-MIB	0	0	0	0	0	0	0	0	0	0	0
Inversión fuera sistema-MIB	0	0	0	0	0	0	0	0	0	0	0
Gastos varios	10,341	20,471	22,157	21,716	21,524	17,513	21,761	22,267	24,145	22,410	257,671
TOTAL GASTOS	342,286	196,361	186,745	225,572	244,251	278,692	311,908	326,705	415,804	481,220	3,444,223
INGRESO NETO											
	41,891	155,004	56,647	40,143	308,535	64,716	43,311	45,310	75,247	26,284	524,922
Saldo Final con E. INTERESTES											
Saldo con restricciones	89,800	50,400	29,600	20,100	30,700	25,000	41,600	42,700	24,800	27,700	27,700
Saldo sin restricciones	120,207	132,770	107,223	120,270	144,205	151,011	127,023	124,233	112,475	105,114	705,124

NOTA: El saldo final incluye los 100 millones de saldo al 30 de junio

260

Table 67

PLAN DE FINANCIAMIENTO DE INTEGRACION ECONOMICA
ESTADO FINANCIADO DE PRODUCTOS Y GASTOS
(en miles de l.c.u.)

PAGE CON INGRESOS Y RESERVACIONES

CONCEPTO	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	TOTAL
PRODUCTOS											
Intereses s. prestamos	60,675	65,401	70,456	75,560	79,956	79,581	61,207	87,316	96,439	105,130	607,609
Intereses programa AIB-Viv	0	0	0	0	0	0	0	0	0	0	0
Productos de inversiones	19,066	23,904	31,405	35,222	40,064	47,705	52,479	55,909	56,026	56,991	422,571
TOTAL PRODUCTOS	80,541	92,305	101,861	106,782	114,020	127,086	123,686	143,225	154,465	164,121	1,230,400
GASTOS											
Financieros	49,712	45,255	50,325	51,812	54,223	56,145	62,343	66,576	70,466	76,781	567,562
Financ. progr. - AIB-Viv	0	0	0	0	0	0	0	0	0	0	0
de operacion	12,000	12,769	13,997	15,117	16,326	17,632	18,913	20,266	22,411	23,966	173,640
Reserva clas. dudosas y otras	6,646	0	0	0	0	0	0	0	0	0	6,646
TOTAL GASTOS	67,358	62,020	64,322	66,929	70,549	73,777	81,256	87,842	92,877	100,747	747,850
UTILIDAD DEL EJERCICIO	13,183	30,285	37,539	41,853	44,471	51,309	42,430	56,379	61,588	63,374	482,550

201

Table G8

PAIS: COLOMBIA
 DIVISIÓN: FINANZAS

PROYECCIONES FINANCIERAS LARGO PLAZO
 (En miles de US\$)

INCLUYE ESQUEMA 11 - PROGRAMAS ABOGADO

CATEGORÍA	1982/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996
INGRESOS											
Recup. principal e ints.	86,774	70,633	94,477	101,655	110,528	120,678	134,561	148,306	163,151	181,416	1,198,629
Recup. principal e ints.-NID		662	3,175	5,463	7,721	7,725	7,732	7,777	7,750	7,436	56,428
Utilización rec. externos	199,916	27,641	33,019	49,725	68,212	83,318	94,054	107,092	124,000	154,658	443,825
Utilización recursos -NID	5,000	10,000	10,000	10,000							40,000
Ingresos varios	31,762	-1,279	8,239	7,838	7,453	8,191	10,492	11,571	10,422	9,818	126,785
Productos de inversiones	7,895	9205	9563	5182	4461	11519	13693	15126	16926	18826	119054
TOTAL INGRESOS	311,241	144,458	158,873	194,363	203,505	237,428	260,552	289,874	323,629	369,468	2,484,771
EGRESOS											
Servicio de la deuda	221,926	67,465	71,141	71,362	64,520	93,556	108,738	125,005	133,496	146,496	1,144,579
Servicio de la deuda -NID	225	591	1,849	2,482	2,796	2,798	2,798	2,796	2,796	2,798	22,325
Baseobitos de préstamos	49,890	84,512	82,704	92,023	90,071	100,875	118,500	129,875	166,000	204,250	1,132,720
Otros programas	45,200	66,359	57,704	72,623	90,000	100,875	116,500	129,875	166,000	204,250	1,036,967
Programa NID-Viv.	4,610	24,143	25,000	26,000	0	0	0	0	0	0	73,753
Vivienda-BEIE	4,610	4,143									6,753
Vivienda-NID		10,500	14,000	10,500							15,000
Infraestr. en sitio-NID		4,500	6,000	4,500							10,000
Infraestr. fuera sitio-NID		5,000	5,000	5,000							15,000
Egresos varios	8,272	7,424	16,149	10,122	7,241	275	2,344	8,491	9,076	9,624	85,293
TOTAL EGRESOS	290,313	162,442	168,142	190,227	164,261	205,244	236,380	276,173	313,672	365,916	2,366,721
INGRESO NETO	30,928	(17,984)	(9,269)	4,136	39,244	32,184	24,172	13,701	9,957	4,620	95,844
SAUD FINAL LARGO PLAZO E INVERSIONES											
Saldo con restricciones	185,500	52,400	35,000	28,100	26,700	35,500	41,600	42,700	39,600	27,700	27,700
Saldo sin restricciones	67,311	21,777	81,506	69,538	42,143	124,177	146,649	153,250	166,407	162,637	162,637

NOTA: El saldo final incluye US\$ 114.7 millones de saldo al 31/12/96.

262

Table 69

BANCO LATINOAMERICANO DE INTEGRACION ECONOMICA
COMISION IANOB
PROYECCIONES FINANCIERAS CON AFRONACIONES
(En miles de ICA)

INCLUIE ESCENARIO 11 -PROGRAMA AID/VIVIENDA

CONCEPTO	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	TOTAL
INGRESOS											
Recup. principal e ints.	129,609	138,075	167,382	177,282	187,710	201,682	221,154	238,556	256,071	284,844	2,610,439
Recup. principal e ints.-AID	0	862	3,175	5,563	7,721	7,725	7,732	7,777	7,750	7,750	56,429
Utilizacion rec. externos	201,110	28,592	33,019	49,725	68,212	83,318	74,924	107,972	176,000	154,458	446,210
Utilizacion recursos -AID	5,000	15,000	10,000	10,000	0	0	0	0	0	0	40,000
Ingresos varios	41,503	89,978	17,575	5,126	20,443	9,711	11,737	13,151	11,552	10,148	268,452
Productos de inversiones	11,554	17,474	24,043	27,056	32,742	40,163	45,662	50,270	53,697	56,522	259,613
TOTAL INGRESOS	389,176	281,201	255,194	279,354	356,628	348,738	382,625	416,520	437,700	513,319	3,679,256
EGRESOS											
Servicio de la deuda	227,179	72,970	76,944	97,364	90,521	99,581	114,440	129,577	139,627	151,741	1,401,664
Servicio de la deuda -AID	226	991	1,647	2,462	2,788	2,778	2,790	2,798	2,756	2,758	22,235
Desembolsos de prestamos	101,350	127,503	112,248	124,470	132,706	151,308	177,767	199,641	252,032	295,399	1,678,911
Otros programas	96,740	103,260	87,251	104,470	122,706	151,200	177,737	205,041	252,032	309,379	1,625,058
Programa AID-Viv.	4,610	24,143	25,099	20,000	0	0	0	0	0	0	72,752
Vivienda-BCIE	4,610	4,143	0	0	0	0	0	0	0	0	8,752
Vivienda-AID	0	19,500	14,000	10,000	0	0	0	0	0	0	22,000
Infraestr. en sitio-AID	0	4,500	4,000	4,500	0	0	0	0	0	0	15,000
Infraestr. fuera sitio-AID	0	3,000	5,000	5,000	0	0	0	0	0	0	15,000
Egresos varios	16,341	20,471	22,167	21,718	21,534	19,513	21,761	22,257	24,149	25,710	217,831
TOTAL EGRESOS	347,000	221,535	213,194	245,054	247,759	272,699	316,761	360,563	418,097	490,046	3,140,641
IMPUESTO NETO	42,081	59,666	42,000	33,700	196,865	76,136	65,864	51,357	35,053	22,770	538,715
SALDO FINAL CAJA E INVERSIONES											
Saldo con restricciones	89,890	56,470	39,000	28,100	39,700	35,000	41,000	42,700	38,000	37,000	412,700
Saldo sin restricciones	150,477	255,143	282,543	326,743	423,012	592,548	561,111	611,349	651,241	694,211	655,211

DIVALD -El saldo final incluye ICA 178.2 millones de saldo al 30/10/86

Table 70

UNIDAD CENTRALIZADA DE INGRESOS Y GASTOS
ESTADO PROYECTADO DE INGRESOS Y GASTOS
EN ASES DE ILAI

INCLUYE ESCENARIO II - PROGRAMA ALOJAMIENTO

CATEGORIA	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	TOTAL
Ingresos											
Intereses y prestaciones	68,675	69,484	70,456	73,560	73,956	79,364	81,207	89,318	96,439	105,150	607,697
Intereses programa ALO-Vivienda	0	308	2,036	3,806	4,763	6,511	4,275	4,027	3,757	2,463	31,932
Productos e inversiones	18,071	22,273	30,032	32,054	36,495	45,311	50,296	51,957	56,325	57,569	406,323
TOTAL INGRESOS	86,746	93,445	102,524	110,260	117,014	125,976	135,782	147,304	156,521	165,182	1,245,184
Gastos											
Transacciones	47,712	41,255	50,325	51,812	54,123	53,145	62,343	66,598	70,159	71,751	569,582
Financ. progr. - ALO-Vivienda	225	150	1,724	2,271	2,241	2,525	2,520	2,524	2,515	2,519	20,336
Operacion	12,000	12,500	13,497	15,117	16,335	17,632	19,045	20,566	22,211	23,758	173,640
Reserva clas. dotadas y otras	6,000	0	0	0	0	0	0	0	0	0	6,000
TOTAL GASTOS	67,937	63,905	66,046	69,200	72,890	78,312	83,916	89,688	95,389	101,028	790,160
UTILIDAD DEL EJERCICIO	18,809	29,540	36,478	41,060	44,124	50,864	51,866	57,616	61,132	62,874	455,024

204

Table 71

BANCO CENTRAL DE INTEGRACION ECONOMICA
DIVISAS
PROYECCIONES FINANCIERAS LEON ADOBEACIONES
(En miles de ICA)

INCLUYE ESCENARIO III- PROYECTO AID/VIVIENDA

CONCEPTO	1984/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	TOTAL
INGRESOS											
Fecup. principal e ints.	46,734	70,635	94,477	101,655	110,558	126,678	134,281	148,306	163,171	181,816	1,196,629
Fecup. principal e ints.-AID		648	4,169	7,836	10,202	10,203	10,213	10,258	10,231	10,417	74,426
Utilizacion rec. externos	199,916	27,841	33,017	49,725	68,212	83,318	94,654	107,092	126,000	151,688	543,865
Utilizaciones recursos -AID	5,000	15,000	20,000	20,000							60,000
Ingresos varios	31,782	21,275	8,239	7,836	7,553	8,191	10,472	11,571	10,622	6,816	125,782
Productos y inversiones	7,609	9372	9587	9049	9536	11657	13500	15808	16477	17097	119626
TOTAL INGRESOS	311,241	144,973	169,470	196,153	206,481	240,047	263,240	292,625	326,471	372,826	2,223,527
EGRESOS											
Servicio de la deuda	221,926	67,485	71,141	91,362	84,520	93,996	108,738	125,004	135,596	146,006	1,144,579
Servicio de la deuda -AID	225	991	2,299	5,822	4,596	4,596	4,596	4,596	4,596	4,596	24,635
Desembolsos de prestamos	47,850	90,512	90,704	98,023	90,091	100,875	118,500	139,875	168,000	204,250	1,155,720
Otros programas	45,730	60,369	57,704	72,023	80,091	100,875	118,500	136,675	163,000	204,250	1,026,567
Programa AID-Viv.	4,610	30,143	33,000	26,000	0	0	0	0	0	0	92,753
Vivienda-PCIE	4,610	4,143									8,753
Vivienda-AID		15,000	20,000	15,000							50,000
Infraestr. en sitio-AID		6,000	6,000	6,000							18,000
Infraestr. fuera sitio-AID		5,000	5,000	5,000							15,000
Egresos varios	8,272	9,454	10,446	10,766	7,241	7,575	6,344	6,471	6,078	6,624	69,253
TOTAL EGRESOS	289,313	168,492	174,592	202,933	186,450	207,044	240,180	277,573	315,272	366,878	2,421,527
INGRESO NETO	30,928	123,481	15,127	17,820	20,031	33,003	23,060	14,052	10,199	6,948	102,000
Saldo Final Caja e Inversiones											
Saldo con restricciones	76,200	56,400	39,000	28,000	30,700	25,900	41,800	42,700	36,800	27,700	27,700
Saldo sin restricciones	67,521	65,752	78,050	81,100	92,511	126,314	143,214	157,214	171,214	182,114	152,542

NOTA: El saldo final incluye ICA 114,7 millones de saldo al 30/06/88

Table 72

Salvo Liquidación de Inversión Económica
Consolidado

PROYECCIONES FINANCIERAS CON INICIACIONES
(En miles de U.S.)

INCLUYE ESCENARIO III- PROGRAMA AID/VIVIENDA

CONCEPTO	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	TOTAL
INGRESOS															
Recup. principal e ints.	129,097	138,975	167,382	177,282	187,310	207,802	221,194	238,550	258,071	284,844	2,010,475				
Recup. principal e ints.-AID	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utilización rec. externos	201,110	28,552	33,019	47,725	48,212	63,318	54,054	107,072	122,000	154,656	956,210				
Utilización recursos -AID	5,000	15,000	20,000	20,000	0	0	0	0	0	0	0	0	0	0	60,000
Ingresos varios	41,503	60,973	17,575	9,328	67,445	57,111	11,587	13,171	11,572	14,145	266,656				
Iniciativas e inversiones	11,554	17,461	23,647	26,723	32,617	40,241	45,659	50,550	54,496	56,645	350,751				
TOTAL INGRESOS	385,174	361,176	402,791	491,144	325,184	321,355	385,317	419,281	419,281	460,742	518,746	2,010,475			
GASTOS															
Servicio de la deuda	227,179	22,979	76,944	97,381	90,521	99,581	114,440	150,677	139,227	151,541	1,261,664				
Servicio de la deuda -AID	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Otros programas	101,757	133,202	140,211	130,470	137,506	151,708	177,767	207,841	222,000	274,279	1,718,811				
Programa AID-Viv.	4,210	20,143	33,000	20,000	0	0	0	0	0	0	0	0	0	0	93,753
Transferencias	4,010	1,143	0	0	0	0	0	0	0	0	0	0	0	0	6,753
Transferencias -AID	0	15,000	20,000	15,000	0	0	0	0	0	0	0	0	0	0	50,000
Transferencias en sitio -AID	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20,000
Transferencias fuera sitio -AID	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15,000
España varios	16,241	22,471	22,127	21,115	22,224	19,212	21,761	22,227	24,129	25,716	217,831				
TOTAL GASTOS	347,095	277,922	321,044	353,414	245,526	270,799	316,558	367,381	367,381	419,407	491,646	3,173,241			
INGRESO NETO	42,081	83,254	81,747	137,760	79,658	50,556	78,759	51,900	51,900	41,335	27,100	1,739,234			
SALDO FINAL CON LAS INICIACIONES	220,277	213,513	317,035	355,415	465,030	540,585	605,736	658,031	658,031	699,165	727,067	2,010,475			
Saldo con restricciones	89,000	20,000	35,000	26,100	20,000	10,000	42,000	42,000	42,000	42,000	27,000	27,000			27,000
Saldo sin restricciones	127,477	193,513	282,035	329,315	445,030	530,585	563,736	616,031	616,031	657,165	699,067	1,983,475			

NOTA: El saldo final incluye un 1/6.2 millones de saldo al 30/06/82

266

Table 73

BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA
ESTADO PROYECTADO DE PRODUCTOS Y GASTOS
(En miles de ICA)

INCLUYE ESCENARIO III - PROGRAMA AID-VIVIENDA

CONCEPTO	1985/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	TOTAL
PRODUCTOS											
Intereses si prestatos	68,875	69,484	70,456	71,560	73,756	79,364	81,227	87,316	76,439	145,150	607,807
Intereses programa AID-Viv	0	553	2,751	5,159	6,450	6,113	5,894	5,484	5,075	4,302	42,642
Productos si inversiones	18,071	23,362	29,636	32,761	36,370	45,449	50,503	54,237	50,956	58,916	407,071
TOTAL PRODUCTOS	86,946	93,399	102,843	111,480	116,576	130,926	137,521	147,035	132,470	167,368	1,057,520
GASTOS											
Financieros	49,712	49,255	50,325	51,812	54,023	58,145	62,343	66,596	70,968	76,781	537,562
Financ. progr. -AID-Viv	205	950	2,174	3,621	4,341	4,335	4,350	4,324	4,315	4,315	32,928
De operacion	12,000	12,980	13,997	15,117	16,326	17,632	19,043	20,560	21,211	23,769	172,610
Reserva clas. dudosas y otras	4,000	0	0	0	0	0	0	0	0	0	4,000
TOTAL GASTOS	67,927	65,185	66,496	70,550	74,690	80,112	85,716	91,476	97,513	145,065	847,100
UTILIDAD DEL EJERCICIO	19,019	28,214	36,347	40,930	41,886	50,814	51,805	55,559	34,957	22,303	210,420

267

Table 74

CUENTA GENERAL DEL GOBIERNO DE LA REPUBLICA ECUATORIANA
 DIVISION
 PROYECCIONES FINANCIERAS CON RESTRICCIONES INCLUIE ESCALA 10 17 - PROGRAMA AID/VIVIENDA
 En miles de US\$

Cuenta	1987/88	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	TOTAL
INGRESOS											
Recup. principal e int. - AID	66,734	70,433	74,477	101,655	110,350	126,678	131,501	148,306	163,191	181,016	1,189,679
Recup. principal e int. - AID		500	4,730	8,896	11,551	11,552	11,562	11,607	11,580	11,700	84,200
Utilizaci6n rec. externos	199,916	27,641	33,619	49,725	68,212	83,318	94,054	107,592	126,000	151,450	943,865
Utilizaci6n recursos - AID	5,000	20,000	25,000	25,000							75,000
Ingresos varios	31,182	21,279	8,239	7,838	7,453	8,191	10,492	11,571	10,322	4,818	124,765
Productos y inversiones	7,809	9373	9581	9699	9647	11844	14160	15766	16801	17256	121624
TOTAL INGRESOS	311,741	150,000	175,046	202,215	207,321	241,283	264,657	294,312	326,274	374,744	2,550,319
GASTOS											
Servicio de la deuda	223,926	67,405	71,141	91,366	64,520	93,996	108,738	125,009	133,546	146,406	1,144,579
Servicio de la deuda - AID		1,000	2,572	4,000	2,147	2,147	2,147	2,147	2,147	2,147	19,622
Desarrollos de prestamos	49,650	95,212	95,704	102,025	90,001	100,875	118,509	139,875	169,000	200,000	1,167,320
Otros programas	45,200	60,265	57,704	72,623	90,000	100,875	118,500	139,875	169,000	200,000	1,058,767
Programa AID-Viv.	4,610	35,143	30,000	31,000	0	0	0	0	0	0	16,753
Vivienda-BCIE	4,610	4,143									6,753
Vivienda-AID		15,000	20,000	15,000							50,000
Infraestruct. en ext. - AID		0,000	0,000	0,000							20,000
Infraestruct. fuera ext. - AID		10,000	10,000	10,000							30,000
Energi. varios	8,272	7,454	10,448	10,700	7,241	7,275	8,344	8,441	9,076	9,621	65,293
TOTAL GASTOS	267,711	172,224	174,596	219,444	166,668	202,223	247,229	284,531	322,769	366,174	2,440,074
INGRESO NETO	30,928	22,445	14,800	17,221	20,722	39,060	24,128	15,820	12,053	7,317	109,665
SALDO FINAL CAJA E INVERSIONES	145,621	122,173	111,353	110,128	131,050	165,040	167,168	204,928	217,041	224,358	1,224,325
Saldo con restricciones	78,300	50,000	39,000	28,100	30,200	35,700	41,600	42,700	38,600	27,200	27,200
Saldo sin restricciones	67,321	65,772	70,353	62,028	100,350	129,140	147,568	162,228	178,241	197,158	1,197,125

Nota: El saldo final incluye US\$ 114.7 millones de saldo al 31 de mayo

270

Table 75

BANCO CENTRAL DE INTEGRACION ECONOMICA
CONSOLIDADOPROYECCIONES FINANCIERAS CON AJUSTACIONES
(En miles de ICA)

INCLUIE EJERCICIO IV - PROYECTO AID-VIVIENDA

CONCEPTO	1984/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	TOTAL
INGRESOS											
Recup. principal e ints.	129,409	138,075	167,382	177,282	187,710	207,832	221,194	238,579	258,371	284,644	2,019,425
Recup. principal e ints.-AID	0	960	4,739	6,898	11,551	11,552	11,562	11,677	11,789	11,786	84,205
Utilizacion rec. externo.	201,110	28,992	33,017	49,725	68,212	81,218	94,954	107,692	126,679	154,656	646,219
Utilizacion recursos -AID	5,000	20,000	25,000	25,000	0	0	0	0	0	0	75,000
Ingresos varios	41,503	80,978	17,575	9,228	60,243	9,711	11,787	13,171	11,492	10,148	360,656
Productos sr inversiones	11,954	17,284	23,661	26,972	32,928	40,428	46,137	50,548	54,700	57,400	262,267
TOTAL INGRESOS	389,176	286,289	271,367	297,206	360,644	352,891	384,934	421,369	462,245	518,654	2,744,654
EGRESOS											
Servicio de la deuda	227,179	22,970	26,944	97,284	70,521	59,981	114,440	150,677	159,667	151,541	1,009,664
Servicio de la deuda -AID	225	1,083	2,573	4,285	5,147	5,147	5,147	5,147	5,147	5,147	25,051
Desembolsos de prestamos	101,350	136,503	125,234	135,470	132,906	151,398	177,767	209,841	252,023	309,399	1,773,611
Otros programas	96,740	103,369	87,231	104,470	132,906	151,398	177,767	209,841	252,023	309,399	1,620,056
Programa AID-Viv.	6,610	35,143	38,000	31,000	0	0	0	0	0	0	108,752
Vivienda-ICIE	4,610	1,143	0	0	0	0	0	0	0	0	5,752
Vivienda-AID	0	12,000	20,000	10,000	0	0	0	0	0	0	50,000
Infraestr. en sitio-AID	0	6,000	8,000	5,000	0	0	0	0	0	0	20,000
Infraestr. fuera sitio-AID	0	10,000	10,000	10,000	0	0	0	0	0	0	20,000
Egresos varios	18,361	20,471	22,167	1,718	21,554	19,513	21,761	22,757	24,147	25,519	217,821
TOTAL EGRESOS	347,075	233,027	226,518	236,661	250,106	270,549	319,115	367,532	420,526	490,397	2,182,225
INGRESO NETO	42,081	53,262	44,849	60,545	110,538	76,942	65,819	53,836	41,719	28,257	562,429
SALDO FINAL CAJAS E INVERSIONES											
Saldo con restricciones	89,800	36,400	39,000	28,100	20,700	41,600	42,700	26,000	22,700	22,700	270,000
Saldo sin restricciones	130,477	217,129	278,988	328,233	436,365	507,911	568,039	629,286	665,672	702,032	700,000

NOTA: El saldo final incluye ICA 1/8.2 millones de saldo al 30/06/86

269

Table 76

PAIS: CENTROAMERICA DE INTEGRACION ECONOMICA
 ESTADU PROYECTADO DE REVENIDOS Y GASTOS
 EN MILLES DE DOL.

INCLUYE EJERCICIO IV - FASE ANA DE VIVIENDA

CONCEPTO	1987/88	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1992/94	1994/95	1995/96	TOTAL
REVENIDOS											
Intereses y prestamos	68,875	57,484	70,456	73,250	72,700	74,384	81,207	87,318	90,429	105,130	807,894
Intereses programa AIG-Viv	0	573	2,999	5,086	6,597	6,619	6,275	5,903	5,261	5,000	45,519
Productos de inversiones	18,971	23,363	29,650	32,811	36,481	40,636	50,771	54,595	57,140	50,575	469,093
TOTAL REVENIDOS	87,846	81,420	103,105	111,157	115,788	121,639	138,253	147,816	152,890	160,705	1,322,506
GASTOS											
Financieros	49,712	47,255	50,325	51,512	54,023	58,145	62,343	66,259	70,308	70,781	534,982
Financ. progr. AIG-Viv	225	1,000	2,323	3,657	4,832	4,420	4,409	4,398	4,287	4,576	35,027
de operacion	12,000	12,450	13,997	15,117	16,226	17,632	19,043	20,506	22,111	23,962	173,890
Reserva clas. dudosas y otras	5,000	0	0	0	0	0	0	0	0	0	5,000
TOTAL GASTOS	76,937	60,705	66,645	70,296	74,981	80,397	85,995	91,162	97,706	100,319	849,901
UTILIDAD DEL EJERCICIO	10,909	20,715	36,460	40,861	40,807	41,242	52,258	56,654	55,184	60,386	472,605

Table 77
BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA
CUADRO DEMOSTRATIVO DE LIQUIDEZ Y UTILIDADES POR ESCENARIOS
 (En Miles de \$CA)

Ejercicios	ESCENARIO I		ESCENARIO II		ESCENARIO III		ESCENARIO IV	
	Liquidez	Utilidades	Liquidez	Utilidades	Liquidez	Utilidades	Liquidez	Utilidades
1986/87	67.151	19.229	67.321	19.009	67.321	19.009	67.321	19.009
1987/88	61.410	31.173	71.777	30.290	65.752	30.204	65.773	30.275
1988/89	106.50	37.539	81.908	36.478	78.030	36.347	78.353	36.360
1989/90	114.065	41.853	80.538	41.060	81.100	40.930	82.026	41.171
1990/91	128.366	44.491	97.193	44.124	98.511	44.086	100.350	44.453
1991/92	152.840	51.312	124.177	50.894	126.314	50.834	129.140	51.242
1992/93	166.561	52.300	140.649	51.866	143.674	51.795	147.568	52.258
1993/94	176.135	58.063	153.250	57.616	157.235	57.531	162.288	58.054
1994/95	186.541	61.266	166.907	60.803	171.935	60.888	178.241	61.294
1995/96	198.755	63.352	182.837	62.874	189.993	62.760	196.658	63.474

NOTA: La liquidez se presenta en términos de divisas y las utilidades en total de las monedas del Banco.

