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Inadequate housing, exacerbated by rapid haphazard urban growth, can profoundly affect the overall development prospects in developing countries. The housing crisis is an important factor in the overall deterioration in the quality of life in these countries. Findings/Conclusions: To reach the lowest income levels and the most people, international donors have sought to reduce housing costs to a minimum. Most U.S. housing assistance abroad has been provided by the Agency for International Development's (AID's) Housing Investment Guaranty Program under which the U.S. Government guarantees repayment of principal and interest to U.S. investors for housing loans to borrowers in less developed countries. Recommendations: The Secretary of State and the Administrator of AID should distribute available housing guaranties according to demand and eligibility among the more low-income nations; work more closely with host country housing and economic planning officials to make sure that subsidies are minimized and their source fully planned for and that guaranties serve to develop host country institutions capable of matching the kind of low-income housing initiated by the program; improve coordination by establishing more effective lines of communication among the geographic bureaus, Agency missions, and the Office of Housing within the Agency to make sure that all Housing Investment Guaranty projects are planned, programmed, and carried out as part of the country's overall development; and improve the level of economic analysis in countries where Housing Investment Guaranty projects are planned. The Secretaries of State and the Treasury and the Administrator of AID should encourage international agencies to establish and execute integrated development plans that recognize

housing as a necessary component of development and direct funds to countries whose shelter needs are greatest. (SC)

44098

REPORT TO THE CONGRESS

04056



*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

The Challenge Of Meeting Shelter Needs In Less Developed Countries

Inadequate housing, exacerbated by rapid haphazard urban growth, is seriously affecting the social and economic development of less developed countries.

This report describes the shelter crisis now facing the developing countries and emphasizes the difficulties and restraints involved in attempts to meet these shelter needs.

Assistance from international agencies is discussed and recommendations, principally to the U.S. Agency for International Development, are made to help them improve shelter assistance to the less developed countries.



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-171526

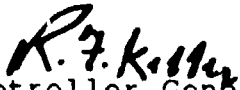
To the President of the Senate and the
Speaker of the House of Representatives

This report describes the worldwide housing shortage and the shelter assistance efforts of the Agency for International Development, the multilateral lending institutions, private and voluntary organizations, and certain bilateral donors.

We made this review to provide an overview of the world housing situation and to identify some of the problem areas in the planning and management of housing development assistance. The report makes recommendations to assist international donors, principally the Agency for International Development, in improving their efforts to provide shelter assistance to the less developed countries.

The 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).

We are sending copies of this report to the Acting Director, Office of Management and Budget; the Secretaries of State and the Treasury; and the Administrator of the Agency for International Development.


ACTING Comptroller General
of the United States

Squalor and Pollution Afflict the Growing Cities

Hills Offers Slum Aid Plan Of 'Sites, Services' at Habitat

human flood into city shantytowns
Breakdown of village and rural ties

U.N. Meeting Urges Curb On Private Land Holding



Peru's Rural Reform Plans Seem to Bypass Indian Villages

*Behind a Facade of Luxury, the Cities of
Latin America House Their Poor in Squalor*
Latin Americans Flee Rural Poverty for Urban Chaos

*Tanzanian Effort to Move
Unemployed to Villages
Reported to Be Failing*

Is \$15-Million Loan Answer To Latin Housing Deficit?

D I G E S T

By 1980 nearly a quarter of the people in developing countries--about 550 million--will live in cities. This number is expected to increase to nearly 1.2 billion by the year 2000. If current trends continue, most of these people will be living in squatter, slum, and shantytown areas where overcrowding is widespread and such facilities as water, sewers, and electricity are virtually nonexistent. (See ch. 1.)

Inadequate housing, exacerbated by rapid haphazard urban growth, can profoundly affect these countries' overall development prospects. Much more than a shortage of housing units, the housing crisis is an important factor in the overall deterioration in the quality of life in developing countries.

To reach the lowest income levels and the most people, international donors, such as the Agency for International Development and the World Bank, have sought to reduce housing costs to a minimum. Shelter (sometimes consisting only of a cement floor and basic infrastructure such as water connections, sewers, and electricity) can be provided at low cost and on a large scale to poor families. Then, through self-help, they can improve and expand their homes. Only if the shelter provided matches the paying capacity of low-income groups can such assistance be duplicated by the less developed countries themselves. (See ch. 2.)

Most U.S. housing assistance abroad has been provided through the Agency for International Development's Housing Investment Guaranty Program, under which the U.S. Government guarantees repayment of principal and interest to private

U.S. investors for housing loans made on commercial terms to borrowers in the less developed countries. This program was re-directed in 1973 to serve low-income groups in the developing countries.

Before 1973, most of the loans authorized under this program were used for building financial institutions and middle-income housing. Housing Investment Guaranty loans totaled \$898.6 million between 1962 and December 31, 1976. (See pp. 22 to 25.)

So far, the revised program shows that:

--Even massive levels of U.S. aid could provide only a small portion of the investment required and would have little effect unless tied to policy changes and institutional development which become part of the longer term programs of the less developed countries.

--Its demonstration effect has been narrow and its effect on the housing shortage limited, because most loans went only to a few countries.

--Mass duplication of Housing Investment Guaranty projects cannot always be assured for reasons noted on pages 33 to 39.)

Shelter assistance to some poor people is difficult under the kind of repayment programs offered by the Agency for International Development and the World Bank. These groups' shelter needs generally can be met only by humanitarian assistance.

The most active of the international organizations involved in shelter assistance are the World Bank and the United Nations. The World Bank is currently lending about \$300 million for shelter projects. The United Nations has provided technical assistance. International donors have provided over \$720 million to the shelter assistance sector. (See ch. 4.)

Private and voluntary organizations have also been active in mobilizing financial and personnel resources to help the less developed countries meet their shelter needs. For the most part, these organizations operate independently of governments and of each other. Closer cooperation among them and with other donors could do more good in areas where humanitarian aid is the only appropriate means of assistance. (See ch. 5.)

With an expected need over the next 25 years for an additional 200 million shelter units, international donor assistance coupled with host government commitment must be directed toward providing low-cost shelter that less developed countries can duplicate and that is a part of a comprehensive development plan. (See ch. 6.)

RECOMMENDATIONS

The Secretary of State and the Administrator of the Agency for International Development should:

- Distribute available housing guaranties according to demand and eligibility among more low-income nations, so that the demonstration effect of individual projects will be greater.
- Work more closely with host country housing and economic planning officials to make sure that (1) subsidies are minimized and their source fully planned for and (2) guaranties serve to develop host country institutions capable of matching the kind of low-income housing initiated by the program.
- Improve coordination by establishing more effective lines of communication among the geographic bureaus, Agency missions, and the Office of Housing within the Agency to make sure that all Housing Investment Guaranty projects are planned, programed, and carried out as part of the country's overall development.

--Improve the level of economic analysis in countries where Housing Investment Guaranty projects are planned, particularly in the areas of long-term balance-of-payments prospects and debt-servicing capability. (See pp. 48 and 49.)

The Secretaries of State and the Treasury and the Administrator of the Agency for International Development should encourage international agencies to:

- Establish and execute integrated development plans that recognize housing as a necessary component of development
- Direct funds to countries whose shelter needs are greatest and whose governments are actively committed to low-income housing and community development. (See p. 74.)

GAO recommends that the Congress explore with the Agency for International Development the feasibility of providing housing aid to lower income groups who do not benefit, for the most part, directly from a commercial term program such as the Housing Investment Guaranty Program. Regular development assistance channels including direct concessional loans and grants to host governments for shelter programs could be considered a viable alternative. (See p. 52.)

The Agency for International Development generally agreed with GAO's recommendations, but disagreed with GAO's position on the program's demonstration effect, institutional development accomplishments, and thoroughness of project analysis and implementation. Discussion of Agency comments is on page 49.

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ABBREVIATIONS

AID	Agency for International Development
FCH	Foundation for Cooperative Housing
GAO	General Accounting Office
HIG	Housing Investment Guaranty
IDB	Inter-American Development Bank
LDC	less developed country
OAS	Organization of American States
OMB	Office of Management and Budget
PVO	private and voluntary organization
U.N.	United Nations
UNDP	United Nations Development Program

CHAPTER 1

WORLD HOUSING SITUATION

The already serious worldwide housing shortage is assuming crisis proportions, as population increases and rural-urban migrations vastly outstrip countries' capabilities to provide even minimal shelter, infrastructure, or social services for their populations. Inadequate or nonexistent sanitary facilities, water supplies, and electricity characterize most of the housing in the developing countries; overcrowding is widespread. Squatter settlements have appeared almost overnight on city outskirts as a result of urban migrations, creating further strains on overloaded city services as well as additional health and social problems. Existing housing stock is deteriorating, community organizations have been weakened, and social disaffection is on the rise.

Housing needs are particularly acute in those less developed countries which can least afford the housing required by their populations. Although some countries have addressed the problem in an imaginative and positive manner, others have either accorded housing a low priority or neglected the issue altogether. In many of the less developed countries (LDCs), only the affluent can afford adequate housing. Lower income families have no alternative to the crowded and unsanitary shelters they now inhabit.

Forecasts of future needs underline the bleakness of the housing picture in developing countries. Current estimates indicate that 200 million shelter units will be required to meet demand over the next 25 years.

NATURE OF THE CRISIS

Much more than a shortage of housing units, the housing crisis is an important factor in the overall deterioration in the quality of life in developing countries. This crisis must be regarded within the larger perspective of community vitality, encompassing the whole range of employment, health, education, and infrastructure needs of a working community. Squalid housing conditions can have a far-reaching impact on all these elements and thus can profoundly affect the health and vitality of a nation's communities. Progress must be made toward meeting LDC shelter needs if improvements in other development areas are not to be diminished.

The basic cause of this worldwide crisis is population growth combined with urban migrations and low-income levels. Overall population increases reportedly absorb one-half to two-thirds of the annual increase in national product and place pressures on educational facilities, employment opportunities, and food supplies, as well as housing. These pressures interfere with the provision of necessary services and, in turn, give rise to instability and urban unrest. This situation has had an extreme impact on the low-income groups, whose ability to pay for housing and related services is seriously limited. Urban growth and the existing pattern of property ownership has also resulted in a critical shortage of developed land, especially in urban areas.

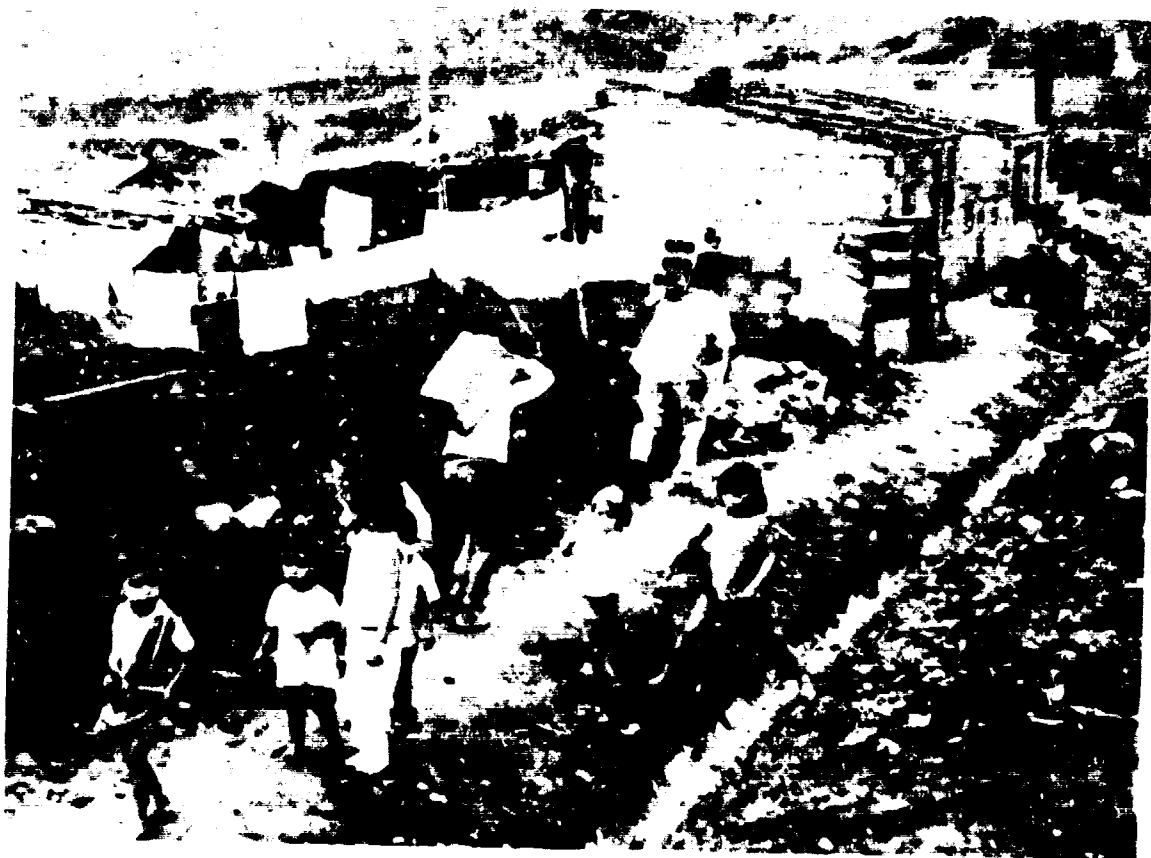
LOW-INCOME HOUSING IN LESS DEVELOPED COUNTRIES

Most developing countries do not have, or have not organized themselves to generate, the financial resources to satisfy their urgent and growing needs for housing, infrastructure, and services. As a result, most of the world's housing has been produced by individuals' self-help efforts. Particularly in urban areas, where migrations from the countryside have resulted in spontaneous and random settlements, this kind of housing is viewed as a blight on the entire community, although it represents an incremental solution to the need for shelter.

With some guarantee of land tenure and with adequate technical and financial assistance, inhabitants of these settlements could be encouraged to improve their living conditions through the same kind of self-help efforts that are now producing these disorganized settlements. If LDC governments undertook a commitment to upgrade existing squatter housing in a planned and responsible manner, these self-help efforts could be channeled to serve as an important resource contributing to the nation's development. This type of commitment could be significant, since in some cities up to 90 percent of the populations live in slum neighborhoods, shantytowns, and squatter settlements.



A SQUATTER SHACK IN SAN SALVADOR, EL SALVADOR. (GAG PHOTO)



SLUM AREA IN COLOMBIA.

(FCH PHOTO)

Many LDC governments, however, have rejected squatter upgrading and provision of minimal housing on the ground that these approaches, in fact, institutionalize slum conditions. In some cases, their policy is to demolish squatter settlements and move the inhabitants to outlying areas. In the Philippines, for example, where an estimated one-third of Manila's population lives in squatter or slum areas, the government has forcibly moved families up to 20 miles from the city. Such moves to isolated rural areas cause formidable problems of access to city services and employment opportunities, as well as the destruction of any community social fabric within these settlements.

In many instances, LDC governments have portrayed housing needs as a "bottomless pit," capable of consuming the scarce financial, technical, and managerial resources of the countries. Rather than divert these resources from food production, education, and health services, these countries have chosen not to devote substantial government outlays to the housing area. At the same time, many countries set unrealistically high (and costly) standards for new housing construction and, thus, actually inhibit the supply of low-cost housing. In addition, high utility and land development standards limit land serviced by water, electricity, sewers, and roads to upper-income groups.

A few governments have actively committed themselves to low-income housing--Hong Kong and Singapore, for example--and are considering such factors as the disposable income levels of low-income residents, the need to set realistic construction standards permitting low-cost building, and the importance of situating housing near employment centers.

Shelter development obstacles

Land speculation, tenure, and zoning patterns are serious barriers to the rational development of urban areas. Measures to overcome these barriers are difficult to implement due to the importance of traditional land ownership patterns and power structures and the existence of unenforceable laws and regulations. Coupled with these barriers are the high rents charged, especially for squatter housing. In some developing countries, the poor may pay rents that reflect returns on capital of from 30 to 100 percent yearly.

Another factor inhibiting the provision of low-income housing is the insufficient production of local building materials in most developing countries. Imported materials

sometimes represent almost 50 percent of the value of the building materials used and up to 10 percent of the total value of imported goods in a country.

Housing finance institutions are also generally underdeveloped and do not serve to mobilize the private savings needed to finance shelter. One result can be a limited supply of housing available for middle-income groups and can mean that housing intended for the poor is taken over by higher income families.

The crux of the problem, however, is that poor people cannot afford most of the housing being built by formal construction or financial instrumentalities in the developing countries, often because the standards for housing, zoning, and public services have been set at unrealistically high and costly levels. Therefore, the poor continue to expand the uncontrolled squatter settlements and slums. The percent of households presently unable to afford the cheapest housing available in selected cities is shown below.

<u>Location</u>	<u>Percent of households</u>
Hong Kong	35
Bogota, Colombia	47
Mexico City	55
Madras, India	63
Ahmedabad, India	64
Nairobi, Kenya	68

Source: World Bank

According to the World Bank, investment capital is scarce in the majority of developing countries. Financial institutions are often not well enough developed to provide the low-cost, long-term financing that would enable some regularly employed low-income workers to afford minimally adequate housing. At the same time, the low priority accorded housing, the backwardness of the building industry, and the very poor living standards prevailing in existing housing settlements have deterred the kind of rapid but balanced social and economic development that would generate the required higher income levels. The problem can be solved only through serious planning and mobilization of technical and financial resources.



SQUATTER HOUSING NEAR LIMA, PERU.

(AID PHOTO)



SQUATTER AREA IN JAMAICA.

(FCH PHOTO)

PROJECTIONS OF FUTURE HOUSING NEEDS

Projections of future housing requirements further underline the need to devote greater resources to the housing sector. For example:

- By 1980 nearly 25 percent of the population in developing countries--some 550 million--will live in cities. This number is expected to increase to nearly 1.2 billion by the year 2000, when about a third of the population is likely to be urban.
- The world population in the year 2000 is expected to reach 7.2 billion, compared with a 1960 level of about 3 billion and a 1975 level of approximately 4 billion.
- In 1975 there were 90 cities in the developing countries with populations of over 1 million; by 2000 there will be close to 300 such cities.
- The cities of Bombay and Calcutta may grow to the size of 20 and 30 million people, respectively, by the year 2000.
- El Salvador, already the most densely populated country in Central America, will have an estimated 5 million people by 1980 with a housing deficit approaching 288,000 units. Of this deficit, 62 percent is expected to occur among families earning \$100 a month or less.

Housing is increasingly being considered a major element of economic and social development, requiring additional resources. The United Nations (U.N.) sponsored Conference on Human Settlements (HABITAT) in June 1976 in Vancouver, Canada, brought together 134 participating governments and various international institutions and citizen groups to discuss world housing needs, approaches, and experiences.

Efforts to meet housing needs have been undertaken by numerous governments/institutions through bilateral and multilateral programs; the United States Agency for International Development (AID); the Governments of Great Britain, France, West Germany, among others; various U.N. agencies and affiliates; the World Bank; the Inter-American Development Bank (IDB); and various private institutions and voluntary organizations. Since 1962 the United States has

provided over \$1 billion in assistance for shelter, \$898 million of which was in the form of housing guaranties. The other donors listed above have provided shelter assistance in excess of \$720 million. The degree of these groups' involvement varies considerably, and their past successes in providing housing assistance to the poor of developing countries have been sporadic and limited. Their future efforts may be more successful.

AID redirected its housing programs in 1973 to emphasize assistance to the poor of developing countries; the World Bank is emphasizing sites and services and squatter and slum upgrading; and IDB is involved in providing housing infrastructure, such as water, sewer, roads, and services.

SCOPE OF REVIEW

This review was made to provide a perspective on the world housing shortage and factors affecting the situation and to identify the chief U.S., multilateral, and private and voluntary organizations (PVOs) involved in alleviating the housing shortages in the developing countries. We examined published documents of U.S. agencies, multilateral organizations, and PVOs and talked with U.S. and U.N. officials, representatives of international financial institutions, and foreign private and government officials.

We made our review in 1976 and 1977 in Washington, D.C., at the Departments of State, the Treasury, Housing and Urban Development; AID; the Inter-American Foundation; international financial institutions; and various PVOs. We also visited the U.N. in New York and the U.S. Missions in Colombia, El Salvador, and Peru.

The information in chapter 4 on multilateral and other bilateral donors' assistance to the housing sector is meant to be descriptive and should not be construed as an endorsement of multilateral efforts over U.S. bilateral efforts. Our lack of audit authority over international organizations prevents us from evaluating their programs in the same depth as U.S. bilateral programs.

CHAPTER 2

APPROACHES TO ALLEVIATING THE LOW-INCOME HOUSING SHORTAGE

Meeting the physical requirements of housing the world's expanding populations is only part of the challenge. Equally important is the development of creative new approaches to rational community development--approaches which will (1) integrate housing, infrastructure, employment, and social services at an affordable cost and in a manner contributing to a country's overall economic development and (2) develop some capacity within the country to make these programs self-sustaining.

INTEGRATING ECONOMIC DEVELOPMENT AND HOUSING ASSISTANCE

In March 1976 the World Bank estimated the current urban slum and unserved squatter settlement population to be 190 million with an estimated annual growth rate of 1.1 million. To bring this population up to an acceptable living standard would cost \$50 billion and to maintain pace with the yearly increase would cost \$2.5 billion annually. The task of meeting these needs must be approached, not on an isolated basis, but in conjunction with and as part of comprehensive national development plans. Such an approach will increase the total impact of development efforts. Its overall effect will be in part to (1) increase community involvement, (2) provide income-producing stimuli, and (3) improve planning for handling the population influx to urban centers so that further haphazard urban development is avoided.

One cannot, however, realistically expect international donors to provide such massive funding. If acceptable living standards are to be achieved, the major burden will thus fall upon the developing countries themselves. The limited international funds available should be judiciously applied and can only complement and support national efforts.

International donors have recently tried to integrate housing assistance with urban development programs. IDB has implemented an integrated urban development project in Bogota, Colombia, where housing, not necessarily low-income housing, is considered an essential component of the project. The World Bank and AID also consider infrastructure elements when planning their projects. Continued and sustained emphasis on housing as an important segment of urban

development by external assistance agencies will be required so that LDCs will view housing as a necessary component of their development efforts.

Housing and shelter projects must not be treated simply as residual programs in national development planning but, rather, as critical components in integrated development plans. All too often planners delay improvement of the housing sector until economic development has achieved a certain level, rationalizing that the limited resources are better used in the agricultural and industrial sectors. However, postponing investment in shelter until a country reaches a predetermined level of development will exacerbate the housing deficit and make it all the more difficult to improve housing conditions.

The U.N. recognized the importance of integrating housing and urban development back in 1963, when it reported that

"* * * housing programmes are breeding grounds of enterprise, technology, management and craftsmanship and they frequently serve as a transitional bridge for unskilled rural migrants as they become integrated into urban environments."

We believe that efforts to assist the poor will show meaningful results if housing assistance is included as an integral part of a development assistance package. For an integrated development effort to be successful, a greater degree of donor coordination and a stronger commitment from developing countries to allocate resources to help alleviate the plight of the poor will be required.

Role of housing in overall economic development

Housing can be viewed as a tool for macroeconomic development and should be recognized as complementing other sectors of the economy. The housing and building materials industry is a basic industrial sector generating employment opportunities, expansion of related industries, and development of technical skills.

Investment in housing can contribute to a nation's overall productivity by drawing on labor otherwise idle or underemployed. The World Bank estimated that in Colombia seven additional jobs are created for every \$10,000 spent on

housing construction, a rate higher than that for the manufacturing industry. Housing construction also indirectly affects income and employment levels in other sectors of the economy through multiplier linkages with related industries and consumer goods.

A U.N. housing survey indicates that building materials constitute 50 to 60 percent of total construction output, and for this reason, we believe it is essential that developing countries put increased emphasis on producing their own housing materials from indigenous resources, rather than consume valuable foreign exchange reserves for imported materials. Domestically produced housing materials are likely to be less costly than imported materials and, again, should provide employment opportunities.

Upgrading existing housing conditions also affects the individual's ability to participate in the nation's economy in the sense that his health, job productivity, and educational abilities are likely to be improved. In many cases, housing also serves as a source of income, since many families run businesses and cottage industries from their homes or rent out rooms. These income earning possibilities appear to be particularly important for low-income families. Non-quantifiable but generally recognized social benefits also result from upgraded housing. Improved health and reduced social tension and crime levels tend to result in the higher productivity of better housed workers.

