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# **Housing Guaranty Program Annual Report FY 1980**

**OFFICE OF HOUSING  
AGENCY FOR INTERNATIONAL DEVELOPMENT**

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

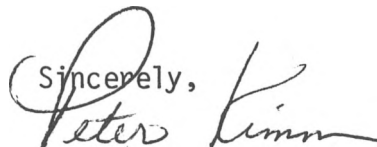
This year the Office of Housing continued to direct its efforts towards making decent shelter possible for lower income families in many developing nations. Housing Guaranty loans totalling \$174.5 million were authorized for 12 countries this year.

Of course, Housing Guaranty loans constitute only a small part of the resources required to address the shelter problems of the world's poor. The populations of the world's urban centers will continue to grow dramatically, even while most of their present populations suffer from poor living environments and the lack of basic urban services.

Most of the world's shelter is built by families for their own use and from their own resources. Such dwellings, although frequently considered unsightly and unacceptable, are in reality a precious resource that can be improved and expanded as families can afford it. People can build their own shelter, it is clear, but government actions are required to establish a basis (lots, roads, and basic services) for orderly urban development. The development of economic, broad-based, and carefully planned shelter and urban improvement programs, involving self help and strong participation by the citizens concerned, will enable governments to maximize their human and fiscal resources for the production and gradual improvement of shelter for large numbers of lower income families.

With this approach, we believe that it is possible to provide decent shelter and basic services for all within this century. The Office of Housing will provide continuing assistance to those countries which share this commitment to resolve the shelter problems of the poor.

Sincerely,



Peter Kimm  
Director  
Office of Housing

# HOUSING GUARANTY PROGRAM

ANNUAL REPORT  
FISCAL YEAR 1980

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*Cover: Slum settlement in the Oksoo area of Seoul, Korea, being improved through upgrading. Photo by David Leibson.*

## INTRODUCTION

The Housing Guaranty Program was developed as part of the U.S. Foreign Assistance program in the early 1960s to respond to the enormous and rapidly mounting worldwide shortage of adequate shelter. This program is A.I.D.'s principal instrument for helping developing nations address their shelter problems. Since its beginning, more than \$1.4 billion in Housing Guaranty loans have been authorized for 150 projects in 39 nations and to three regional institutions.

This is a unique A.I.D. activity in which funds from the U.S. private sector provide long term financing for low income shelter and urban upgrading programs in developing countries.

The United States Government underwrites these transactions through the provision of a full faith and credit guaranty that will compensate U.S. lenders for losses. Maximum interest rates to lenders are established by A.I.D. and reflect the current cost of money in the U.S. mortgage market.

A.I.D. charges a fee for its guaranty to cover operating expenses and to provide a reserve against claim losses. As a result the program is virtually self-sufficient.

In its early years the program focused on introducing new building technologies and modern management practices to developing countries. In the mid 1960s the focus shifted to creating and strengthening housing finance institutions, particularly the savings and loan institutions in Latin America.

Another major change in emphasis occurred in 1973 when the Agency reformulated its shelter strategy. The new strategy, backed by legislative changes in 1975, called for Housing Guaranty resources to be used almost exclusively to finance shelter for lower income families. Since 1974, all Housing Guaranty projects authorized by A.I.D. have been designed for this income group.

In accordance with this mandate, various approaches to low cost shelter were initiated, including slum upgrading, basic or core housing, and the development of lots serviced with utilities to be later improved by the purchaser. Emphasis has been placed on the provision of basic services to provide a sanitary living environment and lay the groundwork for orderly, economical development as families are able to afford improvements and expansion. Typically, a family having an income below the median level in a developing country will be able to amortize a loan no greater than \$1000-4000, depending on the country and location, and it is within this financial context that the Office of Housing develops its programs.

In 1978, with the increasing recognition that shelter development and community development are interdependent, the authorizing legislation was amended to allow the financing of community facilities and services with Housing Guaranty loans. Such facilities could include, for example, schools, health clinics and community centers, job skill training centers, employment offices, markets, small industry centers, and post offices.

Less developed countries (LDCs) may request a Housing Guaranty project. Upon receiving a request, the Office of Housing, the U.S.A.I.D. Mission or Embassy, and the requesting country jointly participate in project identification and begin the process leading to project authorization and implementation.

In the development stage of the project, the host country is encouraged to take a broader look at its shelter problems, particularly those of financing and low income households, and to develop new long range shelter policies based on sound cost recovery strategies. Important principles of the Housing Guaranty Program are: (1) maximizing a country's resource investment in shelter and (2) continuously recovering and re-allocating that investment to ensure a more equitable distribution of limited shelter resources.



## FISCAL YEAR 1980 PROGRAMS

In the past fiscal year, from October 1, 1979 to September 30, 1980, A.I.D. continued to focus its resources on the problems of lower income families.

The Housing Guaranty Program finances the following kinds of shelter solutions for families with below median incomes:

- Slum and squatter settlement upgrading, including provision of potable water, sewage disposal systems, electricity, roads, and drainage to be complemented by home improvement loans to slum dwellers.
- Sites and services, including preparation of vacant land for productive shelter use through lot division and installation of water lines, sewage disposal systems, roads, and drainage. This will be followed by self help home construction by low income buyers of the lots. This type of program may include training programs and building materials loans for self help builders and small scale contractors.
- Core housing, involving basically a sites and services approach with the addition of a rudimentary housing shell (typically including a bathroom and a small multi-purpose living area) on each lot, designed to be improved and expanded by the owner. Building materials loans may be provided.
- Low cost housing units for sale or rental.

Community facilities and services (schools, health clinics, markets, job-skill training centers, etc.) in support of shelter projects are also financed by the Housing Guaranty Program.

Each project is designed to assist the participating institutions to define and clarify national housing policies, and to strengthen their capacity to plan, finance, implement, and service housing projects for the poor.

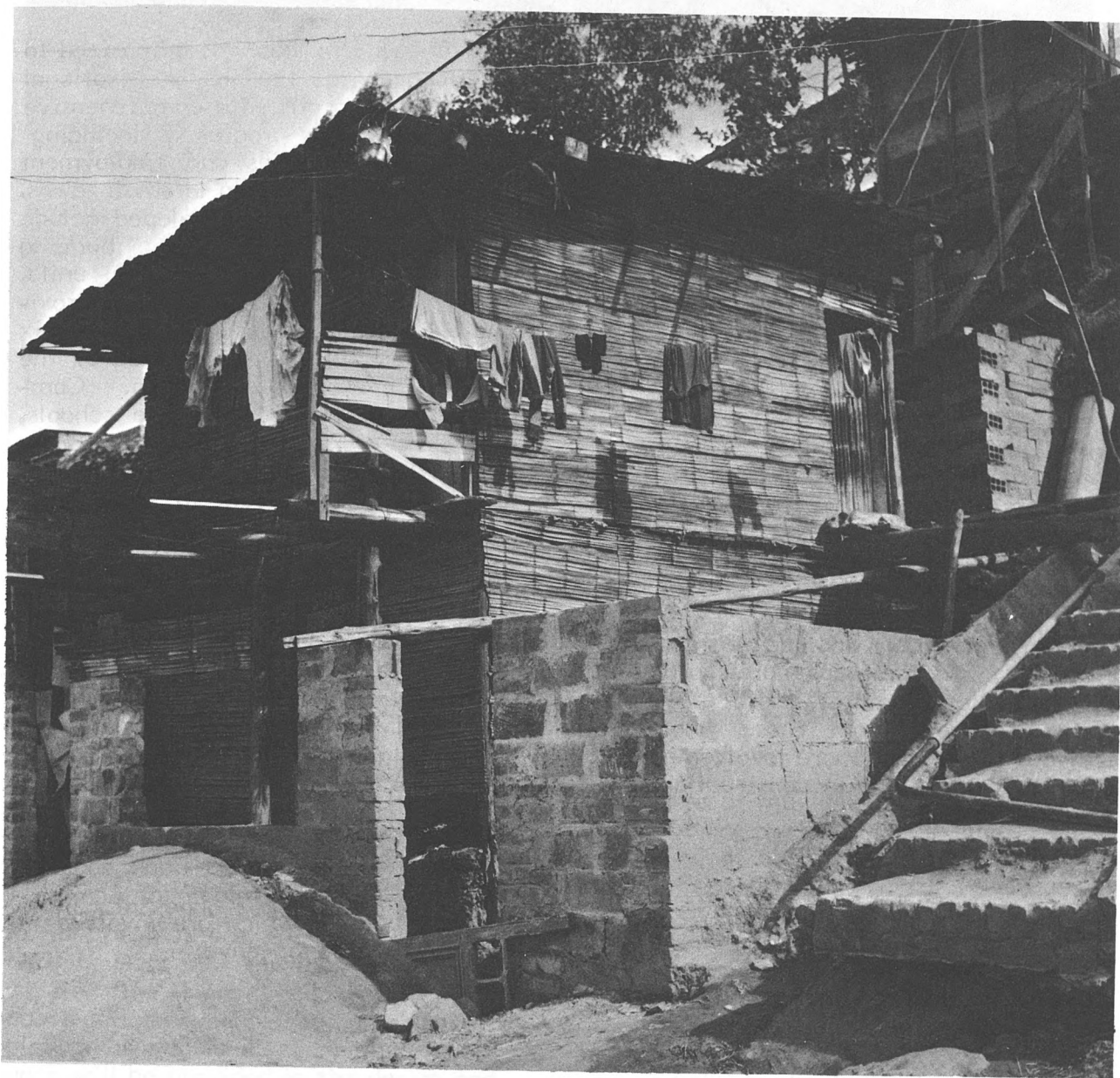
Twelve new Housing Guaranty loans totalling \$174.5 million were authorized for guaranty by A.I.D. this year. U.S. lenders signed \$45.6 million in long term loan agreements, with each loan guaranteed by the U.S. Government. For each loan, there is also a host country guaranty of repayment to the U.S. Government should the borrower default.

Additionally, the Office of Housing provided technical assistance and services in a broad range of shelter-related areas to many developing nations.

## New Projects Authorized

Ecuador -- \$20 million was authorized to be loaned to the Ecuadorean Housing Bank for a model project in the southern zone of Quito that will contribute to establishing an integrated urban development system to serve Ecuador's urban poor. The loan will finance construction of approximately 4500 core houses, with water and sewer connections and sanitary fixtures, designed to be completed or expanded by the owner. Water lines, storm and sanitary sewers, roads, and electricity to serve the community will also be financed, as will be related community facilities. A comprehensive community development program -- neighborhood organization, social assistance, construction finance assistance, and the support or creation of small businesses and community-owned enterprises -- will complement the construction projects.

\$430,000 in grant funds will provide technical assistance in formulation of national housing policies, urban planning, shelter and infrastructure finance, and community development.