PROFI-24/7/86
 CGC/amr

271

ANNEX I

INSTITUTIONAL ASSESSMENT OF CABEI

I. INTRODUCTION

This assessment deals with aspects of implementation that affect both housing and infrastructure projects. General recommendations are made regarding supervision, decentralization and training. In addition, since this is the first time CABEI has ventured into small scale infrastructure projects, more specific recommendations are made related to the capacity of CABEI to select, monitor, and implement urban upgrading programs.

In the area of infrastructure, the main role of the bank in the last 25 years has been the financing of major projects that promote the economic integration of Central America. These have included roads, airports, dams, electrical stations, ports, etc. With this background, CABEI is well versed in the key elements of infrastructure formulation, design, implementation, and how it relates to the cash disbursements required for the given projects. In the area of housing, CABEI has had 20 years experience in financing projects, such as are proposed in this program.

Hence, implementing organizations that will be receiving loans from CABEI for infrastructure and housing will be able to draw on CABEI's technical depth to ensure that the infrastructure projects can be implemented properly.

II. THE CABEI ORGANIZATION

In order to better understand how CABEI presently works, visits were conducted with key staff personnel to get a clear understanding of how CABEI presently handles projects.

Attached is an organization chart (Attachment 1) of CABEI where it can be appreciated that below the level of the Presidency, there is the Area de Planificacion, Gerencia de Promocion y Estudios, Gerencia de Operaciones, Departamento Juridico, Departamento de Analisis de Proyectos, Departamento de Control Operativo, Gerencia Financiera, Departamento de Personal y Organizacion, and the Area de Servicios Administrativos Generales.

For purposes of the project cycle three key areas are involved which are:

1. From the Gerencia de Promocion y Estudios, the Desarrollo Social, Vivienda e Infraestructura unit is involved in project promotion and formulation.
2. The Departamento de Analisis de Proyectos has responsibility for the review of the project both from the financial and technical perspectives.

3. The Area de Supervision de Proyectos of the Gerencia de Operaciones is responsible for project monitoring during the construction phase.

There are other areas of the Bank that are involved in the project cycle, such as the Departamento Juridico, but these are not critical to the overview of the problem of institutional capability. Hence, these units will not be reviewed.

The attached descriptions (Attachments 2 and 3) provided by CABEI detail the functions of each unit. Likewise, a description of the steps involved in the three key elements of the project cycle are provided.

The highlights of these areas, and the project cycle can be summarized as follows:

1. Area of Desarrollo Social, Vivienda e Infraestructura (DESOVI).

Works in the area of project promotion, formulation and eligibility in conjunction with the possible executing agency. To do this work, the unit has the following staff:

2	Engineers
3	Economists
1	Chief of area
1	Consultant
<u>7</u>	Total Professional Staff
3	Secretarial Assistance
<u>10</u>	Total Staff.

Normally, activities in the Eligibility phase average some 60 days.

2. Area of Departamento Analysis de Proyecto (ANAP)

Conducts review of project at two levels. First, it reviews the capability of the implementing organization, both as to its financial capability and its technical depth. Next, it reviews the proposed project from the technical and financial perspective. It also calculates the necessary Net Present Values (NPVs) and Internal Rates of Return (IRRs) to determine cost effectiveness of the proposed projects.

Staffing for this unit is as follows:

1	Chief of area (Economist)
2	Economist/Financial Analyst
1	Business Administration Specialist
2	Public Sector Economists
1	Agriculture Economist
1	Agriculture Engineer
1	Architect
1	Civil Engineer
1	Draftsman
2	Administrative Assistants
<u>13</u>	Total Professional Staff

4 Secretaries
1 Filing Clerk

18 Total Staff

Depending on the magnitude of the project, the analysis cycle takes approximately 90 days.

3. Area de Supervision (SUPRO)

The Area of Supervision is responsible for monitoring the construction of the project tied to the disbursement of funds at pre-established levels.

This area is critical in determining not only that the construction standards are being met, but also that the phases are being completed in a timely manner. Consequently, this monitoring activity is tied to the funds disbursement activity.

Staffing for this unit is as follows:

10 Engineers (1 in San Salvador, and 1 in Guatemala)
 4 Economists/Business Administration Specialists
1 Disbursement Official
15 Total Professional Staff

1 Filing Clerk
5 Secretaries
21 Total Staff

Time requirements in this phase consists of two parts: disbursement, and completion of the work. The first disbursement is effectively the time for project initiation. Averages provided by the Bank are as follows:

First Disbursement	90 Days
Completion of Project	Average 18 months depending on nature of the project.

The total number of CABEI staff involved in the project submission and execution phases can be summarized as follows:

	TOTAL	PROFESSIONAL	CLERICAL
DESOVI	10	7	3
ANAP	18	13	5
SUPRO	<u>21</u>	<u>15</u>	<u>6</u>
Total Staff	49	35	14

Total CABEI staff is estimated at 200 employees, so approximately 25% of the staff is involved in reviewing and monitoring activities.

274

III. UPGRADING PROJECTS

Urban upgrading projects are probably simpler to manage from the engineering and construction standpoint, but much more difficult in terms of social interaction. This analysis examined in depth components of upgrading projects: social promotion, implementation, order of magnitude and supervision.

1. The Social Promotion Dimension

In order to have a better understanding of the social promotion phase of the project, through the RHUDO office and the CMDC of Tegucigalpa, a visit was arranged to the implementing unit which has had success in promoting urban upgrading projects in Tegucigalpa. CABEI staff joined us in this field visit along with another visit to the San Miguel area which has just recently been upgraded (December '85).

Through this visit and in reviewing the procedure manual of the CMDC, the following Social Promotion tasks have been identified for urban upgrading programs.

a. Eligibility Phase

Initial promotion at the community level to convince the community of the need and desirability to have a cost-recovery infrastructure program.

Once a preliminary positive indication is obtained, then the following must be done:

1. Conduct a survey to determine average income per family and ability of the community to pay for the installation of the services.
2. Establish that all the households of the proposed program have title to their land (Land Tenure issue), or that they have de facto security of their property.
3. Obtain signed statements from the community indicating willingness to participate in upgrading program, and willingness to pay. Percentage requirement will be based on local requirements (In Honduras it is 60% minimum participation).
4. Begin gathering of preliminary design information to begin evaluating technical alternatives.

b. Construction Phase

1. Meet with the Community as needed to make citizens understand that the temporary inconvenience is necessary for the installation of the services. Some community disillusionment can occur during this stage.

2/15

2. Need to explain to the community the relationship of on-site to off-site installation and to co-ordinate completion of on-site to off-site installations.

c. Post-Installation Follow-up

1. Be prepared to help the Community use the system as designed. This is essentially a culturalization process since many of the citizens will not know the standards or how to use the system (ie. with water, one turns off the tap when not in use).
2. Over a period of time (5 years) it is desirable to have follow-up surveys to measure the level and rate of community improvements associated with the installation of urban upgrading programs. This should include items like measuring the volume of self-help housing improvements, the value of property, and the equity position of the community in housing.

2. Implementation Design

In order to delineate which are appropriate functions for CABEI, the following implementation guidelines are suggested. These have been discussed with CABEI, and they are willing to implement these, plus whatever other guidelines are offered.

- a. It is understood that CABEI will be monitoring and supervizing the social promotion phase through implementing organizations. They will not be involved in day to day social promotion activities. The Social Promotion activity will be added to their other monitoring activity that is normally associated with construction projects.
- b. CABEI will interact continually with the implementing organization to ascertain that the component of the work is, in fact, being carried out.
- c. The specific task of monitoring the Social Promotion component would be incorporated into the project cycle according to the following schedule:

<u>SOCIAL PROMOTION TASK</u>	<u>CABEI UNIT</u>
Initial Promotion	DESOVI
Social/Economic Information	DESOVI
Construction Co-ordination	SUPRO
Post Construction Evaluation	SUPRO

The Analysis unit (ANAP) would not be affected initially by the process, but would be charged with the responsibility to insure that there is on-site/off-site co-ordination of services, especially concerning water and sewer connections. If required, through this analysis CABEI would make recommendations concerning the site selection

of off-site elements if it would improve the overall quality of the project.

3. Order of Scale Analysis

To appreciate the impact of urban upgrading programs on the CABEI, a comparison of the past loan portfolio experience in the integrated development area will be made.

Emphasis is placed on the integrated development area because it is the closest fit that the CABEI has had to urban upgrading programs in Central America.

The attached chart (Attachment 4) reflects the number, volume, and disbursement history of integrated development loans since 1981.

Of the 22 integrated projects the bank has financed, the average value of each project is estimated at \$5,122,700. If one discounts the BANVI project in Guatemala because it is so far above the normal (\$30 Million), the average project is calculated at \$3,938,000. This latter figure is more representative of the scale of integrated urban development programs the bank has managed in the past.

In the proposed USAID Urban Infrastructure Project, six to eight projects totaling approximately \$40 Million have been identified in the region. Thus the average loan will be slightly larger than what CABEI has managed in the past in this area. However, the influx of an additional \$40 million in urban infrastructure loans over a five year period will still be in a range consistent with what the Bank has managed in the past, and no significant problems can be identified to indicate that the magnitude of the loan package will exceed the institutional capability of CABEI.

4. Supervision

Because the nature of urban upgrading programs is more development oriented, the Bank will be required to dedicate more time and effort than they are accustomed to, mainly because of the social promotion dimension of the proposed projects.

However, in reviewing the Bank's internal process no significant impediments were identified to indicate that the Bank could not undertake the review and monitoring of urban upgrading programs in a manner consistent with USAID program objectives.

Through discussion with the Bank's staff, it is apparent they are well aware of the implications of the social promotion elements of urban upgrading programs, and hence are capable of supervising these programs.

IV. REGIONAL SUPERVISION

The magnitude of supervision of the implementing agencies will be determined in large part on the capabilities of the implementing agency, and the local environment. Hence, the quantity of work required in the area of supervision will be very dependent on indigenous factors.

However, because of the regional nature of the program, it is desirable that CABEI include in their implementation plan a method for monitoring the program at the local level wherever possible.

In discussing this matter with CABEI, it has been proposed to incorporate this activity with the SUPRO resident engineers in San Salvador and Guatemala. Likewise, CABEI proposes to transfer one Engineer from Tegucigalpa to San José, Costa Rica to provide this monitoring activity in that country. Honduras would be monitored from Tegucigalpa.

This assignment of monitoring activities in the respective countries will also be done with an eye toward decentralization with the resident engineers assuming day to day decision making capability, and referring to Tegucigalpa only extraordinary matters. The details on the specifics of how this reorganization would be implemented to facilitate the AID package will need to be discussed with CABEI at the appropriate time.

V. REVIEW OF THE APPLICATION, ANALYSIS, AND MONITORING PROCESS

Attachment 5 identifies in detail all the elements in the Bank's internal procedures between project submission to project completion. The time requirements for each step in the process are identified at the bottom of the attachment, and are summarized as follows:

CURRENT AVERAGE PROCESS TIME FOR REGULAR PROJECTS

1. Eligibility	2 Months
2. Analysis and Submission to Board .	<u>3 Months</u>
Total time - Project <u>Approval</u>	<u>5 Months</u>
3. Contract signing and first disbursement	<u>3 Months</u>
Total time for Project <u>Initiation</u>	8 Months
4. Average for Project <u>Completion</u>	<u>18 Months</u>
Total Elapsed Time	26 Months

In discussion with the Bank's staff, efforts were made to identify areas where the process could be streamlined to expedite the flow of funds and project review process. The Bank felt that because of the fact that the implementing organizations would be pre-selected, the time frame requirements could be modified and streamlined along two fronts: Program Approval and Sub-project Review.

278

Essentially the idea is to obtain Program Approval of loan packages of approximately \$8 Million once for each country. Following approval by the Bank's Board of Directors, then the detailed analysis of each sub-project would be conducted, followed by project initiation. This will allow for a "fast track" approach towards project implementation.

The following time tables have been considered for these activities:

PROPOSED AVERAGE PROCESS TIME FOR PROGRAM APPROVAL

Program Approval - time to approve approximate \$8 million loan package.

1. Eligibility of Programs	2 weeks
Since implementing agencies will be determined, the Bank's role would be minimized.	
2. Analysis and submission to Bank	8 weeks
Analysis would be generalized in concept with only major project features identified and would not consider the details of each specific project	
Total Time for <u>Program Approval</u>	10 weeks (2 1/2 Months)

Once the Board approves the loan program, it is estimated that it takes an additional three months for the loan agreement to be signed, which is a critical requirement to authorize disbursements.

The major reason for taking three months is the need for the contract to be signed and notarized according to the legal requirements of each country. This time period is reasonable within the legal requirements normally stipulated in Latin America for contract signing.

However, this activity can go on concurrently as the tentative list of projects for initial funding begins to be evaluated separately by the supervision department SUPRO. This time table would be as follows:

PROPOSED AVERAGE PROCESS TIME FOR SUB-PROJECT REVIEW

1. Promotion activity - Presentation of eligibility by implementing agency. Time element very variable depending on the quality of the implementing agency. If all documentation is in order, this activity can be done within two weeks.	Minimum 2 weeks (to much longer)
For later projects, more promotion activity may be appropriate as RHUDO demand identification will not be preceded by CABEI promotion.	
2. Analysis of project by SUPRO	1 month
3. Arranging for appropriate construction service contracts	3 months
Total for sub-project <u>Initiation</u>	4 1/2 months
Total time for project approval from above	2 1/2 months
Total time required before project start (minimum)	7 months

While each separate project of each loan package would go through the above indicated review process, CABEI has indicated that with the proposed decentralization, several projects could be in the "pipe line" at the same time at various stages of review and execution, thereby allowing for timely project execution.

Essentially what CABEI is proposing is to go to the Bank's Board of Directors once for a loan package approval for each country using a "fast track" method. Under this method the Board approves the loan "in concept", and delegates approval of specific projects of the loan package to the administrative staff.

This procedural change on the part of the Bank will minimize the bottleneck of submitting all projects to the Board, and streamline the process considerably. This suggestion has been incorporated into the above time estimates, specifically in reducing the amount of time of analysis to one month.

Very critical to this time estimate is that during the 4 1/2 months estimated to begin sub-project initiation, the loan agreement process will have been completed with the signing of the necessary contracts and legalizations. This will then allow for the disbursements to flow when the initial sub-projects are approved.

Once the contract is signed, CABEI allows for advance disbursements up to 20% of contract amount. When contractor submit monthly expenditure detail, the appropriate percentage of the advancement is deducted before monthly payment is made to the contractor. In this manner, the advance is deducted over the life of the project. Normal disbursements are tied to construction progress.

If the case is warranted, an implementing agency can obtain bridge financing, or use their own funds for CABEI projects. In this case, the project can be approved "in concept" with final determination to be made on detail analysis. This "in concept" review and approval can be done in about two weeks, if required.

In these cases, while CABEI will recognize the "prior costs" at the first disbursement (to reimburse the implementing agency's funds or repay the bridge finance), there is a certain risk the implementing agency is incurring if in the detailed analysis the project is not approved.

VI. SUMMARY OF FINDINGS

Based on the analysis conducted in this report, the major findings concerning the institutional capability of the CABEI can be summarized as follows:

1. Social Promotion Supervision Capability - It does not appear that this is a major problem to incorporate within the Bank. The Bank has indicated a willingness and flexibility to assume this function.
2. Regional Supervision and Decentralization.- It appears pivotal to the success of the program that the Bank delegate more authority to their regional offices and have at least one staff person per country for monitoring of upgrading projects.
3. AID needs a more formal commitment from CABEI to assure that the regional supervisors will, in fact, be given the necessary authority, and that the administrative systems are decentralized accordingly.
4. Streamlining of Internal Procedures - Review of the existing procedures indicates that the time frames can be reduced from an average of 5 months to 2 1/2 months for project approval. The estimate seems reasonable in light of the time frames of other projects that the Bank has undertaken.
5. Monitoring by AID to ensure that a more decentralized form of decision making is introduced in the Bank and to streamline procedures.
6. The Bank would assume the monitoring function of this program, and report to USAID on the physical progress of the projects and their financial status. As envisioned by the Bank, there will be no major problems in conducting this monitoring

activity, while allowing AID the role of policy dialogue and reform with the appropriate institutions.

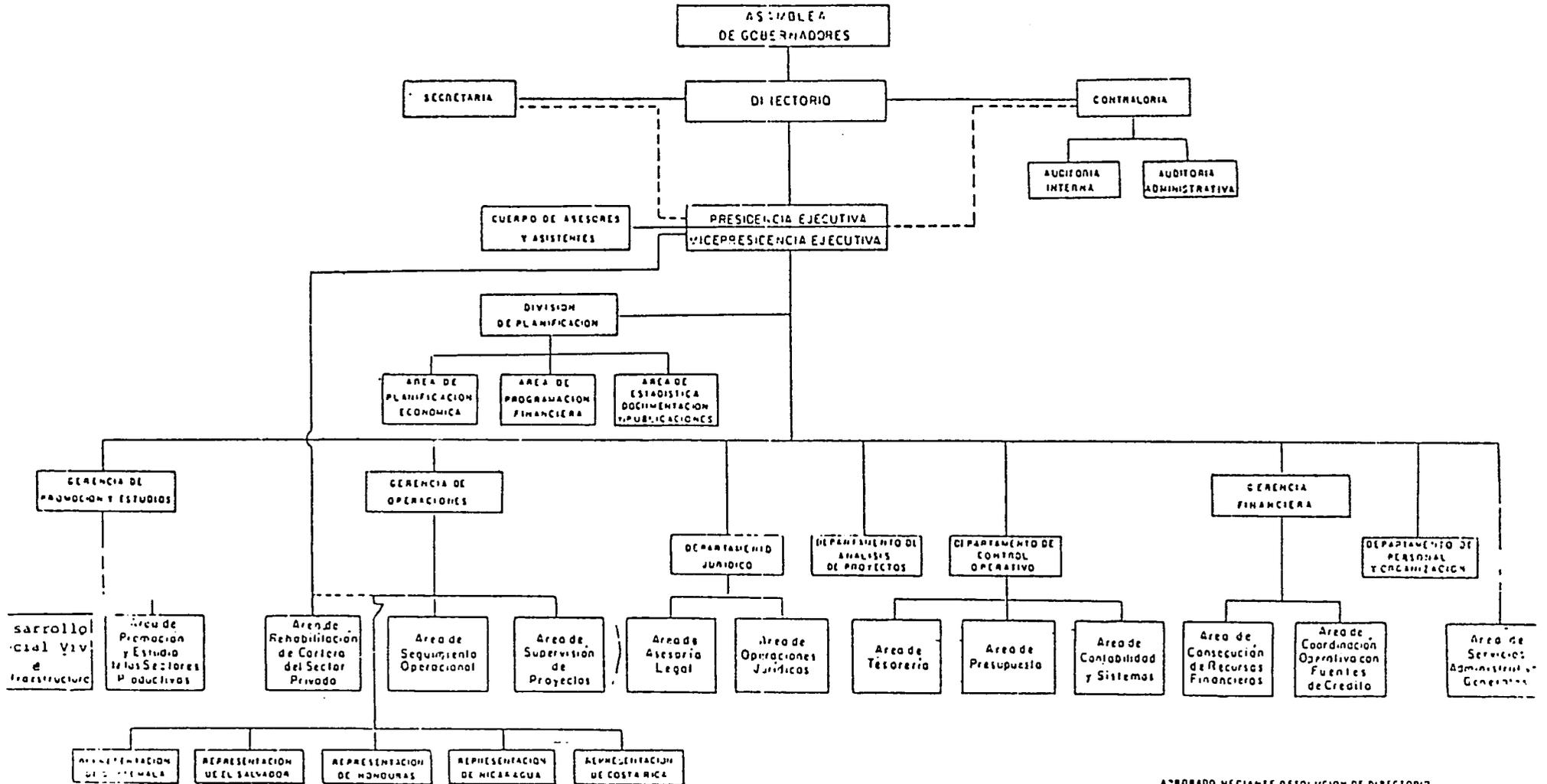
7. Because of the lack of experience in the social promotion area, training in this area will help the bank obtain the necessary depth to effectively supervise this type of activity. This training need and technical assistance to improve program operations have been integrated into the overall training program.

ATTACHMENTS

1. Organizational Chart of CABEI
2. Description of Functions of the Department of Analysis of CABEI
3. Description of Functions of the Supervision Department of CABEI
4. Summary of Integrated Development Projects financed through CABEI 1981-1985.
5. Description of Project Process Flow of CABEI

B C I E
 GRAFICA GENERAL DE ORGANIZACION

ATTACHMENT j



APROBADO MEDIANTE RESOLUCION DE DIRECTORIO
 N° 01-40/84 DE FECHA 27 DE JULIO DE 1984
 Y MODIFICADO POR ACPI-02/84

2
 H 85

CONSIDERACIONES SOBRE LA EVALUACION DE SOLICITUDES DE PRESTAMOS DE PROYECTOS DE INFRAESTRUCTURA EN BARRIOS MARGINALES.

INTRODUCCION

A solicitud del Area DESOVI, el Departamento de Análisis de Proyectos ha preparado los presentes lineamientos y consideraciones de carácter general sobre el análisis de proyectos de infraestructura para mejoramiento de comunidades marginales y es el responsable de tramitar, analizar y dictaminar sobre todas las solicitudes de financiamiento de proyectos presentados al Banco. Para la consideración, se requiere que los proyectos objeto de la solicitud que las mismas hayan sido previamente declaradas elegibles.

El Departamento de Análisis proporciona al solicitante criterios de orientación y los asiste en la estructuración de las solicitudes de crédito y su correcta presentación al BCIE.

El dictamen que emite el Departamento de Análisis evalúa entre otros los siguientes aspectos específicos:

I ASPECTOS GENERALES DEL SOLICITANTE Y ORGANISMO EJECUTOR.

En este capítulo, el Departamento analiza principalmente la experiencia del solicitante y/o organismo ejecutor en el desarrollo, ejecución y supervisión de proyectos similares, así como su experiencia en la obtención y administración de préstamos de organismos internacionales. Se pronuncia además sobre la capacidad en la operación y mantenimiento de proyectos similares y en la organización y administración que tiene el organismo solicitante y/o ejecutor.

II ASPECTOS DE DEMANDA

Dentro de este capítulo se analiza el Plan Maestro o Plan de Desarrollo del Sector, así como la información presentada sobre la situación general de las condiciones existentes en los barrios marginales, con indicaciones de la población, ubicación y las facilidades existentes, entre otras.

285

Una vez conocido el grado de desarrollo del sector, se indentifica el proyecto, indicando su localización, las condiciones externas e internas, las limitaciones para el desarrollo, la prioridad del proyecto en la zona, los criterios de selección en función de la demanda y la relación existente del proyecto con el Plan Maestro de Desarrollo del Sector.

III CARACTERISTICAS FISICAS Y EJECUCION DEL PROYECTO

El profesional responsable, analiza los criterios, metodología y resultados obtenidos en la estructuración del proyecto, que demuestren la factibilidad técnica y su programa de ejecución.

Los criterios técnicos y constructivos deben estar basados en los códigos que rigen este tipo de proyectos, presentando las posibles alternativas de solución que pudieran generar beneficios similares.

Se deberán acompañar a las soluciones propuestas, los estudios que fueron realizados para la sustentación de las mismas, así como la documentación correspondiente (planos, especificaciones, memoria de cálculo, programa de obras, etc.).

Se analiza además los servicios de ingeniería requeridos para el proyecto, incluyendo la supervisión en su ejecución, indicando la asignación de personal, su capacidad y responsabilidad asumida por cada uno de ellos.

Con el objeto de conocer el estado actual del proyecto, se analiza en detalle el avance en general y el monto de las inversiones ya realizadas. De ser el caso, se analizan aspectos de tipo legal, que atañen el proyecto.

El analista se debe pronunciar sobre el programa de ejecución y control del proyecto; sobre la metodología a utilizarse en la adquisición de bienes y servicios; sobre los aspectos ecológicos y ambientales que inciden en el proyecto y sobre las garantías que se exigirán a las firmas constructoras y/o proveedoras de equipos, materiales y servicios.

