ADS Chapter 250
Urban and Environmental Credit Program
(UE Credit Program)
Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>250.1</td>
<td>OVERVIEW</td>
<td>4</td>
</tr>
<tr>
<td>250.2</td>
<td>PRIMARY RESPONSIBILITIES</td>
<td>4</td>
</tr>
<tr>
<td>250.3</td>
<td>POLICY DIRECTIVES AND REQUIRED PROCEDURES</td>
<td>9</td>
</tr>
<tr>
<td>250.3.1</td>
<td>Basis for the Center for the Environment’s Urban and Environmental</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Credit Program (UE Credit Program) Policies</td>
<td></td>
</tr>
<tr>
<td>250.3.2</td>
<td>Statutory Policies Governing the Urban and Environmental Credit</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Program (UE Credit Program): FAA Sections 221, 222(a), 222(b), and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>223(j), as Amended</td>
<td></td>
</tr>
<tr>
<td>250.3.3</td>
<td>Origination and Guaranty Fees for Urban and Environmental Credit</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Program (UE Credit Program) Loans</td>
<td></td>
</tr>
<tr>
<td>250.3.4</td>
<td>Policies Governing the Development, Implementation, and Administration of the Urban and Environmental Credit Program (UE Credit Program)</td>
<td>12</td>
</tr>
<tr>
<td>250.3.4.1</td>
<td>The UE Credit Program Process</td>
<td>13</td>
</tr>
<tr>
<td>250.3.4.2</td>
<td>Effecting UE Credit Program Technical Assistance (TA) Provisions</td>
<td>13</td>
</tr>
<tr>
<td>250.3.4.3</td>
<td>Competitive Negotiation and UE Credit Program Lenders</td>
<td>14</td>
</tr>
<tr>
<td>250.3.4.4</td>
<td>Submission of Loan Documentation</td>
<td>14</td>
</tr>
<tr>
<td>250.3.4.5</td>
<td>Loan Refinancing</td>
<td>14</td>
</tr>
<tr>
<td>250.3.4.6</td>
<td>Loan Termination</td>
<td>14</td>
</tr>
<tr>
<td>250.3.4.7</td>
<td>Loan Repayment</td>
<td>15</td>
</tr>
<tr>
<td>250.3.5</td>
<td>UEC Program Monitoring</td>
<td>15</td>
</tr>
<tr>
<td>250.3.5.1</td>
<td>UE Programs and The Results Review and Resource Request (R4) Package</td>
<td>15</td>
</tr>
<tr>
<td>250.3.5.2</td>
<td>Financial Monitoring of UE Credit Program</td>
<td>16</td>
</tr>
<tr>
<td>250.3.6</td>
<td>Annual UE Credit Program Audit</td>
<td>16</td>
</tr>
<tr>
<td>250.4</td>
<td>MANDATORY REFERENCES</td>
<td>17</td>
</tr>
<tr>
<td>250.4.1</td>
<td>External Mandatory References</td>
<td>17</td>
</tr>
<tr>
<td>250.4.2</td>
<td>Internal Mandatory References</td>
<td>17</td>
</tr>
</tbody>
</table>
250.5 ADDITIONAL HELP

250.6 DEFINITIONS
ADS Chapter 250 - Urban and Environmental Credit Program (UE Credit Program)

250.1 OVERVIEW

1. To support the objectives of the Foreign Assistance Act of 1961, as amended, through the strategic objectives of the Bureau for Global Health, Center for Environment (G/ENV).

2. To support and contribute to the implementation of G/ENV’s Improved Management of Urbanization in Targeted Areas Strategic Objective and, secondarily, to the implementation of G/ENV's other Development Objectives.

250.2 PRIMARY RESPONSIBILITIES

a. The Bureau for Global Programs, Center for the Environment (G/ENV)

The Center for the Environment (G/ENV) consists of three offices:

1. The Office of Environment and Urban Programs (G/ENV/UP);

2. The Office of Environment and Natural Resources (G/ENV/ENR); and

3. The Office of Energy, Environment and Technology (G/ENV/EET).

Their work is accomplished through the combined and complementary efforts of these Offices and a number of Development Objective (DO) Teams whose members consist of individuals from each Office. The Center is responsible for providing strategic guidance and oversight to the Office of Environment and Urban Programs (G/ENV/UP).

b. The Bureau for Global Programs, Center for the Environment, Office of Environment and Urban Programs (G/ENV/UP): In close coordination with the Geographic Bureaus and as an active participant on the Environment Center's DO Teams and on the Mission DO Teams related to the urban environment, G/ENV/UP is responsible for providing centralized direction to the Agency's Urban and Environmental Credit Program (UE Credit Program) (formerly called the Housing Guaranty Program) in support of the Center's Sustainable Cities and other strategic objectives.

