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Program Completion Report

Cooperative Neighborhood Improvement
and Job Program for Central America



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Cooperative Housing Foundation

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Abstract

In March 1985, the Cooperative Housing Foundation (CHF) began implementing the Cooperative Neighborhood Improvement and Job Program for Central America in six countries: Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Panama. The program had a broad mandate:

- to offer low-income families access to credit and technical assistance as a means of improving their shelter and habitat and
- to mobilize the nonprofit, community-based wing of the private sector to participate in housing and urban development activities.

The program concentrated on the informal sector neighborhoods that house the vast majority of Central America's urban poor. These areas, frequently considered illegal by governments and off-limits by formal financing institutions, are the site of 70 percent to 95 percent of all new housing being built.

CHF's program demonstrated that helping low-income families with their shelter needs involves relatively simple mechanisms. The program created a partnership with local, nonprofit organizations in the private sector and provided credit in affordable amounts to families who had some income but no access to credit from the formal banking system. With the financing, the families solved their own housing needs and community development problems. The program simultaneously demonstrated the link between shelter production, employment generation among the poor, and increased incomes.

CHF's program was funded initially by a grant from the U.S. Agency for International Development (USAID). At its conclusion, approximately \$11.3 million in capital assistance funds had been disbursed to local collaborating institutions, which in turn had disbursed the funds for specific loan programs. In addition, approximately \$2.7 million in local cash counterpart funds was added to the program by col-

laborating institutions and beneficiary families. An estimated equivalent of \$3.6 million was provided through in-kind inputs such as land and materials. Several of USAID's missions also demonstrated their support by adding funds to continue and expand the program in five of the six Central American countries where CHF worked.

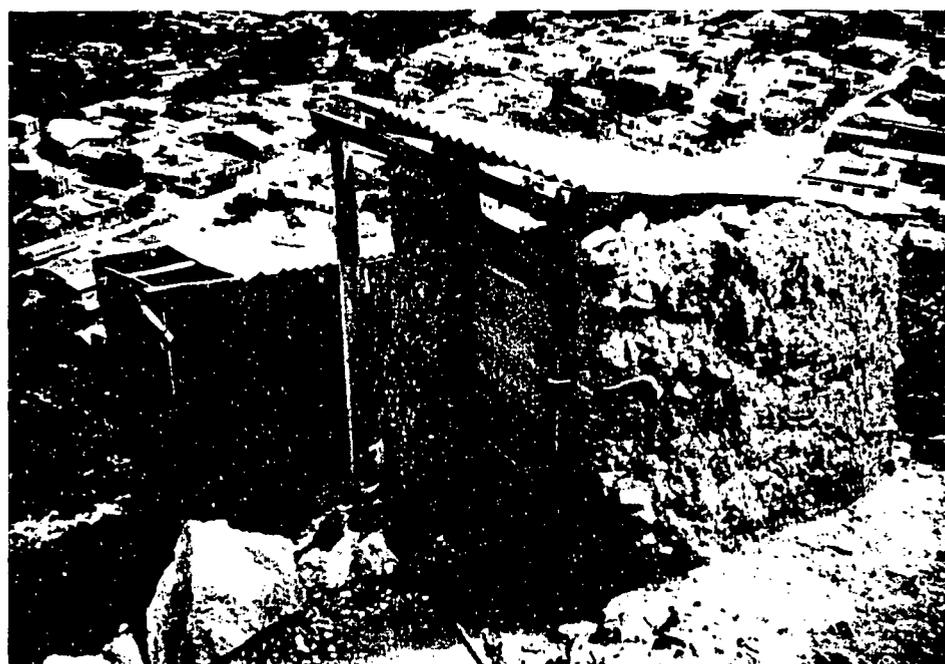
Since its initiation, the program has financed almost 9,000 new homes and home improvements, community improvements, and small enterprises involved in the construction sector. As a result, thousands of families are enjoying the benefits of a safer, healthier, improved quality of life. In addition, there has been a positive social and political impact. Poor people have experienced empowerment as a result of participating in solving their problems and feel less marginal as a result of having access to credit.

Today, the capacity of nonprofit, private sector organizations to absorb funding for shelter programming for low-income families has been dramatically increased in Central America as a direct result of CHF's program. Equally as important as the ability to absorb funds, these institutions have learned how to reach low-income families in an effective, sustainable, economically feasible manner. Under the program, loans were made at market rates of interest, operational and administrative costs were charged directly to the borrowers/beneficiaries, and participating institutions achieved financial self-sufficiency.

Through the Cooperative Neighborhood Improvement and Job Program, CHF has developed and field tested pioneering strategies for strengthening local nongovernmental organizations and enabling them to become effective and efficient financial intermediaries between formal sources of credit and the informal housing sector. CHF's program has successfully demonstrated the effectiveness of an enabling strategy that utilizes the nonprofit sector in dealing directly with local communities.

I. Program Background

Throughout Central America, millions of low-income families live in makeshift housing in neighborhoods that lack adequate community services, including safe water supplies and sanitary waste disposal systems.



I. Program Background

By the year 2000, the population of Central America is expected to expand from 25 million to 39 million inhabitants. Of these, more than 21 million will live in urban areas. If present trends continue, as many as 12 million people will lack adequate shelter, including substandard housing and access to services such as safe drinking water and sanitary waste disposal. These people will live primarily in illegal urban settlements and in rural areas.

To date, the formal housing construction sector has not been able to provide an adequate supply of housing for lower income families. It is the poor, operating in the informal sector, who are housing themselves. In fact, it is now common for 30 percent to 60 percent of a city's entire population to live in houses and neighborhoods that have been developed informally.

Program Overview

In March 1985, the U.S. Agency for International Development (USAID) awarded the Cooperative Housing Foundation (CHF) a \$10 million grant to fund the Cooperative Neighborhood Improvement and Job Program for Central America. The original grant included \$5.1 million in capital assistance funds. The USAID mission to El Salvador subsequently provided increased capital assistance monies in the amount of \$395,000, and the USAID mission to Guatemala provided approximately \$1.9 million. Further capital assistance funds became available when the USAID mission to El Salvador awarded CHF a separate operational program grant (OPG) of \$535,000 and the USAID mission to Honduras awarded CHF an OPG of approximately \$3.4 million. A total of approximately \$11.3 million in capital assistance funds was awarded for program loans and grants.

It is worth noting that approximately \$2.7 million in local cash counterpart funds was added to the program, either in the form of beneficiary down payments or counterpart lending from participating organizations. In addition, an estimated equivalent of \$3.6 million was provided through in-kind inputs such as land and materials.

The purpose of the program was to develop in several Central American countries a permanent, private sector system to mobilize and channel resources for shelter construction and upgrading and community development, with concomitant increases in employment generation. The program completion date was August 31, 1990.

The goal of the program was to promote equity and broad participation in development within a framework of democratic institutions and respect for human rights. Its objectives were

- to address equity concerns of low-income people by increasing access to credit for shelter and community improvement and allowing them to participate in the development process in a democratic way and
- to strengthen the contribution of the nonprofit, private sector to improving physical living conditions for low-income families.

Program Strategy

The program strategy envisioned that CHF would work through local nonprofit organizations such as cooperative housing federations, credit union federations, and other nongovernmental organizations in Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Panama. The program would provide technical assistance to strengthen these institutions and would help increase local capacity to mobilize

and manage resources and improve cost recovery techniques. A learning-by-doing approach would be employed in which capital assistance would be provided to carry out demonstration loan programs in order to obtain maximum benefit from the technical assistance being provided.