Se debe opinar sobre los criterios generales para seleccionar el tipo de empresa que se necesita para la ejecución del proyecto, indicando el personal requerido, el equipo necesario así como los procedimientos establecidos por el Banco, que se seguirán para su contratación; se presentará el listado de las empresas disponibles y la capacidad estimada de cada una de ellas, de acuerdo a la opinión del analista.

726

-3-

IV OPERACION Y MANTENIMIENTO DEL PROYECTO

En base a la información proporcionada por el solicitante, el analista debe analizar el programa y método de mantenimiento y operación requerido para el proyecto, mencionando los deberes del personal responsable para la operación y mantenimiento. Se detalla el personal requerido y los materiales a ser utilizados y los recursos necesarios para dichas actividades.

V COSTOS DE EJECUCION

Presentar un resumen del costo de ejecución del proyecto por grandes rubros, indicando los criterios y metodología seguida para los cálculos respectivos, así como los procedimientos utilizados.

Para los costos de construcción se deben indicar las cantidades de obras y precios unitarios basado en costo de proyectos recientemente analizados o en precios, que sean resultados de licitación de proyectos similares.

En los costos de ejecución se debe incluir los costos de ingeniería y supervisión, costos de la unidad ejecutora costos de adquisición de maquinaria, equipos y materiales, imprevistos, escalamiento, intereses preoperatorios y los costos de operación y mantenimiento, indicando los criterios asumidos.

Se debe presentar un Programa de Inversiones, desglosado según la clase de moneda requerida y por rubros de inversión.

VI FINANCIAMIENTO DE LA EJECUCION DEL PROYECTO

El responsable de este capítulo es el analista financiero y debe analizar lo siguiente:

Plan global de inversiones, indicando los rubros fuentes de financiamiento y sus condiciones.

VII ASPECTOS SOCIOECONOMICOS

En este capítulo se identifica y cuantifica aquellos beneficios socioeconómicos derivados del proyecto y las externalidades y/o colaterales del mismo.

287

-4-

Lo anterior, junto con aquellos costos económicos relativos servirán para calcular la TIR, el VAN, relación beneficio costo y otros.

VIII ASPECTOS FINANCIEROS

El Departamento para efectuar el análisis financiero requiere principalmente del organismo ejecutor, entre otras informaciones; ley de creación, reglamentos y sus reformas, así como sus fuentes de recursos de las operaciones normales de la empresa, (fundamentos legales del sistema tarifario) e inversiones para la implementación de sus planes de expansión.

Asimismo, se solicitan estados financieros auditados de sus últimos tres años y sus proyecciones financieras de acuerdo a su demanda proyectada.

En base a éstas y otras informaciones se efectúa un análisis histórico del organismo ejecutor (empresa) para determinar su actual posición financiera a corto y largo plazo.

Por otra parte, se estudian las proyecciones financieras presentadas, efectuándose los ajustes correspondientes.

Parte fundamental de este análisis, es la determinación de su capacidad de pago y el índice de cobertura del servicio de las deudas existentes y por contraer, especialmente de organismos internacionales.

El analista, en función de su evaluación determina el tipo de garantía necesaria para garantizar el monto del préstamo.

IX RECOMENDACIONES

Se deberá presentar las recomendaciones, sobre el monto del préstamo, tasas de interés y comisiones, plazo de amortización, período de gracia, plazo para la contratación del préstamo, plazo para el cumplimiento de condiciones especiales del préstamo recomendado y la garantía requerida.

288

FUNCIONES SUPRO

I) SUPERVISION TECNICA DE PROYECTOS

Actividades de la Supervisión Técnica de Proyectos

1. Conocer el dictamen de elegibilidad del proyecto preparado por la GPE.
2. Conocer el dictamen de la solicitud de préstamo elaborado por ANAP.
3. Revisar el proyecto de contrato de préstamo y hacer las observaciones del caso.
4. Emitir opinión sobre solicitudes de ampliación del plazo para escriturar préstamos, formuladas por futuros prestatarios.
5. Analizar los documentos pertinentes presentados por futuros prestatarios y decidir sobre el cumplimiento de condiciones técnicas previas a la escrituración de préstamos.
6. Analizar y aprobar en su caso, el programa de cumplimiento de condiciones previas a desembolso de préstamos que presentan los prestatarios.
7. Preparar asignación de responsabilidades para decidir el cumplimiento de condiciones previas a desembolso de préstamos.
8. Dictaminar solicitudes de ampliación de plazo para cumplimiento de condiciones previas a desembolso de préstamos.

289

-2-

9. Dictaminar solicitudes para flexibilizar el cumplimiento de condiciones previas a desembolso de préstamos.
10. Analizar los documentos pertinentes presentados por prestatarios y decidir sobre el cumplimiento de condiciones técnicas previas a desembolso de préstamos.
11. Controlar y dar por cumplidas las condiciones previas a desembolso de préstamos cuando todas las áreas responsables se hayan pronunciado favorablemente.
12. Emitir opinión sobre los documentos técnicos que debe presentar el prestatario a satisfacción del Banco, tales como: Planos, especificaciones, presupuestos, programas, términos de referencia, etc.
13. Emitir opinión sobre la metodología y procesos que se seguirán para la obtención de bienes y servicios del proyecto (consultoría, construcción, suministro maquinaria y equipo, montaje, supervisión, etc.).
14. Emitir opinión sobre el análisis de las propuestas para adjudicación de contratos para la obtención de bienes y servicios del proyecto.
15. Emitir opinión sobre los borradores de los contratos para la obtención de bienes y servicios del proyecto.
16. Emitir pronunciamiento sobre los contratos suscritos por los prestatarios para la obtención de bienes y servicios.

240

-3-

17. Emitir opinión sobre cambios propuestos al proyecto, acuerdos suplementarios, trabajos extras, ampliaciones de plazo y cualquier otra modificación a los contratos suscritos por el prestatario.
18. Presentar a la consideración de la fuente externa de recursos del préstamo, la información técnica requerida para su correspondiente consideración y/o aprobación.
19. Realizar visitas de supervisión a proyectos en ejecución y verificar el avance y calidad de los trabajos del proyecto.
20. Realizar visitas de supervisión a proyectos en operación cuando la supervisión administrativa y financiera lo estime necesario.
21. Asesorar a prestatarios en la preparación de solicitudes de desembolso de préstamos.
22. Analizar y aprobar, en su caso, solicitudes de desembolso de préstamos.
23. Mantener un seguimiento del calendario de desembolsos de los préstamos.
24. Dictaminar solicitudes de modificación del plazo de desembolso de préstamos.
25. Programar y/o reprogramar desembolsos de los préstamos.
26. Revisar informes de progreso de los proyectos y tomar las decisiones pertinentes.

291

-4-

27. Dictaminar solicitudes de modificación del contrato de préstamo.
28. Verificar la terminación de los proyectos y que los trabajos sean recibidos a satisfacción por los prestatarios y se finiquiten los contratos respectivos.
29. Analizar y opinar sobre solicitudes de modificación o liberación de garantías de préstamos.
30. Verificar en los proyectos el estado y monto de las garantías de préstamos a favor del Banco cuando sea requerido.
31. En caso de evaluaciones o dictámenes de nuevos préstamos a ser otorgados al Banco por Instituciones Financieras Internacionales, el Area SUPRO actúa como área técnica de enlace, suministrando a dichas instituciones las informaciones de carácter técnico que estas requieran.
32. Cumplir condiciones técnicas previas a desembolsos establecidas por las Instituciones Financieras Internacionales.
33. Realizar supervisiones y/o evaluaciones de proyectos en proceso de ejecución o terminados que requieran Instituciones Financieras Internacionales.

242

II SUPERVISION ADMINISTRATIVA Y FINANCIERA DE PROYECTOS

1. Proyectos en Ejecución

- 1.1 Efectuar visitas de supervisión en coordinación con las Oficinas Regionales a los proyectos del sector público y privado, para comprobar que éstos se desarrollen satisfactoriamente, de acuerdo al plan global de inversiones aprobado y cumplan con las condiciones establecidas en los contratos de préstamo.
- 1.2 Preparar el informe correspondiente derivado de la supervisión al proyecto, y proceder a la implementación de las recomendaciones.

2. Proyectos en Operación

- 2.1 Efectuar visitas de supervisión en coordinación con las oficinas regionales a los proyectos del sector privado, para comprobar que no existen circunstancias que puedan poner en peligro las operaciones de los proyectos y la recuperación normal del financiamiento del Banco y cumplan con las condiciones vigentes de los contratos de préstamos.
- 2.2 Preparar el informe correspondiente derivado de la supervisión al proyecto, y proceder a la implementación de las recomendaciones.

243

3. Análisis y Control de Garantías (Asignada a un solo funcionario)
 - 3.1. Llevar registros actualizados de los bienes otorgados en garantía al Banco.
 - 3.2. Analizar y opinar sobre los planteamientos de modificación o liberación de garantías de préstamos.
 - 3.3. Elaboración del informe anual de garantías
 - 3.4. Suministrar periódicamente información sobre garantías a otras Areas del Banco.
 - 3.5. Controlar avales bancarios y pólizas de fianzas

4. Análisis y Control de Seguros (Asignada a un solo funcionario)
 - 4.1. Analizar que las pólizas de seguros que cubren las garantías de los préstamos pignorados a favor del Banco, estén elaboradas de conformidad con los contratos de préstamos, debidamente endosados y cumplan con las prácticas generalmente aceptadas en materia de seguros, para proteger adecuadamente los intereses del Banco.
 - 4.2. Registrar en las tarjetas de control de seguros, las renovaciones, vigencia de las pólizas y los pagos de

las primas, observando que se cumplan los términos y requisitos necesarios para mantener protegidos los intereses del Banco.

- 4.3 Inspeccionar y evaluar daños en caso de siniestro de bienes que forman parte de las garantías del Banco.
- 4.4 Gestionar indemnización de seguros de bienes siniestrados que forman parte de las garantías del Banco.
- 4.5 Recomendar el procedimiento y la aplicación que deba al producto de la indemnización de bienes siniestrados que forman parte de las garantías del Banco.
- 4.6 Revisar, aprobar los desembolsos y efectuar las supervisiones pertinentes cuando el producto de la indemnización se aplique a la reconstrucción, reparación o reposición del bien siniestrado.
- 4.7 Recomendar los montos, coberturas y riesgos apropiados de las garantías en base al análisis correspondiente de la paridad legal de las monedas.
5. Análisis y Emisión de Dictámenes sobre Diversos Planteamientos presentados por los prestatarios
 - 5.1 Emitir dictámenes sobre adecuaciones y readecuaciones de préstamos conjuntamente con ANAP.

2015

- 8 -

6. Análisis y Control de la Cartera en Mora y Elaboración de Informes efectuando las Recomendaciones Técnicas Pertinentes (asignada a un solo Funcionario)
 - 6.1 Actualizar permanentemente el estado de mora de los préstamos vigentes, tanto del sector público, como del sector privado.
 - 6.2 Conocer la política sobre la suspensión de desembolsos por causa de mora y velar por el cumplimiento de misma.
 - 6.3 Preparar documento relacionado con el estado y antigüedad de la mora para conocimiento del Directorio.
 - 6.4 Coordinar con las Oficinas Regionales y el Departamento Jurídico, las gestiones de cobro.
 - 6.5 Informar semanalmente al Comité de Desembolsos sobre el estado de la mora.
7. Análisis y Control de Estados Financieros
 - 7.1 Solicitar oportunamente a los prestatarios la presentación de los estados financieros auditados
 - 7.2 Analizar la información presentada por los prestatarios, efectuando las observaciones particulares que el caso amerite.

29/6

8. Programa de Vivienda del Banco

- 8.1 Revisar y analizar los informes trimestrales sobre hipotecas de viviendas de las instituciones participantes.
- 8.2 Controlar las hipotecas sobre viviendas financiadas por el Banco y supervisar la cartera hipotecaria de las instituciones participantes.
- 8.3 Aprobar novaciones por cambio de deudores hipotecarios de vivienda solicitadas por instituciones participantes.
- 8.4 Verificar cancelaciones de hipotecas solicitadas por instituciones participantes.
- 8.5 Supervisar la cartera hipotecaria de vivienda y educacional del Fondo de Prestaciones Sociales.

9. Trabajos Especiales (asignados anualmente)

- 9.1 Recomendar los niveles adecuados de reserva para préstamos incobrables de la cartera del sector privado, bienes adjudicados y de inversiones de capital de riesgo.
- 9.2 Representar al Banco en las Asambleas de Accionistas y Sesiones de Consejo de Administración*, donde el Banco tiene inversiones de capital.

* Según sea necesario.

249.

- 9.3 Recomendar sobre los préstamos que contablemente no deben acumular intereses y comisiones en cuentas de resultados.
- 9.4 Elaboración del Plan Operativo Anual (POA) y Presupuesto del Area.

III) APOYO A OTRAS AREAS DEL BANCO

Apoyo al Departamento ANAP para dictaminar solicitudes de préstamo, readecuaciones, cambios de destino y otros similares.

Apoyo a la Gerencia financiera en las relaciones entre el Banco y las Fuentes Externas de Recursos.

Apoyo a la Gerencia de Programación y Estudios por medio de la participación del Area SUPRO en los Comités de Vivienda y Preinversión.

Apoyo al Departamento de Control Operativo en negociaciones de convenios de pago de mora de los sectores público y privado en los países.

Apoyo al Area RECAP en el análisis y dictamen de problemas técnicos en proyectos a su cargo.

-12-

IV OTRAS FUNCIONES

- Seguimiento del trámite de solicitudes de préstamo.
- Programar viajes para supervisión de proyectos.
- Elaborar informes trimestrales de proyectos en ejecución.

COMENTARIOS O SUGERENCIAS

1. Tomando en consideración la carga de trabajo que recae sobre el Area SUPRO y la clara discriminación de asuntos a atender en aspectos técnicos de ingeniería y en administrativos y financieros, se considera necesario oficializar la existencia de dos subjefaturas que atienda cada uno de estos dos aspectos.
2. Actualmente los oficiales técnicos asignados al Area SUPRO están clasificados como Analistas de Proyectos. Esta clasificación debe corregirse ya que el título correcto debe ser Supervisor de Proyectos.
3. Dado que importantes proyectos cuya supervisión está a cargo del Area SUPRO tienen un fuerte componente agropecuario, se estima de necesidad contar con un supervisor con título de ingeniero agrónomo.

301

Comité Coordinador de Integración Económica
 Virginia Habitacional (proyectos integrados)
 Desembolsos 1981/1982 (en miles de C.)

Nº	PAIS/ INSTITUCION	Estadística	Res. N°	MONTO	AÑO				
					1981	1982	1983	1984	1985
Guatemala									
70	Unión de La Milagros de Yed	73-81	71/80	4000.0		629.0	1133.0	720.0	32.0
1851	BHIVE	77-79	74/78	16600.0	5070.0	7018.0	7460.0	7000.0	11060.0
	Sub-TOTAL			20600.0	5070.0	7647.0	7773.0	8200.0	11092.0
El Salvador									
82	Fondo Social para la Vivienda	40-81	71/81	3000.0	0.0	0.0	3000.0	0.0	0.0
67	Fondo Social para la Vivienda	43-81	66/80	10000.0	7500.0	7500.0	10000.0	0.0	0.0
67	FNV	71-78	70/79	6000.0	3600.0	0.0	0.0	0.0	0.0
	Sub-TOTAL			19000.0	11100.0	7500.0	13000.0	0.0	0.0
HONDURAS									
72	FINAVI	71-81	70/80	1000.0	1000.0	0.0	0.0	0.0	0.0
71	FINAVE	80-81	74/81	1000.0	0.0	0.0	0.0	1000.0	20.0
8	INVA	4-82	71/81	2100.0	0.0	0.0	1098.0	1170.0	0.0
84	INVA	76-82	71/81-71/82	2500.0	0.0	0.0	2336.0	0.0	0.0
69	FINCOVIL	77-80	63/80	1000.0	0.0	0.0	0.0	0.0	0.0
58	La Vivienda de Solo	75-79	68/79	2000.0	0.0	0.0	0.0	0.0	0.0
61	La Vivienda S.A.	77-79	68/79	1000.0	0.0	0.0	0.0	0.0	0.0
6	INVA	77-81	71/81	1000.0	0.0	0.0	0.0	0.0	0.0
52	INVA	77-80	71/78	1000.0	0.0	0.0	0.0	0.0	0.0
60	FINCOVIL	77-79	68/79	1000.0	0.0	0.0	0.0	0.0	0.0
	Sub-TOTAL			11000.0	1000.0	0.0	4534.0	2170.0	0.0

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Comité Administrativo de Integración Económica

(Directorio Habitacional)

Diciembre 1981/1986 (miles \$U.S.)

ATTACHMENT 4
Page 2 of 2

1	2	3	4	5	6	7	8	9	10	11	12	13
NO	PAIS/INSTITUCION	Entidad	Res. N°	MONED	1981	1982	1983	1984	1985			
	NICARAGUA											
10001	FINANCI	10001	10001	10001	10001	10001	10001	10001	10001	10001	10001	10001
10002	FINANCI	10002	10002	10002	10002	10002	10002	10002	10002	10002	10002	10002
10003	Com. Habitacional	10003	10003	10003	10003	10003	10003	10003	10003	10003	10003	10003
	SUB-TOTAL											
	COSTA RICA											
10004	FINANCI	10004	10004	10004	10004	10004	10004	10004	10004	10004	10004	10004
10005	FINANCI	10005	10005	10005	10005	10005	10005	10005	10005	10005	10005	10005
10006	FINANCI	10006	10006	10006	10006	10006	10006	10006	10006	10006	10006	10006
10007	Com. Habitacional	10007	10007	10007	10007	10007	10007	10007	10007	10007	10007	10007
	SUB-TOTAL											
	GRAN TOTAL											
	NOTA: Cantidad aprobada del CEE por OCALIZ Transparencia en 1982 (en millones de \$U.S.) 135.2 millones (en millones de \$U.S.) (cantidad por el Banco Mundial en 1981) 34.5 millones (25.2%)											
	Compañía: F. O. M. S. (1981) - 10001/10002											

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ELEGIBILIDAD (ETAPA I)

INSTITUCION SOLICITANTE	OFICINA REGIONAL	GERENCIA PROMOCION Y ESTUDIOS.	AREA DESOVI	GERENCIA / TESORERIA
<ul style="list-style-type: none"> -Presenta solicitud de financiamiento global para proyecto o proyectos. -Los proyectos presentados deben reunir los requisitos requeridos por el Banco. 	<ul style="list-style-type: none"> -Reciben la solicitud en la documentación de soporte. -Afectúa una revisión preliminar de los documentos. -Traslada toda la documentación a la Gerencia de Promoción y Estudios con copia a las áreas involucradas. 	<ul style="list-style-type: none"> -Revisa preliminarmente la propuesta de financiamiento y la discute con el Area DESOVI, los alcances y calendario de acciones para el análisis y preparación del dictamen de elegibilidad. -Aprueba la elegibilidad de las propuestas de financiamiento amparadas mediante dictámen elaborado por el Area DESOVI. -Confirma mediante la carta a la institución solicitante que la propuesta de financiamiento ha sido aprobada y que puede presentar solicitud formal de financiamiento. 	<ul style="list-style-type: none"> -Analiza los planos y documentos que le son remitidos por la Gerencia de Promoción y Estudios y determina si la propuesta de financiamiento se enmarca dentro de la Política y Normas Técnicas vigentes dentro del Programa. -Preparar dictamen de elegibilidad sobre la propuesta de financiamiento, el cual una vez discutido con el Jefe del Area, es turnado. -Preparar carta para firma de la GPE comunicando al interesado que la propuesta de financiamiento ha sido aprobada. -Coordina con el Area ANAP, sobre la documentación que deberá solicitarle al interesado. 	<ul style="list-style-type: none"> -Emite comunicación sobre la fuente de la cual se podrían preasignar recursos para el financiamiento solicitado.

304

BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA

FLUJOGRAMA DE ELEGIBILIDAD, ANALISIS Y SUSPENSION DE FINANCIAMIENTO

ANALISIS (ETAPA II)

ATTACHMENT 5
Page 2 of 3

ANALISIS DE PROYECTOS	GERENCIA FINANCIERA	SECRETARIA DEL BANCO	DIRECTORIO DEL BANCO	DEPTO. JURIDICO
<ul style="list-style-type: none"> - Se reúne con Representantes de la institución para asesorarla sobre la forma en que deberá presentar los planos y documentos que acompañaron la solicitud formal de financiamiento. - El Jefe del Depto ANAP forma el grupo de trabajo interdisciplinario que elaborará el dictamen sobre la solicitud de financiamiento. - Traslada dictamen de financiamiento al Comité de Crédito. - Traslada dictamen aprobado en el Comité de Crédito a la Secretaría del Banco para su elevación ante el Directorio. 	<ul style="list-style-type: none"> - Emite asignación de los recursos para el financiamiento solicitado. 	<ul style="list-style-type: none"> - Envía un ejemplar del dictamen a cada uno de los Directores del Banco con la anticipación estipulada previa a la próxima reunión del Directorio. 	<ul style="list-style-type: none"> - Emite aprobación o denegatoria sobre la solicitud de financiamiento amparada bajo el dictamen respectivo. 	<ul style="list-style-type: none"> - Elabora proyecto de solución.

El período de 90 días se toma como base partiendo de que la institución haya presentado la información requerida correctamente.

1996

SUPERVISION (ETAPA III)

AREA SUPERVISION DE PROYECTOS.	OFICINA REGIONAL	DEPTO. JURIDICO	TESORERIA
<ul style="list-style-type: none"> -En base a los pronunciamientos del Departamento Jurídico y de las oficinas regionales y los suyos propios, da por cumplidas las condiciones previas. *-En forma conjunta con el Departamento Jurídico y la Tesorería emite su visto bueno a todos los desembolsos. -Efectiva Supervisión Técnica a lo largo de la ejecución de un proyecto específico. -Realiza supervisión administrativa y financiera. <p>*Depto. Jurídico da su VoBo. Únicamente cuando hay compra de hipotecas, Certificados de Participación Hipotecario y Contratos de Promesa de Venta</p>	<ul style="list-style-type: none"> -Remite a la Institución solicitante la resolución emitida por el Directorio del Banco. -Promueve el cumplimiento de las condiciones previas a contratación de desembolso en consulta con el Departamento Jurídico y el Area SUPRO. -Efectúa entrega de los cheques correspondientes a los desembolsos de los préstamos aprobados. 	<ul style="list-style-type: none"> -Elabora borrador del contrato en base a la Resolución de Directorio. -Remite borrador de contrato a la institución solicitante para observaciones y comentarios. -El plazo de escrituración es de 90 días calendario a partir de la fecha de comunicación de la Resolución de Directorio. -En forma conjunta con la Gerencia de Operaciones establece en cada préstamo cuales son las condiciones previas de caracter legal y las técnicas que serán resueltas por el Area de Supervisión. -Emite memorandum de escrituración. -Emite Visto Bueno para todos los desembolsos. 	<ul style="list-style-type: none"> -En base a los pronunciamientos del Depto Jurídico y Area de Supervisión, procede a efectuar los desembolsos de los préstamos aprobados.

ENVIRONMENTAL THRESHOLD RECOMMENDATION

PROJECT LOCATION	REGIONAL CENTRAL AMERICA
PROJECT TITLE AND NUMBER	C.A. SHELTER AND URBAN DEVELOPMENT (596-0143)
FUNDING	\$ 89 MILLION
LIFE OF PROJECT	5 YEARS (FY 87-91)
IEE PREPARED BY	ALFREDO DI PALMA, Sanitary Engineer
DATE	AUGUST, 1986

ENVIRONMENTAL ACTION RECOMMENDED:

Based upon the findings of the environmental examination on the proposed Central America Shelter and Urban Development Assistance Program, it has been concluded that significant impacts will be mitigated through proper design and subproject implementation as outlined in this IEE. Furthermore, institutional strengthening of both CABEI and IFIs will be carried out by training and technical assistance to be funded by this project. Therefore, a Negative Determination is hereby assigned to the CA Shelter and Urban Development Assistance Project.

Recommend a Negative Determination



Mario Pita
Deputy Director
PRE/H

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

LAC/DR-IEE-86-36

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Central America Regional
Project Title and Number : C.A. Shelter and Urban Development
: 596-0143
Funding : \$89,000,000 (L)
Life of Project : 5 years
IEE Prepared by : Alfredo Di Palma
RHJDO
Recommended Threshold Decision : Negative Determination
Bureau Threshold Decision : Concur with Recommendation
Comments : Long term on site environmental
technical assistance may be
increased beyond one year if
needed.

Copy to : Nadine Plaster
Director, ROCAP/Guatemala

Copy to : Frank Zadroga, ROCAP/San Jose

Copy to : Alexi Panahal, PRE/H

Copy to : Lars Klassen, LAC/DR/CEN

Copy to : IEE File

James S. Hester Date SEP 25 1986

James S. Hester
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

I. URBAN DEVELOPMENT SITUATION AND ISSUES

A. Actual Situation of Central America

The four Central American countries, who will participate in the proposed Regional Program (Costa Rica, El Salvador, Guatemala, and Honduras), have experienced an economic recession in the last five years. While major economic indicators show that the decline or deterioration in the economies in Central America has stabilized, recovery (quality of life) to the post-1980 level is just beginning to occur.

