PD-ABK-735
ISN 93738

USAID

MISSION TO PAKISTAN AND AFGHANISTAN

PROJECT ASSISTANCE COMPLETION REPORT

Shelter Resource Mobilization Program (391-0507)

Submitted by Private Enterprise and Energy Division
July 1994

TABLE OF CONTENTS

		PAGE
	List of Acronyms	
1.	Basic Project Data	1
2.	Project Goal and Purpose	1
3.	Project Components	
	Housing Finance Policy	2
	Housing Finance Institutional Development	2
	Housing Finance System Development	2
	Housing Finance Training	3
	Local Currency Support of GOP Urban Programs	3
4.	Inputs	3
	USAID Inputs	4
	GOP Inputs	4
	Private Sector and Other Donor Inputs	4
5.	Summary Project History	4
6.	Project Accomplishments	7
	Housing Finance Policy	8
	Housing Finance Institutional Development	8
	Housing Finance System Development	9
	Housing Finance Training	9
	Local Currency Support of GOP Urban Programs	9
7.	Lessons Learned	9
8.	Sustainability	12
	Annexes	

LIST OF ACRONYMS

CDC	Commonwealth Development Corporation
FSN	Foreign Service National
GOP	Government of Pakistan
HBFC	Housing Building Finance Corporation
HG	Housing Guaranty
IFC	International Finance Corporation
IQC	Indefinite Quantity Contract
MIS	Management Information System
MOF	Ministry of Finance
PACD	Project Assistance Completion Date
PACR	Project Assistance Completion Report
PICIC	Pakistan Industrial Credit and Investment Corporation
PIO/C	Project Implementation Order/Commodities
PIO/T	Project Implementation Order/Technical Assistance
PSC	Personal Services Contract(or)
RHUDO	Regional Housing and Urban Development Office
SBP	State Bank of Pakistan
SRMP	Shelters Resource Mobilization Program
SRO	Statutory Regulation Order
TAT	Technical Assistance and Training

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PROJECT ASSISTANCE COMPLETION REPORT

SHELTER RESOURCE MOBILIZATION PROGRAM (SRMP) - (391-0507)
June, 1994

1. BASIC PROJECT DATA

PROJECT TITLE	:	Shelter Resource Mobilization Program
PROJECT NUMBER	:	391-0507; 391-HG-001A
Date Authorized	:	06/01/89
Date Agreement Signed	:	08/16/89
Original PACD	:	06/30/94
Pressler PACD	:	06/30/93
Revised Pressler PACD	:	06/30/94
Date of 1st HG Authorization	:	06/01/89
Date of HG Program Agreement	:	08/29/90
Date of 2nd HG Authorization	:	09/19/90
Amount Authorized	:	$ 5 million (grant); $ 100 million (HG)
Amount Obligated	:	$ 3.7 million (grant); $ 40 million (HG)
Amount Disbursed	:	$ 2,697,964 (as of 06/30/94)
Implementing Agencies	:	Ministry of Finance, Government of Pakistan
Project Officer	:	Jon Wegge

2. PROJECT GOAL AND PURPOSE

The goal of the Housing Guaranty Program component of the Shelter Resource Mobilization Program was to "develop the role of housing finance in Pakistan's Financial Sector through the mobilization and application of domestic resources to the shelter needs of Pakistan, especially low-income families."

The project had two purposes: first, "to create the policy environment which will promote the establishment of market-oriented shelter finance institutions." Second, "to initially support, through local currency equivalent amounts, the GOP shelter programs that are affordable to low-income families."

The Technical Assistance and Training grant component of the Shelter Resource Mobilization Program was designed to provide assistance needed to achieve the goal and purpose of the HG Program.

3. PROJECT COMPONENTS

The Shelter Resource Mobilization Program comprised an USAID Housing Guaranty Loan Program component (391-HG-001A), in which USAID through its Office of Housing and Urban Programs, guaranties private US loans to recipient countries in support of project goal and purpose achievement, and a Grant (391-0507) to provide Technical Assistance and Training in support of project goal and purpose achievement. Throughout this PACR the two components of the project's overall resources, which were mutually reinforcing, are treated as a single entity, the Shelter Resource Mobilization Program.

The components listed below divide project activities into categories useful to illustrate project actions undertaken and outline the objectives for each.

