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Under the Agency for International Development's (AID's) Housing Investment Guaranty Program (HIG), U.S. private lenders provide long-term financing at commercial interest rates for housing projects undertaken by developing countries with AID assistance. The U.S. Government provides a "full faith and credit" guaranty of repayment of principal and interest. Since its inception in 1976, the HIG program has made more than $1 billion available to finance housing activities in 37 countries. AID has sought to introduce new, low-cost approaches to providing shelter and to finance the construction of housing affordable to groups at or below the median income of the recipient country. Findings/Conclusions: Income levels of expected program beneficiaries generally range from the 15th to the 50th income percentiles. The very poorest income levels and those groups outside the income economy altogether can generally be reached only with direct humanitarian assistance. AID's accomplishments in the institution-building area have been primarily to help developing countries establish housing policies geared to serving low-income housing needs and local institutions capable of administering these policies. AID has not, however, been able to contribute to the development of housing finance systems to the point of assuring their ability to continue low-income housing efforts without the long-term, low-interest loans provided by AID. The HIG program has had a generally positive short-term impact on economic activity in recipient countries and a positive social impact in terms of satisfying the demand of low-income families for home ownership. Successful program management requires a separate field organization in addition to the centralized Washington staff. Recommendations: The Administrator of AID should: continue to explore opportunities for the use of U.S. funds in poorer countries to stimulate self-sustaining shelter improvement

programs; as an initial part of the development of a shelter program, require a detailed analysis of the country's housing finance system and use, where appropriate, U.S. development assistance funds as seed capital and for technical assistance; and as part of the housing guaranty loan negotiating process, work more closely with host government officials to determine economic and social needs and act where necessary to integrate housing guaranty loans through the use of U.S. development assistance available for these purposes. The Administrator should also: improve implementation of shelter programs and the integration of housing with other development efforts, help ensure the integrity of HIG by including a projection of estimated claim losses in the annual report to the Congress, and require that project reserve funds are fully and formally accounted for. (RRS)

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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Agency For International Development's Housing Investment Guaranty Program

The Agency for International Development has made progress in reorienting the Housing Investment Guaranty Program toward poorer groups in developing countries, but U.S. shelter assistance strategies still need improvement. This report examines the progress made and makes recommendations to help the Agency serve the housing needs of the poorest income groups, develop housing finance systems, and integrate housing with other development activities.

ID-78-44

SEPTEMBER 6, 1978

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-171526

To the President of the Senate and the
Speaker of the House of Representatives

This report describes the operation and accomplishments of the Agency for International Development's Housing Investment Guaranty Program in helping developing countries to meet the shelter needs of their poor.

We made this review to provide an evaluation of the Housing Investment Guaranty Program and to identify some of the problem areas in the planning and management of housing development assistance. The report makes recommendations to help the Agency for International Development improve its efforts to provide shelter assistance to the developing countries.

This review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget, and the Administrator of the Agency for International Development.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

AGENCY FOR INTERNATIONAL
DEVELOPMENT'S HOUSING
INVESTMENT GUARANTY PROGRAM

D I G E S T

The Housing Investment Guaranty Program is the principal means by which the Agency for International Development provides shelter assistance to the developing countries. Under this program, the U.S. Government provides a "full faith and credit" guaranty of repayment for long-term commercial-rate loans made by private U.S. lenders for housing projects undertaken by developing countries with the Agency's assistance.

Begun in 1961, the program has grown from an original $10 million guaranty authority to a current level of $1.03 billion. Guaranties have been authorized to a total of 37 countries, with the country-selection decisions based in some instances on need for political and economic support, as well as on housing need. As part of this review, GAO visited housing guaranty projects in Korea, Chile, Kenya, the Ivory Coast, Tunisia, and Israel.

Until 1973 most of the housing financed through this program was affordable only to middle-income groups in the developing countries. However, since 1973 the Agency has made clear progress in bringing the program under the "new directions" emphasis of the Congress on aid to the poor majority.

U.S. activities to provide shelter assistance can be further improved through an overall integrated development strategy using the Housing Investment Guaranty Program as one of several primary Agency resources. Such a strategy should include:

--Direct loan and grant aid to the very poorest countries and income groups which generally cannot be served by this program.

--Specific efforts to develop housing finance institutions enabling developing countries to continue low-income shelter activities after the Agency's involvement ends.

--Economic and social development projects directly complementary to housing guaranty projects.

"NEW DIRECTIONS" IN SHELTER STRATEGY

In reorienting this loan guaranty program to its present goal of serving the poor majority, the Agency for International Development has made dramatic changes in the kinds of housing financed and has helped to effect important changes in developing countries' housing policies and delivery systems. The Agency has concentrated on a minimum shelter concept to reduce housing costs to the point where target groups (those earning below a developing nation's median income) can afford monthly mortgage payments. In doing this, the Agency has made core housing, sites and services, low-cost units, and squatter upgrading projects the predominant types of shelter activities funded under the program. (See pp. 5 to 12.)

These newly introduced low-cost shelter approaches are likely to require more time to demonstrate success and be wholeheartedly endorsed and repeated by developing countries with funding not guaranteed by the Agency. Nevertheless, it appears that low-income groups do have a potential to accumulate savings and make payments on long-term mortgages for low-cost housing; they do have a will and capacity for self-help; and they can benefit significantly from the improved services which even minimal, low-cost shelter efforts can bring. (See pp. 12 to 13.)

SERVING THE POOREST GROUPS

The income levels of the program's expected beneficiaries are generally in the poorer half of a country's population. In only a few instances, particularly where slum upgrading is involved, are the very poorest income groups being reached. For most of these poorest income levels, for groups outside the income economy altogether, and for the great numbers of low-income families in the poorer countries not considered appropriate for the commercial terms of housing guaranty loans, the program generally cannot provide housing. (See pp. 14 to 19.)

DEVELOPING HOUSING FINANCE INSTITUTIONS

The Housing Investment Guaranty Program's accomplishments since 1973 in the area of institution-building have been primarily in helping to establish low-income housing policies and delivery systems. The development of housing finance systems has not progressed to a point enabling developing countries to continue to finance low-income housing activities. Most developing countries do not have a means for mobilizing the domestic financial resources needed for long-term low-interest housing loans. Unless this basic problem is resolved, it is questionable whether the kind of low-cost housing financed under the program can be continued by the host country. GAO believes that the goal of developing institutions capable of continuing Agency-initiated low-income shelter programs is an important one and needs to be emphasized more as a vital element of a broader and integrated Agency development effort in the shelter area. (See pp. 24 to 37.)

INTEGRATING HOUSING WITH OTHER DEVELOPMENT EFFORTS

Housing assistance should be provided as part of a communitywide development effort, including health, education, transportation, and employment programs, and should be planned in conjunction with host country development strategies. For the most part, the housing investment guaranty projects do support host country development plans and are integrated into the community. In a couple of countries, though, GAO noted a need for more readily available community services. Although the emphasis in the U.S. aid program has been on the rural poor, the basically urban-oriented Housing Investment Guaranty Program needs the support associated with social development programs, including income and employment generating activities. (See pp. 38 to 43.)

RECOMMENDATIONS FOR INTEGRATING SHELTER ASSISTANCE

As a basis for a broader, more integrated approach to the challenge of meeting the shelter needs of the poor--including the poorest groups and the poorer countries--GAO believes the Agency's housing strategy and the Housing Investment Guaranty Program's part in it need to be given greater attention in the Agency's development efforts. Urban areas in the developing countries are increasing rapidly in number and growth rates, and some of the worst kinds of poverty can be found in their slums and squatter settlements. The housing guaranty program has made important contributions on its own to shelter needs in developing countries, but a more integrated urban improvement strategy requires the support of additional economic and social programs. Integrated improvement programs for the urban poor are needed to help provide the community services GAO found lacking in some housing projects, and individual attention should be given to develop housing finance institutions capable of continuing low-income housing activities. Particularly in some of the poorer countries not presently considered appropriate for this program, GAO believes shelter improvements could be achieved through the integrated use of both housing guaranty and concessional aid funds.

GAO therefore recommends that the Administrator of the Agency for International Development:

--Continue to explore opportunities for the use of U.S. concessional funds in poorer countries, to stimulate self-sustaining shelter improvement programs affordable to the poor. (See p. 23.)

--As an initial part of the Agency's development of a shelter program for a country, (1) require a detailed analysis of the country's housing finance system and how the Agency's housing resources, including the housing guaranty program, are expected to contribute to this system and (2) use, where appropriate, U.S. development assistance funds as seed capital and for technical assistance in developing host country finance institutions. (See p. 37.)

--As part of the housing guaranty loan negotiating process, (1) work more closely with host government officials to determine the economic and social needs of a community to be served by a housing guaranty loan and determine the ability of the host government to provide for and integrate those needs into an overall community development effort and (2) act where necessary to integrate housing guaranty loans through the use of U.S. development assistance available for these purposes. (See p. 43.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

With regard to the requirement that 90 percent of the housing guaranty loan funds be used on housing suitable for families earning below the median income, GAO suggests that the Congress give the Housing Investment Guaranty Program greater flexibility in the income levels it can serve in the poorer developing countries--for example, through a waiver provision. This suggestion is based on a recognition of (1) the importance of improving conditions in the poorer developing countries and (2) the degree of poverty and shelter need which exists in various developing countries above and below the median income level. (See pp. 20 to 22, and p. 23.)

AGENCY MANAGEMENT OF THE HOUSING INVESTMENT GUARANTY PROGRAM

Agency management of the program could be improved through closer supervision of project implementation, particularly where there is no on-site Agency official who can provide the timely attention that large or complex projects can require. The largest and most successful housing programs are being undertaken in countries where on-site Agency assistance is readily available. Delay and administrative problems have characterized programs in some countries dependent on the temporary visits of regional housing officers.

GAO believes improved supervision could be achieved by assigning program implementation responsibilities directly to Agency missions in countries with large or complex programs and by deemphasizing correspondingly the responsibilities of the regional housing offices overseas. In doing this, the Agency could respond to the problems encountered in the program and at the same time give emphasis to the integration of housing with other development efforts. (See pp. 44 to 53.)

The Housing Investment Guaranty Program has been and probably will continue to be the Agency's principal resource in dealing with the urban problems of the developing countries. The program's operations have been essentially self-supporting in the sense that the fees charged to borrowers for the loan guaranties have covered most of the program's operating expenses and claim losses. (See pp. 53 to 54.)

Most of the loan guaranties are backed by a host government guaranty of repayment to the Agency. As of January 1978, 10.8 percent ($66 million) of outstanding loan balances lacked such a host government guaranty, and Agency claim payments to U.S. lenders have arisen principally from currency devaluations on these older loans. The initial $50 million reserve authorized by the Congress in 1961 for covering potential claims stood at $49,589,457 at the end of fiscal year 1977. (See pp. 54 to 58.)

Individual project reserves totaling $6.18 million have been collected from home buyers to serve primarily as a cushion for paying investors when monthly payments from borrowers are late or delinquent, thus protecting against activating the guaranty. About $1.2 million of these reserves are held in a pooled fund which the Agency has used to cover certain irreversible project deficits brought on by currency devaluations rather than temporary remittance shortfalls. Not until fiscal year 1978 did the Office of Housing charge these currency devaluations to program operations and fully reimburse the fund. GAO believes this pooled fund should not have been used for this purpose and such losses should be charged to program operations in the years they are incurred. (See pp. 58 to 60.)

Neither project reserve funds balances nor all related transactions are included in the program's statements of financial condition or in its annual report. These reserves are in the nature of Housing Investment Guaranty Program assets and liabilities and should be fully accounted for as such in these reports. (See p. 60.)

RECOMMENDATIONS TO IMPROVE PROGRAM MANAGEMENT

GAO therefore recommends that the Administrator of the Agency for International Development act to:

--Improve the implementation of shelter programs and the integration of housing activities with other development efforts by assigning housing officers directly to Agency missions; and decrease, where appropriate, the responsibilities and separate management functions of the regional housing offices. (See p. 53.)

--Help ensure the integrity of the Housing Investment Guaranty Program by including a projection of all estimated claim losses and their potential impact on program reserves in the statements of financial condition, in the Agency's annual presentation to the Congress, and in the annual report on the Housing Investment Guaranty Program. (See p. 63.)

--Ensure that losses covered by the Central Reserve Fund which are known to be non-recoverable are charged to program operations in the years they are incurred. (See p. 63.)

--Require that project reserve funds are fully and formally accounted for by properly reflecting outstanding balances and all related transactions in the Housing Investment Guaranty Program's statements of financial condition and in its annual report. (See p. 63.)

--Schedule financial audits of the program on a more timely basis and include the independent verification of source data and operating procedures. (See p. 63.)

AGENCY COMMENTS

The Agency for International Development generally agrees with our recommendations, with the exception of the recommendation in chapter 5 regarding the regional housing cffices. Agency comments are discussed on pages 51 to 53, and 63.

Contents

ABBREVIATIONS

AID	Agency for International Development
HIG	Housing investment guaranty
LDC	Less-developed country

CHAPTER 1

INTRODUCTION

As the major vehicle for U.S. housing assistance to developing countries, the Agency for International Development's (AID's) Housing Investment Guaranty (HIG) Program has made available more than $1 billion to finance housing activities in 37 countries since its initial authorization in 1961. Under this program U.S. private lenders provide long-term financing at commercial interest rates for housing projects undertaken by developing countries with AID assistance. The U.S. Government provides a "full faith and credit" guaranty of repayment of principal and interest to U.S. lenders for these housing loans.

PROGRAM HISTORY

Since 1961 the Congress has made significant changes in the scope and objectives of the HIG Program. It initially provided an opportunity for American construction firms to build housing projects in Latin America demonstrating advanced methods of housing construction and finance so as to produce multiplier effects on host country housing activities. In 1965 the program was reoriented primarily toward institution-building so that housing could be provided on a continuing basis after the demonstration projects were completed. In 1969 the program was expanded to include countries in Asia and Africa in addition to those of Latin America. And in the Foreign Assistance Act of 1973 the Congress placed the program within its "new directions" emphasis on serving the poor majority in the developing countries. Before 1974, only middle and high-income groups could afford housing built under the HIG Progam.

The most recent significant changes in the authorizing legislation were made in the International Development and Food Assistance Act of 1975, which required that at least 90 percent of future guaranties be issued for housing suitable for families with incomes below the median income of the recipient country. In the same legislation the Congress demonstrated its concern that the HIG Program be development oriented by requiring that HIG projects complement other development assistance programs and that guaranties insure housing projects demonstrating the "feasibility and suitability of particular kinds of housing or financial or other institutional arrangements." As a result of these legislative changes and related policy changes within AID, the HIG Program is now geared to finance low-cost, minimum-standard housing projects designed to be affordable to the poor.

The program's original guaranty authority of $10 million in 1961 has been increased over the years to a current level of $1.03 billion. As of January 1978, $955 million in housing loan guaranties have been authorized.

PROGRAM OBJECTIVES

Beyond financing the effort to provide shelter to poor families in the less-developed countries (LDCs), the HIG Program's primary long-range goal is to help LDCs develop housing policies and institutions that will sustain longer-term shelter programs reaching the poor majority. In this program, AID seeks to demonstrate that minimum-standard housing units can be built at costs affordable to low-income groups and can also be continued by the host country on an economically self-supporting basis. The Agency also seeks to develop the LDC institutional capacity to continue the program after external assistance is terminated. In addition, a broader, long-range goal of the program is to contribute to economic and social development by addressing urban problems in the context of a country's overall development efforts.

SELECTION OF COUNTRIES FOR HOUSING GUARANTIES

AID's major criteria for assessing a prospective project, once it is requested by an LDC, are (1) host country commitment to providing low-income housing on a planned and minimally subsidized basis for its population, (2) the project's contribution to the development of housing and housing finance institutions capable of continuing to provide low-income housing, and (3) ability of the LDC to repay the loan (i.e., balance-of-payments prospects and debt-servicing capability).

In addition to these guidelines, the selection of countries is also governed by the State Department's assessment of the LDC's need for economic or political support and by congressional earmarking of guaranties for certain countries (i.e., Israel, Portugal, and Lebanon). We noted in a previous report that 82 percent of the HIG loans authorized in fiscal years 1975 and 1976 went to only four countries--Korea, Chile, Portugal, and Israel. (See "The Challenge of Meeting Shelter Needs in Less Developed Countries," ID-77-39, Nov. 4, 1977.) Because HIG loans provide dollars which are not tied to U.S. purchases or consumed by housing-related imports, they constitute a good source of foreign exchange and can serve a short-term balance-of-payments support purpose. The following table shows the distribution of housing guaranties authorized since the program was reoriented toward the poor in 1974.