*Family is constructing a permanent dwelling around temporary shelter built on site. Community is being upgraded with step construction shown beside the house and other improvements.*

El Salvador -- \$9.5 million was authorized to be loaned to the El Salvador Ministry of Planning for the shelter component of a \$31.9 million project that will help meet immediate needs for shelter, public services, and productive opportunities in marginal communities and improve El Salvador's capacity to comprehensively address these needs. The loan will finance home improvements, such as cement floors and permanent walls and roofs, and water, sewer, and electrical connections for approximately 5300 families throughout most of the country. It will also finance a mix of community infrastructure, housing improvements, site legalizations, and new shelter solutions for an estimated 6000 families in secondary cities. Approximately 2150 new shelter solutions, consisting of sites and services and core housing units, will be financed in the San Salvador metropolitan area.

This program also includes a \$10 million A.I.D. development loan and a \$950,000 development grant. These funds will provide community basic services, including water systems and drainage, road upgrading, electrical distribution systems, etc., for approximately 10,000 families in 300 marginal communities. Other subprojects are agrarian reform support -- training, technical and financial assistance, community basic services, and improved shelter -- to assist an accelerated program of land distribution in 30 agrarian colonies. Loans to small enterprises and technical assistance for comprehensive planning of shelter programs for secondary cities are also part of the program.

Honduras -- \$10 million was authorized to be loaned to the Government of Honduras for a project that will improve the capacity of the Tegucigalpa and San Pedro Sula city governments to implement large scale, cost recoverable community upgrading programs. The loan will finance basic infrastructure services, including water and sewerage, street lighting, drainage, and roads, for an estimated 31,000 families in about 80 marginal communities in Tegucigalpa and San Pedro Sula. It will also finance home improvements, such as permanent walls and roofs, concrete floors and foundations, doors and windows, and individual hookups to basic utilities as well as plumbing and bathrooms.

A \$200,000 A.I.D. grant will finance technical assistance to improve the capacity of the municipalities of Tegucigalpa and San Pedro Sula to recover investments in infrastructure in marginal communities, assist in training the leaders of community organizations (patronatos), and strengthen the municipal offices which work with those organizations.

Another grant will finance small pilot projects to develop, conduct, and evaluate programs related to the social aspects of community upgrading, particularly the problems of women-headed households.

Israel -- \$25 million was authorized to be loaned to the Ministry of Finance for a program of home improvements and mortgage finance for needy Israeli families and policy innovations in housing finance. \$13 million will finance upgrading and expansion of existing public rental housing for approximately 9000 families. Overcrowded units will be expanded and vacant units will be reconditioned prior to occupancy. The balance will finance mortgages for purchase of apartments and houses by approximately 800 low income families, including young couples, new immigrants, large families, minorities, and settlers in developing areas. A \$75,000 grant will provide technical assistance in shelter policy and housing management training.

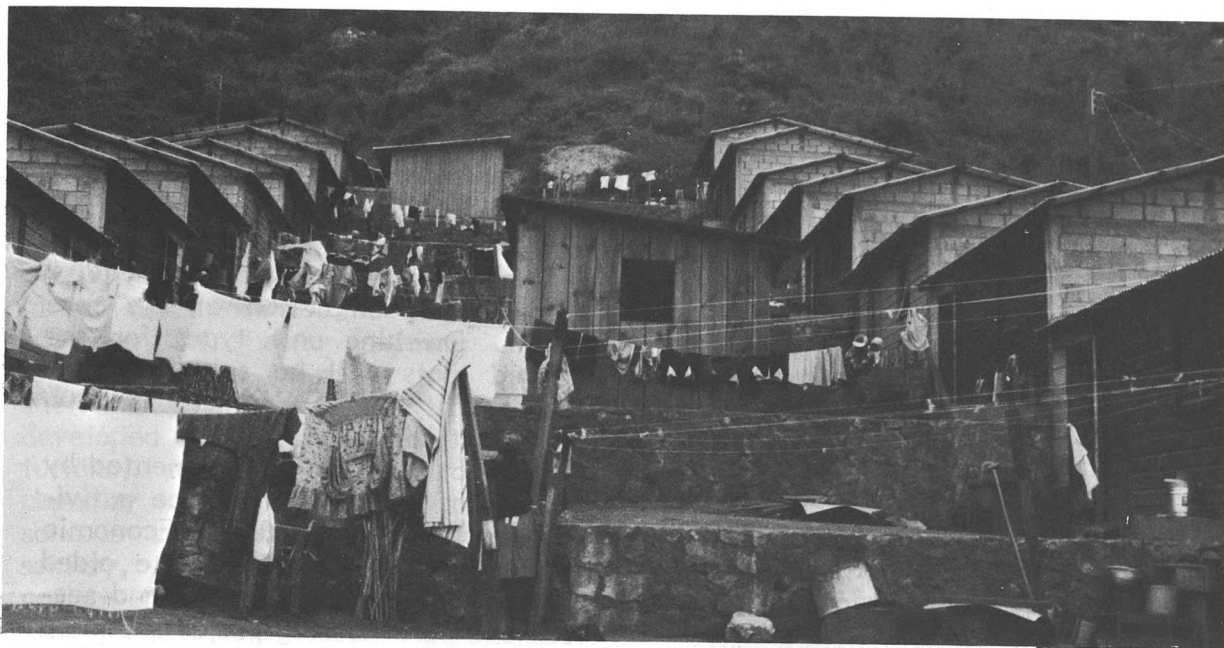
Policy innovations include refining the subsidy system to focus more sharply on the neediest families, more effective cost recovery from those who can afford to pay, and more involvement of the private sector in construction and long term financing.

Kenya -- \$16 million was authorized to be loaned to the Kenya National Housing Corporation for comprehensive low cost shelter programs, including community facilities and employment generation activities, in 11 small towns. Shelter solutions to be developed include upgrading, serviced sites, building loans, core housing, and rental units, which will ultimately benefit approximately 27,000 persons. The actual mix of solutions will be determined by the specific needs of each town. Community facilities will include schools, health centers, markets, community centers, and playing fields. Two hundred plots will be sold to small businesses.

The project includes \$945,000 in technical assistance for three long term advisors and training for Kenyan officials. The advisors will assist in community development, building technology and self help housing, and project coordination and administration.

The project is being developed in coordination with the World Bank and the British Overseas Development Administration, both of which are involved in similar projects in Kenya.





*The Honduran Federation of Housing Cooperatives built these core houses in Tegucigalpa with Housing Guaranty financing assistance. The construction in the center is an expansion of a core unit.*

Mauritius -- \$6 million was authorized to be loaned to the Mauritius Housing Corporation for a project that will increase the capability of the housing sector to produce improved cyclone resistant shelter for low income households at economic terms. The loan will finance low cost housing and improved access to water, sewage disposal, and electricity for approximately 1500 families throughout Mauritius. Included in the project are approximately 500 core houses, 500 serviced plots with construction loans, and another 500 construction loans to households already owning land. Technical assistance will be provided in the design and implementation of core housing and sites and services and in housing finance.

Morocco -- \$10 million, the second part of a \$25 million program, was authorized to be loaned to the Government of Morocco for upgrading the Ben M'Sik squatter area of Casablanca. The project aims to improve the living conditions of the more than 79,000 residents of Ben M'Sik. It includes the upgrading of about 9900 homes (provision of secure land tenure, sewerage, water, and electricity); construction of about 1200 core houses; and \$5 million for home improvement loans. The project will promote economic activity and employment with the financing of community facilities - training centers, an employment bureau, and two markets - and small loans for commercial construction. The first part of this program was authorized during the last fiscal year.

Paraguay -- \$8 million, the first part of an approved \$15 million program, was authorized to be loaned to the National Savings and Loan Bank for a project that will develop new types of low cost shelter solutions and facilitate a process of coordinated urban development involving the collaboration of shelter institutions and infrastructure agencies. Approximately 4000 loans for minimal shelter will be provided for families in suburban Asuncion and secondary cities and market towns. The loans will finance a range of shelter construction with selection based on the paying capacity of the poor and the existing land, urbanization, and construction costs. They include: serviced lots; serviced lots with sanitary cores; serviced lots with sanitary cores and additional rooms or home improvement loans; or improvement loans for existing lots or houses.

\$300,000 in technical assistance is projected to strengthen project development coordination and institutional support for national housing policy development. This includes community organization and promotion of cooperative and self help housing programs, and urban and environmental planning.

Peru -- \$20 million was authorized to be loaned to the National Housing Bank for a project that will assist the Government of Peru to continue to finance basic services and community facilities in rapidly growing urban centers throughout the country.

The loan will finance water connections for approximately 11,000 families; sewerage for approximately 7600 families; electricity for approximately 8700 families; and home improvements for approximately 4200 families in about 40 pueblos juvenes (legalized squatter settlements) throughout Peru. Community facilities, such as schools and day and health care centers, will also be financed. The actual mix of projects will depend on the wishes of each community and home improvement loan borrower. A \$100,000 technical assistance grant was authorized to support a multisectoral commission to coordinate assistance to pueblos juvenes.

Togo -- \$15 million was authorized to be loaned to the Togo Development Bank for a replicable program offering improved shelter affordable by low income families. The loan will finance slum upgrading, including the provision of potable water, drainage, solid waste disposal, access roads and walkways, and community facilities for approximately 40,000 people in the Be area of Lome. About 1000 small business loans will be made available to entrepreneurs in the upgrading area. It will also finance approximately 1500 serviced building sites, with community facilities, for 12-15 thousand persons near Lome and 900 serviced sites, with community facilities, for 10-12 thousand persons near Lama Kara, a regional center to the North.

The program includes about 2500 small loans to individuals for construction, water and sewer connections, and sanitary facilities in the serviced sites and upgrading projects. Technical assistance to strengthen Togolese shelter institutions and to aid various community development activities continues.

Tunisia -- \$10 million, the second phase of an approved \$50 million program, was authorized to be loaned to the Caisse National d'Epargne-Logement for an upgrading/sites and services/core housing program in Tunisian towns. This loan supports a program that will ultimately include approximately 3500 core housing units, 1700 sites and services plots, 900 construction loans, 300 home improvement loans, and the upgrading of 8700 slum homes in towns in Tunisia, reaching a total of 16,100 households. The first part of this program (\$15 million) was authorized in the last fiscal year.

Zimbabwe -- \$25 million, the first part of an approved \$50 million program, was authorized to be loaned to the Ministry of Finance for a project to improve Zimbabwe's capacity to design, finance, and implement low cost shelter programs. The project will ultimately finance up to 14,000 suitable shelter solutions, with community facilities, in Salisbury and other cities.

The first phase of the project will be in the western periphery of Salisbury and will include two types of core units (totalling approximately 6500) and 1500 serviced plots. Loans to four to six thousand allottees will be provided for expansion or completion of the core houses. Dwelling unit types for the serviced plots will be selected at a later date.