Housing Finance Policy

- create a legal framework that enabled market-oriented housing finance institutions to be established;
- establish a public sector capacity to regulate and supervise the performance of the new institutions; and
- rationalize Government of Pakistan (GOP) housing finance policy by removing and/or reducing constraints on the development of market-oriented housing finance, with emphasis on elimination of housing credit subsidies.

Housing Finance Institutional Development

- assist private sector and joint sector firms to establish market-oriented housing finance institutions;
- assist firms to develop business plans, marketing strategies, and housing finance managerial and administrative capabilities; and
- assist firms to develop resource mobilization and lending capacities.

Housing Finance System Development

- create clearly-defined roles for housing finance institutions, with clearly delineated functions and linkages between institutions;

- create a mechanism to provide liquidity for housing finance institutions; and
- create a "constituency" for market-oriented housing finance and a trade association to pursue the continued development of market-oriented housing finance.

Housing Finance Training

- train public sector policy-makers in housing finance;
- train the staff of private and joint-sector firms in housing finance management; and,
- train public sector policy-makers in other aspects of shelter policy, with emphasis on training in areas that would support rationalization of policy.

Local Currency Support of GOP Urban Programs

This component consisted solely of verification that the GOP did in fact carry out urban improvement programs that benefited and were affordable to below-median income families, and that GOP financial support of such programs was at least as great as the value of USAID Housing Guaranty Loans provided to Pakistan.

4. INPUTS

The Shelter Resource Mobilization Program was a bilateral program funded principally by the GOP and USAID. Since the thrust of the program was to develop housing finance in the private sector, the program benefited from financial inputs from Pakistan's private sector. In addition, certain inputs were received from donor organizations and a Pakistani public sector development finance institution that played roles in the formation of one of the new housing finance lenders. In summary, USAID's inputs of approximately $3,000,000 of grant funds and guaranty obligations for $40,000,000 in HG Loans was leveraged into approximately $80,000,000 of total inputs of equity, refinance, lines of credit, and urban improvements.

USAID Inputs: USAID's inputs comprised approximately $3,000,000 (see table below for details) for project costs and two Housing Guaranty (HG) Loans with a total value of $40,000,000.

Line Items	Obligation	Expenditure (As of 06/30/94)
Technical Assistance	2,454,866	1,924,511
Training	881,722	455,047
Other Costs	363,412	318,406
Total:	3,700,000	2,697,964

Further details of Technical Assistance and Training line items are provided in Annex 1 and 2, respectively. Other Costs line item was utilized for the procurement of project vehicles, computers, and to fund some invitational travels of the GOP and private sector officials.

GOP Inputs: The GOP's inputs comprised the rupee equivalent of $40,000,000 in urban improvements that benefited below-median income families, and the rupee equivalent of the second HG Loan ($15,000,000) as local currency support for liquidity through a housing loan refinance facility.

Private Sector and Other Donor Inputs: The private sector's inputs comprised the rupee equivalent of approximately $9,000,000 in equity capital. The private firms which provided equity were Citicorp, the Interfund Group of Companies, and Cresbank. It should be noted that one of the housing finance institutions formed under the project had equity support from the International Finance Corporation (IFC, approximately $500,000), the Commonwealth Development Corporation (CDC, approximately $500,000), and the Pakistan Industrial Credit and Investment Corporation (PICIC, approximately $800,000). While channeled through a private firm, these inputs are not, strictly speaking, private sector inputs. Each of the private firms also had established lines of credit with affiliated or parent institutions.

In addition to the inputs given above, four other private firms (Jaffer Brothers Trading Corporation, National Housing Finance Ltd., Empire Housing Finance Ltd., and Olympic Estates Ltd.) provided unquantified but significant amounts of internal funding for feasibility studies and other actions in pursuit of licensing to operate as housing lenders. At the PACD, however, they had not yet put equity capital in place.

5. SUMMARY PROJECT HISTORY

The summary history which follows is provided to establish the context in which the project was carried out.

The Shelter Resource Mobilization Program was designed in 1988/89 to complement the World Bank Financial Sector Adjustment Loan, which supported reform by Pakistan to liberalize and deregulate its finance sector. At that time, formal sector housing finance in Pakistan was exclusively in the domain of the public sector, principally through the technically-bankrupt and ineptly managed Housing Building Finance Corporation (HBFC), which used a highly subsidized line of credit from the State Bank of Pakistan to make low-interest housing loans.

