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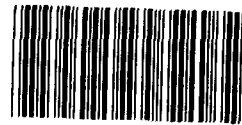
United States General Accounting Office

Briefing Report to the Chairman,
Subcommittee on Western Hemisphere
Affairs, Committee on Foreign Affairs,
House of Representatives

December 1990

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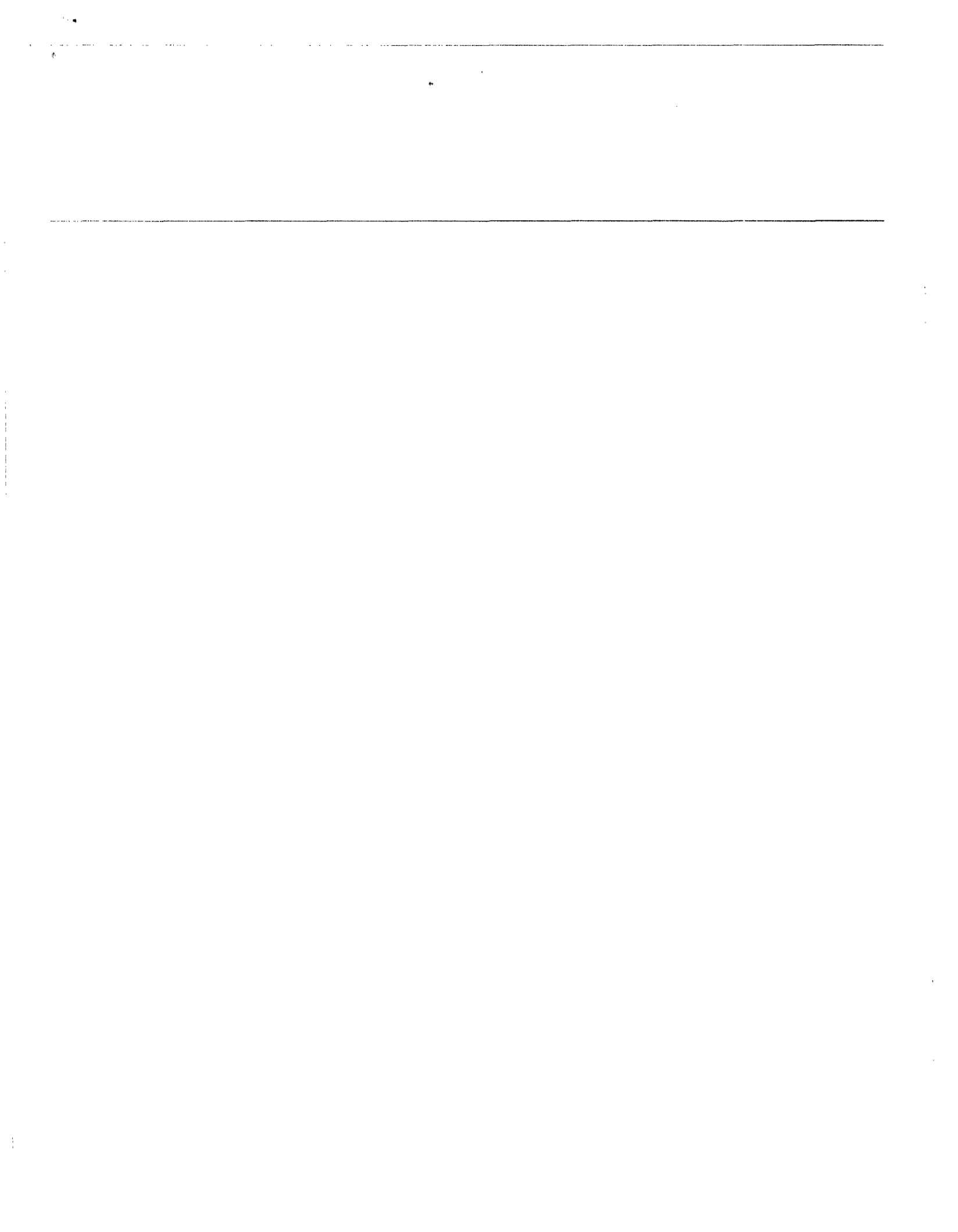
Resettlement of Panama's Displaced El Chorrillo Residents



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**National Security and
International Affairs Division**

B-241864

December 20, 1990

The Honorable George W. Crockett
Chairman, Subcommittee on
Western Hemisphere Affairs
Committee on Foreign Affairs
House of Representatives

Dear Mr. Chairman:

In response to your request, we evaluated the U.S. Agency for International Development's (AID) progress in resettling displaced residents of the El Chorrillo district of Panama City, Panama. These residents were displaced as a result of U.S. military action in December 1989. Specifically, we (1) assessed the living conditions at the Albrook facility, the largest of the seven displaced persons camps, (2) determined the status of the program to find permanent replacement housing for the displaced El Chorrillo residents, and (3) identified factors that may impede further progress in providing permanent homes.

