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EL SALVADOR

**PROGRAM FOR HOUSING AND COMPREHENSIVE IMPROVEMENTS FOR
INFORMAL URBAN NEIGHBORHOODS, PHASE II
(ES-L1022)**

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Development Effectiveness Matrix (DEM) - Questionnaire http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028509
2.	Annual work plan (AWP) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028304
3.	Environmental and Social Management Report (ESMR) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35007674
4.	Monitoring and evaluation mechanisms Includes terms of reference for the impact evaluation for the comprehensive improvement of informal urban neighborhoods component. http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028902
5.	Procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028307
MISCELLANEOUS	
1.	Comparison Table No. 1 – Fulfillment of indicators http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35241669
2.	Report of final external evaluation, Social Fund for Housing (FSV) modernization component, September 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028514
3.	Description of Supportive Urban Communities in Solidarity Program (PCSU), Office of the Deputy Minister for Housing and Urban Development (VMVDU), November 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028519
4.	Terms of reference for the Housing Savings and Finance System (SAFH) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028904
5.	Comprehensive Strategy for Formalization of the Progressive Housing Development Subdivisions Market, VMVDU, November 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028528
6.	VMVDU institutional strengthening plan, November 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028894
7.	Recommendations for continued strengthening of the FSV, October 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028534
8.	Plan for continued development of the secondary mortgage market, Banco Multisectorial de Inversiones (BMI), November 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028546
9.	VMVDU organizational chart http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028511
10.	Organizational chart, Municipality of San Salvador (AMSS) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028553
11.	Operating Manual, floor improvement subcomponent, VMVDU, November 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028900
12.	Neighborhood Improvement Operating Manual, AMSS, November 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028897
13.	Program economic evaluation, November 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028558
14.	Program environmental assessment, November 2009 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028592

15.	Multiyear program execution plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35028909
16.	Fiduciary arrangements Financial management and fiduciary strategy based on policy OP-273-1 http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35084281
17.	Environmental classification and safeguards http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=35086470

ABBREVIATIONS

AMSS	Alcaldía Municipal de San Salvador [Municipality of San Salvador]
BMI	Banco Multisectorial de Inversiones
FONAVIPO	Fondo Nacional para la Vivienda Popular [National Low-Income Housing Fund]
FSV	Fondo Social para la Vivienda [Social Fund for Housing]
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH [German Agency for Technical Cooperation]
PCSU	Programa Comunidades Solidarias Urbanas [Urban Communities in Solidarity Program]
SAFH	Sistema de Ahorro y Financiamiento Habitacional [Housing Savings and Finance System]
SICS	Sistema de Información, Control y Supervisión [Information, Control, and Supervision System]
SIMSE	Sistema de Información, Monitoreo, Seguimiento y Evaluación [Information, Monitoring, Supervision, and Evaluation System]
STP	Secretaría Técnica de la Presidencia [Technical Secretariat of the Office of the President]
UNDP	United Nations Development Programme
VMVDU	Vice Ministerio de Vivienda y Desarrollo Urbano [Office of the Deputy Minister for Housing and Urban Development]
PFIF1	First Institutional and Financial Strengthening Program
PFIF2	Second Institutional and Financial Strengthening Program
PDM2	Modernization Program II (FSV)

PROJECT SUMMARY

EL SALVADOR

Program for Housing and Comprehensive Improvements for Informal Urban Neighborhoods, Phase II (ES-L1022)

Financial Terms and Conditions			
Borrower: Republic of El Salvador		Amortization period:	25 years
Executing agency: Ministry of Public Works, Transportation, Housing, and Urban Development, through the Office of the Deputy Minister for Housing and Urban Development (VMVDU)		Grace period:	4.6 years
Coexecuting agencies: Social Fund for Housing [Fondo Social de la Vivienda] (FSV), Banco Multisectorial de Inversiones (BMI), and the Municipality of San Salvador [Alcaldía Municipal de San Salvador] (AMSS)		Disbursement period:	4 years
		Interest rate:	LIBOR
Source	Amount	Inspection and supervision fee:	*
IDB (OC)	US\$70 million	Credit fee:	*
Total	US\$70 million	Currency:	U.S. dollars from the Single Currency Facility of the Ordinary Capital
Project at a Glance			
<p>Objective The general objective of the program is to improve housing conditions for low- and middle-income groups and increase the capacity of the housing sector to efficiently and equitably meet the housing demand from those groups.</p> <p>Description The program has five components: (i) low-income housing subsidies; (ii) comprehensive improvement of informal urban neighborhoods; (iii) progressive housing development subdivisions and property formalization; (iv) institutional strengthening for the sector; and (v) Municipality of San Salvador (AMSS) subprogram.</p> <p>Special contractual clauses: (i) As conditions precedent to the first disbursement for the program, funds transfer and coexecuting agreements with the FSV and BMI will be signed and enter into effect (paragraph 3.1) and the VMVDU will approve the Operating Manuals for the floor improvement, emergency housing, and comprehensive improvement of informal urban neighborhoods subcomponents, with the Bank's no objection (paragraph 3.2); (ii) as a condition precedent to the first disbursement for the combined subsidy, savings, and loan subcomponent in component I, the corresponding Operating Manual, prepared as a result of the Housing Savings and Finance System (SAFH) design process, will be approved and enter into effect (paragraph 1.13); (iii) as conditions precedent to the first disbursement for component V, a funds transfer and coexecuting agreement between the borrower and the AMSS will be signed and enter into effect (paragraph 3.1), and the AMSS will approve the neighborhood improvement Operating Manual, with the Bank's no objection (paragraph 3.4); and (iv) prior to the second year of execution, draft legislation to formalize the progressive housing development subdivisions market will be presented to the Legislative Assembly (paragraph 1.15).</p> <p>Coordination with other donors: The program was coordinated with other entities supporting the VMVDU in the areas of housing policy and land-use planning, in particular, the United Nations Development Programme (UNDP), the German Agency for Technical Cooperation (GTZ), and the Central American Bank for Economic Integration.</p>			
<p>Project consistent with country strategy: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>Project qualifies as: SEQ <input checked="" type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input checked="" type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/></p>			

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION, RESULTS, AND RATIONALE

A. Problems to be addressed

- 1.1 The vast majority of El Salvador's population (over six million people) lack the ability to pay for a housing solution in the formal market because they earn less than four times the minimum monthly wage (equivalent to US\$830).¹ As a result, 60% of housing is produced in the informal market through "self-help" and/or progressive construction. For this reason, the housing inventory is marked by poor quality,² overcrowding, and the absence of clear property rights. The remaining 40% produced in the formal market covers groups whose income equal or exceed four times the minimum wage. Accordingly, establishing a sustainable financing system that meets the housing needs of the poorest groups is a priority. The system must include contributions or savings from the beneficiaries, a State subsidy to close the gap for borrowers with insufficient ability to pay, and medium- and long-term loans. One positive factor is that the Office of the Deputy Minister for Housing and Urban Development (VMVDU) has already started to implement the Housing Savings and Finance System (SAFH) and has already developed information technology tools³ for the presentation of projects and the incorporation of organized groups interested in applying for financing under the system. It has also disseminated these to users, trained municipal officials to identify and document demand, and in coordination with the National Low-Income Housing Fund (FONAVIPO) and the Social Fund for Housing (FSV), implemented pilot projects using the SAFH.⁴
- 1.2 The second problem is the severe shortage of basic infrastructure and facilities in informal urban neighborhoods.⁵ Other problems such as poor-quality housing, inadequate basic residential and social services, and high rates of violence and insecurity also affect these neighborhoods. With funds from Phase I (loan 1379/OC-ES), the VMVDU and the Municipality of San Salvador (AMSS) executed two comprehensive improvement programs for informal neighborhoods with the leadership of the municipal governments and broad community participation. The programs provided drinking water, storm drainage and sanitary sewer systems, and residential sanitation services to 12,910 families in 55 neighborhoods. The total investment was US\$35 million, of which US\$12 million was contributed by the municipal governments and communities.

¹ An estimated 27% of the population earn less than the minimum wage, 34% earn between one and two times the minimum wage, and 17% earn between two and three times the minimum wage.

² Of the 1,668,227 existing homes, 23% have dirt floors. 2007 Population and Housing Census.

³ The Unified Enrollee Registry [Registro Único de Inscritos], the Unified Bidder Registry [Registro Único de Postulados], and the Unified Beneficiary Registry [Registro Único de Beneficiados].