Housing finance had been neglected throughout Pakistan's history, and particularly during the 20-odd years of nationalization of the finance sector. Shelter sector policy assumed that the public sector would play the major role in housing finance; private sector housing lenders had never existed and were not legally permitted. Pakistan's directed credit system ensured that financial flows into the housing sector were small, meeting perhaps 10% of demand. The combination of directed credit and subsidies distorted the housing market and established a perception that "people could not afford market-rate housing finance." In addition, HBFC's extremely poor repayment record had created a parallel perception that lending for housing was fraught with risk.

Shortly after the SRMP was authorized by USAID, the Administrator presented the project paper to Benazir Bhutto, Pakistan's Prime Minister, in a ceremony in Washington. This high profile stimulated interest in the project by the GOP Ministry of Finance. A working committee on housing finance was quickly formed to address issues set out in the project's broad-ranging Policy Action Plan, which covered not only housing finance, but an array of other shelter policy concerns. Over the next year and a half, however, implementation languished, in large part because USAID was unable to field a resident advisor. Control of the committee by the Ministry's Internal Finance Wing was disputed within the GOP, and the committee stopped meeting.

Although the GOP counterpart agency for the SRMP remained the Internal Finance Wing throughout the project, personnel and government changes provided a roller-coaster setting for implementation. Four different Joint Secretaries headed the Internal Finance Wing between project start-up and closure; seven changes of government occurred. Pakistan retained a consistent outlook on the need to liberalize and deregulate the finance sector, but progress in doing so proceeded by fits and starts.

USAID opted to provide technical assistance and training (TAT) through two personal services contractors, but was unable to identify and field the PSCs early in the implementation phase. Since USAID/Pakistan had no Mission Housing Advisor, initial TAT inputs were prompted by the Regional Housing and Urban Development Office (RHUDO) in Bangkok. Despite considerable effort by RHUDO, including mounting three short-term consultancies and a national seminar on housing finance, the technical assistance effort became fragmented and discontinuous; and GOP interest fell precipitously. In June, 1990, a first-year monitoring report noted that it was critical that a full-time resident advisor be put in place.

The central need of the project was the creation of a Statutory Regulation Order (SRO) that would provide the legal basis for private, market-oriented housing finance and define the rights and obligations of housing lenders. Although the working committee had initiated drafting

such an SRO, efforts virtually ceased as the committee disbanded. In November, 1990, the first advisor arrived and was promptly assigned as the USAID Project Officer in addition to the duties in his statement of work. One of his first actions was to draft a letter from USAID to the Minister of Finance that implicitly linked access to the first HG Loan ($25,000,000) to issuance of the SRO; the SRO was promptly issued.

Shortly thereafter, however, the advisor was evacuated due to the Gulf War. He returned in April, 1991, and set up the SRMP Office in the Blue Area (business district) of Islamabad. A legal basis for housing finance now existed, but almost two years of implementation time had passed without other tangible progress. Resources had also diminished: in May 1991 the impact of the enactment of the Pressler Amendment resulted in reduction of the HG component of the SRMP to $40,000,000 and the grant to $4,000,000, while the PACD had been shortened to June 30, 1993. At the same time, interest by the Internal Finance Wing in housing finance, which had been notably absent when the SRMP HG Program Agreement was signed on August 29, 1990, had been reduced further, as evidenced by almost total unwillingness to approve PIO/Ts and PIO/Cs other than those needed to set up an office for the SRMP outside the USAID Mission. In particular, the GOP opposed having a second PSC advisor.

As a corollary to the SRO that established the legal basis for private housing finance, the GOP issued an SRO to govern licensing of housing lenders. In May, 1991, 24 private and joint-sector firms applied. However, given the diminished priority of the SRMP at the Ministry, actual progress to permit any of the applicants to take the steps necessary to become licensed (feasibility plan, management structure, equity in place, incorporation) was slow. The lack of action prompted USAID to write to the Ministry in November, 1991, stating that only prompt action to grant permits to two or more companies, re-establish the working committee, and approve necessary PIO/Ts would prevent unilateral termination of the project and loss of HG resources.

This letter created a new working relationship in which the SRMP re-gained the priority it had lost. Permission to proceed toward licensing was granted to Citibank Housing Finance Company and to International Housing Finance Ltd. PIO/Ts to fund virtually all further project activities were approved, enabling the SRMP to finally mount a TA and Training program. In December, 1991, the SRMP recruited the second advisor. The working committee was re-established and met in January, 1992. Early in 1992, permits to proceed toward licensing were granted to five more applicants. By February, 1992, sufficient progress had been made that USAID approved that Pakistan seek an investor for the first HG Loan, which was contracted later that year.