Country	Amount of HIGs authorized July 1, 1974 to March 1, 1978	Cumulative percent of total authorization
	(millions)	
Korea	$ 75	22
Chile	55	38
Israel	50	53
Portugal	40	65
Ivory Coast	21	71
Panama	18.4	76
Jamaica	15	80
Lebanon	15	85
Peru	15	89
Cameroon	10	92
Tunisia	10	95
Zambia	10	98
Paraguay	4	99
Botswana	2.6	100
	$341	

AID does not believe that countries with very low per capita incomes are suitable recipients for HIG project loans, since these loans are made on commercial rather than concessional terms. High-income developing countries which already have access to long-term private capital markets are generally not eligible for these loans, given the congressional requirement that guaranties be issued to countries receiving U.S. development assistance within the past 2 years. AID considers housing guaranty loans to be especially well-suited to the needs of countries in which concessional loans are being phased out.

OUR PRIOR REPORTS

We have reviewed U.S. housing assistance efforts in two previous reports. Our November 1974 report, "Low-Income Groups Not Helped By Agency for International Development's Housing Investment Guaranty Program" (B-171526), noted that the housing provided under the program was affordable only to middle and upper-income groups in the LDCs and that the program, to an unmeasurable degree, had helped to develop LDC housing institutions. Our principal recommendation was that AID define the program's policies to determine whether and how low-income groups could be served by this program.

Our November 1977 report, "The Challenge of Meeting Shelter Needs in Less Developed Countries" (ID-77-39), noted the importance of improving LDC shelter conditions as an integral part of development assistance efforts. With respect to AID's HIG Program we noted the need to (1) distribute housing guaranties among a greater number of low-income nations in order to maximize the program's demonstration effect, (2) develop host country institutions capable of continuing the kind of low-income housing initiated by the program, and (3) improve coordination and project analysis within AID.

SCOPE OF REVIEW

This review was made to evaluate the HIG Program's ability to achieve its legislative objectives and to identify issues which have affected its implementation and management. We visited six countries where AID's low-income HIG projects are underway--Korea, Chile, Israel, Tunisia, Kenya, and the Ivory Coast. The HIG projects in these countries represent about 65 percent of the guaranties authorized since mid-1974 for low-income projects. We also visited AID regional housing and urban development offices in Panama and Honduras and examined program documents and spoke with officials at AID and the Department of State in Washington, D.C.

CHAPTER 2

SERVING LOW-INCOME HOUSING NEEDS

The principal objective of the Housing Investment Guaranty Program is to demonstrate that lower shelter standards are an acceptable and effective way of reducing shelter costs in less-developed countries to the point where low-income families can afford to pay for housing with minimal government subsidization. To achieve this objective and to comply with the U.S. congressional requirement that 90 percent of the loan guaranties authorized under the HIG Program be issued for housing suitable for families with income below the median income of the recipient country, AID has sought to reorient the program from its previous focus on middle-income housing to the primary goal of serving the shelter needs of the poor.

In implementing this program AID has sought to introduce new, low-cost approaches to providing shelter and to finance the construction of housing affordable to groups at or below the median income. These newly introduced approaches to providing shelter often rely heavily on the savings and self-help capacity of low-income groups, and are likely to require demonstrated success before they will be wholeheartedly endorsed and repeated by the LDCs using non-HIG funds. Nevertheless, AID is on the right track in designing innovative, low-cost approaches to shelter affordable to families in the poorer half of a country's population--i.e., those in the 15th to 50th income percentiles.

The commercial-rate financing provided under the HIG Program is not, for the most part, appropriate to meet either the shelter needs of the very poorest income levels (below the 15th income percentile) or the poorest LDCs. Only a wider AID approach to housing assistance, fully integrated into its concessional development strategies, can really meet the needs of these groups.

INTRODUCTION OF MINIMAL APPROACHES TO PROVIDING SHELTER

A key feature of any attempt to provide shelter on a large scale to low-income groups in the LDCs is the reduction of housing standards to the point where low-income families can afford to pay for their own shelter. Once provided with secure land tenure and basic water, sewer, and electrical infrastructure, low-income families will seek to improve and expand the minimal, core-type shelter units which are affordable to them. However, as noted in our November 1977 report, many LDC governments are reluctant to lower housing standards, fearing that such minimal housing and squatter upgrading efforts in fact institutionalize slum conditions. In some countries, the national policy is to demolish squatter settlements and move the inhabitants, often to distant outlying areas.

Because of the limited resources available for housing assistance and the importance of successfully demonstrating that minimal, low-cost housing will be acceptable and affordable to low-income families, we noted in our earlier report that U.S. assistance should be directed to those most-needy countries whose governments (1) demonstrate a commitment to the poor, (2) consider housing as a necessary component of their development programs, (3) have displayed a willingness to upgrade slum and squatter housing, and (4) establish lower-cost construction standards for the benefit of the poor.

In consonance with the congressional guidelines of 1973 reorienting assistance efforts toward the poor majority, AID has dramatically revised the kind of shelter assistance it provides to the LDCs. Examples of the kinds of projects now financed by the HIG Program include:

--Slum upgrading, through the provision of improved water, sewer, and electrical facilities, access roads, and health and education facilities.

--Sites and services, involving the preparation of vacant land for shelter by leveling the land and dividing it into uniform lots, installing water and sewer lines, and building common-use facilities such as schools, health clinics, and markets.

--Core (or minimal) housing, using the "sites and services" approach, plus the construction of a rudimentary housing shell on each lot (perhaps four walls, a roof, and water facilities) designed to be improved by the owner.

--Low-cost units for sale or rental.

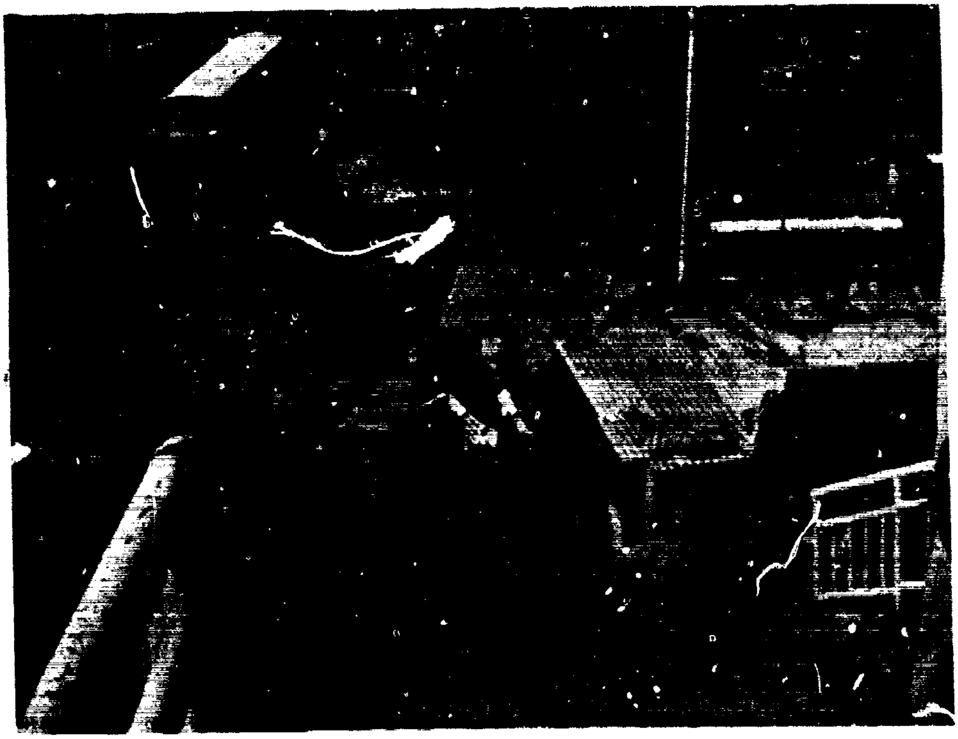
The countries we visited as part of this review--countries receiving the majority of HIG loan authorizations since the program was reoriented in 1974 to serve the poor--have acted to gear their housing policies to the needs of the poor over the past several years. The HIG Program has provided a degree of leverage over the beneficiary countries' housing policies, and in some cases has introduced low-cost housing approaches previously untried or unaccepted in these countries. It is unclear whether the LDCs will continue to implement these policies once the leverage added through AID's externally supplied housing funds ceases; the outcome appears to depend heavily on how AID's program succeeds in these countries.

Reduction of housing standards

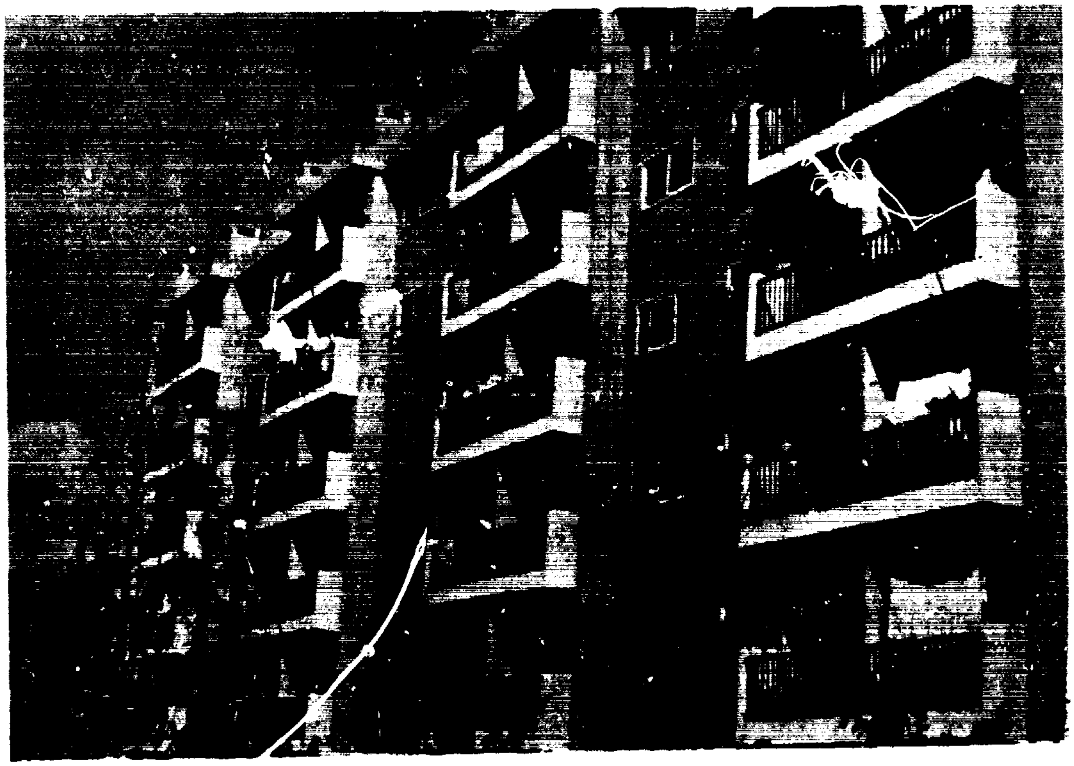
In Korea, AID has sought to generate Korean Government interest in an expanded housing program serving low-income families and squatter areas. Through seven guaranties totaling $105 million since 1973 and a $25 million guaranty planned for 1978, AID is financing five new apartment construction projects and two squatter improvement projects. Program emphasis in Korea since 1973 has evolved from moderate-sized apartments to smaller apartments to squatter area improvements, and finally to a program loan to the Korean Housing Bank in 1978.

AID has contributed to the development of a Korean low-income housing policy by encouraging the Korean National Housing Corporation to build progressively smaller units, with associated lower prices, despite a prevailing government interest in larger units. AID has persuaded the corporation to gradually reduce the size of apartments financed under the HIG Program from 780 square feet in 1973 to 265 square feet in 1976. The largest 1977 units are over 40 percent smaller than the initial HIG apartments and almost 50 percent smaller than the Korean housing policy standard of 900 square feet. This smaller unit size has enabled the corporation to reduce the sales price from about $9,000 to a low of about $4,100, thus making the apartments affordable to lower-income families. The 265-square-foot units built in 1976, for example, were affordable by families below the 20th percentile income level.

In Kenya, AID has guaranteed a total of $15 million for low-income housing, consisting of $10 million to finance about 2,900 core houses in Nairobi and $5 million to finance 1,400 core units in 12 urban areas outside Nairobi. These units are all one, two, or three-room expandable houses, each having a kitchen, toilet, and shower.



(GAO Photo) SLUM IMPROVEMENT AREA IN KOREA.



(GAO Photo) APARTMENT COMPLEX IN KOREA.

Although the Kenyan Government has long recognized the need for low-cost housing and had committed itself to a "sites and services" approach in the 1974-78 development plan, these policies have not been carried out. In negotiating the HIG projects, AID had to overcome several major government objections which had prevented the implementation of these policies. In particular, Kenyan officials felt that houses of the small size and low standards proposed by AID would be inappropriate for the Kenyan people. As a result, the government had submitted to AID a number of program proposals which were unacceptable because the housing designs would have been too expensive for the low-income groups in Kenya. AID's insistence on smaller core houses has helped to demonstrate to the government that one-room houses are acceptable to low-income groups and will be expanded by their owners. Nairobi city officials are pleased with the success of the Nairobi project and have expressed an interest in obtaining additional housing guaranty funding.

In Tunisia, in order to encourage the government to lower housing standards to a level more compatible with the financial resources of low-income groups, AID is financing, as part of its $20 million HIG Program there, (1) the construction of expandable core housing units in Tunis and five other urban areas at standards lower than normally used by the Tunisian government, (2) continuation of the Ibn Khaldoun planned community housing project in Tunis (originally financed by an earlier HIG), and (3) construction of low-cost houses in the Tunis H'Rairia complex.

No major innovations in Tunisian housing design have been introduced by AID in the Ibn Khaldoun and H'Rairia units, but the one-room core housing being built outside Tunis is of a lower standard than previously thought acceptable in urban areas.

In the Ivory Coast the $21 million HIG Program is part of a $63.3 million low-income shelter project for the Abidjan area being jointly financed by AID, the World Bank, and the Ivory Coast Government. The project consists predominantly of slum upgrading and sites and services activities. Under this joint effort, over 3,800 sites and services lots, to be prepared on 2 sites, will have roads, drainage, sewers, street lights, water lines, electric services, and such adjacent community services as primary schools, health clinics, markets, and playgrounds.

AID is also financing the construction of about 1,860 low-income rental units to serve 10,000 persons. These units are to contain one to three rooms with kitchen and sanitary facilities. This type of unit was originally included in the government's master development plan for Abidjan and is virtually the same as those the government has constructed in the past for low-income families. Thus, the $10 million in HIG funds applied to this particular component of the urban development program does not represent an innovation in Ivorian housing policy.

In Chile, the $55 million in housing guaranties is to be used entirely for constructing one, two, and three-bedroom expandable houses for low-income families belonging to housing cooperatives located in urban areas and market towns. Although these houses are not as minimal in nature as houses built elsewhere under the HIG Program, they are still relatively inexpensive, ranging from $2,000 to $6,000.

Through the HIG Program, AID has sought to establish the concept of permanent yet expandable housing units provided through the existing housing cooperative system with minimal government subsidization. Previous Chilean Government policy had been either to construct temporary houses with the expectation that additional resources would become available to make them permanent or to heavily subsidize the construction of finished units for the poor. The government now appears to have recognized the advantages of investments in permanent and expandable units, of home ownership rather than rental, and of channeling housing finance through the cooperatives.

In Israel, the HIG Program does not have as a specific objective the development of new housing approaches; as noted in chapter 1, its purpose is largely economic support. AID has pursued certain of its policy and program objectives in Israel, however, and the program is providing housing finance for young couples, new immigrants, large families, and development towns within Israel's 1967 borders.