The main factors contributing to this economic decline include the world recession, the drop in prices and market shares of major commodity exports, worsening terms of trade, political instability in the region and low rates of domestic investment.

The economic situation has been aggravated by high population growth rates, high unemployment and rising cost of living. Due to the contraction of public and private sector investments in shelter and basic infrastructure services, the demand for these basic needs has increased up to an explosive point. National and local governments have not planned and executed programs to respond effectively to the scale of need that exists.

B. Urbanization Trends and Issues

The total population of the four principal AID countries in the region was 18.6 million in 1983. All of these countries have high overall population growth rates, especially El Salvador, Guatemala, and Honduras, which are growing at over three percent per year. Urban growth rates are even higher, due to strong rural-urban migration. Honduras' urban population is growing at 5.8 percent, Guatemala's at 4.1 percent, El Salvador's at 3.6 percent, and Costa Rica at 3.2 percent. On average, 42 percent of the population in these four countries is now urban. These spatial growth trends exert considerable pressures in the primary and secondary cities, where increasing numbers of rural migrants arrive, settle in low-income marginal areas, thus, exacerbating further the problems of unemployment and the lack of adequate shelter and basic services.

The excessive concentration of urban population in one or two major centers within each country is a significant characteristic throughout the region. One half of the urban population in each of these four countries is concentrated in the capital city. In 1983, 52% of the urban population of Costa Rica lived in San José; while 54% are located in San Salvador and Guatemala City. The metropolitan area in each of these cities will at least double its present size over the next two decades. In the four capital cities alone there will be 7 million new residents by the year 2000.

The twin phenomena of increasing urbanization and concentrated city growth suggest that economic development opportunities for these Central American countries will be found in their primary and secondary cities, provided they can offer:

- Sufficient infrastructure, shelter, and services to support both population growth and business development, and
- A stable political climate to attract private sector investment which is normally stimulated in an urban setting.

C. Urban Problems

However, urban areas throughout the region currently lack the essential services necessary to support both economic development and the resident population.

The past two decades of growth have strained the capacity of institutions and respective economies to expand the whole complement of facilities and systems we associate with life and work in the modern city. Jobs, shelter, basic water and sanitation, electricity and telephone service, public transport, schools, garbage collection, fire and ambulance service and health care all are sorely lacking in the urban areas of Central America.

The lack of commitment or sufficient incentives to mobilize domestic resources to address in part these deficiencies and to expand the urban economic base has been a major constraint to growth. Per capita GNP's in the region (for 1983) range from a low of \$ 670 in Honduras to highs of \$1,020 and \$1,120 in Costa Rica and Guatemala, respectively.

Urban unemployment and underemployment are serious problems throughout the region, especially where internal conflict has disrupted investment in new enterprises and the creation of new job opportunities has been drastically reduced.

Urban infrastructure and service provision lag far behind requirements. The proportion of urban households served with water is 66 percent in El Salvador (including stand-pipes), 46 percent in Honduras, 44 percent in Guatemala City and a favorable 95 percent in Costa Rica. Sewer connections reach only 42 percent of the urban population in Central America as a whole. The Shelter Needs Assessments carried out by AID in El Salvador, Honduras, and Costa Rica indicate that the formal sector supply of housing is only a fraction of what is needed to meet minimum annual requirements.

II. DESCRIPTION OF THE PROPOSED PROGRAM.

The goal of the project is to improve the living conditions of lower income families in Central America. The purpose is to increase the availability of shelter and basic services to low income families and to strengthen the existing capacity of CABEI and national public and private sector agencies to provide these services. The primary focus in the area of policy will be to revitalize CABEI's housing fund, to increase

private sector participation and to establish cost recovery mechanisms at the national level which will serve to build up the ability of financial intermediaries, infrastructure institutions, and municipalities to better serve such shelter and infrastructure needs.

The total amount of this program's resources will be \$89.0 million, which are projected to be disbursed over a period of five years (FY87-91). The distinct type and sources of financing for the program are as follows:

HG Loan	\$45.0 million
AID Loan	15.0 million
AID TA Grant	4.0 million
CABEI funds	25.0 million
Total	<u>\$89.0 million</u>

The application of these funds will be used to finance \$ 42.3 million in shelter projects, \$ 32.7 million in basic infrastructure projects, and \$ 4.0 million in technical assistance and training. \$10 million will be reserved to finance off-site infrastructure works, principally for upgrading projects. The geographic utilization of these shelter and infrastructure service resources will be primarily invested in projects in each country's primary urban center and secondary cities where economic growth and population demands are highest.

The lead agency in this program will be the Central American Bank for Economic Integration (CABEI) who will on-lend monies to eligible housing finance and infrastructure institutions.

Keeping in mind that the needs, government programs, costs and priorities of the four countries are different, it is difficult to estimate with certainty the number of families that would benefit from the program. Nevertheless, estimates have been made that range from 140-150 thousand families. In housing, the program will finance a gamut of solutions that would vary from home improvements to one or two bedrooms units, including serviced lots, sanitary cores, and basic units. About 10,000 families would benefit from this component. In urban infrastructure the program will finance projects that benefit the poorest urban neighborhoods capable and willing to repay the investment made by implementing agencies. Potable water, sewers, construction or paving of streets, electricity, and other solutions to address community-defined needs will be included in the program. Estimates are that a total of 140,000 families will benefit from this component.

III. PREVAILING ENVIRONMENTAL CONDITIONS

A. Shelter Finance Markets

Accompanying the region's economic recession has been fierce competition for mobilizing public savings for project development investments in all sectors. Given these circumstances and the priorities of many governments to concentrate their limited resources mainly in other productive areas - agrobusinesses, industrial centers, etc., the

flow of resources to the shelter sector has been very competitive causing interest rates to rise to historic levels (16%-22%).

These financial constraints have adversely impacted not only the accessibility of low-and moderate-income families to obtain home ownership, but also, the production/supply pipeline of housing projects coming into the market. Many housing developers and building contractors have scaled back their operations or have gone into bankruptcy. The limited supply of housing units that are being financed at high mortgage interest rates are affordable mainly to upper income groups.

The low and moderate income bracket has been adversely affected by the stagnation or deteriorated purchasing power of these family incomes and the upward spiral in construction material and labor costs. Their access to home ownership has been blocked by their limited incomes and the limited supply of low-cost shelter solutions.

B. Human Settlement Patterns

Given the adverse economic and fiscal conditions facing Central America over the past 5-6 years, the housing deficit in each of the four countries has steadily climbed upward. Families are confronted with two basic choices when normal access to home ownership are precluded by income constraints: 1) doubling up with friends or relatives; or 2) purchasing or squatting on a small lot and making-do with substandard infrastructure and shelter conditions.

The consequences of the first choice is to produce overcrowding and unsanitary living conditions. The process of physical deterioration of the shelter structure is rapidly accelerated due to abnormal wear and tear and lack of awareness and the resources required for periodic maintenance repairs. The second choice is referred to as the "informal" market.

It consists of three sub-categories in Central America which can be described as: cuarterias, marginal zones, and illegal settlements. Each of these subcategories has differentiating characteristics, but all reflect the need to satisfy the increasing demand for low cost housing.

One of the most important informal housing markets is constituted by "cuarterias". These are old dwellings abandoned by their original inhabitants and now rented separately, room by room. As the essential objective of owners is to produce maximum rents, rooms are rented out to as many families as possible. In changing their use, physical changes are often makeshift. Maximum use is made of all space and overcrowding results. Physical deterioration of the structures is rapid.

Marginal zones are composed of extremely precarious dwellings. Dwellings are constructed from scrap materials from urban areas. Frequently the dwellings are built on unsuitable land susceptible to flooding, on unstable terrain, or too close to sources of pollution. Commonly these settlements are created by a group organized to invade

land. Consequently, the ownership of that land is usually not defined. Marginal zones constitute a high percent of total housing in urban areas, e.g. at least 40 percent in Tegucigalpa.

The "illegal settlements" or "illegal colonies" are similar to each of the above. These settlements are usually created by companies, persons, etc., who are only interested in the maximum profit they can get. By capitalizing on the shortage of housing and creating false hopes of delivery of full services they never intend to provide, developers sell unserviced lots to families without other options. These poor families are not able to buy other types of housing and are forced to remain in these illegal settlements where they have invested all their savings. A large number of people find themselves living in the worst of environmental conditions without access to water and sanitation.

Despite these conditions, the cost of housing is quite high because demand far exceeds the available supply. Expenditure survey data show that the percent of monthly income spent by the target population on housing is between 16 and 30%.

C. Urban Infrastructure Systems

Potable water and sewerage systems have not been maintained in existing downtown low-income areas or extended to peripheral areas where growing numbers of poor urban dwellers live. To obtain water in areas where there is no municipal water supply, people pay between five and ten times more to purchase contaminated water from vendors. Furthermore, there are no sanitary sewers in the majority of these peripheral areas. People satisfy their physiological needs in open areas or at best in pit latrines and other rural type methods, unsuitable for the existing high urban densities. Streets are predominantly made of earth unpaved in any way and are without well-defined and functional storm drainage capabilities. Electricity, the one service which traditionally has been successful in achieving full cost recovery, has been relatively advanced and available in most poor central city neighborhoods, but even electrical service coverage is now falling behind the pace of rapid urbanization in some major cities.

The level of environmental hygiene is a critical problem throughout most marginal communities. Access to basic public services of potable water, sewage collection/disposal, storm drainage and solid waste disposal is severely limited or nonexistent. As a result of widespread contamination, the target population is infested with intestinal parasites and has a high incidence of enteric infections, especially in children. The problems of environmental health are particularly serious to the economically disadvantaged because they lack the means to escape or to correct the situation. Access to basic public services is even more of a problem in urban areas outside primary cities with the same resulting health hazards more prevalent.

The following describes the critical environmental concerns and probable impacts or changes which are expected to occur in each of these areas as a result of A.I.D.'s proposed actions. The findings of the impact assessment process were reached after due consideration of the timing, duration, severity and nature of all probable changes to the existing state of the natural and human environment in typical, potential project areas. In addition, the environmental awareness, commitment, and technical capacity of CABEI to deal with these identified environmental issues were weighed in the evaluation.

NATURAL ENVIRONMENT

1. Water Resources and Existing Water Quality -

The magnitude of urban development and its spatial distribution in three of the four capital cities and in secondary cities in Central America have severely strained the capacity of governmental agencies to provide adequate water supply and sewage collection/disposal facilities. Current growth trends of these cities are resulting in the development of lands beyond the periphery of existing urban service areas. Because of limited financial resources, access to these existing public services is severely restricted. For example, in Tegucigalpa, approximately 45% of the city's population does not have water connections or proper sanitation facilities in their homes. Similar conditions prevail in other cities with regard to availability of basic water and sewerage services. As a result, the residents of marginal settlement and unserviced urban and suburban areas are forced to utilize contaminated surface and groundwater supplies to meet their domestic water needs. The lack of properly functioning individual sewage disposal systems and absence of a public sanitary collection system in many areas of these cities result in the discharge of human wastes into natural drainage swales and water courses. These sanitary conditions are posing serious environmental health problems for residents in these communities as well as settlements located downstream.

Although no precise information on the level of water pollution exists due to a lack of equipment and resources for researching it, biological indicators, such as substantial reduction of fish populations, indicate that it is reaching significant proportions. The occurrence of fish kills usually takes place in low flow periods of the dry season. One of Honduras' most contaminated bodies of water is the Choluteca River, which runs through Tegucigalpa and Comayagua.

The implementation of the proposed program is not expected to result in any further significant degradation of existing water quality in the major rivers running through urban centers. It is highly unlikely that the construction of new housing units and upgrading will appreciably impact water quality conditions, given existing high pollution levels. To the contrary, the proposed housing program will require installation of sewage collection and disposal systems in each project thus improving water quality conditions. In smaller communities, selection of appropriate design standards will first take into account protection of water quality. For example, latrines will not be built

315

near individual family wells. Appropriate engineering and environmental controls will be exercised by CABEI to determine the most cost-effective and environmentally sound sanitary collection and disposal system options which will be permitted in projects to be presented for CABEI financing.

2. Natural Hazards, Environmentally Sensitive Areas, and Physical Development Constraints

Numerous natural constraints exist throughout Central American metropolitan areas which could potentially affect the implementation of the proposed housing and upgrading programs. Existing physical conditions which pose difficult development problems include steep slopes in excess of 20%, expandable soils, landslides and periodic flooding. Other development limitations include soil impermeability, high water table, poor drainage, flooding, and some seismic tremors. The loss of life and severe property damage due to natural disasters, such as the Guatemala earthquake (1976) and Hurricane Fifi in Honduras (1969) attest to the potential seriousness of this problem. The lack of proper consideration of these factors in the site selection project design and construction phases of the housing program may potentially increase construction costs as well as pose physical safety hazards to future project residents. This is a major reason for the detailed two step technical review performed by CABEI which avoids firm commitments to specific sites before adequate studies can be performed.

The potential adverse impacts that the identified natural hazards and related physical development constraints may have on this project will be minimal for several reasons. First, CABEI is aware of the potential presence of these problems and their adverse effects. Secondly, CABEI's engineering and design staff have an established procedure of conducting preliminary field investigations and detailed engineering feasibility studies of potential project sites. Third, this process will be strengthened through the technical assistance on environmental controls to which A.I.D. is already committed.

Based upon these factors, it has been concluded that the proposed program will not be adversely impacted by the potential presence of these critical development constraints and natural hazards. Where several physical conditions and/or dangers are encountered, these problem sites will either be rejected or suitable engineering design solutions will be implemented.

3. Adequacy of Regional Water Supply

One of the water-related environmental concerns involves the growing demand for potable water and the availability of water resources and infrastructure to meet this demand in urban centers. In all four countries, national planning is addressing this issue. The Inter-American Development Bank and the World Bank have financed at least one major water supply project in each country.

The metropolitan area which includes Tegucigalpa, the capital city of Honduras, however, only has access to a total daily supply potential

through existing sources of 80,000 cubic meters in the dry season; minimum need is 115,000.

The current limitations of SANAA's water supply system in Tegucigalpa is primarily attributed to the city's rapid population growth in recent years. Increased demands for potable water are straining both the physical and financial resources of this agency.

The water supply problem is being addressed by SANAA's current planning efforts to expand its water supply sources and distribution system. USAID/Honduras has financed some investments under its employment generation program which have replaced old, leaky pipes and which will develop some new water sources. IDB-financed a study performed by a German group (Lahmayer) on future water sources for Tegucigalpa which recommended the construction of a costly second dam in the Guacerique Valley.

SANAA has received a USAID grant to hire a consultant firm to review the Lahmayer study and by March 1987, to recommend the most economical water supply projects. A new dam on the Río Grande appears the likely principal recommendation.

The InterAmerican Development Bank has expressed considerable interest in providing financing for the recommended solution. IDB is also considering a request from SANAA to finance immediate improvements to minimize the shortage of water until a new dam is operational in 1990. This program includes rehabilitation and installation of wells, control of leaks, increase and repair of tanks, extension of pipes, micro and macro metering, and institutional reinforcement. Preliminary estimates indicate that these short term measures will allow for extension of water to households in the period 1986-89. Once the new dam is in operation, water supply will more than double and the shortage of water should be eliminated. San Pedro Sula, the second most important city in Honduras, has obtained combined financing of \$84 million from the World Bank and the Norwegian Government and is implementing a master water and sewer plan.

La Ceiba, Puerto Cortes, and El Progreso, Honduran secondary cities with populations of more than 50,000 people, constructed major new water service less than five years ago, financed with IDB resources. The current SANAA administration is looking for funds to improve the coverage and quality of service. Currently, the IDB is at the point of initiating disbursements of a loan of \$24 million for potable water systems in four other secondary cities; Siguatepeque, Juticalpa, La Paz/Cane and Tela.

In Guatemala, EMPAGUA, the institution in charge of the water system for the capital city, is trying to increase the supply of water through various projects. The construction or improvement of existing wells, is one of these projects, with financing of \$50-60 million from IDB and the Government of Japan. Empagua, with its own funds, also plans to drill wells, increase the supply of water to the capital brought by

the acueduct Xaya Piscaya (the largest in the country). Finally, the World Bank has set aside \$15 million to strengthen and improve the administration of Empagua.

The possibilities to channel CABEI funds to urban populations in the interior of Guatemala are scarce because of existing governmental regulations which require the Instituto de Fomento Municipal (INFOM) to loan funds to municipalities at an interest rate less than 5%. Nevertheless, if this obstacle is overcome, there would be no problem in extending the supply of water to interior urban populations. INFOM presented a list of 19 sanitary sewer projects and 8 water projects, which indicates that the major problem in the interior is sanitary sewers.

In El Salvador, ANDA has obtained funds to install mains which would permit the incorporation of water into the city network from the north zone. ANDA is now studying the possibilities of drilling new wells to incorporate into the north zone project and to bring water from the Rio Lempa and Lake Ilopango to San Salvador. In San Miguel, a city in the east of the country, they are installing and equipping new wells and in Santa Ana, in the west, they are studying new sources of supplies.

In Costa Rica, AyA, the public authority in charge of the supply of water in the capital of San Jose and some other municipalities in the interior, have obtained a loan of \$50 million from the World Bank and the Commonwealth Development Commission to help increase the potable water supply in the capital and \$43 million in the capital and \$43 million for potable water systems in interior cities.

The Instituto de Fomento y Ayuda Municipal (IFAM) is working with a donation from AID of \$7 million and with their own funds to extend water supplying in secondary cities surrounding San Jose.

A regional watershed management project, being carried out by CATIE with ROCAP fundings, is assisting all of these national institutions to more appropriately develop and conserve urban water supplies. This CABEI project will, where possible, cooperate with CATIE in these efforts. Specific areas of cooperation include the promotion of watershed management techniques for the conservation of potable water supplies and the promotion of policies and financial arrangements that will help to conserve and protect the quality of water resources, as well as to pay for infrastructure investments (i.e., internationalization of costs to cover watershed management activities).

4. Relationship to Land Use Plans and Protection of Valuable Natural Resources

Rapid urban growth and increased rural-urban migration have caused major cities to greatly expand their physical size and population concentration. The establishment of marginal communities in environmentally sensitive areas has resulted in serious depletion of ground cover and deforestation in watersheds surrounding these cities. As a result of this environmental degradation, the most vulnerable urban

D. Quality of Life

The combination of settlement patterns and the lack of urban services has resulted in a significant deterioration in the quality of life for the urban poor. Participation in the formal economy is low and frequently characterized by under-employment. Poor health conditions include high rates of infant mortality and malnutrition. Without external sources of credit and assistance, any improvement in the quality of life would be slow and difficult, because the capacity of governments to meet the demand for services with their own resources is very limited.

IV. IDENTIFICATION AND ANALYSIS OF ENVIRONMENTAL IMPACTS OF THE PROPOSED ACTIONS

A. Summary of Critical Environmental Concerns

As a preliminary step to the assessment of the proposed housing program's impacts on the environment, an analysis of the potential interaction between A.I.D.'s proposed actions and existing environmental conditions was conducted. In addition, interviews and consultations with local and national officials responsible for urban and regional planning, development controls, infrastructure, public services and social planning were conducted.

For purposes of identifying potential critical environmental concerns, an impact matrix was prepared to analyze what, if any, components of the proposed housing program might impinge or significantly affect any environmentally sensitive areas of the natural or human environment. The detailed findings of the matrix analysis are presented in Appendix "A". Based upon this evaluation procedure, several critical issues were identified as being important considerations in the determination of the environmental impact of A.I.D. financing of the CABEL shelter and urban development program in Central America. These potential critical environmental concerns are identified below and described in further detail in the following section along with probable impacts of the program in each of these areas:

1. Water Resources and Existing Water Quality;
2. Natural Hazards, Environmentally Sensitive Areas, and Physical Development Constraints;
3. Adequacy of Regional Water Supply in urban centers;
4. Relationship to Land Use Plans and Protection of Natural Resources;
5. Availability of Basic Infrastructure Services;
6. Socio-Cultural Sensitivity.

B. Discussion of Critical Environmental Concerns and Probable Impacts of the Proposed Housing Program

centers have suffered from flooding in the rainy season, a severe drop in river water levels during the dry season, and heavy soil loss from erosion and landslides.

The location of the program's prospective sites for upgrading and new construction will be all within existing urbanized areas. CABEI's regulations require that the proposed residential use of these sites be consistent with existing comprehensive land use plans and development regulations (residential zoning and density requirements) of municipalities and other governmental entities. Furthermore, upgrading will not result in the displacement of any existing businesses, residences, or people.

Most project sites for new construction are vacant and not being utilized for any productive uses. Field investigations revealed that the natural features of the major urban sites have already been subject to major alterations from continuous slash and burn agricultural practices, cattle grazing and deforestation of mature tree cover. Given the high degree of environmental degradation that already exists, the proposed residential uses on these sites will represent a land use improvement. Furthermore, they are compatible with existing and future planned land uses on adjacent properties. CABEI will require that sites in the smaller cities be selected with care to minimize loss of good quality agricultural land.

The private sector emphasis of the program will dictate that all new construction be located where there is a strong market for sales, i.e., in strategic employment/service areas. Indirectly, the program may strengthen the economic growth of these urban centers by providing housing which is conveniently located to employment areas. In addition, the new projects will stimulate new business opportunities to meet the commercial/service needs of project residents.

5. Availability of Basic Infrastructure Services

Access to basic public infrastructure services, particularly potable water supply and sanitary sewage collection/disposal, is a critical problem in all urban areas. The absence or inadequacy of these support systems are a major cause of poor environmental health conditions in target population communities. Thus, both upgrading and new construction projects may be expected to encounter potential problems of how to obtain essential infrastructure services to meet their needs. For this reason, 12% of this project has been reserved for off-site infrastructure to provide flexibility in financing to meet the problem.

The provision of basic infrastructure services has long been a CABEI pre-requisite to the approval of financing for all projects. Promotors, supervised by the Intermediary Financial Institutions approved by CABEI, will coordinate site planning efforts with the appropriate water and/or sewage authorities to secure these essential services from public agencies. However, in the event that cost and/or engineering constraints do not permit connection of project infrastructure systems to

existing municipal systems, independent community support systems will be constructed, operated, and maintained to meet the needs of project residents.

The installation of basic infrastructure services in all projects will represent both a quantitative and qualitative improvement in the lives of project beneficiaries. The projects will provide these services--potable water, sewage collection/disposal, storm drainage, solid waste collection, and electricity. As a result of the improved level of these urban services, the program will have a beneficial effect on both environmental hygiene and personal health conditions of the project residents.

6. Socio-Cultural Sensitivity

Several specific areas which have a significant effect on the quality of the built environment were identified through visiting numerous existing housing projects in Central America. Critical social dimensions identified as important in the successful planning, design, and implementation of low-income housing projects include: (1) use of appropriate housing design standards compatible with the financial limitations and basic physical needs of prospective beneficiaries; (2) replacement of the concept of housing as a finished product with that of progressive or staged construction over time to meet changing social needs; (3) orientation sessions and opportunities for participation of beneficiaries in some type of community organization to oversee the maintenance and operation of the projects upon their completion.

A review of the proposed program's planning, design, and implementation process and the sensitivity and technical capacity of CABEI's staff to deal with the above social issues indicates that these critical concerns will be effectively integrated into the overall program design. The selection and design of individual housing solutions of project beneficiaries will be conducted in such a way so as to require compatibility between housing costs and the ability of recipients to make repayment within their financial limitations.

CABEI will advise implementing agencies on how to design the promotion and management of private sector progressive housing projects and on the intensive community organization required to promote and implement successful upgrading programs. A.I.D. technical assistance will also be provided in the area of modification of existing designs and development of even lower cost designs, especially in the area of sanitation.

The El Salvador national water company (ANDA) and the municipalities of Tegucigalpa and San Pedro Sula in Honduras now have extensive experience in promotion of upgrading, selecting eligible communities, involving marginal communities in the decision-making concerning which investments should be made (within the capacity-to-pay of each community's poorest members), and in cost recovery. The programs in both countries have been addressing the development of infrastructure

standards more appropriate to the limited repayment capacity of low-income beneficiaries. Regionally-based training and technical assistance to be funded under the project will assure the sharing of these positive experiences.

In conclusion, the proposed program has incorporated appropriate design considerations to address these social concerns in order to avoid any significant adverse impacts on the human environment. In the context of existing cultural values and social lifestyles of the target population, the proposed actions will assist beneficiaries to realize their desires and aspirations to have reasonable shelter and improved quality of life.

V. CABEI-FINANCIAL ENTITIES CAPABILITIES ASSESSMENT

A. Institutional Expertise and Experience

CABEI's experience in housing projects has been very substantial in the Central American region with a high volume of production and consistently high technical standards. Its participation in urban infrastructure projects, though to a smaller degree, has been equally successful.

In the execution of shelter programs, CABEI has worked with 38 participant institutions approved by its Board of Directors. From this list, 30 institutions belong to the private sector and are part of the national savings and loans systems for housing and eight institutions are part of the public sector. In this second group, three are regulating institutions, two are housing institutes, and two are national banks. Through these institutions CABEI has financed the construction of 48,000 housing solutions for an amount of \$236,000,000.

In the field of urban infrastructure, CABEI has financed major projects in the region through governmental institutions in charge of water, sewerage, electricity, telephone, and road systems.

B. Institutional Eligibility Criteria

Even though CABEI possesses a list of participating institutions, internal policy stipulates that every time a given project is presented, the presenting institution must undergo an evaluation to determine its eligibility. CABEI has a pre-established methodology and format for documentation to facilitate the application for institutional eligibility and project financing. A manual of "Norms and Operating Procedures for Eligibility of Participant Institution" is used to control this process, along with CABEI's "Housing Policy Operating Regulations".