⁴ The VMVDU's Healthy Floor Program, FONAVIPO's Microcredit and Housing Loans and Subsidies Program, and the FSV's Savings and Loan Program.

⁵ Of existing homes, 22% lack running water, 41.5% do not have latrines, and 5.7% do not receive any sanitation services.

The programs also included institutional strengthening for the VMVDU and the AMSS through a participatory, integrated, cross-sectoral approach. The Salvadoran government is capitalizing on this strengthening and the local execution teams organized by the VMVDU with municipal governments and communities to implement the Urban Communities in Solidarity Program (PCSU), which has four pillars: (i) human capital through education, nutrition, and citizen security; (ii) basic services and investments in comprehensive neighborhood improvement; (iii) income generation and productive development, which includes the Temporary Income Support Program [Programa de Apoyo Temporal al Ingreso]; and (iv) land-use management, which cuts across the first three pillars.⁶

- 1.3 A third problem is the lack of legislation, control, and information on the market for progressive housing development subdivisions, which has historically served to provide inexpensive lots to low-income families.⁷ The companies active in this market fail to carry out or complete permit processes. They also operate informally, as there is no legal framework governing the sale of lots and the rights of all parties involved. As a result, many subdivisions lack essential services and basic urban infrastructure and are located in risk areas, and buyers suffer a multitude of abuses, from being sold lots in inappropriate locations to being denied delivery of title after the purchase price has been paid in full. In recent years, the VMVDU implemented the Subdivision Information System and drafted special legislation to formalize subdivisions and ownership of individual lots. The bill was presented to the legislature, but it has yet to be enacted.⁸ Still, the fact that the VMVDU has started to take action to formalize this market represents a significant shift, as this matter was not previously seen as a problem. The VMVDU gained a good understanding of the complexity of the issue and formed partnerships with other public entities to address it.⁹ This has resulted in the development of a more complete strategy that includes reaching agreements to pass a comprehensive law, taking action to ensure compliance with applicable laws and regulations, and making information on qualified companies available to the public.

⁶ Financing for the PCSU is provided by different sources: (i) the Bank will finance pillar 1 through Urban Communities in Solidarity Program (ES-L1044) and will finance the investments described in pillar 2 through this operation; (ii) the World Bank will finance the Temporary Income Support Program under pillar 3; and (iii) the Salvadoran government will support other areas not covered by external financing.

⁷ By a conservative calculation, there are 3,000 progressive subdivisions in El Salvador, which are home to one million people (240,000 households).

⁸ The proposed legislation was submitted in the final months of the previous administration's term, building the support needed to ensure its passage was not a political priority, and the required lobbying effort was not made.

⁹ Primarily the Office of the Consumer Ombudsman [Defensoría del Consumidor], the National Records Center [Centro Nacional de Registro], and the municipal governments.

B. Institutional framework for the housing sector

- 1.4 There are five public entities involved in the housing sector: (i) the VMVDU, as the lead agency responsible for housing, urban development, and land-use management, sets policies, implements programs for groups with incomes less than twice the minimum wage, and authorizes subdivisions and construction throughout El Salvador; (ii) the Liberty and Progress Institute [Instituto Libertad y Progreso] surveys and registers lots and issues title documents to low-income families; (iii) FONAVIPO is a second-tier bank that channels funds through authorized institutions to provide loans to families with incomes less than four times the minimum wage; (iv) the FSV is the largest government financial intermediary providing home loans for families with incomes up to six times the minimum wage, including families with variable income; and (v) Banco Multisectorial de Inversiones (BMI) is a second-tier entity whose objectives include developing the secondary mortgage market.
- 1.5 All of these institutions have been strengthened in recent years, but a number of important aspects remain to be addressed. First, the VMVDU must be consolidated as the sole lead agency for the sector, to prevent other public entities from intervening in matters within its scope of authority, and it must be given a budget and a technical team financed from the national budget. This would represent a change from the current situation, in which financing for most VMVDU programs and the personnel in charge of them comes from loans and technical cooperation operations.¹⁰ Second, although the FSV has made significant progress, there is still much room for improvement in its financial management. The Salvadoran government must also define the FSV's role so as to strike a balance between fulfilling its social function and preserving its financial sustainability. This latter aspect has become more urgent since July 2009, when the government launched a program to build 25,000 homes with long-term financing from the FSV.¹¹ The program presents considerable challenges for the FSV's continued strengthening (see [link](#)) that are explained in the report. The report concludes that the program may weaken the FSV financially unless it is accompanied by changes in its lending policies and a system of direct demand subsidies. In regard to the secondary mortgage market, efforts must continue to develop financial instruments to provide long-term financing for housing.

¹⁰ Most financing comes from Bank loan 1379/OC-ES. In addition, over the past five years, the VMVDU has received technical assistance from Chile's Ministry of Housing and Urban Development and technical/financial cooperation for specific activities from the following agencies: the German Agency for Technical Cooperation (GTZ), the United States Agency for International Development, the Spanish Agency for International Development Cooperation, the Japan International Cooperation Agency.

¹¹ The Homes for Everyone Program is part of the Salvadoran government's Comprehensive Anti-Crisis Plan to revive the economy and create jobs by building housing for low-income families.

C. Multiphase Housing Program and Phase II triggers

- 1.6 The Bank approved Phase I (1379/OC-ES)¹² of the Multiphase Housing Program in December 2001. Its goal was to support the Salvadoran government in modernizing the housing sector by introducing sustainable tools to meet the demand for housing. The program was structured in two phases. Phase I was intended to strengthen the FSV, reform its governance system, and create the conditions needed to introduce direct demand subsidies. The objective of strengthening the FSV was achieved as a result of implementation of the First Institutional and Financial Strengthening Program (PFIF1) agreed on with the Bank. The external evaluation report on Phase I prepared during Phase II preparation (see [link](#)) noted that the FSV had been transformed since 2000, becoming a much stronger and more modern institution than it was during the design and implementation of Phase I. Phase I produced very good results in the three components: (i) the formal housing market; (ii) the informal housing market; and (iii) the Municipality of San Salvador (AMSS) subprogram. In the first component, the objective of strengthening the secondary mortgage market and the FSV was achieved. Under the second component, well-targeted investments based on good practices were made to benefit the poorest segments of the population, in the form of collective subsidies for neighborhood improvement programs (paragraph 1.2) and new construction. The individual subsidy programs were also well targeted and were supplemented with savings and loans. All the families receiving subsidies obtained title to their lots, and substantial progress was made on measures aimed at formalizing the progressive housing development subdivision market (paragraph 1.3). Lastly, as part of the second and third components, the VMVDU, the AMSS, and the municipal governments participating in policy formulation and the execution of housing programs were strengthened.
- 1.7 In terms of the first trigger, although the FSV did not approve a lending policy because it lacked the institutional competence to do so (this task fell to the VMVDU and the Ministry of Finance), it implemented the SAFH based on direct demand subsidies. As a result of the PFIF1, important changes were made in its lending policies. The commitment to introduce a system of direct, progressive, and portable subsidies was not met by the FSV as this was beyond its scope of institutional authority. During implementation of Phase I, that commitment was assumed by the VMVDU, which made progress with the operational design of the SAFH (paragraph 1.1). The final design of the SAFH is being financed with resources from ATN/JF-11626-ES and will be implemented as part of this operation under the subsidy, savings, and loan subcomponent of component I

¹² For US\$94 million, to be completed in December 2010.

(paragraph 1.12).¹³ With implementation of the system of direct and progressive subsidies that will result from the design of the SAFH, and based on the achievements and progress made during Phase I, the proposed Phase II will directly contribute to the continued institutional and financial strengthening of the FSV. In particular, the use of direct subsidies will enable the FSV to modify its policies on issuing and administering credit and interest rates, with the added benefit of a reduction in the default rate on new loans. Although it did not standardize minimum premiums of 5% for all loans, instead maintaining premiums of 2% and 3% for loans under US\$23,000. A variable rate calculated as the base deposit rate plus four for all new loans was not adopted. However, this did not erode the sustainability of the FSV because an alternate change was made in its interest rates to keep the financial spread near 4%.