Additionally, G/ENV/UP, under the general guidance of the Center for the Environment, is responsible for implementation of the UE Credit Program from conception of the intervention until all payments on the guarantied investments have been made.
Pursuant to ADS 103.3.16d, G/ENV/UP is also responsible for the design, contract negotiation, implementation, and performance monitoring of the Program's interventions wherever located. (See ADS 103.3.16d) In carrying out its responsibilities, G/ENV/UP works through Regional Offices as described in ADS 250.2, para.1 and closely with country desk officers and other Bureau personnel, USAID Missions, and/or U.S. Embassy personnel. (See 250.2, para. 1) (See ADS 103.3.8h)

c. Office of Environment and Urban Programs - Washington Office (G/ENV/UP-W): G/ENV/UP-W, under the direction of the Center, is responsible for the following:

1. Providing policy guidance, supervision, and oversight of the UE Credit Program on a global basis;

2. Together with the Regional Offices (ROs), engaging in consultations/coordination with customers and other partners in the planning, implementation, and monitoring of UE Credit Program interventions;

3. Managing and conducting loan bid auctions and loan closings with eligible U.S. Investors, and supervising the resulting UE Credit Program loan disbursements; and

4. In coordination with the Bureau for Management, Office of the Chief Financial Officer (M/CFO) and overseas units, monitoring the payment performance of the UE Credit Program loan portfolio.

d. Development Objective (DO) Teams: The G/ENV DO Teams are responsible for participating with Regional Office personnel, Missions, and other units of USAID in Washington and overseas in the strategic planning and annual results review and resource request exercises (R4), as well as in the Annual Budget Submission process;

e. Regional Offices (ROs): A senior Urban Environment Officer located within an RO is responsible for implementation and administration of UE Credit Programs in countries within its geographic area. ROs are subject to overall direction and management of the Director of G/ENV/UP who acts under the overall direction and guidance of the Deputy Assistance Administrator of G/ENV. Pursuant to ADS 103.3.8h, USAID Mission Directors and/or chief U.S. diplomatic representatives in the countries in which the ROs operate are responsible for providing country policy guidance. (See 250.2, para. 3 for more information on the role of Mission Directors and/or chief U.S. diplomatic representatives.) (See ADS 103.3.8h)

RO officers and other Urban Environment Officers not in ROs shall act as key members of DO Teams (core and/or extended teams) in the countries for which they are responsible, with respect to all UE Credit Program matters. They shall have particular
responsibility to involve customers and partners in planning, implementing, and monitoring UE Credit Program interventions.

Under general G/ENV guidance and oversight, ROs provide the following services in connection with environment and urban development and UE Credit Program activities via the DO Team process in coordination with the appropriate USAID country organization or Geographic Bureau

1. Analyzing and proposing environment and urban policy and institutional development strategies, including planning, conducting, and appraising feasibility studies, and involving customers and partners in this process. In this regard, RO personnel, in coordination with the Development Objective Teams, are instrumental in developing the UE Credit Program aspects of the operating unit’s Customer Service Plan.

2. Designing environment and urban programs and assistance in a given country and preparing and assisting in presenting approval documents for specific programs or interventions.

3. Managing USAID’s environment and urban programs in a given country including monitoring performance and results; periodically inspecting technical and financial aspects of programs in process including the management of the UE Credit Program Administrative Expenses Budget; and initiating remedial action where required.

4. Exercising authority, under G/ENV Delegations of Authority in ADS 103 (See ADS 103.3.8h), to:

   a. Negotiate and deliver UE Credit Program Agreements in accordance with terms of authorized guaranties;

   b. Prepare, negotiate, and deliver implementation letters and other implementation documents; and

   c. Review and approve Borrower documentation submitted in satisfaction of conditions or covenants under UE Credit Program Agreements. (See Loan Documentation)

f. Geographic Bureaus

Each Geographic Bureau Assistant Administrator is responsible for authorizing the use of Guaranty Authority within their geographic region through approval or disapproval of planning documents (Development Objectives and/or Strategic Support Objectives) generally submitted as part of a Strategic Plan or Strategic Plan amendment and/or as part of the
g. **USAID Missions/U.S. Embassies**

Pursuant to ADS 103.3.8h, USAID Missions, or, in countries where there are no Missions, U.S. Embassies are responsible for making policy decisions relating to country strategy and handling the preliminary processing of UE Credit Program requests from the host country. (See ADS 103.3.8h) The design, implementation, and monitoring of a UE Credit Program is the responsibility of the Mission and G/ENV/UP DO Teams in which representatives of G/ENV and/or the RO are expected to play a lead managerial and technical role. Missions also authorize programs using general authorities delegated from their regional Assistant Administrators.

h. **Assistant General Counsel for Global (GC/G)**

GC/G is responsible for providing legal services to G/ENV and its Offices and to the Development Objective Teams for all aspects of the UE Credit Program. These responsibilities include:

1. Interpretations of, and legal opinions on, the Foreign Assistance Act and other applicable Federal legislation;
2. Drafting and negotiating the necessary UE Credit Program loan documents and Program Agreements;
3. Issuance of legal opinions;
4. Conducting the legal aspects of UE Credit Program loan closings with eligible U.S. Investor(s);
5. Assistance in the drafting of authorizations and action memos; and
6. Representation for USAID on claims arising from UE Credit Program operations.