The Section of Social Development, Housing and Infrastructure (DESOVI), is responsible for the evaluation of the institutional application and the recommendation for institutional eligibility which is presented to the Board of Directors for approval.

C. Project Eligibility Criteria and Approval Procedures

CABEI's organizational structure and division of responsibility for the stages of the project cycle is, on the face of it, less complex than large development banks. The stages of the cycle correspond to separate departments, without the complication of sectoral or geographical divisions cross-cutting the organization.

The Promotion and Studies Division (GPE) identifies a pool of project proposals for the programs on the basis of preliminary information, equivalent to a prefeasibility study and determines "Eligibility" of projects. It is through this department that CABEI and the potential borrower have their first contact on a specific project.

The Department of Projects Analysis (ANAP) is responsible for the next step. It provides the borrower with guidelines for feasibility studies that specify the information required to carry out the formal appraisal of the technical, financial, economic and social aspects of the project on which the approval of the loan depends. Once the borrower has furnished this information to the satisfaction of the department, the department prepares a loan appraisal report or "dictamen" following its own internal guidelines. The conclusion of that report is a recommendation to the credit committee and board of directors on whether to approve the loan, based on its projected internal rate of return and other indicators, and a set of conditions or requirements to be included in the loan agreement that govern the implementation of the project.

Once the loan is approved, the Operations Division (GOP), is responsible for implementating and monitoring the process. This involves the translation of the "dictamen" into specific contractual agreements and organizing the supervision of construction, monitoring the financial arrangements and compliance with the technical responsibilities conditional on the loan.

D. Institutional Awareness and Sensitivity to Environmental Issues and Operational Guidelines

CABEI and the institutions with experience in housing and urban development in Central America have demonstrated environmental awareness and a growing interest in developing improved environmental management capabilities. In general, the institutions responsible for major urban infrastructure have developed norms and procedures for environmental protection and applied them at least for major multi or bilaterally financed projects.

CABEI has had experience in environmental planning and management, and is in the process of upgrading its capabilities in this field via the AID Regional Economic Recovery Project.

Within the project cycle of CABEI, environmental factors are mentioned in various documents. For instance, the "Sistema de Financiamiento y Gestión por Programas" cites environmental protection as

a program that would require special efforts to promote. Also, the "Instructivo del Programa de Preinversión" specifies that environmental effects, potential impact and environmental protection measures should be included in the terms of reference for pre-feasibility, feasibility and final design documents. Finally, the "Guía para la Presentación de Solicitudes de Préstamos" issued by the Departamento de Análisis de Proyectos for borrowers requires that the borrower submit information on the environmental effects. However, these guidelines are new and have yet to be put into operation. The technical assistance and training activities to be funded by this (shelter and urban infrastructure) project will expand CABEI's environmental capabilities to cover 596-0143 project concerns.

Technical Assistance

Long-Term - Shelter and Urban Infrastructure Environmental Advisor

A technical advisor will be contracted by CABEI for a 24 month period to develop the environmental assessment and management capabilities needed for the shelter and urban infrastructure sector of the Bank. This advisor will train technical specialists within CABEI and the IFI's to be able to take over the activity during the latter stages of the project. The scope of work for this advisor follows:

Scope of Work for Environmental Advisor in Shelter and Urban Infrastructure

1. Assist senior environmental officer of CABEI in the institutional strengthening effort in environmental assessment and management specifically for the shelter and urban infrastructure sector. This effort will include but not be limited to the following:
 - a) to introduce the system of environmental procedures into CABEI's project cycle, starting with program preparation, promotion and eligibility phases, and subsequently the feasibility, loan approval and supervision phases;
 - b) to design and incorporate appropriate technical guidance in support of these procedures making use of existing guidelines from other development agencies as appropriate or preparing specific inputs for CABEI guidelines and documents;
 - c) to manage CABEI's participation in establishing the environmental planning system in terms of counterpart selection and guidance and of securing the necessary commitments and actions by CABEI;
 - d) to introduce the environmental planning system concepts and methodology to the Planning Division;
 - e) to promote the further development of a funding program for environmental protection and management and to assist CABEI in identifying possible funding sources outside the region;

222

2. Organize and carry out training events; this would include the identification and recruitment of participants and the development of case studies (see section on Training).
3. Work with IFIs to develop their environmental assessment and management capabilities and procedures and coordinate with them to improve national legislation and policies. Provide ad-hoc environmental planning guidance to CABEI borrowers.
4. Organize and supervise short-term technical assistance activities (see Section) and carry out studies and activities to contribute to CABEI's program preparation, project identification, and project analysis/supervision as required to initiate the environmental planning system.
5. Work with and train CABEI staff to take over the role of environmental assessment and management in the shelter and urban infrastructure sector.

Short-Term

To support the work of the environmental staff and project technical team, short-term technical assistance will be funded for the following activities:

1. Sectoral environmental expert for GPE to assist in building environmental considerations into program preparation;
2. Environmental analysis experts to introduce environmental assessment and management methodology to the ANAP staff;
3. Specific environmental analysis and control experts to participate in project design/analysis and to transfer experts to ANAP, e.g. sewage treatment, pollution control, road construction/maintenance, etc.;
4. Resource economist to advise ANAP on economic appraisal of sub-projects and the economic and financial implications of environmental protection management measures; and
5. Environmental specialists for specific training events.

Training

The following training activities being planned by CABEI with ROCAP Regional Recovery Project funding will be expanded to cover the needs of this project. Modest amounts of operational funding may be required to permit additional CABEI and IFI participation to meet the needs of the housing and urban infrastructure project.

1. A general seminar for senior CABEI management and department heads covering the following topics:

- Regional environmental issues and trends
 - Implications of environmental issues for the regional economy
 - Prominent development sector interactions that affect natural resource management
 - Case-studies of projects that cause environmental damage and their economic costs
 - Case-studies of projects that incorporate environmental protection and management with financial and economic implications
 - General methodology for environmental planning and management
- * Short-term training programs for GPE and ANAP staff, preferably making use of regional resources and institutions, covering:
- sectoral environmental issues and interactions relevant to the region;
 - environmental analysis and management of projects.
- * Study tour and temporary assignment for CABEI counterpart environmental advisor and possibly one technical staff member from GPE and ANAP to other international development agencies with experience in environmental planning and management (e.g. OAS, IBRD, IDB, USAID).

The previous description demonstrates the interest of CABEI in environmental issues, as well as concrete actions it plans to take to increase its institutional capacity in this area and to improve the understanding and sensitivity of participating institutions.

Additional Specific Training Activities funded by the Shelter and Urban Infrastructure Project:

1.	Participation in general environmental management seminar. Cost increments estimated at:	\$ 10,000.00
2.	Mobil Seminar/Workshop to review and improve draft guidelines and procedures (participants will be engineers from all national IFI's). An expected output is the adoption of these procedures and guidelines by GPE (CABEI) and national IFI's	\$ 50,000.00
3.	2 study tours visiting cooperating country shelter and urban infrastructure projects (participants will include GPE-ANAP staff and environmental expert).	\$ 25,000.00
4.	Counterpart staff training (via INCAE, ERIS, CATIE).	\$ 30,000.00
	Total	<u>\$135,000.00</u>

Costs to be covered principally under ROCAP Regional Economic Recovery Project (596-0114)

325

VI. RECOMMENDATIONS

The potential impacts that could occur in the development process of the housing and infrastructure projects to be financed by this loan have been analyzed based on the existing experience and capabilities of CABEI and the list of eligible institutions to whom it will on-lend financing for project implementation. Consideration was also given to CABEI's commitment to further strengthen its in-house environmental analysis and control capabilities under the approved Regional Economic Recovery Project (596-0114). In addition, this shelter and urban infrastructure project contains a \$315,000 environmental assessment, technical assistance and training component as described in Section V, to strengthen CABEI and the IFIs specifically in environmental management in the shelter and urban infrastructure sector.

Given CABEI's existing environmental awareness, its present technical capabilities to mitigate or to eliminate potential environmental problems through established project review/approval procedures and design standards for housing and infrastructure investments, the environmental reinforcement to be given under A.I.D Project No. 596-0114, plus the training and technical assistance to be provided by this 596-0143 project as outlined in the previous section, we recommend that a negative determination be made for this loan.

APPENDIX B
INSTITUTIONAL ASSESSMENT (INFRASTRUCTURE)

THE CABEI ORGANIZATION

Key staff personnel have provided a clear understanding of how CABEI presently handles projects in the infrastructure area.

Attached is an organizational chart (Attachment 1) of CABEI which shows that below the level of the Presidency, there is the Planning Division, Office de Promotion and Studies, Office of Operations, Legal Department, Department of Projects Analysis, Department of Operative Control, Finance Office, Department of Personnel and Organization, and the Area of General Administrative Services.

For purpose of the project cycle three key areas are involved which are:

1. From the Office of Promotion and Studies, Unit for Social Development, Housing and Infrastructure is involved in project promotion and formulation.
2. The Department of Project Analysis has responsibility for the review of the project both from the financial and technical perspectives, including the environmental analysis and will work with other related departments.
3. The Area Project Supervision of the Office of Operations is responsible for project monitoring during the construction phase, including the environmental aspects.

There are other areas of the Bank that are involved in the project cycle, such as the Legal Department, but they are not critical to the overview of the problem of institutional capability. Hence, these units will not be reviewed.

The attached descriptions (Attachments 2) provided by CABEI present detailed descriptions of the functions of each unit. Likewise, a description of the steps involved in the three key phases of the project cycle is provided.

Highlights can be summarized as follows:

1. Area of Social Development, Housing and Infrastructure (DESOVI).

Works in the area of project promotion, formulation and eligibility in conjunction with the executing agency. To do this work, the unit has the following staff:

- 2 -

2 engineers
3 economists
1 chief of area
1 consultant

7 total professional staff
3 secretaries
10 total staff

Normally, activities in the eligibility phase average some 60 days.

2. Department of Project Analysis (ANAP)

Conducts project reviews at two levels. First, it reviews the capability of the implementing organization, both as to its financial capability and its technical depth. Next, it reviews the proposed project from the technical and financial perspective. It also calculates the necessary Net Present Values (NPVs) and Internal Rates of Return (IRRs) to determine cost effectiveness of the proposed projects.

Staff for this unit is as follows:

1 chief of area (Economist)
2 economist/financial analyst
1 business administration specialist
2 public sector economist
1 agriculture economist
1 agriculture engineer
1 architect
1 civil engineer
1 draftman
2 administrative assistants

13 total professional staff
4 secretaries
1 filing clerk
18 total staff

Depending on the magnitude of the project, the analysis cycle takes approximately 90 days.

3. Area of Supervision (SUPRO)

The area of supervision is responsible for monitoring the construction of the project and disbursement of funds.

This area is critical in determining not only that the construction standards are being met, but also that the phases are being completed in a timely manner. Consequently, this monitoring activity is tied to disbursement of funds.

Staffing for this unit is as follows:

328

10 engineers (1 en San Salvador, and 1 in Guatemala)
 4 economists/business administration specialist
 1 disbursement official
15 total professional staff

1 filing clerk
 5 secretaries
21 total staff

The first disbursement is effectively the time of project initiation. Average project timing is as follows:

First disbursement	90 days
Completion of Project	average 18 months depending on nature of the project.

SUMMARY OF STAFFING

The total number of CABEI staff involved in the project submission and execution phases can be summarized as follows:

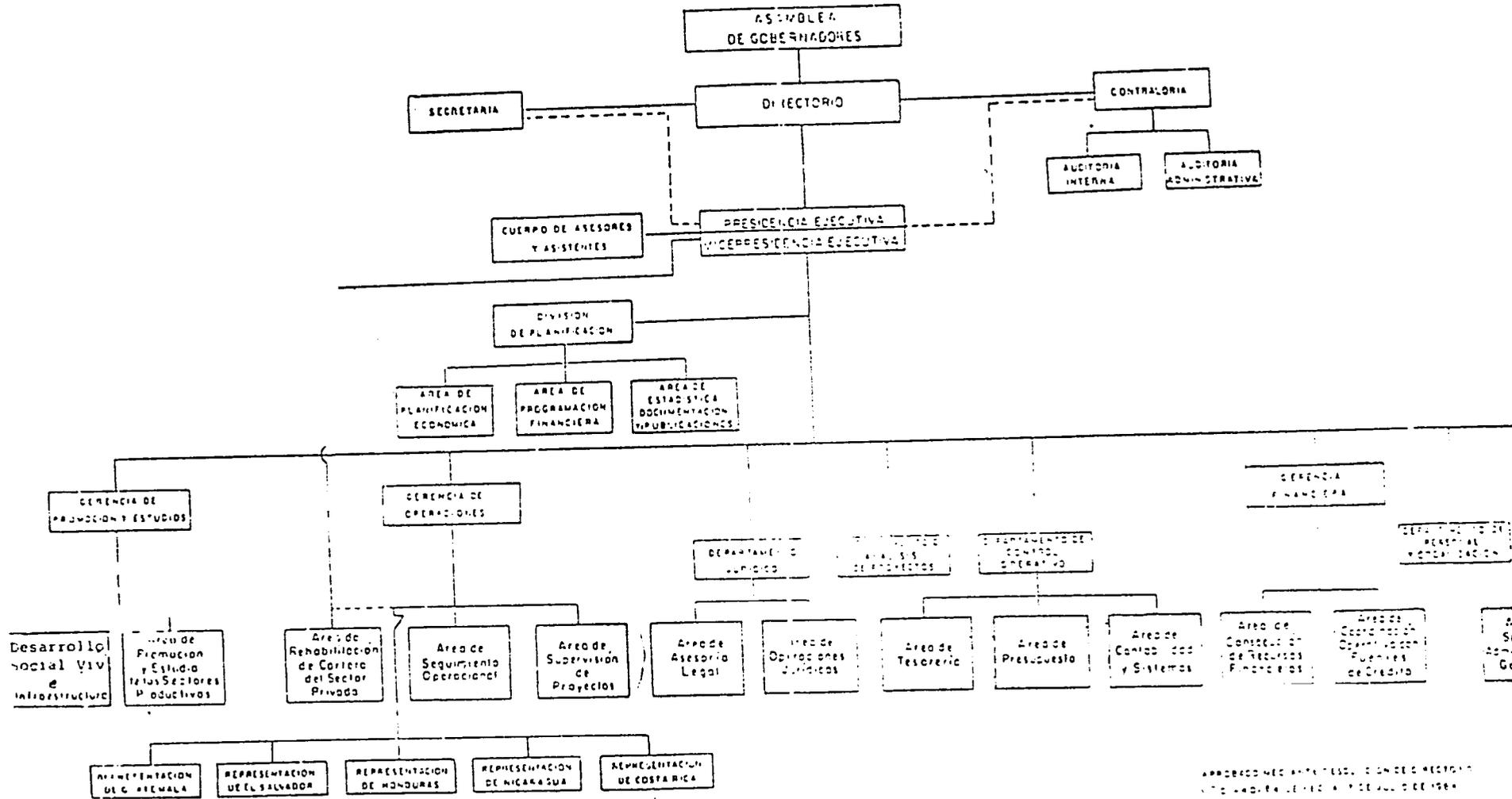
	TOTAL	PROFESSIONAL	CLERICAL
DESOVI	10	7	3
ANAP	18	13	5
SUPRO	<u>21</u>	<u>15</u>	<u>6</u>
Total staff	49	35	14

Total CABEI staff is estimated at 200 employees, so approximately 25% of the staff is involved in reviewing and monitoring activities.

329

Best Available Document

RCIE GRAFICA GENERAL DE ORGANIZACION



APROBADO POR LA RESOLUCION DE REGISTRO N.º 1000/84 DEL 15 DE JULIO DE 1984 Y MODIFICADO POR RESOLUCION N.º 1000/84 DEL 15 DE JULIO DE 1984

370

FUNCIONES SUPRO

I) SUPERVISION TECNICA DE PROYECTOS

Actividades de la Supervisión Técnica de Proyectos

1. Conocer el dictamen de elegibilidad del proyecto preparado por la GPE.
2. Conocer el dictamen de la solicitud de préstamo elaborado por ANAP.
3. Revisar el proyecto de contrato de préstamo y hacer las observaciones del caso.
4. Emitir opinión sobre solicitudes de ampliación del plazo para escriturar préstamos, formuladas por futuros prestatarios.
5. Analizar los documentos pertinentes presentados por futuros prestatarios y decidir sobre el cumplimiento de condiciones técnicas previas a la escrituración de préstamos.
6. Analizar y aprobar en su caso, el programa de cumplimiento de condiciones previas a desembolsos de préstamo que presentan los prestatarios.
7. Preparar asignación de responsabilidades para decidir el cumplimiento de condiciones previas a desembolso de préstamos.
8. Dictaminar solicitudes de ampliación de plazo para cumplimiento de condiciones previas a desembolsos de préstamos.
9. Dictaminar solicitudes para flexibilizar el cumplimiento de condiciones previas a desembolsos de préstamos.
10. Analizar los documentos pertinentes presentados por prestatarios y decidir sobre el cumplimiento de condiciones técnicas previas a desembolsos de préstamos.
11. Controlar y dar por cumplidas las condiciones previas a desembolso de préstamo cuando todas las áreas responsables se hayan pronunciado favorablemente.
12. Emitir opinión sobre los documentos técnicos que debe presentar el prestatario a satisfacción del Banco, tales como: Planoś, especificaciones, presupuestos, programas, términos de referencia, etc.
13. Emitir opinión sobre la metodología y procesos que se seguirán para la obtención de bienes y servicios del proyecto (consultoría, construcción, suministro maquinaria y equipo, montaje, supervisión, etc.).

14. Emitir opinión sobre el análisis de las propuestas para adjudicación de contratos para la obtención de bienes y servicios del proyecto.
15. Emitir opinión sobre los borradores de los contratos para la obtención de bienes y servicios del proyecto.
16. Emitir pronunciamiento sobre los contratos suscritos por los prestatarios para la obtención de bienes y servicios.
17. Emitir opinión sobre cambios propuestos al proyecto, acuerdos suplementarios, trabajos extras, ampliaciones de plazo y cualquier otra modificación a los contratos suscritos por el prestatario.
18. Presentar a la consideración de la fuente externa de recursos del préstamo, la información técnica requerida para su correspondiente consideración y/o aprobación.
19. Realizar visitas de supervisión a proyectos en ejecución y verificar el avance y calidad de los trabajos del proyecto.
20. Realizar visitas de supervisión a proyectos en operación, cuando la supervisión administrativa y financiera estime necesario.
21. Asesorar a prestatarios en la preparación de solicitudes de desembolso de préstamos.
22. Analizar y aprobar, en su caso, solicitudes de desembolso de préstamo.
23. Mantener un seguimiento del calendario de desembolsos de los préstamos.
24. Dictaminar solicitudes de modificación del plazo de desembolso de préstamos.
25. Programar y/o reprogramar desembolsos de los préstamos.
26. Revisar informes de progreso de los proyectos y tomar las decisiones pertinentes.
27. Dictaminar solicitudes de modificación del contrato de préstamo.
28. Verificar la terminación de los proyectos y que los trabajos sean recibidos a satisfacción por los prestatarios y se finiqueten los contratos respectivos.
29. Analizar y opinar sobre solicitudes de modificación o liberación de garantías de préstamos.
30. Verificar en los proyectos el estado y monto de la garantías de préstamos a favor del Banco cuando sea requerido.

332

31. En caso de evaluaciones o dictámenes de nuevos préstamos a ser otorgados al Banco por Instituciones Financieras Internacionales, el Area SUPRO actúa como área técnica de enlace, suministrando a dichas instituciones las informaciones de carácter técnico que estas requieran.
32. Cumplir condiciones técnicas previas a desembolsos establecidas por las Instituciones Financieras Internacionales.
33. Realizar supervisiones y/o evaluaciones de proyectos en proceso de ejecución o terminados que requieran Instituciones Financieras Internacionales.

II SUPERVISION ADMINISTRATIVA Y FINANCIERA DE PROYECTOS

1. Proyectos en Ejecución

- 1.1 Efectuar visitas de supervisión en coordinación con las Oficinas Regionales a los proyectos del sector público y privado, para comprobar que éstos se desarrollen satisfactoriamente, de acuerdo al plan global de inversiones aprobado y cumplan con las condiciones establecidas en los contratos de préstamo.
- 1.2 Preparar el informe correspondiente derivado de la supervisión al proyecto, y proceder a la implementación de las recomendaciones.

2. Proyectos en Operación

- 2.1 Efectuar visitas de supervisión en coordinación con las oficinas regionales a los proyectos del sector privado, para comprobar que no existen circunstancias que puedan poner en peligro las operaciones de los proyectos y la recuperación normal del financiamiento del Banco y cumplan con las condiciones vigentes de los contratos de préstamo.
- 2.2 Preparar el informe correspondiente derivado de la supervisión al proyecto, y proceder a la implementación de las recomendaciones.

3. Análisis y Control de Garantías (Asignada a un solo funcionario)

- 3.1 Llevar registros actualizados de los bienes otorgados en garantía al Banco.
- 3.2 Analizar y opinar sobre los planteamientos de modificación o liberación de garantías de préstamos.
- 3.3 Elaboración del informe anual de garantías.
- 3.4 Suministrar periódicamente información sobre garantías a otras Areas del Banco.
- 3.5 Controlar avales bancarios y pólizas de fianzas.

333

4. Análisis y Control de Seguros (Asignada a un solo funcionario)
 - 4.1 Analizar que las pólizas de seguros que cubren las garantías de los préstamos pignorados a favor del Banco, estén elaboradas de conformidad con los contratos de préstamos, debidamente endosados y cumplan con las prácticas generalmente aceptadas en materia de seguros, para proteger adecuadamente los intereses del Banco.
 - 4.2 Registrar en las tarjetas de control de seguros, las renovaciones, vigencia de las pólizas y los pagos de las primas, observando que se cumplan los términos y requisitos necesarios para mantener protegidos los intereses del banco.
 - 4.3 Inspeccionar y evaluar danos en caso de siniestro de bienes que forman parte de las garantías del Banco.
 - 4.4 Gestionar indemnización de seguros de bienes siniestrados que forman parte de las garantías del Banco.
 - 4.5 Recomendar el procedimiento y la aplicación que deba al producto de la indemnización de bienes siniestrados que forman parte de las garantías del Banco.
 - 4.6 Revisar, aprobar los desembolsos y efectuar las supervisiones pertinentes cuando el producto de la indemnización se aplique a la reconstrucción, reparación o reposición del bien siniestrado.
 - 4.7 Recomendar los montos, coberturas y riesgos apropiados de las garantías en base al análisis correspondiente de la paridad legal de las monedas.
5. Análisis y Emisión de Dictámenes sobre Diversos Planteamientos presentados por los prestatarios
 - 5.1 Emitir dictámenes sobre adecuaciones y readecuaciones de préstamos conjuntamente con ANAP.
6. Análisis y Control de la Cartera en Mora y Elaboración de Informes efectuando las Recomendaciones Técnicas Pertinentes (asignada a un solo funcionario)
 - 6.1 Actualizar permanentemente el estado de mora de los préstamos vigentes, tanto del sector público, como del sector privado.
 - 6.2 Conocer la política sobre la suspensión de desembolsos por causa de mora y velar por el cumplimiento de la misma.
 - 6.3 Preparar documento relacionado con el estado y antigüedad de la mora para conocimiento del Directorio.
 - 6.4 Coordinar con las Oficinas Regionales y el Departamento Jurídico, las gestiones de cobro.

224

6.5 Informar semanalmente al Comité de Desembolsos sobre el estado de la mora.

7. Análisis y Control de Estados Financieros

7.1 Solicitar oportunamente a los prestatarios la presentación de los estados financieros auditados.

7.2 Analizar la información presentada por los prestatarios, efectuando las observaciones particulares que el caso amerite.

8. Programa de Vivienda del Banco

8.1 Revisar y analizar los informes trimestrales sobre hipotecas de viviendas de las instituciones participantes.

8.2 Controlar las hipotecas sobre viviendas financiadas por el Banco y supervisar la cartera hipotecaria de las instituciones participantes.

8.3 Aprobar novaciones por cambio de deudores hipotecarios de vivienda solicitadas por instituciones participantes.

8.4 Verificar cancelaciones de hipotecas solicitadas por instituciones participantes.

8.5 Supervisar la cartera hipotecaria de vivienda y educacional del Fondo de Prestaciones Sociales.

9. Trabajos Especiales (asignados anualmente)

9.1 Recomendar los niveles adecuados de reserva para préstamo incobrables de la cartera del sector privado, bienes adjudicados de inversiones de capital de riesgo.

9.2 Representar al Banco en las Asambleas de Accionistas y Sesiones de Consejo de Administración*, donde el Banco tiene inversiones de capital.

9.3 Recomendar sobre los préstamos que contablemente no deben acumular intereses y comisiones en cuentas de resultados.

9.4 Elaboración del Plan Operativo Anual (POA) y Presupuesto.

* según sea necesario.