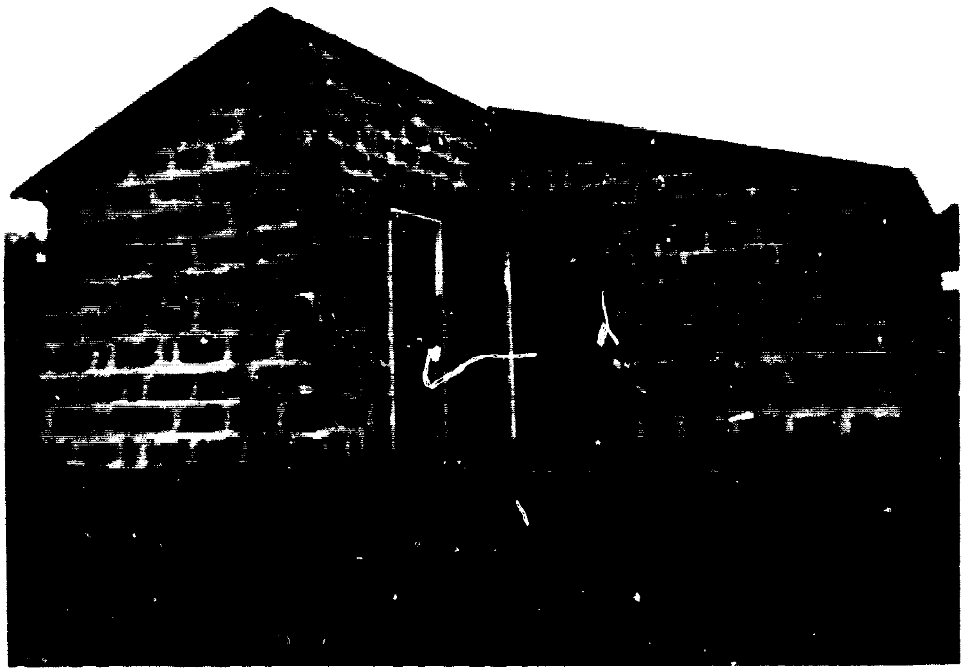
Slum upgrading

In Korea, Tunisia, and the Ivory Coast, AID has contributed to low-income housing policy by encouraging these governments to improve existing squatter areas.

AID's squatter improvement programs in Korea represent a dramatic departure from the government's previous slum

(GAO Photo)

TWO-BEDROOM DUPLEX HOUSING IN IQUIQUE, CHILE.



(GAO Photo)

ÇORE HOUSING BUILT IN NYERE, KENYA.

demolition policy and have required extensive discussions and significant changes in the procedures, regulations, and policies of the city of Seoul. AID's two loan guaranties totaling $20 million for squatter area improvements in Seoul and secondary cities have as their objectives the maintenance of existing housing stock, the legalization of squatter occupancy through land sales and ownership, the improvement of infrastructure (water, sewerage, access roads, community facilities), and the development of a government capability to plan and execute squatter area improvements on a continuing basis.

The HIG Program in Tunisia is the government's first experience with upgrading slum areas in Tunis through infrastructure improvements and provision of land title and credit to families for home improvements. AID officials stated that their involvement in the Ibn Khaldoun and H'Rairia projects, which involved no major housing policy innovations, was primarily designed to obtain leverage for gaining Tunisian agreement on the slum upgrading and core housing components of the loan.

In the Ivory Coast, the slum upgrading component of the joint AID/World Bank/Ivory Coast Abidjan area development program was the only one of three components not initially part of the government's master plan for the city. Slum upgrading, however, is the largest single part of the overall project ($34.5 million out of a joint total of $63.3 million), with five slum areas having over 100,000 residents to receive water and sewerage lines, storm drainage, and grading of roads. AID's share of the $34.5 million for this effort is $7.5 million.

Upgrading of existing slum and squatter areas is not a direct undertaking of the HIG Program in Kenya, Chile, or Israel.

Likelihood of continued host government commitment to low-income housing

Because most of the HIG projects were just entering the implementation stage at the time of our visit, it is premature to make final judgments about the success of AID's newly introduced approaches to providing shelter. If these projects do succeed as planned, they should improve the governments' abilities to serve a larger portion of their low-income populations through the reduced unit costs of these new shelter options.

In Tunisia, one government official noted that if slum upgrading is successful and residents pay for the upgrading, similar efforts could be applied in other areas of Tunis by establishing with these receipts a revolving fund to continue these upgrading projects. In Chile, the government indicated it will continue the HIG Program's emphasis on low-income housing channeled through the housing cooperative movement. And in the Ivory Coast, the sites and services and low-income rental units were already a part of the government's own plan, although the slum upgrading approach may have to be successfully demonstrated before it is fully accepted.

In Korea, it is not entirely clear that AID's policy contributions will be fully accepted and incorporated on a continuing basis in the nation's housing policies. The Korean Government enunciated in 1975 a housing policy calling for larger-sized homes, and though it has said it would continue building low-income housing after the HIG Program is terminated, it plans to build 460-square-foot units rather than the smallest, HIG-financed 265-square-foot units. Korean officials explained this decision by noting that no expansions of the smaller units have taken place and that Koreans are more inclined to buy larger units rather than expand existing ones.

Korean officials were not fully convinced of the effectiveness of improving rather than demolishing squatter areas, and have adopted a "wait and see" attitude about whether to continue squatter upgrading efforts. They suspect they may be investing money in areas which may eventually be cleared, and they believe new construction is both more cost effective and more acceptable. Until the HIG projects prove demonstrably successful, Korean officials are likely to remain undecided about the wisdom of squatter upgrading and to continue demolishing slum neighborhoods.

In Kenya, also, there are indications that the government is still not fully committed to low-income housing programs. Total housing funds have decreased both absolutely and as a percent of development expenditures from 1973 to 1977. Although the government has noted that the "sites and services" approach has made more housing stock available at a lower cost to the government, the sizable need for low-income shelter in Kenya would be more adequately addressed had housing funds not been decreased.

INCOME LEVELS OF HIG BENEFICIARIES

As part of the "new directions" mandate of the Foreign Assistance Act of 1973, the Congress reoriented the HIG Program from its previous emphasis on middle-income housing to the revised objective of serving the "poorer majority" in the LDCs. As an underpinning of this reorientation toward lower-income groups, the Congress required in 1975 that at least 90 percent of the aggregate face value of HIGs must be issued for housing suitable for families with incomes below the median income of the recipient country.

Can the poor afford HIG housing?

AID has concentrated on reducing housing standards, and thereby housing costs, to the point where the target group (those earning below below the nation's median income) can afford the monthly mortgage payments. As noted in appendix I, the expected beneficiaries of this program generally have incomes ranging from the 15th to the 50th income percentiles. In only a few instances, particularly where slum upgrading is involved are income groups below the 15th percentile being reached. For these poorest income groups and for groups outside the income economy altogether, the HIG Program generally cannot provide housing. These poorest groups generally can be reached only with direct humanitarian assistance.

Even in the projects designed to reach income groups just below the median, we identified, in a few instances, factors which may adversely affect the program's ability to reach the poor. In Tunisia, the sizable down payment to be required for core houses may be greater than some families have saved or can obtain; in Kenya, construction cost increases may cause the projects still to be constructed to be priced beyond the low-income families' ability to pay; and in Chile, high unemployment rates are already making it difficult for some low-income families to afford their monthly mortgage payments.

Most of the projects we visited were either in the early construction stages or had been occupied only for short periods of time, and so it is somewhat early to form definitive conclusions on the actual experience of below median-income groups meeting their mortgage payments. In two instances we did note certain delinquency problems developing. In Chile, several of the cooperatives we visited were having problems collecting payments from members who were not regularly employed, and the cooperatives were covering these delinquencies from their own reserves of savings. In Kenya, the Nairobi City Council's Umoja project, as of September 30, 1977, had 84 percent of its inhabitants delinquent in their mortgage payments, with 28 percent delinquent more than 3 months. Although eviction proceedings are taking place, such actions can be politically difficult in many LDCs.

Because the HIG Program is now providing housing loans to income groups who have not been previously served by local financial markets and therefore may not be accustomed to making timely payments on credit, special attention needs to be given to potential problems in mortgage collections. Improved AID monitoring could serve to identify emerging delinquency problems and to provide advice to the local administering agency on improved collection methods. Unless a concerted effort is made to minimize delinquencies on these HIG projects, the whole concept that the poor can pay for their own housing may be called into question.

The fact, however, that most project beneficiaries have been saving consistently over the past several years in order to receive housing loans does provide the strongest concrete indication that low-income families do have an ability and desire to devote part of their income to mortgage payments. In Chile, for example, many of the cooperatives had saved together for as long as 10 years and had completed the purchase and urbanization of their land several years ago. The costs of the homes under the HIG Program would have been significantly higher if these land development efforts had not already been financed by these prior savings. In Korea, where savings are achieved through the "key money" financial system (see p. 28), a 30 to 50-percent downpayment has been required under the HIG Program. Even low-income families have demonstrated the ability to save relatively substantial amounts because of the forced savings nature of this "key money" system. An important benefit of such large downpayments is that monthly payments are thereby reduced to the point where low-income families can afford the houses. However, as mentioned in appendix I in the case of Tunisia, poorer groups may not always be able to afford large downpayments.

Another factor which has enabled the program to design housing affordable to the target group is its reliance on the self-help capability of low-income families. In Chile, most of the houses built in this program are designed for later expansion and improvement through self-help. Some types of self-help improvements already carried out by cooperative members at the time of our visit were the installation of sidewalks, fences, patios, interior floors and plaster walls, and even additional rooms. Most of the projects were quite attractive and well maintained, often with much effort put into exterior landscaping. This self-help element is also designed into the core housing projects in Kenya and Tunisia and into the "sites and services" projects in the Ivory Coast. These projects have not yet advanced as far as those in Chile, and the viability and success of the self-help concept remains to be illustrated. Nevertheless, shelter provided under the HIG Program in these countries is affordable largely because of the program's reliance on the self-help capacity of low-income groups.

In addition, host government subsidization of interest rates in a couple of countries has helped to make the HIG units affordable to the poor. Although AID discourages this practice as an unnecessary and continuing drain on a country's scarce public resources, it recognizes that subsidization can be a highly sensitive domestic political issue. Some governments, for example, view subsidized housing as a legitimate means of income redistribution and may actively pursue it as a conscious policy. The extent and impact of host government subsidization of HIG housing is discussed in chapter 3. (See p. 24.)

On the whole, then, we believe that the HIG Program's low-cost shelter projects:

--Reflect a major effort on the part of AID to meet the "new directions" emphasis on the poor.

--Demonstrate that housing can be designed, through the reduction of housing standards and costs, so that below-median income groups can afford monthly mortgage payments.

--Have demonstrated so far that the target group can make monthly mortgage payments, although a repayment history for most of the projects still needs to be established and although there have been occasional initial delinquency problems.

--Have not, for the most part, been able to reach the poorest of the poor--those groups below the 10th to 15th income percentiles.

Are the poor receiving HIG housing?

AID has not devoted the same attention to monitoring housing allocations as it has to keeping housing costs low. It has concentrated on the congressional mandate that housing be "suitable" for low-income families but does not believe it can realistically ensure that all project inhabitants are, in fact, low-income families. Although we did not find ineligible groups benefiting from the program, this possibility does exist in some cases in which supervision of housing allocation is not emphasized.

For example, in Tunisia, the houses built at H'Rairia were not planned initially to be financed by AID and were allocated by the Tunisian Government in 1972 and 1973. Although the houses were intended for low-income families, the only criterion used in selecting applicants was a minimum income level to assure that monthly payments could be afforded. The Tunisian Government will allow persons above the median income level to obtain these homes, and AID will not be verifying income information until the time the loan contracts are actually signed by the occupants.

In addition, the Tunisia program's core houses are to be allocated to depositors of the National Savings Bank for Housing on the basis of earliness of application, length of savings history, absence of other property ownership, and work location and family size of the applicant. Over 20,000 individuals are enrolled in the savings categories from which the core house occupants will be selected. There is, however, no limit on the maximum income of these depositors, and a Savings Bank survey recently revealed that a significant number of savers had incomes qualifying them for a higher savings category than the one in which they had enrolled.

Tunisian Government officials believe that individuals who are ineligible for HIG financing because of higher income levels will not apply for core housing because they view it to be of unacceptably low standards. This assumed preference for better housing appears to be Tunisia's primary control against ineligible individuals receiving housing under the HIG Program.

In Korea, AID officials believe that the 19,230 apartment units built under its program are reaching the low-income target group, as shown by the overall figures shown on following page.

Percent of Residents in HIG Financed Housing
By Monthly Income Level and Unit Size

Square feet per unit	Under 10	10 to 20	20 to 30	30 to 40	40 to 50	Over 50
	(percent)					
270	38	60	2	-	-	-
360	3	57	39	1	-	-
460	-	18	19	51	12	-
530	-	-	14	39	39	a/8

a/Current legislation allows up to 10 percent of the families in the program to be above median income.

Speculation may prove to be a future problem in the HIG Program in Korea, however. Income statistics there, as in many LDCs, are often incomplete or unreliable, and few controls exist to ensure that housing project resales go to low-income families. The regional housing officer in Korea does not believe that middle-income families will purchase the small HIG units. In our view, however, speculation potential is high because of the virtual absence of resale controls, the inability to verify income data, and the infrequent visits by AID's regional housing officer to project sites.

In the Ivory Coast, also, AID has concentrated on keeping housing costs affordable to the poor but has not required that the housing actually be delivered to the target group. We believe, though, it is likely that the beneficiaries of the slum upgrading and sites and services components will, in fact, be low-income groups, given the minimal standards of the "sites and services" projects and the nature of the existing slum areas.

In the "sites and services" and low-income rental housing projects, where beneficiaries must be selected, AID's approach is to establish mutually agreed allocation criteria (income levels, price ceilings, etc.) with host country implementing agencies. The implementing agencies are responsible for selecting the beneficiaries, and the AID regional housing officer will then examine the selected beneficiaries' files to see if they are in the target group. Although this is an after-the-fact control, the regional officer believes it is adequate because the phased nature of the project allows a check on whether recipients are in the target group before all loan disbursements are made.

This should give AID some opportunity for forcing a tightening of the selection process where necessary.

In Kenya, in contrast to Tunisia, Korea, and the Ivory Coast, AID has had to supervise housing allocation procedures more closely, because of a local tendency to use housing as an instrument of political favoritism and because of the existence of widespread speculation. In Kenya AID has paid close attention to the development of allocation procedures, and we believe that it was only because of this persistent attention that an impartial housing allocation procedure was developed in Kenya.

Speculation is acknowledged to be widespread in Kenya, due to the shortage of adequate housing for all income levels. Nairobi city council officials admit speculation has occurred in the AID housing units, and AID has hired a contractor to study its extent. To help control speculation, the Kenyan administrators must approve any resales within the first 5 years and purchasers must sign contracts controlling subletting for 5 years.

In Chile the HIG loans have been allocated to housing cooperatives with average incomes below the national median. In selecting these cooperatives, prime consideration was also given to the length of their savings histories and degree of site urbanization--criteria designed to reward the greater savings effort.

As part of an informal survey we made in Chile on project occupancy, we reviewed local administrators' loan files, visited a number of housing projects, and interviewed homeowners regarding income levels and savings history. From this survey we found that:

--Cooperative members had in fact been saving together, sometimes for as many as 10 years.

--Most cooperatives had urbanized their land and had been waiting for several years to receive the long-term financing enabling them to construct their houses.

--At the time of loan approval, only 6 of the 122 cooperatives participating in the HIG loan's first phase had average incomes above the national median.

Because the HIG loans in Chile are made to cooperatives as a whole and not to individual members, loan eligibility was determined by averaging the income of the cooperative's total membership, rather than on the basis of individual incomes. As a result, because a wide variance of incomes may exist within a cooperative, some cooperatives receiving HIG financing may have more than 10 percent of their members with incomes above the national median. For example, 27 percent of the 143 homeowners in our survey had incomes above the national median. As noted above, however, the selection of cooperatives conformed with the below-median income requirement.

This use of the cooperatives' median incomes in determining eligibility for HIG financing has also enabled some members to receive housing even though their incomes are too low or irregular to otherwise allow them to be eligible for housing loans; in fact, several cooperatives are now covering delinquencies of individual members who have not been able to afford their mortgage payments. Nevertheless, the houses were designed to be affordable to low-income levels, and the majority of these have been allocated to the target group. Channeling HIG funds through housing cooperatives has been an effective way of administering the program in Chile, although closer monitoring of individual income levels of co-op members would be useful.

In Israel, the HIG Program is providing financing for existing housing units allocated to young couples, new immigrants, large families, and those willing to move to development towns. Only for the young couples is income considered in assessing eligibility, and even then it is one of eight criteria used in determining the allocation of HIG financing. As mentioned earlier, AID regards Israel, which together with Portugal and Lebanon is exempted from certain eligibility requirements of the HIG Program, as a case in which the program serves political and economic support objectives beyond serving the housing needs of the poor.

USE OF MEDIAN INCOME IN DETERMINING ELIGIBILITY

In many LDCs reliable income information is difficult to obtain, and even once a median income level is determined, administering the HIG Program's below-median income qualifying criterion can be a difficult task. Given the reluctance of individuals to disclose their personal incomes, the irregular nature of employment in many LDCs, and the likelihood that some household members earn informal income through part-time work at home (sewing, child care, etc.), it is not always possible to verify that a family does not earn above a specified amount. Certifying minimum income, so as to ensure that mortgage payments can be met, is easier to do.