The project is to be complemented by an array of technical assistance activities, including a \$650,000 Economic Support Fund grant to promote aided self help housing in the sites and services and core housing projects and to assist in housing finance, building design and technology, construction management, etc. Other funds are projected for design of employment generation projects, a study of women's access to housing finance, long term manpower training, and other related undertakings.

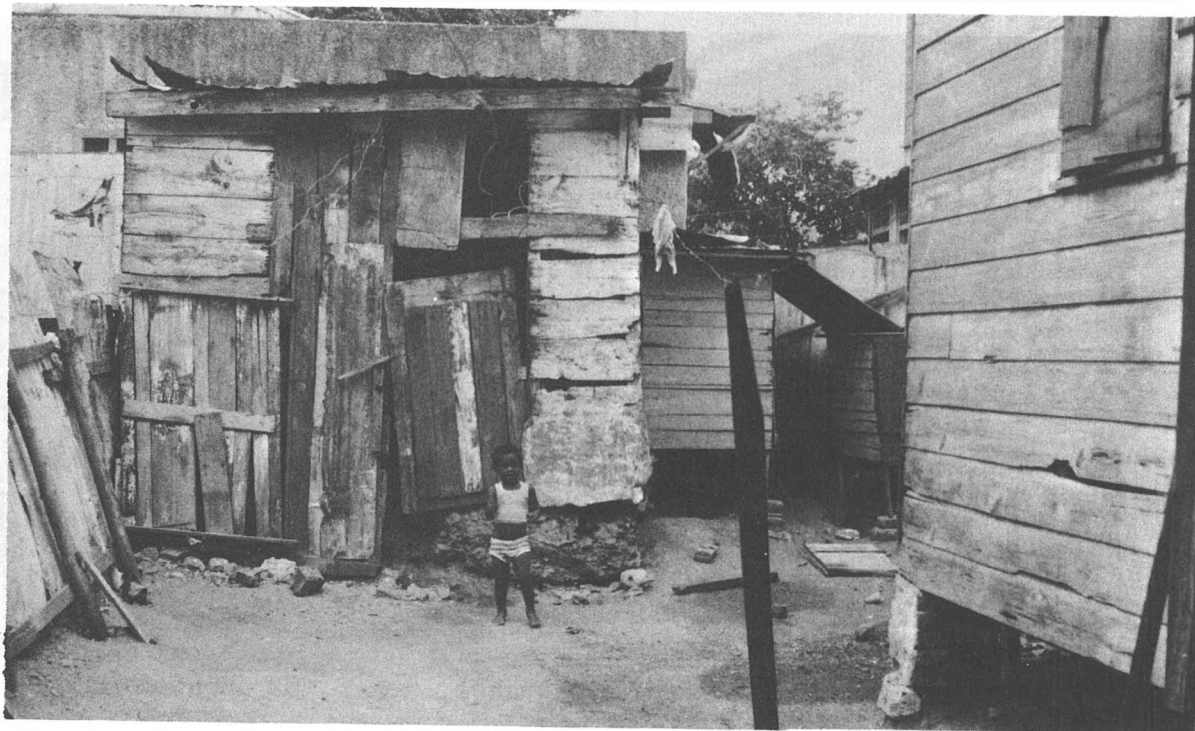
This project will be closely coordinated with the U. N. Center for Human Settlements (Habitat) which is also designing low cost shelter programs for Zimbabwe and will contribute technical assistance.

In sum, FY 1980 activity and cumulative totals are as follows:

	(Millions of Dollars)	
	FY 80	Total
Authorizations	\$174.5	\$1403.3
Contracts Signed	45.6	956.5
Disbursements	50.91	925.9

## POLICY

The policies of the Agency continued to reflect the Congressional mandate to concentrate A.I.D.'s programs on the poor. Reasonable shelter is an essential element in the improvement of the quality of life for the poor, following closely after food and clothing. A.I.D.'s statement of Shelter Program Objectives says that "A.I.D.'s goal in the shelter sector is to assist LDCs (less developed countries) develop the institutional, technological, and financial capacity to provide shelter under reasonable conditions for all levels of society, with emphasis on government actions to meet the needs of the poor." This group is defined as the poorer half of the urban population of a given country or city.



*A Kingston, Jamaica community that will receive home improvement loans and infrastructure improvements as part of a Housing Guaranty project*

Housing programs are being designed to be within the reach of families earning below the median income. "Legal" housing standards must often be lowered in order to achieve a housing unit affordable by significant numbers of the target population. This usually results in projects which offer something less than a complete "standard" house, such as core houses or sites and services.

According to the shelter program statement, "A priority objective of A.I.D.'s shelter strategy is to help the LDCs develop their capabilities for analyzing their housing requirements and developing plans and policies that meet these requirements. By assisting LDCs to formulate a rational housing policy which addresses the needs of all citizens, A.I.D. will encourage increased attention to the needs of the poor. As an integral part of negotiation for A.I.D. assistance, the Agency will discuss with the LDC its general housing strategy and alternative means of improving the living conditions of poor people.

"A.I.D. programs will also assist developing countries in creating and strengthening the necessary institutional framework to implement their shelter policies. Given the magnitude of the need and the relatively small amount of resources available, A.I.D. 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."



*Market center in Kenyan community that received Housing Guaranty financing assistance*



*Squatters having no other options must construct shelter in unsuitable environments.*

The shelter programs will encourage economic growth by promoting maximum employment of local labor, the development of local industries, particularly construction industries, self help housing programs, etc. They will also encourage incentives to increase personal savings and the stimulation of local credit institutions to mobilize personal savings.

A.I.D. will develop shelter programs that minimize the drain on scarce resources, such as foreign currency capital reserves, fuels, and public funds. In addition to advising on affordable, safe housing standards, A.I.D. will advise on the reduction or elimination of shelter subsidies to spread the benefits of limited public resources to more low income families and encourage the flow of private funds into shelter.

A.I.D. will provide technical assistance in housing policy and finance, institutional development, project design and management, and technological considerations, etc., as part of the Housing Guaranty Program and to countries requesting assistance.

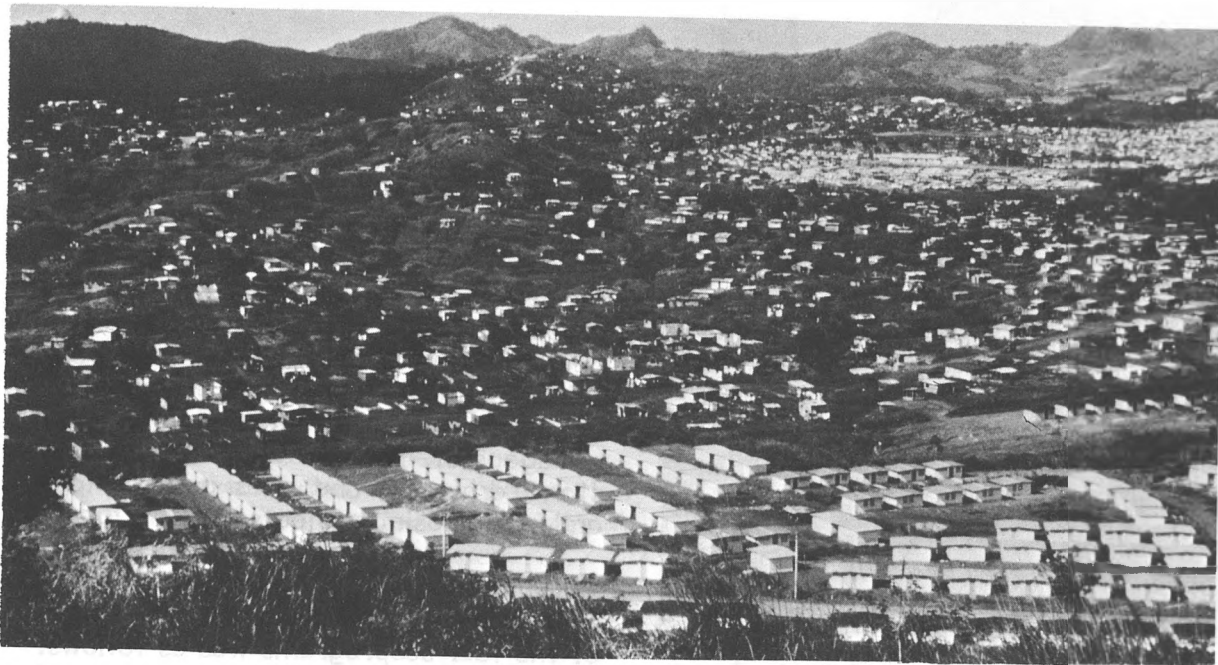
Housing Guaranty resources may be utilized for construction or rebuilding of settlements for poor people displaced by natural disaster or war.

Where resources permit, A.I.D. may fund research on shelter policy and technological problems of concern to developing countries. Priority will be given to research with worldwide application.

#### Environmental Policy

Evaluation of the potential environmental impact of A.I.D. shelter programs begins at the inception of a proposed project and continues throughout project design, implementation, and evaluation.

The Office of Housing conducts an Initial Environmental Examination (IEE) prior to the development of all Housing Guaranty projects. The IEE defines the critical areas of concern which must be addressed as specific projects are developed. These are addressed continually during project design and implementation.



*Overview of region showing new low cost construction*



*Residents of San Miguelito*

## PROGRAM DEVELOPMENT

The San Miguelito Housing Guaranty project exemplifies a recently-started urban improvement program now benefitting the urban poor.

In 1977 AID authorized a \$15 million Housing Guaranty loan to improve San Miguelito, an extensive concentration of poverty in metropolitan Panama City, with a population then exceeding 100,000.

In 1975, two thirds of the families in San Miguelito earned less than \$150 a month. 64% of the homes were without sanitary sewer services. A majority of the water and electrical connections were communal. Much of the shelter was improvised, made of discarded lumber, cartons, felt paper, scrap metal, etc., and the inhabitants badly overcrowded.

Besides the housing shortage and a stated unemployment rate of 16.8%, the area was suffering from a lack of social and public facilities such as roads, schools, and health centers. Compounding these problems was the huge population increase of about 9.5% a year, largely due to the influx of rural migrants and to some extent the movement of poor families who could not find housing in Panama City.

Since the community's beginning in the early 1950s, the residents formed several organizations to try to bring about improvements in living conditions. In 1970 the Panamanian Government formally designated San Miguelito a Special District. By the mid 70s, the District had been divided into five districts, each of which had a community council to deal with its needs.

Also established were 101 Local Councils. These entities, together with many civic, religious, cooperative, and women's groups, worked together to solve the most pressing difficulties of the San Miguelito District.