By mid-1992, the SRMP had a vigorous program of TA underway, effectively mixing direct technical assistance by advisors with local contracts for specific analyses and using buy-ins to centrally-funded IQCs to provide expert assistance in specific areas. A series of analyses and studies were carried out in the areas of business planning, mortgage product design and marketing, the capital markets, foreclosure and debt recovery, the role of commercial banks in housing lending, development of an MIS system for housing finance companies, and a number of minor issues.

The re-invigoration of the SRMP also gained it additional implementation time: in August, 1992, USAID/Pakistan approved that the PACD revert to its original date, June 30, 1994. In November, 1992, a monitoring consultancy endorsed the SRMP's implementation strategy and program of technical assistance. On the housing finance front, Citibank began lending operations in December, 1992, in Lahore. The SRMP also finally resolved constraints on gaining GOP approval of training and became able to support training of housing finance staff at a number of venues. During the middle of 1993, the SRMP focussed on promoting housing finance, carrying out a series of seminars to gain understanding of housing finance issues and popularize the concept of market-oriented housing finance. In October, 1993, a second company, International Housing Finance, Ltd., began lending operations in Karachi.

Just as the program reached a peak of activity and momentum, the USAID rescission exercise came into effect, forestalling funding for most new activities. Shortly thereafter, USAID mandated a reduction of PSCs, and the SRMP's second advisor and local-hire publications editor were subsequently terminated. Unable to commit funds for planned TA, the SRMP focussed its efforts on those geared toward sustainability. The principal effort was to establish a housing loan refinance facility at the State Bank of Pakistan (central bank), to delineate authority for housing finance as clearly as possible and centralize them in the State Bank, which at this point was responsible only for regulating housing finance companies, and to form a trade association of housing finance lenders to pursue the continued development of housing finance after closure of the SRMP.

As the program drew to a close, agreement was reached with the State Bank and the Ministry of Finance that the rupee equivalent of the second HG Loan ($15,000,000) would be made available to the refinance facility and that authority to license housing finance companies would be moved from Internal Finance Wing to the State Bank. As a result of this new role, the State Bank requested that the SRMP draw up a "blueprint" for the development of housing finance, and the SRMP initiated work to leave behind a housing finance guide for the GOP.

Simultaneously, a third firm, Interfund Housing Finance Ltd., finalized its license, and the Housing Finance Trade Association was started. The Association, comprising the three active lenders, the four firms in the licensing process, and HBFC, hired a full-time Secretary-General in April, 1994, and quickly moved to join in discussions with the GOP, representing the housing finance industry in discussions held with the State Minister for Finance about the future development of housing finance. At the end of May, 1994, the SRMP co-sponsored, with the Interfund Group of Companies, a major seminar on the development of a bond market in Pakistan, with emphasis on bonds as a mechanism for mobilizing resources for housing.

The SRMP also finalized and released the "Blueprint for the Development of Housing Finance in Pakistan," which described a set of actions and attitudes that would foster the continued development of housing finance. The SRMP closed all operations on June 15, 1994.

6. PROJECT ACCOMPLISHMENTS

The SRMP accomplished its goal: Pakistan now has a nascent market-oriented housing finance system, as evidenced by the private housing lenders in operation, who mobilize domestic

resources for the housing sector, and the apex role assigned to the State Bank. The SRMP also accomplished its purposes: a policy environment was created that is conducive to the establishment of market-oriented housing finance, as evidenced by the housing lenders in operation, and it supported GOP lower-income urban programs, as evidenced by physical verification of GOP expenditures on such programs.

The accomplishments of the SRMP are covered in greater detail below, according to the categories of project activity set out earlier.

Housing Finance Policy

- a legal framework to enable market-oriented housing finance institutions to be established was created [SRO 1356 (I)/90 and SRO 547 (I)/93];

- a licensing process for private housing finance companies was created [SRO 137 (I)/91]; subsequently the GOP agreed to maintain the licensing process on an open and continuous basis to permit new entries to the sector;

- a public sector capacity to regulate and supervise the performance of the housing finance institutions was established at the State Bank of Pakistan as part of the Non-Bank Financial Institutions Regulatory Division, and housing finance companies regulations were specifically included in the State Bank's Prudential Regulations;

- draft Government of Pakistan housing policy included, for the first time, specific elements of a rational housing finance policy, and the GOP committed itself to halting further funding of HBFC as of June, 1994.