AID housing officers believe that income as the single qualifying criterion is too restrictive and difficult to administer, and has prevented AID from providing assistance for middle-income housing which might subsidize low-income housing.

An effective HIG Program, geared toward the poor, requires the establishment and observance of both minimum and maximum income criteria. The question, really, is whether the program's median income requirement has restricted AID from providing improved shelter to those poor families in need of it. In our view, this requirement has forced AID to develop innovative project designs for the lowest possible income levels under the present program. And so far, AID has been able to design its shelter programs to be affordable to below-median income groups in the countries now served by the program. This requirement may also prove an advantage in AID's negotiations with these governments regarding proposed project designs, in the sense that the LDC will realize that it must agree to significantly reduced housing standards in view of AID's limitations under this requirement.

However, the countries we visited and most of those presently considered eligible for the HIG Program are not the poorest countries. As noted earlier, AID has considered the current HIG Program to be suitable for countries in which concessional loans are being phased out, not for the poorer countries. An important question AID is now considering is whether the program should also be part of an attempt to serve the shelter needs in the poorer countries now receiving U.S. concessional funds. Certain programs have already been approved combining HIG loans with concessional AID funds to provide technical assistance and low-interest loans for minimal shelter projects. AID is exploring further opportunities to combine HIG and development loans in order to make housing affordable to the poor in the poorer countries, and we encourage these efforts.

In these poorer LDCs many families with income above the country's median level can still be considered genuinely poor in terms of health or nutrition standards. For example, Chile has an average annual per capita income of $840, an

88-percent literacy rate, and a 45-year life expectancy. The requirement that 90 percent of the housing built be suitable for those below the country's median income helps to assure that the program serves the poorer families in Chile. But in Bolivia, where many families above the nation's median income are still very needy, this requirement forces the program to focus on serving a much poorer group of people. In addition, in many of the poorer countries, those below the median income are often too poor to be appropriate targets for a repayment type program such as the HIG Program.

Thus we believe that poor families in a wider range of countries could benefit from the HIG Program if the median income requirement were relaxed for the poorer countries and if the HIG Program in some cases were combined with concessional development funds.

CONCLUSIONS

On the whole, AID has made dramatic changes since 1973 in the kind of housing it finances under the HIG Program. It has actively sought to promote in the host countries housing policies geared to serve the poor majority, and it has encouraged reduced-standard housing approaches often previously untried in the LDCs. LDC acceptance of such reduced standards and of slum upgrading efforts is not yet fully assured and is likely to depend on the success of the HIG projects.

AID has concentrated primarily on reducing housing costs to the point where they will be affordable by families with income levels below their countries' national medians. The income levels of expected program beneficiaries generally range from the 15th to the 50th income percentiles. The very poorest income levels and those groups outside the income economy altogether can generally be reached only with direct humanitarian assistance.

AID emphasizes control of housing allocation procedures, but does not believe it can realistically monitor actual allocations. For the HIG projects which involve the upgrading of existing slum and squatter areas or which provide only minimal shelter and basic infrastructure, it is likely that the beneficiaries are among the poorer inhabitants of a country's urban areas. In some cases, however, in which any kind of housing or infrastructure is in short supply among all income groups, it is possible that ineligible individuals will seek to benefit from the HIG Program, although we did not find this actually happening.

RECOMMENDATION

For the purposes of (1) serving the shelter needs of the poor in the poorer countries and of (2) reaching below the 15th percentile in countries now receiving HIG loans, we believe increased consideration should be given to the use of concessional aid for shelter improvement programs. Such direct aid could have the potential for self-sustaining, replicable housing activities financed through paybacks into a host country revolving fund rather than to external financiers. Initial AID involvement would then serve as seed capital, with recipient proceeds staying in-country for continued use in housing sector programs.

We therefore recommend that the Administrator of AID continue to explore opportunities for the use of U.S. concessional funds in poorer countries to stimulate self-sustaining shelter improvement programs affordable to the poor.

MATTERS FOR CONSIDERATION BY THE CONGRESS

With regard to the requirement that 90 percent of the HIG loan funds be used for housing suitable for families earning below the median income, we suggest that the Congress give the HIG Program greater flexibility in the income levels which can be served by the program in the poorer developing countries--for example, through a waiver provision. This suggestion is based on recognition of (1) the importance of improving shelter conditions in the poorer developing countries and (2) the degree of poverty and shelter needs which exist in various developing countries above and below the median income level.

CHAPTER 3

DEVELOPMENT OF HOUSING INSTITUTIONS

In addition to encouraging a host government to undertake low-income housing programs through innovative, low-cost approaches to providing shelter, the Housing Investment Guaranty Program is intended to develop and strengthen local institutions capable of continuing these low-income shelter activities after AID involvement ends.

An essential feature of this effort is the development of host country housing finance systems. Most less-developed countries do not have an organized system to mobilize the financial resources needed to satisfy their urgent and growing needs for housing, infrastructure, and services. Unless the basic problem of capital shortage and virtual absence of long-term low-interest loan opportunities is resolved, there is no assurance that the host country can continue the kind of low-income housing provided under the HIG Program.

AID's accomplishments in the institution-building area have been primarily to help LDCs develop (1) housing poliicies geared to serving low-income housing needs and (2) local institutions capable of administering these policies. As noted in chapter 2, AID has helped to introduce minimal housing approaches which might not have been tried by the LDCs without AID's assistance. Demonstrating that such lower-standard housing is an effective and acceptable means of meeting the housing needs of the poor is an essential element in developing a host country commitment to low-income housing. AID's efforts to create or strengthen a low-income housing delivery system that would be capable of planning and implementing these new housing approaches have also served to support this commitment.

The HIG Program has not, however, been able to contribute to the development of host country housing finance systems to a point assuring the continuation of low-income housing efforts. AID's inability to do this reflects a real difficulty in both serving the poor and developing viable financial institutions without a more integrated overall AID effort in the shelter area.

LEGISLATION AND POLICY GOVERNING INSTITUTION-BUILDING OBJECTIVE

The House Committee on International Relations noted in 1977 that the HIG Program was:

"designed primarily to provide seed money for the creation of capital savings institutions and to establish demonstration projects that would train workers, transfer technology, and demonstrate the feasibility of various housing technologies. The intent was that, once the know-how had been transferred * * * the U.S. role would be over * * *. It was not the intent of the Congress that the program would remain in the same country for many years, serving merely to transfer U.S. funds to build houses abroad." (H. Rep. 95-240, at 14.)

As specifically stated in the Foreign Assistance Act of 1974, a basic objective of the HIG Program is to:

"promote the development of thrift and credit institutions engaged in programs of mobilizing local savings for financing the construction of self-liquidating housing projects and related community facilities. . . ."

AID's 1974 shelter policy statement also stresses the need to develop an LDC institutional capacity to continue HIG Program housing efforts after external assistance is terminated. AID noted that its program:

"will assist developing countries in creating and strengthening the necessary institutional framework to implement their shelter policies * * *. By building shelter finance institutions capable of replication on a large scale and encouraging technical and financial innovations, the effect of small resource allocations will be substantial."

In addition, AID states that it "will encourage projects that provide incentives for families to save more than they would and that contribute to the development of capital markets and the monetization of household savings."

AID does not restrict its interpretation of institution-building to the development of shelter finance institutions; it also regards host country development of a rational low-income housing policy and the creation of independent and strong institutions implementing shelter programs for the poor as forms of institution-building. AID believes that by directing LDC institutions to serve a previously unserved group, such as the poor, it has achieved some of the institution-building objectives of the program.

AID CONTRIBUTION TO LOW-INCOME HOUSING POLICIES AND DELIVERY SYSTEMS

As noted in chapter 2, AID has encouraged LDCs to gear their housing policies toward serving the poor and has introduced shelter approaches previously untried in most of the countries we visited. Demonstrating the feasibility of reduced-standard housing and establishing a commitment to low-income housing are basic prerequisites to the continuation of HIG-initiated housing activities.

Developing an administrative ability to implement low-income housing programs is an essential part of a housing assistance program designed to be carried out by the host country itself. In most of the countries we visited, AID had made a contribution to the housing delivery system.

In the Ivory Coast, for example, the HIG Program is training local staff of the Ministry of Construction and Town Planning to supervise, monitor, and evaluate projects. As a precondition to the 1976 HIG loan, AID required that government housing operations be reorganized to improve its uncoordinated approach to low-income housing. In Tunisia, the HIG Program core housing project is the first housing development financed by the Tunisian Savings Bank and built by the Housing Authority, and AID believes that this program has helped the two organizations refine their working relationships.

In Chile, the HIG Program has contributed to the strengthening of the housing cooperative movement by financing the construction of houses on land purchased and improved by the cooperatives and by encouraging the Chilean government to continue to channel housing finance through the cooperatives. AID has also sought to improve the cooperatives' ability to manage housing programs and, in one instance, arranged for a training seminar for cooperative housing officials.

In addition, of course, LDCs can gain experience in implementing low-income housing programs simply through participating in the innovative housing approaches introduced by AID.

IMPORTANCE OF DEVELOPING HOUSING FINANCE SYSTEMS

AID's involvement in LDC housing efforts through the HIG Program is meant to be an initial demonstration of how low-income housing needs can be met through minimal shelter approaches funded by long-term, relatively low-interest loans, and not simply a direct financing of housing construction. An implicit component of this objective and an explicit objective of the program overall is to help develop the capacity of host country institutions for making such long-term low-interest loans.

The HIG Program is a major source of long-term, relatively low-interest housing loans within the LDCs. Long-term mortgage financing is often not available in these countries even for middle and high-income groups. High inflation rates and overall capital shortages have made short-term, high-interest loans the predominant form of credit in the LDCs. High-income families often purchase their houses outright, or with large downpayments. Middle and low-income families generally cannot afford their financial institutions' credit terms and thus cannot obtain housing.

External funds supplied through the international capital markets or official development assistance are either at higher interest and shorter terms than the HIG loans or are very limited in availability. Housing really should not be a development effort continually funded by external capital; the needs are too vast, and housing production, though it may not require foreign exchange, does not generate foreign exchange to pay back external loans.

HIG loans are usually channeled through LDC government housing authorities or central banks to sub-borrowers, such as housing and construction ministries or existing credit institutions, which then lend to individuals, sometimes at subsidized rates. Often, HIG loans are the only kind of long-term loans offered by these institutions, and once they are disbursed, there is no longer a source of long-term lending. Unless the savings capacities of groups within the LDCs are organized to serve as sources of available domestic capital, housing programs cannot be continued independently of direct public support.

AID's Office of Housing noted in its comments on this report, however, that middle-income groups have the greatest savings capacity in the LDCs and that the HIG Program's orientation now to poorer groups tends to restrict the progress the program can make in this area.

The difficulties involved in developing housing finance institutions through the HIG Program alone were illustrated by our visits to the six countries receiving a major share of HIG authorizations since the program's 1974 reorientation to low-income groups. In several of these countries, low-income groups were being reached by the HIG Program because host government subsidies brought the cost of housing within their means. In other cases, the low-income groups were served by the program, but there was virtually no development of institutions capable of mobilizing domestic capital and making long-term low-interest loans. In these instances, the HIG Program's contribution was primarily one of direct financing of housing construction. In several countries, host government officials noted the absence of means to serve middle-income housing needs and the difficulties of developing viable housing finance institutions for making primarily low-income housing loans, with little mix of lower-risk medium and high-income loans.

These countries' experiences with the HIG Program highlight its present limitations in developing LDCs' abilities to continue financing this type of housing once HIG involvement ends.

Korea

Korea needs to develop a viable internal housing finance system to alleviate pressing housing problems, and AID has assisted the government in making the initial steps toward such a system.

No organized housing finance system presently exists in Korea. Private savings are channeled into small, informal groups (known as the "key money" system 1/), which are not capable of making sufficient funds available to meet housing needs. In addition, private savings are also invested in the "curb market," an informal, short-term loan system, which charges 36 to 40 percent annual interest. The HIG Program

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1/The "key money" system is a major form of savings in Korea. Under this system, a renter is required to make a substantial deposit in lieu of rent. Frequent increases in required deposits force renters to save money for their next deposit, or else be required to move. Because the landlord returns the deposit when the renter moves, the renter may have "saved" enough to make a downpayment on a house. The landlord keeps the interest that can be earned from loaning these deposits on short terms.

has been in Korea since 1971, but it was not until 1976-77 that AID's Office of Housing focused on housing finance and an AID-financed consultant prepared a report on the need for modifications in the Korean housing finance system. We believe this sort of study might usefully have been prepared at an earlier stage of the HIG Program in Korea.

Nevertheless, the Korean Government has acted on recommendations made in this report, principally by strengthening the Korean Housing Bank. One change actively supported was to increase mortgage lending rates to 14 percent. Before January 1978, the Korean Housing Bank had made mortgage loans at various subsidized interest rates. The new rate results from a government policy change to make the housing sector pay for itself, with the costs of mortgage loans approximately totaling the market cost of money. AID has also supported the Korean Housing Bank's decision to pay higher interest on deposits in order to attract more savings from the private sector. The higher interest rates on mortgages will increase the amount of funds available to the Korean Housing Bank for interest on customer deposits. The increased customer deposits attracted by the higher interest rates, in turn, should supplement the Bank's resources for mortgage loans. In a sense, then, AID is attempting in the short run to achieve the somewhat independent goals of providing housing to the lowest possible income levels while at the same time encouraging the Korean Government to establish an unsubsidized interest rate.

Tunisia

Although AID's HIG Program should improve the Tunisian Government's ability to reach low-income groups in its housing programs, it has made only limited progress in developing the kind of financing system needed to assure large-scale project replicability.

Tunisia's primary housing policy has been to provide adequate shelter for its citizens through the consistent use of housing sector subsidies for moderate and low-income families. The government provides two types of subsidies for housing which are also applied to the HIG projects, except for the slum-upgrading project--(1) direct subsidy of about $635 on the date of sale, usually to offset downpayment costs and (2) interest rate subsidy, with either no interest or only 4.5 percent. The government, however, had already decided to authorize the Savings Bank, as the principal Tunisian housing financier, to charge

4.5-percent interest as of 1974. AID's contribution to housing finance in Tunisia, rather, was in prompting the government to place the Savings Bank in its authorized role as principal housing financier earlier than had originally been planned. Nevertheless, the inclusion of interest charges on housing loans for the first time represents a significant advance toward minimizing subsidization.

Without these subsidies, however, 48 percent of the HIG project houses nearing completion would not be affordable by the target group. This amount is based on analysis assuming a 10-percent downpayment and 9-percent mortgage interest rates over 25 years.

For example, in the Ibn Khaldoun project, the monthly payment on a $7,144 house, with direct subsidy deducted and no interest charge over 25 years, is $27.58; with 9-percent interest, a reasonable market rate, and no direct subsidy, the monthly payment would be $60.01. (Monthly payments over $58 are not affordable by the target group.) The table on the following page indicates the significance of these subsidies, which are used by the government to redistribute income.

Tunisia's public housing sector is well organized and financed and is expected to remain the source of financing for similar low-income projects, assuming AID approaches are successful. Between 1962 and 1972, 44 percent of the houses constructed in Tunisia were built by the government. Under the Tunisian Development Plan for 1973-76, about 60 percent of the nation's housing production was built by the government. Government organizations responsible for shelter activities are the Land Bank, which acquires property to sell to private and semi-public organizations for social housing programs; the National Housing Authority, which is the major government home builder; and the National Savings Bank for Housing, which operates a contract savings program 1/ for the public and handles all financial operations affecting the promotion of housing.

As long as governments give sizable subsidies to the housing sector, government insitutions will continue to be the main builders and financers of low and moderate-income housing. In such countries as Tunisia, where housing

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1/A program in which the depositors contract to deposit specific sums periodically in a savings organization for a certain length of time for specified benefits, such as interest or loans.

Effect of Subsidies

Subdivision	Number of houses	Percent of houses affordable: With interest rate and direct subsidies	Percent of houses affordable: With 10-percent down-payment and 9-percent interest over 25 years (note a)
Ibn Khaldoun	136	100	99
Ibn Khaldoun	233	100	35
H'Rairia	b/285	100	33
Total	654	c/100	c/48

a/Assumptions: 10-percent downpayment--based on the current downpayments plus direct subsidies, which together now average about 10 percent and are used to reduce total house prices. Nine-percent interest--based on the rates (8.87 to 9.25 percent) charged to countries participating in the HIG Program according to AID's 1976 "Annual Report."

b/Nine of these houses are awaiting approval.

c/These figures are overall averages.

subsidies are part of the government's overall income redistribution program, this institutional setup is likely to continue, and the HIG Program will have limited ability to help institutions mobilize domestic capital for long-term, low-interest loans independent of continued government subsidization. HIG projects may continue to be replicated by a government committed to low-income housing, but such efforts are inevitably restricted by the overall scarcity of public resources.