On September 6, 1990, we briefed your staff on the preliminary results of our review. This letter summarizes and updates the information provided during that briefing, and appendixes I and II discuss it in more detail.

Background

On December 20, 1989, the U.S. military intervened in Panama to remove General Noriega from power, and in doing so, attacked the Panama Defense Force headquarters in the El Chorrillo district of Panama City, Panama. A significant amount of fighting and destruction occurred in this district. As a result, an estimated 2,200 households¹ were displaced.

In February 1990, at the request of the Panamanian government, AID began a \$15.7 million program² to provide housing and basic amenities

¹A household is defined as a group of individuals living together. They may or may not be related family members and a household may include more than one family. It is difficult to determine the exact number of displaced households resulting from the fighting because El Chorrillo was basically a "squatter settlement" at the time.

²Funding for the housing program was provided by the Urgent Assistance for Democracy in Panama Act of 1990 signed on February 14, 1990. On February 21, 1990, the Acting Administrator, AID, approved the use of \$30.125 million of deobligations from Africa for use in Panama. Of this amount, \$12.733 million was for the housing program. In addition, AID allocated \$2.975 million from the Dire Emergency Act (Public Law 101-302) to the housing program.

to those persons displaced from El Chorrillo. Those displaced took up residence in one of seven displaced persons camps, with relatives, or rented their own accommodations.

The Albrook facility has been providing temporary housing for 69 to 78 percent of the displaced persons. It is managed by the International Red Cross under an AID agreement. Table 1 shows the number of displaced persons at each of the seven camps.

Table 1: Number of Displaced El Chorrillo Residents at Temporary Camps

Site	January	August	November
Albrook	3,157	2,229	1,995
Facility for the Elderly	69	62	50
Ministry of Housing	194	167	151
Junta Communal St. Anna	105	94	72
Pension "G"	110	93	93
El Salvador School/ Casa de Piedra	300	400	387
Clinica Mastellary	110	66	118
Total	4,045	3,111	2,866

In addition to assisting in providing temporary housing, AID initiated a program to help resettle displaced El Chorrillo residents in more permanent housing. This program is being managed by the Caja de Ahorros.³ The process of providing such housing involves a series of sequential activities. This process is implemented and overseen largely by Panamanian government offices and the Caja.

Results in Brief

Our review indicated that the living conditions at the Albrook facility generally met acceptable standards as defined by international refugee organizations. Food services appeared adequate; living space, toilet, and bath areas were clean and sanitary; and health and medical care were available. However, living quarters are small at the Albrook facility and lack privacy. The size of the quarters are 3-meters square and, according to AID officials, were inspected prior to occupancy by officials from the International Red Cross and the United Nations High Commission for Refugees, who indicated that the size was adequate for a temporary facility. Residents complained that living under these conditions over an extended period had become increasingly more difficult.

³The Caja de Ahorros is a national savings bank that has experience in savings passbooks and home loans. AID informed us that the Caja had worked with AID in the past and that there were few other institutions available to become involved in the project with the Caja's experience.

According to AID's Mission Director, as of August 29, 1990, 6 months after the permanent housing program began, 142 replacement homes or approximately 7 percent of the estimated 2,200 homes needed had been delivered. AID informed us that as of November 8, 1990, 344 homes or approximately 16 percent had been delivered. This rate of progress has been less than what was expected by AID and can be attributed to (1) delays inherent in the fundamental design of the program such as allowing the displaced families to select from among several options and (2) implementation problems in such areas as financing, contracting, and actual construction of the housing units.

AID officials told us that the problems that initially slowed the program have been overcome and that housing units will soon become more rapidly available and that the temporary camps can be closed by March 1991.

AID has become more directly involved in addressing factors that have impeded progress to date, and has assigned an AID engineer to work with housing contractors and the Panamanian utility company to overcome development problems. Whether AID will meet its latest target dates for completing the housing program cannot be determined at this time; however, AID's recent actions should lead to faster and more efficient program results.

Nevertheless, some problems remain. For example, some persons at the Albrook facility and elsewhere have been found ineligible for permanent housing by the Panamanian Ministry of Housing. The eligibility of others is uncertain because, for example, they may have been living in make-shift or non-permanent structures in El Chorrillo prior to December 20, 1989. AID and the Panamanian government are still working to determine how many persons will be eligible and how many additional households will have to be provided housing.

The time it took to get the Ministry of Housing and the Caja to certify and provide passbooks to eligible participants contributed to delays in the contracting process. In addition, some participants have been slow in making their housing choices, thus, delaying the start of construction. Problems associated with utility hookups and titling continue to slow the housing delivery process.

A funding problem that AID faced in August has apparently been resolved. Funding the difference between the estimated 2,200 homes that are needed and the 2,000 houses for which AID had funds has been

addressed, and the reprogramming of Dire Emergency Act funds to cover the difference has been approved.