In the mid 70s the Panamanian Government took many steps to improve the living conditions of San Miguelito. Government and privately-owned land in the community was acquired. A massive program was then undertaken to identify, mark, and sell lots to San Miguelito squatters. Some relatively low cost housing construction was also undertaken.

However, much work still needed to be done, as the population soared. In 1977 several Panamanian organizations approached U.S.A.I.D./Panama City for financing assistance for San Miguelito.



*Installation of sewer lines and electric poles in steep hillside*



*Sidewalk construction*

The A.I.D. Mission, working with the Ministry of Planning, then established an ad hoc committee called the High Level Commission, which included community representatives, as well as four urban utility institutions, and the Municipality of San Miguelito. This group designed a coordinated urban development program. Areas were selected to be served by new water and electrical distribution systems; new sewage systems; roads, walkways, and storm drainage; and sites and services and core housing projects.

As of March 1980, eighteen months after the project's beginning, the status of the four subprograms was as follows: Community and individual water and sewer systems: 4028 families have benefitted to date; total number of beneficiary families projected to be 8214.

Electrical distribution networks and electrical service lines: more than 2823 families have benefitted to date; total number of beneficiary families projected to be 6045.

Streets, sidewalks, and storm drainage: more than 2800 families have benefitted to date; projected number of beneficiary families is 3200.

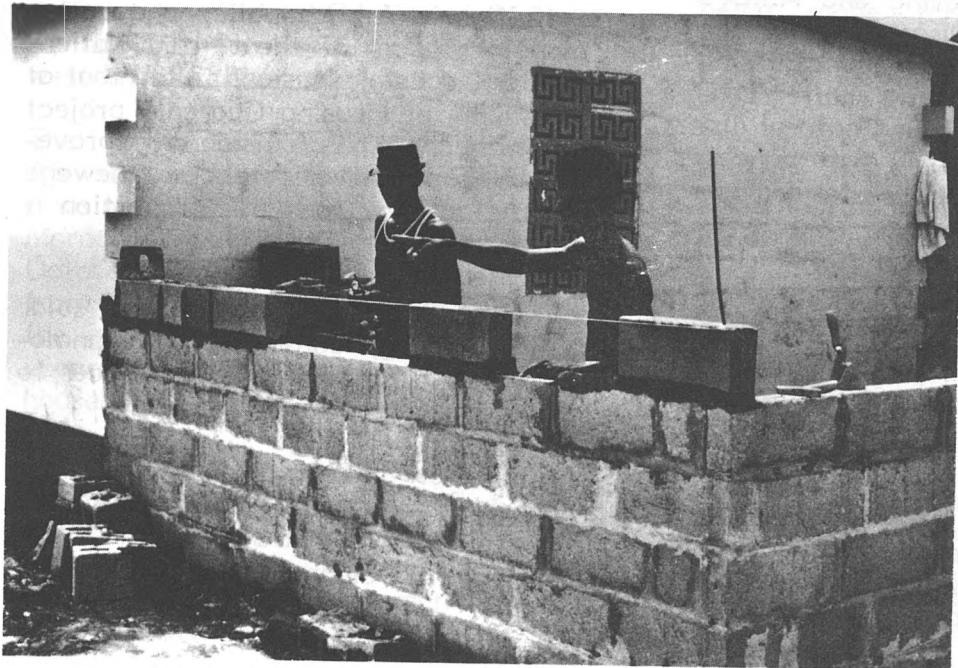
Sites and services/core housing/roof-floor units: 600 units have been constructed and more than 500 families have moved in. Projected number of beneficiary families is 1400.

In sum, the project has had a significant impact on the area, despite the fact that construction difficulties with excavating and grading, etc., and increased construction costs have slowed the project and reduced its projected targets.

While this project cannot finance the needed improvement for the total population, a set of institutional and financial processes have been set in motion that will facilitate orderly urbanization and improvements in the region.



*Roof-floor unit, soon to be completed by owners. As of 12/30/80, 250 of the 417 roof-floor units were enclosed, with the balance expected to be complete by 6/30/81.*



*Self help expansion*

## FY 1980 Activities

During the year, a substantial expansion in the Housing Guaranty Program was proposed by A.I.D.'s parent organization, the International Development Cooperation Agency, and forwarded in the budget proposal to the U.S. Office of Management and Budget.

- The Office of Housing initiated a quarterly series of occasional papers by leading experts in the shelter sector, to encourage sharing of information and ideas in the shelter community. The first paper, published in March, was entitled "Squatter Settlements and Housing Policy: Experiences with Sites and Services in Colombia", by Dr. Edward Popko of Harvard University.
- Several studies were undertaken to advance project development and design methodology. Among these were: a data collection manual and generic survey guide for the Housing Guaranty Program, a monograph and a preliminary description of methodology for estimating household incomes; a technical manual for erosion and sediment control in urban areas of developing countries; and a study of housing finance systems as practiced in the informal sector. A major study to estimate the level of investment required to provide basic shelter to the poor in the five Central American countries by the year 2000 was also initiated.



*Lottery for unit selection in housing cooperative that received Housing Guaranty financing assistance*

- The Office of Housing and A.I.D.'s Office of Foreign Disaster Assistance agreed to collaborate in assessing damage and formulating shelter construction plans following natural disasters and civil disturbances. Manuals dealing with disaster prevention and mitigation as related to shelter and the development of temporary and permanent shelter following disasters were undertaken by the Office during this time.
- In FY 1980 the Office of Housing continued to emphasize:
  - 1) Benefits and opportunities for women, including access to home financing and other forms of credit, job skill training, health care, and public services.

2) Incorporation of Housing Guaranty activities in A.I.D.'s policy and action plan in support of the United Nations "Water Decade." It is estimated that at least 23% of Housing Guaranty project costs are spent on provision or improvement of sanitary water and sewage disposal systems, and this proportion is steadily increasing.

3) Exploring applications of solar energy, energy conservation technologies, and alternative energy sources to low cost shelter.

4) Greater collaboration with other donors, such as the World Bank, the Asian Development Bank, and the Inter-American Development Bank.



## INTERNATIONAL CONFERENCES AND TRAINING

The Office of Housing each year co-sponsors and participates in several international housing conferences. In meeting regularly with its colleagues throughout the developing world, the Office of Housing is able to present to users of Housing Guaranty resources new ideas and changes in program directions and to receive their views in return.

The Eighteenth Inter-American Savings and Loan Conference, of which the Office of Housing was a co-sponsor, was held in Asuncion, Paraguay, in April 1980. The sponsors of the meeting were the Inter-American Savings and Loan Union and the Paraguayan Chamber of Savings and Loan Associations. The theme of the conference was "Low-Cost Housing for America." Delegates attended from savings and loan institutions from most western hemisphere nations.

The Sixth Conference on Housing in Africa, co-sponsored by the Office of Housing and the Government of Morocco, was held in Rabat, Morocco in October 1979. More than 150 delegates from 30 countries in Africa attended the conference, which focused on the economics of shelter for low income households.

This meeting was followed by a Regional Conference on Housing, held in Abidjan, Ivory Coast, in May 1980 and co-sponsored by the Office of Housing and the Government of the Ivory Coast. This conference focused

on the shelter concerns of western Africa and a case history of the Housing Guaranty Program in the Ivory Coast. Fourteen countries were represented.

In July 1980 the Office of Housing sponsored a shelter policy meeting in Panama City. Participants included shelter sector officials from Peru, Ecuador, Paraguay, and Panama and representatives of the Interamerican Savings and Loan Bank.

During the year plans were made for a Regional Conference on Housing to be held in Tunis, Tunisia in November to focus on shelter concerns of North Africa and the Near East. An Africa-wide conference is planned to be held in Mauritius in April 1981. Plans are also being made for a Conference on Housing Finance in Asia to be held in Bangkok, Thailand in February 1981.

The Office of Housing participated in several other shelter-related conferences during the year, including the following: The U.N. Habitat Conference in Mexico City in May 1980; the Seventh Conference of the Eastern Regional Organization for Planning and Housing in Kuala Lumpur, Malaysia in March 1980; the Low Cost Housing Seminar sponsored by UNIDO and Ecuadorean institutions in Quito, Ecuador in December 1979; and the International School of the International Union of Building Societies and Savings Associations in Canberra, Australia in October 1979.

## TRAINING

An in-depth shelter training workshop, focusing on the viability of affordable, economic shelter for the world's poor, was presented by the Office of Housing in November 1979. More than 30 policy-making officials from developing countries participated in this seminar, which was led by a multidisciplinary faculty of internationally recognized shelter sector specialists.

There was considerable agreement among the participants that the world's shelter problems are primarily institutional in nature and may be resolved by establishing policies and institutions that facilitate large scale, orderly shelter and urban development. It was further agreed that shelter planners and their governments should recognize that modest forms of shelter are adequate and acceptable, especially as a start to be improved upon. Massive increases in capital designated for shelter are not required.

The workshop was initiated in response to the growing recognition of the need to train managers and policy makers in the continually-evolving shelter field. The second annual shelter training workshop has been scheduled for November 1980, and plans are being made to conduct regional training seminars, similar in concept, in developing countries.

## METHODOLOGY

The Housing Guaranty Program involves collaboration with a local housing institution, such as a government ministry, a national housing authority, a municipality, a central savings and loan system, a national cooperative organization, or a similar public or non-profit private institution acting as borrower.

Following a request from the country, A.I.D. working with host country officials will prepare a shelter sector assessment to better understand the existing situation. Within the context of this analysis, A.I.D. reviews with the borrower the type of housing program to be financed and the institutional context within which it will be undertaken. A.I.D.'s concerns at this stage include: (a) the progress which has been made towards the development of a national housing policy; (b) the contribution which the program will make towards the creation or strengthening of institutions needed to meet national housing needs, especially the needs of the poor; (c) the capacity of the construction industry to supply housing over a given period; (d) the effective demand for housing at the agreed-upon price level; and (e) the ability of the beneficiaries to repay their loans and the ability of the economy to make the dollar repayment.



*Residents and A.I.D. representatives discuss settlement upgrading plans for a Peruvian "pueblo joven" (legalized squatter settlement).*

The borrower then seeks the most favorable terms available in the U.S. capital market for a U.S. Government guaranteed loan. The U.S. lender and the borrower agree on the terms of the long-term financing (within interest rate ceilings set by A.I.D. in accordance with the law, which reflect the prevailing interest rate for long-term mortgages in the United States) and sign agreements incorporating these terms. At the same time, A.I.D. and the borrower enter into agreements defining the use of the loan.

A typical Housing Guaranty loan is disbursed over a period of about two years and is repaid during a period of up to 30 years with a ten year grace period on the repayment of the principal. When a mutually agreeable program has been developed, A.I.D. offers to guarantee repayment to any eligible U.S. lender who makes a loan for this program.