Housing Finance Institutional Development

- three private, market-oriented firms were licensed as housing finance lenders and went into operation, with a fourth firm nearing licensing and three others proceeding toward licensing;

- business plans and marketing strategies were prepared for housing finance companies, together with an automated management information system for loan origination, administration, and reporting to State Bank;

- housing finance managerial capabilities were enhanced through training of senior staff, primarily from the private sector; more than 50 individuals were sponsored to either the Fels Housing Finance course at the University of Pennsylvania in the US or to the Effective Housing Finance course offered at the Center for Housing Finance in India.

Housing Finance System Development

- the State Bank of Pakistan was established as the apex public sector institution for housing finance, with authority to regulate housing finance companies, license companies, and meet the liquidity needs of the housing finance system;
- a housing loan refinance facility was created at the State Bank of Pakistan to provide a source of liquidity for housing lenders;
- a "constituency" for market-oriented housing finance was created through promotional activities, and an industry-sustained trade association was created pursue the continued development of market-oriented housing finance.

Housing Finance Training

- 19 public sector policy-makers were sponsored to international seminars and courses in housing finance policy;
- 44 staff of private and joint-sector firms were sponsored to international courses in housing finance management and financial management; another 26 staff of public sector agencies, notably HBFC, were sponsored to such courses;
- 5 public sector policy-makers were sponsored to courses in the US on other aspects of shelter policy, notably public/private partnerships and urban development management; and
- of all the participants trained, more than 90% returned to and remain in positions directly related to housing finance or other shelter programs.

Local Currency Support of GOP Urban Programs

The SRMP staff physically verified that the GOP did in fact carry out urban improvement programs that benefited and were affordable to below-median income families, and that GOP financial support of such programs was at least as great as the value of USAID Housing Guaranty Loans provided to Pakistan.

7. LESSONS LEARNED

Lesson 1: Projects need a clear implementation strategy that flows from the nature of the project: Most housing finance projects focus resources on development of a single institution (e.g., HDFC in India, which has received $375,000,000 in donor loans over approximately 14 years). The SRMP attempted to create a housing finance system "from scratch." Until

institutions were nearing start-up, technical assistance and training were restricted to policy levels and lacked a clear focus. The project should have focused on a strategy in which promotional activities to build a "constituency" for housing finance played a key role early in implementation. It was also apparent that confusion existed both within USAID and the GOP about whether the SRMP was a shelter project or a finance project, creating a lack of focus.

Lesson 2: Once you have momentum, don't drop the ball: Over the span of the SRMP, USAID dropped the ball twice. At the outset, when government expectations and interest were high, USAID failed to provide consistent leadership of the project, particularly through its failure to field the first resident advisor. Near the end of the project, when momentum had been regained and TA activities were at a peak, USAID's rescission exercise, coupled with the decision to reduce PSCs, undercut the ability of the SRMP to mount and manage critical new activities geared toward removing constraints that impede sustainability. As a result, the new housing finance system faces a more difficult policy environment than it should.

Lesson 3: Don't say it's impossible: Housing finance in Pakistan faced many constraints at the outset of the project. USAID identified one, foreclosure, and, in effect, labeled it as a constraint that virtually prohibited the development of housing finance. Foreclosure in Pakistan is inadequate, but the legal and procedural setting is virtually identical to India, where housing finance is thriving. In addition, it was extremely unlikely that the foreclosure issue could be resolved. Pakistan lacked housing finance knowledge, and many people, especially potential private sector investors, believed USAID. Project staff spent considerable energy overcoming the notion that a lack of effective foreclosure prohibited housing finance; even at the end of the project private investors and GOP officials identified foreclosure as the single greatest obstacle facing housing finance and contributing to risk.

Lesson 4: The nature of the project should determine the choice of implementation vehicle: USAID opted to implement the SRMP using two PSCs rather than contract with an institution. In retrospect, despite project accomplishments, this appears to have been an error. PSCs offer several advantages to USAID: first, specialty skills can be obtained to match technical needs without paying overhead costs; second, PSCs can be terminated at USAID's convenience (as occurred in the SRMP) without settlement costs. Implementation by PSCs, however, lacks the advantages offered by an institutional contract: leverage to ensure immediate and continuous staffing at appropriate levels; home office support to identify and support TA and training activities; responsibility for implementation located with an institution rather than an individual, and facilitation of minor logistical needs.