In addition, well-planned housing economizes on the use of urban space and can reduce the cost of providing urban infrastructure. Better location of dwellings in relation to employment can increase disposable income by cutting commuting expenses and reducing overall transportation requirements.



WORKERS MAKING BUILDING BLOCKS.

(AID PHOTO)



TANK TRUCK DELIVERING WATER TO SLUM AREA NEAR LIMA, PERU. CARTING WATER OFTEN COSTS 10 TO 20 TIMES THAT OF PIPED WATER.

(FCH PHOTO)

SHELTER ASSISTANCE APPROACHES

Traditional, western-style housing concepts have not proved appropriate to meet the needs of LDC low-income groups due to costs and building materials requirements.

To help meet the needs of the low-income families, housing policies and programs must be tailored to the country's income level and the paying capacity of its households. The World Bank reported that there are wide gaps in most developing countries between the cost of housing being constructed and what low-income families can afford. The Bank stated that a 20-percent reduction in cost would increase the number of households able to afford housing by 18 percent in Madras, India, and only 5 percent in Nairobi, Kenya. To reach the bottom 20 percent of the households, the absolute poor who are in dire need of housing, costs would have to be reduced by about 70 percent in Nairobi and 45 percent in Madras. The following table shows monthly income required to purchase the least expensive adequate housing units in selected cities.

Estimates of Monthly Household Income
Required to Purchase the Existing Cheapest
Complete Housing Unit (1) and Percentage of
Households Unable to Afford it in Selected Cities

City	Cost of unit (US\$ 1970 prices)	Interest rate = 10%			Interest rate = 15%		
		Monthly payment (US\$ (2))	Income required (US\$ (3))	Percent of households unable to afford	Monthly payment (US\$ (2))	Income required (US\$ (2))	Percent of households unable to afford
Mexico City	3,005	27.6	184	55	38.8	259	66
Hong Kong	1,670	15.4	103	35	21.5	143	57
Nairobi	2,076	19.1	127	68	26.3	177	77
Bogota	1,474	13.6	91	47	19.0	127	61
Ahmedabad	616	5.6	38	64	8.7	58	79
Madras	570	5.3	36	63	7.3	49	79

(1) With individual toilet and services.

(2) Assuming a repayment period of 25 years.

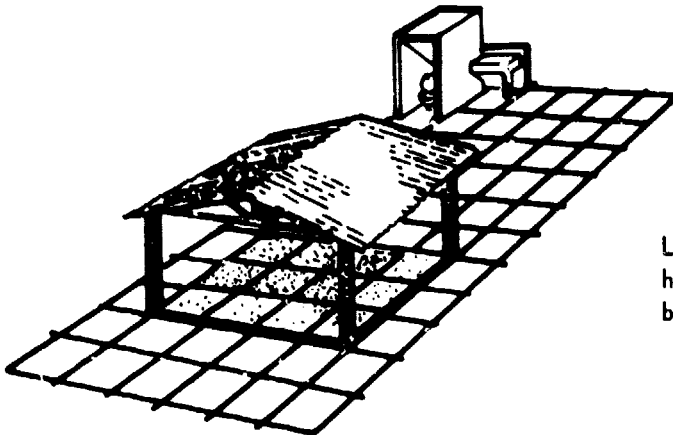
(3) Assuming no downpayment and 15% of household income devoted to housing.

Source: World Bank

Minimum shelter and sites and services

Development planners have looked to the more recent "minimum shelter" and "sites and services" approaches as possible affordable low-cost alternatives to traditional housing. In the minimum shelter approach small "core" houses (which may consist of only a floor and a roof) can be provided at low cost and on a large scale to poor families. Through self-help efforts, the families can then improve and expand these over a period of years as their incomes increase or as credit for home improvement loans becomes available.

URBAN MINIMUM SHELTER UNIT

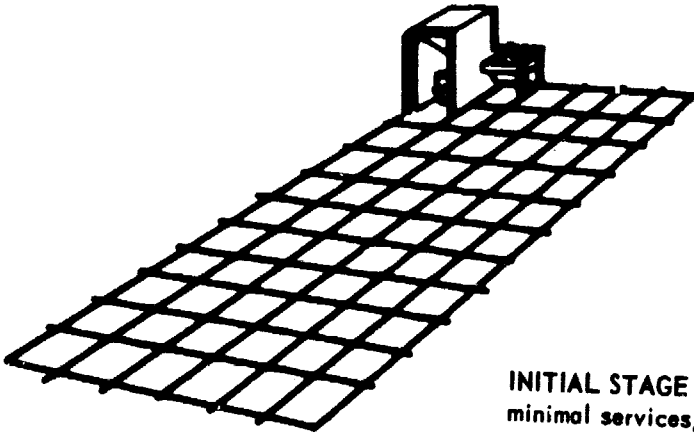


Lot with minimal services and core housing is provided, and then improved by homeowner through self-help efforts.

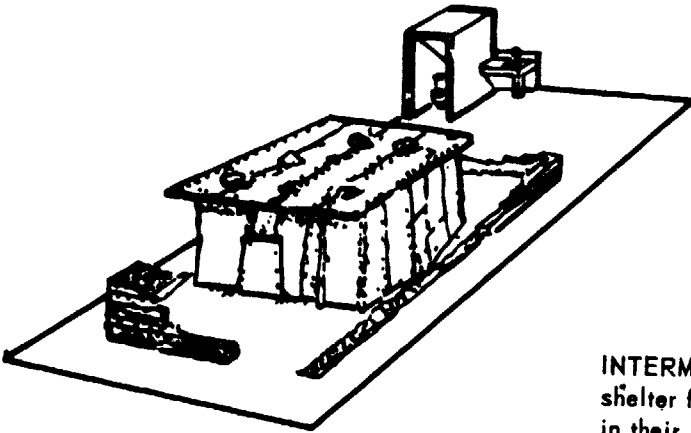
Source: FCH

In the sites and services approach, sites of land can be leveled and very basic infrastructure such as water, sewerage lines, and roads provided. Both these approaches can reach greater numbers of people at less cost than traditional housing, and both incorporate the kind of self-help concept that eliminates or reduces the need for continued subsidy. As long as employment opportunities, community facilities, and land tenure guaranties are also made available, these settlements can develop into stable, productive communities.

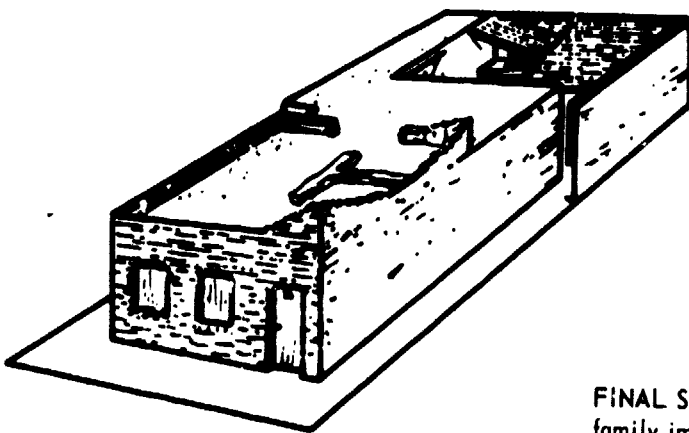
SITES AND SERVICES UNIT



INITIAL STAGE – Provision of lot with minimal services, i.e. sanitation facilities.

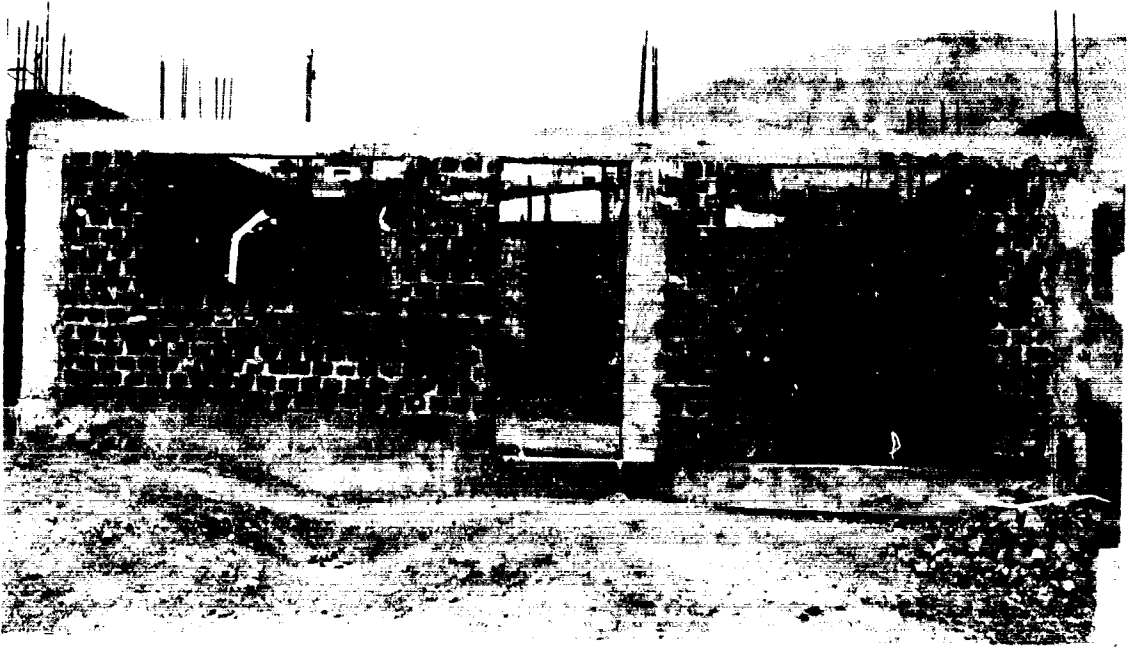


INTERMEDIATE STAGE – Family may build shelter from any materials available and within their income limitations.



FINAL STAGE – As family income increases, family improves housing.

Source: FCH



**CONSTRUCTION OF PERMANENT SHELTER AROUND
"CORE HOUSING."**



FAMILY IMPROVING PLOT NEAR LIMA, PERU.

(AID PHOTOS)

Upgrading existing squatter settlements

In some areas it may be more feasible and desirable to upgrade existing settlements rather than to develop new minimum shelter projects. This is especially true of squatter settlements which are well established, have some infrastructure, are located near employment centers, and where much of the housing has already become semipermanent. Rather than eliminating these settlements, as has occurred under the Philippine Government and reportedly is taking place in India where thousands are being uprooted, LDCs should consider legalizing land tenure; improving streets and sanitary and health conditions; providing education, job training, and employment opportunities; and making credit and technical help available to encourage self-help home improvement.

It is reported that these approaches have been adopted in a number of LDCs. In Zambia, for example, the government provides sites and services projects to its poor and upgrades existing squatter housing with utilities and services for the very poorest. Such projects are viewed as part of an integrated housing policy rather than as unique, isolated projects.

The Government of Peru has adopted a policy of providing adequate housing for its people, which may include potable water, sewerage, and/or electricity. Its stated policy is "the accomplishment of a significant improvement in the housing conditions of the population." The objective is to integrate the poor within the urban structure, supply them with essential services, and promote projects that will be developed by self-help construction and community participation. This will be achieved by enacting laws involving tax exemptions for low-income housing, use of potential agricultural land for urban purposes, preferential financing for vertical construction in larger cities, and limits on direct construction costs to make houses more affordable by families with moderate incomes.

Land around Peruvian cities is often marginal in nature and in the public domain. Occupation of such land normally starts as an organized squatter invasion, often by groups that migrate from the same rural area. Government policy is to look benevolently upon such takeovers of the otherwise unusable land and to assist the squatters in developing the area.

The Government of El Salvador enacted a law in June 1975 designed to change the structure of land tenure through acquisition and redistribution, but in June 1976 the first project authorized was opposed by landowner, business, and industry interests. Consequently, the government approved amendments to the law in October 1976 which, according to an AID official, may have effectively gutted the program. At the time of our in-country fieldwork, the future of the land transformation program was uncertain.

El Salvador has no national housing plan, and the institutions responsible for urban and regional planning and implementation operate in relative isolation without coordination of their respective activities. Spatial planning is not synchronized with national economic and social planning, both of which fail to influence or guide important segments of actual development, particularly in the squatter shelter sector where building largely occurs without official authorization.

An initial effort to address the planning problem in El Salvador was made in 1969 when the government prepared a comprehensive development plan for metropolitan San Salvador. The plan presented policies and guidelines on various aspects of the capital's growth, including a spatial plan and a recommended institutional framework for urban development planning. It also contained an analysis of specific problems and deficiencies in the planning and implementation process and recommendations for remedial action, most of which have not yet been implemented.

Because of the low rate of return in El Salvador, government officials and housing contractors are not enthusiastic about building sites and services projects. Consequently, efforts are directed toward the middle- and high-income groups. About 95 percent of the houses financed by the National Housing Bank were for families earning more than \$240 a month--upper-middle- and high-income families. One government official said he does not favor the sites and services/self-help approaches to low-income housing because such projects are not aesthetically pleasing. A bank official in El Salvador said he believes his bank would not be interested in investing in low-income housing, particularly sites and services/self-help projects, because it would not be economically feasible.

OUR OBSERVATIONS

Even under the most favorable conditions, it may be a very long time before developing countries can allocate sufficient resources for better housing and improved community

facilities. But practical solutions to the critical problem of housing in these countries do exist.

The realistic, yet difficult, approach to providing immediate housing to large numbers of needy people (while observing ethnic and cultural mores) is to lower standards and develop the construction industry; use low-cost, indigenous materials where possible; provide communal rather than individual water and sanitation facilities; increase construction density, where appropriate, thus decreasing the amount of land required for housing; and develop innovative ways to make long-term financing available.

Assistance in the housing sector should not be approached on an isolated basis, but as an integral part of development assistance programs; providing the physical requirements of housing is but one part of improving the quality of life of the poor. More importantly, these people must be absorbed within society--this requires comprehensive national development efforts.

When housing assistance is approached as a residual component, experience has shown that middle and higher income groups are most likely to benefit. Even with donor assistance now targeted toward the more needy, it is extremely difficult to reach families below the 20th percentile income strata because of their inability to qualify for repayment type assistance programs.

Incorporating housing as a necessary and vital component of an overall development assistance program will provide the poor greater opportunity to improve their living standards. The development of viable communities requires integrating shelter with other urban development components, such as transportation, industry, education, and health facilities. Through the increased employment opportunities afforded by this overall approach to community development, low-income families will be in a position, as their earning power grows, to afford better shelter.

Overall resource limitations are a restricting factor for any development program. For this reason U.S. and international assistance should be directed to those most needy countries qualifying for assistance. Their governments should (1) demonstrate a commitment to the poor, (2) consider housing a necessary component in their development program, (3) have displayed a willingness to upgrade

slum and squatter housing, and (4) move toward establishing more realistic construction goals and standards for the benefit of the poor. We are not saying the emphasis of development programs should be redirected from the sectors of food and nutrition, population planning and health, and education and human development; we are saying that shelter assistance can have a beneficial effect on a country's social and economic development and should therefore be raised in importance and consideration in development planning.

CHAPTER 3

U.S. BILATERAL HOUSING ASSISTANCE

U.S. overseas housing assistance can be traced to the World War II reconstruction period when the United States helped to rebuild Europe's war-ravaged countries and economies. After completing these relief efforts, emphasis shifted to development aid in the third world and focused on institution building and the construction of middle-income housing. More recently, in response to the Foreign Assistance Act of 1973 and AID policy changes, AID re-directed its development programs to

- benefit and involve as active participants the poor majority within the developing countries and
- concentrate on food and nutrition, population and health, and education and human resources development.

Assisting LDCs to provide shelter for their poor is a new and largely evolutionary area of assistance. Minimal housing, sites and services, and slum upgrading approaches have been part of development assistance programs only for the past 4 to 5 years, and AID, as with all assistance agencies, has no long experience to draw upon in designing and implementing these programs. The major instrument of U.S. housing assistance has been AID's Housing Investment Guaranty (HIG) Program, under which the U.S. Government guarantees repayment of principal and interest to private U.S. investors for housing loans made on commercial terms to borrowers in LDCs.

To accommodate this policy reorientation toward low-income housing, AID has made significant adjustments in the HIG Program in the last 3 to 4 years. While it is premature to determine whether these changes are sufficient to meet the objectives of this program, it is evident, however, that:

1. Even massive amounts of U.S. aid can provide only a small portion of the investment required and would have minimal effect unless tied to long-term policy changes and institutional development in LDCs.

2. HIG programs have recently been concentrated in a small number of countries to meet foreign policy objectives. The result has been a narrow demonstration effect and a limited impact on the housing shortage.
3. The large scale replicability of HIG-funded projects has not and perhaps cannot always be sufficiently assured, due to factors external to AID and to the sheer complexity of housing low-income people.

Although the Peace Corps, the Inter-American Foundation, and the Department of Housing and Urban Development also have some peripheral involvement, AID has primary responsibility for U.S. overseas housing assistance programs.

REDIRECTION OF THE HIG PROGRAM

U.S. housing assistance efforts have undergone major changes in scope and objective since 1973 when AID established new policies for the program. These policies, in consonance with congressional legislation, focused U.S. assistance on low-income housing. Before this reorientation, most U.S. housing assistance had been directed at providing middle-income housing and building financial institutions, largely in Latin America.

AID's Policy Determination of October 22, 1974, recognizes the need to deal with the shelter conditions of the poor and states that AID shelter programs will "give the highest priority to undertakings submitted by host governments which clearly lead to the improvement in the lives of the poorest of their people."

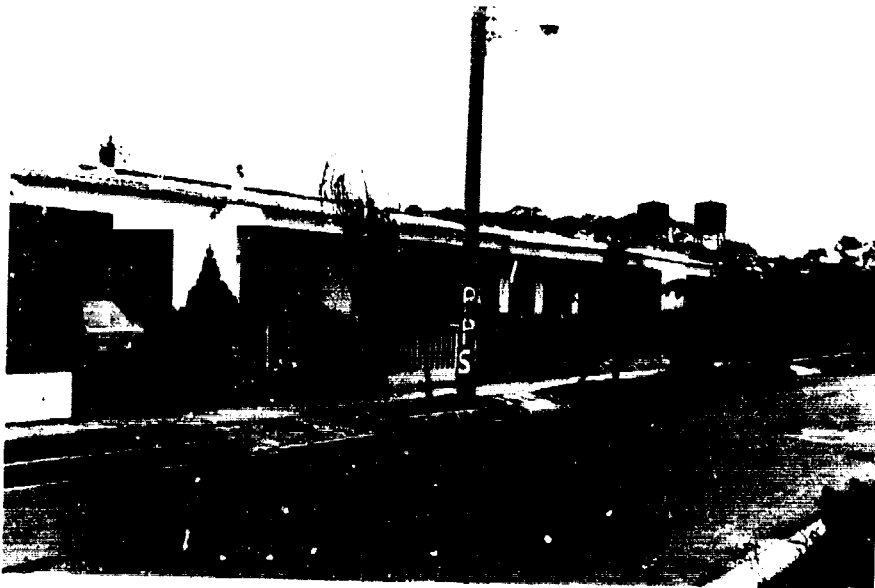
Prime objectives of AID's housing programs are to

- help develop LDC capabilities for analyzing housing requirements and formulating rational housing policies,
- build or strengthen housing finance institutions capable of replication on a large scale,
- help LDCs examine alternative interest rate policies to minimize subsidization, and
- encourage maximum use of underused resources while minimizing the drain on scarce resources.



MIDDLE-INCOME HOMES PROVIDED UNDER 1966 HIG
LOAN IN BOGOTA, COLOMBIA.

(GAO PHOTO)



MIDDLE-INCOME HOMES PROVIDED UNDER 1971 HIG
LOAN IN SAN SALVADOR, EL SALVADOR.

(GAO PHOTO)

To accomplish these objectives, AID is assisting LDCs in (1) establishing affordable housing standards, (2) supporting sites and services and squatter upgrading approaches using self-help methods, (3) providing technical assistance for developing viable savings institutions, and (4) adapting new housing materials and construction technology to reduce costs.

Because of the great need for shelter and the scarcity of available resources, AID has emphasized the importance of its assistance having a strong multiplier effect if relatively small resource allocations are to be substantial.

Housing guaranty authorizations in fiscal years 1975 and 1976 have averaged almost \$100 million annually, and as of December 31, 1976, totaled about \$898.6 million since the program began in 1961. Although these loans are not drawn from appropriated U.S. funds, they do represent a contingent liability of the U.S. Government as well as a highly visible and, in some countries, relatively sizable form of U.S. development assistance.

Direct concessional U.S. loans for housing have been made in recent years on an ad hoc basis for emergency purposes such as disaster reconstruction, and minimal amounts of development grant funds have been applied. AID's Office of Housing contracting activities in the housing field since 1973 have amounted to about \$4.4 million, drawn from fee income and applied to new program development (e.g., shelter sector studies) and monitoring of disbursing programs.

Legislative framework of the HIG Program

The HIG Program has changed considerably in scope and objective since its initial authorization under the Foreign Assistance Act of 1961. It was originally intended to provide an opportunity for American construction firms to build pilot demonstration housing projects in Latin America. Theoretically, large individual projects were to demonstrate advanced methods of housing construction and finance and thus produce multiplier effects on the host country housing industry.

In 1965 the program was reoriented primarily toward institution building, including labor unions and cooperatives, so that housing could be provided on a continuing

basis after the pilot demonstration projects were completed. In 1969 the Congress expanded the program to include countries in Africa and Asia, in addition to those of Latin America. Until 1974 most of the housing built under this program was affordable only to middle- and high-income groups. Unit mortgages averaged \$6,500 and incomes averaged \$250 a month.

Although low-income housing has been one of the objectives of the program since 1965, it did not become a major thrust of the program until 1973, when AID and the Congress placed new emphasis on the objective of helping the "poorer majority."

Restated in the Foreign Assistance Act of 1974, the basic intent of the HIG Program remains to (1) facilitate and increase the participation of private enterprise in development and (2) promote the development of LDC savings and loan institutions for financing the construction of self-liquidating housing projects and related community facilities.

The last significant change in the authorizing legislation was made in the International Development and Food Assistance Act of 1975, which placed the following restrictions on the program.

- Except for regional projects, guaranties are to be issued only for housing projects in countries now receiving U.S. development assistance or which have received it in the past 2 fiscal years.
- Housing projects are to be coordinated with, and complementary to, such assistance.
- Housing projects are to be specifically designed to demonstrate the feasibility and suitability of particular kinds of housing or of financial or other institutional arrangements.
- At least 90 percent of the aggregate face value of HIGs must be issued for housing suitable for families with income below the median income of the recipient country.
- The total face value of guaranties issued for housing in any single country per fiscal year is not to exceed \$25 million.

--The average face value of all guaranties issued in any fiscal year is not to exceed \$15 million.

--The total face amount of housing guaranties issued worldwide is limited to \$1.03 billion, of which \$600 million is to be used for housing projects in Latin America.

Specific exemptions were made in this law and in the International Development and Food Assistance Act of 1977 to enable Israel, Portugal, and Lebanon to be eligible for HIG projects--Israel up to \$75 million, Portugal up to \$30 million, and Lebanon up to \$30 million, for the period December 1975 to September 30, 1978.

HIG PROGRAM IMPACT ON WORLDWIDE HOUSING SHORTAGE

As the major U.S. effort for helping to alleviate the worldwide housing deficit, the HIG Program has contributed as of March 1977 an estimated 105,028 shelter units built over the 16-year life of the program. In addition, it has contributed to the development of shelter policies and institutions in the LDCs. The potential benefit of the revised program, however, is adversely affected by AID's concentration of recent HIG projects in a relatively small number of countries. This concentration occurred as a result of large country program requests acceded to by AID, congressional earmarking of guaranties for certain countries, and the Office of Management and Budget's (OMB's) ceiling on annual authorizations.

Since the revision of the HIG Program, the majority of projects authorized have been for minimal housing, sites and services, or squatter upgrading. Income groups to be directly served by these HIGs generally range from the 20th to the 50th percentiles. Income groups below this range are expected to benefit to some extent by the improved quality of life in slum upgrading areas and by increased rental possibilities, although AID does not specify exactly how much of such housing will be made available.

Recent AID projects have also been designed to serve as integral parts of existing communities or community development plans. Consideration is given in the planning documents to the proximity to employment centers; transportation facilities; water, sewerage, and electrical connections; and commercial, educational, and community facilities. Infrastructure connections are normally provided

in the HIG projects, but the host country generally is to provide primary infrastructure and some community facilities.