Specific elements of the strategy included

- the provision of institutional support grants and technical assistance to help local private sector organizations strengthen their capacity to implement housing finance and development activities;
 - the provision of capital assistance to finance specific types of activities, including community improvement programs to upgrade services such as water systems, self-help shelter programs to provide home improvement loans and financing for basic housing, and the development of building material production and distribution centers and small businesses in the construction sector;
 - the mobilization of local financial and institutional resources for low-cost self-help shelter;
 - the development of training programs for use by local organizations to train community leaders;
 - the implementation of workshops and conferences on subjects relating to the program; and
 - the demonstration of less expensive methods of producing shelter and community services.
- the provision of loans to approximately 76 small businesses and building material production centers employing approximately 508 people;
 - the completion of approximately 11 demonstration self-help housing cooperatives providing shelter for 756 families or approximately 3,780 people;
 - the provision of credit to at least 12 credit unions for home improvement and small business loans benefiting 2,155 families or approximately 10,775 people;
 - the implementation of 12 national-level workshops and one regional conference to provide program orientation and information to existing cooperatives and nongovernmental organizations;
 - the provision of participant training in the United States for more than 40 leaders and technicians from Central American cooperatives and private sector institutions;
 - the delivery of technical assistance to 20 local technical service organizations as well as other nongovernmental organizations and cooperatives;
 - the preparation of regional and country-specific audio-visual materials, manuals, and training publications; and
 - the procurement and delivery at the neighborhood level of tools and machinery for modest building material production operations.

Expected Achievements

The program's proposed outputs were calculated using the assumption that additional funds would be leveraged to create a total capital assistance fund of approximately \$19.1 million, although the program's capital assistance funds actually totalled approximately \$11.3 million. Nevertheless, the original expected achievements of the program included

- the provision of improved community services in up to 53 illegal settlements or rural villages benefiting approximately 88,410 low-income people;
- the creation of the equivalent of a full year's employment for approximately 7,700 people;
- the provision of grants and loans to 14 nongovernmental organizations for demonstration programs in six countries;

II. Summary of Program Outputs

As a direct result of CHF's program, nearly 9,000 families in six countries are enjoying the benefits of improved housing and communities, while more than 100 small businesses are now producing building materials and creating jobs in low-income communities.



II. Summary of Program Outputs

CHF's program was successful in meeting most of its planned targets, despite the fact that the total amount of capital assistance funds obtained and loaned was approximately \$11.3 million, in contrast to the \$19.1 million originally anticipated. In addition, the original proposal assumed that the program would be working in six Central American countries. However, as a result of political disruption in Panama, CHF, after consultation with USAID, closed its operation there. Because the program in Panama was closed before all the funds originally allocated to that country were disbursed, the uncommitted funds were reallocated among the other countries' programs. CHF completed the loan programs committed and in progress before departing Panama.

Targets Exceeded

Table 1 identifies the program's major outputs by country and measures them against original targets. As can be seen, the program far surpassed its planned outputs in numbers of home improvement loans, self-help (core) house construction loans, building material production center loans, number of non-governmental organizations assisted to become technical service organizations, and number of work years generated. In addition, significant numbers of training sessions and workshops were held and participants trained, although targets for these key areas were not presented in the original proposal.

Many of the outputs of the program are, quite literally, very concrete. Today, as a direct result of CHF's program, almost 9,000 families are enjoying the benefits of improved housing and communities. In addition, more than 100 small businesses are now producing building materials and creating jobs in low-income communities. An overwhelming amount of the employment generated was among low-income families living in the informal sector, as the

loan programs were structured to utilize the construction services of local *maestros de obra* and their crews whenever possible.

Although it exceeded its target, the program concluded with much less funding dedicated to building material production center loans than originally contemplated as a result of large amounts of money becoming available throughout Central America for small business and microenterprise lending. In large measure, the availability of the microenterprise lending programs obviated the need for CHF to parallel this well-financed effort and enabled the program to focus its available funds on other program components.

Unmet Targets

The program was unable to meet proposed targets for the number of community improvement loans made and the corresponding number of beneficiaries served. The original assessment of the need for community improvements and infrastructure upgrading was accurate, especially in urban informal settlements, but communities made little demand for loan funds because of donations offered by politicians, church groups, and some international donor agencies. Many promised donations for community projects did not materialize, and, when they did, the funds available were minuscule when measured against the need. Nevertheless, it was extremely difficult to overcome the unrealistic expectations generated by the relatively small number of such projects which were built.

Given the nature of most community improvement/infrastructure upgrading projects, the investment per beneficiary is usually much less than that for core house construction loans or home improvement loans. As a result, the reduced provision of commu-

nity improvement loans had the effect of reducing the number of individual beneficiaries served by the program.

Major Achievement

In addition to the more easily quantifiable outputs produced by the program—and of greater long-term significance—is the increased capability of local nongovernmental organizations and cooperatives to deliver credit and develop a range of shelter solutions for low-income families. In implementing the program, CHF collaborated with 28 national federations, national technical service organizations, or regional institutions, as well as at least 80 additional institutions represented by their cooperative affiliates or membership organizations. The program successfully demonstrated a means of increasing the effectiveness of the informal shelter delivery system by providing technical assistance to strengthen grassroots institutions and injecting badly needed credit to accelerate the delivery of shelter.

Table 1

Program Outputs
Cooperative Neighborhood Improvement and Job Program for Central America
August 31, 1990

	Belize	Costa Rica	El Salvador		Guatemala	Honduras		Panama	Total	Planned ^a	% ^b
			Orig.	OPG		Orig.	OPG				
Community improvement loans	0	500	0	158	0	55	0	500	1,213	17,682	7%
Home improvement loans	0	1,002	624	215	1,147	769	896	0	4,653	2,155	216%
Self-help (core) house construction loans	68	147	110	149	945	159	1,012	228	2,818	756	373%
Building material production center loans	1	0	0	0	0	46	76	1	123	76	162%
Technical service organizations assisted ^c	2	3	3	1	7	5	5	2	28	20	140%
Training sessions held	11	26	8	12	29	10	6	1	103	N/A	N/A
Participants trained ^d	125	274	40	300	1,031	400	320	10	2,500	N/A	N/A
Work years generated	20	155	92	60	6,046	3,746	8,635	100	18,854	7,700	245%
Beneficiaries served	340	9,245	4,908	1,820	10,460	6,194	9,681	1,640	44,288	103,473	43%

Note: In the interest of accuracy and clarity, the data shown here lists the number of loans provided to beneficiary families. For example, under the program, a loan might be provided to a credit union federation, which in turn might make loans to three of its affiliated credit unions, which in turn might make loans to 300 credit union members. For purposes of this table, this data would be recorded as separate loans to 300 beneficiary families. Data indicating the number of beneficiaries served represents individuals and is based on an average family size of five.

^aThe planned outputs were based on the assumption that the program would leverage a total of approximately \$19.1 million in capital assistance funding. Actual total capital assistance funds obtained and loaned were approximately \$11.3 million.

^bThe failure to accomplish 100 percent of the planned community improvement loans is a direct result of the volume of funds donated by politicians, church groups, and international development organizations specifically for community improvements. The program simply could not compete, and funds were reallocated to other program components. This phenomenon in turn resulted in an inability to serve the planned number of beneficiaries, which included over 88,000 expected to benefit from community improvement loans.

^cThis category includes those technical service organizations dedicated exclusively to the development of low-cost housing as well as those organizations with whom the program worked to create a limited capability but for whom housing is not their exclusive focus.

^dThis category combines the number of participants trained in the United States, at regional training sessions, and at in-country training activities. The bulk of training took place at relatively small sessions at the local level.

III. Achievement of Program Objectives

Women have been given an equal opportunity to participate in CHF's program and have benefited from small business loans as well as home improvement loans.



III. Achievement of Program Objectives

CHF's Cooperative Neighborhood Improvement and Job Program for Central America was directly related to the implementation of foreign assistance legislation approved by the U.S. Congress as a result of the work of the National Bipartisan Commission on Central America, better known as the Kissinger Commission. Over the course of its successful implementation, the program contributed to the achievement of two of the legislation's four fundamental objectives: equity and broad participation in development and promotion of democratic institutions and human rights. The other two objectives—economic stabilization and long-term growth—were not susceptible to impact by a program like this.

In addition to meeting its output targets, the program was successful in achieving its objectives, which included

- increasing low-income families' access to credit for shelter and community improvements and
- strengthening nonprofit, private institutions' capability to finance and manage improvements to the physical living conditions of low-income families.