Kenya

Although the Kenyans have now accepted several low-cost housing approaches, lack of sufficient long-term mortgage financing is a major factor keeping housing supply from meeting demand. No organizations are successfully attracting private financing for housing; the government has not actively promoted private sector housing development and has stated that its funds for housing are limited.

A number of public organizations do provide housing services, including the National Housing Corporation, the principal homebuilder; the Nairobi city council, also a major homebuilder; and the government Housing Finance Corporation, mortgage financer for medium and high-priced homes. The National Housing Corporation has fallen far short of reaching its goals, which have emphasized the "sites and services" approach. The 1974-78 development plan called for the corporation to construct about 2,300 houses and 11,400 "sites and services" plots a year, but its completion record is shown below:

Year	"Sites and services" plots completed	Units completed
1974	0	1,441
1975	363	1,651
1976	1,128	326

The Nairobi city council is also a major homebuilder and must cope with the largest part of the urban housing demand in the country. Nairobi's households are projected to be increasing an average of 14,700 a year, but public and private sector housing construction has averaged only about 2,000 dwellings a year.

The Nairobi city council has developed some expertise in managing housing projects, but has not developed or found constant financial support for construction. The city remains dependent upon the Kenyan Government and international aid agencies. At the same time, international agencies, particularly the World Bank, seem willing to support Nairobi's housing efforts.

About 1,600 residential buildings financed by private sources were completed in Kenya's main towns each year from 1972 through 1975. A government official said private development is mostly in the high cost bracket.

Neither of AID's studies preceding the current projects addressed the financing question. Its 1972 pre-investment survey recommended development of a low-cost housing project in Kenya but made no recommendations concerning institutional development, policy change, or financial planning. A feasibility study published on April 1, 1974, was documentary in nature and made no recommendations.

Although the housing guaranties are succeeding in their major purpose of demonstrating that low-cost housing can be built for persons of low income, we believe that the Kenyan Government's ability to repeat projects of this type is in doubt, because it has no financial system capable of mobilizing domestic capital for long-term, low-interest loans.

Chile

The principal sources of domestic capital for housing finance have been the savings and loan associations, the social security systems, and the Government of Chile.

The savings and loan system does not have the resources to continue financing housing similar to that financed by the HIG Program after these project funds have been exhausted, and it is not expected to be in a position to do this within the next 5 years. Outside of the external resources provided by the HIG Program, any mortgage lending by the savings and loan system (generally for a 12-year maximum and at 8 to 12-percent interest rates, adjusted by the Consumer Price Index) is being supported only from the Central Bank.

The weakness of the savings and loan associations has been a result of massive changes in their savings account flows and a lack of liquidity to adjust to these changes. In early 1975, in order to prevent the collapse of the system through savings withdrawal, the Central Bank was required to intervene by making up the difference between the savings and loan system's inflows and outflows of savings. To recapture as much as possible of its investment, the Central Bank took over management of the system's entire mortgage portfolio and reduced the release of mortgage reflows to the system, thus cutting its available capital for reinvestment in mortgages.

In addition, the rate of inflation in Chile continues to be high (66 percent in 1977) and attracts savers and investors only for short terms at interest rates equal to or exceeding the inflation rate. In October 1976, it was estimated that 90 percent or more of all financial instruments in the country had a maturity of 3 months or less; in April 1977, these were just starting to be extended to the 1-year range.

The social security systems are presently the largest conduits for voluntary or involuntary private savings and for many years have been a main source of housing finance. Social security loans for housing, however, have not been structured to provide adequate rates of return on funds invested. They were made at low interest rates with no provision for inflation adjustments. The value of the loan repayments shrank with inflation, and could not provide a revolving source of housing finance funds. Thus, housing was virtually given away to the borrowers, most of whom were not low-income groups.

Direct public housing programs have been another major source of housing finance. The Ministry of Housing's Social Interest Housing Program has provided small, low-cost housing units for low-income families. It is estimated that the HIG Program and the Social Interest Housing Program together provided about 80 percent of all housing constructed in 1976.

The contribution the HIG Program has made to the housing finance system in Chile has been primarily to provide the savings and loan system with a certain amount of liquidity, enabling it temporarily to continue low-income housing to cooperatives. In connection with the HIG Program, AID assisted the Chilean Government in reorganizing the housing finance system by funding a University of Chile study of the country's housing finance needs. The direct provision to the savings system of $20 million under the HIG Program alleviated to some extent the system's severe liquidity crisis in 1975-76 and can be described primarily as a short-term salvage effort. The inability of the savings and loan associations to attract private capital and provide long-term loans, however, remains a serious problem.

The AID-funded $30,000 grant to the University of Chile for a housing finance study has resulted in a serious evaluation of alternatives for reorganizing the country's presently inadequate housing finance system and may prove to be the program's greatest long-term contribution to the development and strengthening of Chile's housing finance institutions. The general policy recommended by the housing finance study is the long-term minimization of government participation in the housing market and the development of the savings and loan associations' abilities to compete with more generalized financial institutions in the mortgage market, on the basis of lowest servicing costs for mortgage loans.

Ivory Coast

In the Ivory Coast, AID has contributed to the recent establishment of a central financial institution (National Savings and Loan Bank) to handle shelter planning and fund management. Major substantive policy changes which occurred during negotiations for the current HIG Program included a reevaluation of the role of subsidies, acceptance of a greater degree of cost recovery, and the reform of certain government-supported housing institutions.

Development of a savings and loan system as part of this central bank was an objective of AID's 1972 $10 million HIG Program, but this project has been stalled and was still not progressing well at the time of our visit in November 1977. A major problem was that this bank had not hired anyone to give technical assistance to promote the savings program, even though this was required in the loan implementation agreement.

The institution through which AID had channeled earlier HIG loans has encountered financial difficulties resulting from its extensive overseas borrowings and the government policy which set housing rents too low to cover financing costs. It has operated at a substantial loss and caused a financial drain on the housing sector.

Although the 1976 HIG loan is not being channeled through this institution and revisions have been made in government housing subsidy policies, it is still too early to conclude that the new institution will not encounter similar difficulties, particularly given the delay in promoting the bank's savings program.

Israel

The Israeli housing sector and banking system are well developed and competent, and have themselves provided technical assistance to LDCs. As is true in many countries, the private mortgage market is relatively small, and the unsubsidized terms available to middle and upper-middle income groups are for short periods (5 to 6 years) and at high interest rates (32 to 36 percent annually). These groups are generally not eligible for the government-assisted mortgages, most of which go to lower-income families, young couples, and new immigrants.

CONCLUSIONS

The HIG Program's contribution to the development of LDC institutions capable of replicating AID-initiated activities to provide low-income shelter has been primarily in establishing LDC low-income housing policies and delivery systems. AID has not been able to contribute to the development of housing finance systems to a point assuring their ability to continue low-income housing efforts. Unless the basic problem of capital shortages and virtual absence of long-term, low-interest loans is resolved, it is questionable whether the kind of low-income housing provided by the HIG Program can be continued by the host countries.

We do not believe that the HIG Program, by itself, can fully achieve the important goal of developing housing finance institutions capable of continuing AID-initiated low-income housing activities. AID's Office of Housing maintains that it has taken important initial steps in this area, but it also notes that the HIG Program is limited in its ability to develop housing finance institutions because it is now directed toward the poorer groups in the LDCs, who are not considered to be a major source of savings.

We believe that the development of LDC financial institutions is a goal which can be better approached through a broader and integrated AID development effort in the shelter area. As part of this effort, we believe that U.S. concessional aid, together with technical assistance, could usefully be directed to the housing finance area with the objective of creating seed capital funds designed to become growing revolving sources of housing finance.

RECOMMENDATION

We recommend, therefore, that the Administrator of AID, as an initial part of AID's shelter program development process in a country, (1) require a detailed analysis of a country's housing finance system's needs and how AID's housing resources, including the HIG Program, are expected to contribute to these needs and (2) use, where appropriate, U.S. development assistance funds as seed capital and for technical assistance in developing LDC finance institutions.

CHAPTER 4

IMPORTANCE OF INTEGRATING HOUSING ASSISTANCE

Housing, when provided as part of an integrated community development program, can have important overall economic and social benefits. Squalid housing conditions can affect an individual's health, learning abilities, and job productivity; and progress must be made in meeting shelter needs in less-developed countries if gains in other areas of community development are not to be diminished. Similarly, unless housing is provided as part of a communitywide development effort, including health, education, transportation, and employment programs, the housing projects will not become viable communities. Such a comprehensive, integrated approach is essential to the success of a shelter assistance program.

HIG PROGRAM INTEGRATION WITH SOCIAL SERVICES AND HOST COUNTRY DEVELOPMENT PLANS

For the most part, the HIG projects in the countries we visited were well combined with their overall development plans, although in some cases community services, such as health, education, and transportation facilities, were being "thinly stretched" or were not readily available.

In Korea, Kenya, Tunisia, and Chile, housing projects are being built in secondary cities and rural market towns, in accordance with efforts to develop rural areas and stem migration to the cities. In the Ivory Coast, the joint AID/World Bank program is a concentrated approach to the rational development of the Abidjan area, which has recently had an influx of emigrants from other African nations and from the Ivorian countryside. In Israel, the HIG Program is incorporated into existing housing programs for new immigrants and young couples.

HIG projects are planned in conjunction with host government housing and development policies and rely on the host country to provide the related infrastructure and social services. In Tunisia, for example, the HIG loan implementation agreement specifies that the government will provide community services, such as schools, health centers, markets, and bathing facilities. In the Ivory Coast, where the HIG loan is part of a larger AID/World Bank/government urban development effort, the entire project is designed to include elementary schools, and health units, and market facilities.

In Korea, HIG housing construction is incorporated into larger Korean National Housing Corporation projects of mixed unit sizes in accordance with city development plans. Social conditions are considered in the housing corporation's site selections, and the AID regional housing officer monitors the site surveys. In our visits to project sites in Korea, we noted easy access to transportation, markets, and health facilities. We also visited one project which included a meeting place for the elderly and a sewing workshop for housewives to contribute to family income.

In Kenya and Chile, however, we noted a number of instances in which essential community services were not readily available. For the National Housing Corporation project in Kenya, each of 12 communities is responsible for providing social services, but in many cases the towns do not have these services because of lack of funds. In Chile, also, the municipalities and responsible ministries do not have the funds for building new facilities for HIG projects. In neither of these countries did AID have ongoing development projects which could directly complement the HIG loans in terms of providing these services. We believe that, unless these housing projects are provided with related services and are better integrated into the overall community, they will not develop into successful projects.

AID is currently initiating a $10 million, 5-year improvement program for the urban poor in several countries, and expansion of HIG coverage to include the financing of project-related community services is being considered by the Congress. Such measures should contribute to improved integration of HIG projects.

ECONOMIC AND SOCIAL IMPACT OF HOUSING ASSISTANCE

Housing investment, even when designed for low income levels, is a development area capable of having wider economic and social impact through generating employment opportunities, expanding related industries, and developing technical skills. Although this wider impact is not a specifically stated objective of the HIG Program, an underlying premise is that shelter assistance will contribute to the overall development of the country, rather than simply consume scarce financial resources which could otherwise be productively used. To the extent that the program demonstrates the economic and social benefits which can result from improved shelter conditions, the program can contribute to a firmer LDC commitment to low-income housing activities.

In our visits to the field, we found the program's economic impact to be positive and its social impact to be particularly beneficial in terms of satisfying an intensely felt need for improved community and shelter conditions through home ownership.

Economic impact

In several countries, the impact of HIG funds on the economy could not be clearly identified because of an already large number of host country housing activities. In Korea, for example, the construction industry is considered highly sophisticated and actually performs construction work for other countries. It was estimated that the proposed 1978 $25 million HIG loan would contribute only about 1.2 percent of total Korean building construction. As a proportion of Korean government housing efforts, the AID loans represented 7 percent of Korean National Housing Corporation resources in 1976 and 18 percent of total units built. The most significant employment impact is in the squatter upgrading projects, where an estimated 10 percent of the daily-hire laborers will come from the squatter community itself. In Tunisia, the $20 million HIG Program amounts to only 4.2 percent of the $481 million the Tunisian government has planned for housing investment in 1977-78. Israel also has a very active housing program, of which the HIG Program is only a small part.

In Kenya and Chile, the HIG Program appears to have had a somewhat more noticeable impact. In Kenya, the $5 million HIG loan to the National Housing Corporation is estimated to be providing about 10.8 percent of direct government housing finance planned as of December 1976. It also appeared that the government has become increasingly aware of the connection between housing and economic development. In Chile, one of the initial stated objectives of the HIG Program was to help reduce the high unemployment. The Chilean construction industry had been in a depressed state since early 1973 and was further affected by the present government's anti-inflation measures. At the time of our visit, it was reported that the $40 million disbursed so far of the $55 million HIG loan had brought about some movement in the construction and related sectors (material suppliers, transportation) and had absorbed some of the unemployed labor force. In one visit to a project site, we were told that the HIG project employed 60 percent of the local construction capacity. In some of the projects, cottage industries, such as iron fencework, window grills, sewing services, and grocery stores, had sprung up as housing-linked activities.

On the other hand, Chile's construction industry is still facing serious problems, and numerous bankruptcies have occurred. Until the housing finance system is able to continue low-income housing activity, there is little certainty that the pace of construction activity promoted by the HIG Program can be sustained longer than the short-term duration of the program.

In the Ivory Coast, it is generally recognized that its joint project with AID and the World Bank will help the economy and benefit the construction and materials industry, but the project was not far enough along for these to become evident.

In addition, HIG loans generally have a positive short-term balance-of-payments effect, because virtually all construction materials used are indigenously produced. The HIG Program thus provides dollars which are not consumed by housing-related imports and can be flexibly used. This, of course, is one of the prime reasons why AID and State have used the HIG Program for political and economic support purposes.

Innovative construction methods or technology are not generally a major feature of the program now, except for the initial design of these reduced-standard houses. Construction materials are those traditionally used in the countries, and reliance on individual self-help efforts requires the use of the simplest construction methods. In general, encouragement of prefabricated housing or of industries producing housing materials may not be appropriate in LDCs which are predominantly concerned with generating employment through labor-intensive construction methods.

Social impact

For the most part, the HIG Program has had a very positive impact on low-income families and communities receiving housing loans. In most of the countries we visited, the beneficiaries of HIG loans must have been saving over a period of years in order to receive financing. During this time, some had either been paying relatively high rents or living in crowded conditions with their relatives or in squatter areas. A number of families expressed their appreciation of home ownership and the privacy they had now obtained. The projects in Chile and Korea, which had been occupied the longest, were attractive and well-maintained.

There was some evidence of community participation in the design and construction of the HIG projects. In Chile, for example, the cooperative chose the project site and house design and was involved in the original decisions on the extent to which the houses were to be finished (i.e., whether walls were to be plastered and painted, floors and ceilings fully finished, bathroom tiles installed). In addition, to keep some control over the nature of individual housing expansions, cooperative approval of the designs must be obtained. In Korea, also, squatter area residents were surveyed regarding the kind of improvements they felt were needed, and the projects have sought to address these needs.

CONCLUSIONS

The HIG projects we visited were generally well integrated into the countries' overall development strategies. Scarcity of community services such as schools, health centers, and transportation has been a problem in a couple of projects, however. The host government and municipalities are supposed to provide such services integrating the HIG projects into the larger community, but they are often hard-pressed for the funds to do so. Although the HIG projects do not conflict with U.S. bilateral development efforts in the countries where we found these problems, the two forms of U.S. development assistance did not directly complement each other.

The HIG Program has had a generally positive, though not always significant, short-term impact on economic activity in countries receiving HIG funding. Little new technology has been introduced, but the program generally does incorporate labor-intensive building methods and a reliance on family self-help efforts. Indigenous construction materials are used throughout, and the short-term balance-of-payments effect thus is positive.

The program's overall social impact has been positive in terms of satisfying an intensely felt demand for home ownership on the part of low-income families and also in terms of the community involvement it has supported in at least a couple of instances.

RECOMMENDATION

We recommend that the Administrator of AID, as part of the HIG loan negotiating process, (1) work more closely with host government officials to determine the economic and social needs of a community to be served by a HIG loan and the ability of the host government to provide for and integrate those needs into an overall community development effort and (2) act where necessary to integrate HIG loans through the use of U.S. development assistance available for these purposes.