- 1.8 In terms of the second trigger, the FSV's entire institutional and financial component was disbursed, thoroughly complying with the agreed indicator. In terms of the third trigger, the FSV also saw substantial improvements with regards to its default rates compared to 2000, when over 30% of its portfolio was past due, but it did not meet the program targets. As for the fourth trigger, since 2001, the FSV has remained in full compliance with the loan reserve requirements set by the Financial System Superintendency.
- 1.9 Lastly, with respect to the fifth trigger, the FSV also fulfilled its commitment to implement reforms in its governance system, but these were not approved by the legislature. However, the conflicts of interest that the reforms were intended to prevent never materialized. The performance of the triggers and the aforementioned indicators, with the values established in the original proposal and reformulated during the execution of Phase I, is shown in comparative chart 1 (see link). Given the progress made on fulfilling the Phase I objectives, the positive results reflected in the external evaluation of that phase, and the sequencing of objectives and activities proposed for Phase II to preserve and consolidate the Multiphase Program's development objectives, the project team concludes that the second phase should be prepared, processed, and considered by the Board of Executive Directors of the Bank.

D. The Bank's country strategy with El Salvador

- 1.10 The Bank's 2010-2014 country strategy with El Salvador¹⁴ identifies improvement of urban housing as a strategic priority and includes, as expected results, an increase in the number of homes with basic infrastructure (water and sanitation) and a reduction in the qualitative and quantitative housing deficits for households living

¹³ For Phase I of this program, US\$48.6 million in financing was approved—US\$25.5 million from the Bank and US\$23.1 million from the local counterpart. During preparation of Phase II, the Salvadoran government asked the Bank to finance 100% and increase the amount of financing to US\$70 million. This increase is justified by the expansion in coverage under the comprehensive improvement of informal urban neighborhoods component.

¹⁴ Document GN-2489 (8/08).

in informal conditions. The first expected result is consistent with a further strategic priority, i.e., support for the social protection system and basic social services in the areas of health, education, and prevention of violence, through the PCSU, which will be partially financed by operation ES-L1044 and this operation.

E. Objectives and components

- 1.11 The objective of the program is to improve housing conditions for low- and middle-income groups and increase the capacity of the housing sector to efficiently and equitably meet the housing demand from those groups. The program has five components, which are described below.
- 1.12 **Component I. Low-income housing subsidies (US\$30 million).** The objective of this component is to reduce the financing gap through direct subsidies enabling low- and middle-income families to improve their homes or acquire new homes in the formal market. Three types of subsidies will be financed: (i) subsidies for families with incomes up to two times the rural minimum wage, to be supplemented by contributions¹⁵ and/or savings but not home loans; (ii) emergency subsidies for families living in risk areas and earning less than four times the minimum wage; and (iii) subsidies for families with incomes between two and four times the minimum wage for the commercial sector, to be supplemented by savings and loans from financial institutions. Demand will be identified using the SAFH's Unified Enrollee Registry. The first subsidy will be implemented through the floor improvement subcomponent, which will replace dirt floors with cement floors. This subsidy of US\$500 per household will benefit 19,000 families at a cost of US\$10 million.¹⁶ The criteria for selecting beneficiary families and mechanisms for managing the subcomponent are described in the program Operating Manual (see [link](#)). The procedures adopted for the second subsidy, used in the emergency housing subcomponent, will vary according to family income levels and whether the subsidy is used for reconstruction at the same location, purchase of a new home, or relocation. The subsidy is expected to average US\$4,000 per household and will benefit 1,500 families at a cost of US\$6 million. The terms and conditions for use of the subsidy will be defined in the respective Operating Manual.
- 1.13 The third subsidy will correspond to the combined subsidy, savings, and loan subcomponent, which is currently being developed as part of the comprehensive SAFH design. The design process includes: (i) identification of existing financing mechanisms for home purchases and the adaptations needed to combine it with a direct demand subsidy system; (ii) identification of savings instruments and alternative forms of contributions in order to include a mandatory savings/contribution component; (iii) quantitative and qualitative analysis of housing production capacity, differentiating the various market segments by price; (iv) quantitative and qualitative analysis of demand, differentiating the various

¹⁵ The contributions include materials and labor.

¹⁶ The total amount includes 5% for subcomponent administrative expenses.

market segments by ability to pay; and (v) identification of areas where the VMVDU, the FSV, FONAVIPO and the Liberty and Progress Institute must coordinate efforts in order to operate the SAFH. The outcome of the design process will be a proposal for alternative direct demand subsidies, including target population according to housing status and income strata, products, costs, financing structure, and participating entities (see link to [SAFH terms of reference](#)). This subcomponent will benefit approximately 4,000 families with incomes between two and four times the minimum wage for the commercial sector, at a cost of US\$14 million. **The approval and entry into effect of the corresponding Operating Manual, prepared as a result of the SAFH design process, will be a contractual condition precedent to the first disbursement for this subcomponent.**

- 1.14 **Component II. Comprehensive improvement of informal urban neighborhoods (US\$26 million).**¹⁷ The objective of this component is to support execution of the investments corresponding to pillar 2 of the PCSU (paragraph 1.2) to improve housing conditions for 6,000 families residing in El Salvador's poorest informal urban neighborhoods. Collective subsidies will be financed for investments in, *inter alia*, basic infrastructure, development of community spaces, urban plant and facilities, risk mitigation works, and property titling. The maximum investment will be US\$4,000 per lot. The component will benefit municipios given priority status on the basis of two factors: (i) severe and high vulnerability, established on the basis of key indicators in the urban poverty program in El Salvador;¹⁸ and (ii) high incidence of violence, as indicated in the violence map prepared by the Secretariat for Strategic Affairs [Secretaría de Asuntos Estratégicos].¹⁹ The subsidy will be supplemented with contributions from families (5%)²⁰ and municipal governments (15%). The investments in pillars 1, 3, and 4 (paragraph 1.4) will be financed by the Salvadoran government and with loans from the IDB and the World Bank.
- 1.15 **Component III. Progressive housing development subdivisions and property formalization (US\$3 million).** The objective of this component is to establish the legal framework governing the progressive housing development subdivision market. The component will finance implementation of a comprehensive strategy including: (i) regulation; (ii) supervision; (iii) information, education, and transparency; (iv) formalization of existing subdivisions; and (v) recording and titling of lots. The central focus of the regulation subcomponent will be approval of a law to regulate the division, recording, and sale of parcels of land; ensure compliance with urban land-use regulations; and provide legal security to buyers.

¹⁷ The total amount includes 5% for component administrative expenses.

¹⁸ UNDP, proposed Urban Poverty Program in El Salvador, 2009.

¹⁹ Secretariat for Strategic Affairs, based on information provided by the National Civil Police, the Latin American School of Social Sciences, the UNDP, and nongovernmental organizations, September 2009.

²⁰ The contributions will consist of cash and labor.

The subcomponent will implement activities included in the VMVDU's strategy to formalize the progressive housing development subdivision market (see [link](#)). **As a special contractual condition for the program, draft legislation to formalize the progressive housing development subdivisions market will be presented to the Legislative Assembly.**

- 1.16 **Component IV. Institutional strengthening of the sector (US\$3.74 million).** The objective of this component is to continue strengthening the housing sector through three subcomponents: (i) strengthening of the VMVDU (US\$3,055,000); (ii) strengthening of the FSV (US\$500,000);²¹ and (iii) strengthening of the secondary mortgage market (US\$185,000). The objective of the first subcomponent is to improve the VMVDU's capacity to exercise authority as lead agency for the sector and implement programs for low-income groups. Financing will be provided for policy formulation and related consensus-building, the decentralization of land-use management capacities, technology modernization, and other activities included in the VMVDU institutional strengthening plan (see [link](#)). The objective of the second subcomponent is to execute the second Institutional and Financial Strengthening Program (PFIF2). The PFIF2 includes changes to policies for extending credit and administering loans, interest rates, and a Modernization Program II (PDM2) for the FSV. The PDM2 will finance the financial management analysis, increased use of technology, and other activities in the proposal for continued financial strengthening of the FSV (see [link](#)). The objective of the third subcomponent is to create the conditions and tools needed to expand the sources of funds for residential mortgages. It will finance consulting assignments to perform securitization operations and develop mechanisms to finance low-income housing through real estate investment funds and other mechanisms described in the plan to continue development of the secondary mortgage market (see [link](#)).
- 1.17 **Component V. Municipality of San Salvador subprogram (US\$7 Million).**²² The objective of this component is to strengthen the institutional competency and capacity of the AMSS to meet housing demand among low-income groups in San Salvador. The component will finance investments in the four low-income housing components of the AMSS urban development policy: (i) collective subsidies for neighborhood improvements, which will invest US\$5.4 million and benefit 1,400 families with incomes less than twice the minimum wage for the commercial sector;²³ (ii) support for communities vulnerable to natural disaster risks through small-scale preventive works and/or infrastructure strengthening, which will invest US\$800,000 and benefit 1,800 families with incomes less than twice the minimum wage for the commercial sector; (iii) recording and titling of lots for 200 low-income families; and (iv) institutional strengthening, including contracting of

²¹ The FSV will invest US\$3.8 million of own resources in the subcomponent.