Increasing Access to Credit

The program's loans were directed to low-income families who traditionally have not had access to credit from formal banking institutions. These families are employed and earning an income and can afford market-rate loans. Nevertheless, they are excluded from obtaining loans through the formal financial system because they do not conform to traditional eligibility requirements. For example, formal financial institutions will only make shelter loans to families who live on land that is legally

owned and registered with the government and are able to build houses that meet established technical standards. In almost every country in Central America, this eliminates 60 percent to 90 percent of the families who need shelter financing. Such families are forced to seek credit from family members or informal money lenders or postpone their desire to improve their living conditions. Such families feel as if they live on the margins of society and lack rights equal to those enjoyed by the middle and upper classes.

CHF's program achieved its objective of significantly increasing access to credit for informal sector families by strengthening the capacities of private, nonprofit organizations to act as willing and effective financial intermediaries. Unlike traditional financial institutions, these organizations were created to serve low-income families and are eager to learn new and effective approaches for bringing improved services—such as shelter, safe drinking water, adequate sanitation, and security of land tenure—to their client groups.

The program, in all six countries, established that the credit needs of the poor could effectively, economically, and routinely be provided for at market rates of interest through community-based, nonprofit, nongovernmental organizations and cooperatives. The needed ingredients were

- institutions willing to accept the poor as clients;
- procedures and standards designed to reflect the socioeconomic characteristics prevalent among low-income families;
- loan components designed to be affordable by the client group;
- loans in demand by the target group; and
- a credit delivery mechanism which supported the existing informal shelter development process

without eliminating participation and initiative by individual families in solving their shelter needs.

The program demonstrated unequivocally that many nonprofit, community-based groups are good credit risks. Subtracting capital assistance funds utilized as grants, as well as those funds employed for training and workshops, the program provided loans in excess of \$10.1 million to participating nongovernmental organizations. Of that total, only one small loan (\$1,971) in Belize has been written off as a bad debt. In addition, a \$5,000 loan to a housing cooperative in Panama is in arrears. The nonpayment appears to have been motivated by leaders who sought to take advantage of the disruptive political situation, although discussions about converting the loan to a performing one have been renewed. All other loans are current.

Access to credit and equity were further achieved by making a special effort to reach female-headed households in low-income settlements. In particular, the program worked very closely with the Federation of Women's Associations of Honduras (FAFH) and with the Women's Bank of Honduras (FUNHDEMU) and assisted both institutions to establish home improvement lending programs aimed at women in the informal sector.

Strengthening Institutional Capacity

Through its program, CHF worked with a network of nongovernmental organizations and cooperative housing federations and demonstrated that they are an effective avenue for reaching the poor. In some cases, the program strengthened institutional capacities already in place. In others, it created new capacities that complemented existing institutional strengths. In all cases, these institutions are now stronger as a result of the program's technical assistance and learning-by-doing approach. More important, these institutions are now playing key roles as financial intermediaries between the formal financial sector and poor working families living in the informal sector.

The participating institutions had different strengths and weaknesses, but, in general, the program provided technical assistance in areas such as:

- community outreach
- personnel management
- credit analysis
- information management and monitoring
- lending policy development
- construction management
- loan recovery

The program's capital assistance allowed the nongovernmental organizations to implement pilot programs that provided concrete experience, leading to knowledge and an expanded capacity to absorb and channel growing amounts of funds. In many cases, the track record developed by an institution allowed it to access additional funds from other sources.

Major breakthroughs related to accessing funds were achieved by the program in Costa Rica, Guatemala, and Honduras. To secure the liquidity necessary for continued operations, institutions in the field of housing finance must have access to discounting facilities. In other words, housing finance institutions must be able to take mortgages from completed projects and sell them in order to secure funds to lend to additional families. Yet accreditation by or access to discounting facilities is usually restricted to commercial banks and savings and loan associations.

In Costa Rica, CHF worked extensively and intensively with the Federation of Credit Unions (FEDECREDITO) to mount a nationwide program of lending for core house construction and home improvements. The program involved 19 credit unions throughout the country and made FEDECREDITO known in the housing finance field. Almost two years after initiation of CHF's program, Costa Rica established the National Home Mortgage Bank (BANHVI), and FEDECREDITO was accepted as an accredited mortgage loan originator. BANHVI assumed that savings and loan institutions or commercial banks would be the primary channel for disbursing its funds, although it found that neither moved quickly or emphasized using the funding for low-income family housing. In fact, it was FEDECREDITO and its affiliates, trained and tested by CHF's program, that proved to be capable of reaching the low-income group targeted by BANHVI.

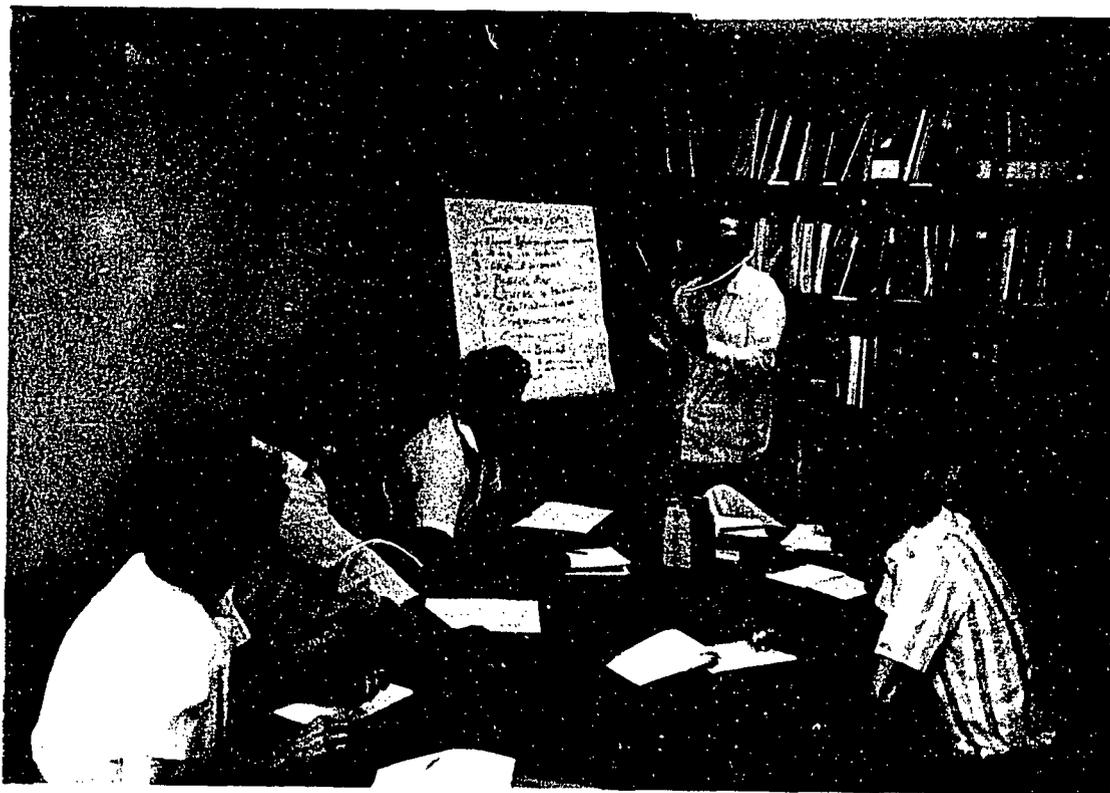
Although FEDECREDITO's participation in BANHVI's start-up program had originally been placed at approximately \$375,000, it actually generated mortgages in excess of approximately \$6.1 million as a result of its enhanced absorptive capacity. Under its arrangement with BANHVI, more than 80 percent of FEDECREDITO's activity was channeled through credit unions participating in CHF's program. Although FEDECREDITO is only one of 26 authorized institutions, it accounts for more than 10 percent of all BANHVI disbursements to date, making it one of the most active housing finance organizations in Costa Rica.

In Guatemala, the Insured Mortgage Corporation (FHA) recently accredited the National Federation of Housing Cooperatives (FENACОВI) as a mortgage originating entity. This is a major accomplishment, as FENACОВI is the only noncommercial banking institution to be given that status. Earlier, technical and financial assistance provided through CHF's program helped rescue FENACОВI from the brink of bankruptcy and assisted the institution to become a major participant in the social housing field.