Although recent HIG projects differ significantly from the middle-income housing projects built under the program before 1974, many are only in the early stages of implementation. The impact of the revised HIG Program cannot be fully assessed until low-income groups actually move into these projects and remain there to improve their housing through self-help. One potential problem is that middle-income groups (who might also be inadequately housed and faced with an unresponsive housing market) may seek to move into the low-income housing projects. Recognizing this, AID has sought to encourage the establishment of national housing policies and programs to create a balanced housing market serving all income groups in LDCs. AID believes this would prevent middle-income groups from occupying low-income housing.

HIG projects alone cannot directly make any big dent in the housing deficits of the recipient countries. In Chile, for example, where AID has directed large sums of HIG money, AID noted that, as of July 1975, each \$50 million HIG loan could make a 12,000 unit difference in the urban deficit of 350,000 units. This represents a very minor impact on the deficit. In fact, the program was never actually intended to make up these deficits. Rather, its purpose was to serve an innovative or institutional support function which would have a lasting effect on the LDC's ability to meet its own shelter needs.

The demonstration objective of the program, however, has been limited by AID's concentration of HIG projects in the past 2 years in a small number of countries. Of the \$220 million authorized in fiscal years 1975 and 1976 and the interim quarter, 82 percent (\$180 million) went to four countries--Korea, Chile, Portugal, and Israel. Of the remaining 18 percent (\$40 million), African countries have received \$31 million and Latin America \$9 million, as shown on the following page.

<u>Country</u>	<u>Amount</u> <u>fiscal years</u> <u>1975</u> <u>and 1976 (note a)</u>	<u>Cumulative</u> <u>percent</u> <u>of total HIG</u> <u>authorizations</u>	<u>Per capita</u> <u>gross</u> <u>national</u> <u>product</u> <u>(\$U.S.) (1973)</u>
	(in millions)		
Korea	\$ 60.0	27	\$ 400
Chile	55.0	52	720
Portugal	40.0	70	1,410
Israel	25.0	82	3,010
Cameroon	10.0	86	250
Zambia	10.0	91	450
Ivory Coast	8.4	95	380
Peru	5.0	97	620
Paraguay	4.0	99	410
Botswana	<u>2.6</u>	100	230
Total	<u>\$220.0</u>		

a/Includes transition quarter (July 1 to Sept. 30, 1976).

Selection of countries for the HIG Program

Although AID has designed projects to serve income groups earning below median income levels in the countries selected, only two of the countries selected since the beginning of fiscal year 1975 for HIG projects qualified by AID's operating definition as among the poorest countries (per capita gross national product of less than \$275). These countries, Botswana and Cameroon, have received only \$12.6 million (6 percent) of the \$220 million authorized.

AID does not believe that very low per capita income countries are suitable recipients for HIG project loans, which are made on commercial rather than concessional terms. As AID states in its October 1974 Policy Determination:

"Housing guaranty investments are a useful means of transferring private U.S. resources to developing countries which are able to serve an increasing volume of foreign loans at prevailing market interest rates, but are experiencing difficulty gaining access as newcomers to the long-term private capital markets. The housing guaranty loan is especially well suited to the needs of countries in which concessional loans are being phased out.

"High income developing countries which are rapidly accumulating reserves and already have ready access to the long-term private capital markets are generally not eligible for housing guaranty loans, except when the Regional Bureau determines that special considerations otherwise justify a guaranty. Very low per capita income countries (including the least developed countries) which will continue to require concessional aid for an indeterminate period are generally not suited for housing guaranty loans, unless compelling circumstances justify."

The stated procedure by which countries are initially selected to receive HIG projects can be summarized as follows. The host country expresses to the AID mission or embassy an interest in housing programs; if its request conforms to U.S. development and housing assistance policies and HIG criteria, the Office of Housing's regional officer, with the concurrence of the AID mission or embassy, works with the host country to help determine the country's housing needs and to refine the prospective project.

AID's major criteria for assessing prospective projects are (1) host country commitment to providing low-income housing on a planned and integrated basis for its population, (2) the contribution the HIG project will make to the development of housing and housing finance institutions capable of continuing to provide low-income housing, and (3) the ability of LDCs to repay the loans (i.e., balance-of-payments prospects and debt-servicing capability). Once AID is satisfied that these criteria have been met, it approves the loan guaranty and submits it to the Interagency Development Loan Committee 1/ for concurrence.

Political considerations also enter into the selection process. As AID's former Deputy Administrator testified before the Congress,

"The basic decision to extend or withhold assistance is a political decision, and this kind of guidance is provided to AID by the Secretary of State."

The most frequent critics of the economic justification of certain prospective HIG programs have been the Treasury

1/Voting members of the committee are the Departments of State, the Treasury, Commerce, and the Export-Import Bank; OMB and the Federal Reserve often participate but do not vote.

Department and OMB, both of which questioned the ability of certain HIG projects to serve low-income groups, the amount of the interest subsidy involved, and the size of the debt burden to be incurred by LDCs. As the Treasury Department stated on one HIG proposal,

"We do not wish to go on record in support of programs which are economically questionable when the real rationale is essentially political."

The Department of State and AID have not agreed with these judgments.

In addition to congressional guidelines, selection of countries is affected by (1) the importance the AID mission director attaches to housing as a form of U.S. assistance, (2) the LDC's need for balance-of-payments support, and (3) the \$100 million annual ceiling OMB places on HIG authorizations.

The attention paid by AID missions to local housing problems and programs varies widely and depends upon the particular interests of both the host country and the mission director. An AID official noted, for instance, that on one occasion a mission director discouraged host country interest in a HIG project even before the viability of a low-income housing project could be determined. In other instances, we were informed, mission directors have shown little interest in housing programs and have chosen to consider housing as a minor element of U.S. assistance efforts. AID mission officials in El Salvador, for example, told us that the mission has not emphasized housing in recent years but has concentrated on areas emphasized by the Government of El Salvador--agriculture, education, health and population, and economic policy. The AID Mission Director expressed the view that, although housing should be part of a development assistance program if it could create long-term employment opportunities to increase income or induce savings, construction of factories would have a greater impact on a country's long-term development. He noted that his comments were relative to El Salvador and that his attitude could change depending on the country he was discussing.

HIG projects also constitute a good source of foreign exchange and can serve a short-term balance-of-payments support purpose. The foreign exchange requirements of housing provided through recent HIG programs are generally quite low, since most of the materials used are produced indigenously. HIG projects thus provide dollars which are

not consumed by imports and can therefore be flexibly used. Such economic support has been an identifiable purpose of the HIG projects on several occasions in Chile, Portugal, and Israel. In Chile, for example, AID's Latin America Bureau stated that

"* * * a basic objective in Chile in particular has been to assist the Government (GOC) to overcome very serious economic problems, including balance of payments and debt service difficulties. In keeping with this policy, AID provided economic assistance to the GOC up to the \$90 million ceiling.* * *"

Since 1971 Israel has been selected to receive \$125 million in housing guaranties. The United States has prohibited the use of these moneys for projects in the occupied Arab territories. On November 11, 1976, the United States supported a U.N. Security Council resolution which "strongly deplored" Israeli settlement in these territories. There are over 50 Israeli settlements in the West Bank, the Golan Heights, and the Gaza Strip and Sinai Peninsula. Additionally, Israel has undertaken construction efforts in the Jordanian sector of Jerusalem.

Although U.S.-guaranteed funds are not to be used directly in support of these settlements, the U.S. moneys in effect free Israeli funds which could conceivably be put to such uses, i.e., substitution financing. While there is no evidence that this has been happening, the situation bears watching.

OMB placed a \$100 million ceiling on annual HIG authorizations for the first time in fiscal year 1976. This ceiling was imposed because OMB felt that

- HIG loans represent a contingent liability on the U.S. Government, drawn from the U.S. capital market, and thus need to be subject to the same budgetary procedures required for appropriated funds; and
- the HIG Program had been growing rapidly while projects had not been thoroughly planned at the authorization stage.

OMB believes that the ceiling serves as a control mechanism over the program which also encourages AID to improve HIG programing.

AID does not agree that it is realistic to have final project plans at the authorization stage but gets these at later stages in the project's development. AID also points out that the HIG Program now follows the same budgeting procedures as appropriated funds and that the programs are consistently monitored. AID agrees on the continuing need to improve HIG programs but believes the approach OMB uses and the judgments on which it is based are inadequate bases for program policy.

AID maintains that the \$100 million annual ceiling has not yet posed problems for AID by forcing decisions between competing projects. However, AID did have to reschedule about \$2 million of a 1976 HIG authorization programed for the Ivory Coast to conform to this ceiling. AID expects greater problems with this ceiling in fiscal year 1977 and last year requested OMB to increase it to \$175 million to cover anticipated guaranty loans in fiscal year 1977. OMB, however, rejected this request but agreed to review the ceiling during the current fiscal year.

Considering the political aspects of AID's decision-making process and the fact that 82 percent of the HIG project loans in fiscal years 1975, 1976, and the transition quarter have been concentrated in only four countries, it is possible that the OMB ceiling may cause a squeeze on funds available to poorer countries in urgent need of low-income housing but not high among U.S. political considerations.

We believe, however, the OMB ceiling currently serves a useful purpose in forcing AID to proceed cautiously in the initial stages of this largely experimental low-income housing program so that the HIG projects will successfully demonstrate the feasibility of low-income housing on a large-scale basis by the LDCs.

In commenting on our report, the State Department and AID noted that the selection of countries for HIG authorizations has not meant that the political and economic purposes of HIGs in Chile, Portugal, and Israel have been so overriding that the shelter purposes of the programs were not served. They added that despite their obvious political and economic purposes, important shelter development objectives were included in these programs. They also noted that in the cases of Chile and Peru, large loan guaranties were based on these countries' readiness to undertake sizable programs with significant institutional changes for low-income people. This readiness was due to their greater absorptive capacity

and their progress toward developing the institutional framework required to conduct large shelter programs, which is considered not to be the case yet in most African countries.

We do not intend to imply that political and economic objectives of HIGs are so overwhelming that little is accomplished in providing shelter assistance. The program does provide shelter assistance even though the selection of the countries is influenced by factors other than need. What we want to establish is that criteria other than shelter needs do affect the selection of countries receiving HIGs and may result in a shortage of funds available to poorer countries in urgent need of low-income housing but not high among U.S. political considerations. We also recognize that the size of HIGs in LDCs depends to a degree on absorptive capacity, as well as other factors; however, the fact remains that most HIGs authorized during fiscal years 1975 and 1976 were concentrated in four countries and the economic and political aspects of the selection process contributed to this concentration.

Replicability of HIG projects

A basic objective and major premise of the HIG Program is that HIG projects can be used to help build and strengthen housing institutions serving low-income groups so that such housing can continue to be provided on a large-scale basis. As stated in AID's Policy Determination:

"AID assistance should have a strong multiplier effect. 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."

Replicability of HIG projects is affected by (1) the amount of subsidy involved in the program, (2) institutional development, and (3) project planning and implementation. These three elements are discussed below.

Host country subsidies

An important factor determining the large-scale replicability of HIG projects is the extent of the host country's subsidization policy. Artificially low interest rates resulting from government interest rate subsidies exacerbate the scarcity of housing investment funds for lower income groups because the tendency is for the subsidies to benefit the middle- and upper-income groups. Additionally, devoting

scarce public resources to interest rate and other subsidies is a practice difficult to sustain on a continuing basis.

Many LDC governments are reluctant to reduce housing standards and therefore housing costs to the point where housing is affordable without subsidization to the lowest income groups. Many view sites and services and minimal housing approaches as serving just to create more slums. On at least one occasion, regarding a World Bank project, the host government strongly criticized the very minimal nature of the shelter being provided. AID officials consider this general acceptability problem to be one of getting LDC governments to understand that such minimal housing approaches are, in fact, the only viable means of reducing housing costs so that the urgent shelter needs of low-income groups can be met in the near future.

Although some U.S. officials believe there must be some minimum standard below which U.S. assistance should not be associated, there is also the belief that AID should insist that subsidies be kept to a minimum by keeping costs to a minimum. AID's shelter policy statement points that interest rate subsidization can be a highly sensitive domestic political issue. Some governments view subsidized housing as a legitimate means of income redistribution and may actively pursue this as a conscious policy. An operating premise of the HIG Program, however, is that housing can and should, to the extent practicable, be provided on an unsubsidized basis.

The extent of the interest rate subsidy allowed by AID was one of the major criticisms raised within some AID offices and at the interagency authorization process for the 1975 \$20 million HIG for Portugal. An assessment made within AID of the effects of this subsidy indicated that the program would represent a continuing drain on Portugal's financial resources which could not be sustained. The program would thus end up as a token gesture toward alleviating the Portuguese housing problems.

The general position of AID and the State Department was to recognize that the subsidy element in the Portuguese program represented the most practicable minimization possible to achieve at the time. This fact, they said, combined with the broad purpose of HIG as part of a security supporting assistance aid package, formed the basis for the authorization.



AID-ASSISTED HOUSING IN PORTUGAL.

(AID PHOTOS)

Another case where the subsidy element was criticized was the most recent HIG program for the Ivory Coast. As the Treasury noted:

"It appears that the lower income groups will be reached in this part of the program by offering very soft terms rather than by reducing the standards to what is affordable by those groups. Thus, the HIG loan may not make an adequate contribution to building stronger financial institutions, a major goal of the HIG program."

AID maintains that the Ivory Coast Government's acceptance of the principle of cost recovery for some parts of the program represents a major policy shift toward improving overall financial planning for shelter.

We believe that the United States should encourage LDCs to set housing standards at a level enabling low-cost shelter to be provided for the lowest income groups to the extent practicable without subsidization. Where certain circumstances dictate that LDC governments subsidize--as part of a conscious and planned policy of income redistribution that would permit low-income group access to shelter--the United States should work closely with the government to assure that the source of such subsidy is available and adequately planned for.

Institutional development

A second factor determining the large-scale replicability of HIG projects is the extent to which institutions are built or strengthened as a result of the project. Developing a host country commitment to low-income shelter programs through re-direction of its housing policies is an essential element of institution building. In addition, means for mobilizing domestic capital to finance low-income shelter must also be developed if LDCs are to be able to provide such shelter on a continuing and large-scale basis once the HIG Program in that country is completed.

AID views one of the HIG Program's major accomplishments to be the establishment of viable, ongoing mortgage credit institutions in many LDCs, making a continuing contribution to the resolution of housing sector problems. In the late 1960s and early 1970s, most housing guaranty programs concentrated on the development of mortgage credit institutions.

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, where necessary, the development of specialized financial/administrative entities such as

national housing authorities of state housing finance agencies as forms of institution building.

For example, AID cites the HIG Program in Korea as an example of the impact it can have on the host country's housing policies. AID notes that its June 1971 shelter sector survey of Korea's housing needs indicated that a serious housing shortage existed and that the Korean Government had not concentrated on housing as a priority area. As an initial involvement in November 1972 AID authorized a \$10 million housing guaranty to support the principal Korean housing institution and to generate government interest in an expanded housing program. In 1974 a \$20 million HIG was approved to finance somewhat less expensive housing. In 1975 the Korean Government redirected its housing policies to give higher priority to smaller, low-income housing units. The \$60 million in guaranties authorized since the beginning of fiscal year 1975 has been used for direct financing of low-income housing, with some moneys used for slum rehabilitation projects.

Although \$90 million in guaranties has been authorized to Korea, since the beginning of 1972 there has been very little impact on private banking institutions. There is no organized savings and loan system presently existing in Korea. Private savings are channeled into small, unorganized groups (known as the "key money" system), which are not capable of making funds available to meet the housing needs. Although there is a Korean Housing Bank, it has a very limited capacity to provide housing funds. AID is currently assisting the Korean Government in analyzing the financial institution needs, but changing Koreans' personal savings habits is judged to be a long-term process. Once HIG loans are no longer made available to provide the housing stock in Korea, there is no certainty that capital from other sources will be made available for housing purposes.

In other instances, guaranties are being provided to countries, such as Israel and Chile, whose financial institutions overall are fairly well developed but are temporarily suffering capital shortages. These countries are being assisted in the important task of gearing their institutions to meet low-income housing needs, and certain innovative features have been included as part of these guaranty programs. In Chile, for example, some of the guaranteed funds will be used to finance a self-help pilot project to be undertaken by rural cooperatives. In the case of Israel, the Department of State and AID maintain that they are helping housing institutions better serve low-income people by suggesting changes to their internal financing mechanisms. They also maintain that when existing institutions are moved to serve a

market not previously served, such as the poor, important institutional change occurs.

We do not deny that this can be an important factor in institutional development, but we believe, and it is acknowledged, that the primary reason for the large size of the HIG Programs in Chile and Israel was their immediate need for capital.

An infusion of capital may simultaneously serve a number of other purposes. It may, for example (1) stimulate a seriously underemployed construction industry and thereby generate badly needed jobs, (2) strengthen the short-run balance-of-payments position of the country, or (3) make foreign exchange available immediately to countries which may require it for other uses for which they have not received financing.

In several of the African countries (Botswana, Cameroon, and Zambia) where HIGs have recently been authorized, the mobilization of local savings capabilities through the establishment of savings and loan institutions or cooperative associations, as was done in Latin America in the 1960s with the assistance of the HIG Program, is not an immediate objective. In Botswana and Cameroon the purpose of HIGs is to develop a local program capacity to implement new programs of sites and services.

Whether it is realistic as a general rule to attempt to establish private savings and loan institutions to serve LDC needs for low-income housing is difficult to judge. On one hand, AID officials state that there is a substantial savings capacity among low-income groups that remains untapped as a source of capital; money presently spent on rent could just as well be spent on mortgage payments if inexpensive housing could be made available. On the other hand, LDC governments have sometimes insisted on maintaining housing standards at levels that preclude the construction of very low-cost shelter, thus requiring government subsidization. In many of the countries undertaking these programs, there are no financial institutions to serve low-income housing needs. A continuing government willingness to subsidize low-income housing may result in keeping the government as the primary builder and source of financing for low-income housing.

In commenting on our report, the Department of State and AID stated that the development of squatter upgrading, sites and services, and core house programs in LDCs is a considerable achievement, largely due to the influence and efforts of external development agencies. We agree. They

emphasize the difficulty of introducing low-income shelter approaches to countries where these may be thought to require radical policy changes. They believe that these innovative approaches must be introduced on an incremental basis, with focus on low-income shelter needs gradually sharpening over a period of years.

State and AID believe that AID played an important part in Korea and Peru in assisting these countries to develop new institutions or change existing ones to serve the shelter needs of low-income people. We agree.

They added that program forms now in development in these countries include squatter upgrading and sites and services. These are considered forms of institutional development. Our point, however, is that unless the HIG programs also emphasize and serve to develop a continuing means to mobilize the domestic capital needed to provide low-income families with the opportunity to purchase shelter with a long-term, low-interest loan, the replicability of the HIG-sponsored low-income housing projects is questionable.

Project planning and implementation

Another factor affecting the replicability of HIG projects is the adequacy of economic analysis and planning that goes into the development of the proposal. OMB believes that HIG projects are not thoroughly planned at the point of authorization, and that greater attention should be given to detailed economic analysis. The Treasury Department shares this overall view and based its nonconcurrence on the Ivory Coast HIG on the lack of sufficiently detailed analysis provided by the proposal paper.

As mentioned earlier (see pp. 31 and 32), OMB differs with AID on the amount of detailed project planning which should be required at the preauthorization stage. OMB seeks greater detail and analysis; AID wants such detail and analysis to be developed after authorization but before signature of loan and guaranty contracts.

Inflation rates in recipient countries are another potential problem for LDCs making loan repayments. Host country institutions receiving housing loans with dollar payback requirements may suffer losses if the institution's local currency income from mortgage payments cannot be converted to the full amount of dollars needed to pay back the loan. Convincing LDCs of the feasibility of low-income housing provided through institutions capable of making long-term, low-interest loans is a major purpose of the HIG Program.

If these institutions suffer because of home buyer delinquencies or high inflation rates affecting their ability to meet the dollar payback requirement, the viability of the whole concept of low-income housing may be questioned in cases where such programs are externally financed.

There are AID officials who believe that the level of economic analysis of proposed HIG projects could be improved. Particular areas mentioned as needing more thorough analysis are long-term balance-of-payments impact and debt-servicing capability, existing administrative capability in the recipient country, financial capacity of the target population, costs and returns data, and inflation rates.

The HIG Program abroad is implemented through the Office of Housing's five regional housing offices in Seoul, Korea; Abidjan, Ivory Coast; Nairobi, Kenya; Tegucigalpa, Honduras; and Panama City, Panama. The regional housing officer abroad participates in the project development process and is responsible for onsite supervision of housing projects within his office's geographic jurisdiction. Thus, the regional officers in Nairobi, for example, typically spread their time between ongoing projects in Kenya, Zambia, and Botswana.

Their supervisory and management responsibilities include preparing periodic progress reports on ongoing projects for the Office of Housing in Washington; evaluating plan designs; approving construction schedules and price increase requests; preparing sales reports; advising the host country on administrative matters; serving as contact point between AID and other international donors of housing; monitoring allocation of housing to see that the target group is served; and monitoring procedures for awards of major contracts.

In the case of Peru, where U.S. concessional loans have been made for disaster-related reconstruction housing, AID mission personnel are also actively involved in implementing HIG projects. AID has informed us that where there is no housing officer assigned to a given mission, regional housing officers serving several countries, in coordination with AID mission personnel, carry the active responsibility for planning, implementing, and supervising the HIG projects.

In Portugal, where \$40 million in HIG Program loans have been authorized since the beginning of fiscal year 1975, there is no regional housing officer handling the program, nor is there anyone in the mission specializing in housing. AID has informed us that this program is actively monitored from Washington by the Housing Office and

its contractors. It will be monitored by a new regional housing office to be established in Tunis.

Geographic bureau interest in housing also varies and depends largely on the priority the bureau gives to housing and other development areas such as food, population, and education. The geographic bureaus have been involved in the HIG Program to some extent, since authorizations for loan guaranties require their approval. Once the bureau authorizes the loan, its involvement in the HIG Program's implementation may be reduced as it may substantially rely on the Office of Housing regarding operational aspects of the program. In general, the bureaus tend to be more interested in developing and implementing projects using appropriated funds.

Coordination between AID mission and regional housing officers has on occasion been inadequate. In one instance a mission criticized the Office of Housing on the grounds that it "acted unilaterally and in a heavy handed manner without fully trying to understand the mission's viewpoint," that they had been "slow and careless" regarding communications and reports, and that regional housing office operations had been unable to provide the continuous presence and overall support which a \$10 million program required.

Geographic bureaus are also not being systematically kept informed of the progress and problems with ongoing HIG projects. The country desk officers in Washington, who must keep abreast of all U.S. development assistance efforts in their countries of responsibility, do not always receive the periodic project evaluations and reports sent by the regional officer or contractor to the Office of Housing in Washington.

An AID official, in criticizing the Office of Housing for operating independently of the regional bureaus and country missions, stated that his bureau would like control over HIG project loans so that housing could be effectively integrated into AID's development plans for individual countries.

On a couple of recently designed projects in Latin America, the Office of Housing and the Latin America Bureau have worked closely together integrating HIG projects with appropriated U.S. funds for community improvement. We believe that integrated Housing Office/geographic bureau projects are the most effective kind of shelter/urban development assistance.