## TECHNICAL ASSISTANCE AND SERVICES

During the year, the Office of Housing continued to provide technical assistance and services to shelter and shelter-related institutions as part of the Housing Guaranty Program and in support of other A.I.D. programs. In a typical Housing Guaranty project, one or more U.S. technicians, possibly a finance specialist, a housing economist, or an architect/engineer, are provided to work for two years with host country counterparts to help develop shelter projects. Additional short term technical assistance may be provided in housing policy formulation, project design and management; housing finance; building design and technology; etc.

Under the Integrated Improvement Program for the Urban Poor (IIPUP) initiated in 1978, the Office of Housing will assist developing countries in designing social and economic programs to complement Housing Guaranty programs, to achieve the overall objective of improving the living conditions of low income areas. The integrated approach in this project emphasizes problem analysis, planning support, and fiscal and administrative guidance to national and municipal governments and institutions in support of such activities as credit and savings programs; employment and small enterprise development; and community programs to deliver basic social services.

In accordance with A.I.D. policy, the Office of Housing utilizes the services of private industry, including small businesses and minority-owned firms, on a consulting basis to provide much of the technical assistance and services.

Some examples of technical assistance provided this year include:

### Africa

Botswana -- Research for development of national sites and services housing standards.

Kenya -- Assistance to the Nairobi City Council in improving its accounting and collection procedures.

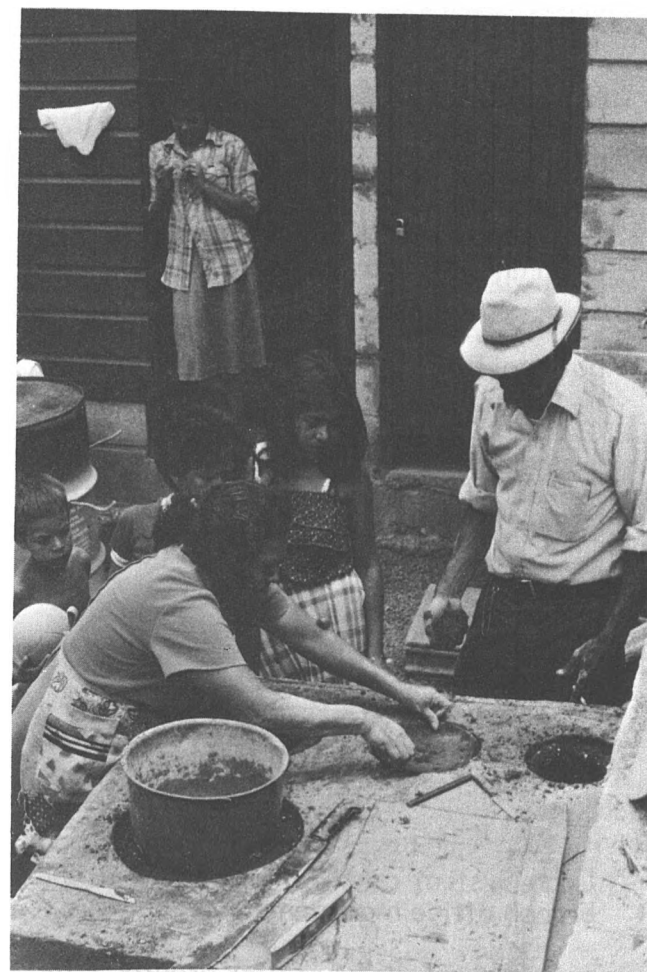
Lesotho -- Development and implementation of household surveys for ten Lesotho towns in preparation for future shelter projects.

Mauritius - Design and implementation of a shelter prototype and market analysis project.

### Asia

Thailand -- Assistance to the National Housing Authority on secondary city programs, project management, and environmental considerations.

--Technical studies in support of community development to complement the current Housing Guaranty.



*A Foundation for Cooperative Housing advisor, working in a technical assistance program, helped this family to obtain a fuel-efficient Lorena stove. Technicians are making this earthen stove as the family looks on.*

## Latin America and Caribbean

Bolivia -- Assistance to the Central Savings and Loan System in indexing its portfolio to reflect currency devaluation and inflation.

-- Assistance in preparation of a national housing policy.

CABEI (Central American Bank for Economic Integration) -- Seminar on secondary mortgage markets.

--Basic considerations in portfolio analysis.

--Features of mortgage-backed securities.

Costa Rica -- Assistance in preparation of a national housing policy.

--Assistance to the Savings and Loan System on savings promotion and branch office management techniques.

--Analysis of shelter programs for low income families in Limon.

Dominican Republic -- Planning assistance for shelter rehabilitation following hurricane damage.

Ecuador -- Assistance in national shelter and urban development policies and community development to complement this year's Housing Guaranty.

Guatemala -- In-depth urban poverty study.

Honduras -- Evaluation of the progress of the Honduran National Housing Institute in computerizing its mortgage portfolio.

--Assistance to the Foundation for Minimum Cost Housing of Honduras in preparing its charter, regulations, and administrative agreements for use in sponsoring and developing urban projects and land bank projects.

Nicaragua -- Assistance in evaluating an emergency shelter plan.

--Assistance in the design of a housing program for rural settlements.

Panama -- Preparation of a manual on storm water and erosion control measures for the Ministry of Housing.

--Studies on increasing employment and income among the urban poor and pilot program to generate employment using community organizations.

Paraguay -- Assistance to housing organizations in institutional development.

Peru -- Assistance to the National Housing Bank in incorporating environmental considerations into the project approval process.

## Near East

Lebanon -- Technical assistance to the new Lebanese Housing Bank.

Morocco -- Assistance in business promotion, employment, and job training to complement a Housing Guaranty for squatter settlement upgrading.

--Resident advisors to assist the Ministry of Housing with project management and development of a shelter sector policy.

Portugal -- Field assessment of responses to Azores earthquake disaster.

Tunisia -- Assistance in establishment and monitoring of home improvement and construction loan program.

Bahrain - Resident advisor for the Ministry of Housing as part of A.I.D.'s Trade and Development Program (financed by Bahrain).

## ADMINISTRATION AND ORGANIZATION

In FY 1980 the Office of Housing continued selective recruitment of housing officers to meet the needs of its expanding worldwide responsibilities in the administration of over one billion dollars of Housing Guaranty authority.

The Office of Housing, under the direction of Peter Kimm, is within A.I.D.'s Development Support Bureau. The central office is in Washington, D.C., with seven regional offices in Africa, Asia, Central America, and the Caribbean. The Washington office is divided into two functional areas.

The Operations Division provides support to the Regional Housing Offices in the field in the design and implementation of shelter projects and in the development of shelter policies for developing countries. It also coordinates technical assistance for specific country program activities.

The Support Division has responsibility for budget, personnel, contracts, and general administrative activities. It also provides financial management and monitoring of the Housing Guaranty portfolio.

The Regional Housing Offices continue to have the main responsibility for providing assistance to A.I.D. Missions for planning, design, and implementation of Housing Guaranty projects in the following areas:

### Office Location - Region

Nairobi, Kenya - East and Southern Africa

Abidjan, Ivory Coast - West Africa

Tunis, Tunisia - Near East and North Africa

Tegucigalpa, Honduras - Central America

Panama City, Panama - Panama and South America

Bangkok, Thailand - Asia

Kingston, Jamaica - Caribbean

A.I.D. charges a fee for its guaranty, which covers the direct administrative expenses of the program. During FY 1980 as in prior years virtually all fee income was expended for operations, program development, and monitoring, and the provision of related technical assistance.

Income for FY 1980 was \$5,253,278 which exceeded administrative and contractual expenses by \$684,958. However, non-recoverable claims of \$1,992,076 were incurred. The net decrease to net worth for the fiscal year amounted to \$1,296,476.



*In developing countries, water must frequently be carried for long distances, possibly miles, for a family's home.*

## LENDERS

Lenders, sometimes called investors, in recent years have been commercial banks, savings and loan institutions, life insurance companies, pension funds, and other participants in the U.S. capital market.

Borrowers, not A.I.D., select lenders to finance the projects which have been authorized as eligible to receive the benefits of an A.I.D. guaranty under Section 222 of the Foreign Assistance Act of 1961 as amended ("The Act"). However, the A.I.D. Office of Housing reserves certain approval rights over lenders selected, the procedures to be used for lender selection, and the terms of loan agreements to be contracted by lenders and borrowers. The following guidelines and policies are normally followed in exercising A.I.D.'s approval rights.

### A. Procedure for Lender Selection

In general, A.I.D. requires that prospective borrowers solicit proposals from the widest practicable number of eligible lenders and give fair consideration to proposals received. A.I.D. will not substitute its own judgement for that of the borrower in exercising approval rights over a particular selection. However, A.I.D. does require that a borrower's selection meet reasonable and prudent standards.

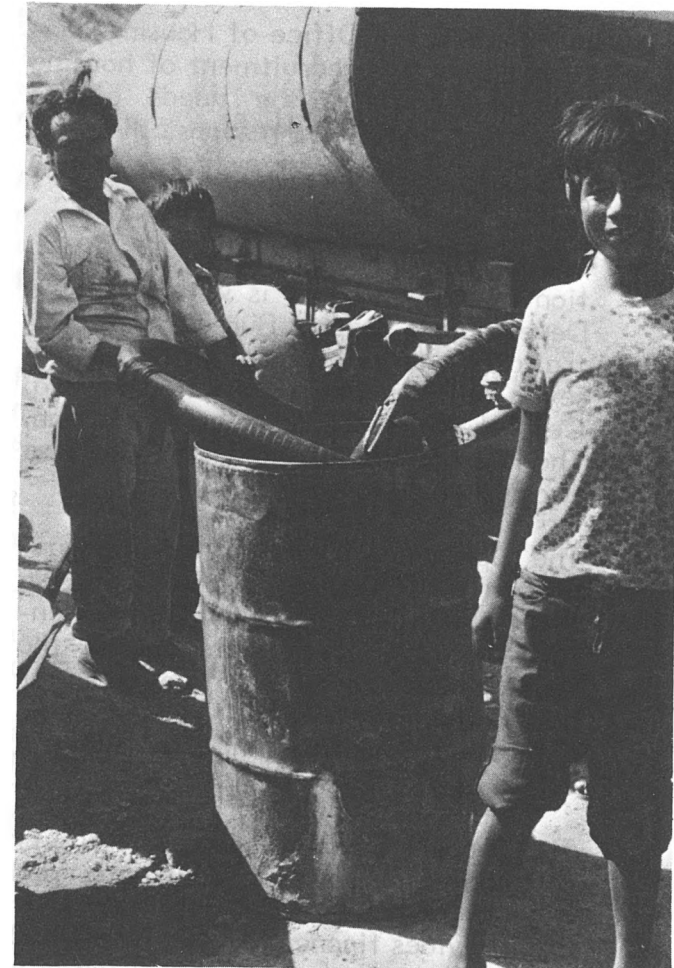
In order to assist a borrower in solicitation efforts, A.I.D. will publish a notice of each prospective A.I.D. guaranteed investment opportunity in the Federal Register and directly mail such notices to interested firms or individuals who appear on the Office of Housing's mailing list designated for this purpose. The public is invited to send a request to A.I.D. asking that their names be inserted on this mailing list.