CHAPTER 5

EFFECTIVENESS OF PROGRAM MANAGEMENT

AID's Office of Housing in Washington and its six Regional Housing and Urban Development Offices overseas are primarily responsible for administering and implementing the HIG Program. As a private loan guaranty program financed almost entirely from guaranty fee income rather than appropriated funds, the program has a certain uniqueness within AID.

The Office of Housing, as part of the recently formed Development Support Bureau, is the lead office in administering a $120 million a year program, in contrast to other offices in this Bureau which provide support for development programs generally led by other bureaus. The regional offices overseas have prime responsibility for implementing HIG programs, rather than the AID missions. Although for the most part these arrangements have worked smoothly, certain organizational frictions and management weaknesses have arisen.

PROGRAM OPERATION

At present, the Office of Housing manages a portfolio of almost $1 billion in worldwide loan guaranty authorizations. It also manages the program's $50 million reserve fund, a guaranty fee account to cover the program's administrative expenses, and about $2 million in yearly housing-related contracts. The reserve fund consists of the $50 million authorized by the Congress in 1961 and subsequent guaranty fee earnings. These funds are available to cover U.S. lenders' claims and the Office's operating expenses. Fees charged for loans to the less-developed countries have made the program basically self-sufficient thus far, with no appropriated funds required to pay salaries and expenses or to engage private contractors.

The Office of Housing had a staff of 14 professionals in Washington, D.C., and 13 in its overseas regional offices as of January 1978. In addition, in Washington two members of the General Counsel's office and two AID controllers are assigned full time to housing guaranty matters and are paid from guaranty fee income. This Washington staff is divided basically between those who handle the financial and legal aspects of the program and those who backstop the regional offices abroad and serve as contact points with the geographic bureaus.

HIG Program activities are developed cooperatively by the Office of Housing, the appropriate geographic bureau and AID overseas mission, and the LDC. The mission must approve prospective HIG projects and must incorporate the HIG Program in the host country development strategy. The HIGs must also be reviewed and approved by both the geographic bureau and the Bureau for Program Planning and Coordination in the same manner as development loans and grants. After a HIG project is authorized, the prospective LDC borrower seeks the most favorable terms available in the U.S. capital market for a U.S. Government guaranteed loan. The U.S. investor and the borrower agree on the terms of the long-term financing (within limited interest rate ceilings which reflect the prevailing rates for long-term mortgages in the United States). AID and the borrower then enter into agreements defining the use of the loan, and AID provides a "full faith and credit" guaranty of repayment to the U.S. lender.

CENTRALIZATION OF MANAGEMENT

The question whether the operation of the HIG Program should be decentralized has been raised within AID almost since the initial centralization of the Office of Housing in 1970, after the program became a worldwide rather than a solely Latin American program. Basic arguments in favor of making the geographic bureaus responsible for project development and implementation are (1) that greater mission and geographic bureau attention would be given to HIG projects, (2) that improved integration of HIG projects with host country development strategy and AID loan and grant programs could be achieved, and (3) that better control over all aspects of project development and implementation by the bureaus and missions could be exercised.

In March 1978, after considering a number of organizational options, AID transferred the Office of Housing from the Bureau for Program and Management Services (an essentially administrative rather than program-oriented bureau) to the Development Support Bureau. Location in the Development Support Bureau, along with other program support offices such as those dealing with urban development and population, should help to integrate the HIG Program in overall development strategies as well as preserve the housing expertise built up over the years. Studies and research by the Office of Urban Development, for example, could in some cases be designed to directly complement HIG Program needs, thus reducing the program's reliance on outside contractors.

We also recognize that a number of program functions are best performed on a centralized basis--i.e., liaison with the U.S. capital market and private lenders; management of the guaranty fees, reserve accounts, and loan portfolio; preparation of the program's worldwide operating budget; management of contracting operations; and maintenance of control over HIG loans as required by the Foreign Assistance Act and by the Office of Management and Budget ceiling on annual HIG loan authorizations.

In addition, there is a need for a continuing source of program and housing expertise within AID. The Office of Housing already provides a number of housing-related services outside of the HIG Program. For example, it

--participates in the development of housing programs funded from Agency resources, such as the two large housing programs in Egypt and Lebanon, which will be financed from security supporting assistance funds;

--provides technical assistance in support of other AID programs and to countries, such as Kuwait, Dubai, and Venezuela, which are able to pay for its professional services; and

--sponsors and participates in international housing and savings and loan conferences, at which the nature of the HIG Program can be explained.

REGIONAL HOUSING OFFICES

Unlike other development assistance programs, the HIG Program is implemented primarily through a separate field organization, the Regional Housing and Urban Development Offices, with the collaboration of the AID mission on major policy issues. Currently the Office of Housing has regional offices in Nairobi, Kenya: Abidjan, the Ivory Coast; Tunis, Tunisia; Seoul, Korea; Tegucigalpa, Honduras; and Panama City, Panama. Each of these offices is authorized to have three AID housing officers, supplemented by secretarial staff and by local contractors where needed.

The regional housing officers have primary responsibility for in-country implementation of the HIG Program. They participate in project development and are responsible for on-site supervision of housing projects within the regional office's area of jurisdiction. The regional officers in Nairobi, for example, typically spend their time between ongoing projects in Kenya, Zambia, and Botswana, and prospective projects elsewhere in East or Southern Africa.

In a few countries, mission personnel, rather than the regional officers, have been assigned active responsibility for implementing HIG or other housing programs. This is the case in Peru, for example, where U.S. concessional loans are combined with HIG loans for disaster reconstruction. In Liberia, a program combining a HIG loan with development loan and grant funds is being developed, and the third regional housing officer initially authorized for the regional office in Abidjan has now been assigned to Liberia to function simultaneously both as the mission's housing advisor and in a regional capacity. The housing officers in Peru and Nicaragua are carried on the mission rolls and are paid from appropriated funds rather than from HIG Program fee income.

Effectiveness of regional management

r the most part, the largest ongoing HIG Programs are supervised by regional housing offices located in-country. The exceptions are Israel and Portugal, where little monitoring is considered necessary, and Chile, where a housing officer was stationed from early 1976 to September 1977. We found that the presence of such an officer within these countries has generally made an important contribution to the effectiveness of the HIG Program. In Kenya, for example, it has made the difference between a successful project and one which might have been fraught with delay, cost increases, inadequate local staff, and politicized housing allocation procedures. As a result of prompt actions and attention to detail, costs were cut, low-income buyers could afford the houses, and they received them through an impartial allocation system. Without the presence of an AID regional housing representative, we do not believe this city council project would have met its goals.

In the Ivory Coast, however, the regional office's heavy workload in West and North Africa has prevented it from effectively supervising its major activities. The two regional officers there were responsible, as of June 1977, for 15 projects in 10 countries receiving allocations totaling more than $115 million. Each officer travels about 40 percent of the time reviewing project progress, identifying problems that may have surfaced between visits and helping to handle them, advising the local implementing organizations, and conducting any needed negotiations. The regional officer stated that the workload is too heavy for his office to adequately manage the program, with the result that the housing officers too often find themselves reacting to existing problems rather than identifying potential ones before they become serious.

In addition to causing program delays, this management situation has also resulted in the extensive use by these overseas offices of contractors to augment staff resources in both the Ivory Coast and Tunisia. One regional housing officer cited the need to rely on consultants as a disadvantage of the current structure and said that without in-country HIG project managers it has often been necessary to bring in consultants to monitor and evaluate project implementation. We noted instances in both Tunisia and the Ivory Coast in which the consultants' actions should have been undertaken by AID personnel. In our opinion, the frequent use of consultants in the Ivory Coast to perform the regional offices' management function of monitoring project implementation resulted in weak AID management.

In countries where HIG programs have been authorized but where housing officers have not been able to devote on-site, active attention, project development has been slow. In Zambia, Botswana, and Cameroon, where HIG projects were authorized in 1975 and 1976, no housing construction has been started. In Paraguay, a HIG loan authorized in 1975 was not contracted for with the U.S. lender until August 1977, when the regional officer visited the country, found renewed interest in the HIG Program, and assisted local officials in moving the loan. The regional officer noted that Paraguay was not so highly motivated in the low-income housing field that it would act entirely on its own; AID prodding and assistance were needed and in fact made the difference. In Tunisia, project supervision was handled from the Abidjan regional office until the opening of the Tunis office in 1978, and during this time administrative problems caused by the lack of staff have arisen. AID expects that the opening of the regional office will enable greater on-site attention to be given to the current Tunisian program.

For the most part, then, it appears (1) that the largest and most successful HIG Programs are being undertaken in countries where on-site AID assistance is readily available and (2) that delay and administrative problems have characterized HIG Programs in some countries dependent on the temporary-duty visits of the regional housing officers. The latter situation has not, of course, resulted entirely from the absence of AID housing officers, since some delays are caused by local circumstances beyond AID's influence. Nevertheless, the presence of an on-site AID official capable of making project implementation decisions has been an important and, on occasion, crucial factor in the success of the program.

Regional office relations with AID missions

Because regional housing officers are responsible directly to the Office of Housing in Washington, rather than to the host country mission director, the opportunity exists for conflict between the two. The regional officer must obtain both mission approval to initiate a housing program and geographic bureau approval in Washington for the specific project. Once the project is authorized, however, the regional officer is responsible for implementing it.

On occasion, AID missions have not taken an active interest in the HIG Program and have devoted attention to projects using appropriated U.S. funds, thus allowing the housing officer to take full charge of HIG Program implementation. The existing organizational setup thus has some potential for operational conflicts and for inadequate integration of HIG projects with AID's overall development assistance programs.

In practice we found regional office relations with AID missions to be best in those countries where these offices are located. In Korea, Chile, Panama, Honduras, and Kenya working relationships were generally close and cooperative. The regional offices are often located in the AID missions; housing officers attend mission staff meetings and route their cables through the mission for clearance. Both mission and regional officers expressed satisfaction with their working relations and with the degree of HIG Program integration with development programs and strategy.

In countries where there are no regional offices, there is greater opportunity for conflict because mission personnel must often act as intermediaries between the LDC implementing organization and the housing officer responsible for the project. In a couple of instances, the mission directors disliked allowing their staffs to get involved in HIG programs for which they were not responsible, had little or no expertise, and could not make program decisions. Host government officials take their problems and questions to the local AID missions if there is no regional housing officer available, and delays experienced in receiving technical assistance, making decisions, and conducting negotiations can lead to host government frustrations with the program. One mission director felt that many HIG-related problems in his country stemmed from lack of on-the-spot management, and he said he had had trouble getting answers from the Office of Housing. He stated that he would not accept another HIG program under the present management approach and would insist on having a full-time housing officer assigned to his staff. Another mission director stated that he also would want a mission officer to work full-time with the regional housing office once a combined HIG development loan/urban sector project starts to be implemented. The assignment to Liberia of the regional housing officer initially authorized for the Abidjan regional office also reflects the desire of the Liberia mission to have a housing officer readily available to devote two-thirds of his time to the combined project.

In a country such as Peru, for example, where a mission officer is responsible for HIG programs, the results are reported to be satisfactory. As long as responsibility for program management is clearly assigned to mission staff, qualified personnel are found to implement the HIG programs, and close relations are maintained with the Office of Housing in Washington, there appear to be no major impediments to the effective implementation of HIG programs using this more direct management approach.

The Office of Housing's position is that a separate set-up is necessary to the HIG Program because of the degree of expertise required, the unique procedures governing a private loan guaranty program, and the importance of close coordination with the central Office of Housing in Washington. The Office of Housing notes that it has built up an experienced professional staff with a system of assigning Washington staff to the regional offices once they are trained.

CONCLUSIONS

We recognize that there is a need for a continued centralized staff in Washington to "backstop" AID's housing programs, including the HIG Program. We do not believe, however, that successful program management necessarily requires a separate field organization such as the overseas regional housing offices. Although AID officials handling the HIG Program overseas need to be familiar with the operation of a guaranty program in order to explain the program to potential LDC borrowers, we do not believe this significantly affects the question of whether the HIG Program should be managed by the mission or by a regional office network. We believe that as long as competent and experienced officers are assigned to supervise the program in the field and maintain close coordination with AID in Washington, program management should be enhanced by direct mission responsibility for in-country program implementation.

AID's reservoir of housing expertise presently lies within the Office of Housing in Washington and its regional offices. As long as a centralized office in Washington maintains its present expertise and provides support and guidance to AID program officials in the field, the Agency's professional expertise should not be diluted. The development of additional housing expertise within the Office of Housing could continue, with staff still being rotated to handle programs in the countries once they have gained program expertise. In addition, the presence of skilled AID officers in-country should help to reduce the heavy reliance on contractors to perform tasks normally the responsibility of AID.

On the other hand, the initial project design and development phase may not require a full-time AID presence, and it is at this point that the regional office's technical housing expertise is most important. Regional housing officers could be retained for these limited technical assistance purposes, serving from Washington or from a deemphasized regional office structure. But particularly in instances in which a complex or sizable HIG program is being undertaken the mission staff should assume responsibility for the implementation stage of the program. This may require modified budgeting procedures for the Office of Housing since HIG Program fee income is involved; but the advantages and desirability of having on-site, experienced AID staff to supervise large or complex HIGs have been expressed within AID and demonstrated by our fieldwork.

AID has sought in the past few years to integrate the HIG Program as fully as possible into the missions' overall development plans for the LDCs, particularly now that the HIG Program is geared toward serving the poor. AID now needs to emphasize the importance both of successful HIG Program implementation and of housing and related urban improvement programs. By promoting greater flexibility in the use of housing and other qualified AID personnel and by encouraging the assignment to missions of housing officers for large or complex projects, AID could respond to the difficulties and problems so far encountered in the implementation of the program and at the same time give emphasis to the integration of housing with other development efforts.

AGENCY COMMENTS AND OUR RESPONSE

Officials in AID's Office of Housing agree that the assignment of housing officers as part of AID missions would be beneficial to HIG Program management, but they do not agree that the Regional Housing and Urgan Development Office structure should be de-emphasized or that regional office staff should be reduced. They see a need for increasing the staff in the Regional Housing and Urban Development Offices and in Washington, as well as providing additional housing advisors to AID missions; however, they do recognize the practical constraints involved, including AID's continuing efforts to keep down staffing levels and operating expenses. They also cite the lack of sufficient HIG fee income to support additional housing personnel.

The Office of Housing points out that there are about 20 housing officers in the field to cover ongoing and proposed programs in about 50 AID-assisted countries. The Director feels that regional housing offices are currently the best way of utilizing existing housing staff, and he noted that the regional offices have worked very well overall and are generally supported by the AID missions with whom they coordinate. He also noted the training advantage of having the junior-level housing officer in a regional office report to a senior-level supervisor with housing and HIG Program expertise. In addition, he stated that the Office's use of contract personnel abroad has been a result of staff limitations and thus has been a matter of necessity rather than of preference.

Our observations suggest that on-site attention has been a key factor in the success of HIG programs, regardless of whether there was a regional office presence. In countries where these offices are located or where housing officers have been assigned directly to AID missions, HIG programs are progressing better than in countries dependent on temporary visits by housing officers operating out of the regional offices. Obviously, a regional office in every country with a proposed or active HIG program is not practical. What may be more practical, in our view, is to move toward deemphasizing this regional structure by placing more of AID's housing expertise directly in countries where AID housing activity is significant and fixing primary responsibility for implementing AID's shelter programs in the AID missions. In our view, the use of resident contractors to provide technical assistance may not be a desirable option, because such contractors do not normally have decisionmaking authority.

AID is currently initiating a realignment of its overall staff, so as to place more program officers overseas in AID missions. We believe that mission responsibility over HIG programs is in line with this effort and that there exist within AID personnel capable of handling HIG and other housing program responsibilities--given the necessary guidance and support from AID's Washington Office of Housing. We are not suggesting the dismantling of these offices altogether, since as noted earlier in this report, some HIG programs may not need the supervision of a full-time housing officer.

We recognize the importance of maintaining flexibility in the utilization and assignment of housing officers. Current requirements, changing priorities, new technology, and shifts in program design and emphasis all suggest the continuing need for flexibility. For example, the services and backstopping abilities of the centralized Washington housing staff could also be drawn upon in countries where the full time and attention of a housing officer are not needed or where AID has not established a development presence. We believe, however, that the AID missions, which are set up to coordinate and integrate the overall development strategy of a host country, should be the predominant focus for shelter assistance.

One of our major objectives in making our recommendation is to promote more effective use of existing housing resources within the framework of the HIG fee structure and other available funds and without necessarily adding to overall staffing levels or increasing contractual or operating expenses.