DISASTER RELIEF SHELTER PROGRAMS

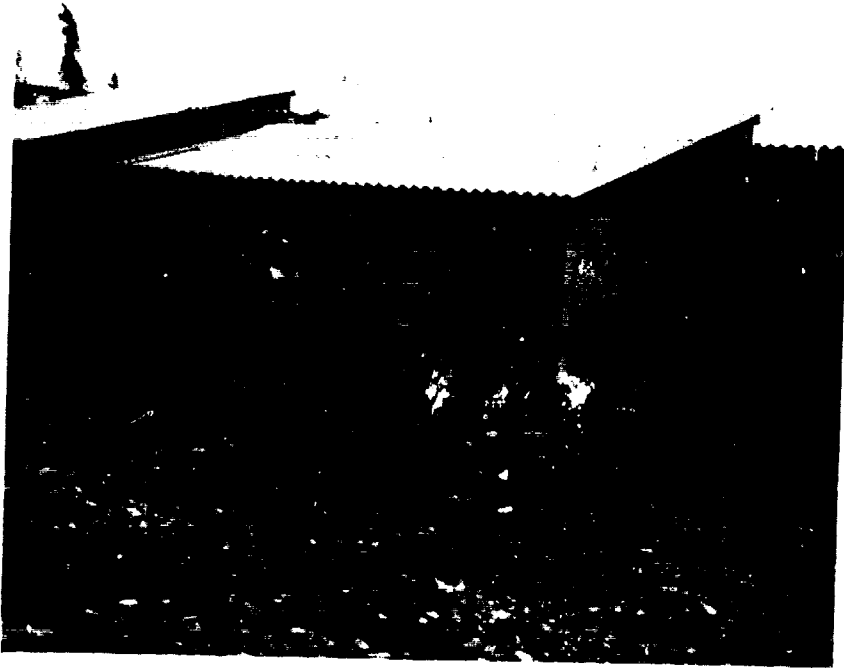
The United States has provided housing assistance to disaster-affected areas on both a short-term emergency basis (tents, roofing materials) and as part of longer term reconstruction programs. Emergency grants and concessional loans for permanent reconstruction programs have been provided in the past several years to Guatemala, Nicaragua, and Peru--all of which have suffered devastating earthquakes. In addition, concessional loans have been authorized to help Portugal meet its needs for low-income housing in the wake of the influx of refugees from Africa.

Since early 1970 U.S. appropriated funds used for housing have included loans and grants as follows:

		<u>Loan</u>	<u>Grant</u>
Peru	1970 earthquake	\$18,000,000	\$10,550,000
Nicaragua	1972 earthquake	15,000,000	3,000,000
Honduras	1974 hurricane	1,000,000	-
Guatemala	1976 earthquake	-	13,798,060
Cyprus	1974 civil strife	-	23,320,000
Lebanon	1976 civil strife	-	4,500,000
Portugal	1975-76 urban housing	23,250,000	250,000

Since the May 1970 earthquake in Peru, the United States has provided \$28.55 million in concessional loans and grants and \$43.28 million in housing guaranties to improve shelter conditions in Peru. When these reconstruction projects are completed, over 100,000 families will have benefited. In our November 1976 visit to Peru we observed that the reconstruction shelter programs supported by the U.S have so far met with delays in implementation. For example, it took 4 years to complete projects funded by an AID disaster relief grant awarded in 1970. Delays were also experienced under AID's 1971 \$3 million AID loan and its 1972 \$15 million loan.

The delays were caused by (1) the Peruvian Government's inability to establish responsibilities among its newly created administering and implementing agencies. They were experiencing reorganizations, personnel turnovers, changes in direction after projects were started, and inflation costs. There were additional delays in completing market studies and development plans, all of which caused some participants to lose interest and some low-cost housing units and serviced sites to be left unoccupied.



AID-PROVIDED SHELTERS TO EARTHQUAKE VICTIMS IN PERU.

(GAO PHOTOS)

In commenting on our report, the Department of State and AID noted that delays in program implementation have occurred, but are a perfectly natural phenomenon in the complex process of providing shelter assistance. They added that, although all changes they had hoped to achieve did not occur, very important progress was made and such clear movement to fundamental change is of great importance.

We concur that the movement toward change is of importance; however, we do not agree that delays are a natural phenomenon when project accomplishment is a complex process. We believe that if projects are adequately planned, programmed, and implemented, program delays can be reduced considerably. The reconstruction shelter program in Peru, in our opinion, has taken too long--more than 6 years.

OTHER U.S. DONORS

Inter-American Foundation

The Inter-American Foundation was founded in 1971 as a nonprofit Government corporation managed by a nonsalaried Board of Directors, primarily drawn from the private sector. Its principal goal is to support local private endeavors in Latin America in the fields of social and civic development in order to achieve broader popular participation in modernization.

As of February 1977 the Foundation had approved grants totaling about \$4,281,681 for 13 housing projects in Latin America and the Caribbean. The primary rationale for supporting housing projects is that housing can be an effective catalyst for social change, if it directly involves the recipients. Through its projects, the Foundation has learned that standard housing schemes must be severely modified to make housing accessible to the poor. A sites and services approach, consistent with the people's cultural values and ability to pay, appears to be most feasible.

In 1972 the Inter-American Foundation approved a grant of \$625,000 to the Foundation for Minimum Housing in El Salvador for the purpose of developing new communities focused around the construction of 1,000 homes. It was hoped that the grant would also interest other public and private funding sources in supporting the Foundation for Minimum Housing's program by demonstrating on a large scale that marginal-income people are able to purchase low-cost housing. As a result of the opportunity for experimentation which the grant provided, the Foundation for Minimum Housing developed a viable, low-cost sites and services housing model with a strong community development component and was able to obtain a loan from the World Bank to construct 7,000 additional homes.

A loan to this same organization was approved in April 1976 to organize 19 production cooperatives among the residents of low-cost housing projects. It will provide financial and technical support and assist in organizing one or more cooperative federations.

Peace Corps

The Peace Corps is not directly involved in shelter assistance programs; however, volunteers in Latin America have participated in national programs designed to redirect growth away from major urban centers and toward secondary cities. They have helped to improve municipal services to smaller cities, upgrade municipal management, and initiate regional planning projects. In response to natural disasters, volunteers have assisted local reconstruction efforts by serving as city planners, landscape architects, and social workers. In Colombia the Peace Corps may assist in a World Bank project in conjunction with Colombian Government agencies, concentrating their efforts in the slum areas of 20 Colombian cities.

Department of Housing and Urban Development

The Department of Housing and Urban Development and its predecessor agencies initiated U.S. international housing assistance. However, over the years most of the Department's overseas responsibilities have been transferred to AID.

The Department is the focal point for U.S. involvement in formal bilateral agreements on urban affairs with France, West Germany, Japan, Sweden, Spain, the United Kingdom, the Soviet Union, and Iran, which basically provide for exchanges of information and technical assistance.

The agreements with the Soviet Union involve the exchange of data and expert teams in fields such as construction materials and building for extreme climates and unusual geological conditions.

CONCLUSIONS

The HIG Program as revised in 1973 has not been underway long enough to make final judgments about the extent to which it can assist LDCs in meeting their low-income housing needs. AID officials generally consider it a complex, evolving program in the sense that sites and services and minimal housing approaches for very low-income groups have

only recently become part of development assistance programs. As the AID Administrator testified before the Congress in reference to the HIG Program's recent reorientation:

"I do not know whether it (the HIG Program) can go further without some changes. * * * I think this (credit being extended at commercial rates) is a somewhat difficult condition to have directed to low-income housing. * * * I think we have to look at some structural changes to enable it to be effective in those fields."

Significant changes have been made in the HIG Program since 1973 to meet the needs of low-income groups. These changes have focused on (1) AID's determination that recipient countries develop housing policies and institutions which take low-income housing needs into consideration and (2) AID's recent concentration on sites and services, slum upgrading, urban infrastructure, and minimal housing approaches to serve low-income groups. An important constant element of the program is that HIG loans continue to be made at commercial rates since they are supplied by the U.S. private sector.

AID officials believe that a significant savings potential does exist among low-income groups in LDCs and that self-help efforts can be relied upon to improve and maintain minimal housing once land tenure is assured. These officials believe that, even though loans are made at commercial interest rates, the projects are still within the range of low-income families. AID officials have stated that they recognize the possible resistance of LDC governments toward minimal housing projects and have undertaken such projects in countries which they believe are receptive to them. The strategy AID follows is incremental, seeking deeper changes step by step over time.

Some AID officials expressed doubts about the administrative capability within some LDCs to service the HIG Program and future low-income housing programs. Although technical assistance is provided as a component or supplemental part of these programs to train local staff in administrative skills, some uncertainty exists as to the adequacy of such assistance if this largely experimental approach to low-income housing is to be replicated on a larger scale by the host country. We believe the administrative capability of the host country and the technical assistance provided to strengthen this capability is a key feature of the HIG Program and should be closely monitored by AID officials as projects progress.

Inflation rates and debt-servicing capability are factors that AID officials are to consider in determining country eligibility for HIG project loans. Too heavy a debt-servicing burden and high inflation rates in LDCs can result in host country defaults on HIG project loans.

As mentioned earlier, other U.S. agencies have questioned whether economic factors have been adequately analyzed. The fact that recent loans are guaranteed by the host country does not, we believe, lessen the need for thorough economic analysis of the abilities of both the low-income beneficiaries and the recipient country to repay the loan.

AID has broadly interpreted the institution building element of the HIG Program, and the replicability of HIG projects has not been, and perhaps cannot always be, sufficiently assured because of factors external to AID and the complexity of providing housing assistance to low-income people.

Changes in some LDC housing policies have been accomplished, innovative housing administration programs designed, and capital-short financial institutions supported through the HIG Program. Minimization of the host country subsidy is a politically sensitive subject with many LDCs, often touching directly on their domestic policy goals. Mobilization of local savings into organized capital markets oriented toward serving low-income housing needs is also an extremely difficult objective to achieve. Both, however, are goals of the program and are prime factors in assuring that funds will continue to be available after HIG project loans have been disbursed.

Concerning the HIG Program's impact on alleviating the worldwide shortage of low-income housing, we believe that, although low-income groups are the target beneficiaries in countries receiving HIG loans, the program's effect may have been limited by the heavy concentration of guaranties in a very small number of countries. The HIG Program was not primarily intended to be a vehicle for providing countries with infusions of U.S. commercial capital, and we believe that AID, consistent with demand and program guidelines, should distribute housing guaranties among a greater number of low-income nations so that the demonstration effect of individual HIG projects is maximized.

In addition, providing HIG shelter assistance to low-income families below the 20th percentile income bracket is difficult to achieve because of high interest rates. AID

informed us that the program financed by the most recent HIG for Peru is designed to reach families with incomes from the 12th to the 39th percentile. AID believes that in slum upgrading projects it is possible to reach below the 20th percentile. In general, however, we believe these people can benefit only from humanitarian assistance and indirectly from HIG programs.

AID is now considering approaches which include housing as a necessary component of urban development, but closer coordination between AID's Office of Housing, geographic bureaus, and missions overseas will be required. AID needs, as an agency, to consider how to integrate HIG projects with its other overall development assistance and development projects. It should also work closely with other donors to promote and implement integrated development approaches. For example, it should maximize use of the expertise and technical assistance resources available within the U.N. system, particularly the U.N. Center for Housing, Building, and Planning, which is heavily involved in housing project planning and preinvestment studies. (See ch. 4, p. 63.)

As a largely evolutionary approach to low-income housing, the HIG Program must be planned and implemented very carefully and evaluations and reassessments made continuously along the way. Otherwise, the program could be seriously discredited, and many LDC governments could abandon altogether these initial attempts to house their poor.

RECOMMENDATIONS

In view of the experimental nature of the current HIG Program and the great difficulty of successfully demonstrating that low-income housing can be feasibly undertaken on a large scale by LDCs, we recommend that the Secretary of State and the Administrator of AID:

1. Distribute available housing guaranties among a greater number of low-income nations, consistent with demand and program guidelines, so as to maximize the demonstration effect of individual HIG projects.
2. Work more closely with host country housing and economic planning officials to assure both that subsidies are minimized and their source fully planned for and that HIG project loans serve to develop host country institutions, particularly

financial institutions, capable of replicating the kind of low-income housing initiated by the HIG Program.

3. Improve coordination by establishing more effective lines of communication between the geographic bureaus, AID missions, and the Office of Housing to insure that all HIG projects are planned, programed, and implemented as part of an overall integrated development effort.
4. Improve the level of economic analysis in countries where HIG projects are planned, particularly in the areas of long-term balance-of-payments prospects and debt-servicing capability.

AGENCY COMMENTS AND OUR EVALUATION

The Department of State and AID generally agree with our recommendations. In doing so they noted that

1. HIG guaranties have been recently concentrated in a few countries principally to accommodate specific country authorizations of the legislation, i.e., Portugal and Israel. They added that AID has never turned down an approvable request for a HIG program for low-income housing and that the basic reason they do not have HIG programs in more countries is that they have not received sound program requests from eligible countries. State and AID feel that reducing the number or size of HIGs in certain large countries would not necessarily allow for increases elsewhere. They do not agree with our conclusion that concentration has limited the program's demonstration effect and thereby its impact on alleviating the housing shortage.

While we recognize that certain HIGs are a result of specific country authorizations of the legislation (about 30 percent of available funds for fiscal years 1975 and 1976), we believe the program has had a limited demonstration effect. This is because out of the remaining 70 percent of total HIG funds available in fiscal years 1975 and

1976, only 18 percent was authorized to LDCs outside the area of program concentration. We believe that if the program is to alleviate the worldwide housing shortage, its demonstration effect needs to be broadened through wider distribution of housing guaranty programs among LDCs. The lack of greater demand from eligible LDCs for AID's low-income housing guaranty programs raises questions, we believe, both about whether LDCs are ready to undertake shelter programs for their poor and about how LDCs perceive the appropriateness of the program for their countries. The reasons for this lack of greater demand need to be fully examined, so that a wider distribution of housing projects can be achieved.

2. State and AID believe every effort is made to assure program replicability--the successful results are not recognized in the report.

We are not hypothesizing that AID has made little effort to help gear LDC institutions to serve low-income housing needs or that such changes have little effect on program replicability. We believe that AID is trying to insure replicability, but is not fully considering important factors assuring the program's replicability. Unless the HIG Program also serves to develop a continuing means to mobilize the domestic capital needed within these countries for long-term, low-interest housing loans, the replicability of HIG projects on a large scale by LDCs themselves is not sufficiently assured, if in fact it can ever be.

3. State and AID said that HIG projects are planned with host country economic and housing officials and that attempts are made to insure that host countries move in the direction of sounder policies, including subsidy minimization and the development of institutions which can replicate the kind of housing initiated by the program.

We are aware that HIG projects are planned with host country economic and housing officials and that consideration is given to subsidy minimization and replicability. We believe that working more closely with these officials toward the goals of (1) reducing housing standards to a level affordable by the low-income group and (2) mobilizing domestic capital to provide long-term, low-interest housing loans will result in the greatest possible achievement in these areas; we do not deny that AID has made such

efforts. In our report we identify certain instances where subsidy minimization and institutional development have been difficult to achieve for reasons sometimes beyond AID's control, and program replicability consequently has not been assured. The Congress should be informed of these difficulties.

4. In commenting on the report State and AID indicated that the HIG Program is integrated into the AID programming process and that although coordination is generally good, they will continue to seek ways to improve coordination between the Office of Housing and the regional bureaus in Washington and between regional housing offices and field missions. They noted they now have a regional housing office in Panama and will soon have another in Tunisia.

We are encouraged about AID's continuing desire to improve coordination. However, the coordination will not necessarily be improved just because the regional housing offices will be established. A reverse effect could result--the regional housing offices could operate more independently of AID missions, adversely affecting the implementation of an overall integrated development effort.

5. AID is seeking clearer approaches to urban development using HIG and other resources in support of host country development efforts.

We believe AID's actions to develop the above are positive in nature and, if followed through, will provide for shelter as a segment of overall development efforts in LDCs.

6. AID will seek ways to continue to improve the analysis of a country's balance of payments and debt-servicing capability.

We believe a commitment to this analysis will promote a more efficient and effective shelter development program in LDCs as well as increase the replicability of the program.

AID also commented that it is interested in increasing its efforts in urban community improvement, but that available resources are limited for integrated shelter and urban development programs, apart from HIG and Security Supporting Assistance funds. AID added that it is making a major effort

to introduce the HIG Program to more countries while developing sound programs of shelter for low-income people, and that it communicates with other donors and organizes regional conferences to explain the program and offer assistance to countries interested in developing shelter projects.

AID commented that it has the legal authority to use regular technical and capital assistance funds for rural and urban shelter, but that housing projects are seldom proposed for funding out of regular development aid funds, except for disaster reconstruction projects, because the HIG is viewed as the primary AID mechanism for housing programs. AID believes that the current reexamination of foreign aid programs by the executive branch and the Congress will provide an opportunity to reassess the lack of shelter emphasis in the regular concessional financing programs of the U.S. Government.

As we indicated in chapter 2, we believe housing should be (1) given increased emphasis because of the seriousness of the existing shortage and (2) considered a part of overall development objectives in LDCs. In this light, if shelter assistance provided through conventional means, such as the HIG Program, cannot reach the poorest people, consideration should be given to providing shelter to these people through concessional shelter development programs.

RECOMMENDATION TO THE CONGRESS

We recommend that the Congress explore with AID the feasibility of providing housing aid to lower income groups who do not benefit, for the most part, directly from a commercial term program such as the HIG Program. Regular development assistance channels including direct concessional loans and grants to host governments for shelter programs could be considered a viable alternative.

CHAPTER 4

MULTILATERAL AND OTHER BILATERAL DONORS'

HOUSING ASSISTANCE

Several multilateral organizations recognize the importance of housing in the development process and are providing assistance in the housing sector. These organizations can be roughly divided into (1) international financial institutions whose primary objective is to extend loans to LDCs to promote economic and social development and (2) the U.N. and its specialized agencies whose housing activities focus on technical assistance. This chapter summarizes the activities of these organizations, to which the United States is a major contributor, and of other bilateral donors in the housing field.

THE WORLD BANK GROUP

The World Bank Group ^{1/} entered the shelter area in the early 1970s, and since 1972 has been emphasizing sites and services and slum upgrading as a means of providing and improving housing for low-income groups. Officials planning housing projects emphasize access to primary and secondary sources of employment and seek complementary projects, such as water and sewers and educational and health facilities, by other international donors and by the recipient country itself.

In establishing criteria for project selection, the Bank maintains that the poor can afford to pay to some degree for improved housing and selects projects according to employment impact, host government interest, size of the problem, and number of poor people to be assisted. Although the target group varies from country to country, the most common group falls in the approximate lower 40 percent of the income distribution.

In defining the target population for a sites and services project, the Bank uses the standard of absolute poverty--people who cannot afford basic nutritional requirements. This translates to about the lower 40 percent of a given population, but World Bank officials said that, realistically,

^{1/}Includes the International Bank for Reconstruction and Development, popularly known as the World Bank, the International Development Association, and the International Finance Corporation.

even a sites and services project cannot reach those below the 15-percent level.

For many of its sites and services projects, the Bank provides an absolute minimum, such as a pipe for sewage, and the resident completes a home based on what he wants and can afford. Projects use indigenous materials and attempt to use local personnel. A Bank official estimates the cost of a project unit ranges from \$760 to \$3,500, depending on location and materials costs. It is estimated that the Bank has loaned about \$300 million for shelter projects and that this could rise to \$500 million by 1980. The Bank finances about 50 percent of each overall project with the remainder provided by the host government or other financial institutions.

Technical assistance is included as a component of project loans if the recipient country so desires; however, the country must pay technical assistance costs. The Bank will also lend money to buy technical assistance. Other sources of technical assistance that the Bank draws on for its projects include U.N. Development Program (UNDP) funds, PVOs, and other bilateral donors. Additionally, the Bank has attempted to establish a network of local personnel who can give assistance on various projects.

The World Bank coordinates its housing efforts in two ways. Internally, the urban projects group at the Bank coordinates its programs with other groups within the World Bank system. For instance, when designing its sites and services project in Peru, the urban projects group coordinated with one of the Bank's industrial projects groups. The result was the development of an industrial project near the sites and services project. Thus, the Bank was able to attack the housing problem along with the unemployment problem. The Bank also attempts to stay in touch informally with other international donor representatives in order to be aware of other donors' housing assistance plans. Through this type of coordination, the Bank feels it can work with other donors in a complementary way.

On November 4, 1974, the World Bank and the International Development Association agreed to loan a total of \$8.5 million to the Foundation for Minimum Housing, a private, nonprofit foundation with considerable housing expertise, for a sites and services project in El Salvador.



HOUSING UNITS UNDER CONSTRUCTION IN SONSONATE, EL SALVADOR, AS PART OF THE WORLD BANK/FOUNDATION FOR MINIMUM HOUSING SITES AND SERVICES PROJECT.

(GAO PHOTO)



WORLD BANK/FOUNDATION FOR MINIMUM HOUSING SITES AND SERVICES PROJECTS.

(GAO PHOTO)

According to World Bank officials, the Bank became involved in the El Salvador sites and services project because (1) there was a definite need for low-income housing, (2) this type of project can reach the very poor, and (3) the project could serve as a model in establishing a housing policy. The Foundation is, in their opinion, a grass roots development agency which is efficient, innovative, private, and has had excellent past programs. It and the Government of El Salvador maintain a quasi-official relationship because the government has no policy concerning marginal and low-income housing and, consequently, the Foundation's success makes it appear that the government is responsible.

The project, expected to be completed by September 1980, consists of the:

- Development of about 7,000 lots (including electric power, water supply, sewer connections, and storm drains) at 9 sites; a basic dwelling of about 17 square meters will be developed on about 50 percent of the lots at each site.
- Upgrading of access roads to the sites and preparation of unpaved streets and footpaths.
- Construction and equipping of community facilities for the sites, including 5 health clinics, 6 primary schools, 10 community centers, 26 sports fields, and 12 markets.
- Establishment of a construction materials fund to help participants purchase materials for improving their units.
- Establishment of a pilot fund for commercial cooperative enterprises.
- Advising and training Foundation staff in housing administration, commercial cooperative enterprises and management, including monitoring, accounting, budgeting, and site design.

Participants in the project will be selected from applicants who

- have resided in unserviced squatter settlements or inadequate housing conditions for 2 or more years;
- earn individual monthly incomes of not more than \$20 or household aggregate monthly incomes of not

more than \$120 (at least 50 percent of the lots will be reserved for households earning less than \$70 a month);

--intend to live in the assigned lots; and

--are willing to participate in mutual help and community development.

International Development Association loans are extended to governments only and are intended ultimately to benefit the entire national economy. Consequently, since the Association's \$6 million loan is being guaranteed by the Government of El Salvador, it is being channeled through the National Housing Finance Agency (which adds a 1-1/4-percent interest rate) to the Foundation for Minimum Housing. According to World Bank officials, the 1-1/4-percent interest rate differential will cover any contingency costs or unanticipated project changes. Any remaining funds would be used to capitalize the Foundation. Also, although the terms of the loan provide for repayment over 50 years with a 10-year grace period by the Government of El Salvador, the Foundation must repay the government in 30 years with a 5-year grace period. Funds generated and/or accumulated during the repayment period are to be deposited in a special fund managed by the National Housing Finance Agency and used exclusively for financing sites and services projects for low-income families. Although the World Bank will monitor the funds as long as its team remains in the country, it is ultimately El Salvador's responsibility to monitor the funds.

The World Bank provides loans to institutions within a country. Its \$2.5 million loan, also guaranteed by El Salvador's Government, is extended directly to the Foundation at an interest rate of 8 percent and a repayment period of 25 years. Also, about \$375,000 has been allocated for local and nonlocal researchers for onsite monitoring of the project for at least 2 and possibly 5 years.

The World Bank is in the final approval stage of a second project loan to the Foundation for \$8 million. The project will include land tenure/acquisition, sites and services (at costs lower than the current project), squatter upgrading, and small business extension through credit and technical assistance.

Since fiscal year 1974, the Bank has also made the following loans for projects that include sites and services and slum/squatter upgrading.

Botswana	\$ 3.0 million	
India	35.0	"
Indonesia	51.0	"
Jamaica	15.0	"
Kenya	16.0	"
Korea	15.0	"
Peru	21.6	"
Philippines	32.0	"
Tanzania	8.5	"
Zambia	20.0	"

A \$30 million loan was extended to Guatemala in fiscal year 1976 for earthquake reconstruction to include low-income housing.

The Bank is expected to approve about 16 urbanization projects in the fiscal year 1976-77 period. ^{1/} Annual lending during this period is expected to be about double that of the entire fiscal year 1971-75 period. About 4 of the 16 planned projects are for urban transportation and the rest are for sites and services or squatter upgrading. Project lending is expected to include financing for technical assistance and training ranging from 2 to 5 percent of the total loan amount.

INTER-AMERICAN DEVELOPMENT BANK

IDB is a multilateral lending institution that makes loans within the Western Hemisphere. It has made no direct housing loans since 1968, because it believes that any loan it made in this area would have only a nominal effect on the enormity of the housing deficit. IDB maintains that it can more effectively aid the shelter sector by investing in agricultural and industrial development which, in turn, will boost the economy and stimulate savings which can be used for housing. Its housing assistance basically encompasses three areas.