Had the project been focussed on developing a single housing finance institution (see Lesson 1), PSCs would have been a more appropriate choice, since they could be hired to provide needed specific skills. Given the broad nature of the SRMP, it was the incorrect choice. (See Lesson 5). First, it proved difficult to field the PSCs. In practice, the first PSC did not arrive until the project was one and a half years underway, the second did not until two and a half years later. Along the way, issues internal to PRE/H prevented the hiring of the first PSC candidate identified by RHUDO and the second candidate declined the position. The pattern of hiring of the second advisor, which was delayed by lack of GOP approval, was similar.

Second, since the project office of necessity was located outside the USAID Mission, one PSC had to act as "chief of party," supervising the other PSC, FSN staff, and the office. Since this PSC was also the USAID Project Officer, he had to act as program manager in addition to the duties of his statement of work. This combination led to a fragile situation in which project implementation was focussed unduly on a single PSC whose contract did not cover the entire period of planned activity (and who almost did leave at the end of his first contract period). In summary, when the nature of the project and implementation circumstances are similar to those experienced by the SRMP, an institutional contract is more likely to offer USAID reassurance that implementation will be reasonably orderly and consistent.

Lesson 5: The role of USAID in managing implementation needs clarity and strengthening: It is apparent that implementation of the SRMP, especially at the outset, lacked effective management. The SRMP was successful, but it is apparent that a faster start-up would have resulted in greater success in more areas of the project's Policy Action Plan and more sustainable achievements. In effect, although the project lasted five years, focussed activity occurred only for about three years, largely because the project started slowly. While the project had immediate priority with the GOP, it lacked sufficient priority with the USAID Mission to gain the attention of a direct-hire, at least to the extent required. At the RHUDO, the project did have priority. In fact, a PSC had been identified by August, 1989, but issues at PRE/H in USAID/W prevented hiring the PSC; not long afterward, a second PSC candidate declined the position. RHUDO mounted a shuttle operation to Pakistan but, ultimately, had neither the staff or resources to be able to manage daily implementation.

Implementation would have been more effective had USAID (at the level of the Mission, or PRE/H, or RHUDO) as part of a planned implementation strategy assigned a direct-hire to the project full-time at, or prior to, its authorization, or recruited a PSC prior to authorization and fielded the advisor immediately. Either strategy would have provided consistent leadership at the start and ensured that other implementation resources, such as an institutional contract, could have been put in place quickly. In addition, and perhaps because no resident person was in place, USAID was slow to focus other resources on implementation. The SRMP's local IQC contract, for example, was not in place until November, 1990. Had it been put in place immediately, either or both the USAID Mission and RHUDO could have tasked the IQC with activities to promote progress. It appears that by opting to have PSCs implement the SRMP, USAID tacitly chose to simply wait until the advisor arrived rather than start implementation.

The SRMP offers an example of a project in which USAID's lack of a clear implementation strategy jeopardized success. The lesson learned is that when an USAID project combines resources from internal entities as diverse as USAID/W (PRE/H, in this case), a Mission, and a RHUDO, part of the project authorization process should be to clearly define the roles, functions, and responsibilities of the entities and agree on a plan of action that ensures the project starts promptly.

Lesson 6: Let's not just sign a Program Agreement, let's put TA funding in place at the same time: The Program Agreement was signed in August, 1989, and FY89 funds ($2,000,000) were obligated. Forever after, the SRMP had a pipeline problem because actual technical assistance was slow in being delivered. Both the Mission and RHUDO subsequently

had to put considerable effort and time into trying to get GOP approval of the PIO/Ts needed to actually provide technical assistance. As part of a developing a clear strategy for project implementation, USAID should prepare flexible funding documents to be signed by host counterparts at the same time the Program Agreement is signed. After all, the ProAg supposedly is agreement by the host government to implement the program.

8. SUSTAINABILITY

Many accomplishments of the project are sustainable. First, the market orientation of the new housing finance system promotes the ability of the new housing lenders to mobilize resources. Second, the private sector nature of the companies ensures that their management is and will continue to be reasonably prudent, especially in loan origination and servicing. Third, the present companies have strong relationships with established financial institutions, enabling them to draw on skills and other resources. Fourth, the SRMP's intensive focus on housing finance training has provided a skilled pool of staff with housing finance knowledge, while the management information system produced by the SRMP and now in use provides automated information to support appropriate financial decision-making.