275

III APOYO A OTRAS AREAS DEL BANCO

- Apoyo al Departamento ANAP para dictaminar solicitudes de préstamo, readecuaciones, cambios de destino y otros similares.
- Apoyo a la Gerencia Financiera en las relaciones entre el Banco y las Fuentes Externas de Recursos.
- Apoyo a la Gerencia de Programación y Estudios por medio de la participación del Area SUPRO en los Comités de Vivienda y Preinversión.
- Apoyo al Departamento de Control Operativo en negociaciones de convenios de pago de mora de los sectores público y privado en los países.
- Apoyo al Area RECAP en el análisis y dictamen de problemas técnicos en proyectos a su cargo.

IV OTRAS FUNCIONES

- Seguimiento del trámite de solicitudes de préstamo.
- Programar viajes para supervisión de proyectos.
- Elaborar informes trimestrales de proyectos en ejecución.

326

APPENDIX C
EXISTING METHODOLOGY TO SELECT, APPROVE AND
MONITOR PROJECTS WITHIN THE PROGRAM

In all Central American countries there exists extensive experience in managing housing and urban infrastructure projects as well as a common methodology in the selection, approval and tracking of projects for the different participating institutions.

As one example, presented is a brief description of the review for a housing and an infrastructure project in Honduras.

1. Housing Example

A promoter would submit a prefeasibility study to INVA, the public housing authority, along with his sales proposal. INVA, after analyzing the economic and technical aspects of the project, would, preliminarily approve it, and send the study to CABEI. GPE would determine the eligibility of the project. Once CABEI notifies INVA that the project is eligible, INVA asks the promoter for preliminary plans. INVA's Engineering Department then reviews these plans as well as the project site to determine the technical feasibility of the project, including land use, slopes, soil types, ease of locating infrastructure, ease of hygienic access to the area and environmental impact. Based on this analysis, project costs, beneficiary costs, terms of financing and socioeconomic benefits of the project are spelled out.

Simultaneously, the promoter sends a copy of his preliminary plans to the municipality, where they are reviewed for the following:

- a) Ownership of the land
- b) Property taxes
- c) Land use
- d) Agreement of proposed land use with the urban development master plan.
- e) Open space and public uses (parks, schools, health centers, etc.)
- f) Environmental problems - slopes, erosion, mudslides, etc.
- g) Access to public transport

Another copy of the preliminary plans is sent to institutions responsible for infrastructure, such as SANAA (water and sewer) and ENEE (electricity).

SANAA reviews at this stage the availability of services requested and calculates the cost, the rate of water supply and drainage.

ENEE reviews the feasibility of providing electric services and the cost. Once these reports are completed, and assuming they are favorable, INVA proceeds with processing the application through CABEI. The Project Analysis Department of CABEI (CANAP) prepares a report according to its own internal guides. The report includes a recommendation to finance the project or not. This report, if favorable, is sent to the credit committee and the Board of Directors for approval.

Once financing is obtained, the promoter is notified by INVA to prepare and present final plans, designs and technical and economic calculations to INVA for its approval. These final plans are again sent to SANAA, ENEE and the municipality for their review and approval.

The municipality studies the design of the houses, street width, lanes and sidewalks, storm water drains, open space, space for schools, markets, commercial areas, etc. and verifies the related environmental and transportation aspects.

SANAA reviews the design of potable water and sewers systems.

ENEE reviews the street lighting system.

INVA reviews the entire design, including problems of slopes, erosion and potential environmental problems created by the project that could injure beneficiaries or neighbors. INVA also reviews the cost and determines the sales price of the land.

Once the necessary approvals are obtained, the study, with the corresponding reports, are sent to CABEI where they are reviewed by the Operations Division (GOP) which writes a loan agreement and organizes construction supervision.

At the outset of construction work, INVA, the municipality, SANAA and ENEE assign their supervisors to ensure quality control over the work to be undertaken in their respective areas. CABEI also controls advances and the quality of work through GOP personnel.

2. Infrastructure Example

In this case, the low income community organization (or patronato) requests that the municipality install water and sewers in its area.

The municipality, through its technical department, undertakes a field investigation to determine the technical feasibility of the project and preliminary cost estimates. Then the municipality consults with SANAA regarding the possibility of obtaining water at the site and incorporating the community into the SANAA system. In a parallel development, the section of community aid of the municipality undertakes a survey of incomes to verify if the community can pay for these improvements.

Once the municipality has selected a project or package of similar projects, they send this data to CABEI for its determination of eligibility. The Promotion and Studies Division (GPE) determines the eligibility of the project and notifies the municipality to proceed with processing.

Subsequently, Municipal representatives meet with the patronato and present a preliminary budget so that they can meet with the community to explain the costs and benefits of the program.

The municipality submits, for the consideration of CABEI, the preliminary project or package of similar projects with a budget. The Project Analysis Department (ANAP) prepares a report which includes a recommendation to the Credit Committee and the Director for loan approval. Once the Municipality obtains financing, they develop a final study including plans and bidding. This package of documents is sent to SANAA for its review.

Once the approval of SANAA is obtained, the documents are sent to CABEI where they are reviewed by the Operations Section(GOP) which writes a loan agreement for the package of projects presented.

The Municipality submits projects for public bid and once contracts are awarded, executes an order to initiate work. SANAA is in charge of the general supervision works of on and off-site construction while the Municipality contracts out for the supervision of works within the site. The Municipality through its Betterment Tax office calculates the cost for beneficiaries and the betterment tax, establishes the general terms of repayment for the neighborhood and the maximum term for repayment for individual beneficiaries. The costs are recuperated through billing for water services through SANAA. SANAA then passes payments on to the Municipality where accounts are kept in the betterment tax.

APPENDIX "A"

ENVIRONMENTAL IMPACT MATRIX

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERNS	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)
<u>PROGRAM/PROJECT IMPACTS ON THE ENVIRONMENT</u>			
<u>NATURAL ENVIRONMENT</u>			
1. Existing Water Resources:	C	Storm Drainage Sanitary Disposal	(+ -) Slight improvement in quality of potable water sources may be expected, because of reduced loading of sediment & raw sewage discharges. However, potential exists for contamination of rivers directly receiving raw sewage discharges.
A) Surface (Rivers, Lakes, Reservoirs)			
B) Underground (Aquifers)	U		
C) Estuary	U	Storm Drainage Sanitary Sewage Disposal	
D) Ocean	U		(+) Avoid or reduce potential contamination of aquifers by construction of storm drainage and sanitary sewerage.
2. Environmental Sensitive Areas:			
A) Unique or Unstable Geological Formations	C	Site Location of Projects	(+) Strict Adherence to Site Selection Criteria & Preparation of Engineering Feasibility Studies Will Avoid Potential Adverse Effects of Inappropriate Siting of Projects in Environmentally Sensitive or Hazardous Areas.
B) Wetlands, Marshes, Floods, and Estuaries	P		

Column 2 Symbols: N = This area of concern is not applicable to the country, region of the proposed project.
 U = This area of concern is unlikely to be of importance.
 P = This area of concern is potentially of importance.

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2941

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)
C) Aquifer Recharge Areas	U		
D) Rare or Endangered Plant and Animal Species and Their Habitats	U		
E) Historical, Archaeological, and Cultural Resources	U		
3. Influence on Existing and/or Future Land Use Activities and Development Patterns Which May Affect:			
A) Wildlife Refuges	U		
B) Prime Agricultural Lands	P	Site Location of Projects	(-) Strict Adherence to Site Selection Criteria Will Minimize Loss of Valuable Agricultural Land.

Column 2 Symbols: NA -- This area of Concern is not applicable to the country, region of the proposed project.
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2/2/72

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)
C) Valuable Natural Resources Forests, Wetlands, Minerals Etc.	C	Site Location of Projects	(+) Consistency in Siting Projects with Comprehensive Land Use Plans Will Lead to Improved Urban Growth Pattern & Prevent Loss of Natural Resources, Particularly Forests & Wetlands.
D) Open Space/Recreation Lands	U		
F) Ecological Balance of the the Area/Region	P		(+) Development of Site Selection Criteria & Their Strict Application Will Ensure That the Capacity of Natural & Human Ecological Systems will Not be Exceeded by Project Requirements. Implementation of the Site Selection Criteria will Assist in Preserving the Ecological Balance in the Areas of Development.

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343

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS--NEGATIVE (-) POSITIVE (+)
4. Ecological Consequence from Introducing New or Different Technological Systems Associated with Community Infrastructure & Services:			
A) Water Consumption Versus Supply Limitations	C	Potable Water Supply & Distribution Sanitary Sewage Collection & Disposal	(-) An increase in Water Consumption May Be Expected As a Result of the Installation of Individual Water Connection or Community Standpipes. Similarly, Waterborne Sewage Systems Will Increase Usage. However, Feasibility of Housing Projects Will Require Adequacy of Water Supply & Availability of Distribution System to Make Off-Site Connection.
B) Energy Requirements	U	Provision of Electricity	(-) A Small Increase in Electrical Consumption May Be Expected as a Result of the Provision of Electricity to Families Not Previously Benefitted. However, this cost is Justified on the Basis of Social Benefits.
C) Ambient Air Quality	U		
D) Water Quality	C	Sanitary Sewage Disposal	(+) Alternative Treatment & Disposal Methods Will Be Studied in Conjunction with Project Design.
E) Change in Agricultural Practices and Use Of Human Waste for Fertilizer	P	Sanitary Sewage Disposal.	

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344

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)
<u>Human Environment</u>			
1. Traditional Customs & Socio-Cultural Conditions:			(+ -) Participation of Beneficiaries in Project Planning and Social Orientation Sessions as well as Self-Help Activities Will Encourage the Development of a Sense of Community and Cohesiveness. In Private Sector Projects, Early Organization of Beneficiaries Will Be an Essential Support to their Sales Process. The Success of the Community Organization Aspect Will Influence Both the Short-and Long-Term Quality of Life of the Housing Projects.
A) Community Character & Cohesion	P	Social Planning Component	
B) Social Organization	C	Social Planning Component	
C) Institutional Structures	P	Social Planning Component	
D) Life Styles & Cultural Traditions	P	Social Planning Component	
E) Family Patterns & Values	P	Social Planning Component	
F) Demographic or Social Profile	U		

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2/15

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)
G) Level of Personal Safety & Convenience	U		
2. Established Housing Concepts and Practices:			(+) There is a Lot of Experiences in the Area with Different Types of Solutions, Building Materials, Housing Forms, and Interior Space Relationships. This Previous Experience Demonstrates That These Technical Aspects Are Compatible with Traditional or Prevailing Patterns of Housing Construction and Cultural Lifestyles, Especially in the Case of Self-Help or Upgrading Projects.
A) Building Materials	U		
B) Construction Techniques	U		
C) Housing Form and Styles	U		
D) Interior Design or	U		
E) Spatial Relationships of Structure to Other Shelter Components (Courtyards, Cooking Area, Bath, etc.)	U		

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2/18

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)
F) Population Density	U		
G) Housing Location	U		
3. Effect on Public Health and General Well-Being:			
A) Communicable Disease Control and Environmental Health Conditions	P		
B) Displacement and Relocation of Population	U	Total Housing Program	(+) Proposed Shelter Solution and Related Infrastructure Improvements Will Result in Improved Personal Hygiene and Overall Quality of Life for Project Beneficiaries. However While the Number of Potential Sources and Types of Disease Vectors May Be Reduced, They May Not Be Totally Eliminated.

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LH 507

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2.	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS--NEGATIVE (-) POSITIVE (+)
C) Employment/Income Generation	U		(+) Employment & Income Generation Opportunities in the Construction Trades Will Be Moderately Increased and Are Expected to Occur Over a Short-Term Period of five years.
D) Land Tenure and/or Stability of Human Settlement Areas	U		
E) Income Expenditure Pattern	U		(+) Voluntary Adjustments in Income Expenditure Patterns Will Occur as a Result of the Program's Requirement of Cost Recovery. Tolerable Limits Will Be Established to Avoid Financial Hardships.

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25

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4																						
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)																						
<p>LOCATIONAL FACTORS POTENTIALLY IMPACTING PROGRAM/PROJECT</p> <p>1. Natural Hazards:</p> <table border="0"> <tr> <td style="padding-left: 20px;">A) Seismic Disturbances</td> <td style="text-align: center;">C</td> <td style="padding-left: 20px;">Site Location of Projects</td> <td rowspan="7" style="vertical-align: top; padding-left: 20px;">The Development of Site Selection Criteria & Conducting Engineering Feasibility and Project Design Studies Will Avoid the Potential Hazards and Adverse Impacts Associated with These Natural Hazards.</td> </tr> <tr> <td style="padding-left: 20px;">B) Flooding/High Water Table</td> <td style="text-align: center;">C</td> <td style="padding-left: 20px;">Site Location of Projects</td> </tr> <tr> <td style="padding-left: 20px;">C) Droughts</td> <td style="text-align: center;">NA</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">D) Tornados, Hurricanes or Sirroccos</td> <td style="text-align: center;">C</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">E) Landslides, Rock Slides, or Unstable Slope Conditions</td> <td style="text-align: center;">C</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">F) Fires</td> <td style="text-align: center;">U</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">G) Soil Stability-Shifting Sands, Expanding Clay, Erosion, etc.</td> <td style="text-align: center;">C</td> <td></td> </tr> </table>				A) Seismic Disturbances	C	Site Location of Projects	The Development of Site Selection Criteria & Conducting Engineering Feasibility and Project Design Studies Will Avoid the Potential Hazards and Adverse Impacts Associated with These Natural Hazards.	B) Flooding/High Water Table	C	Site Location of Projects	C) Droughts	NA		D) Tornados, Hurricanes or Sirroccos	C		E) Landslides, Rock Slides, or Unstable Slope Conditions	C		F) Fires	U		G) Soil Stability-Shifting Sands, Expanding Clay, Erosion, etc.	C	
A) Seismic Disturbances	C	Site Location of Projects	The Development of Site Selection Criteria & Conducting Engineering Feasibility and Project Design Studies Will Avoid the Potential Hazards and Adverse Impacts Associated with These Natural Hazards.																						
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10/26/61

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS--NEGATIVE (-) POSITIVE (+)
2. Environmental Health Problems:		Potable Water Supply	(+)
A) Water Quality	C	Sanitary Sewage Disposal	Improved Housing and General
B) Climate and Ambient Air Quality	U		Environmental Health Condi-
C) Exposure to Communicable Diseases	P	Potable Water Supply; Sanitary Sewage/Solid Waste Disposal	tions Should Reduce Exposure to Health Risks.
D) Man-Made Nuisance--Noise Odors, Toxic Materials, etc.	U		
3. Availability and Capacity of Basic Community Infrastructure and Services:			(+) Anticipated Location of Housing Projects Will Be in Existing Urban Centers With Convenient Access to Public Transportation.
A) Transportation--Accessibility to Jobs, Services, etc	U	Site Location of Projects	
B) Water Supply and Distribution	C	Potable Water Supply and Distribution	(+) Site Selection Criteria and Development Feasibility Analyses will Ensure Availability and Adequacy of Water and Sewerage Services.
C) Sewage Collection, Treatment and Disposal	C	Sanitary Sewage	
D) Health Care	U		

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MS

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)
E) Solid Waste Collection and Disposal	U		
4. Urban/Regional Growth and Land Use Considerations: A) Strains on the Capacity of Existing Natural Systems (Food Production, Water Supply, etc.) or Man-Made Systems (Public Transport, Electrical Supply, Schools, etc.) Due to Prevailing Physical Growth Pattern of Urban Center(s) Anticipated to Be Possible HC Sites.	C	Storm Drainage Potable Water Supply Sanitary Sewage Disposal	(+) Compatibility Between Selected Project Sites and Land Use Plans as Well as Ecological/Infrastructure Constraints will be Evaluated as Part of Site Selection Criteria to Avoid or to Minimize Impacts in These Areas.
B) Identifiable Important Environmental Resources Threatened by the Process of Urbanization. Rare or Endangered Plant and Wildlife Habitats	U		(+) Protection of Environmentally Sensitive Resources Will Be Affordable Through the Adoption of Strict Standards Governing Site Selection and Project Design.

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251

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS-NEGATIVE (-) POSITIVE (+)
Unique Natural Areas	U		
Scarce or Critical Raw Material	U		

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352

CHECKLIST FOR
ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
LIST OF SELECTED CRITICAL ENVIRONMENTAL CONCERNS	LEVEL OF PROJECT CONCERN*	PROGRAM/PROJECT COMPONENTS LIKELY TO CAUSE CHANGES	ENVIRONMENTAL NATURE OF PROBABLE IMPACTS--NEGATIVE (-) POSITIVE (+)
Wetlands	P	Total Housing Program	(+) Protection of Environmentally Sensitive Resources Will Be Afforded Through the Adoption of Strict Standards Governing Site Selection and Project Design.
Agricultural Lands	P	Total Housing Program	
Flood Plains	C	Total Housing Program	
Forest	C	Total Housing Program	
Historic, Archaeological and Culturally Significant Sites	U	Total Housing Program	

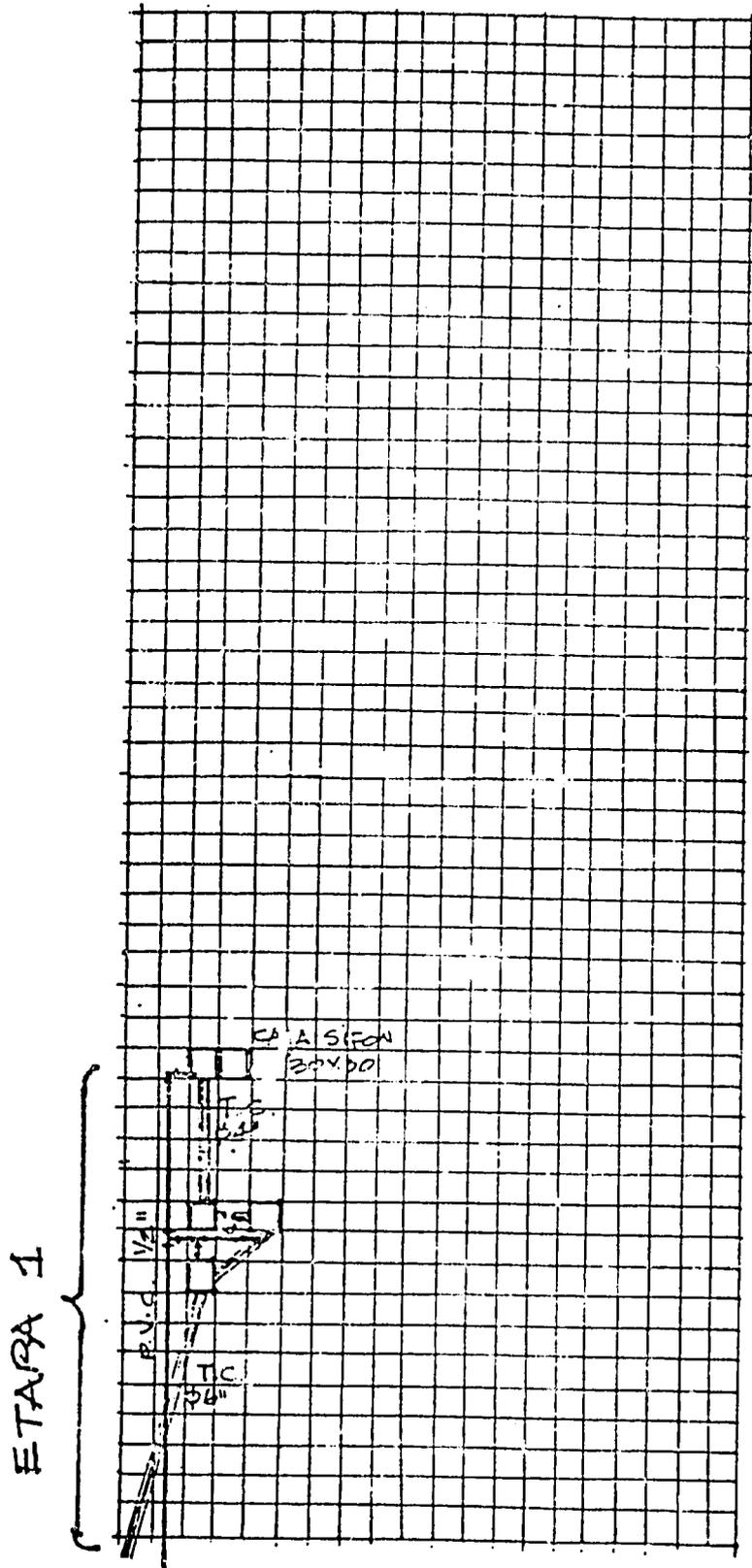
Column 2 Symbols: NA -- This area of Concern is not applicable to the country, region of the proposed project.
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65

LOTE URBANIZADO - SITE AND SERVICES

LOTE 6.00 x 15.00 - 90 M²

20 MODULOS DE 0.30 M x 50 MODULOS 0.30x0.30



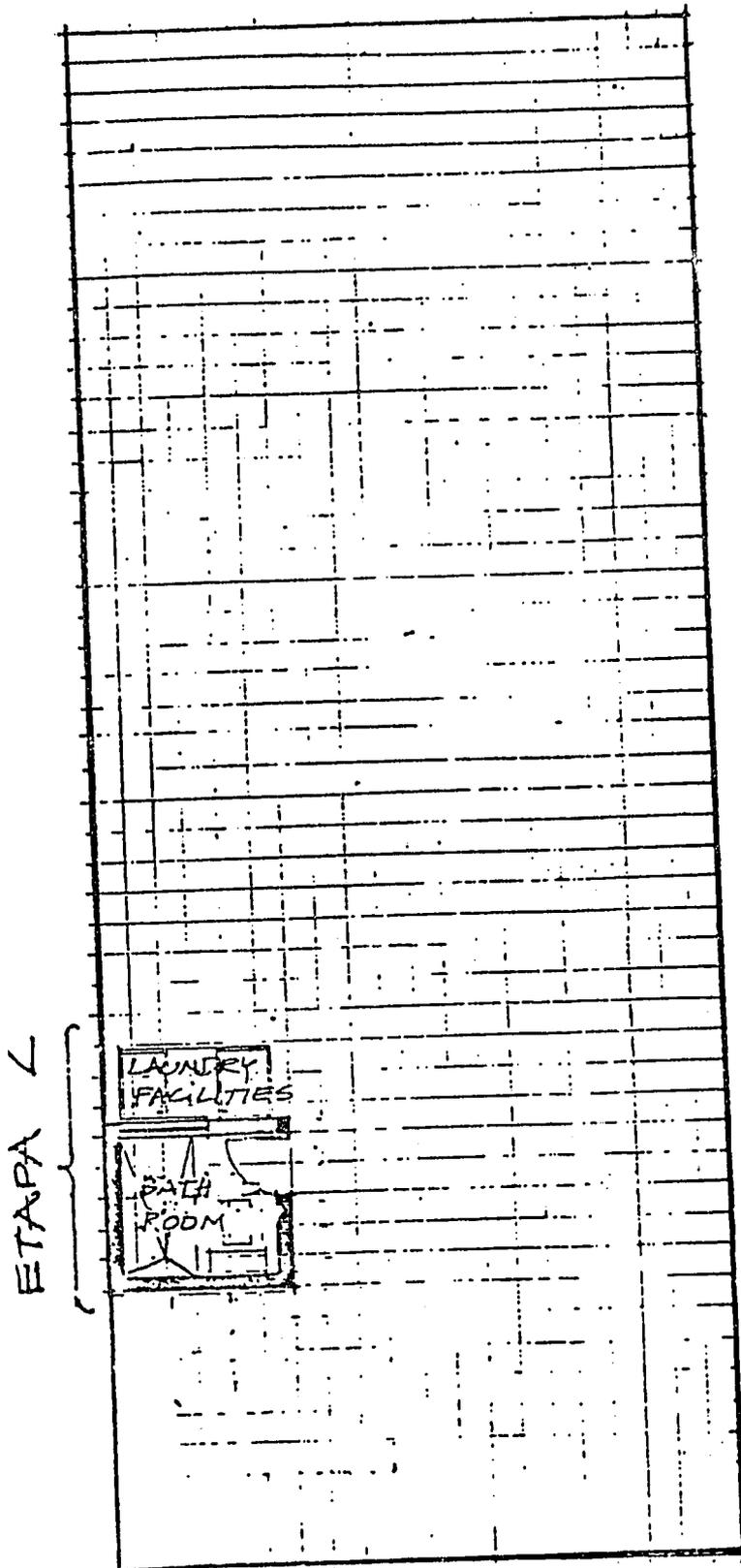
ESCALA 1:75

354

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UNIDAD SANITARIA AREA TECHADA 306 M²

PROTOTIPO A LOTE 6.00 X 15.00



MODULO DE DISEÑO
0.30 X 0.30 M.