--Disaster reconstruction funds provided to Guatemala, Nicaragua, and Peru for building materials.

--Strengthening the Inter-American savings and loan system through such programs as its 1976 loan of \$15 million to the Inter-American Savings and Loan Bank--an institution composed of private and public

^{1/}The World Bank Group's fiscal year is from July 1 to June 30.

savings and loan associations in Latin America--for housing construction/improvement.

--A 1972 integrated urban development program in Bogota, Colombia, which includes 4,300 housing units.

In 1968 IDB extended a \$12.6 million loan for low-cost housing to the Peruvian Housing Bank. Approximately 4,700 units were constructed in 10 cities for families with incomes of from \$177 to \$386 per month. A \$35 million earthquake reconstruction loan was made in the early 1970s to construct core houses and community and urban facilities and to improve existing homes. This loan was not directed toward low-income families.



IDB RECONSTRUCTION HOUSING PROJECT IN PERU.

(GAO PHOTO)

The results of the program have not been spectacular. For example, in the Chimbote area, almost 400 houses and over 3,000 lots remained unsold as of late 1975 due to lack of demand. AID also has two projects in the Chimbote area, one facing many delinquent mortgages and the other innumerable construction delays.

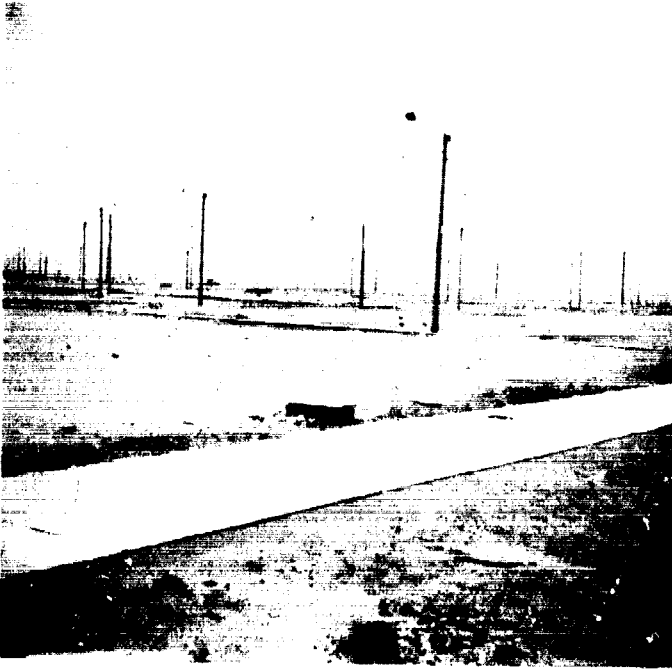
A Peruvian housing authority official said that the Chimbote problems were due in part to overbuilding--too many IDB and AID projects were in process at the same time. An IDB representative in Peru stated there was no coordination in this case between IDB and AID. In addition, he said the Government of Peru was constantly rezoning, making it difficult to plan projects with any degree of certainty, and that the government did not know what the home buyer wanted.

IDB now feels that it has done enough in the Peruvian housing sector and will shift to funding basic infrastructure for sites and services projects. A loan for \$30.5 million is being negotiated and will provide funds for water and sewer projects in 27 cities.

IDB's 1976 loan to the Inter-American Savings and Loan Bank will be used for strengthening the institutional and financial system of savings and loan associations in Bolivia, Chile, Costa Rica, El Salvador, Honduras, Nicaragua, Paraguay, and Peru. Operations to be financed through this loan program include (1) the purchase of houses for the beneficiaries of the program, (2) rehabilitation and/or expansion of houses serving as domiciles of the program beneficiaries, and (3) interim financing to contractors for the construction of housing units to be sold to program beneficiaries.

Certain conditions are stipulated in granting credits under the program. Only members of savings and loan associations whose family income (head of family and spouse) does not exceed the equivalent of \$250 per month may be beneficiaries of the program. The selling price of houses financed under the program cannot exceed the equivalent of \$10,000. Credits for rehabilitation and/or enlargement of houses cannot exceed the equivalent of \$3,000 a beneficiary.

An IDB official stated that lower income target groups are risky because those people have always lived in squatter-type settlements and do not possess the desire to increase their standard of living or to repay their loans and that housing programs directed at these groups should be financed through grants instead of loans.



**UNSOLD IDB-FINANCED LOTS WITH SERVICES
AT CHIMBOTE, PERU.**

(GAO PHOTO)



UNSOLD IDB-FINANCED HOUSE AT CARAZ, PERU.

(GAO PHOTO)

IDB's \$49.9 million urban development loan in Bogota is directed toward improving general conditions and the urban infrastructure in one of the neediest areas of the city. The program calls for integrated provision of urban facilities and services to satisfy at least part of the priority requirements of the eastern zone of Bogota. The program is composed of nine subprograms for health, education, electric power, housing, sewers, and construction of roads and community social centers.

The housing subprogram consists of the (1) construction of 620 new housing units, (2) improvement and expansion of about 1,680 dwellings, and (3) preparation of lots and services for 2,000 housing units. Of the 620 new units, 520 would be built at an average cost of \$3,150 a unit, and 100 at an approximate cost of \$2,600 a unit. The total cost is estimated at \$5.2 million.

IDB has also made numerous loans for water and sewers, contributing considerably toward improving living conditions in Latin America. Since fiscal year 1974, it has made the following loans, among others, in the housing infrastructure areas.

Bolivia	\$10.0 million	To improve water system in Cochabamba.
El Salvador	\$18.4 million	For first stage of improved water system for San Salvador and nine surrounding towns.
	\$30.0 million	To expand/improve water system--San Salvador; 67,200 homes lacked water as of 1975.
Guatemala	\$10.0 million	To complete Guatemala City water system and sewerage.
	\$ 5.0 million	For water and sewerage systems for 21 towns.
Honduras	\$ 4.0 million	For water supply to rural areas.
Paraguay	\$ 7.4 million	For water system for nine towns as of 1974, with a population of 160,000 (excludes Asuncion).

Peru	\$ 4.7 million	For water supply to rural areas.
	\$30.5 million	To improve water and sewerage in 27 cities.
Uruguay	\$ 7.0 million	For first stage in water and sewerage service for interior towns.

U.N. SYSTEM

U.N. housing and urban development activities have focused primarily on assisting member countries to establish the planning and legislative framework for efficient and equitable urban growth through research, training, and preinvestment studies. (See app. VIII.)

The U.N. views shelter (dwellings and other physical structures), infrastructure, and social services as inseparable components of human settlement. Many organizational activities within this area are based on an integrated approach encompassing all three constituent parts.

The U.N. Center for Housing, Building, and Planning is responsible for coordinating U.N. activities in these fields. It handles technical cooperation and the conduct of pilot and demonstration projects; analyzes and evaluates worldwide housing, building and planning problems; reports to relevant U.N. bodies; researches and develops concepts and policies related to human settlement development; and handles documentation and information.

UNDP is the principal source of multilateral finance for technical cooperation in the U.N. system. A UNDP official stated that little emphasis has been placed on the human settlements field because of lack of interest on the part of LDC governments. Generally, UNDP only funds projects which rank high in the priority of a developing country, and such projects are always government requested. Criteria in determining which projects to fund include (1) substantive local government support, (2) available personnel, and (3) the likelihood that the host government will establish needed credit arrangements, develop infrastructure, and carry on with the project following completion of UNDP involvement. Usually, UNDP does not provide direct technical assistance, but funds consultants to assist the executing agencies.

Both the U.N. Center and UNDP cooperate with other international donors, especially the World Bank and IDB. For example, the Center has conducted preinvestment studies and planning and provided technical assistance to World Bank projects in Pakistan, Tanzania, and Upper Volta. Center officials expressed an interest and willingness in providing similar services to AID, and a U.N. Environment Program official stated that it could conceivably fund environmental aspects of AID projects in LDCs, should AID and the LDC government so request. We believe AID should explore these possibilities. UNDP is financing a study of urban and regional planning and development in El Salvador, which the World Bank, as executor of the study, views as preinvestment research and plans to use as the basis for possible future investment in the housing sector.

Other examples of U.N. housing assistance include:

- Research and experimentation with different building materials under various climatic and topographic conditions and development of indigenous resource materials. The U.N. Industrial Development Organization is assisting Indonesia and Botswana in surveying such national resources. The U.N. Economic and Social Commission for Asia and the Pacific is conducting research at its regional housing center in Bandung, Indonesia.
- Water management--supply, use, and disposal. The Food and Agriculture Organization, World Health Organization, and U.N. Children's Fund are active in this area.
- Environmental aspects of various U.N. programs. The U.N. Environment Program funds demonstrate projects in Indonesia and the Philippines.
- The U.N. HABITAT and Human Settlements Foundation is involved in institution building, the provision of real capital, the stimulation of innovative approaches to preinvestment and financing strategies for human settlements activities, technical assistance, and the mobilization and transfer of scientific and technical knowledge.

The U.N. Center and UNDP remain the principal U.N. forces in funding technical assistance in the housing area. The Center provided preparatory assistance to the Ministry of Public Works and Urban Development in Bangladesh for a large-scale project with UNDP assistance in developing and

expanding the existing Housing and Building Research Center in Dacca. The project envisages institution building; research and development of new and improved building materials; solution of structural problems related to cyclones, floods, and difficult foundation conditions; and development of low-cost housing design and construction techniques.

The U.N. Center has helped Peru establish a long-term housing policy through the planning, construction, and initial management of an experimental housing project emphasizing low-income needs. It has assisted Tanzania in designing a comprehensive sites and services program, and a U.N. expert will help to organize housing cooperatives for seven sites and services schemes, including five in Dar-es-Salaam. An integral part of the program is the improvement of a squatter settlement containing approximately 7,600 houses in Manzese, Dar-es-Salaam.

The 1976 HABITAT Conference in Vancouver attempted to focus world attention on housing as it affects the quality of life, but it is unclear what the ultimate impact or outcome of HABITAT will be. The most crucial place for followup is at the local level--the implementation of national action plans by the participating countries. However, there is no evidence indicating that this is happening. For example, a U.N. official stated that in El Salvador the interest in the housing field created by the HABITAT Conference has since dwindled. U.N. and World Bank officials expressed skepticism of the Conference and doubted that any meaningful followup would occur. The recent 31st session of the U.N. General Assembly abolished the HABITAT Secretariat and its future will probably be decided in late 1977.

ORGANIZATION OF AMERICAN STATES

Until recently, housing as a component of urban development was a priority area within the Organization of American States (OAS). In July 1976, the activities of the urban programs division, which encompassed housing, were merged within other OAS activities. The development of rural towns servicing agricultural areas is now OAS's chief concern, and housing is not considered an important element of current programs.

An OAS official stated that the Inter-American Information Service in Bogota, Colombia (formerly called the Inter-American Housing Center), is plagued by financial and personnel problems and is no longer functioning in the housing area. OAS still provides some technical assistance in the form of seminars and funds studies in housing-related matters (i.e.,

a 2-year, \$85,000 study of building materials and techniques in El Salvador). An OAS official stated that it has also responded to emergencies arising from natural disasters in Peru, Nicaragua, and Honduras with about \$200,000 to purchase such items as low-cost roofing for the disaster victims.

ASIAN AND AFRICAN DEVELOPMENT BANKS

The Asian Development Bank was created in 1966 to foster economic growth and cooperation in the poorer countries of Asia and the Far East. The United States participated actively in the Bank's establishment, and its 1976 subscription to the Bank's capital stock amounted to \$361.9 million or 11 percent of the total. Much of the Bank's lending has been in agriculture, the agroindustry, and public utilities. It has made no loans for directly designated low-income housing, but it has made loans for shelter infrastructure projects. In 1975, \$20 million was loaned to Hong Kong for sewage treatment and \$16.8 million to the Philippines for its public water supply.

The African Development Bank has also made loans for infrastructure projects. In 1975 it made the following loans.

Liberia	\$0.92 million	for water supply
Ivory Coast	\$5.56	" " " "
Senegal	\$5.00	" " " "
Zaire	\$5.56	" " " "
Mauritius	\$4.44	for water and power

OTHER BILATERAL DONORS

Other bilateral donors providing housing assistance to LDCs include France, West Germany, England, and Canada.

In France, the "Caisse Centrale de Cooperation Economique" acts as the disbursing agent for the three assistance funds through which the greatest share of French assistance is channeled. The fund serving the countries of sub-Saharan Africa and Mozambique is responsible for most of the lending activities in the housing sector. As of 1975, it was lending approximately \$25 million a year with two-thirds of this assistance going to housing corporations and one-third to public housing authorities seeking to assist middle- and low-income groups. Following the 1970 earthquake in Peru, France donated 15 aluminum housing units to the city of Casma. A \$22.3 million loan is financing water and sewer projects in Paita and Talara on the northern coast of Peru.

In its housing assistance West Germany's Federal Ministry for Economic Cooperation seeks to make use of the inadequately used labor, the initiative and organization of the population, and the informal sector which can help in slum upgrading and sites and services projects. In 1976, West Germany loaned \$13 million to Peru to provide increased water supply and water distribution systems in Lima.

England's Commonwealth Development Corporation committed approximately \$148 million through the end of 1973 to mortgage finance companies and housing developments. About 22 housing projects were under its direct management and 10 other projects have been turned over to local management. Most commitments have provided seed capital and loans to housing corporations and local authorities, and over 20 mortgage finance companies have been created in Africa, East Asia, and the Caribbean. Technical assistance and town planning studies have also been supported.

The Canadian International Development Agency has also devoted limited resources to housing and considers it possible to develop within Canada the basic technical and capital resources required to support LDC efforts. The Agency recommends that housing assistance be initiated only if and when national plans of action for human settlements development, as discussed at the HABITAT Conference, are incorporated with high priority in overall national development plans.

CHAPTER 5

HOUSING ASSISTANCE PROVIDED BY AMERICAN PRIVATE AND VOLUNTARY ORGANIZATIONS

PVOs are involved in housing assistance throughout the developing world. (See app. VII.) The majority of their projects are in Latin America and Asia and include disaster relief, development of cooperatives, squatter rehabilitation, sites and services, and provision of financial and personnel support.

These organizations respond to government requests or natural disasters, as well as act on particular humanitarian projects to complement a country's development program. In determining specific programs, PVOs consider the degree of need, recommendations by field representatives, availability of financial and personnel resources, and local self-help motivation. They try to maximize the use of indigenous materials, and most of them employ local personnel for labor, program design, planning, and community development.

The majority of PVOs agree that the development of community organizations to help with shelter problems is a prime indicator of the success of any program, while others cite whether a measurable degree of demand has been satisfied through a program.

Most PVOs involved in providing housing assistance are financed by private donations, along with contributions from religious organizations, charitable foundations, labor unions, and corporations. They may also receive funds from AID and other foreign government agencies, as well as from their own fund-raising events.

Use of PVOs to accomplish certain foreign assistance objectives began in 1946, when President Truman directed that a committee be established to "* * * tie together the governmental and private programs in the field of foreign relief and to work with interested agencies and groups." In recent years the Congress has warned against too strong a union between PVOs and AID, fearing "that a relationship which too closely joins the Private and Voluntary Agencies with AID may erode the unique character of these organizations."

AID's involvement generally concerns (1) programs related to PVO registration with the Advisory Committee on Voluntary Foreign AID and (2) contracts and grants for PVOs

to carry out AID programs or their own programs in developing countries.

Upon request, the Volunteer Development Corps sends professionals overseas to help officials take advantage of cooperative opportunities and to advise government officials on the loans, supervision, and technical assistance they provide to cooperatives. Some of these housing projects include assisting to redesign and operate a prefab homes factory; establishing centralized management of multiunit co-op housing; training the staff of a new government department of cooperatives; and establishing management services for a large housing co-op. Projects are in Lesotho, Indonesia, Chile, and Jamaica.

The Foundation for Cooperative Housing (FCH) has worked overseas with AID, IDB, the U.N., and local government housing and cooperative organizations in developing more than 40,000 housing units and in training more than 500 housing technicians and cooperative leaders. It received a development program grant from AID to assist local governments and cooperative organizations in developing shelter programs for the poorest majority in the developing countries. FCH programs overseas involve an expenditure of \$3,327,737, most of which is provided under contract by AID.

FCH has collaborated with international agencies, local governments, and cooperative groups in a wide range of self-help housing programs since 1965. The type and size of these projects have varied from small rural co-ops in Panama producing housing at \$300 to \$1,000 per unit to larger scale minimum shelter projects at \$2,000 per unit. A typical FCH program is the one in Nicaragua which provides consulting services to the Banco de La Vivienda for the construction and management of 10,000 housing units.

OUR OBSERVATION

Because PVOs work at the grassroots level within LDCs, they develop and possess a degree of expertise which AID and other international donors could effectively use. During initial development of shelter projects, the donor organization should contact representatives of PVOs operating in the proposed host LDC to obtain input on needs, appropriate project design, and technical assistance which may be available. The obvious result of this process would be more effective use of PVOs in housing assistance.

We believe PVOs could also function more effectively if they were better informed of what other PVOs and donors were doing and planning to do in the area of international housing assistance. Ideally, AID is in a position to bring the various PVOs together on a regular basis. Such meetings could serve (1) as a mechanism for information sharing both among the various PVOs and between PVOs and international donors and (2) as an opportunity for PVOs to have more effective input, through discussions of ongoing and upcoming projects. Such meetings could also serve as a sounding board for mutual problems and new ideas.

CHAPTER 6

SUMMATION--THE CHALLENGE AHEAD

Finding ways to meet the shelter needs of the developing world's low-income groups is a complex and difficult task for even the most experienced planners. There is, for example, relatively little experience on which to rely; project development time is long; and capital requirements are large. The difficulty of imposing externally developed approaches to sensitive, social, political, and economic problems is compounded by the lack of consensus on the best approach to the shelter problem. Yet, for economic, social, and political reasons, the shelter problem must be addressed.

Despite the proportions of the housing crisis, however, many countries have yet to give deep attention to improving shelter conditions of the poor. Because inadequate housing, exacerbated by rapid haphazard urban growth, can have a profound effect on these countries' overall social and economic development prospects, LDC governments need to recognize the importance of the shelter area in their development efforts. An individual's health, educational abilities, and job productivity can be seriously impaired by unsanitary and overcrowded living conditions as can his attitude toward the political structure of his country.

U.S. bilateral assistance before 1973 through the HIG Program generally did not improve housing conditions for low-income families. The traditional, western-styled homes provided through this program largely benefited middle- and upper-income groups. At the same time, however, fairly viable savings and loan institutions with the capacity to make long-term housing loans were established in Latin America. In the early 1970s the World Bank began offering loans designed for lower income groups. In 1973 AID also entered the low-income housing area.

Although bilateral and multilateral assistance constitutes a relatively small portion of the total investment in housing and shelter, it can be an extremely important source of innovation for the (1) income group to be served, (2) methods to be used, and (3) institution being developed or adapted.

It is too early to reach final conclusions about the results of the type of shelter programs now being financed by bilateral and multilateral agencies. However, these program approaches are based on assumptions that:

- A substantial savings potential exists among low-income groups in LDCs and can be organized to serve as a continuing source of funds for low-income housing.
- Low-income groups receiving such shelter will have the time, resources, and will to carry out the self-help improvement and maintenance component of the loan program.
- Sites and services and minimal housing, as virtually untested approaches, will become an acceptable form of housing to the LDCs.
- Middle-income groups are adequately served by the local housing market and will not end up displacing low-income groups from these projects.
- The LDCs have the administrative capability to service the loan program and future low-income housing programs.
- The host government will allocate low-income housing on a fair and equitable basis.
- Relocation, wherever it is required as a result of assistance, will be carefully planned and carried out by the local authorities.
- LDC governments will be able to meet the dollar pay-back requirements for loan payments.

While certain of these assumptions have yet to be fully tested and need to be closely monitored, we believe that the current slum upgrading and sites and services approaches are legitimate means of meeting part of the shelter needs of the world's expanding population. Housing assistance of this nature can serve both as a demonstration of the feasibility and acceptability of these minimum-standard approaches and as a means for developing or strengthening LDC institutions capable of providing a continuing source of financing and expertise for shelter projects. Bilateral and multilateral assistance policy is hinged on the premise that if such assistance is to be replicated on a large and continuing scale by LDCs themselves, existing standards must be lowered and the kinds of shelter provided through international assistance must be compatible with the income levels to be served. If LDC financial institutions capable of continuing the funding of shelter projects are to be developed, LDC governments should minimize subsidization of housing projects.

An important element still requiring considerably more attention is the integration of shelter assistance with infrastructure and economic and social projects. Integrating projects into a working community requires more concerted effort and dedication by governments and donors through improved planning. This sort of commitment to undertake low-income housing programs is essential if international assistance efforts are to have any meaningful impact on housing conditions in LDCs while simultaneously promoting social and economic development.

Given the scarcity of financial resources among assistance donors and the magnitude of the world housing shortage, donor funds alone can provide only a small portion of the investment required to deal with LDC shelter needs. We believe that available funds should go to countries whose shelter needs are most acute, whose governments are actively committed to a program of low-income housing and community development, and where the effect will be greatest. The large-scale replicability of shelter projects by LDCs themselves must be a key feature of housing assistance efforts. Unless and until LDCs become committed to an active program of meeting the shelter needs of their low-income populations, international assistance will have minimal effect. An effective low-income housing program should strive toward land tenure security and acceptance of minimal standards, both of which will require difficult but necessary political decisions by LDC governments.

The United States can also have a more positive effect in assisting LDCs address their housing needs than it has in the past. We believe that the heavy concentration of U.S. housing aid in a small number of relatively wealthier countries in the past couple of years has meant that the U.S. program's demonstration effect has been narrow, with a limited impact on alleviating the world's low-income housing shortage. U.S. housing and development assistance programs are not generally intended to serve as vehicles for providing select countries with massive capital infusions for substitution financing or balance-of-payments relief. As mentioned in chapter 3, page 49, the Department of State and AID do not agree with this.

Although we recognize the political aspects of U.S. policy in foreign assistance, we believe that AID should give priority to the factors outlined in this chapter when determining how to allocate these low-income housing assistance funds. U.S. development assistance should also be coordinated with other international donors and should be integrated with food and nutrition, population planning and health, and education and human development assistance to the maximum possible extent.

We recognize the importance and evolutionary nature of these recently developed minimal shelter assistance programs and believe these programs must be planned and implemented very carefully and evaluations made continuously along the way if they are to successfully demonstrate to LDCs the viability of low-income housing. Donor coordination should be maximized so that each project will have the benefit of available experience and expertise. And to the greatest extent possible, PVOs should be encouraged to concert their housing efforts so that such humanitarian assistance is mobilized to reach the lowest income levels to complement development assistance funds.

Substantial housing expertise exists among PVOs, but for the most part, these organizations operate independently of governments and each other. Bilateral aid is often channeled through them because of their experience in particular fields. While these organizations cannot now be considered a private aid network of humanitarian groups, a real potential exists for them to cooperate more intensively among themselves and with bilateral and multilateral donors to take concerted action and have greater impact on areas where humanitarian aid is the only appropriate means of assistance.

RECOMMENDATIONS

Because of the seriousness of the worldwide housing shortage and the need to improve donor efforts, we recommend that the Secretaries of State and the Treasury and the Administrator of AID encourage international donors, including the international financial institutions, to:

- Establish and execute integrated development plans that recognize housing as a necessary component of development.
- Direct funds to countries whose shelter needs are greatest and whose governments are actively committed to low-income housing and community development.

Recommendations to improve U.S. bilateral housing assistance are made in chapter 3.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

Auditor General

July 21, 1977

Mr. J. K. Fasick
Director
International Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Fasick:


Thank you for providing the General Accounting Office draft report "The Challenge of Meeting Shelter Needs in the Less Developed Countries" for Agency comment. The pertinent officials within AID and the Department of State have reviewed the proposed report with considerable interest and have held a number of discussions with your staff regarding it. These discussions resulted in some agreed to revisions which are not included in our comments. The comments attached summarize joint State/AID views of the report's findings and recommendations.

Under policy applying prior to 1973, the Housing Investment Guaranty Program had broad development objectives. Permanent financial institutions were created and long-term mortgage loans were available for the first time to groups not previously served. The kind of housing built was fully consistent with existing legislation. The House Committee on Foreign Affairs had stressed that mortgage credit should be developed for middle and lower-middle-income families whose housing plight was felt to be as serious as that of low-income families (H.R. Report No. 1778, 87th Congress, 2nd Session, June 6, 1962).