Scope and Methodology

To assess the conditions at the Albrook facility, we interviewed officials of the U.S. Embassy in Panama; AID in Washington, D.C., and in Panama; the Panamanian government; a Panamanian private voluntary organization; and the Displaced Committee, as well as displaced persons from El Chorrillo. We reviewed documents provided by AID, the International Red Cross, and Panamanian public and private agencies. We also toured the Albrook facility and inspected the living conditions.

To determine the status of the housing program, we interviewed AID, U.S. Embassy, Panamanian government and Panamanian banking officials, reviewed program documents, and visited each of the proposed housing sites. We interviewed an AID contractor and auditors from the Regional Inspector General's office and reviewed their work. We also spoke with persons already living in new housing and people in the camps waiting to move.

The problems that continue to exist were identified through firsthand observations and information provided by U.S. officials in country, program managers, and Panamanian officials.

We conducted our review between August and November 1990 in accordance with generally accepted government auditing standards.

We discussed the contents of this report with AID officials in Washington, D.C., and with AID mission and U.S. Embassy officials in Panama. They generally agreed with the information in this report. We have incorporated their comments in the report where appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of this letter. At that time, we will send copies to the Secretary of State, the Administrator of AID, and the Director of the Office of Management and Budget. We will also make copies available to other interested parties upon request.

The major contributors to this report are Donald L. Patton, Assistant Director; Oliver G. Harter, Evaluator-in-Charge; and Luis Escalante, Jr., Site Senior. Please contact me at (202) 275-5790 if you or your staff

have any questions or need additional information concerning this report.

Sincerely yours,

A handwritten signature in cursive script that reads "Harold J. Johnson".

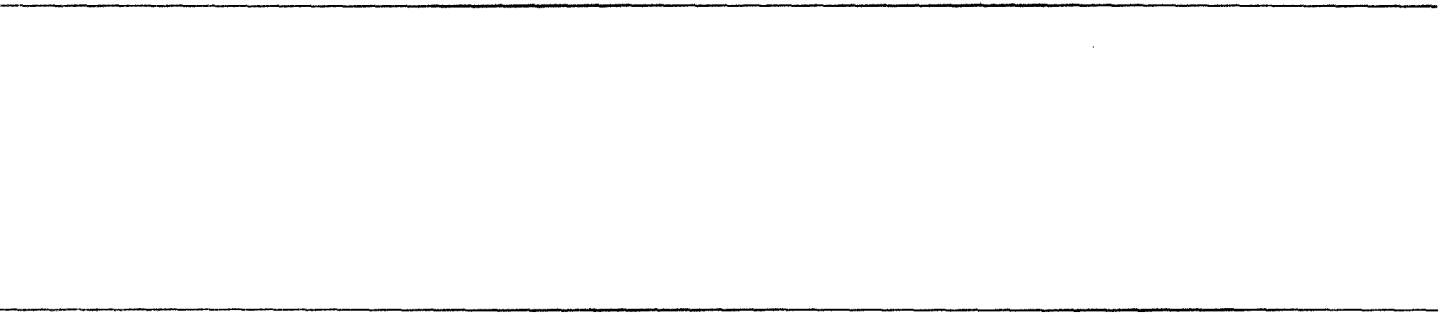
Harold J. Johnson
Director, Foreign Economic
Assistance Issues

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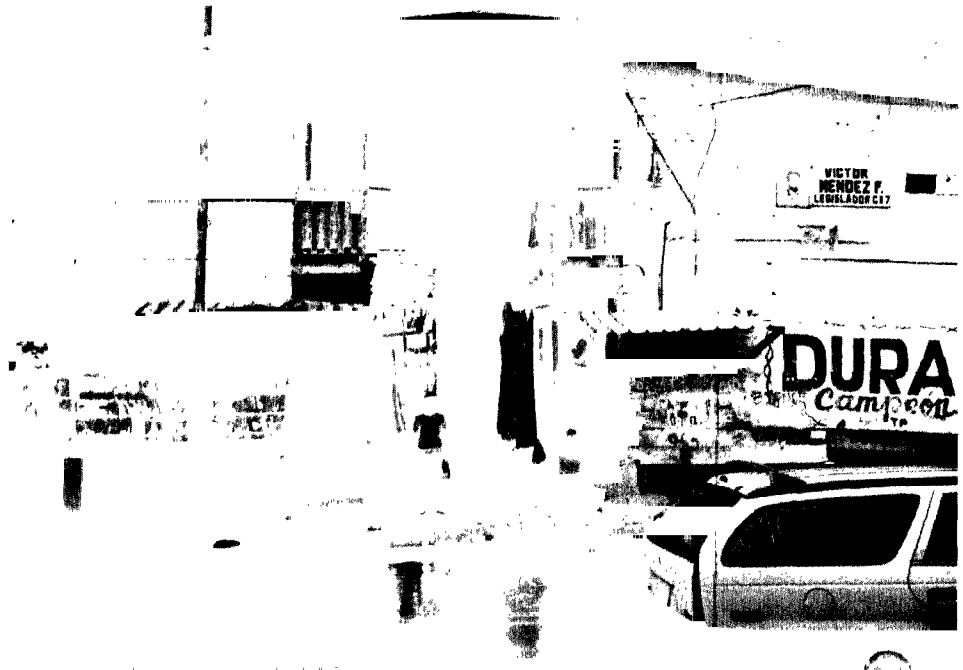
AID	Agency for International Development
OFDA	Office of Foreign Disaster Assistance