RECOMMENDATION

We therefore recommend that the Administrator of AID act to improve the implementation of shelter programs and the integration of housing activities with other development efforts by assigning housing officers directly to AID missions; and decrease, where appropriate, the responsibilities and management functions of the regional housing offices.

FINANCIAL OPERATIONS

HIG Program operations have been essentially self-supporting in the sense that the fees charged to LDC borrowers for the loan guaranties have covered most of the program's operating expenses, with the exception of its claim losses. The program cannot be said to be entirely cost free because it does benefit from certain AID support services, but AID attempts to keep track both of these support costs and of the non-HIG work performed by the Office of Housing so that the necessary reimbursements can be made. The following analysis represents our general overview and does not derive from a financial audit, as such.

Administrative costs

AID charges a guaranty fee to cover HIG Program operating expenses and to provide reserves against guaranty losses. The home purchaser ultimately pays this fee as a part of his monthly mortgage payments. The fees are accumulated in an account from which expenses and claims are paid. In addition to these fees, $50 million was made available by the Congress from previous AID guaranty operations for meeting program claims and administrative and operating expenses.

For fiscal year 1977, Office of Housing operating expenses were as follows:

Personnel compensation	$1,214,482
Contractual services	1,860,609
Travel and related costs	255,038
Agency support costs	200,000
Miscellaneous administrative costs	230,333
	$3,760,462

Guaranty fee income received in fiscal year 1977 totaled $4,106,834, while operating expenses amounted to $3,760,462, leaving an operating income of $346,372. However, after deducting nonrecoverable claims of $842,438, there was a loss of $496,066.

As of the end of fiscal year 1977, the program's total net worth stood at $49,589,457, the first time in its history that it has fallen below the $50 million made available by the Congress from previous guaranty operations. AID's objective of meeting all operating expenses plus nonrecoverable claims from earned income thus is not presently being met.

Safeguards against claims

The HIG Program has several safeguards to reduce the possibility of a U.S. Government loss. The principal one is AID's requirement since the early 1970's that all HIG projects be backed by host country guaranties. For these projects, AID could suffer a loss only if the government refuses to honor the guaranty.

AID's right to make partial payments to the U.S. investor allows AID to avoid "triggering" its formal guaranty to the U.S. investor. These partial payments can be made long enough for AID to take the steps necessary to correct temporary deficiencies or to resort to local guaranties. For older HIG projects, local housing authority guaranties or home and land mortgaged to local administrators may be the only safeguards available.

Claims experience

From its inception through December 31, 1977, the HIG Program has incurred claims totaling $7,121,898 for 12 projects in 8 countries.

Country/project	Date project authorized	Cumulative claims incurred
Dominican Republic/003	May 1964	$ 650,000
Senegal/001	May 1968	1,491,707
Zaire/001	Jan. 1972	1,370,724
Argentina/001	Jan. 1964	2,390,400
Peru/001-I	Dec. 1962	172,889
Peru/001-II	Jan. 1964	152,896
Peru/002	Feb. 1964	259,215
Peru/004	Jan. 1966	106,998
Jamaica/001-I	May 1965	133,309
Jamaica/002	June 1965	254,555
Panama/003	May 1967	98,216
Mexico/006	July 1966	40,989
		$7,121,898

This is a 15-month increase of $2,571,718 over the $4,550,180 in total claims paid as of September 30, 1976. Claims for fiscal year 1978 are expected to be $3.1 million. Total claim losses over the entire amortization periods of these loans, ending in 1997, is projected at $21.7 million. The $2.86 million in claims incurred in Senegal and Zaire are considered subrogated claims and are not expected to be a continuing drain on the HIG Program's resources. Except for Senegal and Zaire, none of the above projects has a host government guaranty.

Claims have resulted principally from currency devaluations in countries where no host government guaranty of repayment to AID was obtained in earlier HIG agreements. For these projects, local currency payments do not convert to the full amount of dollars disbursed. In Argentina, for example, the currency has been devalued to such an extent since the loan was authorized in 1964 that AID is now paying almost the entire monthly payment owed to the U.S. investor. In one instance, in Venezuela, the local currency has been revalued upward vis-a-vis the dollar, and the project's reserve fund is accumulating slightly more dollars than were originally disbursed. The deficits resulting from the devaluations are considered irreversible, because currency adjustment provisions were not made at the time the loan agreements were negotiated.

The potential exists, of course, for additional devaluation losses in any of the 41 HIG projects not protected by a host government guaranty of repayment to AID. As stated in appendix III, these 41 projects represent unpaid balances of $66,171,697, or 10.8 percent of AID's contingent liability of $611,511,663 as of December 31, 1977. We inquired into the possibility of negotiating host government guaranties against future losses, but AID officials said that obtaining guaranties for these older loans, which were often made to private developers in the LDCs, is extremely difficult. AID attempted in 1972 to negotiate a dollar repayment guaranty for the Argentine project but was unsuccessful due to political changes in Argentina.

The program's initial $50 million reserve has not been reduced by the total $7.1 million in claim losses incurred as of September 30, 1977, because the program's surplus of guaranty fee earnings over operating expenses has covered partial payment of these claims. The program's reserve as of September 30, 1977, amounted to about $49.6 million. The approximately $21.7 million in claim losses projected for the remaining amortization period ending in 1997 may also be reduced by whatever operating surplus, if any, is achieved in future years.

Delinquencies

Delinquencies have not been a major cause of project claims, according to AID officials. Delinquencies are reported to AID by local project administrators, and a quarterly summary is prepared by AID's Controller's Office and circulated to AID housing officers overseas. These delinquency statistics are not fully reported to AID, and AID does not make active use of these reports. Attention is given to project delinquencies only when serious problems threaten to jeopardize mortgage payments to the U.S.

investor. AID notes that in the more recent projects the local administrators must absorb these delinquencies, because the host governments have guaranteed the loan.

As mentioned earlier, delinquency problems have already begun to arise in certain of the low-income projects. Now that the HIG Program is geared to poorer groups, it is particularly important that close attention be paid to potential problems in this area. We believe the poor can afford the kind of shelter being provided under the HIG Program, although they may not be accustomed to making timely payments. Unless this potential problem area is watched closely, with advice provided on how to improve mortgage collections, the HIG Program may not successfully demonstrate that the poor will, in fact, pay for their housing. In addition, of course, local administering institutions will suffer if they continually have to cover homeowner delinquencies. The fact that there is a host government guaranty of repayment to AID does not mean that this area can be overlooked.

Senegal claim

Although the $5 million Senegal project received a host government guaranty when it was contracted for in 1968, AID has had to service payments to the U.S. investor because of major problems in project implementation. As a result, AID is proposing for fiscal year 1979 a $1.4 million development grant to Senegal for rehabilitation of this project. AID recognizes that this grant is for a middle-class urban housing project (of 669 units) which does not fit easily within its priorities for Senegal, but AID notes that it shares responsibility for the projects's mishaps and has a moral responsibility to help rehabilitate it. In addition, AID was anxious to resolve this problem because (1) AID was proposing a large assistance program to Senegal as part of the Sahel development program and this problem needed to be removed as an obstacle in U.S. relations with Senegal, and (2) the Government of Senegal was holding HIG homeowner payments in a blocked account and resumption of these payments to the U.S. investor hinged on the settlement of this problem.

This project was developed by a U.S. builder under previous HIG Program operating methods which encouraged U.S. builders to invest overseas. The U.S. builder's company in Senegal became financially insolvent after the homes were built but before its creditors were paid off. The Government of Senegal was forced to pay off these creditors to protect the rights of the home buyers who would otherwise lose their homes in a forced public sale. This cost the Government of Senegal approximately $1 million. Other problems have been faulty experimental construction techniques which caused structural weaknesses; improper site selection, resulting in sand inundations; and mortgage collection problems due to home sales to ineligible buyers.

All these problems and costs caused the Senegal Government to stop making payments to U.S. investors and to hold mortgage collections in a blocked account. AID has had to service payments to U.S. investors and as of March 1977 had made about $1.7 million in such payments. To resolve this problem, AID indicated it would consider financing a special rehabilitation program for the project, provided the Senegal Government started servicing its payments to the U.S. investors and paid to AID the accumulated payments it held. The government began making payments in mid-1977.

In addition to Senegal's claims, an arbitral award was issued against AID on March 16, 1976, in favor of the Senegal construction company (a subsidiary of the U.S. builder). The award calls for the payment of $495,898, plus 75 percent of the costs of arbitration, to this company on the grounds that AID had caused a work stoppage and a resulting loss to the company. AID is currently considering its legal options.

AID has not undertaken HIG programs similar to that in Senegal, where a U.S. builder develops a housing project overseas, since 1969. The problems which have arisen in this project appear to be unique to this particular situation. No other requests for project rehabilitations have been made nor has any need for such rehabilitation been cited. According to AID, further legal suits similar to that initiated by the U.S. builder in Senegal cannot be brought against AID now that the statute of limitations has run out for all such older projects. All HIG projects since 1969 have used local builders selected by host government administering agencies.

Status of project reserve funds

Project reserve funds provide a cushion for paying investors when monthly payments from LDC borrowers are delinquent, thus protecting against activating the AID guaranty. These reserves have been established through the requirement in HIG contracts of a payment from the buyer when the mortgage is closed. Recent guaranties to institutional borrowers in countries providing host government guaranties have not required project reserves.

These project reserves are held by AID's central fiscal agent (American Security and Trust Company) in an interest-earning Central Reserve Fund, by U.S. investors or their fiscal agents, or by host country administrators. Project reserve balances as of December 31, 1977, are shown below.

Held by	Number of projects	Amount of reserves
AID's central fiscal agent	63	$ 1,230,284
U.S. investors or their agents	21	3,792,503
Local project administrators	10	1,159,022
	94	$ 6,181,809

Deposits made into the Central Reserve Fund are available for paying temporary delinquencies and deficiencies on any projects covered by this pooled reserve fund. Other reserves are restricted for payments of deficiencies or losses pertaining to particular projects. Eventually, upon repayment of a particular loan, any money remaining in the project's reserve fund not owed to AID will be returned to the project homeowners. AID currently does not provide in its financial statements a formal accounting of project reserve fund balances returnable to homeowners or reverting to AID at the termination of project loan repayments. We believe such accounts should be provided in the program's financial statements and annual reports.

The effect of pooling project reserves in the Central Reserve Fund has been to allow tardy payments by certain borrowers to be covered by the central fiscal agent by using reserve funds deposited by other borrowers. The U.S. investors must be paid on the first of the month; payments from local project administrators are often not received until later in the month. If the Central Reserve Fund were not available to cover these temporary remittance shortfalls, which at times extend to several weeks, AID would have to process a significant volume of investor claims, since the U.S. guaranty extends to the timely payment of interest and principal, even though this shortfall may be only temporary. This has been avoided because the Central Reserve Fund has so far been able to cover these temporary remittance shortfalls and thus has helped to maintain investor confidence in the HIG Program.

AID's Office of Housing has also used this fund to cover project deficits due to currency devaluations rather than to temporary remittance shortfalls. The deficits on these projects had been incurred since 1976, were considered irreversible losses, and were expected to grow in total size over the loans' amortization periods. Not until fiscal year 1978 did the Office of Housing charge these currency devaluations to program operations and fully reimburse the fund.

Project reserve fund balances, the interest earned on them, and other associated receipt and disbursement transactions are, in our view, in the nature of HIG Program assets and liabilities originating from HIG agreements. While certain data on these reserves is presented in the program's monthly financial summaries, it is not fully reflected in the HIG statement of financial condition or annual report. These reserves, some of which are returnable to home purchasers, and others that revert to AID after loans are repaid, are available to satisfy program liabilities and, indeed, are being used to pay certain delinquencies and deficiencies. Accordingly, we believe these project reserves should be fully accounted for in the program's financial operations and appropriately reflected in statements of financial condition, including annual reports.

Contractual services

The HIG Program's largest operating expense is for contractual services. The two contractors performing the bulk of management and technical services for the Office of Housing are the National Savings and Loan League and the Foundation for Cooperative Housing, whose contracts amount to about $1 million and $500,000 a year, respectively.

The National Savings and Loan League monitors the financial transactions involved in administering mortgage collection remittances to U.S. investors, assists in developing new programs for housing investments, and reviews implementation progress through on-site inspections. AID's Controller's Office and the Office of Housing itself are capable of performing a number of the League's functions, and some duplication of services presently exists. A study is currently being made of how and whether AID should assume these functions.

The Foundation for Cooperative Housing assists in developing housing programs, particularly those for cooperatives or squatter area rehabilitation. Both of these contracts will be renewed on a competitive basis this year, although this has not been a previous Office of Housing practice.

A number of other contractors also provide technical or management services to the Office of Housing. These include: The Institute of Financial Education, which provides savings and loan management training; Planning and Development Collaborative International, which provides housing policy guidance; and the American Security and Trust Company, which acts as the central fiscal agent for the program and as a depository for the Central Reserve Fund.

Investors

In 1977, the largest source of HIG financing continued to be the U.S. savings and loan industry acting through the Federal Home Loan Bank Board of New York. It entered into contracts for $56.8 million in five HIG programs in 1977 and expects to sell participation interests in the projects to individual savings and loan associations throughout the United States.

Once a HIG loan is authorized by AID, a public advertisement of this loan guaranty opportunity is made in the United States, and the LDC borrower seeks the most favorable terms available in the U.S. capital market. During 1977, interest rates to the investors ranged from 8.1 to 8.75 percent, with terms of repayment from 25 to 30 years.

Internal financial audits

AID's Auditor General audited the program's financial statements about 3 years ago. From our current observations of the program's financial operations, we believe there is a need for more frequent internal financial audits and for regularly recurring independent tests of source data and established procedures.

CONCLUSIONS

HIG Program operations have been essentially self-supporting in the sense that the fees charged to LDC borrowers for the loan guaranties have covered most of the program's operating expenses. However, because these fees have not been able to also cover the program's claim losses, AID is not meeting its objective of covering all operating expenses and nonrecoverable claims from earned income.

Claims have resulted principally from currency devaluations in countries where no host government guaranty of repayment to AID was obtained in earlier HIG agreements. For these projects, local currency devaluations have meant that the required local currency payments do not convert to the full amount of dollars disbursed. As of December 31, 1977, the program has incurred claims totaling $7,121,898 for 12 projects in 8 countries, with total claim losses projected by AID at $21.7 million over the entire amortization periods of these loans, ending in 1997. The potential exists for additional devaluation losses on any of the 41 HIG projects not protected by host government guaranties of repayment to AID, and we believe the program's financial situation should be closely monitored. AID's requirement since 1972 that all HIG loans have host government guaranties should minimize losses on these guaranteed projects. As of December 31, 1977, all but 10.8 percent of total unpaid balances were covered by such guaranties.

Project reserves totaling $6.18 million have been collected from home buyers to serve as a cushion for paying investors when monthly payments from LDC borrowers are delinquent, thus protecting against activating the guaranties. About $1.2 million of these are held in a pooled reserve, the Central Reserve Fund managed by AID's fiscal agent, the American Security and Trust Company. AID has also used this fund, however, to cover certain irreversible project deficits which were due to currency devaluations rather than to temporary remittance shortfalls. Not until fiscal year 1978 did the Office of Housing charge these currency devaluations to program operations and fully reimburse the fund. We believe this pooled fund should not have been used for this purpose and that such losses should be charged to program operations in the years or accounting periods in which they are incurred.

Neither project reserve fund balances nor related transactions are included in the program's statements of financial condition or its annual report. We believe this information reflects upon the program's financial situation and should be fully accounted for in these reports.

Contractual services engaged under this program are paid from the program's fee earnings and not from appropriated funds. Nevertheless, we believe such expenses should be fully cost-effective and should not duplicate Agency functions. AID is currently studying the feasibility of its Controller's Office taking over certain contractor-provided services, and we support continued evaluations of this kind.

RECOMMENDATIONS

We recommend that the Administrator of AID:

--Help ensure the integrity of the HIG Program by including a projection of all estimated claim losses and their potential impact on program reserves in the program's statements of financial condition, in AID's annual presentation to the Congress, and in the annual report on the program.

--Charge losses covered by the Central Reserve Fund which are known to be nonrecoverable to program operations in the years they are incurred.

--Require that project reserve funds are fully and formally accounted for by properly reflecting outstanding balances and all related transactions in the HIG Program's statements of financial condition and in its annual report.

--Schedule financial audits of the program on a more timely basis and include the independent verification of source data and operating procedures.

AGENCY COMMENTS

In our discussions with AID on the foregoing conclusions and recommendations, AID agreed to take steps toward more complete disclosure of projected claim losses and project reserve funds in its financial statements, annual reports, and annual presentations to the Congress. AID agreed that nonrecoverable losses should be charged to program operations in the accounting period during which the losses occur. AID also noted that it will audit the HIG Program in late 1978 and will include the independent verification of source data and operating procedures.