AID's current program response to sheltering the poor is based, in our view, on the best known strategy for dealing with the problem at this time. AID has been an important participant in the formulation of this strategy, about which we believe there is a strong consensus within the development community. The basic approach involves working with developing countries to pursue policies which will provide "minimum shelter" to large numbers of lower-income people. The Housing Investment Guaranty Program is the chief U.S. shelter program instrument which, in consonance with AID policy and Congressional intent, is focused on the shelter needs of low-income people.

We are pleased that your review directs attention to the serious shelter and urban crisis in developing countries. The current re-examination of foreign aid programs will give both the Executive Branch and the Congress an opportunity to reassess the appropriate priority for use of concessional resources in the shelter sector.

Sincerely yours,


Harry C. Cromer
Auditor General

- GAO notes:
1. Deleted comments pertain to matters omitted from or revised in the final report.
 2. Page references in this appendix may not correspond to page numbers in the final report.

DEPARTMENT OF STATE AND AGENCY FOR INTERNATIONAL DEVELOPMENT COMMENTS
ON THE GAO DRAFT REPORT "THE CHALLENGE OF MEETING SHELTER NEEDS IN THE
LESS DEVELOPED COUNTRIES," DATED MAY 17, 1977

General Comments

We appreciate the opportunity to comment on this draft report.

[See GAO note 1, p. 76.]

We are encouraged that your review directs attention to the very real shelter and urban crisis in developing countries. The report caught the extraordinary complexity of the problems and the difficulty of creating solutions to it. The need for the development of innovative solutions and their introduction is recognized, as is the important role external assistance agencies must play.

AID's Housing Investment Guaranty Program is the chief instrument for U.S. bilateral shelter assistance. That program has fundamentally changed since 1973 and fully reflects AID policy and Congressional intent in terms of serving low-income people. The type of program financed since that time reflects an agency program response to the problem of sheltering the poor which is based on the best known strategies for dealing with it.

AID's shelter programs have been evolving as years of experience have accrued. Under the policies applied to the program prior to 1973, broad development objectives were served as permanent financial institutions were developed and as important changes occurred making long-term mortgages loans available to groups not previously served. We believe that programs financed prior to 1973 reflected policy of that time; programs subsequently financed follow current AID policy and Congressional intent.

Your report catches the clear evolutionary thread of AID's shelter policies with ever sharpening focus on low-income people and particular program approaches designed to serve them. These are reflected in the projects now being financed by AID. The fact that squatter upgrading, sites and services, and core house programs are now being tested, developed and financed, is a considerable achievement largely due to the influence and efforts of external development agencies. These program

solutions are perceived of as radical and require a monumental mind change by those responsible for shelter in the public and private sector in developing countries. The introduction of these program forms focussed on the shelter problems of low-income people by external agencies has to be on an incremental basis where movement in the direction of change takes place gradually but with ever sharper focus on the shelter needs of low-income people. It is in the context of the considerable difficulties of this process and the incremental change strategy necessary for all international economic assistance that shelter programs of external assistance agencies must be judged. We say this as a way of pointing out that your review caught the process as AID has applied it, for example, in Korea and Peru, but then moved to conclusions which we consider to be more negative than the facts warrant. In both cases, AID has played a substantial role. Step by step, programs have assisted in the development of new institutions or changing existing ones so that these have moved to serve the shelter needs of low-income people. Program forms now in development in these countries include squatter upgrading and sites and services. During this complex process delays in program implementation have occurred, a perfectly natural phenomenon. Not every change one would like to achieve occurred, but very important progress occurred. It is the clear movement to fundamental change which is obviously of great importance.

We would like to make some overall comments on the Digest of the draft and then make specific comments on Chapter 3 dealing with U.S. bilateral assistance to the housing sector.

Recommendation to State and AID

We agree in general with your recommendations to the Secretary of State and the Administrator, Agency for International Development. In so doing, we want to make the following points:

1. HIG guarantees have been recently concentrated, in terms of amounts of funds, in a small number of countries principally to accommodate specific country authorizations of the legislation as in the cases of Portugal and Israel. AID has never turned down an approvable request for a HIG for a program of housing for low-income people. The basic reason why we do not have HIG programs in more countries is that we have not received sound requests. Thus reducing the number or size of HIGs in certain large countries would not necessarily allow for increases elsewhere. Given these facts, you may wish to reconsider your conclusion that concentration has "limited the program's demonstration effect and thereby, its impact on alleviating the housing shortage". The limits on the program's demonstration effect are not

- a result of program levels in any country or group of countries.
2. Every effort is made to assure program replicability. The report does not capture the substantial effort expended to achieve replicability in each project negotiation, or the respects in which these efforts have been successful.
 3. HIG projects can only be, and are, planned in close concert with host country economic and housing officials. In program development phases, we attempt to insure that host countries move in the direction of sounder policies, including subsidy minimization, and the development of institutions which can replicate the kind of housing initiated by the program.
 4. The HIG program is integrated into the Agency's overall planning, budgeting and implementation process. Coordination is generally good between the Office of Housing and Regional Bureaus in Washington and between Regional Housing Officers and field missions. We will continue to seek ways to improve it both in Washington and the field. This is illustrated by the recent establishment of a regional housing office in Panama to serve South America and the imminent establishment of a similar office in Tunis to service North Africa and the Middle East.
 5. The Agency is seeking to develop ever clearer approaches to urban development which will use the HIG as a resource, which together with other development resources, support the host country's overall development effort.
 6. Each and every HIG approval involves the analysis of a country's balance of payments and debt servicing capability. Consultation occurs with other U.S. agencies as well as the IMF and other important multilateral agencies on these matters as the authorization process develops. The best judgement of the Department of State and AID is applied against a standard of reasonableness based on the foreign economic, political and social policy objectives being served. We will seek ways to continue to improve this analysis.

[See GAO note 1, p. 76.]

Recommendation to the Congress

AID is interested in expanding its efforts in urban community improvement. Apart from the HIG or SA resource categories, there are very limited resources available for integrated shelter and urban development programs designed to help improve the increasingly deplorable conditions in urban communities.

AID has legal authority to use regular technical and capital assistance funds for rural shelter under section 103 and for urban shelter under section 106 (a)(6).

However, housing is not one of the areas of emphasis for rural development contained in section 103 (c), nor of urban development in section 106 (a)(6). Nor is housing noted under the general technical assistance authority contained in section 106 (a)(1). Both the Congress and the Agency have seen the HIG program as the primary AID instrument for housing programs, except in the case of reconstruction following disasters. Therefore, housing projects are seldom proposed for funding out of regular development aid funds. The current re-examination of foreign aid programs and subsequent legislative action will give both the Executive Branch and the Congress an opportunity to reassess this relative lack of emphasis on shelter in the regular concessional financing programs of the U.S. government.

Specific Comments on Chapter III

These comments are directed at Chapter 3. They also have relevance to the Digest and to Chapter 6.

Your report takes the position that the demonstration objective of the program has been seriously limited by AID's concentration of HIG projects in the past two years.

We have pointed out to your review staff that projects have been authorized in ten countries in that period which is a reasonable number compared to any known standard. It is a larger number of countries than reached by any other development agency with shelter programs. The number AID is able to work with is a function of the number of countries ready to work with it and the authority available. AID has not refused to work with any eligible countries ready during that period. The impression left by your report that concentration is causing AID to be unable to work in more countries is incorrect. In addition, you are also aware that Congress earmarked large amounts of the available authority for Israel and Portugal and more recently in Lebanon which AID honored. In the cases of Peru and Chile, guarantees of large loans were based on the readiness

of those countries to undertake sizeable programs with important consequences to low income people with significant institutional changes. These two countries have a greater absorptive capacity than some even poorer countries because they have come a long way toward developing the institutional framework required to conduct large shelter programs. This is not yet the case in most African countries. In any event, shelter projects tend to be large, witness World Bank loans for this purpose. (Peru \$43.2 million; El Salvador \$15 million; Philippines \$32 million; Indonesia \$51 million.) We repeat, therefore, that the pattern of guarantees authorized in the last two years has neither limited the demonstration effect of the program nor its impact on the worldwide housing shortage when the information noted here is taken into account.

In the Section "Selection of Countries to Benefit from HIG Program" beginning on Page 39, the inference is left that the political and economic purposes of HIGs in Chile, Portugal and Israel have been so overriding that the shelter purposes of the program were not served. Despite their obvious political and economic purposes, important shelter development objectives were included in these programs.

[See GAO note 1, p. 76.]

In the section entitled "Institutional Development" beginning on page 43 a case, with which we do not agree, for non-replicability is developed on the thesis that since Chile, Israel, Peru and Portugal are countries with fairly well developed financial institutions, the contribution made by the HIG is "less one of actual development than a capital infusion into an already established institutional framework." We contend that when existing institutions are moved to serve a market

like that of the poor which they did not previously serve, very important institutional change occurs. This is clearly the case in Chile and Peru. The latter program is a model of the incremental strategy applied with successive improvements in service to low-income families by changes in existing institutions. In the case of Israel we have and are helping housing institutions better serve low-income people by suggesting changes to their internal financing mechanisms. In Portugal, the institutions were, for all practical purposes, brand new.

[See GAO note 1, p. 76.]

The additional material in this section on project analysis and improved coordination as seen by some offices within AID by its very bulk conveys the sense that a considerable problem exists. The general view here is that project analysis and coordination between the Office of Housing, the Geographic Bureaus and the Missions is generally very good. Improvements can be made and every effort will be made to this end.

Conclusion

The report draws attention to the massive shelter and urban development crisis in a very positive way pointing out that integrated approaches to its solution can have important economic and social consequences and that housing assistance should be raised in importance in development planning. We agree.

We do not agree that the pattern of lending of the past two years which concentrated available authority in four countries limited the program's demonstration effect. Had there been countries seeking HIGs which were turned away in order that large loan guarantees be made in a few countries, there might be grounds for such a conclusion. Had there been greater demand and had the program operated in more countries, the demonstration effect would have been wider.

We are making a major effort to introduce the program to more countries and to develop sound programs of shelter for low-income people. We are in constant touch with other donors, particularly the IBRD with which we hope to develop cooperative shelter projects. We organize regional conferences each year to explain the program and offer our assistance to countries wishing to develop shelter projects. A major responsibility of our regional housing officers is to provide assistance in this regard.

We do not agree with the conclusion contained in Chapter 3 to that "replicability" is not assured. We believe the results are more positive.



THE DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
ASSISTANT SECRETARY
FOR INTERNATIONAL AFFAIRS

June 15, 1977

Dear Mr. Fasick:

In response to your request to Secretary Blumenthal for comments on GAO's draft report "The Challenge of Meeting Shelter Needs in the Less Developed Countries", the Treasury Department noted with interest your description of the efforts in housing by the international development banks and concurs in your recommendation.

Your report recommends that the Secretary of the Treasury encourage all donors: (1) to cooperate fully in the development of integrated development plans which recognize housing as a necessary component of development; and (2) to direct assistance to those countries where shelter needs are the greatest, where governments are actively committed to a program of low-income housing and community development, and where efforts will have a significant impact. The Treasury Department concurs with these recommendations and it continually encourages the banks to develop housing projects as necessary and to focus their assistance on those countries where the funds will be used most effectively.

The fourth chapter of your report on the banks included some excellent descriptive material on the types of projects the banks are financing and the nature of low-income housing.

Thank you very much for making this draft report available to us for comment.

Sincerely yours,

Michael F. Cross
Acting Inspector General
for International Finance

Mr. J. K. Fasick
Director
International Division
U.S. General Accounting Office
Washington, D.C. 20548

OUR OVERVIEW--HOUSING SITUATION IN COLOMBIA

Colombia has a total area of 439,513 square miles and in mid-1975 an estimated population of 23.4 million, with 66.8 percent (15.6 million) concentrated in the large urban areas. The average annual population growth rate during 1970-75 was 2.7 percent, and the population is projected at 26.9 million by 1980. The urban population growth rate is exacerbated by rural migration which averaged 5.3 percent a year during 1970-75.

Colombia's 1975-78 development plan proposes a gradual entry into the international trade arena. The present government's primary objective is to continue accelerating the opening of new markets and diversifying its exports by stimulating the private sector to maintain a healthy level of exports. Urban development is not considered a high priority, although some programs are being carried out by the Institute of Territorial Credit, the executing arm for the housing sector.

Urban housing deficits for 1964 and estimates for 1973 through 1980 are shown below.

Total urban
housing deficits

(units)

1964	320,702
1973	580,861
1974	611,325
1975	614,258
1976	678,888
1977	715,301
1978	753,591
1979	793,848
1980	836,173

Housing construction in the major Colombian cities during 1970-75 has not kept pace, as illustrated on the following page.

Housing units constructed

<u>City</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Bogota	14,027	14,302	13,408	17,151	11,733	12,209
Medellin	3,219	3,540	3,931	5,321	4,128	1,576
Cali	2,286	1,461	3,683	4,847	5,524	3,098
Barranquilla	1,705	1,773	1,040	3,285	3,265	2,562
Bucaramanga	445	502	1,051	568	1,062	676
Cartagena	-	-	353	783	468	293
Total	<u>21,682</u>	<u>21,578</u>	<u>23,466</u>	<u>31,955</u>	<u>26,180</u>	<u>20,414</u>

During 1970-75 a total of 145,275 housing units were constructed, for an average of 24,212 units annually. A comparison of housing construction and deficits reflects the magnitude of Colombia's problem in providing shelter for its citizens, especially in the urban areas. The problem in the urban areas is intensified by an average annual rural migration rate of 5.3 percent.

COLOMBIA'S PUBLIC HOUSING ACTIVITIESInstitute of Territorial Credit

The Institute of Territorial Credit was created in 1939 to execute and supervise the government's housing program. The Institute, a decentralized public agency under the jurisdiction of the Ministry of Economic Development, is governed by a six-member board, named by the President of the Republic, and presided over by the Minister of Economic Development.

The Institute's two primary objectives are to (1) incorporate squatter-type settlements into overall urban development through rehabilitation and (2) provide low-income housing through progressive development solutions. These objectives are accomplished through

- technical assistance to small and intermediate cities;
- land tenure-related programs such as legalization and redistribution;
- loans to municipal governments and agencies involved in providing infrastructure; and
- home improvement loans to qualified individuals.

The Institute's policies and procedures are implemented by its 24 sectional offices.

Institute programs are intended to benefit primarily low-income families with monthly incomes of less than \$125. With this in mind, the Institute develops an individual plan to provide housing appropriate for the different low-income levels. The housing units are to be developed progressively by the families, as their incomes increase.

The program includes:

- Sites and services for families whose monthly income ranges from \$14 to \$28.
- Minimal solutions with essential services directed to families whose monthly earnings are not more than \$70.
- Basic and intermediate solutions, averaging between 41 to 60 square meters and 61 to 90 square meters, respectively, and costing less than \$4,167. Target groups include families with monthly incomes between \$70 and \$139.
- Maximum solutions, costing more than \$4,167 and built to satisfy the demand of the middle-income sector. These solutions represent about 6 percent of the annual projects. The Institute progressively diminishes the subsidy and charges the cost of the financing resources according to the family's ability to pay.

The Institute has the following housing construction systems.

- The Institute finances basic and minimal solutions for those who already own the land. This program makes use of the existing public works.
- To avoid sharp cost increases in the construction to minimal solutions, the Institute will finance the land and the building materials. It will also organize and advise the owners to make use of the self-help approach to build their houses.
- A large number of the solutions are built through the participation of the private sector with the Institute picking out the contractor whose prices, building time estimates, and operating capacity are convenient.

--The Institute also takes advantage of the private sector's technical and managerial capabilities in the search for newer, better, and less expensive housing solutions through the financing and execution of joint ventures.

The contractor builds and sells the units according to the stipulated requirements set for the project. The Institute will pay with notes that are due at the end of construction with an interest rate of 16 percent.

Historically, the Institute has depended upon government appropriations to maintain its programs for subsidized low-income housing. Due to an increase in activities, the Institute has entered the "money market" to secure financial backing, although most of the available sources are expensive, lending at interest rates ranging between 20 to 24 percent. After the government's resources and other internal resources become commingled, the Institute achieves lower interest rates of about 14 to 16 percent, depending on the makeup of the capital.

In 1975, Institute resources were \$85.1 million, of which only \$12.9 million (or 15.2 percent) came from the government. Other financing sources for their programs include insurance companies, the Popular Bank, national banks, Central Mortgage Bank, Bank of the Republic, and the National Savings Fund.

Financial institutions

The Central Mortgage Bank has been designated as a quasi-government institution to finance urban and housing development programs. The Bank also manages the Financial Fund for Urban Development and is used as a discounting institution by government and private entities.

The Bank and the Institute of Territorial Credit coordinate as closely as possible in the housing sector, although a director of the Bank told us that the Bank traditionally has never serviced the needs of the low-income groups, but mainly concentrated on middle-, upper-middle- and high-income groups. However, the government has changed this policy and is trying to coordinate the efforts of all participating institutions and government agencies to place a priority on housing for low-income groups.

The Bank's primary source of funds is through the sale of mortgage bonds. Such sales have had an adverse impact on short-term financing for construction companies

and contractors. because money generated by these sales becomes too expensive (26 percent) to compete with the savings and loan system's money (24 percent). In order to reach the lower income levels, the Bank is changing its lending scheme to accommodate people whose monthly income is about \$85.

HOUSING ACTIVITIES SUPPORTED
BY THE U.S. GOVERNMENT

AID has been the only U.S. Government agency directly involved in Colombia's housing sector, and its past efforts were directed at middle-income groups.

A June 30, 1976, report by the Department of State's Inspector General of Foreign Assistance, entitled "AID Housing Investment Guaranty Program," discussed problems caused by inflationary trends within an economy. The Inspector General stressed the use of mortgage indexing or adjustment clauses to provide adjustments to mortgage payments. Without the protection of such schemes, the Inspector General concluded that participating institutions face the danger of decapitalization as the costs of administering mortgage loans outstrip the institutions' income from mortgage payments.

Urban regional sector loans

AID made two urban regional sector loans to the government, one for \$27.6 million and the other for \$32.9 million to support it in:

- Diverting some migration from the major cities to intermediate cities (30,000 to 350,000 population).
- Improving the infrastructure of low-income areas in the cities of Barranquilla, Bogota, Cali, and Medellin.
- Improving local planning and public administration.
- Fostering the economic growth of the communities.

Among the activities financed to achieve the loan objectives were low-income housing and credit for water and sewers in small and intermediate cities.

The living conditions of a number of low-income families have been improved due to the financial budgetary resources that the loans have provided. They have not been as effective, however, in improving the government's overall fiscal performance or the use of internal resources. However, AID reported that the loan's objective of placing a greater emphasis on low-cost housing was achieved. Further analyses imply that the main program objectives were defined more in terms of quantity than quality, i.e., 23,250 units completed and 177,500 families benefited, rather than whether or not the beneficiaries were truly low-income families.

An April 1974 report by the AID Auditor General stated that although the Institute was programmed to construct 37,500 solutions (price of \$920, monthly family income of \$32, and monthly mortgage of \$3.20), AID allowed a revision to the program. Under the revision, the Institute was not required to construct any minimum solutions and, instead, could construct 23,250 "progressive development houses." These houses were large (3 bedrooms) and selling prices varied between \$1,700 and \$3,200.

We were informed by the AID Mission Director that there are currently two operating program grants for housing in Colombia, both centrally funded by AID/ Washington which also controls the grants. One grant is to Southwest Research Institute of San Antonio, Texas, which is working with the Institute of Territorial Credit to test the use of sulfur as a surface bonding agent in low-cost house construction.

The objectives of this project are to use locally available sulfur as a substitute for cement, reduce construction costs, and increase strength and durability. The Research Institute has built 40 houses in Cartagena as a sample, so that the government can decide whether this technique will help to meet the increased demands for low-cost housing.

The other grant is to the Foundation for Cooperative Housing, a private organization, to provide technical assistance for minimum shelter in Medellin. The project involves 95 families who, through self-help construction and cooperative ownership, will occupy the project. The price of the houses is to be about \$1,750 with monthly payments of approximately \$19.

SHELTER ASSISTANCE PROVIDED BY
MULTILATERAL ORGANIZATIONS

None of the multilateral organizations has a policy to assist Colombia in providing housing to low-income or other groups. For the most part, this is attributable to these organizations shifting their efforts toward those programs having priority to the government.

World Bank

The World Bank is involved in virtually all sectors of Colombia economy--socially oriented programs (education, nutrition, etc.), transportation, power resources, and telecommunications. It is also considering becoming involved in tourism. The government has not approached the Bank concerning its possible involvement in the housing sector.

Like the other international organizations, the World Bank is closely coordinating its activities with the government to achieve the goals set forth in the government's 1975-78 development plan--social projects to redress the financial and sociological imbalances, broad development projects, and nutrition.

The Director of the World Bank Mission commented that there will always be a segment of the population that will be impossible to reach through low-income housing projects unless it is approached through a straight welfare or subsidy program. One example of this segment would be the farmers and others who do not receive income on a monthly basis and cannot be expected to repay normal housing mortgage loans.

Inter-American Development Bank

IDB was active in the housing sector of Colombia's economy during the 1960s, but has since directed its efforts toward agriculture and rural development. During the 1960s, IDB participated with the government in financing four separate housing loans. The total cost of the programs was about \$78.9 million, of which IDB financed \$34.3 million. There were 31,535 units completed at a unit cost varying between \$2,074 and \$3,305.

Notwithstanding IDB's policy of leaving the responsibility of providing shelter to the government, in

1972 the government requested a \$4.4 million loan from IDB to support an integrated program for urban development. An estimated \$5.9 million housing subprogram (\$2.4 million from IDB) is directed toward improving housing conditions in one of the neediest areas in Bogota, particularly re-locating 2,000 families that would be affected by the construction of a major artery through the city.

We noted that IDB is participating in another integrated development program for Buenaventura, a city on the coast of Colombia. This \$48 million program is to be implemented during 1976-79 and is directed toward providing the city with better physical, social, and economic conditions. The Director of the IDB Mission said that only infrastructure would be financed by IDB.

United Nations

The U.N. Development Program has been indirectly involved in the housing sector but has no immediate plans for any future involvement. The UNDP did finance a study of the "cities within cities" concept, but the report, prepared in December 1975, was not followed up with any government action.

COORDINATION MECHANISMS

With the hope of establishing a national housing policy, the President of Colombia directed in October 1976 that a council for housing and urban development be created. Participating in this council will be the Ministers of Economic Development and of Finance; the Chief of the Department of National Planning; the Managers of the National Savings Fund, the Institute of Territorial Credit, and the Central Mortgage Bank; and the Superintendent for Banking. The main function of the council will be to coordinate the institutions' activities in creating and implementing a housing and urban development policy that will encompass all income levels.

OUR OVERVIEW--HOUSING SITUATION IN EL SALVADOR

With a total area of 8,083 square miles and a 1975 population of about 4.2 million, El Salvador is Central America's smallest and most densely populated country. Rapid population growth has produced an intensive urban expansion in the capital city of San Salvador and in the four other major cities of Santa Ana, San Miguel, Sonsonate, and Usulután. An estimated 40 percent of the population lives in urban areas, with about 18 percent (700,000) in San Salvador.

The projected annual population growth rate of 3.3 percent during 1975-80 will result in a total population of 5 million by 1980. It is estimated that more than half of this total will live in urban areas, largely in the San Salvador metropolitan area. This situation has had an extreme impact on the low-income groups, whose ability to pay for housing and related services is severely limited.

The 1970 and projected 1980 urban housing deficit by family income level is shown below.

<u>Family classification</u>	<u>Monthly family income</u>	<u>Estimated housing deficit</u>		<u>Percent of deficit</u>	
		<u>1970</u>	<u>1980</u>	<u>1970</u>	<u>1980</u>
-----units-----					
Marginal	\$ 0 to 40	29,812	53,772	20.3	18.7
Low	40 to 100	67,921	125,002	46.3	43.5
Middle	100 to 240	35,592	74,351	24.3	25.8
Upper-middle	240 to 400	2,861	9,908	1.9	3.4
High	Above 400	<u>10,573</u>	<u>24,667</u>	7.2	8.6
Total		<u>146,759</u>	<u>287,700</u>		

According to the schedule, two-thirds of the 1970 deficit, or about 98,000 units, applied to families earning less than \$100 a month. Although the percent of the estimated 1980 deficit relative to this population group is expected to decrease slightly from the 1970 level, in real terms the deficit of about 179,000 units represents a significant portion of the urban population.