The National Housing Fund (FOVI) is a major actor in the housing finance sector of Honduras. Its major role is to channel loan funds provided under USAID's housing guaranty program to low-income families by discounting construction loans with private sector financial intermediaries. Prior to the implementation of CHF's program, FOVI had attempted to work exclusively through the formal, for-profit financial sector, although savings and loan associations were enormously resistant to working with low-income families. Only when FOVI began working with the nongovernmental organizations participating in CHF's program did it begin to reach lower income families in significant numbers. CHF's program was essential in helping these nontraditional financial intermediaries demonstrate technical, administrative, and financial skills and establish eligibility by developing a proven track record of making and recovering loans for three years. The Credit Union Federation of Honduras (FACACH), Centro San Juan Bosco (CSJB), and the Association for Human Promotion (APRHU) are all accredited with FOVI and have used its discounting facilities.

IV. Institutional Sustainability

Training and technical assistance provided under CHF's program has strengthened the capacity of community-based, nonprofit institutions in the private sector to manage construction projects and housing finance programs aimed at low-income communities.



IV. Institutional Sustainability

Perhaps the most impressive result of CHF's program is the strengthening of nonprofit, community-based organizations to the point where their housing-related activities have become long-term, ongoing programs. The key to reaching this goal was the creation of financial conditions that led to operational self-sufficiency for the implementing institution along with the development of appropriate management and administrative methods.

Operational Self-Sufficiency

CHF's program has been a critical factor in the emergence of strong, local institutions with financially feasible and operationally self-sufficient shelter programs. The program's methodology was to initiate activities with an institution by providing funding for a pilot loan program, coupled, where needed, with an institutional support grant to cover the institution's program start-up costs. The loan programs were designed to earn income for the implementing institution by including both an interest rate point spread and direct administrative costs charged to the loan.

Credit unions, as existing financial institutions, showed comparative strength in financial and credit analysis skills. For example, CACIEL, a credit union in Honduras, received its loan funds under CHF's program at 13 percent interest and lent them at 16 percent. In addition, CACIEL charged a one-time fee of 5 percent of the total loan to pay for the cost of loan administration and construction supervision.

Once this basic strategy was in place, self-sufficiency was reached by expanding the volume of operations and improving operational efficiency. Institutions normally took two to three years to achieve a "criti-

cal mass" of loan activity. During that time, the program would provide smaller and smaller institutional support grants consistent with the institution's ability to cover more and more of its own costs. In all cases where CHF has maintained an ongoing relationship with an institution and that institution has been able to access growing amounts of loan capital, operational self-sufficiency has been achieved.

Indirect Institutional Benefits

Many of the nongovernmental organizations incorporated into the program's network were not primarily housing organizations. Many were credit unions or organizations such as Centro San Juan Bosco (CSJB), whose initial thrust was working with street children in Tela, Honduras. Other examples include the Women's Bank of Honduras (FUNHDEMU), which initially focused on women's microenterprise activities, and FUNDACEDI, which worked in rural Guatemala for integrated rural development.

Frequently, an institution's participation in CHF's program enabled it to add services needed by its low-income constituents and strengthened its financial, administrative, and managerial performance of other functions. The program made its first loan in Costa Rica to COOPESPARTA, a weak credit union with less than 180 active members. Three years later, COOPESPARTA emerged as the strongest credit union in the zone, with over 1,200 members. In like manner, COOPEALIANZA has grown from 2,000 to over 6,600 members and has become one of the major financial institutions in southern Costa Rica. In urban Costa Rica, the program produced similar results. At the beginning of CHF's program, COOPESANTACATALINA, located on the west side of San José,

had approximately 200 members. Today it boasts a membership of over 800 and has opened two branch offices.

In Belize, CHF worked primarily with the Belize Credit Union League (BCUL). Today, the BCUL is one of the leading providers of low-income housing in the country. Through participation in CHF's program, the BCUL has been able to build up its loan portfolio to the point where over 40 percent of its operating budget is supported by earnings from interest and administrative fees generated by housing-related loans. Coupled with income earned from other loan activities and services, the BCUL is now financially self-sufficient and a much stronger institution than it was five years ago. In other words, the BCUL now has housing development and housing finance expertise which it did not formerly possess, as well as the human and financial resources necessary to perform its functions as a national-level federation of credit unions.

In addition to the direct benefits of producing more shelter, the experiences of these credit unions demonstrate some of the indirect benefits resulting from CHF's program. Besides increasing their capacity to provide shelter services, participation in CHF's program has positioned these institutions to be stronger, more effective credit unions.

Shelter Delivery System

The results of CHF's program show much lower costs for shelter, greater outreach to the poor, speedier implementation, and vastly better cost recovery than is achieved through the formal sector shelter delivery system. The program now has in place a shelter delivery system that can serve as a complementary, private sector channel for assistance that is available to local governments, to USAID, and to other donor/development organizations. The system can increasingly mitigate the problems resulting from the public sector's lack of absorptive capacity as well as the continued widespread unwillingness or inability of traditional, for-profit, formal sector shelter institutions to serve the lower income population.

It should be emphasized that these institutions are viable, and their programs are sustainable. However, like other housing finance and development

institutions in the private sector, their programs require access to loan capital which they, in turn, can lend to their low-income constituents. Wherever possible, institutions' loan portfolios will be discounted to maximize the impact of the capital available. This is a possibility in Costa Rica, to some extent in Honduras, and on a limited basis in Guatemala. It is not currently possible to discount loans in El Salvador, and mechanisms for discounting loans do not exist in Belize.

The shelter delivery system developed under CHF's program constitutes a network of nonprofit, non-governmental organizations that is capable of reaching the low-income population more effectively than do traditional private builders, savings and loan associations, and commercial banks. To the extent that USAID and other donor agencies make funds available to Central American nations for shelter for the poor, this network is fully capable of absorbing the funding and channeling it to the target group. The network could readily be expanded to accommodate the availability of larger amounts of capital assistance.

V. Continuation of the Program

Throughout Central America, families are building better lives for themselves with the help of financing and technical assistance provided through CHF's program.



V. Continuation of the Program

Based on the success of CHF's program in Central America, the John D. and Catherine T. MacArthur Foundation has become interested in supporting the provision of shelter for the poor of the developing world. At the close of 1990, the MacArthur Foundation awarded CHF a \$1.1 million program related investment to support continued lending through the private, nonprofit network developed in Central America. This action stands as a vote of confidence in the program's achievements and a tribute to the grant made initially by USAID.

The program will continue to operate in Central America after the conclusion of CHF's original agreement with USAID. The program will utilize a combination of loan repayments from programs in the various countries, additional capital assistance funds provided by USAID missions in several countries, and funds obtained through CHF's fund-raising efforts in the private sector. With such funds, CHF will attempt to build upon the success of the program and the momentum it has generated. The program will continue to operate primarily through nonprofit, nongovernmental organizations, cooperatives, and other community-based groups to support, strengthen, and accelerate housing development for low-income families. The staffing needed to undertake this effort will be modified as necessary.

Country-Specific Plans

In Belize, CHF has closed down program operations effective November 30, 1990. There is little likelihood of securing additional funding from USAID or other donors, available loan repayments are limited given the relatively small portfolio and its average term, and local banks are not open to discounting the existing portfolio. All routine administrative, audit, and monitoring requirements will be met from CHF's offices in Honduras and/or Washington, D.C.

In Costa Rica, the program is continuing to operate under a \$1.6 million OPG funded by the USAID mission. Approximately \$1 million in capital is available for lending, and \$570,000 will fund technical assistance and administrative costs to January 1992. During this period, CHF will also add funds from its MacArthur Foundation award as well as reinvest available loan repayments to continue the program.

In El Salvador, CHF's program is operating under a \$326,000 OPG funded by the USAID mission to cover technical assistance and administrative costs through July 31, 1991. The funds are complemented by \$1.5 million in long-term financing earmarked by the savings and loan system to provide mortgages on the units being developed under the program. Additionally, CHF is dedicating to the capital assistance portion of the program approximately \$400,000 from discounted construction loans and loan repayments available from activities completed under earlier segments of the program in El Salvador. A portion of the MacArthur Foundation award will also be used to provide loans.