²² These funds will be supplemented by a 20% local counterpart contribution from the AMSS.

²³ The neighborhoods will be prioritized based on the risk areas map prepared with resources from loan 1379/OC-ES.

consultants for the housing project execution unit, annual update of the risk areas map, and implementation of the Information, Control, and Supervision System (SICS).

F. Key results and indicators

- 1.18 The results framework includes: (i) improved housing conditions and quality of life for 32,000 families with incomes less than four times the minimum wage; (ii) a 35% increase in property values in the beneficiary neighborhoods; (iii) residential drinking water service installed in 100% of lots in the beneficiary subdivisions; (iv) residential greywater and blackwater sewage systems installed in 100% of beneficiary lots; (v) 40,000 lots recorded and titled in progressive housing development subdivisions; and (vi) FSV interest rates providing a financial spread of 3%. Annex II includes the detailed results matrix.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments, cost, and financing

- 2.1 The proposed operation is Phase II of multiphase program with a global multiple-works investment loan. All of the financing will come from the Bank's Ordinary Capital (see Table 2.1: Summary of costs).
- 2.2 In accordance with OP-504, retroactive financing of up to US\$1 million equivalent is proposed to reimburse eligible expenditures incurred to hire consultants or procure goods under component IV, provided that such expenditures were incurred or assumed following procurement procedures that have complied with conditions substantially similar to those subsequently established in the loan contract. Eligible expenditures incurred on or after 6 May 2010, which is after the date of approval of the project profile (9 October 2009), may be reimbursed.

Table 2.1: Summary of costs

Components	Loan amount (US\$ millions)	%
Component I. Low-income housing subsidies	30.00	43
Component II. Comprehensive improvement of informal urban neighborhoods	26.00	37
Component III. Progressive housing development subdivisions and property formalization	3.00	4
Component IV. Institutional strengthening of the sector	3.74	5
AMSS subprogram	7.00	10
Audit	0.18	1
Impact evaluation	0.08 ²⁴	
TOTAL	70.00	100

* The borrower will be responsible for payment of finance charges.

²⁴ The estimated total cost of the impact evaluation is US\$200,000, of which US\$80,000 will be financed from the loan and the remaining US\$120,000 from technical cooperation operation ATN/JF-11626-ES.

B. Economic viability

- 2.3 An economic-financial evaluation of the comprehensive improvement of informal urban neighborhoods component was conducted by analyzing the projects financed in Phase I. The economic benefits were estimated based on appraisals of the land and buildings in the project areas using the hedonic price model and data from an ad hoc study conducted by expert appraisers. The study was conducted using a sample of lots located in nine communities, six of them within the areas covered by the program and three as control communities. The cost-benefit analysis took into account the economic benefits of the components actually included in the projects, estimated based on their respective implicit prices. The economic benefits were calculated at the time the works were executed, and as the execution time is less than one year, the present value of benefits was calculated based on a discount rate of 12% over a horizon of $n=1$ year. The total economic costs included: the total direct cost (excluding the value-added tax), indirect costs (project management and preparation), and the present value of operation and maintenance. The benefits of the projects exceeded the cost, and 87% (35 projects) generated returns of over 12%.
- 2.4 **Collective subsidies per beneficiary lot.** The costs per beneficiary were revised based on the experience from Phase I and similar projects financed by the Salvadoran Foundation for Development and Minimum Housing [Fundación Salvadoreña de Desarrollo y Vivienda Mínima]. Based on this information and the cost-efficiency criteria, it was determined that the maximum cost for ensuring the rate of return on infrastructure investments to improve informal neighborhoods was US\$7,351 per beneficiary lot. Based on this determination, the cutoff value for the collective subsidy was set at US\$5,000 per lot, which is above the cutoff of US\$4,000 set by the VMVDU.

C. Financial sustainability

- 2.5 The external evaluation of the FSV strengthening component (paragraph 1.6) found that the FSV should be included in the operation in order to continue the financial and institutional strengthening begun in Phase I and ensure that any change made in the government's housing policies through the VMVDU take account of the possible impact on the FSV. Along these lines, policy commitments and indicators are included that are based on the same assumption made in Phase I, i.e., the implementation of a transparent, targeted, progressive system of direct demand subsidies. Only this type of model will allow the FSV to balance its social role of providing credit to families with incomes below four times the minimum wage and its need to remain financially solvent in order to meet its obligations and attract market funds to expand its lending activities. Another key element of the credit policy is to establish interest rates close to market levels and provide for periodic adjustment. The evaluation also underscored the importance of avoiding interest rate subsidies, which are not transparent, distort market interest rates, are not targeted, and tend to be regressive.

D. Environmental and social safeguards

- 2.6 This program was classified as a category “B” operation in accordance with the Bank’s Environment and Safeguards Compliance Policy (OP-703). The project team’s analysis highlighted the significant positive social, health, and environmental impact on the families directly benefited by loan 1379/OC-ES, as well as its indirect positive environmental impacts on communities other than the direct beneficiaries. Those conclusions were confirmed in the environmental assessment of loan 1379/OC-ES, which indicated the following results: (i) 44,875 people provided with residential drinking water service at significant savings, in addition to a road network, stormwater sewer system, and either individual solutions or connections to the sanitary sewer system; and (ii) 25,330 families provided with sanitary facilities. The works were carried out without accident or personal loss.
- 2.7 A number of weaknesses were detected which, while not significant, will be corrected in this second phase. These include: (i) problems of inadequate mitigation downstream from the new storm drains; (ii) inadequate maintenance of certain investments, particularly drainage systems; and (iii) incomplete connections to the sewer system or incomplete treatment. Based on these and other conclusions of the environmental assessment, a list was prepared of the lessons learned and adjustments that will be incorporated into the new Operating Manuals, which can be found in the Environmental and Social Management Report (see link). They include, it is important to: (i) deepen the preliminary analysis of each project, giving special attention to drainage and downstream treatment to significantly mitigate impacts; (ii) strengthen the relationship between the community and municipal authorities to define responsibilities and determine the frequency of maintenance on the works, particularly drainage and sewer systems, and establish a formal protocol to ensure it is carried out; (iii) carefully inspect the works prior to acceptance; (iv) improve health education and maintenance of the works in the community during the project and for one year after the works are completed; (v) develop a more detailed methodology for relocating families in accordance with the Bank’s Involuntary Resettlement Policy (OP-710); and (vi) establish a position within the VMVDU for an environmental and risk management specialist to organize training for municipal government personnel in social-environmental monitoring throughout the project cycles.

E. Risks

- 2.8 The program faces two risks. The first is that implementation of the SAFH does not proceed according to schedule. The Salvadoran government has allocated funds from loan 1379/OC-ES for subsidies and will continue to do so with Phase II funds. However, improving the quality and quantity of housing and creating a dynamic in which all stakeholders participate in solving housing problems for El Salvador’s poorest will require a policy in which the government assumes a supporting role for segments of the population with incomes less than four times the minimum wage. Resources must be allocated from the national budget to enable the VMVDU to

finance direct subsidies through regular programs, with greater emphasis on the current context in which 25,000 new units are proposed to be built (paragraph 1.5). To support the VMVDU and the Salvadoran government in this effort, the Bank is providing technical assistance for a comprehensive design for the SAFH and conduct dissemination and consensus-building activities relating to the SAFH with public- and private-sector stakeholders.²⁵

- 2.9 The second risk is that implementation of the PCSU will fail to achieve the comprehensive, cross-sectoral dimension defined for it by the government. During program preparation, the project team observed the efforts of the Technical Secretariat of the Office of the President (STP) to coordinate the participating national entities, and the VMVDU and the Salvadoran government's experience in executing comprehensive neighborhood improvement programs. Visits to PCSU pilot projects confirmed community participation in the local execution teams and local interagency committees. However, it was also observed that centralized coordination may slow the dynamic of the institution, that uncertainties remained as to several aspects of the program, and that certain institutional practices persist that fail to promote the desired comprehensive, cross-sectoral approach. The project team was able to clarify substantive institutional and technical aspects with the VMVDU and the STP and took precautions to institutionalize processes and agreements from within the VMVDU. The technical assistance provided by the World Bank to the STP to prepare the PCSU Operating Manual will also help in this regard.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Borrower and executing agency