### B. Eligibility of Lenders

Reference is made to the Act, Section 238(c) reprinted in full at the end of this report. This Section defines eligibility in terms of the nationality of the lenders (investors). A.I.D. is authorized by statute to make a final determination of eligibility at the time the guaranty is issued if an eligible lender or its nominee (in case the lender is a nominee) is willing to give a representation to the effect that it is acquiring the A.I.D. guaranteed notes for the purposes of investment only and not with a view towards reselling.

### C. Terms of Loan Agreements

A.I.D. also approves the terms and conditions of the loan agreements where repayment is subject to the A.I.D. Contract of Guaranty.



*Water distribution by truck. In some places this is the only method of water distribution; however, typically this procedure is very costly and the water is not of good quality.*



*As part of an upgrading program, family is completing installation of water standpipe which brings potable water to their door.*

(1) Interest rate - the Act, Section 223(f) requires A.I.D. to set a maximum interest rate on loans to be guaranteed by A.I.D. Currently the maximum rate set by A.I.D. is a floating rate which is 1% above the interest rate permitted by the Department of Housing and Urban Development for domestic loans of a similar nature.

(2) Amortization and Grace Period- While A.I.D. requires the amortization of principal over the life of the loan, A.I.D. permits the parties to contract for a grace period on the repayment of principal that does not exceed ten years.

(3) Terms - A.I.D. will approve extended repayment periods so long as any one period does not exceed thirty years from the date of any guaranteed promissory note.

(4) Commitment Fees or Service Charges - Prospective lenders may wish to charge borrowers commitment fees or a service charge in addition to an interest rate. Historically, A.I.D. has been willing to view one time fees or charges of up to one percent (1%) of the principal amount of the loan as being within the category of genuine service fees which would not affect the maximum interest rate calculation.

(5) Payment Procedures - A.I.D. has established a Fiscal Agent for purposes of facilitating A.I.D.'s discharge of its guaranty obligations. Borrowers are requested to remit their payments to lenders through the A.I.D. Fiscal Agent and loan agreements should contain an appropriate clause to provide for this.

(6) Registrar, Transfer Agent and Paying Agent Functions - The A.I.D. Fiscal Agent and A.I.D. do not perform a function of acting as paying agent for various assignees of notes held by lenders. In the event lenders propose to sell guaranteed notes to multiple assignees, lenders are required to establish their own mechanism for distributing payments, recording the names of noteholders, and facilitating assignment or transfer of notes to new parties.

(7) Prepayment - A.I.D. requires that loan agreements permit A.I.D. to cause a prepayment without penalty in the event that a borrower materially breaches the underlying project agreement between borrower and A.I.D.

(8) Partial Payment - A.I.D. requires the ability to prevent an event of default by intervening on a borrower's behalf and making installment payments.

(9) Records and Reporting - A.I.D. requires certain reporting by lenders and access to records of lenders. The A.I.D. Contract of Guaranty will specify the lenders' obligations with respect to this matter.

FINANCIAL REPORT Statement of Financial Condition as of September 30, 1980

ASSETS

Funds with U.S. Treasury		\$34,619,957.91
Accrued Fees Receivable		1,439,472.51
Penalty Interest Receivable		677,998.39
Accounts Receivable		102,596.18
Advances:		
Advances to Contractors	\$ 193,600.82	
Travel & Other Advances to employees	36,407.98	230,008.80
Subrogated claims		7,363,805.40
Furniture and Equipment	\$ 157,198.72	
Less: Allowances for Depreciation	34,608.00	122,590.72
<b>TOTAL ASSETS</b>		<u><u>\$44,556,429.91</u></u>

LIABILITIES & NET WORTH

LIABILITIES

Accounts Payable		\$ 62,527.32
Accrued Expenses Payable		476,182.94
Accrued Annual Leave		160,310.87
<b>TOTAL LIABILITIES</b>		<u><u>\$ 699,021.13</u></u>

NET WORTH

Housing Guaranty Program		
Capital		\$47,042,916.00
Cumulative Loss-Beginning of Fiscal Year		(4,583,071.13)
Net Loss-Fiscal Year Ended		(1,296,476.46)
Subtotal		\$41,163,368.41
Other Credit Guaranty Program:		
Credit Guaranty Reserve-Sect. 222-A(e)		2,854,351.24
<b>TOTAL NET WORTH</b>		<u><u>\$44,017,719.65</u></u>

UNFUNDED ACTIVITY

Unfunded Accrued Annual Leave		\$ (160,310.87)
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**TOTAL LIABILITIES & NET WORTH**

\$44,556,429.91

The Notes to the Financial Statements are an integral part of this statement.



Statement of Income and Expenses for Fiscal Year 1980

INCOME:

Fees	\$4,910,962.47	
Penalty Interest	264,015.26	
Other	78,300.00	
TOTAL INCOME		<u>\$ 5,253,277.73</u>

EXPENSES:

Administrative:		
Personnel Compensation		\$ 1,963,941.05
Travel		384,971.73
Miscellaneous		454,029.58
Total Administrative Expenses		<u>\$ 2,802,942.36</u>
Contractual Services		1,765,376.89
Total Expenses Before Claim Losses		<u>\$ 4,568,319.25</u>
Net Income Before Claim Losses		\$ 684,958.48
Claim Losses:		
Payments to U.S. Investors	\$1,908,702.15	
Unrealized Exchange Rate		
Loss on Subrogated Claims		<u>83,374.00</u>
Total Claim Losses		(1,992,076.15)
Net Income or (Loss) for the Current FY		<u>\$ (1,307,117.67)</u>
Prior FY Adjustments		10,641.21
Net Income or (Loss)		<u><u>\$ (1,296,476.46)</u></u>

Statement of Contract Issuing Authority as of September 30, 1980

	No. of Projects		
I. Congressional Authority			
Worldwide Housing Guaranties FAA 1969 (Sections 221 and 222)			\$1,555,000,000
Prior Authority (Section 223)			25,100,000
TOTAL CONGRESSIONAL AUTHORITY			<u>\$1,580,100,000</u>
II. Less Projects Authorized:			
Contracts Issued	110	\$936,523,936 <sup>1</sup>	
Not yet under Contract	31	<u>446,800,000</u>	
TOTAL	141		\$1,383,323,936 <sup>1</sup>
III. Add: Repayments under active projects			119,951,887 <sup>1</sup>
IV. Balance available for new projects			<u><u>\$ 316,727,951</u></u>

<sup>1</sup>Excludes \$15,959,164 on eight projects authorized and fully repaid.

Notes to Financial Statements  
As of September 30, 1980

1. Accrued Fees Receivable

Accrued Fees Receivable include \$214,226 relating to subrogated claims.

2. Fee Income

Total Fee Income excludes \$25,157 and \$31,213 for the current and prior period respectively, representing guaranty fee which was offset against payment deficiencies on four housing projects in Peru.

3. Non-Recoverable Claims

Total Non-recoverable claims exclude \$25,157 and \$31,213 for the current and prior period respectively, representing the portion of the claim which was offset by the guaranty fee.

4. Contingent Liability

The contingent liability of the U.S. Government under the Housing Guaranty Program is defined as the net amount of guaranteed loans outstanding. Such amount represents the maximum liability which would be reduced by available program reserves established by borrowers and host government and other guaranties applicable to certain of the loans.

Maximum contingent liability		\$789,972,049
Project reserve funds	\$ 6,719,670	
Prepayments on hand	370,858	7,090,528
Balance		<u>\$782,881,521</u>
Host country guaranties	\$742,144,664	
Other Guaranties	24,082,775	766,227,439
Balance		<u>\$ 16,654,082</u>

5. Projection of Estimated Losses

The highest risk of loss portion of the loan portfolio relates to guaranties which do not have a host country or other guaranty. That part of the portfolio amounts to \$16.7 million.

The Office of Housing has projected estimated claim losses and the effects of such losses on program reserves (which amounted to \$41.1 million at September 30, 1980) as shown in the following schedule:

PROJECTED EFFECTS OF OPERATIONS ON PROGRAM RESERVES  
(Amount in thousands of dollars)

	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Program Reserves, beg. of period	\$41,163	\$39,817	\$38,700	\$37,304	\$ 36,386	\$ 35,738	\$34,673	\$ 34,266	\$ 34,578	\$ 35,431
Income	6,836	7,487	7,817	8,450	9,450	9,860	11,100	12,550	14,220	16,100
Operating Expenses	(6,085)	(6,630)	(7,300)	(8,000)	(8,800)	(9,700)	(10,700)	(11,700)	(12,900)	(14,200)
Claim Losses	<u>(2,097)</u>	<u>(1,974)</u>	<u>(1,913)</u>	<u>(1,368)</u>	<u>(1,298)</u>	<u>(1,225)</u>	<u>(807)</u>	<u>(538)</u>	<u>(467)</u>	<u>(387)</u>
Program Reserves, end of period	<u>\$39,817</u>	<u>\$38,700</u>	<u>\$37,304</u>	<u>\$36,386</u>	<u>\$ 35,738</u>	<u>\$ 34,673</u>	<u>\$34,266</u>	<u>\$ 34,578</u>	<u>\$ 35,431</u>	<u>\$ 36,944</u>

6. Project Reserve Funds

As of September 30, 1980, project reserve funds were held by various agents in the amount shown below:

	<u>Total Amount of Reserve</u>	<u>Restricted</u>	<u>Fungible</u>
AID Central Fiscal Agent (American Security Bank)	\$ 1,466,746	\$ -0-	\$1,466,746
U.S. Investors and/or their Agents	3,651,989	3,651,989	-0-
Project Administrators	1,600,935	1,600,935	-0-
TOTALS	<u>\$ 6,719,670</u>	<u>\$5,252,924</u>	<u>\$1,466,746</u>

These funds are used to cover delinquencies and protect against activating the AID guaranty. Deposits made into the reserve fund by various projects are either fungible or restricted, depending on the provisions contained in the Guaranty Agreements.