Housing needs can also be illustrated by considering the needs resulting from the formation of new households.

During 1960-70, about 10,000 new households were formed in urban areas as a result of an annual population growth rate of 3.7 percent and migration from rural areas. The majority of these households were low income. It is estimated that the urban area is presently increasing at the rate of 37,000 to 42,000 persons annually.

The housing situation becomes even more acute when considering that 66 percent of the population in metropolitan San Salvador live in less than sanitary conditions, 58 percent of the dwellings have only one room, and less than 50 percent have sewage service. Another critical fact is that 20 percent of the metropolitan area is inhabited by illegal squatters and these settlements are growing by 16 percent a year.

Total housing production during 1962-70 averaged about 2,600 units annually, which represented about one-quarter of annual household formation during the same period. In effect, El Salvador is falling further behind in meeting the housing needs of its overall populace, let alone those in the lower income groups.

EL SALVADOR'S PUBLIC HOUSING ACTIVITIES

Housing policies

El Salvador has not yet enacted a comprehensive legislative code or integrated set of regulations for urban land use controls and, as a result, urban development has been inefficient and has significantly affected housing for lower income families. In addition, the government has no national housing plan.

The institutions responsible for urban and regional planning and implementation operate in relative isolation without coordination of their respective activities. The Ministry of Public Works is responsible for land use and building control, transportation, access roads, and trunk drainage lines for all major urban developments. The Administracion Nacional de Acueductos y Alcantarillados, a semiautonomous agency, is in charge of all water and sewer activities in the country, while several private power companies furnish electric services.

The government has recently established the National Commission for Housing and Urban Development to give policy guidance and expedite urban development. The Commission also intends to devote more regular attention to urban

and regional planning; however, the manner in which such coordination will be achieved has yet to be detailed.

National Housing Finance Agency

The National Housing Finance Agency is a permanent autonomous government agency established in 1963 to charter, supervise, and provide financial support to savings and loan associations. The savings and loan associations receive funds from the Agency and from the general public to invest in long-term housing mortgages.

The Agency's initial capitalization was provided in 1965 in the form of a \$3 million loan from AID (plus \$100,000 for technical assistance) and a \$2 million contribution from the government. AID provided additional capital in 1968 with another \$3 million loan. Currently, all Agency capital is generated within the savings and loan system.

The president of the Agency told us that, although it is legally directed to invest in mortgages on low- and middle-income housing, it has not implemented such a policy with its member savings and loan associations. It only approves or disapproves the savings and loan projects and allows the market to set housing demand.

During 1962-70, 3,182 houses were financed--95 percent of them for families earning more than \$240 a month and characterized as being upper-middle and high income.

According to its president, the agency is still concentrating its financing in the middle- and high-income levels, and the maximum value of houses which can be financed is \$16,000--\$24,000 for condominiums. Correspondingly, the lowest cost house they will finance is in the range of \$800 to \$3,200, which would be affordable by a family with a monthly income of about \$140. According to documents concerning housing construction in process at December 31, 1975, the lowest priced house built cost about \$4,100.

The Agency receives no technical or financial assistance from external sources and although it would consider receiving AID loan funds, the funds would have to be at low interest rates. The Agency president said that HIG project loans were too expensive for a country such as El Salvador and that accepting a HIG project would place a tremendous strain on El Salvador's balance

of payments. He also said that funneling the current HIG project loans through the Central American Bank for Economic Integration was, in his opinion, a mistake because the Bank is adding 1 percent to the HIG rate of 9-1/4 percent.

Urban Housing Institute

The Urban Housing Institute was created in 1951 as an autonomous government agency to serve low-income households. Since 1974 it has received financing capital from the government and from reflows and turnovers of outstanding loans. The Institute is programmed to receive an appropriation of \$3.8 million in 1977 and a possible additional \$2.4 million in June 1977. Between 1962 and 1973, it also received two loans from IDB for about \$12 million.

According to its president, the Institute has built about \$20 million worth of houses since it was created. Although it builds about 1,200 units a year, the housing need of the income group it represents (monthly income between \$100 and \$300) is about 5,000 units a year, and there is a 50,000 family waiting list for housing.

A 1974 World Bank housing sector paper stated that although the Institute was originally established to serve low-income families, its houses (average cost of \$4,000) are not affordable by 60 percent of El Salvador's urban households. Income levels of the recipients of the houses produced during 1962-70 are shown below.

<u>Family classification</u>	<u>Monthly family income</u>	<u>Houses produced</u>
Marginal	\$ 0 to 40	-
Low	40 to 100	3,251
Middle	100 to 240	5,418
Upper-middle	240 to 400	1,084
High	Above 400	<u>1,084</u>
Total		<u><u>10,837</u></u>

Thus, the program has been directed primarily toward families whose income is between \$100 and \$240. The Institute is planning to finance a project in 1977 which will involve upgrading a squatter settlement. According to its latest 5-year estimate (1978-82), the Institute hopes to complete about 5,000 housing units annually--25,000 units affecting about 125,000 people.

Fondo Social-National Housing Fund

The Fondo Social is an autonomous government agency created in 1973 to finance housing construction for certain workers in El Salvador. All registered industrial and commercial workers earning up to \$280 a month (currently numbering about 180,000) are members of the fund. Once a worker becomes a member of the fund, he qualifies for housing despite the fact that his income may eventually exceed the \$280 monthly ceiling.

In establishing the fund, the government agreed to contribute \$10 million during 1974-78 and according to Fondo Social's general manager, it has so far contributed \$4 million. In addition to this grant, a percentage of the member employees' salaries is contributed to the fund--the employer contributing 5 percent of registered employees' salaries and the employee contributing 0.5 percent. These contributions total about \$1.04 million a month.

As of September 1976 Fondo has provided housing loans valued at about \$13.6 million for about 3,000 families, with its efforts directed at contributors in the middle- and upper-income levels, as shown below.

<u>Monthly income</u>	<u>Total value of loans</u>	<u>Percent</u>
\$ 0 to 100	\$ 8,920	0.1
100 to 160	1,940,988	14.3
160 to 200	805,104	5.9
200 to 280	<u>10,859,882</u>	79.7
Total	<u>\$13,614,894</u>	

The general manager said that Fondo's lower income groups are pressing management to be more responsive to their housing needs. Fondo had about \$16 million available for housing loans, but is having difficulty finding private contractors willing to construct lower income type housing. Fondo normally purchases its houses from private sector contractors.

When purchasing a house, Fondo requires no down payment from its members, doesn't charge any type of fee, and finances 100 percent of the total cost of the house and land up to \$5,200.

Fondo is now purchasing tracts of land in metropolitan San Salvador for the future development of low-income housing. The general manager stated that to provide housing that is affordable to low-income families, low-priced land and low-interest rate housing loans are the primary requisites.

Private bank activities

The Banco Hipotecario is the primary source of private bank housing loans in El Salvador. In fiscal year 1975 loans for low-income houses accounted for only 3.9 percent of total housing construction loans, while loans for houses costing between \$6,000 and \$32,000 represented 88.7 percent of the loan portfolio. In 1976 loans for low-income houses increased to 7.9 percent of loan funds; loans for houses in the \$6,000 to \$32,000 range decreased to 78.2 percent; and houses costing \$32,000 and above accounted for 13.9 percent of the total portfolio.

According to a Banco Hipotecario official, there has been little activity in the housing sector during the past 2 years because little credit has been available for housing construction. The official believed that the bank would not invest in low-income housing, particularly sites and services/self-help projects, because it would not be economically feasible. He said that the people participating in such projects are economically unstable and, therefore, could not be relied on to repay the loans.

HOUSING ACTIVITIES SUPPORTED BY THE U.S. GOVERNMENT

Agency for International Development

AID has not emphasized housing in El Salvador in recent years but has concentrated in the areas emphasized by the government, which include agriculture, education, health and population, and economic policy.

The AID Mission Director does not classify housing as a mission priority because it would not enhance the country's overall economic development. He believes that such development can best be aided by providing assistance in the priority areas decided by the country.

The Director also said that although housing should be part of a development assistance program if it could accomplish such things as long-term employment opportunities or induced savings, construction of factories would have more impact on a country's long-term development.

Housing Investment Guaranty Program

Since 1964, HIG has financed four housing projects, three completed and one still in progress. The three completed projects, which were constructed under the policy in effect to 1973, produced houses priced from \$7,000 to \$11,996 and were aimed at families with monthly incomes in excess of \$400. Available statistics indicate that families with monthly earnings at this level are considered to be in the high-income bracket.

The contract for the current HIG project was signed with the Central American Bank for Economic Integration in April 1973 and authorized construction of 800 housing units at prices ranging from \$5,000 to \$8,500. The prices have twice been reevaluated, the last time in April 1976, and a third price increase is under consideration. Current plans are for 600 units priced between \$9,200 and \$10,800.

SHELTER ASSISTANCE PROVIDED
BY MULTILATERAL ORGANIZATIONSWorld Bank

On November 4, 1974, the World Bank Group agreed to loan \$8.5 million to the Foundation for Minimum Housing for a sites and services housing project to (1) provide infrastructure and core units for self-help housing, essential community facilities, and a pilot fund for small commercial cooperative enterprises of lower income groups and (2) enable households in such groups to acquire lots and construct houses on such lots. The \$8.5 million loan is being made available in two separate increments from the funds of the World Bank and the International Development Association.

Inter-American Development Bank

IDB is not currently involved in housing but did extend two loans in the past to El Salvador's Urban Housing Institute for housing construction and urbanization projects. The first loan of \$6 million resulted in the construction of 3,708 single-family housing units (3,102 in San Salvador and 606 in the interior of the country) and 1,352 apartment units in San Salvador. The project was completed in 1966. The other loan of \$6 million financed the construction of 1,935 single-family units

(754 in San Salvador and 1,181 in the interior) and 2,760 apartment units in San Salvador. This project was completed in 1971.

Although the income levels of the occupants of the IDB-financed housing units could not be determined, the target group of the Urban Housing Institute consists of those families with monthly incomes between \$100 and \$300.

U.N. Development Program

The UNDP is currently financing a study of urban and regional planning and development in El Salvador to help the government improve the institutional framework for formulating, implementing, and evaluating urban and regional development policies, plans, and programs. The World Bank, as executor of the study, views it as pre-investment research and plans to use the results as a basis for possible future investment in the housing field.

Although the government had originally expressed limited interest in initiating the study, its interest has since increased. According to a UNDP official, about 60 to 70 percent of UNDP projects in El Salvador are originated by the government and the remainder by UNDP. UNDP is not planning any future housing-related projects, and other projects would depend on the priorities specified in the government's 5-year plan for 1978-82.

Organization of American States

The OAS housing involvement has been in the form of financial support of studies of housing-related matters. It assisted the government in a June 1971 housing study which, among other things, estimated the housing deficits in urban areas. OAS is currently financing a 2-year, \$85,000 study by the Foundation for Minimum Housing of building materials and building techniques in El Salvador. The study was still in progress during our incountry review and is not expected to be completed until 1978.

SHELTER ACTIVITIES SUPPORTED BY PRIVATE AND VOLUNTARY ORGANIZATIONS

The Foundation for Minimum Housing is a private, non-profit, autonomous foundation in El Salvador. Its activities began in September 1968 when a group of concerned citizens, organized by a Jesuit priest (the present executive director),

relocated 69 families left homeless after a flood. In June 1970, it was legalized as a foundation to activate social change among the poorest 20 percent of the population (families earning less than \$100 a month), using low-cost housing as a catalyst for mutual help and community action.

Under its first 5-year plan, 1971-75, the Foundation facilitated the construction of shelter for 1,393 families in 5 separate housing projects. By the end of 1975, it had also organized five cooperatives in its housing projects, including a central marketing cooperative, and was forming two more.

The Foundation has received financial support for its programs from public, private, European, Canadian, United States, and international sources. The Government of El Salvador collaborated with a \$2 million loan for land purchases and through various agencies that provide electric power, water, schools, health services, and community centers. Private citizens, businesses, and institutions also contributed about \$400,000 annually through periodic fund-raising campaigns.

To establish self-sustaining communities, the Foundation involves the people from the start in activities designed to create and foster community spirit and, after promoting its new housing projects, receives and evaluates applications submitted by those interested in participating.

The selected participants receive about 3 months of community organization sessions before actual construction begins. After each person or family selects the type of housing solution they desire (unfurnished lot with services only, basic core unit, completed unit, etc.), the community constructs the housing, streets and passageways, schools, community centers, and other community-related structures. Construction normally takes place on the weekends when the participants visit the project sites. The Foundation employs people and construction supervisors who provide technical assistance and laborers who produce standard items, such as toilets and sinks.

When the project site is completed, a lottery is held to determine which person or family will occupy the units included among the various types selected originally.

OUR OVERVIEW--HOUSING SITUATION IN PERU

Peru, with a total area of 496,222 square miles, is the third largest country in South America. Its population was estimated at 16.5 million in 1976, and since 1970 the population has been increasing by an average of 3 percent a year. By 1980, total population is expected to be about 18.1 million. In addition, Peru is faced with a high rate of rural-urban migration. Of the migrating population, it is estimated that 50.6 percent are from rural areas.

The Peruvian economy continues to suffer the effects of 1975 and 1976, during which the balance of payments deteriorated, inflationary pressures increased, and the rate of economic growth decreased. The government launched a new austerity program in 1976 with a 44.4 percent devaluation of the Peruvian sol, new price and wage guidelines, increased taxes, and substantial cuts in government spending.

Peru's Ministry of Housing and Construction, created in 1969, estimated that 463,000 housing units must be built between 1976 and 1980 to keep the existing deficit--estimated at 1 million units--at a constant level. Housing units constructed during 1970-75 totaled about 209,117, as shown below.

<u>Year</u>	<u>Public sector</u>		<u>Private sector</u>		<u>Total</u>
	<u>Single family</u>	<u>Multi-family</u>	<u>Single family</u>	<u>Multi-family</u>	
1970	3,785	91	18,448	1,039	23,363
1971	4,436	224	33,621	2,094	40,365
1972	4,311	926	25,822	1,315	32,374
1973	2,550	889	31,993	4,833	40,265
1974 (est)	(a)	(a)	37,493	3,670	41,163
1975 (est)	<u>947</u>	<u>20</u>	<u>28,070</u>	<u>2,750</u>	<u>31,787</u>
Total	<u>16,029</u>	<u>2,150</u>	<u>175,447</u>	<u>15,691</u>	<u>209,317</u>

a/Not available.

Comparing the estimated 463,000 housing units that must be built by 1980 to maintain the existing deficit of 1 million units to the trend reflected by the above table indicates that the deficit will likely exceed 1 million units by 1980.

PERU'S PUBLIC HOUSING ACTIVITIES

The Government of Peru, primarily through the Ministry of Housing and Construction, and secondarily through the Central Mortgage Bank and the Peruvian Housing Bank, has assumed the central role in providing shelter and related urban facilities throughout the country. It has recognized the need for improving the quality of urban life for all its citizens and especially for the lowest income groups who reside in squatter settlements. Peruvian policy recognizes that the squatter settlements are permanent in nature and upgrading these sites is a major objective.

The problem faced by Peru and other developing countries is the inability to mobilize adequate resources to upgrade slum and squatter areas. The private sector is reluctant to lend capital to low-income families residing in, what they consider to be, nonpermanent or risky areas. Thus, upgrading these settlements for legal integration into the city system is an important process in legitimizing the status of the inhabitants of the squatter areas.

The Peruvian Housing Bank, a semiautonomous agency under the guidance of the Ministry of Economy and Finance, was created in 1962 to establish, administer, regulate, and supervise savings and loan associations. AID gave it two seed capital loans of \$7.5 million in 1962 and \$6 million in 1965. In 1969, it was authorized to mobilize funds (through issuing of mutual development bonds) and to extend credits for housing and construction. The Peruvian Housing Bank actively promotes public, private, and foreign investment for housing and construction. It has oriented its operations increasingly to provide technical, economic, and social assistance for housing projects and financial support for the construction industry. Recent policy decisions taken by the board have also committed the Bank to use a large percent of new financial resources for programs to assist low-income areas.

The Bank carries out six basic types of lending programs. They are loans

- to savings and loan institutions,
- to housing cooperatives (which borrow to purchase land),
- to public and private developers for large-scale programs of land development and housing construction,

- for direct programs of urban renovation and redevelopment in low-income squatter settlements,
- for special experimental projects in building materials, and
- for development of construction industries.

In 1971 the Bank began a direct program of lending to upgrade inner city slums and to provide urban infrastructure and services to low-income squatter settlements ("pueblos juvenes"--young towns) on the fringes of Lima's metropolitan area. For example, from pre-1970 through September 1976, it provided about \$118 million in financing for infrastructure and housing. AID's most recent HIG loans to Peru are intended to support the Bank's activities in this area.

The Social Mobilization Agency was formed in 1971 with a mandate to act as a bridge between the government and the people, helping to make government bureaucracies more responsive to the public and helping people express their desires to the government. The Agency has been deeply involved in organizing the residents of the pueblos juvenes and preparing them for remodeling--necessary before final legalization of the settlements. It is currently under reorganization, and, while it is anticipated that its activities will be somewhat circumscribed, it will probably continue to play an active development role in the pueblos juvenes.

The financing of housing is principally the responsibility of four institutional groups.

- The Central Mortgage Bank, which is state controlled and operates primarily with private sector financial resources.
- The Peruvian Housing Bank, which is state controlled and operates primarily with government budgetary assistance, bonds, and external funds.
- The "mutuales" of the saving and loan system, most of which are privately owned by depositors.
- The "Empresa de la Administracion de Inmuebles," created in 1969, which administers public housing after construction and is a key factor in the production of shelter for low-income families.

In 1975, the Central Mortgage Bank held most of the national savings deposits, followed by the commercial banks, savings and loan institutions, and credit cooperatives. For example, the credit cooperatives have about 16 percent of all savings.

HOUSING ACTIVITIES SUPPORTED
BY THE U.S. GOVERNMENT

The United States has played a principal role in providing financial assistance to the Government of Peru, especially since the earthquake of May 1970. Assistance in shelter programs has been made available through an AID grant for emergency reconstruction, a loan for community development and reconstruction, a followup development loan for urban reconstruction, and authorizations for HIG project loans.

Since the earthquake of May 1970, \$28.55 million in concessional loans and grants and \$43.28 million in HIG loans have been made to improve shelter conditions. Peru contributed \$11.1 million to supplement two AID concessional loans and made land available. Improved shelter conditions, when completed, will have benefited over 100,000 families.

Shelter programs supported by the United States have met varying degrees of success. However, several factors precluded them from being carried out in a timely manner. The most pressing issue was Peru's inability to establish responsibilities among its administering and implementing agencies, which were plagued by inexperience in their newly created agencies, reorganizations, personnel turnover, changes in direction after projects were started, high inflation, and a major devaluation during 1976.

From the beginning, these problems continued to have an effect on the timely completion of all projects supported by the United States. For example, it took 4 years to complete projects funded by an AID disaster relief grant awarded in 1970. Under the AID concessional loan, program implementation was so slow that participants in self-help housing projects lost interest and repaired their own earthquake-damaged homes. In addition, implementing agencies changed direction during the program and provided utility services to squatter settlements instead of relocating residents to newly developed lots with sites and services. As a result, demand was lessened and in Chimbote 437 lots funded by this loan remained unsold.

Similar problems were experienced in a 1972 AID concessional loan. Administering and implementing agencies were slow in determining their roles and responsibilities despite AID's attempts to expedite the program. Market studies and development plans were not timely. Construction of housing projects did not begin until 1975, 2 years after the loan was approved. The lack of timeliness caused a loss of participant interest and increased costs for each house. Several participants left the self-help program to seek other shelter alternatives and new participants had to be recruited. At the time of our review, all housing units had been assigned, but unit cost will be about 19.5 percent more than originally estimated when the home buyer applied for his loan. An analysis of participants' monthly incomes disclosed a median of \$173. Median family income reported by the government in 1976 was \$118.

Delays were also being experienced with a HIG conventional loan, which was approved late in 1971 and failed to meet its November 1976 terminal target disbursement date. Marketability questions, construction materials, a flood disaster, and a reorganization of the implementing agency prompted an extension of this program to November 1978. At the time of our review, 68 percent of the funds had been disbursed to fund construction of 1,527 of 3,962 housing units planned. We believe the remaining funds will not be sufficient to fund the remaining housing units now or in the next 2 years.

AID's latest effort to support Peru's continuing need for improved shelter conditions is in the form of a new HIG program. The program will provide \$15 million to the Peruvian Housing Bank which, in association with the Ministry of Housing and Construction, utility companies, mutuals, and others, will make financing available to low-income families for utility services, basic shelter, and home improvements. The program is planned to be countrywide and it is estimated that at least 60 percent of the funds will be used to finance projects outside Lima.

The new HIG Program involves three separate but related projects:

- (1) Part of the loan is to be used for developing basic infrastructure such as water, sewer, and electrical services in the pueblos juvenes. Infrastructure systems continue to be the highest priority need as perceived by residents of pueblos juvenes and other slum areas. Loan

payments for these systems are expected to be less than the monthly cost for fuel and water delivered by truck or cart.

- (2) A second component of the loan is to be used to fund the minimum shelter program. This program will involve the construction of approximately 2,500 basic shelter units in proximity to employment centers, community facilities, and public transportation. Most of these projects will be sites and services lots containing basic utilities such as water, sewerage, and electricity. In all cases the land required for construction will be provided by Peru or by other organizations such as cooperative associations.
- (3) A third part of the loan is to be used to fund the improvement, rehabilitation, or expansion of existing housing stock. The savings and loan institution will review each loan application, and it is estimated that 900 loans will be made under this specific project. This is a relatively new concept since lower income families are rarely able to obtain this type of financing. An additional benefit of the loan is expected to be the development of an institutional capacity which is more responsive to the needs of low-income families.

AID's Housing and Urban Development Officer believes this program should demonstrate that shelter needs of most poor families can be met without direct subsidies. For example, the minimum family income needed to repay a loan for combined water, sewers, and electricity is estimated at \$96.07 a month. The monthly payment would be \$12.50 or 13 percent of the families' monthly income. For an elemental house, the minimum income needed would be \$150.00 to make a monthly payment of \$37.50 (25 percent). For home improvement loans, monthly incomes needed range between \$10 to \$195 to meet monthly payments ranging between \$1.50 to \$29.00.

SHELTER ASSISTANCE PROVIDED
BY MULTILATERAL ORGANIZATIONS

Since 1968 IDB, the World Bank Group, and the Inter-American Savings and Loan Bank have provided financial assistance to upgrade shelter conditions in Peru.

World Bank

In June 1976 the World Bank loaned the National Housing Bank \$21.6 million to fund sites and services, infrastructure projects, industrial parks, access roads, and health centers in Lima and Arequipa. The areas and specific sites have already been identified, and the Peruvian Housing Bank will administer the program.

Inter-American Development Bank

Since 1968 IDB has made three loans to the Government of Peru. The first loan of \$12.6 million was made to the Peruvian Housing Bank in 1968 to provide low-cost housing units. This was the first housing project undertaken by the government at the national level, and 4,724 housing units were built in 10 cities. The beneficiaries of the program were families with average monthly incomes ranging between \$177 to \$386 a month. The average amount mortgaged was \$4,238.

The second loan for \$35 million was made in the early 1970s and the project was completed during 1976. The loan financed reconstruction projects in the zone affected by the earthquake and included the construction of core houses (2,200 units, averaging \$1,840), low-cost houses (2,330 units, averaging \$3,000), individual loans for home improvement (2,560 units, averaging \$1,380), lots and services (4,500 units, averaging \$460), community facilities, and urbanization works.

Although the program was designed to provide low-cost houses, it was not intended for low-income families. We found that families who purchased homes funded by this loan paid between \$2,213 and \$8,000 in Arequipa between 1972-75. Monthly incomes of these families averaged between \$133 and \$283. Median income reported by the government during this period ranged from about \$77 to \$106. Terms of the mortgage require 13-percent interest for 20 years, and monthly mortgage payments range between \$26 and \$82.

AN IDB official told us the construction of houses and the development of lots and services were successfully completed; however, a large number of units in certain areas still have not been sold. For example, about 2,000 houses have not been sold because the water, sewerage, and electricity hookups have not been completed. In Caraz, about 500 houses were completed in late 1975, but 400 remain unsold due to the loss of demand. The same situation has occurred in Chimbote,

where almost 400 houses and over 3,000 lots have not been sold.