- 3.1 The borrower is the Republic of El Salvador. The executing agency will be the Ministry of Public Works, Transportation, Housing, and Urban Development, through the Office of the Deputy Minister for Housing and Urban Development (VMVDU). The coexecuting agencies will be the Social Fund for Housing (FSV), Banco Multisectorial de Inversiones (BMI), and the Municipality of San Salvador (AMSS). The VMVDU will be responsible for financial management and will transfer funds to the FSV, BMI, and the AMSS for execution of the activities planned for components IV and V. **As a contractual condition precedent to the first disbursement for the program, agreements with the FSV and BMI will be signed and enter into effect. As a contractual condition precedent to the first disbursement for component V, agreements between the borrower and the AMSS will be signed and enter into effect.** Those agreements will establish, *inter alia*: (i) the financial terms for the transfer of loan proceeds; (ii) the commitment to implement program activities in accordance with the provisions of the loan contract; and (iii) the commitment to use loan proceeds for program purposes.

²⁵ The VMVDU has entered into a tripartite agreement for this purpose with the Chilean Ministry of Housing and Urban Development and the GTZ.

B. Technical responsibilities of the executing agency and the coexecuting agencies

- 3.2 Components I and II, low-income housing subsidies and comprehensive improvement of informal urban neighborhoods, will be implemented using the existing local and national land use management and coordination mechanisms. The mechanisms at the local level will be the local execution teams (paragraph 1.2) and local interagency committees headed by mayors and established by different national institutions,²⁶ as described in the VMVDU document Comunidades Solidarias Urbanas (see [link](#)). The mechanism at the national level will be the interagency committee organized by the STP, which consists of high-level technical representatives from the different portfolios and institutions participating in the economic and social management cabinets. The technical files and specifications for works and activities will be prepared by technical teams from the VMVDU. Construction companies and nongovernmental organizations will be responsible for executing the works and activities. The selection criteria and activities eligible for financing are described in the Operating Manuals for the floor improvement program (see [link](#)), the comprehensive improvement of informal urban neighborhoods program (see [link](#)), and the emergency housing program (in preparation). **As a contractual condition precedent to the first disbursement, the VMVDU will approve the Operating Manuals for the floor improvement, emergency housing, and comprehensive improvement of informal urban neighborhoods subcomponents, with the Bank's no objection.**
- 3.3 Component III, progressive housing development subdivisions and property formalization, will be executed in coordination with the Office of the Consumer Ombudsman, the municipal governments, and the National Records Center. In Component IV, the subcomponent on strengthening the VMVDU will be executed by the VMVDU's housing and land-use management departments. The subcomponents to strengthen the FSV and strengthen the secondary mortgage market will be executed by the FSV and BMI. Financing will be provided to create a program execution support unit to monitor and supervise execution of the loan and perform technical, financial, and procurement coordination functions. A member of the VMVDU staff will serve as coordinator for the unit and as the Bank's technical point of contact. The Bank's contact for other matters will be the Deputy Minister of Housing (see link to the VMVDU organizational chart).
- 3.4 The execution of Component V, the Municipality of San Salvador subprogram, will be the responsibility of the Department of Urban Development's Housing Project Execution Unit. This unit will consist of consultants financed by the loan and a similar number of AMSS staff members (see link to AMSS organizational chart).

²⁶ These include the National Aqueduct and Sewer Works Association (ANDA), the Salvadoran Professional Training Institute [Instituto Salvadoreño de Formación Profesional], the National Council on Public Safety [Consejo Nacional de Seguridad Pública], the Ministry of Public Health and Social Assistance, the Social Investment Fund for Local Development [Fondo de Inversión Social para el Desarrollo Local], and the VMVDU.

Implementation of the initiatives for neighborhood improvement and support for communities vulnerable to natural disaster risks will adhere to the criteria and procedures described in the corresponding Operating Manuals. **As a contractual condition precedent to the first disbursement for Component V, the AMSS will approve the neighborhood improvement Operating Manual, with the Bank's no objection.**

- 3.5 **Financial management and procurement.** Supervision of Phase I of the Multiphase Housing Program (1379/OC-ES) includes concurrent financial and operational audits and ex ante review of procurements. An adjustment in the level of supervision is proposed for this operation in view of the good experience and skills acquired by the executing agency and coexecuting agencies in the area of financial management and procurement, and the strengths and low fiduciary risks identified by the institutional capacity assessment. Accordingly, disbursements will be reviewed ex post, and the scope of program audits will be modified such that reports will still be conducted quarterly but without the concurrent aspect implemented during Phase I. The operation will be implemented using the Bank's new Financial Management Policy (OP-273-1) (see [link](#)). Procurements using shopping or national competitive bidding will also be reviewed ex post. Contracting of individual consultants will be reviewed ex ante. Procurement of goods, works, non-consulting services, and consulting services will be conducted in accordance with the Bank's procurement policies (documents GN-2349-7 and GN-2350-7). Procurements for Components I through IV will be managed by the Ministry of Public Works' procurement and institutional contracting units, and procurements for Component V will be managed by the AMSS procurement unit. Both agencies' procurement units will be strengthened with personnel dedicated exclusively to program procurements.

C. Monitoring and evaluation

- 3.6 **Monitoring system.** Manual tools will be replaced by two automated systems, the Information, Monitoring, Supervision, and Evaluation System (SIMSE) within the VMVDU and the Information, Control, and Supervision System (SICS) within the AMSS. Those systems will be geared toward providing updated information; ensuring the efficiency and transparency of technical, financial, and procurement processes; controlling and mitigating risks; and monitoring the results indicators. Both systems will be aligned with the Bank's standards and tools for project cycle management, and will include management reporting mechanisms for the VMVDU and AMSS authorities and reports for the Bank. The SIMSE strategy describes the implementation phases and schedule (see [link](#)). In addition, the technical teams of the executing agency and coexecuting agencies have received training and prepared the multiyear program execution plan (see [link](#)), the annual work plan (see [link](#)), and the procurement plan (see [link](#)).
- 3.7 **Reports.** The VMVDU will prepare and submit the following reports to the Bank: (i) semiannual reports, to be presented within 60 days after the close of each six-month period; (ii) a midterm evaluation, to be presented 90 days after 50% of

program resources have been disbursed or 36 months into execution, whichever occurs first; and (iii) a final evaluation, to be presented 90 days after 90% of program resources have been disbursed. The reports will include reports generated directly by the SIMSE and the SICS.

- 3.8 **Impact evaluation.** An impact evaluation will be conducted of the comprehensive improvement of informal urban neighborhoods component to measure the impacts on the housing and community situation of the beneficiary neighborhoods. This evaluation will use a quasi-experimental method to isolate the effects attributable to program activities from those that are not, through the use of two surveys and two comparison groups. The benefits not attributable to those investments will be identified through the use of a control group consisting of neighborhoods that are eligible but will not receive financing. The impact will be measured according to the differences between the control group and the beneficiary group (treatment group) upon completion of program activities. Information will be obtained through a household survey of the treatment group and the control group, to be conducted under a consulting assignment. Terms of reference for the consulting assignment are attached as an annex to the Monitoring and Evaluation Arrangements document (see [link](#)). The consulting assignment will be contracted by the VMVDU, with the Bank's no objection.

**Development Effectiveness Matrix
Summary**

Indicator	Score	Maximum Score
I. Strategic Relevance	Low-High	
1. IDB Strategic Development Objectives	4.0	10
Country Diversification	2.0	2
Corporate Initiatives	0.0	2.5
Harmonization and Alignment	0.0	3.5
Beneficiary Target Population	2.0	2
2. Country Strategy Development Objectives	9.6	10
Country Strategy Sector Diagnosis	6.0	6
Country Strategy sector objective & indicator	3.6	4
II. Development Outcomes - Evaluability	Highly Satisfactory	
3. Evidence-based Assessment & Solution	6.9	10
4. Evaluation & Monitoring Plan	9.3	10
5. Cost-Benefit or Cost-Effectiveness	7.0	10
6. Risks & Mitigation Monitoring Matrix	7.5	10
III. IDB's Role - Additionality		
7. Additionality	10.0	10
Technical Assistance provided prior the project	3.0	3
Improvements in management of financial, procurement, monitoring or statistics internal controls	4.0	4
Improvements in environmental, health and labor performance	3.0	3

I. Relevancia Estratégica: This project will be executed in El Salvador, considered in country group D. The program is not aligned with any of the Bank's corporate initiatives. Country systems will not be used. The project is aligned with the Country Strategy objective related to improving access to housing by individuals living in precarious conditions.