In Guatemala, delays have been encountered in discounting a portion of the loan portfolio. In addition, the average term of the loans in the portfolio is resulting in an extended repayment period, which is producing a lower amount of loan repayments. In the judgment of CHF's management, the level of program activity possible does not justify the expense represented by maintaining a full-time country director in Guatemala. Operating costs will be reduced by removing CHF's country director and combining responsibilities for program operations in Guatemala and Honduras under CHF's staff person stationed in Honduras. The new staffing arrangement will become operational on or about February 1, 1991.

In Honduras, the program's loan portfolio will generate sufficient loan repayments to continue the

current staffing pattern for an additional two years—
until September 1992—as well as cover lending and
technical assistance costs. The funds will also be
increased modestly by an allocation from the
MacArthur Foundation award.

VI. Lessons Learned and Confirmed

CHF's program generated significant employment among families living in the assisted communities; local laborers supervised and completed much of the construction work, and small businesses produced and supplied building materials in response to increased demand.



VI. Lessons Learned and Confirmed

When CHF first proposed its program, USAID was a leader among the donor community in recognizing that new models needed to be developed in which the public sector would withdraw from direct implementation to take on the role of facilitator, creating conditions that would enable private sector, community-based organizations to reach the poor more effectively. CHF's program has demonstrated in very concrete terms that the enabling approach can and does work. Furthermore, experience indicates that this innovative model could effectively be applied in other parts of the world. Following are some of the key lessons learned and confirmed under CHF's program and from more than a quarter century of experience working in Central America and other nations of the developing world.

Participating Institutions

Developing institutional capacity. The successful implementation of programs designed to assist low-income inhabitants of the informal sector depends more than anything else on the existence of capable local institutions that view their goal as working with and for the lower income population and promoting self-sustaining development. In addition, a key characteristic that allows these organizations to be effective is nonprofit operations resulting in lower costs and more affordable shelter solutions.

As a shelter assistance program evolves from a pilot effort to a full-grown program, the implementing institution must also mature and expand its internal capacity to manage a growing program. An effective institution should

- have an effective accounting system,
- maintain a productive flow of information,
- maintain a loan portfolio with a low arrearage rate,

- have a functional organizational structure, and
- rely on a decentralized management style.

Unfortunately, CHF found that most of the existing nongovernmental organizations did not always meet all of these minimum requirements. The will to work with the desired target group was present, but the administrative ability was sometimes weak. Key problems included a lack of qualified personnel, a lack of experience with information management, and, with the exception of credit union federations, limited experience working with loan funds.

Given the above limitations, CHF's program demonstrated that the process of implementing a housing loan program was an excellent opportunity for learning. In all cases, participating institutions began with a small pilot loan program and were provided training and technical assistance as needed. As a result, each of the participating organizations progressively expanded its loan program and strengthened its administrative capacity.

Increasing absorptive capacity. The absorptive capacity of organizations implementing a loan program is affected by a combination of the demand by beneficiaries/borrowers for loans and the administrative/operational capacity of the organization. Experience indicated that beneficiary demand tended to snowball after initial promotional activities were carried out and the first loans were made. Almost always, the demand for loan funds was larger than the amount of funds available. Consequently, absorptive capacity was determined by the institutional capacity to administer the funds. Each of the program's collaborating organizations significantly increased its absorptive capacity by gaining valuable hands-on experience and incrementally improving its operational and administrative abilities.

Meeting technical assistance and training needs. Technical assistance and training under the pro-

gram were provided mostly through a learning-by-doing process, in contrast to the more traditional methods of seminars and workshops. The approach proved very effective, largely because the type of training and technical assistance needed to implement a loan program is often very basic. Such simple skills as learning how to use a mortgage table to calculate a monthly mortgage payment, how to calculate building material costs, or how to keep an orderly file system have significant bearing on the success of a program. Sophisticated financial concepts, management techniques, and computer applications are usually irrelevant to the day-to-day implementation of this type of a loan program.

Target Group

Linking housing and income production. A significant lesson learned through CHF's program is that families who live in informal settlements rely on their homes to supplement their incomes. With the exception of Costa Rica, unemployment rates in the informal sector were very high. As a survival strategy, the majority of families rented one or more of their rooms or used their house as a workshop, a grocery store, or as collateral for a small business loan. Housing was clearly a financial asset for poor families living in the informal sector, and improving their homes improved their quality of life and economic conditions as well.

Reaching lower income groups. A key factor in reaching lower income groups under CHF's program involved working with organizations whose constituency coincides with the program's target group. Banks and savings and loan associations have neglected to reach out to lower income groups and are often further constrained by a series of standards, procedures, and criteria which effectively exclude most residents of informal sector communities from their services. Many community-based organizations, on the other hand, have traditionally worked with the poor—even the poorest of the poor—and have established working relationships with various lower income groups. In the case of credit unions, for example, many members and often the board of directors are from low-income communities. The other key to reaching lower income groups was to develop loan programs that were flexible enough to be affordable to them. Under

CHF's program, loan application criteria, loan amounts, and loan repayment schedules were designed in such a way to be affordable to the intended target group.

Managing improvement projects. A major fear expressed by formal sector housing agencies is that low-income families, especially the residents of marginal areas, are not capable of handling money or managing a construction project, regardless of its scale. CHF's program demonstrated that informal sector families are entirely capable of managing the home construction and improvement process. They may contract with others to do the work, complete construction work themselves, or apply a combination of the two systems. In addition, site visits suggested that the beneficiary families were efficient builders. The cost per square meter, or the amount of construction achieved with a limited amount of money, put the informal sector builders far ahead of their formal sector counterparts.

Using self-help or self-managed construction. Under CHF's program, beneficiary families were given the freedom to do the construction themselves (self-help) or hire a local builder to do all or part of the work. Since families living in informal settlements often have to work more than full time in order to survive economically, many simply cannot afford to lose income by working on the construction of their homes. Consequently, most families hired a local builder to do most of the work. Through self-management of the construction process, however, families were able to make key decisions about materials, size, design, and who to hire. The experience of managing the construction process always resulted in greater satisfaction with the final results.

Policies and Procedures

Monitoring loan programs. An active monitoring system is crucial to an effective loan program. Only by having an ongoing monitoring system at all stages of program implementation can problems be identified in a timely manner and dealt with constructively.

Under CHF's program, monitoring was conducted in a personal, hands-on manner. Each of CHF's country directors visited the program's collaborat-

ing institutions at least once a month. During these visits, all aspects of an institution's ongoing program were reviewed. Such a review examined

- program promotion strategies, activities, and documents, including an assessment of target individuals and groups and assurances that loan qualification requirements were consistent with the characteristics of the target group;
- loan application formats, thoroughness of the socioeconomic analysis of potential borrowers, and accuracy in the drawings and budgets of the proposed construction;
- the filing system, especially regarding the inclusion of legal documents, borrower payment records, and the like;
- supervision of the construction process, including a record of site visits and disbursements;
- administrative and financial information systems, with emphasis on the loan portfolio, to ensure that institutions maintained a current list of all borrowers and the status of their loans, including arrearages;
- a sampling of actual beneficiaries to ensure that construction was being completed and that the beneficiaries were from the target group; and
- arrearage records as well as specific actions undertaken to reduce arrearages.

Addressing the need for loan guarantees. For informal sector residents, the lack of legal title to their land does not cause concern, because property and sales rights are fully respected by other families within the community. However, the absence of land tenure is a problem for formal sector lenders, who require property mortgages as loan guarantees. Under CHF's program, the issue of land tenure was addressed several ways. Often, a portion of a loan was provided to pay the cost of obtaining land title. Loans were also secured on the structure constructed, independent of the land. And, in some instances, a community group was willing to guarantee loans made to individuals.

The type of loan guarantee required has a significant impact on the efficiency and cost of a loan program. The more formal a guarantee required, the more time and money it takes to process. At the same time, there seems to be little correlation between the type

of guarantee required and the rate of arrearages. Loan guarantees required by the institutions implementing CHF's program varied widely and included traditional mortgage guarantees, fiduciary guarantees, solidarity guarantees, payroll deductions, and good character references. Those institutions which were thorough in analyzing loan applications and have a strict policy of following up on collections tended to have a much healthier loan portfolio.