The Albrook Facility

Fires destroyed approximately 2,200 household residences in the El Chorrillo section of Panama during the fierce fighting that took place immediately adjacent to the Panama Defense Force headquarters beginning on December 20, 1989. These residences were primarily in decrepit wooden structures built in the early 1900s to house workers engaged in building the Panama Canal. (See fig. I.1.) This was the only area in Panama in which the conflict caused significant population displacement.

Figure I.1: Typical El Chorrillo Multifamily Residence Before the December 1989 Fighting



U.S. military personnel encouraged civilian residents to evacuate designated danger areas from the outset of the battle in El Chorrillo. By midday December 21, 1989, most residents had arrived in a displaced persons area established by the U.S. military on the grounds of Balboa High School, about 1 mile from El Chorrillo.

From December 21, 1989, through January 11, 1990, many of the displaced persons left the Balboa High School grounds. The majority arranged for some or all of their family members to live with relatives or close friends. There were also some who rented their own accommodations. A small number of elderly persons and church employees were sheltered in the Fatima Catholic Church in El Chorrillo. During this period, the Ministry of Education opened parts of three schools, and

Santa Ana's municipal authorities opened its community center for use as temporary shelters.

On January 11 and 12, 1990, the families who remained in Balboa and who chose or needed to continue to receive shelter and other assistance were transported to a displaced persons camp with special preparations financed by AID's Office of Foreign Disaster Assistance (OFDA). This facility, located next to the U.S. Albrook Air Station, consisted principally of two Ministry of Public Works hangars converted by the U.S. military, Panamanian government employees, and local contractors into a displaced families camp with individual cubicles separated by plastic walls. Additional living space was added by erecting 50 canvas tents outside the hangar. About 60 elderly persons were sheltered and cared for in a large, one-story health center in a building near the hangar.

On January 19, 1990, OFDA assumed overall responsibility from the U.S. military for providing food and shelter for the more than 3,000 displaced people at Albrook. AID contracted with the International Red Cross for day-to-day operation of the facility. AID contracted with the Chamber of Commerce, Industry, and Agriculture of Panama to manage the accounting and disbursement of funds for activities associated with the Albrook facility. OFDA provided approximately \$230,000 a month to the Chamber for the administration, maintenance, utilities, supplies and materials, food, and other items for the Albrook facility until June 30, 1990.

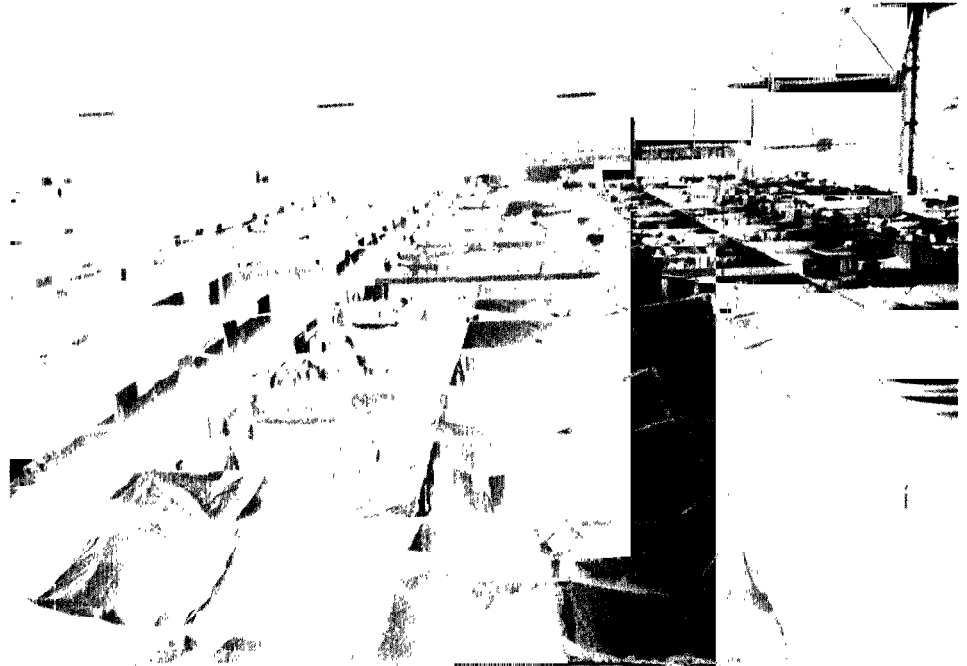
On July 1, 1990, AID signed a grant agreement with the Chamber for \$1.9 million to fund operation of the Albrook facility through March 31, 1991. The money was to be used to purchase food, medical supplies, hygienic supplies, educational supplies, and other essential supplies for the displaced families at Albrook. The grant also funds the costs of any additional construction that may be required at the camp, as well as the Chamber's personnel costs.