II. Evaluabilidad: The project is clear in its objectives and there is consistency in its logic of intervention. It presents empirical evidence of the factors that contribute to the development of the problem. There are specific indicators to monitor and evaluate the project's results, but it will be necessary to establish baselines for some of them. The project has defined mechanism for monitoring. There is a specific plan to conduct a quasi-experimental impact evaluation. The project includes an economic analysis. The intervention has a risk classification of B. Mitigation measures have been identified but there are not indicators to follow up on their implementation.

III. Adicionalidad: The Bank has provided technical assistance to support the design and implementation of this project: ATN/JF-11626-ES. In addition, the implementation of this project will contribute to improvements in management of the executing agency.

RESULTS MATRIX, INDICATORS, AND MEANS OF VERIFICATION

Objective of Component I	Low-income housing subsidies. The objective of this component is to reduce the financing gap to enable low- and middle-income families to improve their homes or acquire new homes in the formal market through the delivery of progressive, direct demand subsidies based on their incomes.						
Component I	Baseline	Target	Comments/Mean of verification				
Outcomes							
Families with incomes less than four times the minimum wage who receive subsidies live in new or improved homes	0	5,500 families	The target will be broken down into number of families living in new homes versus improved homes once the subsidies are delivered. SIMSE and SAFH reports				
Families in rural areas with incomes less than twice the minimum wage who receive subsidies live in homes with cement floors	0	19,000 families	SIMSE and SAFH reports				
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments/Mean of verification
Outputs							
Homes with cement floors are built with support from the program	0	4,750	9,500	14,250	19,000	19,000 homes	SIMSE and SAFH reports
Homes are built or improved with support from the program	0	1,375	2,750	4,125	5,500	5,500 homes	SIMSE and SAFH reports The breakdown between new and improved homes will be defined once the subsidies are delivered.
Objectives of Components II and AMSS subprogram	Comprehensive improvement of informal urban neighborhoods. The objective is to improve housing conditions for 7,400 families residing in El Salvador’s poorest informal urban neighborhoods.						
Components II and V	Baseline	Target	Comments/Mean of verification				
Outcomes							
Percentage increase in average value of homes by beneficiary neighborhood	0	35% average increase	The real value created by the program will be determined by the results of the second impact evaluation survey to be conducted eight months after the works in the respective neighborhoods are completed.				

Economic internal rate of return per neighborhood, using increased housing values as a benefit		Economic internal rate of return over 12%	The economic internal rate of return actually generated under the program by each neighborhood will be recalculated using the difference in property values in each neighborhood. This information will be provided by the impact evaluation survey.
Percent of lots per neighborhood with residential drinking water service of quality (meeting standards set by ANDA) and quantity (at least 80 liters/person/day)	To be defined through the survey (see comment)	100% of lots in the respective neighborhood	Baseline: To be determined from the results of the first impact evaluation survey to be conducted one month after works in the respective neighborhoods begin. The real value created by the program will be determined by the results of the second impact evaluation survey to be conducted eight months after the works in the respective neighborhoods are completed.
Percent of lots per neighborhood with residential greywater and blackwater elimination systems in operation	To be defined through the survey (see comment)	100% of lots in the respective neighborhood	Baseline: To be determined from the results of the first impact evaluation survey to be conducted one month after works in the respective neighborhoods begin. The real value created by the program will be determined by the results of the second impact evaluation survey to be conducted eight months after the works in the respective neighborhoods are completed.
Percent of lots with residential electricity available 24 hours a day	To be defined through the survey (see comment)	100% of lots in the respective neighborhood	Baseline: To be determined from the results of the first impact evaluation survey to be conducted one month after works in the respective neighborhoods begin. The real value created by the program will be determined by the results of the second impact evaluation survey to be conducted eight months after the works in the respective neighborhoods are completed.
Percent of lots with public lighting during nighttime hours	To be defined through the survey (see comment)	100% of lots of the respective neighborhood	Baseline: To be determined from the results of the first impact evaluation survey to be conducted one month after works in the respective neighborhoods begin. The real value created by the program will be determined by the results of the second impact evaluation survey to be conducted eight months after the works in the respective neighborhoods are completed.
Percent of lots with paved streets and/or pedestrian walkways and storm water drainage	To be defined through the survey (see comment)	100% of lots of the respective neighborhood	Baseline: To be determined from the results of the first impact evaluation survey to be conducted one month after works in the respective neighborhoods begin. The real value created by the program will be determined by the results of the second impact evaluation survey to be conducted eight months after the works in the respective neighborhoods are completed.

Outputs	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments/Mean of verification
Homes in the participating neighborhoods have property titles, residential water service, sewer systems, electricity, and sanitary facilities	0	2,442	4,884	6,364	7,400	7,400 homes	SIMSE and SICS reports
Number of beneficiary neighborhoods with public lighting, storm water drainage, paved streets and pedestrian walkways, green spaces, recreational areas, and community centers constructed, renovated, and/or expanded	0	15	30	39	45	45 neighborhoods	SIMSE and SICS reports
Objective of Component III	Progressive housing development subdivisions and property formalization. The objective of this component is to establish the legal framework governing the progressive housing development subdivision market.						
Component 3	Baseline	Target	Comments/Mean of verification				
Outcomes							
Beneficiary families living in informal subdivisions have legal security as to their land	0	40,000 lots formalized	Legal security is used instead of property titles because the target includes lots paid in full, lots being paid off, and lots pending sale. It is assumed that the Legislative Assembly will enact a comprehensive law.				
Objective of Component IV	Institutional strengthening. The objective of the component is to continue institutional strengthening of the housing sector. Objective of subcomponent 4.1: To improve the VMVDU's capacity to exercise its authority as lead agency for the sector and manage programs for low-income segments of the population. Objective of subcomponent 4.2: To execute the second Institutional and Financial Strengthening Program (PFIF2, see link), which includes strengthening the FSV's capacity to improve financial management, modernize information technology, and support implementation of credit policies and improvements in loan administration.						
Subcomponent 4.1	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments/Mean of verification
Completion of SAFH design and approval of manual on obtaining the subsidy supplemented by savings and loans	0	100%				Design completed and manual approved	Final consulting reports Operating Manual for the subsidy + savings + loan subcomponent
Percentage of VMVDU personnel funded from the national budget who were being funded from the loan at program startup	0	20%	40%	60%	80%	80% of VMVDU personnel	Memoranda of the Treasury Ministry Semiannual report

Subcomponent 4.2	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments/Mean of verification
Interest rate policy: 3% financial spread for the FSV (see comment)	3%	3%	3%	3%	3%	3% financial spread	This target can be met if a sustainable demand subsidy policy is implemented. It should be submitted for consideration by the Board of Governors.
Premiums (initial fees): Percentage of new FSV loans with coverage no less than 10% between premium and direct subsidy with respect to the property value							This target can be met if a sustainable demand subsidy policy is implemented. It should be submitted for consideration by the Board of Governors.
Loans up to US\$10,300	2%	2%	4%	7%	10%		
Loans between US\$10,300 and US\$15,000	3%	3%	5%	7%	10%		
Loans between US\$15,000 and US\$50,000	5%	5%	7%	8%	10%		
Loans between US\$50,000 and US\$75,000	10%	10%	10%	10%	10%		