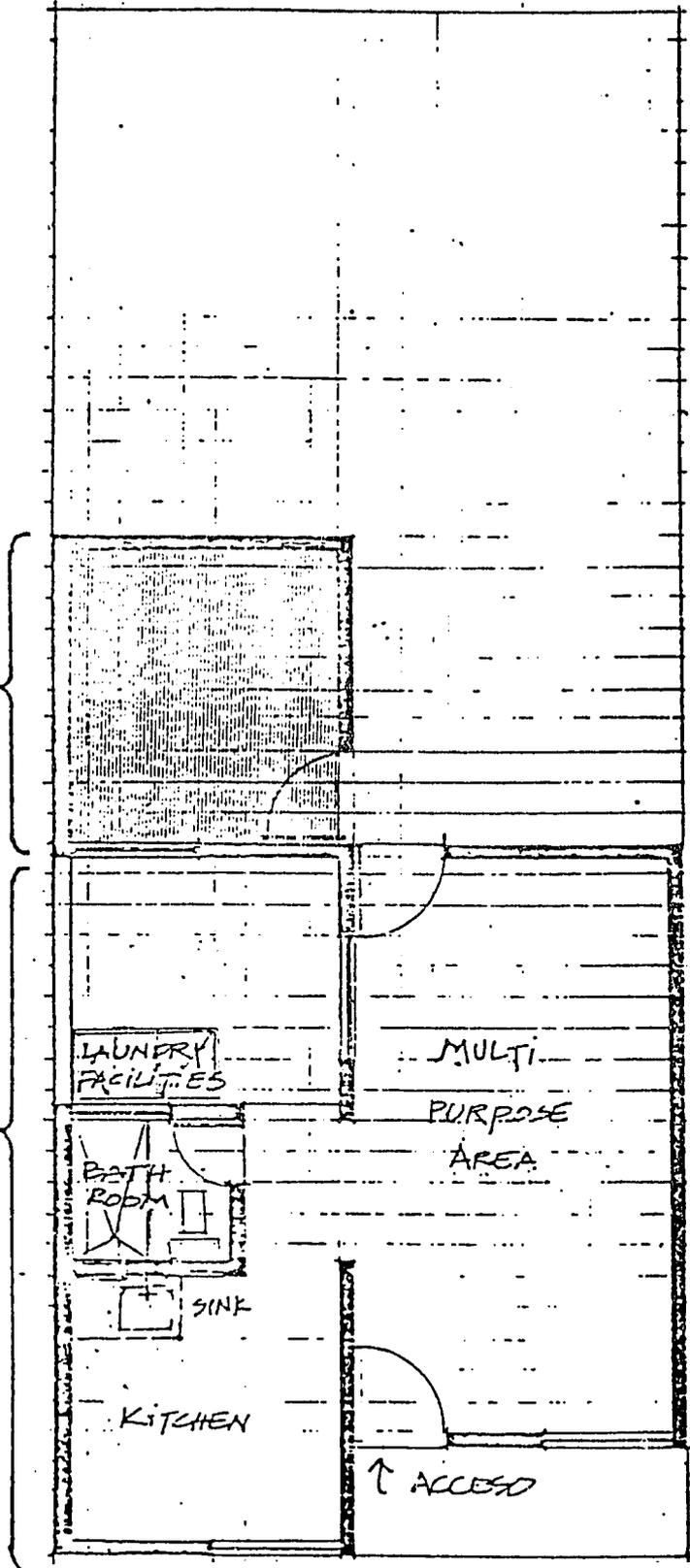
ESCALA 1:75

333

UNIDAD BASICA 30 M²

PROTOTIPO A LOTE 6.00x 15.00 M
LEVEL N°

ETAPA 3
UNIDAD BASICA
1^{er} AMPLIACION



MODULO DE DISEÑO
0.30 x 0.30 M.

UNIDAD BASICA 30 M²
AMPLIACION 10 M²
TOTAL: 40 M²

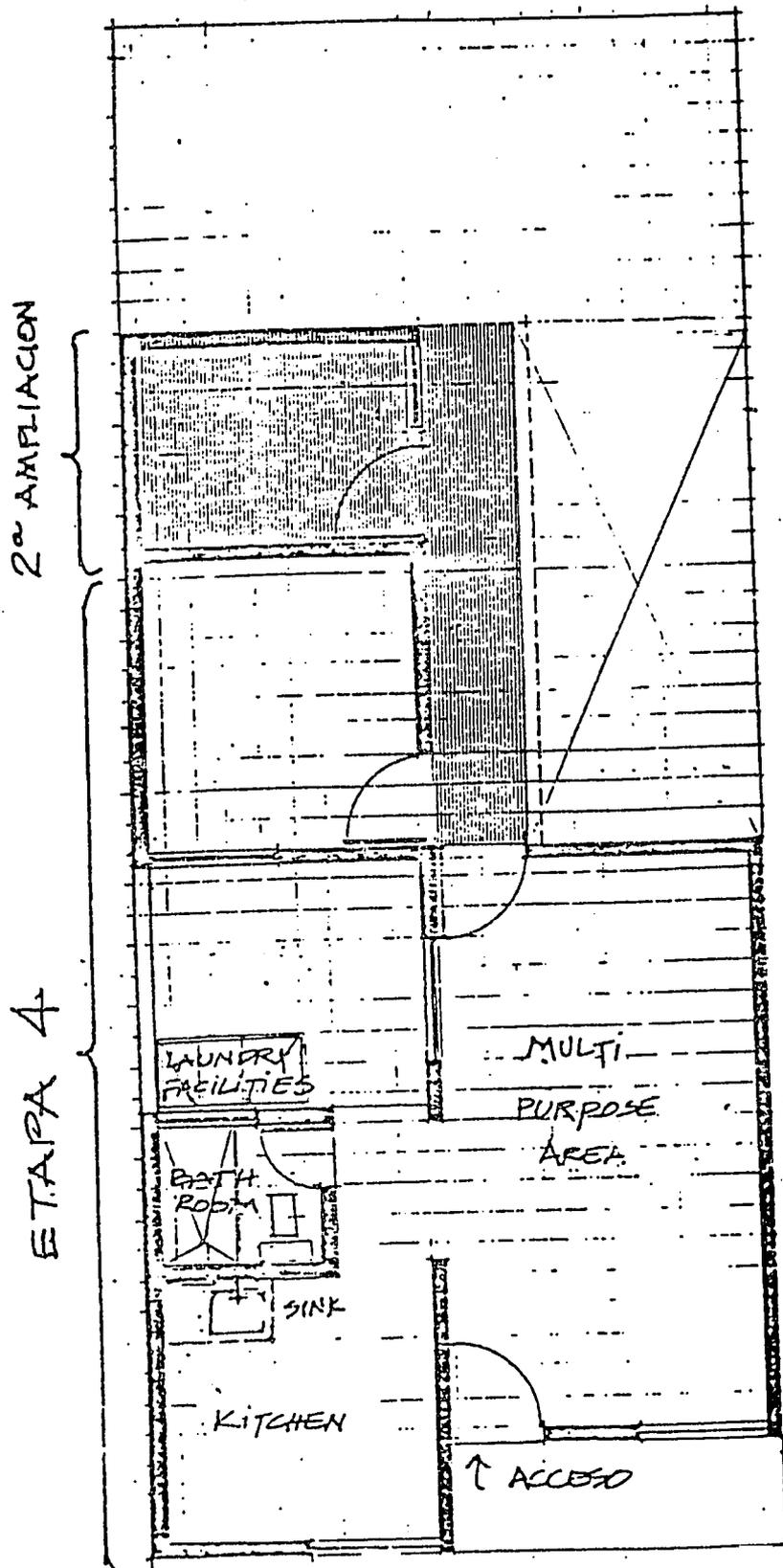
ESCALA 1:75

356

UNIDAD BASICA AMPLIADA 40M²

PROTOTIPO A LOTE 6.00x 15.00 M.

LEVEL N°



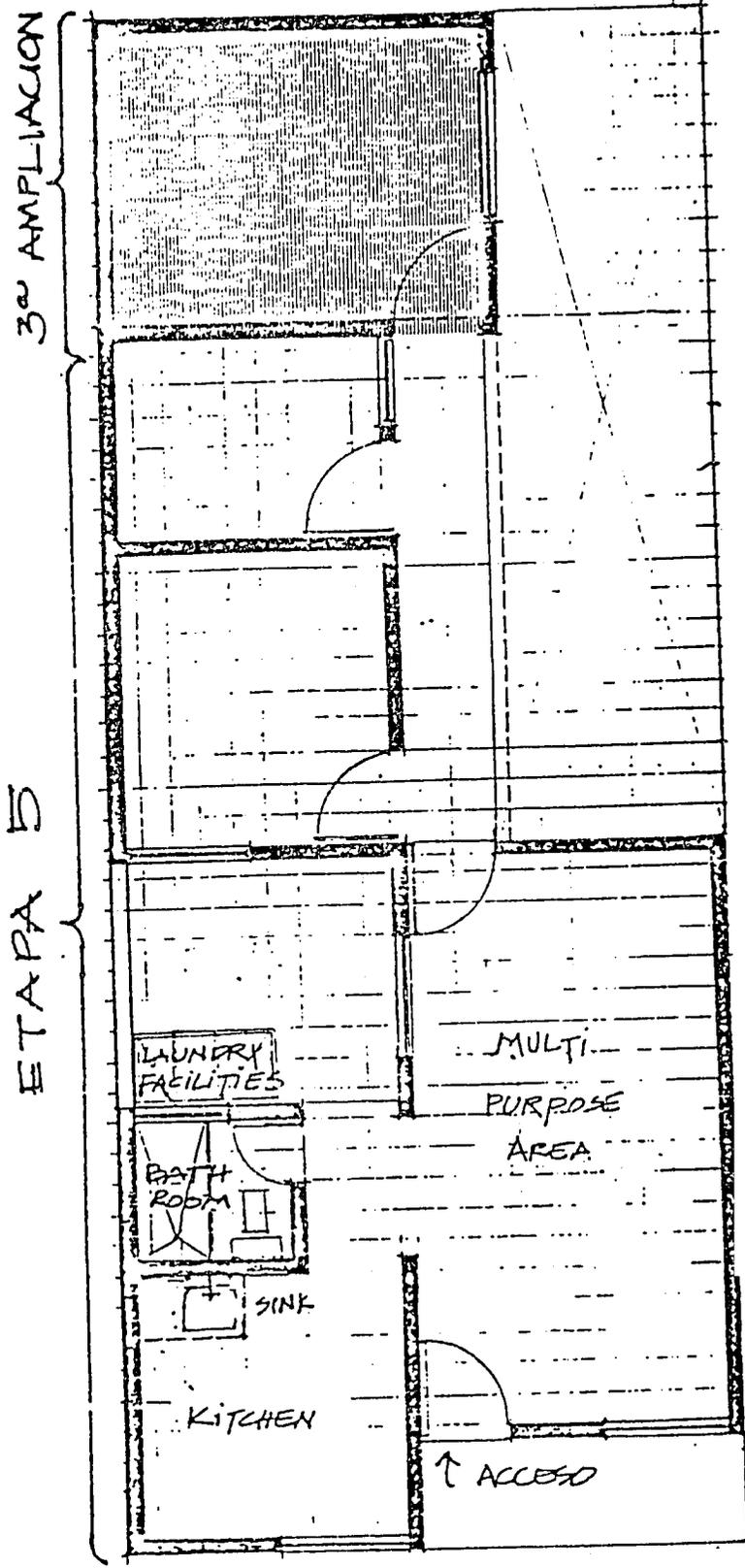
MODULO DE DISEÑO
0.30 X 0.30 M.

AREA	40M ²
 AMPLIACION	10M ²
TOTAL:	50M ²

ESCALA 1:75

UNIDAD BASICA AMPLIADA 50 M²

PROTOTIPO A LOTE 6.00x15.00 M
LEVEL N°

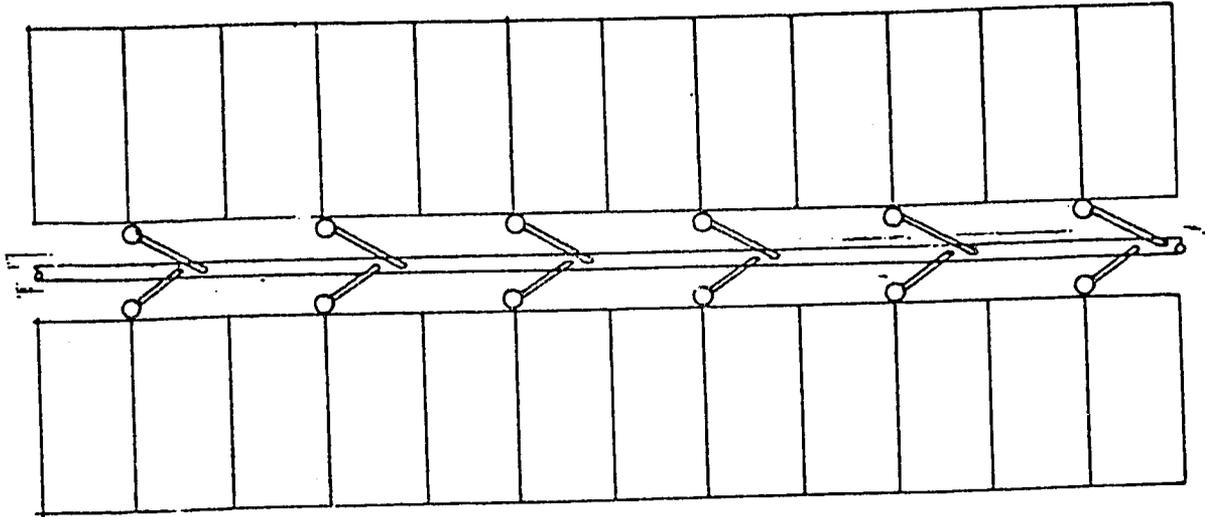


MODULO DE DISEÑO
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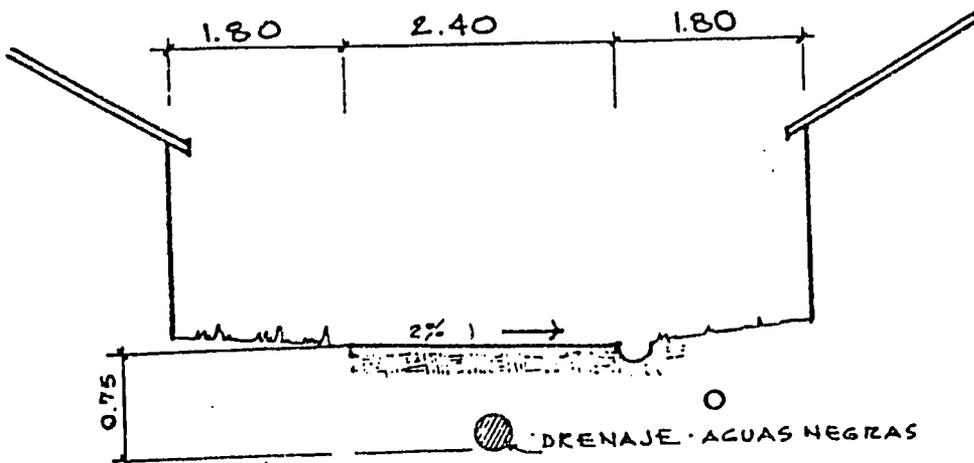
AREA	50 M ²
AMPLIACION	10 M ²
TOTAL =	<u>60 M²</u>

ESCALA 1:75

DRENAJE DE AGUAS NEGRAS.

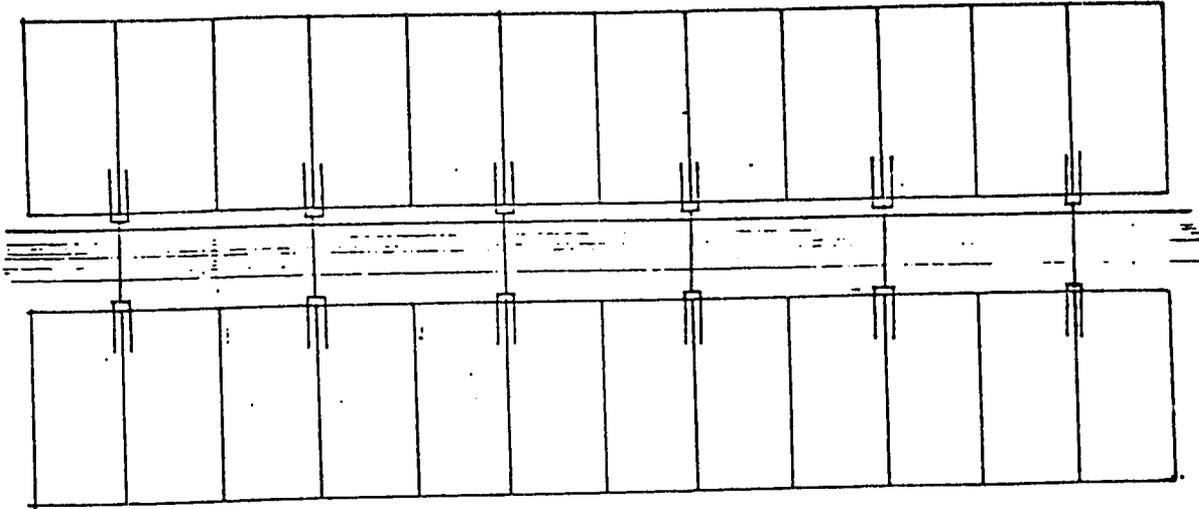


PLANTA DE LOTES ESC. 1:500

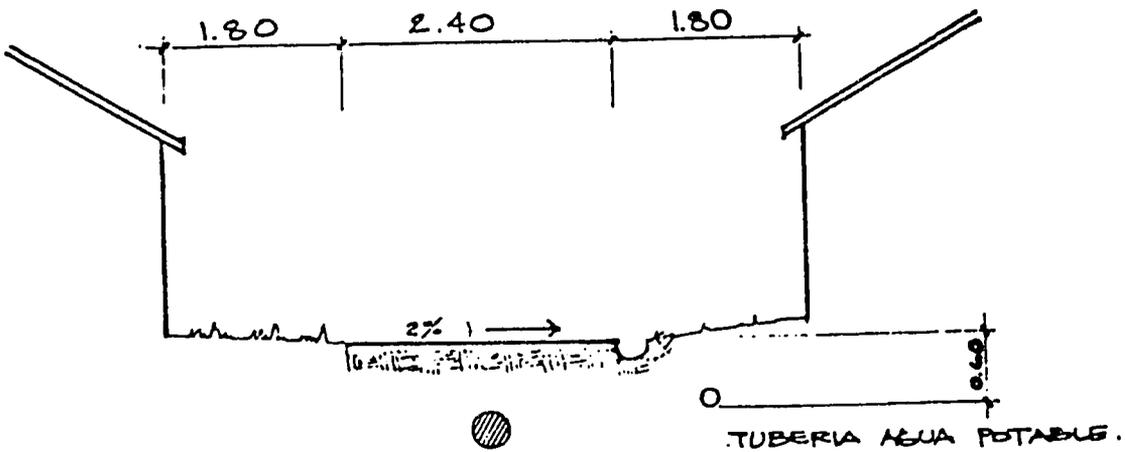


SECCION TIPICA CALLE PEATONAL ESC 1:75

INSTALACION DE AGUA



PLANTA DE LOTES ESC. 1:500



SECCION TIPICA CAILE PEATONAL ESC 1:75

TRAINING AND TECHNICAL ASSISTANCE PROGRAM

The U.S. Government and AID have adopted ambitious goals for improving the economic climate in general and the welfare of the poor in particular in Central America. Given the overall resource constraints, both internationally and domestically, the Central American Countries are going to have to achieve essential levels of economic growth with acceptable levels of social equity for their poorest citizens through resource conserving strategies, new policies which enhance the role of the private sector, improved institutional structures and performance, appropriate technologies, and human resource development.

The National Bipartisan Commission on Central America, the Congress in the Jackson Plan, and AID all have recognized that these ambitious goals cannot be achieved without greater attention to the importance of training and the strategic use of technical assistance. This renewed emphasis is found in all of the key development sectors such as agriculture, industry, health and education. However, thus far systematic shelter and urban development training and technical assistance efforts are lagging behind and require urgent attention.

Both capital and human resource constraints must be addressed in order to increase production to achieve the Jackson Plan goals of 25% increase in the production of housing and a 25% increase in water and sewer coverage for low income families over the next five years. Increased training and technical assistance efforts will have an essential role in generating the skills, capacity, and knowledge required to successfully achieve these development goals within the overall national constraints faced by the Central American Countries.

The Office of Housing and Urban Programs recognized several years ago that additional emphasis needed to be placed on training and the use of technical assistance. Recent evaluations, including the study by Booz, Allen and Hamilton, have served to reinforce our focus on training. One of the conclusions of that study was that while PRE/H had been fairly successful in advocating policy changes and in producing shelter solutions, we were falling far short of the mark in terms of institutionalizing those changes in any permanent form. They stated, specifically, that "the government should prepare, in conjunction with its counterpart agencies, a plan for staff development. This plan must recognize the extraordinarily long time-frame required for building institutional capability".

Nowhere is the need to create institutional capability more pronounced and more desperately needed at this time than in Central America. Three new democratically elected governments now exist in Guatemala, Honduras and Costa Rica. Administrative changes, as a result of these power shifts, are far-reaching within the civil service and

often affect even lower level managers. Many of the personnel trained in the past, have vacated their current posts.

This phenomena is not new, nor is it likely to change dramatically in the future. It is an institutional constraint that the project must overcome by adopting a more systematic approach to training and technical assistance, with the focus more on institutions than individuals.

2. Key Issues

The continuing scarcity of capital resources for investment and recurrent expenses in Central America requires that emphasis be given to the increased mobilization and efficient allocation and use of shelter and urban development resources. Training and technical assistance efforts in support of shelter and urban development, therefore, should be directed on a priority basis towards that goal. The key issues which will need to be addressed at the policy, program and project level includes:

a) Private Sector Mobilization and Support

In a capital resource constrained development situation progress cannot be sustained through reliance primarily on public sector investment. Training and technical assistance efforts should support and facilitate a shift from a focus on public sector led shelter and urban development to an enhanced private sector role. The goal should be to involve the private sector more fully in shelter and infrastructure activities, not merely as executing contractors for public sector agencies, but in the design, financing, and assembly of programs and projects. Particular support is required for the construction sector which is severely underutilized, with corresponding negative effects on national economic development and the generation of employment and incomes.

b) Improved Cost Recovery

Affordability and the development of solutions affordable to low income households and improved cost recovery will be essential to reduce subsidies, to ensure an adequate flow of funds and contribute to the replicability of shelter and infrastructure programs and projects. In order to achieve this goal, training and technical assistance efforts are required at both the policy and technical level directed at the revision and development of affordable norms and standards for physical development; better project design; the promotion of effective community participation; realistic tariffs and users fees, and better billing and collection procedures.

c) Improved Management of Existing Assets

Much greater emphasis is required on the rehabilitation, operation and maintenance of existing facilities and systems to make more

3/12

efficient use of scarce capital resources to improve often inefficient, underutilized capacity. In the case of water and sewer systems, more efficient and effective maintenance planning, leak detection and repair, etc. needs to be emphasized.

d) Upgrading of Urban Management and Finance Capacity

The capacity and performance of urban agencies, particularly national infrastructure authorities and local governments, to manage, finance and provide urban services and functions will need to be strengthened. Particular emphasis will be required in the development of policies and programs for improvements in selected municipal finance systems related to the planning and implementation of urban shelter and infrastructure.

e) Reactivation of National Housing Finance Systems

The continuing economic and fiscal situation in each country has created severe problems and disequilibrium with respect to the mobilization and effective utilization of domestic resources, both public and private to provide housing finance for construction as well as long term mortgage funds. Training and technical assistance will be required to assist senior public and private sector policy makers and management in each country to understand the problems and opportunities related to sector finance, and to implement those structural reforms and operational adjustments necessary to reactivate national housing finance systems and to strengthen the sector's effective participation in national socio-economic development.

B. Implementation Strategy

The CABEI Project seeks to increase the availability of shelter and infrastructure services and to strengthen the existing capacity of CABEI and national public and private institutions to provide these solutions and services.

The training and technical assistance program is designed to ensure project success in achieving its production targets and in developing the capacity of regional and national institutions which will be required in subsequent years.

The following strategic implementation guidelines provide the essential basis for ensuring the efficiency and effectiveness of the training and technical assistance program.

1. Strategic Objective

The goal is to improve project implementation and the knowledge and skill levels of shelter and urban development professionals as well as strengthening the capacity of their institutions. The training and technical assistance objective, therefore, is to dramatically increase the number of trained professionals in the region and to institutionalize improvements.

363

2. Basic Approach

The training and technical assistance program will provide participating regional and national institutions with the skills, knowledge, systems and procedures necessary to meet project implementation requirements while ensuring the progressive mobilization and development of the technical, management and policy base which will be needed to institutionalize project related improvements. Training and technical assistance activities will be focussed on CABEI at the regional level and participating intermediary financial institutions in each country, and will be carried out as two discrete but interrelated streams of activity.

Figure 1 shows the conceptual framework for developing and implementing the training and technical assistance streams of work in a mutually reinforcing manner to achieve project goals and objectives. Four stages of activity are planned over the five year period: 1) investigation and planning; 2) strategic and operational planning; 3) implementation and institutional development; and 4) consolidation. The basic approach to be followed at each stage is briefly described below.

Stage 1: Investigation and Analysis

A regional seminar on shelter and urban development policies focussed on the ministerial level of national governments will be held by INCAE in November, 1986 (as the last event under INCAE's current contract). That seminar will provide the point of departure for this project's training and technical assistance activities.

Follow up training activities will be focussed on investigation of shelter and urban infrastructure policies and programs in each country and the identification of problems and constraints. Follow up technical assistance activities will consist of the preparation of project proposals, and loan agreements, and the establishment of operational systems and procedures required for effective implementation at the national and regional levels.

A national seminar will then be held in each country to discuss the results of the work carried out and to identify the key constraints and opportunities facing the CABEI program. The discussion and decisions reached in these seminars will set the firm base for Stage 2 implementation.