Living Conditions at Albrook

On August 29, 1990, there were 2,229 displaced persons living in 730 cubicles in two hangars at the Albrook facility. By November 8, 1990, this number was reduced to 1,995. The size of the cubicles are approximately 3-meters square. According to AID officials, the Albrook facility was inspected prior to occupancy by officials from the International Red Cross and the United Nations High Commission for Refugees who indicated that the cubicle size was adequate for a temporary living facility. At most, four family members are assigned per cubicle. Family groups

consisting of more than four members are provided additional cubicles. Figure I.2 shows the confining conditions at the Albrook facility as of August 1990.

Figure I.2: Cubicles Inside the Albrook Facility



Facilities Are Sanitary

The Albrook facility has flush toilets, showers, wash basins, and other facilities. With regard to sanitation conditions, we found clean toilet and bath areas. We received no reports of rodents or other unusual insect problems. The common living areas, such as the lounge area and laundry area, were also well maintained. We were informed that sanitation standards are checked weekly by a public health environmental inspector and the camp had recently received 100-percent ratings. The water facilities at Albrook provided clean, potable water with good pressure, and a reasonable number of outlets for residents' use.

Health Care Is Available

Health services at the Albrook facility are provided by full-time Red Cross and Panamanian government staff. As of August 1990, the staff included a medical director and deputy, three staff doctors, two pediatricians, a psychiatrist and a psychologist, two dentists, two social workers, and four nurses.

Food Service Is Adequate

Food is provided under contract with a long-established Panamanian restaurant which specializes in low-cost meals. The restaurant provides breakfast and dinner, 7 days a week. Children up to the age of 5 receive supplementary powdered and prepared milk. This group is closely monitored by Red Cross and Panamanian health officials. Studies have shown that according to height and weight standards, children at the Albrook facility meet or exceed Panamanian standards. No cases of illness due to malnutrition were noted. Primary and secondary school children receive a bag lunch.

The medical director at the facility stated that her office monitors the dietary content of the meals and finds it nutritious, although we were told by the food provider that the meals for adults were not developed with the assistance of a nutritionist. The director also stated that through sampling, her office considers the food appetizing. An AID contractor evaluating the conditions of the Albrook facility reported that he ate five evening meals and "found the food appetizing and tasty, and served in large quantities, including particularly the amount of meat." At the one evening meal we participated in, we agree with this assessment. According to AID and Red Cross officials in Panama, the food provided adults reflects the stated desires of those in the facility and is basically a traditional Panamanian diet.

The displaced persons at the camp have elected individuals to represent them in meetings with government and other officials. This group is known as the Displaced Committee. This committee has complained that the quality and quantity of food served to residents is unappetizing, non-nutritious, and insufficient.

The AID consultant who studied conditions at the Albrook facility reported that this committee has taken on the role of aggressive advocate for the displaced population, seeking to take advantage of any possible means of gaining additional U.S. government material assistance for the affected population. The consultant also reported that a number of the most important criticisms and allegations asserted by committee representatives were simply not factual. According to the consultant, this type of experience could affect the usefulness and quality of dialogue which the committee might wish to maintain with key organizations whose aim is to assist the camp's displaced population. We also spoke to the committee members and followed up on their criticisms and allegations. We agree with the AID consultant that the committee's criticisms and allegations were typically unsubstantiated or overstated.

Plans for Closing the Albrook Facility

AID initially estimated that the Albrook facility would be closed on August 3, 1990, or 150 days from the date of the original housing grant agreement. AID now anticipates that by March 31, 1991, sufficient housing will be available for all of the displaced persons to be relocated, and the Albrook facility will be closed. What AID decides to do about those displaced persons in the camps who are not considered eligible for housing by the Ministry of Housing could affect the date the camps will actually close.

There are two types of family groups that have been declared ineligible for housing. The first group consists of (1) persons that had moved from El Chorrillo before U.S. military action, (2) persons that owned a place of business in El Chorrillo but not a place of residence, and (3) persons who did not live in El Chorrillo. The Ministry of Housing determined, based on guidelines outlined in the grant agreement, that these persons are not eligible to participate in the program.

The second group consists of persons that had lived in a defined household group in El Chorrillo before U.S. military action but for some reason are no longer part of that household group. Since housing is being provided to replace destroyed housing on a one-for-one basis, people who have become estranged from their original family grouping now find themselves without a permanent housing arrangement.