Establishment of the housing loan refinance facility will assist the new companies to re-capitalize over a period of the next two to three years, while they gain experience and install deposit mobilization mechanisms and capital market mechanisms to tap new sources of funds. In addition, the refinance facility provides the foundation for a secondary market through which capital could be raised by development of mortgage-backed securities. The refinance facility also provides a mechanism through which other donor funds could flow into development of housing finance.

Within the broader setting of the housing finance system, the clustering of responsibility for essential housing finance functions within the State Bank of Pakistan, especially the functions of providing liquidity, licensing, and regulating the lenders, created a locus of responsibility for housing finance within the public sector which will help to sustain housing finance. The unified authority for housing finance will enable a more collegial and supportive relationship to develop between housing finance companies and the State Bank than is found in other categories of institutions in the finance sector.

Creation of the Housing Finance Trade Association will also sustain the continued development of housing finance, particularly since the new companies have committed themselves to funding the full-time employment of a senior person to represent the interests of the industry. The trade association enables the industry to speak with a unified voice, and the association has already begun discussion of issues with the government. It can be expected that the association will pursue the recommendations of the SRMP's "Blueprint for the Development of Housing Finance in Pakistan" and pursue support from other donor agencies.

Although all of these facts promote sustainability, the environment for housing finance can not be described as friendly. Rather, a number of issues still constrain the full development of housing finance. Some of these, such as Pakistan's inadequate system of land tenure and

transfer, and its inadequate urban development policies and practices, are exceedingly complex; others, such as the high cost of land transfers and mortgage registration, and inadequate foreclosure and debt recovery practices, inhibit growth by making transaction costs unreasonably high and raising risk to unnecessary levels. These constraints narrow the market for housing finance and restrict it to middle and upper income families. In addition, given the recent history of financial scandals in Pakistan, the housing finance companies have entered an environment in which the general public distrusts financial institutions in general, while the presently high structure of interest rates constrains lending.

It can be expected that over the next several years the new companies, sustained in part by the housing refinance window, will gain the experience necessary to operate successfully and begin to expand. In the medium term (two to three years), expansion of the housing finance system will depend largely on development of new resource mobilization techniques, especially deposits that provide a source of lower-cost funds. In the longer term, expansion of housing finance into a system that provides access to credit to the broadest feasible range of households by income will depend on developing targeted lending techniques and loan products, and on broad reform of Pakistan's shelter policy and practice.

SHELTER RESOURCE MOBILIZATION PROGRAM (391-0507)

Technical Assistance

Activity	Approx. Cost ($)	Level of Effort
Long-Term PSC - John Wegge Project Officer	593,942	43 PM
Long-Term PSC - William Strong Housing Finance Advisor	381,293	30 PM
IQC with Abt Associates - Financial Specialist for licensing, regulation and supervision of private and joint sector housing finance companies in Pakistan	68,747	35 PD
Contract with Urban International, Washington, D.C. for Policy Action Plan Progress Review	23,667	22 PD
Contract with Planning and Development Collaboration (PADCO) for Local Currency Program Development	19,134	19 PD
IQC with PADCO for Interim Mointoring Study	123,217	36 PD
IQC with PADCO for Preparation of Housing Finance Documents for Publication	139,693	116 PD
Local IQC with 21st Century Consultancy and Management Services, Karachi for Promotion of Private Sector in Pakistan	365,340	750 PD
FSN Staff - Two Professionals; one secretary and one driver	105,203	84 PM
Logistic support/operational expenses of SRM office	101,925	
Total:	**1,922,161**	