SUMMARY PROCUREMENT PLAN

Period included in this procurement plan: from January 2010 to December 2012

Ref. No.	Category and description of procurement	Estimated cost of procurement (US\$)	Procurement method	Review (ex ante or ex post)	Source of financing IDB	Prequalification (Yes/No)	Estimated dates		Status (pending, in process, awarded, canceled)
							Specific procurement notice	Completion of contract	
	1. GOODS								
1.1	Office supplies and workshop materials; office furniture and equipment; purchase of GPS; purchase and installation of Web, WF, LAN, and Intranet servers	776,400	S/NCB	Ex post	100%	No	15 Jan 10	24 Oct 11	Pending
	TOTAL 1. GOODS	776,400							
	2. WORKS								
2.1	Contracting of various construction firms and construction of works	57,128,772	NCB	Ex post	100%	No	15 Jan 10	26 Sep 12	Pending
	TOTAL 2. WORKS	57,128,772							
	3. NON-CONSULTING SERVICES								
3.1	Various services for community strengthening	240,000	NCB/S	Ex post	100%	No	15 Jan 10	21 Mar 12	Pending
3.2	Dissemination and promotion of the comprehensive improvement of informal urban neighborhoods component	392,000	S	Ex post	100%	No	15 Jun 10	14 Dec 12	Pending
3.3	Training events and workshops (several events)	871,150	S	Ex post	100%	No	15 Jan 10	18 Dec 12	Pending
	TOTAL 3. NON-CONSULTING SERVICES	1,503,150							
	CONSULTING SERVICES								
4.1	Consultants (8) and preparation of technical files	140,000	NICQ	Ex ante	100%	No	15 Mar 10	14 Jan 11	Pending
4.2	Consultants (8) and preparation of social files	100,000	NICQ	Ex ante	100%	No	15 Mar 10	15 Nov 10	Pending
4.3	Contracting of supervisors (8) and supervision of works	140,000	NICQ	Ex ante	100%	No	16 Aug 10	17 Jun 11	Pending

Ref. No.	Category and description of procurement	Estimated cost of procurement (US\$)	Procurement method	Review (ex ante or ex post)	Source of financing IDB	Prequalification (Yes/No)	Estimated dates		Status (pending, in process, awarded, canceled)
							Specific procurement notice	Completion of contract	
4.5	Contracting of construction monitors (4) and monitoring of works	90,000	NICQ	Ex ante	100%	No	15 Jul 10	15 Jul 11	Pending
4.6	Contracting (8) and development of individual files	120,000	NICQ	Ex ante	100%	No	15 Jan 10	19 Oct 10	Pending
4.7	Contracting of supervisors (8) and supervision of works	112,000	NICQ	Ex ante	100%	No	15 Jan 10	26 Sep 12	Pending
4.8	Monitors (4) and monitoring of works	80,000	NICQ	Ex ante	100%	No	15 Jan 10	26 Sep 12	Pending
4.9	Contracting of social specialists (8)	160,000	NICQ	Ex ante	100%	No	15 Jan 10	26 Sep 12	Pending
4.10	Contracting of ex post monitors (2) and monitoring of works	40,000	NICQ	Ex ante	100%	No	15 Jan 10	19 Jul 10	Pending
4.11	Contracting and execution of consulting assignments (1) for component cooperation - individual consultants	90,000	NICQ	Ex ante	100%	No	15 Jan 10	26 Sep 12	Pending
4.12	Contracting (8) and preparation of profiles	120,000	NICQ	Ex ante	100%	No	15 Jan 10	19 Oct 10	Pending
4.13	Contracting of consultants (5) and preparation of individual technical files	75,000	NICQ	Ex ante	100%	No	15 Mar 10	14 Dec 12	Pending
4.14	Contracting of consultants (5) and preparation of individual social files	75,000	NICQ	Ex post	100%	No	15 Mar 10	14 Dec 12	Pending
4.15	Supervisors (10) and supervision of at least 10 neighborhoods (one supervisor per neighborhood)	225,000	NICQ	Ex ante	100%	No	15 Jun 10	25 Feb 11	Pending
4.16	Supervisors (5) and supervision of at least 5 neighborhoods (one supervisor per neighborhood)	112,500	NICQ	Ex ante	100%	No	16 Dec 10	11 Jun 12	Pending
4.17	Coordinator for the comprehensive improvement of informal urban neighborhoods component	108,000	NICQ	Ex ante	100%	No	15 Jan 10	26 Sep 12	Pending
4.18	Construction monitors (at least 5) (1 for every 3 neighborhoods)	225,000	NICQ	Ex ante	100%	No	15 Jan 10	11 Jul 12	Pending

Ref. No.	Category and description of procurement	Estimated cost of procurement (US\$)	Procurement method	Review (ex ante or ex post)	Source of financing IDB	Prequalification (Yes/No)	Estimated dates		Status (pending, in process, awarded, canceled)
							Specific procurement notice	Completion of contract	
4.19	Social specialist monitors (at least 5) (1 for every 3 neighborhoods)	262,500	NICQ	Ex ante	100%	No	15 Jan 10	11 Jul 12	Pending
4.20	Social specialists (at least 5) (1 for every 3 neighborhoods)	262,500	NICQ	Ex ante	100%	No	15 Jan 10	11 Jul 12	Pending
4.21	Ex post monitors (2) and monitoring of works	15,000	NICQ	Ex ante	100%	No	25 Feb 11	14 Dec 12	Pending
4.22	Administrative personnel (3) to support the component	144,000	NICQ	Ex ante	100%	No	15 Jan 10	14 Dec 12	Pending
4.23	Consulting firm for evaluation of results and impacts	80,000	QCBS	Ex ante	100%	No	15 Jan 10	14 Dec 12	Pending
4.24	Coordinator for property formalization and subdivision market	72,000	NICQ	Ex ante	100%	No	15 Jan 10	30 Jun 11	Pending
4.25	Subdivision market monitoring specialist for Phase I of the Housing Program	41,400	NICQ	Ex ante	100%	No	15 Jan 10	30 Jun 11	Pending
4.26	Contracting of individual consultants (OPV) - Component III	113,400	NICQ	Ex ante	100%	No	15 Jan 10	30 Jun 11	Pending
4.27	Development of procedures for coordination with municipalities	30,000	NICQ	Ex ante	100%	No	15 Jan 10	17 Jun 10	Pending
4.28	Development of IT platform for registry of subdivision developers	40,000	NICQ	Ex ante	100%	No	01 Jul 10	01 Nov 10	Pending
4.29	Contracting of consulting firms (2) for appraisal and determination of compensation to formalize property ownership pursuant to the Special Law on Subdivisions	300,000	QCBS	Ex ante	100%	No	28 Oct 10	02 Mar 11	Pending
4.30	Preparation of verification plans for the Office of Legal Oversight and Claims Resolution [Oficina de Supervisión Normativa y de Atención de Denuncia]	21,000	NICQ	Ex ante	100%	No	01 Jul 10	01 Nov 10	Pending

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							Specific procurement notice	Completion of contract	
4.31	Consulting services or appointment of personnel (field verifications and disciplinary processes) for the OSNAD	70,000	NICQ	Ex ante	100%	No	15 Jan 10	17 Jun 10	Pending
4.32	Preparation of procedures for setup and coordination of the Subdivision Permit Office (Oficina de Regularización)	20,000	NICQ	Ex ante	100%	No	01 Jul 10	01 Nov 10	Pending
4.33	Consulting assignments (4) or appointment of personnel for setup and coordination of the Subdivision Permit Office	161,600	NICQ	Ex ante	100%	No	15 Jan 10	17 Jun 10	Pending
4.34	Consulting assignments to prepare statutory amendments and regulations for legal reform and execution of measures facilitating property ownership for low-income groups	35,000	NICQ	Ex ante	100%	No	01 Jul 10	01 Nov 10	Pending
4.35	Consulting assignments for feasibility evaluation of programs to provide lots with services, for legal reform and execution of measures facilitating property ownership for low-income groups	70,000	NICQ	Ex ante	100%	No	15 Jan 10	15 Jan 10	Pending
4.36	Consulting services and workshops for development of measures and policies for access to residential lots	70,000	NICQ	Ex ante	100%	No	01 Jul 10	01 Nov 10	Pending
4.37	Diagnostic assessment of the current SAFH	36,750	NICQ	Ex ante	100%	No	15 Jan 10	31 Mar 11	Pending
4.38	Implementation of new SAFH services	15,000	NICQ	Ex ante	100%	No	03 May 10	31 Jan 11	Pending
4.39	Physical organization of files, digitization, and workflows	75,000	NICQ	Ex ante	100%	No	03 May 10	29 Oct 10	Pending
4.40	Digitization of VMVDU historical records (maps, files), digitization, and workflows	160,500	NICQ	Ex ante	100%	No	01 Nov 10	06 Jan 12	Pending