AID has stated that it will provide permanent housing for all family groups deemed eligible and will close the Albrook facility when the groups move out. According to an AID mission report dated November 5, 1990, final disposition of eligibility for permanent housing was pending for 98 of the 648 families still at the Albrook facility. AID has not made a final decision on what actions to take with people still at Albrook who are not eligible for permanent housing assistance. AID mission officials stated that the ineligibles are a Government of Panama problem, but that they are working with the Panamanian government to determine what actions to take.

AID's Progress in Providing Housing to Displaced El Chorrillo Residents

AID plans to provide a replacement residential unit to each family group or household (as opposed to individuals or families) identified by the Panamanian government as having lost a unit as a result of the U.S. military action.

AID signed a grant agreement on March 7, 1990, to fund the construction of 1,800 residential units. By October 1990, funding had been increased to provide units for a total of 2,000 eligible households. As of August 24, 1990, the Panama Ministry of Housing estimated that 2,139 houses will be needed. AID officials in Panama told us that money for the additional 139 units will come from reprogramming Dire Emergency Act funds. Furthermore, depending on how AID decides to handle the housing needs of the ineligibles and individuals no longer part of an eligible household, AID may end up providing permanent housing for additional families.

AID initially estimated that all housing financed under the grant would be completed by August 3, 1990. The completion date was later amended to December 31, 1990, and has now been revised to March 31, 1991.

AID's Program Approach

The primary distinguishing characteristic of the AID housing program to resettle El Chorrillo residents relative to traditional AID housing efforts, is that the displaced residents of El Chorrillo were allowed to choose where they wanted to live within a budget of \$6,500. More traditional AID projects provide funds to a public or private organization to produce a specific number of housing units within a specific time frame.

AID was concerned that if it followed its more traditional housing program and did not provide households a choice of housing options, it risked establishing future slums and the eventual dissatisfaction of those it helped to resettle. Considering the politically volatile situation that existed, AID was looking to develop a solution it could be proud of, as well as satisfy the needs of those displaced.

The following is the process used in this program:

- The Panama Ministry of Housing developed a list of eligible family groups using 1989 census data and information provided by the Catholic parish in El Chorrillo, neighbors, and others. The Ministry's current estimate is that 2,139 family groups are eligible to participate in the program.

- The Ministry of Housing then forwarded the names of eligible family groups to the Caja which opened individual \$6,500 passbook accounts into which their housing grant will be deposited. The Caja then presented the certified list of accounts to AID for disbursement of project funds to cover the passbook obligations. The passbooks, required before displaced persons could contract with a builder or others providing the housing unit, are issued at this time.
- As of August 29, 1990, 1,658 family groups had been certified eligible and 1,235 passbooks had been issued. By November 8, 1990, family groups certified eligible increased to 2,005 and 1,843 passbooks had been issued.
- Family groups with passbooks were given an orientation describing their housing choices. This was done both on a one-on-one basis at the Caja's offices and in group sessions given by the Caja's orientation committee. As of August 29, 1990, 755 of the 1,235 passbook holders had entered into housing contracts and by November 8, 1990, 1,162 of the 1,843 passbook holders had entered into contracts.
- When the housing becomes available, the titling process and utility hookups are performed. The family group's debt and tax status are substantiated and at that time, the passbook holder is given the keys and an \$800 furniture allowance. As of November 8, 1990, 344 housing units had been delivered and these households had received their \$800 allowance.

Housing Choices

In establishing the program, an AID consultant interviewed a sample of displaced residents to determine their housing preferences. AID also determined the alternatives available within a nominal budget of \$6,500. Discussed below are the four housing arrangements that were eventually decided upon and offered to the displaced family groups.