AFFORDABILITY OF HOUSING TO LOW-INCOME GROUPS

TUNISIA

The 1,480 houses being built in the Ibn Khaldoun and H'Rairia projects are of a somewhat higher standard than those in the core housing and slum-upgrading projects, but they are still affordable by the below-median income target group. As noted below, the selling prices range from $5,288 to $10,693, with monthly mortgage payments ranging from approximately $18 to $54. These payments represent 10 to 31 percent of family income in Tunis, and for the most part are considered affordable by the target group, although some will require more than 25 percent of monthly income. The monthly median income was esti mated at about $162 in Tunis and $108 in other urban areas as of February 1, 1977.

Ibn Khaldoun and H'Rairia Houses

Subdivision	Price range (note a)	Mortgage terms (years/percent interest)	Closing costs and usual downpayment	Monthly payment
Ibn Khaldoun	$5,288 to $8,014	20/0	2 percent + $282	$18.41 to $34.08
Ibn Khaldoun	$7,426 to $8,742	25/0	2 percent + $282	$21.66 to $30.21
H'Rairia (note b)	$6,768 to $10,693	25/4.5	2 percent + $282	$34.38 to $53.89

a/Conversion rate: $2.35 = 1 Tunisian dinar.

b/One house in this development has a monthly payment of $61.10 and is not affordable by the target group.

The estimated sales prices for the 1,348 core houses being built in 6 Tunisian cities vary between $5,288 and $6,110, with 15-year mortgages at 4.[illegible] percent interest. The sizable downpayment to be required for the core houses may have a significant impact on the affordability test. The potential occupants, depositors in the savings bank program, will be offered mortgage loans of twice the amount of savings plus interest. This amount will not be sufficient to cover the total purchase price in all cases and depositors must obtain the difference from other sources. In these cases, the houses will not be affordable by some low-income depositors.

Beneficiaries of the slum-upgrading project in central Tunis are to be charged at a rate planned to maximize cost recovery within the limits of the inhabitants' ability to pay. Although conclusive income data about project beneficiaries has not yet been obtained, available estimates indicate that the projects will be affordable by the below-median income group.

KENYA

The housing constructed in Kenya so far has been affordable to low-income groups, although construction cost increases [illegible] make it difficult for AID, in projects still being [illegible] to observe the requirement that 90 percent of [illegible] funds be used for housing suitable for families with below median incomes.

At the time of our visit in November 1977, 2,924 one, two, and three-room houses in the Nairobi city council project had been completed at prices affordable by the target group, and 92 percent of these houses had been allocated to those earning less than monthly median income of $176. As indicated below, the sales prices of these houses range from $3,709 to $4,731, with monthly payments ranging from $35.76 to $42.43 (in all cases less than 25 percent of the monthly median income).

	One-room unit	Two-room unit	Three-room unit
Number of units	2,123	632	169
Sales price (note a)	$3,709	$4,307	$4,731
Required downpayment	185	215	473
Monthly repayments (25 years):			
Principal and interest (10 percent)	$32.18	$37.39	$38.85
Estimated property tax, insurance, and ground rent	3.58	3.58	3.58
Total repayments	$35.76	$40.97	$42.43

a/Conversion rate: $1=8.25 Kenyan shillings.

Minimum and maximum income criteria were used to determine who qualified for the houses. The minimum monthly income was set at $97 and the maximum at $182. Information provided by Nairobi city officials shows the income levels of the 3,000 beneficiaries or the HIG Program to be as follows

Income percentile	Monthly income	Percent of occupants in each category
21 to 30	a/$ 91.89 to $112.24	16.8
31 to 40	$112.25 to $139.39	33.1
41 to 50	$139.40 to $176.12	41.6
51 to 60	b/$176.13 to $208.73	8.5

a/No incomes were less than $96.97 per month.

b/No incomes exceeded $181.82 per month.

The Kenyan National Housing Corporation's HIG project was about 1 year behind schedule, with only 1 of the 12 sets of houses completed and none of the houses allocated as of November 1977. In this one completed community, the one-room houses are to sell for $2,909 and the two-room houses for $4,348, with monthly mortgage payments, excluding insurance and taxes, estimated at $23.64 and $39.39, respectively. During this period of delay, construction costs did increase, and the sales prices for houses still to be constructed may not be affordable to the program's target group.

Ivory Coast

AID has emphasized the need for the Ivory Coast Government to reduce housing subsidies in order to demonstrate both that low-income groups can pay for reduced-standard housing at cost and that these types of projects can be replicated many times without draining government resources. Although the HIG Program is designed to be affordable to the below-median income target group, project implementation had not advanced far enough at the time of our visit for us to say that the housing that is constructed will actually fall within the estimated cost ranges.

The following table shows the cost of the shelter units being provided, the monthly payments required, and the range of income levels to which these units are expected to be affordable.

Shelter option	Cost per unit	Amount of monthly payment	Affordable to income group (percentile)
1. Slum upgrading	$3,600 to $11,000 per lot, depending on project; each lot containing a principal dwelling unit and an average of 5 rental rooms	$20 to $31	$80 to $124: 7th to 25th percentile
2. Sites and services	$1,111-1,790 per lot plus construction of core units costing	$12 to $19	$100 to $131: 25th to 35th percentile
	$1,333-2,667	$25 to $42	$154 to $184: 35th to 45th percentile
			$89 (note a): 13th percentile
	or construction of one-room core unit at $1,333	$42	$170: 40th percentile
3. Low-income rental	$3,270-6,260, depending on size and infrastructure	$26 to $46	$105 to $184: 20th to 45th percentile

a/Assumes rental income from one room.

The largest single component of the Ivory Coast program is the upgrading of existing slum areas, whose inhabitants are generally considered to be predominantly low-income people. Of the five sites to be upgraded, three are located in existing 20-year-old slum areas of Abidjan; one is a relocation area from an Abidjan slum clearance project settled 5 years ago, and the fifth is a squatter settlement on the outskirts of the new port of San Pedro, a regional development center. The two "sites and services" areas are expected to be affordable to low-income groups. For the rental housing units, a system of escalating monthly payments is to be introduced, with initial rentals estimated to be as low as $26.

KOREA

In Korea, AID has concentrated on reducing the size of low-income housing units and upgrading existing slum areas in order to help provide housing affordable to poor families. The price ranges of these lower-standard housing units and the income ranges for which the housing is considered affordable are as follows.

New construction Year	Amount	Number of units	Unit size sq. ft. (note a)	Price range (note a)	Income target group (note a)
	(millions)				
1973	$10	1,500	780	$9,000	65th percentile and above (note b)
1974	$20	3,700	460 to 532	$4,500 to $7,000	25th to 65th percentiles
1975	$25	9,200	460 to 532	$5,200 to $6,000	25th to 65th percentiles
1976	$15	4,685	265 to 460	$4,100 to $6,100	10th to 45th percentiles
1977	$15	4,800	284 to 462	$4,800 to $7,000	20th to 50th percentiles

Squatter improvement Year	Amount	Number of sites	Number of units	Income target group
	(millions)			
1975	$10	6	3,500	15th to 60th percentiles
1976	$10	8	5,000	15th to 50th percentiles

a/Estimated.

b/Authorized prior to low-income mandate.

CHILE

In Chile, the two and three-bedroom houses constructed under the HIG Program were also designed to be affordable to families below the median income. High unemployment levels, however, are making it difficult for some low-income families to afford their mortgage payments.

The $2,000 to $6,000 price range of the HIG-financed houses in Chile has been achieved through a combination of minimal land development costs, flexible house designs, and initial, recession-induced low construction costs. All recipients are members of housing cooperatives which have median incomes below the national median. Because housing cooperatives which had already purchased and urbanized their land (i.e., installed water, electricity, and sewer facilities) had the best chance of receiving HIG financing, land development costs have been minimal. House designs submitted by the cooperatives to the government administering agencies were reviewed for accuracy of cost estimates, and adjustments were made in order to keep the planned houses within price ranges affordable to the target group. In some cases, the cooperatives designed their houses with the interiors virtually unfinished in order to be able to afford larger houses. In cases where unexpectedly high costs meant that the houses as initially planned could not be constructed, changes were made in the house designs. Other factors that kept house costs within the means of the poor have been the low costs and high degree of competitiveness within the construction industry resulting from Chile's economic recession.

In our visit to Chile, however, we noted several instances in which cooperative members were having difficulty making their mortgage payments, either because they had become partly or wholly unemployed in the period between being selected for housing and actual occupany or because they did not initially qualify as having incomes high enough to afford the monthly payments. In a number of cases, the required mortgage payments amounted to over 50 percent of their current monthly incomes.

In Chile, the cooperative as a whole is the loan recipient and is liable for the mortgage payments. In these cases, the cooperative must cover from its own communal funds the mortgage payments its members are unable to make. This, of course, is a situation which cannot continue indefinitely and may result in the cooperative having to replace the original owners with families who can afford the mortgage payments.

APPENDIX I

ISRAEL

The U.S. Government has guaranteed four HIG loans totaling $125 million for Israel, as shown below.

Loan number	Borrower	Date of contract	Amount of loan
			(millions)
271-HG-001	TEFAHOT(a government-owned mortgage bank)	Feb. 15, 1972	$50
271-HG-002	Ministry of Finance	May 20, 1974	$25
271-HG-003	Ministry of Finance	Mar. 5, 1975	$25
271-HG-004	Government of Israel	June 2, 1976	$25

A fifth (and possibly a sixth) HIG loan of $25 million for Israel was under consideration at the time of our review.

The four guaranties were to provide long-term mortgage financing under the government's public housing programs. Loans previously made by Israeli mortgage banks under the existing government mortgage assistance programs were specifically attributed to HIG financing and AID was given lists of the mortgages involved. Distribution of the two most recent HIG loans' proceeds ($50 million) among categories of government-assisted mortgages is summarized below.

Loan Guaranties 003 and 004

Category	Number of housing units
Young couples	3,424
New immigrants	360
Slum clearance	504
Savings schemes	241
Other (note a)	2,287
Total	6,816

a/The administrators' (Israeli mortgage banks) records did not clearly categorize all mortgages attributed to the HIG loans. There is some indication that many of the loans reported under "Other" were made to young couples.

AID estimated that about $43 million of the first $100 million in loan guaranties was used for mortgages for new immigrants. The first three loans occurred during the relaxation of Soviet emigration restrictions and sharply increased immigration to Israel.

All housing financed under the fourth loan guaranty was to be on mortgage terms resulting in initial monthly payments not higher than 25 percent of the monthly family median income, apparently to make the HIG-financed mortgages affordable to families at or below the median income. However, the monthly payment component should not be the only aspect of the affordability test. The initial downpayment also should be considered. Israelis are often required to make large downpayments, and this problem is aggravated by sales prices that are very high in relation to family incomes. In 1976, the sales price of the average apartment was equal to 5 years' gross earnings for the average family.

A senior official of Israel's largest mortgage bank said the percent of mortgage value to dwelling price ranges from 10 to 85 percent and averages about 45 to 50 percent under government mortgage assistance schemes. This means the potential home buyer has to have a large downpayment. In addition to personal savings, two common sources of downpayment funds are the buyers' families and second loans. Those who must take out second loans usually pay high commercial rates. With the HIG loan and the second loan, homebuyers end up paying over 25 percent of their monthly incomes for housing--up to 50 percent according to a senior Finance Ministry official. Many persons eligible for housing programs by virtue of their socio-economic profile cannot finance the difference between the size of the government-assisted mortgage and the dwelling's selling price. We were told this is the single biggest problem for the home buyer in Israel.

We examined a list of 1,426 mortgages financed by the third HIG loan to Israel (no names or income levels were included). The ratios of original mortgage amounts to sales prices ranged from about 30 to 70 percent. The average downpayment required was $7,332, or about 50 percent of the dwelling's selling price.

Israeli officials stated that mortgages attributed to HIG financing go mostly to families whose income is below the national median, but first-hand verification of mortgage recipients' incomes from individual loan files was not possible. We believe that, in spite of the above

APPENDIX I

difficulties, the mortgages financed through HIG loans are going to a great extent to people below the median income.. Only housing units located inside Israel's pre-June 1967 boundaries are eligible for HIG financing.

APPENDIX II

TOTAL HIG AUTHORIZATIONS BY COUNTY (AT SEPT. 30, 1977)

	Authorized	Contracted	Disbursed
	-----------------	(millions)	-----------------
Africa			
Botswana	$ 2.6	$ -	$ -
Cameroon	10.0	-	-
Ethiopia	1.5	1.5	1.5
Ivory Coast	33.0	20.4	14.3
Kenya	17.0	17.0	10.2
Liberia	5.0	-	-
Senegal	5.0	5.0	5.0
Zaire	10.0	10.0	10.0
Zambia	10.0	-	-
Asia			
China (Taiwan)	4.8	4.8	4.8
Korea	105.0	75.0	70.6
Thailand	5.0	5.0	5.0
Latin America			
Argentina	54.3	39.7	39.7
Bolivia	9.6	9.6	7.2
Caribbean Islands	2.0	-	-
C.A.B.E.I. (note a)	67.0	44.0	44.0
Chile	59.7	59.7	44.7
Colombia	26.9	26.9	26.9
Costa Rica	6.6	6.6	6.6
Dominican Republic	18.9	18.9	16.3
Ecuador	7.4	7.4	7.4
El Salvador	10.9	10.9	10.9
Guatemala (note b)	1.5	1.5	1.5
Guyana	1.6	1.6	1.6
Honduras	7.4	7.4	7.4
Jamaica	40.4	25.4	20.8
Mexico	10.8	10.8	10.8
Nicaragua	25.9	15.9	15.9
Panama	40.2	26.2	19.8
Paraguay	4.0	-	-
Peru	60.9	60.9	46.9
Venezuela	51.4	51.4	51.4
Near East			
Iran	7.5	7.5	7.5
Israel	150.0	125.0	125.0
Lebanon	15.0	-	-
Portugal	40.0	40.0	20.0
Tunisia	25.0	25.0	18.2
	$953.8	$761.0	$671.9

a/Central American Bank for Economic Integration.

b/Not including $6.3 million for three projects fully paid back.

APPENDIX III

HIG PROJECTS LACKING HOST GOVERNMENT GUARANTY OF REPAYMENT TO AID, AS OF DEC. 31, 1977

Country/project	Loan amount	Unpaid balance	Date loan authorized
Taiwan/001, 002, 003	$4,793,417	$2,889,918	Dec. 1965
Thailand/002	4,960,149	3,236,713	June 1966
Argentina/001	4,921,394	2,981,118	Jan. 1964
Costa Rica/003	1,999,992	1,573,092	Oct. 1967
004	2,499,799	2,112,787	May 1972
005	2,098,220	1,951,296	May 1972
Dominican Republic/003	3,331,690	1,313,472	June 1964
005	2,118,036	1,356,367	Dec. 1965
Ecuador/003	1,396,726	1,122,626	May 1968
El Salvador/001	4,492,935	1,814,603	Feb. 1964
002	4,478,443	2,819,471	June 1965
005	1,929,172	1,571,679	Apr. 1968
Guatemala/003	1,500,000	1,347,986	Dec. 1967
Honduras/001	2,868,315	1,197,893	Mar. 1963
002	1,502,600	773,489	Feb. 1964
002B	827,813	764,112	June 1969
Jamaica/001-I	6,317,553	3,905,357	May 1965
001-II	1,109,460	929,392	June 1972
002	5,018,848	3,991,877	June 1965
008	3,000,000	1,847,775	May 1969
Mexico/006	760,032	533,136	July 1966
Nicaragua/001	6,924,915	4,306,737	May 1965
Panama/002	2,952,900	1,616,226	Dec. 1965
003-I	1,483,513	1,146,979	May 1967
003-II	1,991,886	1,782,849	Feb. 1971
004	962,834	837,149	Feb. 1969
005	2,881,080	2,579,927	Feb. 1969
006	3,500,000	-	Nov. 1971
Peru/001-I	1,189,713	218,329	Dec. 1962
001-II	1,023,261	460,200	Jan. 1964
002	3,825,776	2,182,978	Feb. 1964
004	2,299,366	1,331,662	Jan. 1966
006	604,421	471,540	Dec. 1966
Venezuela/001	6,293,840	2,015,914	Aug. 1964
002	4,714,272	2,144,875	Mar. 1965
003	1,853,933	920,313	May 1965
003B	2,909,405	1,838,534	Apr. 1966
005	777,104	281.052	Aug. 1964
008	2,890,0[illegible]	2,002,274	June 1968
	$111,002,842	$66,171,697	

(47148)