PM = Person Months
PD = Person Days

SHELTER RESOURCE MOBILIZATION PROGRAM (391-0507) Annex-2
PARTICIPANT TRAINING

Participant's Agency/Department	Person Months	Country of Training	Training Field	Estimated Cost ($)
Public Sector				
Corporate Law Authority	1.25	U.S.	Housing Finance	24,000
Ministry of Finance	2.25	U.S.	Housing Finance	37,100
National Development Leasing Corp	0.50	U.S.	Housing Finance	13,000
State Bank of Pakistan	0.50	U.S.	Housing Finance	13,000
National Investment Trust Ltd.	0.50	U.S.	Housing Finance	13,000
Environment & Urban Affairs Division	1.00	U.S.	11th Int'l Training Program	12,622
Karachi Development Authority	1.00	U.S.	11th Int'l Training Program	3,492
House Building Finance Corporation	0.75	U.S.	Housing Finance Mgt.	12,050
Environment & Urban Affairs Division	0.50	U.S.	Struc Fincng Pub/Pvt Sector	8,500
House Building Finance Corporation	0.75	U.S.	Fels Housing Finance	11,000
Banking Policy & Regulation Dept	0.75	U.S.	Fels Housing Finance	11,000
National Construction Co. Ltd	0.50	U.S.	Structuring Finance Imp.	8,500
House Building Finance Corporation	0.75	India	Training of Trainers	7,000
LTV Capital Modaraba	0.50	India	Housing Finance Course	3,500
House Building Finance Corporation	3.50	India	Housing Finance & Mgt.	29,300
Finance Department	0.25	Indonesia	Credit Analysis in Asia	5,200
Finance Department	0.25	Indonesia	Manage Problem Loans	4,300
House Building Finance Corporation	0.25	Indonesia	Manage Problem Loans	4,300
Finance Department	1.00	Sri Lanka	Housing Finance Mgt.	11,200
Corporate Law Authority	0.50	Sri Lanka	Housing Finance Mgt.	5,600
Total Public Sector	17.25			237,664
Private Sector				
Citi Bank - National Associates	0.75	U.S.	Housing Finance Mgt.	12,050
International Housing Finance Co	0.75	U.S.	Housing Finance Mgt.	12,050
Jaffer Brothers Housing Finance Co	0.75	U.S.	Housing Finance Mgt.	12,050
Olympic Housing Finance Co	0.75	U.S.	Housing Finance Mgt.	12,050
Interfund Housing Finance Co	0.75	U.S.	Fels Housing Finance	8,300
BRR Capital Modaraba	0.75	U.S.	Fels Housing Finance	8,300
International Housing Finance Co	0.75	U.S.	Fels Housing Finance	8,300
Muslim Commercial Bank Ltd	0.75	U.S.	Fels Housing Finance	8,300
21-Cent Mgt & Cons & M.S. Pvt Ltd	0.75	U.S.	Fels Housing Finance	8,300
Interfund Housing Finance Co	1.00	India	Housing Finance Mgt.	4,300
Jaffer Brothers Housing Finance Co	0.50	India	Housing Finance Mgt.	4,300
Anz Grindlays Bank	0.50	India	Housing Finance Mgt.	4,300
Olympic Estate Housing Finance Co	0.50	India	Housing Finance Mgt.	4,300
Citi Bank - National Associates	0.25	Philippines	Credit Appraisal and Loan	3,200
Jaffer Brothers Housing Finance Co	0.25	Philippines	Credit Appraisal and Loan	3,200
International Housing Finance Co	0.50	Philippines	Credit Appraisal and Loan	6,400
National Housing Finance Co	0.25	Philippines	Credit Appraisal and Loan	3,200
Interfund Housing Finance Co	0.25	Thailand	Assets and Liability Mgt	3,000
Jaffer Brothers Housing Finance Co	0.25	Thailand	Assets and Liability Mgt	3,000
National Housing Finance Co	0.25	Thailand	Assets and Liability Mgt	3,000
Olympic Housing Finance Co	0.25	Thailand	Assets and Liability Mgt	3,000
Interfund Housing Finance Co	0.50	Indonesia	Credit Analysis in Asia	10,400
Housing Limited	0.25	Indonesia	Credit Analysis in Asia	5,200
International Housing Finance Co	0.25	Indonesia	Credit Analysis in Asia	5,200
Interfund Housing Finance Co	0.50	Indonesia	Managing Problem Loans	8,600
Empire Housing Finance Co	0.50	Indonesia	Managing Problem Loans	9,500
International Housing Finance Co	0.50	Malaysia	Problem Loans	4,350
International Housing Finance Co	0.25	Indonesia	Managing Problem Loans	4,300
Empire Housing Finance Co	0.50	Sri Lanka	Housing Finance Mgt	5,600
International Housing Finance Co	0.50	Sri Lanka	Housing Finance Mgt	5,600
Crescent Bank	0.50	Sri Lanka	Housing Finance Mgt	5,600
Jaffer Brothers Pvt Ltd	0.50	Sri Lanka	Housing Finance Mgt	5,600
BRR Capital Modaraba	0.50	Sri Lanka	Housing Finance Mgt	5,600
Interfund Housing Finance Co	0.50	Indonesia	Regional Housing Finance	8,600
Total Private Sector	17.25			219,050
Grand Total (Public + Private):	34.50			456,714

SOURCE: Academy for Educational Development (AED), Islamabad, Participants Training Database System

15