Return to El Chorrillo

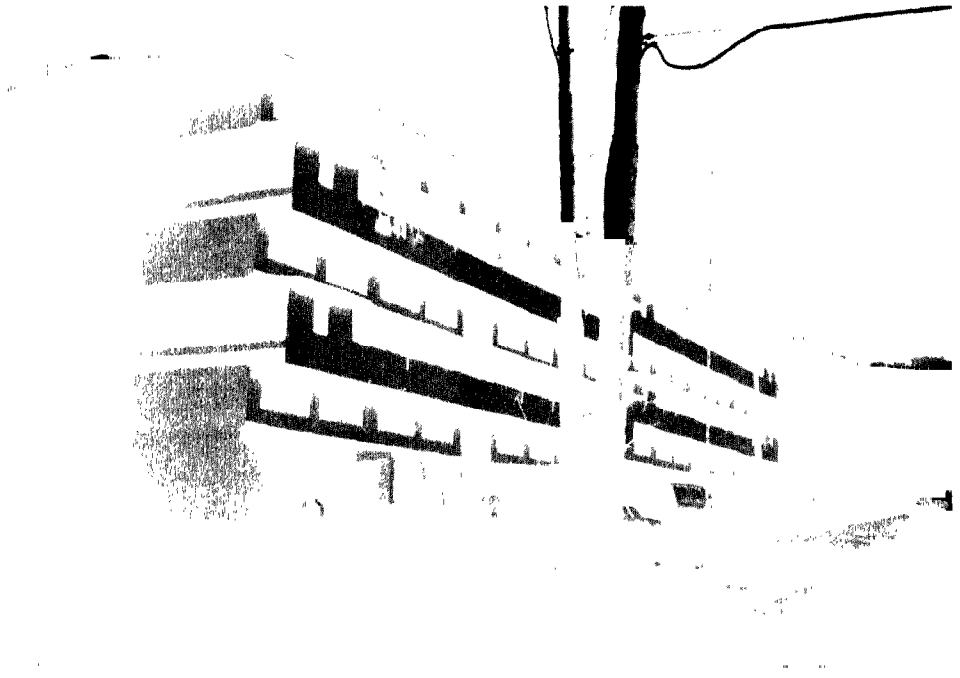
Beneficiaries could choose to resettle in an apartment in El Chorrillo to be built by the Ministry of Housing. Figure II.1 shows what such housing will look like. AID considered this choice important because of the criticism that attempts were being made to prevent residents from returning to what some considered a prime downtown area. However, AID believed that those choosing this option would have to wait 1 to 2 years before the apartments would be available and would have to find their own housing accommodations until then. Because the apartments would cost \$12,000 each and the grant amount was \$6,500, participants would have

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to be employed to qualify. As of November 5, 1990, 482 family groups had selected this option.¹

In November 1990, we were informed that the Ministry of Housing revised its construction estimate and told AID it would have 128 units available by February 1991, at \$6,500 each and another 100 units costing up to \$12,000 each by April 1991. AID officials informed us that all those selecting this option will eventually be housed in El Chorrillo. However, those not housed through the first 228 units will have to find their own housing accommodations until additional units are built.

**Figure II.1: Housing Similar to What Will
Be Provided Those Who Choose to
Return to El Chorrillo**



**Lot With Basic Unit
(Standard Option)**

Participants could choose a \$6,500, 24-meter square, concrete block house on a 110-meter square or larger lot at one of several sites near Panama City built by private contractors. These units are larger than the standard 20-meter square unit provided under other Panama public housing programs. Residents choosing this option can expand the size of their houses using their own money, loans from banks, an AID-sponsored housing guarantee program, or other arrangements made with the

¹Not all of those who had selected a housing option as of November 5, 1990, had entered into a contractual arrangement.

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developer. Figures II.2 and II.3 show two housing alternatives currently available to displaced families under this option. As of November 5, 1990, 946 family groups had selected this option.

Figure II.2: Duplex Housing in Vista Alegre #2

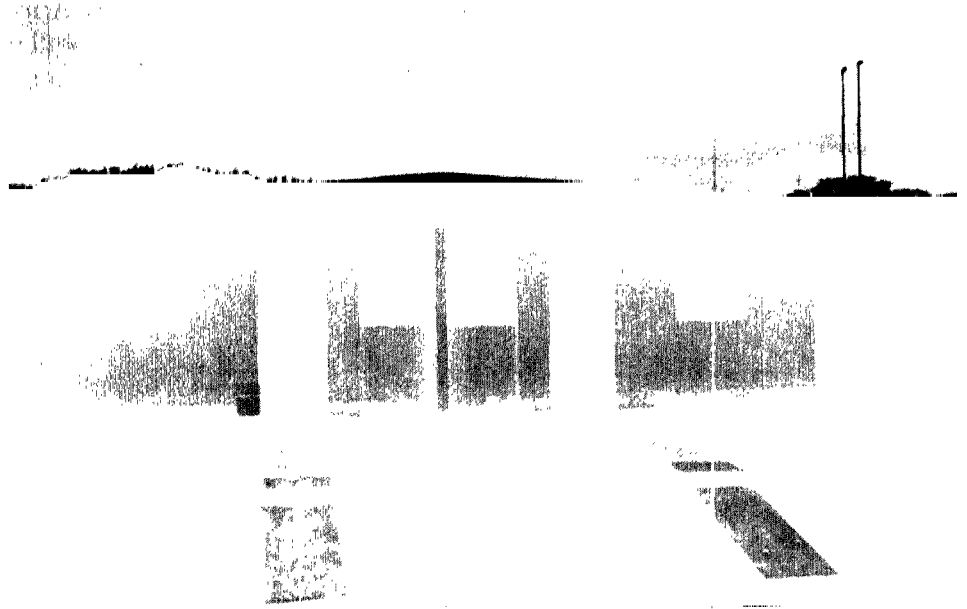


Figure II.3: House in Villa Lochin



Some drawbacks associated with this choice include inadequate public transportation, no secondary schools, and limited shopping and medical services in the area. The lots being provided can be up to 15 kilometers from the center of the city. Main artery transportation links are approximately a mile away. We were told that primary schools are located in the area and that secondary schools are planned. We were also told that once the project is completed, private bus service² may be available, but increased availability of health facilities, and shopping remains a question at this time. Areas are included in plans for these purposes; however, there is no guarantee that the infrastructure development will occur. Some individuals already in the housing units found the lack of such facilities to be a problem, others did not. All of those with whom we spoke said that they wanted the larger units and could deal with inconveniences of being outside the city center.