Stage 2: Strategic and Operational Planning and Implementation

Both the training and technical assistance streams of activity will be focussed on CABEI and the participating national institutions in each country. Technical assistance will be directed to the technical and operative instrumentation of each institution's work program. Training, through the design and implementation of seminars at

the national level, will assist participating institutions to identify objectives and strategies, and the policies and administrative/financial changes required for effective implementation.

A regional seminar will be held for participating institutions at the end of the first year (and each subsequent year) to review project results, to discuss policy and technical problems encountered, to share solutions, and to provide the firm basis for planning the following year's training and technical assistance strategy and work program.

Stage 3: Implementation and Institutional Development

During the second year of the project, the training and technical assistance effort will continue to support effective project implementation, increasingly focussing on the specific technical and policy and operational constraints faced by individual institutions. Technical assistance will provide the technical skills required and support the changes in technical systems and procedures which are required. As policy and administrative financial operating constraints are identified, these will be fed into the training stream of work, and specialized training workshops and seminars developed to meet specific needs. Other training activities will focus on larger institutional constraints in the areas of policy development and strategic operations management.

The end of year regional seminar will once again review the experience of participating institutions, to share ideas and solutions and to set the basis for the planning of future training and technical assistance to meet identified needs.

Stage 4: Consolidation and Institutional Development

Training and technical assistance streams of work during subsequent years of implementation will continue to be based on operating experience and the needs of specific institutions. Increasing attention will be given to providing the support required to consolidate project experience in terms of changes in overall institutional policies and operating systems and procedures for the future.

Coordination and mutual reinforcement between the two activity streams will be the responsibility of the long-term resident advisors assigned to the RHUDO office. Planning and coordination workshops will be held on a regular basis throughout the project period to ensure the fullest possible integration and complementarity of the two activity streams.

a) Training Implementation Strategy

The training component will be directed at institutional policy and strategy development, and the strengthening of the administrative and financial organization and management. The vast majority of training courses and seminars will be national in scope and designed to meet the specific development situation of each country and the needs of its participating institutions. This seems sensible given the major differences in the development situation in each country and the variety of institutions involved. It will also permit a closer policy dialogue to meet individual Mission and country objectives.

These activities will be complemented by annual regional seminars designed to provide the opportunity for representatives of national implementing agencies to meet at the regional level to compare experiences, to jointly evaluate problems and opportunities, and to establish priorities for the following year's training and technical assistance program. Sustained implementation support will be provided to CABEI throughout the project period, through seminars and workshops focussed on key policy and strategy issues and on its administrative and financial management systems.

First year training activities will be based on an analysis of national shelter and urban development policy and operational constraints and directed at the joint development of project implementation objectives and strategies with each participating institution. Based on implementation experience, second year training activities will be designed to support the resolution of priority policy and operational problems identified by each institution. During the third year, training will be further focussed on individual institutional development and provide the basis for institutional consolidation efforts during years four and five.

b) Technical Assistance Strategy

During the first year intensive levels of technical assistance will be provided to CABEI and participating national intermediary financial institutions to convert their preliminary infrastructure project proposals into concrete projects and loan agreements and to establish capacity for future project development, project evaluation and policy dialogue. The streamlining of CABEI project review, the establishment of field supervisory operations, and the delegation of project supervision at the national level will be required. Support will also be provided to CABEI and participating national institutions to establish systems and procedures and capacity for carrying out environmental impact assessment for proposed programs and projects.

Simultaneous efforts will be required in the housing sector directed to improve the capacity of national finance systems and private financial intermediaries through policy and operational

366

improvements. Technical assistance will also be provided to improve the capability of private sector developers to plan and implement low-cost housing projects, and to improve the cost recovery rate for both public and private institutions.

Regional technical workshops will be held for implementing institutions each year to review the technical problems experienced and to discuss technical options related to cost recovery revenue collection, etc.

In subsequent years, short term technical assistance in support of the infrastructure component will be based on the individual needs of implementing institutions in such matters as cost-recovery and revenue collection techniques, tariff structuring, application of betterment levies, automated billing, etc. Technical assistance in the housing sector will seek to consolidate and strengthen the private sector role and capacity in housing finance and production.

Throughout the project period substantial efforts will be required not only to establish project implementation policies and operational procedures, but to institutionalize these changes. The integral development of specific training activities will be required to complement and consolidate the results of the technical assistance effort.

C. Program Components

The specific characteristics of the two basic components of the program are briefly described below.

1. Training

The training component consists of three sub-components as follows:

a) Regional and National Training

The first sub-component of the training strategy for Central America will focus on regional and national training activities sponsored through A.I.D./INCAE. INCAE, a regional training institution has developed an extremely successful pilot training program for shelter and regional development under a regional grant from the Bureau for Latin America and the Caribbean and managed by RHUDO. Financing under the CABEI project will build upon that effort, to meet project training needs and to set the ground work for the creation of a permanent regional training institution.

INCAE combines rigorous academic standards, a keen sense of the need to apply research to the region's problems, and an awareness of the pragmatic implications of applying their development theories to practice to the training role they have assumed. The effective integration of INCAE within the program will not only provide a high-powered, clearly structured and integrated training program, but will expand this regional

institution's understanding of, and capacity to respond to shelter and urban development problems.

b) On-the-Job Training

The focus of on-the-job training will be in the area of municipal management. The objectives will be to select candidates who are currently in charge of specific municipal services and send them to work with either a U.S. or a Latin American municipality which is currently grappling with similar problems or has developed a creative and practical solution to a particularly relevant problem. Existing linkages between U.S. cities and Central American cities will be strengthened and similar relationships will be fostered for sponsoring on-the-job training in the more advanced Latin American countries.

c) U.S. Training

The objective of training in the U.S. will be to develop specific individual skills which are in short supply in the region and which cannot be provided regionally in a timely manner. Areas currently targetted for U.S. Training include management of urban services, personnel management and internal staff development programs, environmental planning and design, mortgage finance, construction planning and financial management.

Candidates for U.S. Training will be selected from among the senior staff of shelter and urban development institutions based on their committment and the potential to effectively use and transmit the specialized skills learned. Language training will be provided in-country prior to departure if required.

2. Technical Assistance

The objectives of technical assistance are twofold. At the project level, technical assistance will be designed principally to expedite project implementation and production. At the policy level, technical assistance will be designed to set the general policy framework and goals to be achieved by providing short term inputs, and, most importantly, to provide a strengthened presence in the region to bolster RHUDO/CA's policy dialogue. Technical assistance will take two forms: short-term experts and long term resident advisors.

The financing of long term resident advisors will be especially important in developing a more systematic approach to the achievement of project goals and objectives and to institutionalizing these policy changes in each of the four countries. The resident advisors will be responsible for assisting in: 1) the implementation of the specific steps required to achieve the policy agenda established by the RHUDO, the Missions and ROCAP for each country and CABEI; 2) identifying tasks and experts required to achieve specific changes; and 3) ensuring the effective interface and coordination of the technical assistance and training streams of project activity at the project,

program and policy levels. The three long term resident advisors attached to RHUDO will include an Urban Development Advisor, a Housing Finance Advisor, and a Training Coordinator. A fourth expert in betterment taxation will be assigned to work with the Municipality of Guatemala and will be available for consultations in the region.

D. General Implementation Program

The general implementation program for training and technical assistance seeks the most effective utilization of available resources to respond to the project's priority implementation needs while progressively developing the policy and institutional setting for shelter and urban infrastructure development on a sustained basis after project completion.

1. Preliminary Work Program

The nature of the CABEI Shelter and Urban Development project and its complexities (i.e. four countries, a variety of potential participating institutions with unique needs, project and policy objectives, etc.) precludes the a priori definition of specific training and technical assistance activities throughout the five year project period. This section, therefore, describes the major stages of program development related to the anticipated types of technical assistance and training activities required.

Annual Focusses

FY87: Project and Policy/Strategy Development

The first year of the project training and technical assistance activities will support the preparation and funding of projects and implementation startup, and the development of project objectives, policies and strategies with CABEI and the participating national institutions. The types of activities planned and levels of effort are as follows:

a) Training

* CABEI

- Assist in the establishment of CABEI's overall project objectives and implementation strategies
- Improve financial planning and systems to recapitalize the Housing Fund

* National Governments and Participating Institutions

- Investigate/Review national policy context for shelter and urban infrastructure development
- Develop project implementation objectives and strategies with participating institutions.

3/6/81

- Develop linkages and opportunities for on-the-job training
- Identify needs for U.S. training and potential training locations.

b) Technical Assistance

* CABEI

- Streamline CABEI project review process
- Establish decentralized project management capacity
- Establish policies and criteria for project appraisal
- Develop capacity and guidelines for impact assessment of projects.
- Implement workshops on environmental impact assessment techniques, systems and procedures.

*

- Infrastructure
- Improve cost recovery in existing upgrading programs
- Improve technical capacity of participating institutions to carry out project planning and design
- Support participating institutions in project startup activities
- Implement workshops on cost recovery techniques, systems and procedures.

*

- Housing
- Support policy and operational changes to increase S&L participation
- Improve cost recovery rate for public institutions
- Develop strategy and plan with C maras de Construcción to improve capability of private sector developers to plan and implement low cost housing projects.

FY88: Project Implementation and Institutional Development Support

a) Training

*

- CABEI
- Implement management and financial planning policies and improvements
- Support recapitalization of Housing Fund

*

- Participating National Institutions
- Support cost recovery policy and strategy development
- Provide support to improve management and financial operations
- Start on-the-job training activities for selected institutions and individuals.

b) Technical Assistance

*

- Infrastructure
- Provide technical support to improve cost recovery

- Monitor and support project implementation
- Support development of self-financing mechanisms (tax systems, tariff structures, new cost recovery instruments).
- Continue cost recovery workshops.

* Housing

- Increase participating of private S&L
- Support design and implementation of savings mobilization programs
- Assist private developers in affordable project design and low-cost housing development construction planning and management

FY89: Institutional Development Support and Consolidation

a) Training

* CABEL

- Support institutionalization of infrastructure program
- Support continued recapitalization of Housing Fund
- Improve overall financial planning and equitable distribution of funds on a regional basis

* Participating National Institutions

- Improve administrative and financial planning and operations
- Institutionalize cost recovery policies and procedures

b) Technical Assistance

* Infrastructure

- Support implementation of new financial mechanisms as required
- Expand program to other cities
- Continue support for cost recovery

* Housing

- Support increased S&L participation and strengthen administration and financial management
- Support cost recovery and collections systems and procedures
- Increase private developers capacities and participation in low-cost housing development

* First Interim Evaluation

FY 90 & FY91: Consolidation and Future Planning (EOP Achievements)

Many of the FY89 activities will continue on in FY90 and FY91, and will be based on actual performance, achievements and needs. The end of project policy achievements expected from the training and technical assistance effort are quantified in the Log Frame and are offered in more detail on the next page.

a) CABEI

- * Developed capacity to finance and monitor small scale infrastructure projects, and a strengthened environmental impact analysis capability.
- * Housing Fund recapitalized and earning a profit by 1992/1993.
- * CABEI has developed and implemented improved financial planning techniques, including methods of marketing loans whose terms are subject to CABEI's cost of resources (including administrative costs).
- * CABEI has strengthened its regional role in promoting economic development in Central America.

b) Infrastructure

- * Infrastructure agencies and municipalities have improved managerial, financial and planning capability, including implementation of the use of reports on collections as well as cash flow and audits as standard control tools.
- * Infrastructure agencies have contracted a substantial level of functions to the private sector, including 75% of the construction of investments under this program.
- * Full cost recovery an adopted goal and at least six infrastructure agencies and municipalities have introduced new cost recovery strategies, mechanisms, or pricing policies..
- * Infrastructure services have been expanded to secondary cities.
- * New self-financing mechanisms have been adopted and environmental aspects integrated into planning and design.

c) Housing

- * Private S&L's participating in construction of low-cost housing.
- * Private S&L's have found program profitable to continue without external resources and eight financial institutions have revised their lending rates upwards.

7272

- * Private S&L's financial viability has been strengthened by influx of TA and funds.
- * Private S&L's have improved their financial position by mounting savings mobilization campaigns.
- * Private and public shelter finance institutions are using reports on collections as well as cash flows and audits and standard management tools and have dramatically improved rates of loan recuperation: private institutions are able to achieve at least 95% recovery on their total portfolio and public institutions are able to reduce their total delinquencies outstanding by 25%.
- * Public sector institutions have devolved majority of responsibilities to private developers, including 100% of the construction financed under this project.
- * At least two major infrastructure maintenance responsibilities have been contracted to the private sector, e. g., meter maintenance, well operations.
- * Private sector developers recognize profitability of low-cost construction and will continue their participation.
- * Environmental aspects integrated into planning and design.

The table presented below shows the estimated level of effort for training technical assistance over the five year period.

ESTIMATED ANNUAL LEVEL OF EFFORT

TYPE OF SERVICES	FY87	FY88	FY89	FY90	FY91	TOTAL
1. Training						
* Regional and National (Number of Events)						
a) CABEI Workshops	2	3	2			7
b) Regional Seminars	1	1	1	1		4
c) National Seminars	4	5	5	5	3	
20 d) Technical Workshops	2	1	2	1		6
Total Number of Events	<u>9</u>	<u>10</u>	<u>9</u>	<u>4</u>	<u>1</u>	<u>37</u>
* On-the-job (in person months)	-	2	6	6	6	20
* U.S. training (in person months)	-	3	5	7	-	15
2. Technical Assistance (in person months)						
a) Long Term Advisors						
-3 regional	18	18	18	18		72
-1 Guatemala	12	6				18
b) Short Term						
-Infrastructure	18	5	3	2		28
-Housing	5	6	5	2		18
-Evaluation		1		1	4	6
Total Person Months	<u>53</u>	<u>41</u>	<u>37</u>	<u>36</u>	<u>10</u>	<u>177</u>

2. Technical Organization and Management

The systematic assignment of roles and responsibilities for the development of the various components of the training and technical assistance program will be essential to the program's success in meeting project objectives both short and long term. The anticipated institutional roles and responsibilities are as follows:

a) USAID

The process of planning and implementation of the training and technical assistance program will provide significant potential for the RHUDO, KOCAP, and the Missions to influence the future directions of shelter and urban development in the region and each country, and to progressively intensify support for the development of coherent national policies, programs and investment initiatives tailored in support of national and economic development.

374

In order to realize this potential, substantial technical involvement of the RHUDO, ROCAP, and the Mission will be required at all stages of planning and implementation, including:

* Policy Dialogue, Coordination and Development

The RHUDO will establish the specific policy agenda to be pursued in each country with the Missions and ROCAP. RHUDO and the Missions will establish the parameters of the policy dialogue to be initiated with implementing agencies in each country. These efforts will provide the policy basis for the development of the training and technical assistance program to support policy objectives.

The long term resident advisors will be utilized to not only to provide direct technical assistance required to achieve those policy changes, but to ensure that the overall training and technical assistance program is designed and implemented in a manner which maximizes the effectiveness of support for policy changes.

* Technical Assistance

The RHUDO will be responsible for establishing the overall policy and technical parameters for the technical assistance effort in conjunction with the Mission. The long term advisors will work under the direction of the RHUDO to identify needs, develop scopes of work, and to identify and recruit the expertise required in specific cases. They will also be responsible for providing follow up assistance to participating agencies in order to ensure the effective implementation of the recommendations of the short term experts. Together with short term experts, the long term advisors will implement discrete technical oriented workshops to achieve specific technical assistance objectives. They will also be responsible, on behalf of RHUDO, for ensuring the effective interface and mutual reinforcement of technical assistance and training activities.

* Training

The RHUDO will be responsible for establishing the overall policy and technical parameters for the major training effort to be carried out by INCAE under contract with CABEI. Semi-annual planning and coordination workshops held by INCAE will provide the basis for ongoing dialogue and adjustments of the training effort. The long term resident Training Coordinator will be responsible for the management and coordination of the INCAE training program and will monitor training program implementation and evaluate individual training events. The Training Coordinator will also have primary responsibility on behalf of RHUDO for the development and implementation of the On-the-job Training and U.S. Training components. The Urban Development Advisor will be responsible for the overall development and supervision of the substantive technical content of the INCAE training program, assisted by the Housing Finance Advisor.

575

b) INCAE

INCAE, under contract with CABEI will be responsible for planning and implementing the major regional and national training component, including its administrative and financial and its technical management. As an integral part of its work program, INCAE will assist in the identification of those priority areas in which subsequent and additional training and technical assistance will be required, both short and medium term.

The RHUDO's resident urban development advisor and, where appropriate, the Training Coordinator will be responsible on its behalf for: 1) monitoring and participation in substantive seminar/course development; ensuring that substantive content reflects overall policies and strategic objectives; and, in the identification of specific participants from each country. The long term resident Housing Finance Advisor and the Training Coordinator will actively assist in this process, within their respective areas of expertise.

INCAE's semi-annual planning and coordination workshops will provide the basis for annual planning activities and the continuous regular coordination with the RHUDO and its advisors and CABEI during annual program implementation.

c) CABEI

CABEI will be both a target of project training and technical assistance, and a key actor in the identification of priority needs to be met in each country. The RHUDO advisors and INCAE will closely coordinate their activities with CABEI management in order to ensure the incorporation of their inputs in planning and implementing the training and technical assistance effort.

3. Roles and Responsibilities of the Long Term Resident Advisors

Three long term senior resident advisors will be required to ensure the effective and efficient implementation of the shelter and urban development project and its training and technical assistance program: an Urban Development Advisor, a Housing Finance Advisor, and, a Training Coordinator.

The three advisors will work as an advisory team assigned to and under the direction of the RHUDO in Tegucigalpa. In carrying out their services they will work in close coordination with the ROCAP and the Missions in each country. Their basic roles and responsibilities are as follows:

a) Senior Urban Development Advisor

The Urban Development Advisor will provide the following services:

* CABEI

Assist CABEI in planning and implementing substantive policies, strategies and implementation systems and procedures for shelter and urban infrastructure lending which:

- i. Ensure the most effective implementation of shelter and urban infrastructure projects to be financed under the project;
- ii. Permit the decentralized promotion and approval of projects and their monitoring and supervision on the national level.
- iii. Strengthen the substantive impact of shelter and urban infrastructure loans in support of residential and economic activities.

* Central Governments and National Institutions

Advise central governments and their national institutions on:

- i. Appropriate urban development policies aimed at strengthening the role of local governments in the management, financing and provision of urban services and functions. Particular areas of emphasis will be in provision of shelter and infrastructure.
- ii. Appropriate training and technical assistance programs to promote more rational divisions of inter-governmental responsibilities for decision-making, budgeting, program implementation and management.
- iii. Fiscal reforms aimed at expanding the municipal tax base to provide cities with the financial resources to provide basic urban services and functions.

Advise local governments on:

- i. The elaboration of urban development plans and regulations, including land use, urbanization standards, building codes, and environmental issues.

- ii. Municipal fiscal and administrative reforms that will improve the management of the urban area, and the provision of necessary urban services and shelter, both new and upgraded infrastructure/housing, to low-income residents and for economic development.
- iii. Municipal self-financing mechanisms for the expansion and proper maintenance of services and infrastructure.

* INCAE

Assist INCAE in the planning and development of their training program with respect to:

- i. Identification and communication of substantive training needs and assistance in establishment of priorities for training.
- ii. Coordination of the substantive technical inputs of RHUDO, their advisors, and the Missions.
- iii. Preparation of annual training plans and programs
- iv. Participation in training courses and seminars as required.

* General Training and Technical Assistance

With the concurrence of the Host Country and as directed by RHUDO/CA, the specialist shall carry out the required training and technical assistance resulting from the above consultancies.

b) Senior Housing Finance Advisor

The Housing Finance Advisor will provide the following services:

* CABEI

Assist CABEI in developing financial policies for housing and shelter related infrastructures to:

- i. Ensure the financial health of the Housing Fund, and enhance the implementation of cost-recovery policies.
- ii. Develop alternatives for regional lending which will:

- Reduce CABEI's problems of shortages and excesses of local currencies;
 - Enhance the repayment by countries in deep economic and financial difficulty;
 - Improve the availability of hard currency for repayment of CABEI'S new hard currency loans; and
 - Ensure the timely disbursement of CABEI loan
- iii Provide technical assistance to CABEI to implement the selected courses of action.

* Central Governments

Provide assistance to the Central American Governments in the development and implementation of sound shelter and infrastructure financial policies.

- i. Assist host governments to develop successful financial policies and effective institutions to meet the shelter and urban development needs of low-income families.
- ii. Advise host governments on the advantages and disadvantages of the financial policy and implementation options available to them.
- iii. Advise on the host government establishment and support for national shelter and urban development financial entities, and intermediary financial institutions and their financial policies and operations.
- iv. Assist infrastructure agencies and/or municipalities to develop financial mechanisms appropriate to permit repayment of loans to finance basic services for the urban populations in Central America.

In meeting these objectives the specialist will be expected to develop working relationships with Ministries of Planning, Finance and Central Bank Presidents, among others.

* National Intermediate Financial Institutions

Advise intermediate financial institutions on policies designed to:

- i. Strengthen their financial position;
- ii. Expand coverage to include low-income clients;
- iii. Maintain the value of funds against risks such as inflation;
- iv. Finance cost recovery; and
- v. Increase mobilization of resources through savings and other methods.

* Technical Assistance and Training

Provide substantive inputs into the development of the training and technical assistance program; identifying recruiting and managing short-term experts; and participation in direct training activities as requested.

c) Training Coordinator

In order to set the strongest possible institutional base for a permanent sustained training effort in Central America the Training Coordinator, under director of the RHUDO, will provide the following services:

* Overall Training Development and Support

- i. Assist the RHUDO and Missions in the development of training strategies and plans to meet long term needs;
- ii. Provide technical and management assistance to the Missions in implementing training policies, strategies and plans and related technical assistance;
- iii. Develop and coordinate staff training programs for RHUDO and Mission personnel;
- iv. Develop linkages with Central American and U.S. training institutions and universities, which will be required to support a longer-term program;
- v. Coordinate and promote training and technical assistance activities with other international donor agencies;
- vi. Identify and mobilize the financial resources required to meet medium and long-term training needs.

380

* Training Program Implementation Support

INCAE Regional and National Training Program

- i. Assist in annual program planning and budgeting and semi-annual coordination reviews;
- ii. Provide logistical and management coordination support for the development and implementation of the overall training program and its individual events and activities;
- iii. Monitor and evaluate seminar/course implementation, identifying required improvements and priority areas for follow up assistance.

On-the-Job Training

- i. Develop overall policies, strategies and work programs;
- ii. Develop and expand linkages with potential sponsoring organizations and cities in the U.S. and Latin America;
- iii. Identify participants, organize and manage implementation activities, and coordinate logistical support;
- iv. Evaluate on-the-job training implementation and provide follow up support to individuals and institutions as required.

U.S. Training

- i. Identify training opportunities and participants for relevant short term training events offered at universities and other training institutions;
- ii. Explore ways of increasing the numbers of AID participant training candidates funded for graduate training study in the shelter and urban development and financing sectors;
- iii. Evaluate results and follow up on individual participants.

* General Coordination and Training Support

- i. Coordinate training program activities with the Missions and with AID Washington units with training responsibilities;

381

- ii. Coordinate with international donor agencies and U.S. training institutions;
- iii. Provide logistical support to the Missions and regional and national agencies involved in the training program;
- iv. Provide information on relevant training resources, individual trainers, and U.S. and Latin America based training programs and options.

* Central Governments and National Institutions

- i. Assist selected priority institutions to develop overall training policies, strategies and plans;
- ii. Assist selected priority national institutions to develop or improve their internal decision making process, to design career paths, and to develop training and staff development plans.
- iii. Evaluate results and recommend the types of follow up programming and technical assistance required to sustained institutional development.

E. Budget

Over the project period, 36 training seminars and workshops will be held, providing an estimated 108 days of training for approximately 1,500 persons. Approximately 177 person months of technical assistance support will be provided.

The total budget required for the training and technical assistance program over the five year project period is \$4,710,000. Of this total, \$4,000,000 will be provided from ROCAP DA Grant Funds, \$610,000 from the RHUDO's training and technical assistance budget, \$25,000 already programmed under the ROCAP program for environmental training for CABEI staff, and \$75,000 will be requested from the WASH assistance project. The budget breakdown is as follows:

1. Technical Assistance	(\$000s)
a) Long Term Resident Advisors	2,105
b) Short Term Assistance	915
c) Technical Workshops	250
2. Training	
a) INCAE Training Program	1,002
b) On-the-Job Training	186
c) U.S. Training	152
3. Project Evaluation	100
TOTAL	\$ 4,710

Financial Implementation Plan
Summary Table

Disbursements by Fiscal Year
Thousands US\$

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>TOTAL</u>
I. Technical Assistance						
1. Resident Advisors	543	592	485	485	-	2105
2. Short Term	380	285	150	100	-	915
3. Technical Assistance Workshops	75	50	50	75	-	250
II. Training						
1. CABEI	25	40	25	15	-	105
2. INCAE	177	339	254	127	-	897
3. On-the-Job		62	62	62	-	186
4. U.S. Training		30	51	71	-	152
	<u>202</u>	<u>471</u>	<u>392</u>	<u>275</u>	<u>-</u>	<u>-</u>
Evaluations		25		25	50	100

Resources by Source of Funds by Each Fiscal Year

CABEI	1000	1238	927	785		4000
RHUDO	175	160	125	150		610
ROCAP	25					25
WASH	-	25	25	25		75
	<u>1200</u>	<u>1423</u>	<u>1077</u>	<u>960</u>	<u>50</u>	<u>4710</u>

153