Providing affordable construction supervision. Although the organizations participating in CHF's program often had experienced engineering and design teams on staff, they opted to use *maestros de obra* as construction supervisors, consultants, and community liaisons. While construction plans were approved by a qualified engineer, all field work was done by experienced *maestros*. This scheme was motivated in part by economic factors. By substituting *maestros* for professionals, the technical services charge was greatly reduced. The approach was also an efficient method of management. In fact, the decisions called for in making a \$1,500 home improvement did not require a consulting engineer.

Finally, the practice generated employment in a low-income community and facilitated communication. The *maestro* was often from a low-income family and from an informal sector neighborhood as well. Beneficiaries often found him more approachable than a professional from the formal sector.

Identifying successful loan programs. By far the loan programs with the most demand were the home improvement/build-on-your-own-lot programs, which build on the existing process of informal shelter development. There is enormous heterogeneity within informal settlements, and the needs and priorities of residents vary widely. A flexible home improvement loan program proved to be the most effective method for providing housing solutions that satisfied the needs of the broadest spectrum of low-income families.

The programs with the least demand were the community improvement loans, in large part because of the volume of donations for community improvements provided or promised by church groups, politicians, city leaders, and international development organizations.

Loans for self-help housing cooperatives also did not develop as originally planned. The reason,

however, was not lack of interest or demand but the difficulty of getting a formal housing project approved.

Impediments

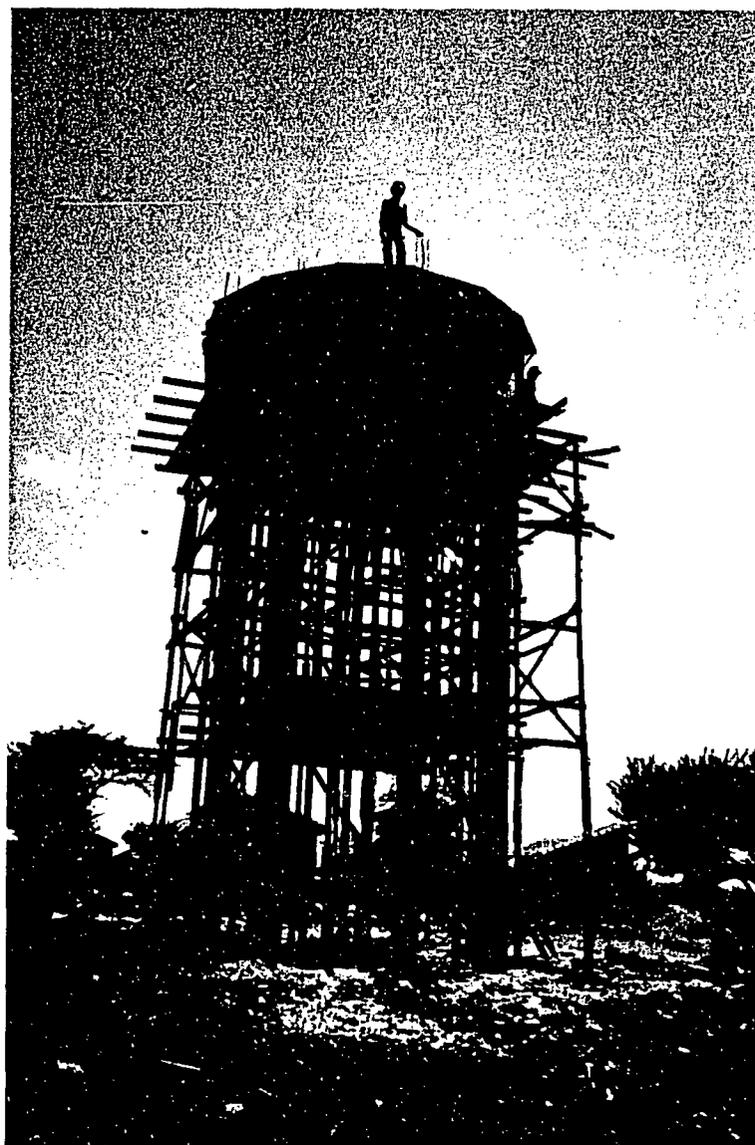
Requiring mortgages as loan guarantees. With enough training, technical assistance, and experience, community-based nongovernmental organizations can effectively provide financing to meet the shelter needs of low-income families. However, barriers remain that make it difficult for such organizations to establish links with the formal financial system. The primary barrier is the formal sector's insistence on requiring mortgages as loan guarantees and their corresponding focus on serving the middle and upper classes.

The most effective strategy for reaching the low-income target group is to offer small home improvement loans, yet most potential borrowers resist mortgaging their home in order to qualify for a small loan. Frequently, the legal status of their unit would prevent them from mortgaging it if they wished. The institutions participating in CHF's program were flexible enough to accept alternative guarantees for the home improvement loans they offer, but were generally unable to refinance the loans in the formal financial sector because they lacked mortgages as guarantees. For organizations that may have as much as 75 percent of their loan portfolio in home improvement loans, this barrier presents a significant threat to their liquidity.

Requiring excessive capital resources. Normal business procedures practiced by public and private sector banking institutions required more capital resources than the organizations participating in CHF's program possessed. Procedures involving reimbursements for work in progress and construction financing drawdowns frequently require organizations to lay out their own funds for considerable lengths of time. For more affluent builders, these practices may simply be an additional cost of doing business that is passed along to their customers. For nonprofit, community-based organizations, these practices can constitute a threat to their solvency and continued existence.

Appendixes

Community improvements provided under CHF's program included the construction of water storage tanks, wells, retaining walls, and walkways.



Appendix 1

Status of Original Capital Assistance Funds Cooperative Neighborhood Improvement and Job Program for Central America August 31, 1990

	Regional	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Panama	Total
Budgeted	\$500,000	\$625,000	\$852,895	\$525,000	\$1,300,000	\$930,000	\$367,105	\$5,100,000
Loans	0	\$598,588	\$827,218	\$492,963	\$1,165,979	\$826,514	\$367,105	\$4,278,367
Grants	\$118,400	\$31,922	\$13,215	0	0	\$103,487	0	\$267,024
Training	\$554,609	0	0	0	0	0	0	\$554,609
Total	\$673,009	\$630,510	\$840,433	\$492,963	\$1,165,979	\$930,001	\$367,105	\$5,100,000

Appendix 2

**Status of Additional Capital Assistance Funds
Cooperative Neighborhood Improvement and Job Program for Central America
August 31, 1990**

	El Salvador Buy-in	El Salvador OPG	Guatemala Buy-in	Honduras OPG	Total
Budgeted	\$395,000	\$535,000	\$1,860,000	\$3,367,500	\$6,157,500
Loans	\$344,300	\$666,089	\$1,639,112*	\$3,341,700	\$5,991,201
Grants	\$50,700	\$26,393	\$220,888	\$140,250	\$438,231
Total	\$395,000	\$692,482	\$1,860,000	\$3,481,950	\$6,429,432

*As of August 31, 1990, construction connected with loan G/L/16 to HODE was not yet fully completed. However, all the funds required for completion payments had been disbursed to a program-designated bank account from which the final program disbursements will be made.

Appendix 3

Expenditures through August 31, 1990 Cooperative Neighborhood Improvement and Job Program for Central America

Admin Cost.

Technical Assistance		Capital Assistance	
Salaries		Loans	\$10,269,568
Resident advisor(s)	\$820,367	Grants	705,255
Short-term advisor(s)	399,021	Training	554,609
Project manager	348,272	<u>Total capital assistance</u>	<u>\$11,529,432</u>
Secretary	65,962		
Total salaries	1,633,622		
Overhead		<u>Total expenditures</u>	<u>\$18,207,670</u>
Field office(s)	843,403		
Home office	1,196,020		
Total overhead	2,039,423		
Consultants	294,569		
Travel and transportation			
International travel	151,892		
Shipment of household effects	126,779		
Local travel	62,566		
Per diem	208,209		
Storage of household effects	32,402		
Total travel and transportation	581,848		
Allowances			
Post differential	129,286		
Housing and temporary lodging	279,475		
Education	45,226		
Furniture	9,607		
Other	54,995		
Total allowances	518,589		
Other direct costs			
Workers' compensation and general liability	47,392		
Local hire and temporary help	387,801		
Communications and postage	252,130		
Printing and reproduction	67,420		
Vehicles and equipment	307,468		
Program furniture	56,109		
Reference materials	33,933		
Office rent	232,166		
Miscellaneous	225,768		
Total other direct costs	1,610,187		
<u>Total technical assistance</u>	<u>\$6,678,238</u>		

Appendix 4

Loan Repayments Received through August 31, 1990 Cooperative Neighborhood Improvement and Job Program for Central America

Loan Repayments	
Belize	\$95,406
Costa Rica	455,427
El Salvador	
Original program grant	270,469
Buy-in to original program grant	52,274
Operational program grant	529,507
Guatemala	
Original program grant	290,046
Buy-in to original program grant	156,061
Honduras	
Original program grant	482,637
Operational program grant	1,124,894
Panama	128,416
New program funds	2,819
Total loan repayments	<u>\$3,587,955</u>

Appendix 5

The following pages provide profiles of several families who benefited from CHF's program.