Individual Initiative

Beneficiaries could purchase or construct a home using self-help solutions. Under this option, the family group might purchase a unit of its choice from existing or new units or buy land and have a unit built on it using the \$6,500 grant plus any additional resources it can find. As of November 5, 1990, 230 family groups had selected this option.

²All public bus transportation in Panama is privately owned.

Elderly and Other Dependent Families

This option is designed for the elderly and chronically dependent families whose needs do not fit the previous options. Although AID estimated 10 percent of the participants would opt for this choice, none had done so as of November 5, 1990. AID officials said that the Ministry of Housing apartments will have special units for the elderly.

Status of the Housing Program

AID recognizes that the program to provide permanent housing solutions to displaced persons has not moved as quickly as originally intended. We identified several factors that have influenced the slow rate of progress to date in resolving the housing needs of those displaced. These include:

- The initial program decision to allow the displaced to choose among several options. AID officials in Panama estimate that this decision has probably added 6 to 8 weeks to the program's length.
- The sequential process that AID set up for eligibility determination and program implementation which relied heavily on a variety of organizations outside of AID.
- The unanticipated difficulties and delays experienced in making eligibility determinations.
- Miscommunications regarding the sequencing of AID's disbursement of funds to the Caja and the Caja's issuance of passbooks to beneficiaries.
- Delays encountered in starting construction because (1) large builders were discouraged by the low-profit margin associated with building \$6,500 units and wanted 150 to 200 contracts before starting projects to take advantage of economies of scale and (2) small contractors did not have funds available and had difficulty getting traditional financing.

AID believes the program's start-up problems have passed and the program is now progressing at a satisfactory pace and is accelerating. AID has recently become more involved in the management of the program. For example, it has begun verifying program data to determine precisely how many housing units are available, who is or is not in these units (and, if not, why not), how many are under construction, and when the housing units will be complete. An AID engineer was assigned to deal with construction and utility problems that have slowed progress. In addition, problems between AID and the Caja on disbursement of funds have been resolved.

AID officials in Panama are confident that the majority of the program will be completed by March 1991. However, we were unable to evaluate AID's schedule or determine when housing for all eligible participants will become available. Table II.1 shows three AID estimates of units

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expected to be available by March 31, 1991. While the August 7, 1990, estimate indicates that 2,052 housing units will be available, the August 30, 1990, estimate shows only 1,874 available units. None of these figures match the 1,800 original units, the revised 2,000 units, or the latest Ministry of Housing estimate of 2,139 units that will have to be provided.

**Table II.1: Estimates of Units Available
by March 31, 1991**

Option	Estimates		
	Aug. 7	Aug. 30	Nov. 8
El Chorrillo	492	160	466
Lot with basic construction	1,440	1,268	1,314
Individual initiative	120	446	420
Elderly and other	0	0	0
Total	2,052	1,874	2,200

We recognize the difficulties experienced by AID in arriving at estimates of what will occur by March 31, 1991. The program results are dependent on the ultimate identification of eligibles, the speed at which pass-books are issued, when and what housing choices the participants make, when construction commitments are made with developers, and when developers actually build the houses. However, even in the near term, we found disparities in the number of housing units that are expected to become available by November 30, 1990. Table II.2 shows two different AID estimates of the expected November 30, 1990, housing availability, and a completely different estimate from an independent AID Regional Inspector General study.

**Table II.2: AID and the Inspector
General's Estimates of Housing to Be
Available by November 30, 1990**

Options	Estimates		Inspector General Aug. 21
	AID Aug. 6	AID Aug. 30	
A: El Chorrillo	0	0	0
B: Lot with basic construction	998	768	455
C: Individual Initiative	125	306	33
D: Elderly and other	0	0	0
Total	1,123	1,074	488^a

^aAccording to the AID Inspector General study, the total could be as high as 738 deliveries by November 1990. For one project in option B, an additional 100 housing units may be available and in option C, an additional 150 units may be available.

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Other basic program data is not currently available. For example, as of November 8, 1990, 1,162 family groups have entered into housing contracts, but we were unable to determine how many houses have been started or their stage of construction. We also were unable to determine how many family groups have had housing turned over to them or have moved in. We were told that approximately 100 families still living in the Albrook facility already have houses but have not yet moved in because (1) no transportation is yet available to and from the new housing areas, (2) the new housing areas are located too far away from El Chorrillo, (3) jobs are not available, (4) electricity is not connected in some new houses, and (5) the Albrook facility offers free food and shelter.

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