IDB now feels that it has done enough in the housing sector and will shift its emphasis to funding basic infrastructure. A loan for \$30.5 million is being negotiated and will provide funds for water and sewerage projects in 27 cities. The Ministry of Housing and Construction will be the implementing agency through its sanitary works division.

Inter-American Savings and Loan Bank

The Bank is currently negotiating a loan to the Peruvian Housing Bank for \$5.2 million to help meet the housing needs of lower income members of savings and loan associations in Peru. The Bank's program is aimed at financing the acquisition, construction, and repair of housing units of families whose monthly income does not exceed \$250. It should be pointed out that median income reported by the government in 1976 ranged between \$113 and \$216 a month in major urban centers.

SHELTER ACTIVITIES SUPPORTED BY PRIVATE AND VOLUNTARY ORGANIZATIONS

Shortly after the earthquake of May 1970, several PVOs assisted the disaster victims. Shelter assistance consisted of tents, roofing materials, and temporary housing units donated by Church World Services, Catholic Relief Services, and the Red Cross. After this immediate relief assistance, PVOs have had only a minor role in helping to upgrade housing conditions in Peru. However, CARE and Accion Comunitarias del Peru are supporting ongoing efforts to improve shelter conditions.

CARE in Peru operates with six staff members on an annual budget of about \$222,000. Since the earthquake, it has supported two housing projects consisting of 120 units located in the earthquake zone and school construction, irrigation canals, and potable water projects.

CARE is currently supporting potable water and irrigation projects in Purro and Cusco, located in southern Peru, and is negotiating a grant with AID to provide community health centers and sewer systems in the provinces of Ancash and La Libertad, located in the northern region.

Accion Comunitaria del Peru was founded in 1969 as a new division of Accion International of New York. Initially, its efforts focused on a Lima squatter settlement. Its current projects are located in various squatter settlements in Lima and in several towns on the north coast. Accion Comunitaria works to further education and socio-economic and physical development, primarily in squatter settlements. Its projects in 1976 included the formation of housing production, consumer and savings cooperatives, social property enterprises, promotion of school construction, and self-help housing.

Both CARE and Accion Comunitaria efforts are coordinated through the Government Agency for Support of Social Mobilization.

According to an AID official in Peru, activities of other PVOs have been weak because of the government's suspicion of their involvement in the politically unstable squatter settlements. The government has also taken over a major share of private sector enterprises that once were a significant source of contributions to these organizations.

COORDINATION MECHANISMS

Major donor countries and multilateral organizations meet together formally every 18 months or so at conferences sponsored by the World Bank Consultative Group on Peru to discuss the Peruvian economic situation and to consider the government's list of development projects that need external financing.

At the conference in April 1975 the conferees suggested that the government revise its development project list and recommended that certain sectors be emphasized to benefit the people of Peru. One donor country cited project implementation problems in Peru and indicated it was not planning to finance projects presented in the list. The conferees also determined that Peru did not have a financial problem with its medium- and long-term debts, but suggested that Peru pursue a more stringent foreign debt management policy to help assure that decisions are consistent with national priorities.

The following table shows the government's intended allocations, by sectors, on the project list presented to the donor countries and multilateral organizations at that time.

Estimated external financing

	<u>1975</u>	<u>1976</u>	<u>1977</u>
	----- (percent) -----		
Agriculture	8.2	9.7	16.2
Fisheries	3.5	0.6	1.0
Mining	11.6	26.5	47.7
Industry	32.4	42.6	34.7
Power	12.2	9.5	-
Transport	24.5	7.8	-
Communications	0.3	2.0	-
Water and sewers	3.9	-	-
Education	2.0	0.6	-
Health	<u>1.4</u>	<u>0.7</u>	<u>0.4</u>
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The National Planning Institute also holds country-level annual meetings with donor countries to discuss projects that need grant funds. This conference is also used to surface problems between donor countries and host-country agencies, and the Institute attempts to resolve such problems. An AID official stated that the meetings lacked credibility because the Peruvian ministries were not represented. For example, an area that the Institute considers priority 1 may be priority 10 at the affected ministry. The Institute is attempting to correct this situation.

The Ministry of Housing and Construction is attempting to streamline the internal coordinating mechanism with the Central Mortgage Bank and the Peruvian Housing Bank to facilitate increased shelter for Peruvians.

TOTAL HIG AUTHORIZATIONSAT DECEMBER 31, 1976

<u>Latin America</u>	<u>Authorized and under contract</u>	<u>Authorized not under contract</u>	<u>Authorized and fully paid</u>
Argentina	\$ 39,722,000	\$ 14,600,000	-
Bolivia	9,600,000	-	-
Caribbean islands	-	2,000,000	-
CABEI (Central American Bank for Economic Integration)	44,000,000	23,000,000	-
Chile	34,630,000	25,000,000	-
Colombia	26,867,000	-	-
Costa Rica	6,600,000	-	-
Dominican Republic	19,035,000	-	-
Ecuador	7,400,000	-	-
El Salvador	11,049,250	-	-
Guatemala	1,500,000	-	\$6,317,000
Guyana	6,000,000	-	-
Honduras	10,581,332	-	-
Jamaica	25,602,000	-	-
Mexico	14,500,000	-	-
Nicaragua	15,926,000	10,000,000	-
Panama	24,953,000	3,400,000	-
Paraguay	-	4,000,000	-
Peru	46,022,000	15,000,000	-
Venezuela	51,463,100	-	-
	<u>\$395,510,682</u>	<u>\$ 97,000,000</u>	<u>\$6,317,000</u>
<u>Africa</u>			
Botswana	\$ -	\$ 2,600,000	
Cameroon	-	10,000,000	
Ethiopia	5,000,000	-	
Ivory Coast	12,032,800	8,400,000	
Kenya	16,994,000	-	
Liberia	-	5,000,000	
Senegal	5,000,000	-	
Zaire	10,000,000	-	
Zambia	-	10,000,000	
	<u>\$ 49,026,800</u>	<u>\$ 36,000,000</u>	
<u>Asia</u>			
China (Taiwan)	\$ 4,794,000	-	
Korea	75,000,000	\$ 15,000,000	
Thailand	4,961,000	-	
	<u>\$84,755,000</u>	<u>\$15,000,000</u>	
<u>Europe and Near East</u>			
Iran	\$ 25,000,000	\$ -	
Israel	125,000,000	-	
Portugal	20,000,000	20,000,000	
Tunisia	14,992,800	10,000,000	
	<u>\$184,992,800</u>	<u>\$ 30,000,000</u>	
Total All Regions	<u>\$714,285,282</u>	<u>\$178,000,000</u>	<u>\$6,317,000</u>
COMBINED TOTAL		<u>\$898,602,282</u>	

Source: AID/Office of Housing

INTERNATIONAL HOUSING ASSISTANCE ACTIVITIES
OF PRIVATE AND VOLUNTARY ORGANIZATIONS

<u>Organization</u>	<u>Assistance Provided</u>	<u>Assistance Basis</u>	<u>Program Determination</u>	<u>Recipient Countries</u>	<u>Percent from AID</u>	<u>Sources of Funding</u>
American Friends Service Committee	-self-help -personnel support -training in community development and construction skills	-recipient country request	-local interest and relationship to other AFSC programs	-Zambia	-none	-private donations -foundation grants -religious organizations
American Kor-Asian Foundation	-self-help -squatter rehabilitation -financial support	-humanitarian interest	-field office recommendations	-South Korea -Philippines	-less than 10%	-private donations -foundation grants
American Institute for Frer Labor Development	-disaster relief -cooperatives -self-help -sites & services -consultants -financial support -personnel support	-humanitarian interest -institution building through labor sponsored projects	-labor union requests	-Barbados -Honduras	-81-90%	-private donations -labor union grants
Catholic Relief Services	-disaster relief -cooperatives -self-help -sites & services -squatter rehabilitation -consultant's -financial support -personnel support	-natural disasters -humanitarian interest -recipient country request -counterpart agency request	-counterpart agency request or individual group request	-Sierra Leone -Philippines -India -Colombia -Dominican R. -Haiti -Mexico	-none specifically for housing	-private donations -foundation grants -labor union grants -religious organizations -donations
Christian Church (Disciples of Christ)	-personnel support	-humanitarian interest	-apparent need -request of church leaders	-Mexico -Paraguay -Japan	-none	-private donations -religious organizations
Columban Fathers	-disaster relief -cooperatives -self-help -squatter rehabilitation -financial support -personnel support	-request of religious missionary organization	-determined locally	-Peru -Fiji Islands -Korea -Philippines -Burma -Chile	-none	-private donations -religious organizations -fund-raising events
Cooperative for Relief Everywhere (CARE)	-disaster relief -cooperatives -self-help -financial support -personnel support	-reaction to natural disaster	-need -national priorities -availability of financing -self-help potential -institutional infrastructure -self-sustaining potential	-Bangladesh -Dominican Rep. -Pakistan	-none	-private donations -foundation grants -labor unions -religious organizations -fund-raising events -donor governments -other private and voluntary groups -U.N. agencies

INTERNATIONAL HOUSING ASSISTANCE ACTIVITIES
OF PRIVATE AND VOLUNTARY ORGANIZATIONS

<u>Organization</u>	<u>Assistance Provided</u>	<u>Assistance Basis</u>	<u>Program Determination</u>	<u>Recipient Countries</u>	<u>Percent From AID</u>	<u>Sources of Funding Other</u>
Crosier Fathers	-cooperatives -self-help -consultant -personnel support	-integral part of mission activity	-decision made locally	-Indonesia	-none	-private donations -foundation grants -contributions from religious organizations -private donations
Foster Parents Plan	-cooperatives -self-help	-humanitarian interest	-community needs assessed locally	-Haiti -Indonesia	-none	-private donations
Foundation for Cooperative Housing	-disaster relief -cooperatives -self-help -sites & services -squatter rehabilitation -consultant -personnel support	-request of recipient country -humanitarian interest	-request of local government -request of international agency	-Lesotho -Zaire -Portugal -Nicaragua -Egypt -Caribbean -Botswana -Chile -Indonesia	-31-40%	-private donations -foundation grants -development and management fees from domestic programs
Foundation for the Peoples of the South Pacific	-financial support	-request of recipient country	-need	-Fiji -New Hebrides	-10-20%	-private donations -fund-raising -other PVOs
International Educational Development	-cooperatives -self-help -sites & services -squatter rehabilitation -consultant -financial support	-humanitarian interest	-contribution to community building	-Colombia -Chile -Costa Rica -El Salvador -Guatemala -Bolivia -Ecuador -Honduras -Peru -Nicaragua -Mexico -Venezuela -India -Bangladesh -Brazil -Guatemala	-less than 10%	-private donations -foundation grants -contributions from religious organizations
Lutheran World Relief	-disaster relief -self-help -squatter rehabilitation -consultant -financial support	-reaction to natural disaster -integral part of community development	-request from disaster areas -integrated community development	-Nicaragua -Guatemala -Chile -Peru -Venezuela -El Salvador -Guatemala	-none for housing	-private donations -contributions from religious organizations -foreign governments
Maryknoll Fathers	-disaster relief -cooperatives -self-help -squatter rehabilitation -financial support -personnel support	-reaction to natural disaster -humanitarian interest	-recommendations of local representative	-Nicaragua -Guatemala -Chile -Peru -Venezuela -El Salvador -Guatemala	-none	-private donations -foundation grants -religious organizations
Mononite Central Committee	-disaster relief -self-help -squatter rehabilitation -personnel support	-humanitarian interest -reaction to natural disaster	-response to natural disaster	-Guatemala	-contributed materials less than 10%	-private donations -foundation grants -religious organizations -fund-raising events -other organizations -private donations -foundation grants
Mill Hill Missionaries	-cooperatives -self-help -personnel support	-as the completion of development projects	-used as integral part of development program	-Pakistan -India -Uganda	-none	-private donations -international agencies
Oblates of Mary Immaculate	-disaster relief -cooperatives -financial support -personnel support	-reaction to natural disaster	-housing to help low income groups with help of revolving fund & construction cooperative	-Haiti	-none	-private donations -international agencies

INTERNATIONAL HOUSING ASSISTANCE ACTIVITIES
OF PRIVATE AND VOLUNTARY ORGANIZATIONS

<u>Organization</u>	<u>Assistance Provided</u>	<u>Assistance Basis</u>	<u>Program Determination</u>	<u>Recipient Countries</u>	<u>Percent from AID</u>	<u>Sources of Funding</u>	<u>Other</u>
Pan American Development Foundation	-disaster relief -self-help -sites & services -squatter rehabilitation -consultants -financial support	-reaction to natural disaster -use of housing as part of development	-board of trustees -policy guidelines -field requests	-Guatemala -Nicaragua	-none	-private donations -foundation grants -Organization of American States -fund raising	
Private Agencies Collaborating Together (PACT)	-financial support	-request of recipient country	-need -cost of units -availability of local resources -involvement of private agencies	-Colombia	-71-80%	-foundation grants -religious organizations -membership dues	
Salvation Army	-disaster relief -self-help -squatter rehabilitation -financial support -personnel support	-reaction to natural disaster -humanitarian interest	-need -capability to respond	-Bangladesh -Guatemala -India -Hong Kong -Malaysia -Sri-Lanka -Singapore -Indonesia -Pakistan	-none	-private donations -foundation grants -religious organizations -fund-raising -donor governments	
Save the Children Federation	-disaster relief -cooperatives -self-help	-reaction to natural disaster -request from community committees	-local community groups prepare proposals for housing as integrated part of development program	-Bangladesh -Guatemala -Indonesia -South Korea -Mexico	-10-20%	-private donations -foundation grants -fund raising	
Sisters of St. Joseph	-self-help -squatter rehabilitation -financial support -secures materials and land locally	-humanitarian interest	-need -availability of resources -local personnel requests	-Brazil	-none	-private donations -religious organizations	
United Israel Appeal	-self-help -sites & services -financial support -personnel support	-humanitarian interest -immigration of refugees	-onsight studies to assess needs of immigrants	-Israel	-surplus property program -less than 10%	-private donations -fund-raising events -housing grants for Soviet refugees	
United Methodist Committee on Relief	-disaster relief -self-help -squatter rehabilitation -consultants -financial support -personnel support	-reaction to natural disaster -request of recipient country	-following disasters -requests of overseas churches	-Guatemala -Peru -Nicaragua -Bangladesh	-none	-private donations -religious organizations	
Volunteer Development Corps	-cooperatives -self-help -sites & services -consultants	-request of recipient country or organization	-request of housing cooperatives and government agencies -ability of program to contribute to cooperative development	None at present Previous programs: -Lesotho -Chile -Jamaica -Indonesia	-41-50%	-private donations -U.S. cooperatives	

INTERNATIONAL HOUSING ASSISTANCE ACTIVITIES
OF PRIVATE AND VOLUNTARY ORGANIZATIONS

<u>Organization</u>	<u>Assistance Provided</u>	<u>Assistance Basis</u>	<u>Program Determination</u>	<u>Recipient Countries</u>	<u>Percent from AID</u>	<u>Sources of Funding</u>	<u>Other</u>
Volunteers in Technical Assistance V.I.T.A.	-consultant	-request made to "Inquiry Services"	-request of 3rd world country	-New Hebrides	-31-40%	-private donations -foundation grants -religious organizations -corporate contributions	
World Relief Commission	-disaster relief -cooperatives -self-help -financial support	-reaction to natural disaster -humanitarian interest	-response to disaster	-Bangladesh -Honduras -Guatemala	-overseas shipping -less than 10%	-private donations -foundation grants -religious organizations	
World University Service	-disaster relief -cooperatives -self-help -financial support	-humanitarian interest	-need -urgency -self-help motivation		-none	-campus charities	
World Vision Relief Organization	-disaster relief -self-help -squatter rehabilitation -financial support	-reaction to natural disaster -humanitarian interest	-response to local needs & requests in disaster situations	-Guatemala -Bangladesh -Indonesia	-less than 10%	-private donations -religious organizations -fund-raising events	
Christian Reformed World Relief Committee	-disaster relief -self-help -squatter rehabilitation	-reaction to natural disaster -request of recipient country	-degree of need following disaster -ability to integrate housing projects into existing programs carried out by this agency	-Korea -Guatemala -Nicaragua -Honduras	-none	-private donations	

Sources Compiled by GAO

SCHEDULE OF U.N. AND RELATED HOUSING ACTIVITIES

I. Settlement policies and strategies

Means of action Organization	Information collection	Storage and retrieval systems	Information dissemination	Research	Seminars and workshops for information exchange	Education and training including seminars	Pilot and demonstration Projects	Develop- ment of norms and standards	Technical Assistance	Transfer of resources Plant Food equip. etc.
UNITED NATIONS	X	X	X	X	X	X	X	X	X	X
ECE					X		X			
ESCAP	X	X	X	X		X	X	X		
ECLA				X						
ECA	X	X	X	X	X	X		X	X	X
ECNA				X					X	
UNEP	X		X	X	X	X	X			
UNIDO										
UNDP						X		X		
UNFPA	X								X	
UNICEF				X	X		X		X	X
MFP										
ILO	X		X	X						
FAO	X	X	X	X	X	X	X	X	X	X
UNESCO	X		X	X	X	X	X	X		
WHO	X			X						
WORLD BANK GROUP	X		X	X	X	X	X	X	X	X
ICAO								X		
WHO				X						

Source: U.N. Document A/CONF. 70/A/4

SCHEDULE OF U.N. AND RELATED HOUSING ACTIVITIES
 II. Settlement planning

Means of action Organization	Information collection	Storage and retrieval systems	Information dissemination	Research	Seminars and workshops for information exchange	Education and training including seminars	Pilot and demonstration projects	Develop- ment of norms and standards	Technical Assistance	Transfer of resources Finan- cial	Plant equip.	Food etc.
UNITED NATIONS	X	X	X	X	X	X	X	X	X	X	X	X
ECE	X	X	X	X	X		X					
ESCAP	X	X	X	X	X				X			
ECLA				X	X							
ECA	X	X	X	X	X	X		X	X	X		
ECMA				X					X			
UNEP	X		X	X			X		X			
UNITO												
UNDP							X		X			
UNFPA	X				X					X		
UNICEF				X		X						
WFP												X
ILO								X				
FAO	X		X	X	X	X	X	X	X		X	
UNESCO	X		X	X	X	X	X		X			
WHO	X			X	X		X	X	X			
WORLD BANK GROUP	X		X	X	X	X	X	X	X	X		
ICAO												
WMO				X				X				

Source: U.N. Document A/CONF. 70/A/4

SCHEDULE OF U.N. AND RELATED HOUSING ACTIVITIES

III. Shelter, infrastructure and services

Means of action Organization	Information collection	Storage and retrieval systems	Information dissemination	Research	Seminars and workshops for information exchange	Education and training including seminars	Pilot and demonstration projects	Develop- ment of norms and standards	Technical Assistance	Transfer of resources Finan- cial equip.	Plant Food etc.
UNITED NATIONS	X	X	X	X	X	X	X	X	X		
ECE	X	X	X	X	X		X	X			
ESCAP	X	X	X	X	X	X	X	X			
ECLA											
ECA	X	X	X	X	X	X	X	X	X	X	
ECWA				X	X				X		
UNEP	X		X	X					X		
UNIDO							X		X		
UNDP									X		
UNFPA											
UNICEF				X		X	X			X	X
WFP											X
ILO	X	X	X	X		X	X	X	X		
FAO	X	X	X	X	X	X	X	X	X	X	
UNESCO	X	X	X	X	X	X	X	X	X		X
WHO	X	X	X	X	X	X	X	X	X		
WORLD BANK GROUP	X		X	X	X	X	X	X	X	X	
ICAO	X	X	X		X						
WMO				Y							

Source: U.N. Document A/CONF. 70/A/4

SCHEDULE OF I.L.N. AND RELATED HOUSING ACTIVITIES

IV. Land

Means of action Organization	Information collection	Storage and retrieval systems	Information dissemination	Research	Seminars and workshops for information exchange	Education and training including seminars	Pilot and demonstration projects	Develop- ment of norms and standards	Technical Assistance	Transfer of resources Plant Food equip. etc.
UNITED NATIONS	X	X	X	X	X	X	X	X	X	X
ECE				X	X		X			
ESCAP	X	X	X		X				X	
ECLA										
ECA	X	X	X					X		
ECWA				X					X	
UNEP										
UNITIDO										
UNDP										
UNFPA										
UNICEF										
MFP										X
ILO										
FAO	X		X	X	X	X	X	X	X	X
UNESCO						X				
WHO	X		X	X	X			X	X	
WORLD BANK GROUP	X		X	X	X	X	X	X	X	X
ICAO	X		X							
UNEP				X	X	X				

Source: U.N. Document A/CONF. 70/A/4

SCHEDULE OF U.N. AND RELATED HOUSING ACTIVITIES

V. Public participation

Means of action Organization	Information collection	Storage and retrieval systems	Information dissemination	Research	Seminars and workshops for information exchange	Education and training including seminars	Pilot and demonstration projects	Develop- ment of norms and standards	Technical Assistance	Transfer of resources Finan- Plant Food cial equip. etc.
UNITED NATIONS	X	X		X	X	X	X	X	X	X
ECE				X	X		X			
ESCAP	X	X	X						X	
ECLA										
ECA										
ECMA				X					A	
UNEP							X			
UNITDO										
UNDP										
UNFPA										
UNICEF										
WFP										
ILO			X							
FAO	X		X	X	X	X	X	X	X	X
UNESCO	X			X		X	X			
WHO	X		X	X	X	X	X		X	
WORLD BANK GROUP										
ICAO										
WHO										

SOURCE: U.N. Document A/CONF. 70/A/4

SCHEDULE OF U.N. AND RELATED HOUSING ACTIVITIES

VI. Institutions and management

Means of action Organization	Information collection	Storage and retrieval systems	Information dissemination	Research	Education		Pilot and demonstration projects	Develop- ment of norms and standards	Technical Assistance	Transfer of resources	
					Seminars and workshops for information exchange	and training including seminars				Finan- cial	Plant equip. etc.
UNITED NATIONS	X	X	X	X	X	X	X		X	X	X
ECE					X		X				
ESCAP	X	X	X		X				X		
ECLA											
ECA	X	X	X	X	X	X		X	X	X	
ECWA				X					X		
UNEP	X		X	X	X	X	X	X	X		
UNIDO									X		
UNDP									X		
UNFPA											
UNICEF											
WFP											
ILO			X			X	X	X	X		
FAO	X		X	X	X	X	X	X	X	X	X
UNESCO	X		X	X	X	X	X	X			
WHO	X			X	X	X	X	X	X		
WORLD BANK GROUP	X		X	X	X	X	X	X	X	X	X
ICAO											
WFO											

SOURCE: U.N. Document A/CONF. 70/A/4

List of Abbreviations

ECA	--	Economic Commission for Africa
ECE	--	Economic Commission for Europe
ECLA	--	Economic Commission for Latin America
ECWA	--	Economic Commission for Western Asia
ESCAP	--	Economic and Social Commission for Asia and the Pacific
FAO	--	Food and Agriculture Organization
ICAO	--	International Civil Aviation Organization
ILO	--	International Labor Organization
UNDP	--	United Nations Development Program
UNEP	--	United Nations Environment Program
UNESCO	--	United Nations Educational, Scientific, and Cultural Organization
UNFPA	--	United Nations Fund for Population Activities
UNICEF	--	United Nations Children's Fund
UNIDO	--	United Nations Industrial Development Organization
WFP	--	World Food Program
WHO	--	World Health Organization
WMO	--	World Meteorological Organization

PRINCIPLE OFFICIALS RESPONSIBLE
FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

	Tenure of Office	
	From	To
<u>DEPARTMENT OF STATE</u>		
SECRETARY OF STATE:		
Cyrus R. Vance	Jan. 1977	Present
Henry A. Kissinger	Sept. 1973	Jan. 1977
<u>DEPARTMENT OF THE TREASURY</u>		
SECRETARY OF THE TREASURY:		
W. Michael Blumenthal	Jan. 1977	Present
William E. Simon	May 1974	Jan. 1977
<u>AGENCY FOR INTERNATIONAL DEVELOPMENT</u>		
ADMINISTRATOR:		
John J. Gilligan	Mar. 1977	Present
John E. Murphy (acting)	Jan. 1977	Mar. 1977
Daniel S. Parker	Oct. 1973	Jan. 1977

(47135)