Santos Castillo Luna

As he sits in a hammock in a tiny room brimming with furniture, Santos Castillo Luna listens intently. His eyes cannot see, but his ears recognize the sounds of progress. Brick by brick, a new house rises slowly around him.

"We're going to put in the roof beams next week," says Santos. "Then we'll tile the floor. If I live long enough, we'll rebuild this little room, too."

Santos's sightless eyes are often hidden behind dark glasses, but he has refused to allow his handicap to interfere with his dreams of improving his family's circumstances. He has worked hard to achieve their present standard of living.

"As a youngster," he says, "I worked as a laborer until the day I got a bad headache and started losing my sight. The doctors operated on me twice, but the only thing they got rid of was the headache. The darkness hasn't left me since I was 20.

"I came to Tegucigalpa as a blind man and found work as a lottery ticket vendor," he adds. "God has shown mercy; I've been self-sufficient ever since."

Santos is a member of a cooperative formed by the city's lottery vendors. The organization ensures that the handicapped get first

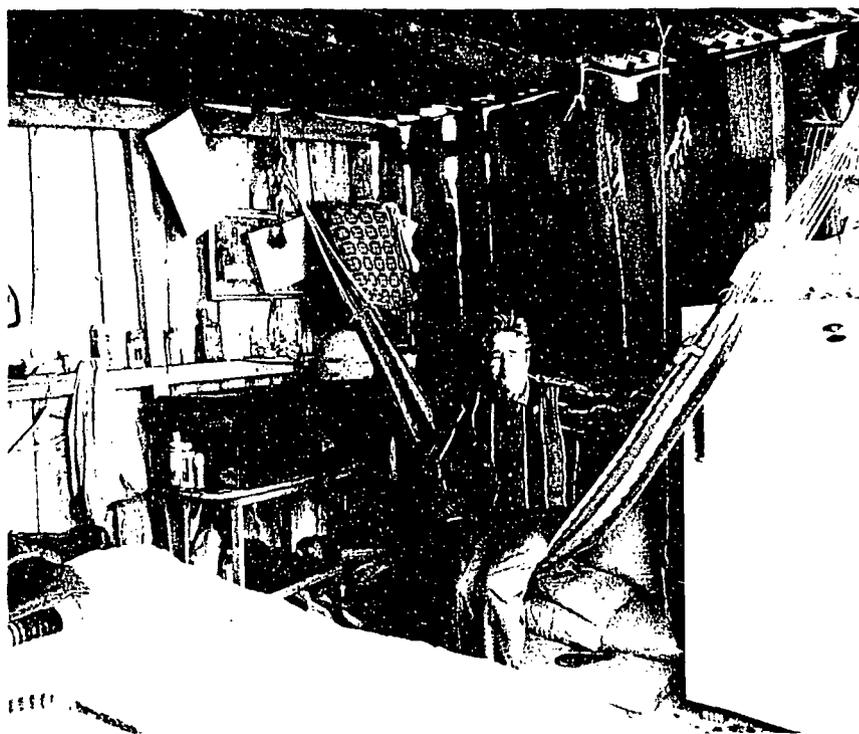
chance at job openings. He earns about \$120 a month selling lottery tickets in the parking lot of the national stadium. On Saturdays, it is the site of a fruit and vegetable market that attracts large crowds—and steady customers.

"This is the third time we've made improvements to the house," says Santos. "The first place was just a shack, with only space for a couple of small beds. But as the children grew, we added a bigger room out front. Now we have a flushing toilet, too.

"I've never been able to borrow from a bank," he adds. "They only lend money if you have something to mortgage, and my property isn't worth enough."

Instead, Santos's family is one of ten

"This is the third time we've made improvements to the house," says Santos. "If I live long enough, we'll rebuild this little room too."



The new house is a vast improvement over the wooden shack Santos and his family had lived in since 1969.



families in the neighborhood to obtain a home improvement loan through the national federation of housing cooperatives (FEHCOVIL), one of the private sector organizations the Cooperative Housing Foundation collaborates with in Honduras. Santos qualified for a loan of \$1,200. Six weeks later, the new house stood finished—a vast improvement over the wooden shack he and his fam-

ily had lived in since 1969.

"My wife and I share the house with my parents," says Victor, the oldest son. "I have a steady job, so I'm helping repay the loan."

Tapping the new brick wall with his cane, Santos says, "This house has changed our lives. I may be poor, but I know something about value. Now at least I can leave something for the children when I die."

"In fact," adds Victor, "some of the neighbors have asked us how to get loans to improve their homes. There's not much help for those of us who live in the *barrio*, but if we get a bit of support, we can do a lot with it." ■



"My wife and I share the house with my parents," says Victor, Santos's son, "so I'm helping repay the loan."

Shelter the World: Help a family build a better life for themselves.

The Cooperative Housing Foundation collaborates with private sector organizations abroad to provide modest loans to hardworking families and small community associations. The loans are made available through CHF's Shelter the World Program and are used to build simple houses, make home improvements, install basic infrastructure, and finance neighborhood improvements. As the loans are repaid, funds become available to lend to others.

I want to help a family improve their shelter. Enclosed is my tax-deductible contribution.

\$1,000 \$500 \$200 \$100 \$_____ Send more information.

Name _____

Address _____

City, State, Zip Code _____

Please mail to Cooperative Housing Foundation, P.O. Box 91280, Washington, D.C. 20090-1280.

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Virginia Fúnez

Virginia Fúnez points to the new brick wall and asks, "See what we can do with the \$880 we borrowed? We've lived here for 25 years and couldn't afford any major improvements until now."

High on a hill overlooking Tegucigalpa, the capital of Honduras, Virginia's son Henry lays brick upon brick. He and his uncle are building a solid new house to replace the run-down wooden shack the family has lived in since 1965.

"Years ago, we paid \$400 for the lot and \$30 for the shack," explains Virginia. "It was in bad shape even then, but we wanted our own home. I planned to add more rooms some day, but I never imagined we could afford to do as much as this."

Virginia, an orphan, was raised by her aunts. For 20 years she worked in a match factory, until the sulfur fumes

began affecting her health. Today she is a janitor at a nearby school.

Virginia obtained her home improvement loan through the national federation of women's associations (FAFH), one of the private sector organizations the Cooperative Housing Foundation collaborates with in Honduras. "My neighbor is active in the local women's group," says Virginia. "She's the one who told me about the loans.

"At first I thought we should add to



Henry and his uncle are building a solid new house to replace the run-down wooden shack the family has lived in since 1965.

"See what we can do with the \$880 we borrowed?" asks Virginia. "We've lived here for 25 years and couldn't afford any improvements until now."



the house, but someone suggested that we rebuild it instead. After all, the old house was about to collapse.

"We're putting in three rooms and an outside kitchen," she continues. "The bathroom was already built. When we finish in another week or so, my daughter Rosibel is going to come and live with us.

"I'll be paying \$23 a month," she adds, "but I want to pay the loan back sooner.

If we all help, I think we can do it."

A single mother, Virginia has four grown children. "I was too poor to put them all through school," she says. "Rosibel still has a year to go, and Henry is going to night school. But when the house is finished, at least they'll have a solid roof over their heads."

As she gazes at the new brick house, she says with wonder and pride, "I never imagined it. Just look. Isn't it nice?" ■



"I never imagined it," says Virginia, as she gazes at the new brick house. "Just look. Isn't it nice?"