7. As of September 30, 1980 the following payments have been made from fungible reserves held by the Central Fiscal Agent, to cover deficiencies:

<u>Project No.</u>	<u>Country</u>	<u>Amount</u>	<u>Project No.</u>	<u>Country</u>	<u>Amount</u>
633-HG-001	Botswana	\$ 1,521	532-HG-001/II	Jamaica	\$ 9,517
663-HG-001	Ethiopia	14,255	532-HG-008	Jamaica	24,543
489-HG-001	Korea	244	524-HG-001/B	Nicaragua	1,935
513-HG-003	Costa Rica	18,857	524-HG-003	Nicaragua	1,575
518-HG-003	Ecuador	43,822	525-HG-004	Panama	47,875
504-HG-002	Guyana	8,564	525-HG-005	Panama	335,323
					<u>\$508,031</u>

8. Pending Litigation

On March 16, 1976, an arbitral award was issued against A.I.D. in favor of a construction corporation formed under the laws of Senegal. The award calls for the payment by A.I.D. of \$495,898.45 plus 75 percent of the costs of arbitration. The award is presently the subject of litigation in the United States Court of Claims. The source of funds to be used to pay all or part of the award is currently under consideration. The source of such funds will be either funds provided for regular operations of the A.I.D. Housing Guaranty Program or funds made available to the Department of Justice for the payment of judgments against the United States.

PROJECTS AUTHORIZED  
AND UNDER CONTRACT

as of September 30, 1980

Country	Number of Projects	Amount Authorized	Amount Disbursed	Outstanding Balance	Reserve Fund Balance in	
					U.S.A.	Overseas
<b>AFRICA</b>						
Botswana	1	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$	\$
Ethiopia	1	1,541,202	1,541,202	1,225,073		
Ivory Coast	4	33,032,792	21,432,792	19,502,935	57,702	
Kenya	3	16,993,073	16,993,073	16,211,007		
Senegal	1	4,999,997	4,999,997	3,280,496		
Zaire	1	10,000,000	10,000,000	9,009,562		
<b>Total</b>	<b>11</b>	<b>\$ 68,967,064</b>	<b>\$ 57,367,064</b>	<b>\$ 51,629,073</b>	<b>\$ 57,702</b>	
<b>ASIA</b>						
Republic of China	1	\$ 4,793,417	\$ 4,793,417	\$ 1,724,332	\$1,088,343	\$
Korea	7	95,000,000	95,000,000	94,246,487		
Thailand	1	4,960,149	4,960,149	2,494,635	234,757	419,661
<b>Total</b>	<b>9</b>	<b>\$104,753,566</b>	<b>\$104,753,566</b>	<b>\$ 98,465,454</b>	<b>\$1,323,100</b>	<b>\$ 419,661</b>
<b>NEAR EAST</b>						
Iran	1	\$ 7,500,000	\$ 7,500,000	\$ 6,982,187	\$	\$
Israel	7	200,000,000	200,000,000	196,036,260		
Lebanon	1	15,000,000	15,000,000	15,000,000		
Portugal	2	40,000,000	40,000,000	40,000,000		
Tunisia	4	34,992,798	33,992,798	30,792,296	55,889	
<b>Total</b>	<b>15</b>	<b>\$297,492,798</b>	<b>\$296,492,798</b>	<b>\$288,810,743</b>	<b>\$ 55,889</b>	

PROJECTS AUTHORIZED  
AND UNDER CONTRACT

as of September 30, 1980

Country	Number of Projects	Amount Authorized	Amount Disbursed	Outstanding Balance	Reserve Fund Balance in	
					U.S.A.	Overseas
LATIN AMERICA & CARIBBEAN						
Argentina	5	\$ 39,721,394	\$ 39,721,394	\$ 30,962,993	\$ 806	\$
BIAPE <sup>1</sup>	1	6,000,000	6,000,000	6,000,000		
Bolivia	3	13,600,000	10,100,000	9,290,767		
CABEI <sup>2</sup>	4	44,000,000	44,000,000	41,782,474		
Chile	2	55,000,000	55,000,000	55,000,000		
Colombia	3	26,866,084	26,866,084	9,717,778		
Costa Rica	3	6,598,011	6,598,011	4,809,431	223,504	
Dominican Republic	5	16,309,726	16,309,726	10,500,044	433,670 <sup>3</sup>	8,579 <sup>3</sup>
Ecuador	2	7,396,726	7,396,726	6,544,514	(43,822)	
El Salvador	3	10,900,550	10,900,550	3,944,861	337,233 <sup>3</sup>	27,060 <sup>3</sup>
Guatemala	1	1,500,000	1,500,000	1,241,696	151,978 <sup>3</sup>	61,601 <sup>3</sup>
Guyana	2	1,603,480	1,603,480	780,305		
Honduras	4	7,364,785	7,364,785	3,746,244	710,734	113,756
Jamaica	6	39,333,546	32,333,546	26,369,488	(68,000)	
Mexico	2	10,760,032	10,760,032	3,839,201	(4,808)	
Nicaragua	3	15,924,915	15,924,915	11,434,952	(1,935) <sup>3</sup>	18,194 <sup>3</sup>
Panama	9	41,172,213	37,672,213	33,746,575	3,102	
Paraguay	1	4,000,000	4,000,000	4,000,000		
Peru	7	65,908,387	65,908,387	56,264,321	(7,084) <sup>3</sup>	2,534 <sup>3</sup>
Venezuela	9	51,350,659	51,350,659	31,091,135	1,590,747 <sup>3</sup>	1,067,518
	—				20,774 <sup>3</sup>	
Total	75	\$465,310,508	\$451,310,508	\$351,066,779	\$3,326,125 <sup>3</sup>	\$1,181,274
					138,742	

<sup>1</sup>Interamerican Savings and Loan Bank  
<sup>2</sup>Central American Bank for Economic Integration  
<sup>3</sup>Interest Guaranty Deposits

TOTAL PROJECTS AUTHORIZED  
AND UNDER CONTRACT

as of September 30, 1980

	Number of Projects	Amount Authorized	Amount Disbursed	Outstanding Balance	Reserve Fund Balance in	
					U.S.A.	Overseas
AFRICA	11	\$ 68,967,064	\$ 57,367,064	\$ 51,629,073	\$ 57,702	\$
ASIA	9	104,753,566	104,753,566	98,465,454	1,323,100	419,661
NEAR EAST	15	297,492,798	296,492,798	288,810,743	55,889	
LATIN AMERICA & CARIBBEAN	75	465,310,508	451,310,508	351,066,779	3,326,125 138,742 <sup>1</sup>	1,181,274
SUB TOTALS	110	936,523,936	909,923,936	789,972,049	4,901,558	1,600,935
Interest					217,177	
TOTALS	110	<u>\$936,523,936</u>	<u>\$909,923,936</u>	<u>\$789,972,049</u>	<u>\$5,118,735</u>	<u>\$1,600,935</u>

<sup>1</sup> Interest Guaranty Deposits

PROJECTS AUTHORIZED AND  
FULLY REPAID

as of September 30, 1980

Country	Project Number	Amount Authorized	Amount Disbursed	Paid By Borrower	Paid By A.I.D.
Chile	513-HG-003	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$
	513-HG-004	1,690,000	1,690,000	1,690,000	
	513-HG-005	2,000,000	2,000,000	2,000,000	
Guatemala	520-HG-001/I	1,817,000	1,816,213	1,816,213	
	520-HG-001/II	3,000,000	2,937,462	2,937,462	
	520-HG-002	1,500,000	1,500,000	1,500,000	
Peru	527-HG-001/I	1,189,713	1,189,713	822,756	366,957
	527-HG-002	3,825,776	3,825,776	1,711,247	2,114,529
TOTALS		<u>\$ 16,022,489</u>	<u>\$15,959,164</u>	<u>\$13,477,678</u>	<u>\$2,481,486</u>

CLAIMS  
AGAINST  
GUARANTY

The devaluation of the currency of some countries and other occurrences have resulted in shortages in payments received from the administrators or borrowers by the lenders for a few projects. These lenders have made claims to A.I.D. to make payment for the amounts of the deficiencies. In addition, A.I.D. made full payment of the outstanding loan balance to the lender on one loan.

Some of these claims are deemed to be fully recoverable by virtue of host country guaranties to reimburse A.I.D. for any payments it makes. In the instance where A.I.D. made full payment of the outstanding loan balance to the lender, a portion of the loan is recoverable from the remaining payments due from the individual homeowners. Other claims not covered by host country guaranties are judged non-recoverable when applicable resources are exhausted.

RECOVERABLE CLAIMS

Country/Project	Project Number	Cumulative claims Incurred (less reimbursements) to 9/30/80
Peru Jardines Viru <sup>1</sup>	527-HG-002	\$ 185,623
Senegal Patte d'Oie <sup>2</sup>	685-HG-001	1,476,449
Zaire CNECI <sup>2</sup>	660-HG-001	3,224,049
Nicaragua B.N.V. <sup>2</sup>	524-HG-002	530,458
B.N.V. <sup>2</sup>	524-HG-003	749,477
Ethiopia Continental Homes <sup>2</sup>	663-HG-001	269,611
Guayana Brezina <sup>2</sup>	504-HG-002	69,673
El Salvador Financiera Roble	519-HG-001	145,637
Iran GOI	265-HG-001	<u>712,828</u>
TOTAL RECOVERABLE CLAIMS		<u>\$ 7,363,805</u>

<sup>1</sup> Projected recoveries on this project, converted to U.S. dollars at the Treasury September 30, 1980 rate of exchange, amount to \$185,623.

<sup>2</sup> These claim payments are subject to reimbursement by the Host Government under the Host Government Guaranty Agreements. The amounts stated are receivable from the respective Governments.



NON-RECOVERABLE CLAIMS/LOSSES

Country/Project	Project Number	Cumulative Losses Incurred* (less reimbursements) to 9/30/80
Argentina Field Argentina	510-HG-001	\$ 3,529,799
Costa Rica Desarrollo Urbana	515-HG-003	204,543
Dominican Republic COINFO	517-HG-005	650,000
Peru		
Apollo	527-HG-001/I	366,936
Apollo	527-HG-001/II	439,191
Jardines Viru	527-HG-002	2,150,994
Salamanca	527-HG-004	541,625
Banco de la Vivienda del Peru	527-HG-006	38,726
Jamaica		
Independence City	532-HG-001/I	919,909
Independence City	532-HG-001/II	157,301
Ensom City	532-HG-002	1,147,783
Montego	532-HG-008	415,081
Mexico		
Matamoros	523-HG-006	166,004
Nicaragua		
Desarrollo Urbano	524-HG-001/I	190,238
Desarrollo Urbano	524-HG-001/II	11,756
TOTAL NON-RECOVERABLE CLAIMS		\$10,929,886
TOTAL ALL CLAIMS		<u>\$18,293,691</u>

\*Includes losses of Fee Income to A.I.D. except on four Peruvian projects where the fee was waived.

