

ECONOMIC GROWTH, AGRICULTURE AND TRADE

Credit Guarantees Spark Local Loans For New Projects



Shari Kessler, PADCO, Inc.

An Indian couple, ultimate beneficiaries of a USAID development credit guarantee project, hold up their water bill.

Within two years, some women in rural Upper Egypt will turn on a water tap in their homes, instead of walking long distances carrying heavy water pots or waiting for hours at public taps.

USAID is supporting projects that will provide municipal water that is clean, dependable, and cheap to Egyptian homes.

Throughout rural and impoverished urban areas of the country, water projects are being built through an imaginative loan guarantee tool provided to USAID's Egypt mission by the Development Credit Authority (DCA).

These guarantees mean that the U.S. government backs local private lending to encourage Egyptian capital to be invested in development projects.

Where access to credit is limited or unavailable, DCA is a way for USAID missions to encourage private sector financial institutions to provide local financing for development projects.

In Egypt's water sector, this will mean lower water bills, improved wastewater systems, better customer delivery services, increased water quality, more efficient water meters, and greater encouragement for private firms to compete with public utilities.

Through DCA, the Agency is able to go beyond traditional aid to the poor and stimulate Egypt's private finance sector. DCA guarantees give missions an innovative way to stimulate lending in the private sector without resorting to conventional grant-funded programs.

Using DCA's loan guarantee, USAID/Egypt committed about \$1 million, which sparked about \$56 million in loans by local banks to local businesses for contracts to provide water and wastewater services.

In July, USAID's Credit Review Board

approved nine new guarantees, each representing public-private partnerships between USAID and local financial institutions. Four of these guarantees are for projects in the water and sanitation sectors, and will result in \$73 million in local currency loans, including the \$56 million for Egypt.

The U.S. government backs local private lending to encourage Egyptian capital to be invested in development projects.

The guarantees supported President Bush's Water for the Poor Initiative, announced last year at the World Summit on Sustainable Development in Johannesburg. The summit set a goal of cutting in half the proportion of people without access to basic sanitation by 2015.

The United States proposed investing almost \$1 billion in water projects over the next three years.

Responding to the president's pledge, USAID missions in Morocco and Bosnia have created projects similar to Egypt's. In both countries, small communities that were formerly excluded from private lending sources can now finance improvements in their water systems.

The overwhelming majority of Morocco's urban population is not connected to a sewage treatment facility.

Since its inception in April 1999, DCA has provided more than 50 guarantees that enable the local private sector to channel needed resources to microenterprises, small businesses, farmers, mortgage markets, and now water utilities. ★

www.usaid.gov Keyword: Development Credit

GLOBAL DEVELOPMENT ALLIANCE

Earthquake Alliance Helps Armenian Families Build New Homes

YEREVAN, Armenia—Thousands of Armenians left homeless by the earthquake of 1988 are moving out of emergency shelters into new homes and apartments under a housing program created by a USAID alliance with NGOs and U.N. agencies.

The massive earthquake of December 1988 took over 25,000 lives, leaving about 500,000 Armenian families homeless and the country's infrastructure badly damaged. The collapse of the former USSR left the newly independent Armenia with no funds to recover completely from the catastrophe.

Thousands of families were housed in "temporary" metal shelters called *domiks*, which were baking hot in summer and freezing cold in winter.

By issuing housing vouchers and home improvement grants to eligible families still living in *domiks*, the Armenia Earthquake Zone Alliance aimed to stimulate the development of a housing market in Armenia.

USAID Armenia is contributing almost \$31 million to subsidize the housing vouchers and grants and remove the temporary shelters. For every dollar provided through USAID, alliance partners contribute cash or resources worth \$2.75.

The Agency's alliance partners include the U.N. High Commissioner for Refugees, the U.N. Development Program, the All Armenia Fund, the Norwegian Refugee Council, the Jinishian Memorial Foundation, the Huntsman Foundation, and the Lincy Foundation.

The housing voucher program allows families to buy pre-existing homes on the open market. Housing vouchers have a value based on market prices, which allows recipients to buy an apartment or

house and eventually gain title to the property. Once the beneficiary acquires a house or apartment, he then hands over the temporary shelter. The local government is responsible for removing the temporary shelter and thus vacating the area for public or private use.

The alliance also issues housing improvement grants to complete unfinished houses in rural areas. After the building or house is finished, it is transferred to the beneficiary, who hands over his temporary shelter and acquires title to the new house.

For every dollar provided through USAID, alliance partners contribute cash or resources worth \$2.75.

From 1999 through July 2003, nearly 4,000 housing vouchers were issued. About 2,500 voucher owners have gained title to their new homes. As a result of the grants component, 650 rural families have been successfully housed as of July 2003. In addition, alliance partners have removed 2,204 *domics* and are coordinating community plans for future land use.

"This program has given thousands of families a new and safe cradle as well as a new life," said Mr. Kamo Khachatryan, Head of the Housing Department at the Ministry of Urban Development.

The Armenia Earthquake Zone Alliance will house more than 10,000 families by summer 2004. ★

www.usaid.gov Keyword: Armenia



Construction workers finish the last details as an Armenian family prepares to move into its newly constructed home in its own village with the help of USAID-sponsored housing program.