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Gilberto Hernández

The road that leads into the neighborhood of La Laguna is narrow, bumpy, and dusty. Land in the capital of Honduras is scarce and expensive, so it is used to the fullest. Houses and shops are built wall-to-wall on both sides of the street.

The barbershop operated by Gilberto Hernández is identified by the traditional stripes painted on either side of the front door. A barber's chair and other items of the trade occupy half of the living room, while the other half is sparsely furnished with an old television, two chairs, and a bench. At the back of the small house is the bedroom where Gilberto and his family sleep. He and his wife, Ana Rosa, have four young children.

"I open at 8:00 every morning and close at 9:00 at night," says Gilberto, "but I make most of my money on the weekends. I earn about \$12 a week—

sometimes up to \$60 a month. My wife makes tortillas and sells them to help out.

"When we've finished paying for food, electricity, water, taxes, and sewage," he continues, "there isn't much money left over. We often do without new clothes in order to pay the bills."

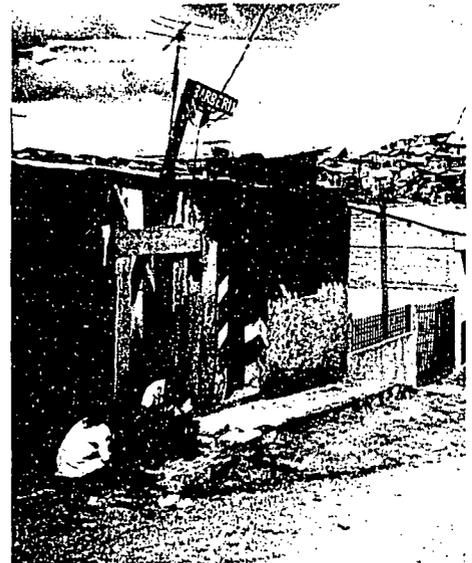
Hard work and doing without are part of Gilberto's peasant heritage. As a boy, he worked alongside his family in the fields.

Gilberto was brought up with a machete in his hand, but his life changed when he came to the city.

"When I was in the army, I learned to cut hair," he says. "One day my sergeant sent me to Tegucigalpa, and I've been here ever since. That was 30 years ago.

"I had some rough times then," he adds. "I became an alcoholic, and my life fell apart. It took a lot of discipline to straighten myself out, but I did it. I'm the head of a family now, and I do my best to provide for them."

Late in 1989, the neighborhood association in La Laguna began urging residents to repair and improve their houses with the assistance of home improvement loans. The loans were made available through the national federation of



Gilberto's barber-shop is identified by the traditional stripes on either side of the front door.

"I wanted to start with a small loan," says Gilberto. "so I borrowed \$600 and built the toilet and a room for the kitchen."



housing cooperatives (FEHCOVIL), one of the private sector organizations the Cooperative Housing Foundation collaborates with in Honduras.

"I put in my application," says Gilberto, "and borrowed about half of what I qualified for. Since I don't have a steady salary, I wanted to start with a small loan—one that I could easily repay. I borrowed \$600 and built the toilet and a room for the kitchen."

"A couple of years ago, a sewage system was installed in the neighborhood," says Ana Rosa. "The community association urged us to put in a flushing toilet. Well, there it is.

"It's much cleaner around here now," she continues. "All the dirty water from washing dishes and clothes goes into the sewer instead of collecting in the yard."

Gilberto knows how difficult it can be to borrow money. "I tried several times," he says. "I couldn't find anybody who could cosign a loan for me. And banks will only make loans to people with monthly salaries over \$200. With my income, I didn't stand a chance.

"Until these loans were offered, I didn't know where to get the money to im-

prove our home," continues Gilberto. "Whatever it takes, I'm going to repay what I borrowed, because I want to take out another loan and make more improvements later.

"Look," he adds, pointing to the old adobe wall and leaky roof, "these have been here for more than 20 years. They need to be replaced.

"Life is okay now," Gilberto continues. "I've been able to make new additions to the house, and the value of our property has increased. With the help of the loan, I'm one step closer to securing my family's future." ■

"Whatever it takes," says Gilberto. "I'm going to repay what I borrowed. I want to take out another loan and make more improvements later."



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María Josefa Cortéz

María Josefa Cortéz was lonely. One by one, her eight children had left the village of Talanga to find work in the city and begin families of their own. She knew there were no jobs in Talanga, but she was sad to see her children go. Although they were only 30 miles away in Tegucigalpa, the capital of Honduras, she missed them and the chance to see her grandchildren growing up.

In 1986, María decided to join her family in Tegucigalpa. It was a difficult decision, because none of the children had room to take her in. Although they all had jobs, they were barely getting by. Teynaldo, the youngest, worked as a waiter at an army base. Roque sold shoes in the market. Cruz hawked merchandise on the streets. Petrona worked at an embassy, while another daughter operated a fruit stand. Each one worked at least nine hours a day, six and sometimes seven days a week, earning between \$50 and \$100 a month.

"For four years I rented anywhere I could," says María. "I made 20 pounds of tortillas every day and sold them in the market to pay the rent, which was \$10 a month." But even that was not enough. Andrés, her fourth son, remembers, "She often had to skip a meal to pay for her room."

María was determined to stay near her children and build a new life for herself in Tegucigalpa. "I owned a tiny shack in Talanga," explains



María, "so Andrés helped me sell it. With the money we bought this little piece of land and the run-down house that was on it."

The original house stood in a clearing on the hillside with nothing to protect it from mudslides during the heavy summer rains. It had leaky wooden walls and a dirt floor. It was obvious to María and Andrés that the house needed major repair, but they didn't know how they could afford it.

One day, during a routine visit to the neighborhood, a staff member from the Association for Human Development (APRHU) talked with María and Andrés about their plans. APRHU is one of the private sector organizations the Cooperative Housing Foundation collaborates with in Honduras. It provides loans to working families for home improvements and repairs.

Andrés told the APRHU staff member about his steady job selling bread and

"This house is our future," says Andrés. "God willing, we'll finish it in stages, and then everybody can enjoy it."

"I've got three years to pay back the loan," says Andrés, "but I'm going to try and repay it in half that time."



cakes from the back of a pickup truck. "I was only 14 when I left Talanga," says Andrés. "In the beginning I did anything I could: I worked with a pick and shovel, as a guard, and later as a fare collector on a bus. But I've had this job for eight years now, and I earn about \$100 a month." He asked for a \$400 loan.

The APRHU staff member suggested that Andrés sign up for a \$600 loan, knowing from experience that it would cost at least that much to make the house livable. Andrés used the loan to pay for bricks and cement, and the family spent three months rebuilding the house.

"As you can see," says Andrés, pointing to the unfinished kitchen area, "we didn't get to the end of it. The retaining wall cost more than we had figured, but it helps protect the house—and our investment. I've got three years to pay back the loan, but I'm going to try and repay it in half that time."

Thanks to Andrés and a small loan, life isn't so hard for María now, and she isn't lonely anymore. The new house is



four times bigger than anything she's ever lived in. "The rooms I rented were small and shabby, but this house is made of brick. I think it may last for a bit," she says with a laugh. "I like the neighborhood, too. It's peaceful, and the neighbors are friendly."

"It's wonderful for us—and for the grandchildren—to have our mother nearby," says Andrés. "This house is really our future. God willing, we'll finish it in stages, and then everybody can enjoy it." ■

María plays with her grandchildren on the front porch of her new home. "I like the neighborhood," she says. "It's peaceful, and the neighbors are friendly."

Shelter the World: Help a family build a better life for themselves.

The Cooperative Housing Foundation collaborates with private sector organizations abroad to provide modest loans to hardworking families and small community associations. The loans are made available through CHF's Shelter the World Program and are used to build simple houses, make home improvements, install basic infrastructure, and finance neighborhood improvements. As the loans are repaid, funds become available to lend to others.

I want to help a family improve their shelter. Enclosed is my tax-deductible contribution.

\$1,000 \$500 \$200 \$100 \$_____ Send more information.

Name _____

Address _____

City, State, Zip Code _____

Please mail to Cooperative Housing Foundation, P.O. Box 91280, Washington, D.C. 20090-1280.