FOREIGN ASSISTANCE ACT OF 1961,  
AS AMENDED 1979

TITLE III--Housing and Other  
Credit Guaranty Programs

Sec. 221. HOUSING GUARANTIES.--  
The Congress recognizes that shelter requirements are among the most fundamental of human needs. Shelter for most people in the developing countries consists largely of domestic materials assembled by local labor. While recognizing that most financing for such housing must come from domestic resources, the Congress finds that carefully designed programs involving United States capital and expertise can increase the availability of domestic financing for improved housing and related services for low-income people by demonstrating to local entrepreneurs and institutions that providing low-cost housing can be financially viable. The Congress reaffirms, therefore, that the United States should continue to assist developing countries in marshalling resources for low-cost housing. Particular attention should be given to programs which will support pilot projects for low-cost shelter or which will have a maximum demonstration impact on local institutions and national policy. The Congress declares that the long run goal of all such programs should be to develop domestic construction capabilities and to stimulate local credit institutions to make available domestic capital and other management and technological resources required for effective low-cost shelter programs and policies.

Sec. 222. AUTHORIZATION--(a) To carry out the policy of section 221, the President is authorized to issue guaranties to eligible investors (as defined in section 238(c)) assuring against losses incurred in connection with loans made for projects meeting the criteria set forth in section 221. The total principal amount of guaranties issued under this title or heretofore issued under prior housing guaranty authorities, which are outstanding at any one time, shall not exceed \$1,555,000,000. The authority of this section shall continue through September 30, 1982. The President may issue regulations from time to time with regard to the terms and conditions upon which such guaranties shall be issued and the eligibility of lenders.

(b) Activities carried out under this section shall emphasize--

(1) projects which provide improved home sites to poor families on which to build shelter, and related services;

(2) projects comprised of expandable core shelter units on serviced sites;

(3) slum upgrading projects designed to conserve and improve existing shelter;

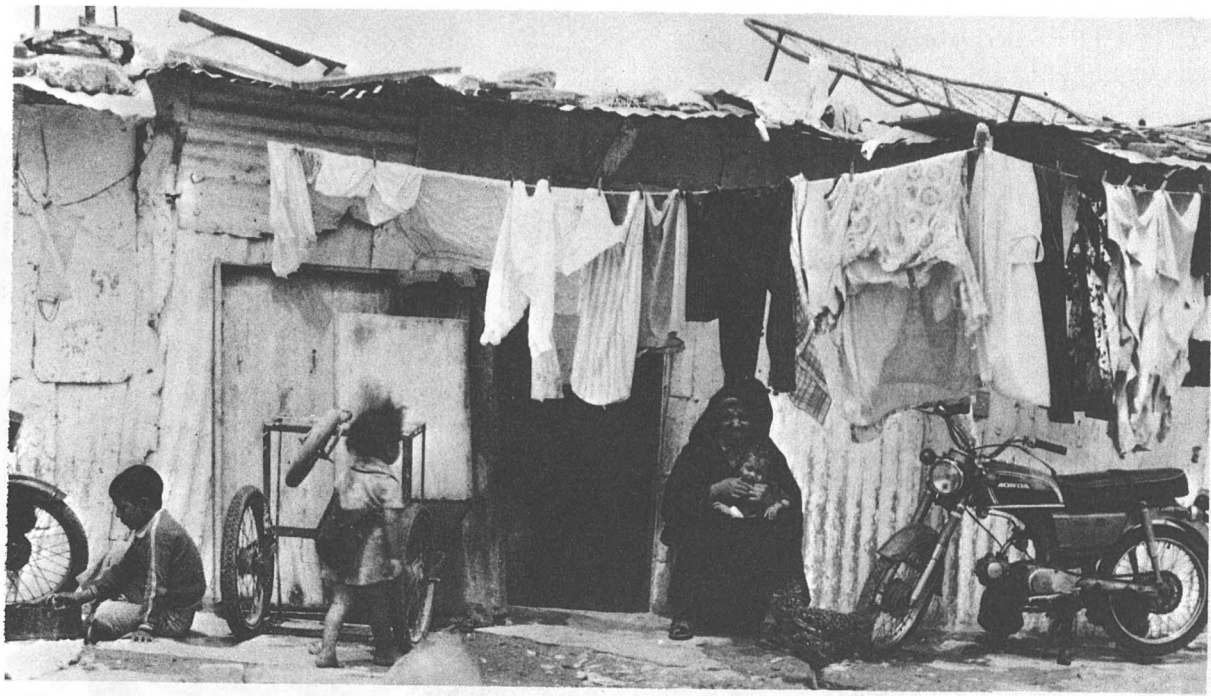
(4) shelter projects for low income people designed for demonstration or institution building purposes; and

(5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor.

(c) In issuing guaranties under this section with respect to projects in a country which require the use or conservation of energy, the President shall give consideration to the use of solar energy technologies, where such technologies are economically and technically feasible. Technologies which may be used include solar hot water systems, solar heating and cooling, passive solar heating, biomass conversion, photovoltaic and wind applications, and community-scale solar thermal applications.

Sec. 223. GENERAL PROVISIONS.--(a) A fee shall be charged for each guaranty issued under section 222 or 222A in an amount to be determined by the President. In the event the fee to be charged for such type guaranty is reduced, fees to be paid under existing contracts for the same type of guaranty may be similarly reduced.

(b) The amount of \$50,000,000 of fees accumulated under prior investment guaranty provisions repealed by the Foreign Assistance Act of 1969, together with all fees collected in connection with guaranties issued under section 222 or under prior housing guaranty authorities, shall be available for meeting necessary administrative and operating expenses of carrying out the provisions of section 222 and administering housing guaranties heretofore authorized under this title and under prior housing guaranty provisions repealed by the Foreign Assistance Act of 1969 (including, but not limited to expenses pertaining to personnel, supplies, and printing), subject to such limitations as may be imposed in annual appropriation Acts; for meeting management and custodial costs incurred with respect to currencies or other assets acquired under guaranties made pursuant to section 222 or heretofore pursuant to this title or prior Latin American and other housing guaranty authorities repealed by the Foreign Assistance Act of 1969; and to pay the cost of investigating and adjusting (including costs of arbitration) claims under such guaranties; and shall be available for expenditure in discharge of liabilities under such guaranties until such time as all such property has been disposed of and all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this subsection. Fees collected in connection with guaranties issued under section 222A shall likewise be available to meet similar expenses, costs, or liabilities incurred in connection with the programs authorized by that section.



*Residents of Moroccan squatter settlement, which is to receive Housing Guaranty assistance for community upgrading*

(c) Any payments made to discharge liabilities under guaranties issued under this title or section 222 or heretofore under prior Latin American or other housing guaranty authorities repealed by the Foreign Assistance Act of 1969, shall be paid first out of fees referred to in subsection (b) (excluding amounts required for purposes other than the discharge of liabilities under guaranties) as long as such fees are available, and thereafter shall be paid out of funds, if any, realized from the sale of currencies or other assets acquired in connection with any payment made to discharge liabilities under such guaranties as long as funds are available, and finally out of funds hereafter made available pursuant to subsection (e).

(d) All guaranties issued under section 222 or 222A or previously under section 240 of this Act or heretofore under this title or under prior Latin American or other housing guaranty authority repealed by the Foreign Assistance Act of 1969 shall constitute obligations, in accordance with the terms of such guaranties, of the United States of America and the full faith and credit of the United States of America is hereby pledged for the full payment and performance of such obligations.

(e) There is hereby authorized to be appropriated to the President such amounts, to remain available until expended, as may be necessary from time to time to carry out the purposes of this title.



*Self help construction*

(f) In the case of any loan investment guaranteed under section 222, the agency primarily responsible for administering part I shall prescribe the maximum rate of interest allowable to the eligible investor, which maximum rate shall not exceed by more than 1 per centum the then current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development. The maximum allowable rate of interest under this subsection shall be prescribed by the agency as of the date the project covered by the investment is officially authorized and, prior to the execution of the contract, the agency may amend such rate at its discretion, consistent with the provisions of subsection (f).

(g) Housing guaranties committed, authorized, or outstanding heretofore under this title or under prior housing guaranty authorities repealed by the Foreign Assistance Act of 1969 shall continue subject to provisions of law originally applicable thereto and fees collected hereafter with respect to such guaranties shall be available for the purposes specified in subsection (b).

(h) No payment may be made under any guaranty issued pursuant to this title for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

(i) \* \* \* (Repealed - 1978).

(j) Guaranties shall be issued under section 222 only for housing projects which are coordinated with and complementary to any development assistance being furnished under chapter I of this part and which are specifically designed to demonstrate the feasibility and suitability of particular kinds of housing or of financial or other institutional arrangements. Of the aggregate face value of housing guaranties hereafter issued under this title, not less than 90 per centum shall be issued for housing suitable for families with income below the median income (below the median urban income for housing in urban areas) in the country in which the housing is located. The face value of guaranties issued with respect to housing in any country shall not exceed \$25,000,000 in any fiscal year, and the average face value of guaranties issued in any fiscal year shall not exceed \$15,000,000. Of the total amount of housing guaranties authorized to be issued under section 222 through September 30, 1982, not less than a face amount of \$25,000,000 shall be issued for projects in Israel and not less than a face amount of \$25,000,000 shall be issued for projects in Egypt.

Section 238. DEFINITIONS.--As used in this title--

(c) The term "eligible investor" means: (1) United States citizens; (2) corporations, partnerships, or other associations including non-profit associations, created under the laws of the United States or any State or territory thereof and substantially beneficially owned by United State citizens; and (3) foreign corporations, partnerships, or other associations wholly owned by one or more such United States citizens, corporations, partnership, or other associations: Provided however, That the eligibility of such foreign corporation shall be determined without regard to any shares, in aggregate less than 5 per centum of the total issued and subscribed share capital, held by other than the United States owners: Provided further, That in the case of any loan investment a final determination of eligibility may be made at the time the insurance or guaranty is issued; in all other cases, the investor must be eligible at the time a claim arises as well as the time the insurance or guaranty is issued.



*A very basic dwelling which has been expanded and improved by this family*

UNITED STATES  
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DEVELOPMENT  
COOPERATION  
AGENCY

Washington, D.C. 20523

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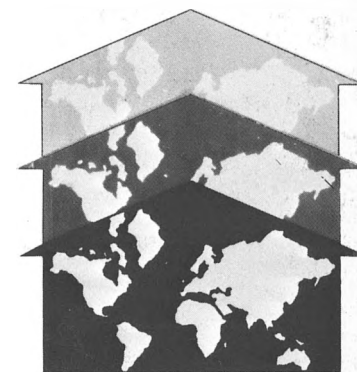
Persons within the U.S. who would like additional information may contact the Director, Office of Housing, Room 625, SA-12, Agency for International Development, Washington D.C. 20523. Telephone: (202) 632-9637

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Persons desiring further information may contact one of the Regional Offices of the Office of Housing or the U.S.A.I.D. Mission or U.S. Embassy in their country.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

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