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4.41	Workflows, digitization, and workflows	42,500	NICQ	Ex ante	100%	No	28 Apr 10	11 Jan 11	Pending
4.42	One-stop window services implemented	17,000	NICQ	Ex ante	100%	No	15 Jun 10	15 Nov 10	Pending
4.43	Standard design of one-stop window and customer service offices	7,500	NICQ	Ex ante	100%	No	15 Jun 10	23 Aug 10	Pending
4.44	Design of human resources profiles for one-stop window	3,750	NICQ	Ex ante	100%	No	15 Jun 10	02 Aug 10	Pending
4.45	Training of one-stop window customer service personnel	37,500	NICQ	Ex ante	100%	No	03 Aug 10	08 Nov 10	Pending
4.46	Identification of non-housing sector entities and VMVDU units involved, based on one-stop window services implemented	2,000	NICQ	Ex ante	100%	No	15 Jun 10	26 Jul 10	Pending
4.47	Land-use planning policy and law	35,250	NICQ	Ex ante	100%	No	15 Jan 10	05 Apr 10	Pending
4.48	Housing policy and law	37,250	NICQ	Ex ante	100%	No	15 Jan 10	05 Apr 10	Pending
4.49	Condominium law	37,250	NICQ	Ex ante	100%	No	15 Jan 10	05 Apr 10	Pending
4.50	Urban development policy and review of related urban development and construction laws	37,250	NICQ	Ex ante	100%	No	15 Jan 10	05 Apr 10	Pending
4.51	Land-use policy and general construction law	37,250	NICQ	Ex ante	100%	No	15 Jan 10	05 Apr 10	Pending
4.52	Consultant to moderate decentralization and land management workshops	15,600	IICQ	Ex ante	100%	No	15 Jan 10	23 Feb 11	Pending
4.53	Individual urban planning consultants (2)	70,000	NICQ	Ex ante	100%	No	15 Jan 10	18 Jul 12	Pending
4.54	Individual environmental and risk management consultant	27,000	NICQ	Ex ante	100%	No	15 Jan 10	18 Jul 12	Pending
4.55	Individual legal consultant to develop ordinances	18,000	NICQ	Ex ante	100%	No	15 Jan 10	18 Jul 12	Pending
4.56	Individual land management consultants (3)	90,000	NICQ	Ex ante	100%	No	15 Jan 10	18 Jul 12	Pending

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4.57	Individual consultants specializing in geographic information systems (2)	60,000	NICQ	Ex ante	100%	No	15 Jan 10	18 Jul 12	Pending
4.58	Inventory, organization, and classification of physical records. Organization, systematization, and control of VMVDU permit files	37,500	NICQ	Ex ante	100%	No	15 Jan 10	03 Jun 10	Pending
4.59	Baseline study of the evolution of land management in El Salvador	3,200	NICQ	Ex ante	100%	No	15 Jan 10	15 Feb 10	Pending
4.60	Individual consultant to moderate and coordinate discussion groups	11,200	NICQ	Ex ante	100%	No	16 Feb 10	17 Mar 10	Pending
4.61	Seminars to disseminate lessons learned	20,000	NICQ	Ex ante	100%	No	19 May 10	17 Jun 10	Pending
4.62	Individual consulting assignments (OPV) - Component IV	702,000	NICQ	Ex ante	100%	No	15 Jan 10	30 Jun 11	Pending
4.63	Financial and operational audits for the housing program	175,000	QCBS	Ex ante	100%	No	15 Jan 10	31 Mar 10	Pending
4.64	Validation and presentation of midterm evaluation	30,000	NICQ	Ex ante	100%	No	01 Dec 10	30 Jun 11	Pending
4.65	Validation and presentation of final evaluation	45,000	NICQ	Ex ante	100%	No	15 Jan 10	19 Jul 10	Pending
4.66	Implementation of credit policy	175,000	NICQ	Ex ante	100%	No	15 Jan 10	16 Aug 10	Pending
4.67	Implementation of financial management	250,000	NICQ	Ex ante	100%	No	15 Jun 11	15 Dec 11	Pending
4.68	Implementation of sustainable sources of funds	75,000	NICQ	Ex ante	100%	No	15 Jan 10	16 Aug 10	Pending
4.69	Securitization operations, which may include approvals of issuance of securities, structuring costs, and placement	70,000	NICQ	Ex ante	100%	No	01 Dec 10	30 Jun 11	Pending
4.70	Financial mechanisms to channel remittances into housing investments	30,000	NICQ	Ex ante	100%	No	01 Dec 10	30 Jun 11	Pending

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4.71	Development of real estate investment funds	30,000	NICQ	Ex ante	100%	No	15 Jun 11	15 Dec 11	Pending
4.72	Promotion and feasibility of project execution under the certified fiduciary mechanism	25,000	NICQ	Ex ante	100%	No	15 Jun 11	15 Dec 11	Pending
4.73	Best practices for financial mechanism in Peru (joint and several guarantee, covered bonds)	30,000	NICQ	Ex ante	100%	No	15 Jun 11	15 Dec 11	Pending
4.74	Project monitoring and supervision coordinator (ex post)	53,136	NICQ	Ex ante	100%	No	01 Mar 10	28 Feb 12	Pending
4.75	Administrative specialist (ex post)	14,760	NICQ	Ex ante	100%	No	01 Mar 10	28 Feb 12	Pending
4.76	Personnel to support the AMSS units that will provide support for program activities (1 financial specialist, 2 procurement specialists, and 2 social outreach specialists)	132,840	NICQ	Ex ante	100%	No	01 Mar 10	28 Feb 12	Pending
4.77	Consultant to update and issue standards for ongoing updates of the AMSS risk map	10,000	NICQ	Ex ante	100%	No	27 Sep 10	28 Feb 11	Pending
4.78	Consultant to manage financial resources to ensure the project's sustainability over time	5,000	NICQ	Ex ante	100%	No	27 Jan 11	31 Aug 11	Pending
4.79	Consulting assignment to implement the new social-intervention methodology in high-risk communities	11,000	NICQ	Ex ante	100%	No	27 Aug 10	28 Mar 11	Pending
4.80	Logistics for implementation of the new social-intervention methodology in high-risk communities	13,360	NICQ	Ex ante	100%	No	27 Aug 10	28 Mar 11	Pending
4.81	Training services	4,060	NICQ	Ex ante	100%	No	27 May 10	31 Aug 11	Pending
4.82	Logistics to support various training activities for the AMSS program	4,640	NICQ	Ex ante	100%	No	27 May 10	31 Aug 11	Pending

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							Specific procurement notice	Completion of contract	
4.83	Consulting service for preparation of information system for project monitoring and supervision	40,000	NICQ	Ex ante	100%	No	15 Jan 10	31 May 12	Pending
4.84	Individual national consultants (ex post): interdisciplinary team for improvement of informal urban neighborhoods (6 specialists: engineer, electrician, highway engineer, budget and environmental specialist, and 2 hydraulic and sanitation specialists)	265,680	NICQ	Ex ante	100%	No	24 Nov 09	31 Aug 11	Pending
4.85	Individual national consultants (ex post): supervisors (15) - improvement of informal urban neighborhoods (15 external supervisors for each project)	189,000	NICQ	Ex ante	100%	No	15 Jun 10	18 Aug 11	Pending
4.86	Individual national consultants (ex post): Supervision of works (45) to reduce vulnerability of communities at risk (approximately 12 external supervisors)	144,000	NICQ	Ex ante	100%	No	27 May 10	31 Aug 11	Pending
4.87	Individual national consultants (ex post): Preparation and monitoring of construction works (engineer and budget specialist)	22,140	NICQ	Ex ante	100%	No	15 Dec 10	19 Dec 11	Pending
4.88	Project coordination unit team: general coordinator (ex post) for AMSS institutional strengthening	59,040	NICQ	Ex ante	100%	No	01 Mar 10	28 Feb 12	Pending
4.89	Infrastructure coordinator (ex post)	53,136	NICQ	Ex ante	100%	No	01 Mar 10	28 Feb 12	Pending
4.90	Social outreach coordinator (ex post)	53,136	NICQ	Ex ante	100%	No	01 Mar 10	28 Feb 12	Pending
	TOTAL 4. CONSULTING SERVICES	7,467,078							
	GRAND TOTAL	66,875,400							

IICQ: International Individual Consultant selection based on Qualifications

NCB: National Competitive Bidding

NICQ: National Individual Consultant selection based on Qualifications

QCBS: Quality- and Cost-based Selection

S: Shopping