In Missions were there are resident Regional Legal Officers (RLOs) who are able and willing to perform such services, the Office of the General Counsel (GC) may be represented by such RLOs. (See **Authorization Memo**)

i. **Bureau for Management, Office of the Chief Financial Officer (M/CFO)**

M/CFO is responsible for providing a variety of financial management services to G/ENV, RO's, and in support of the DO Teams efforts. These services include:
1. The maintenance of the accounts of the various UE Credit Program loans;

2. Financial monitoring of the loans;

3. Funds control;

4. Payment of claims;

5. Claims collection efforts;

6. Preparation of financial data and information in connection with the annual audit of the Agency Consolidated Financial Statement by the Inspector General under the Government Management Reform Act of 1994; and

7. Accounting for the G/ENV credit-related UE Credit Program Administrative Expenses Budget.

j. Bureau for Management, Office of Budget, Resource Analysis Division (M/B/RA)

M/B/RA is responsible for providing guidance and interpretation with regard to the Office of Management and Budget (OMB) regulations and other federal regulations relevant to the UE Credit Program.

In addition, M/B/RA is responsible for reviewing G/ENV’s Results Review and Resource Request (R4) and the UE Credit Program portion of the Federal budget in conjunction with the Chief Financial Officer (CFO) in M Bureau.

k. Credit Review Board (CRB)

The CRB is established in accordance with OMB Circular A-129, and is responsible for advising USAID’s Chief Financial Officer on policies and essential procedures for the financing and financial management of all USAID credit-related programs (See OMB Circular A-129). The CRB is also responsible for making recommendations to the Chief Financial Officer regarding the approval of the credit subsidy estimates and the Missions’ plans for monitoring the financial performance of the project. (See Credit Subsidy Estimates Memo and Credit Review Board Charter)

I. Chief Financial Officer (CFO)

The CFO is responsible for approving the credit subsidy estimates and Missions’ plans for monitoring financial performance for:

Text highlighted in yellow indicates that the adjacent material is new or substantively revised.
1. The UE Credit Program;
2. Coordinating the credit portion of the President's Budget; and
3. Ensuring that credit servicing meets the requirements of OMB Circular A-129. (See OMB Circular A-129) (See Credit Subsidy Estimates Memo)

k. Bureau for Global Programs, Center for Economic Growth, Education, and Environment, Credit and Investment Staff (G/E3/CIS)

G/E3/CIS is responsible for:

1. Preparing credit subsidy estimates and annual subsidy reestimates of guarantees under contract for UE Credit Program and forwarding them to the CRB and the CFO for consideration; and
2. Preparing budget tables in conjunction with M/CFO/LM for the UE Credit Program portion of the Federal budget, and for maintaining related records. (See Credit Subsidy Estimates Memo) (See OMB Circulars A-11 and A-34)

250.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

The statements contained within the .3 section of this ADS chapter are the official Agency policies and corresponding essential procedures.

250.3.1 Basis for the Center for the Environment’s Urban and Environmental Credit Program (UE Credit Program) Policies

The policies of the Bureau for Global Programs, Center for the Environment (G/ENV) and the Bureau for Global Programs, Center for the Environment, Office of Environment and Urban Programs (G/ENV/UP) are based on the belief that properly-managed urbanization can help meet the challenges of sustainable development; maintain a healthy living environment; stimulate the economy; provide opportunities for citizen participation in decision-making; and help house and provide basic urban services for growing populations.

G/ENV shall emphasize the use of the Urban and Environmental Credit Program (UE Credit Program) (formally called the Housing Guaranty Program) for urban policy reform and increased private sector participation in the process through which low-income urban residents gain access to land, shelter, and basic urban services and participate in the improvement of the environment.

Text highlighted in yellow indicates that the adjacent material is new or substantively revised.
USAID must adhere to the following legislated policies, as mandated by the FAA, Sections 221, 222(b), and 223(j), as amended. These policies form the foundation for all other UE Credit Program-related policies. (For related policies and essential procedures, see 250.3.4a and 250.3.4g)

a) FAA Section 221, as amended, outlines the policy goals of the Urban and Environmental Credit Program (UE Credit Program). The provisions of this section follow (See FAA, Section 221):

1. USAID shall increase the availability of domestic financing by demonstrating to local entrepreneurs and institutions that providing low-cost shelter and related urban environment infrastructure is financially viable;

2. USAID shall assist in marshalling resources to accomplish policy 250.3.2a (See 250.3.2a);

3. USAID shall support pilot urban interventions, or programs that have a maximum demonstration impact on local institutions and national policy;

4. The UE Credit Program shall have a long-run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital and other management and technological resources required for low-cost shelter and other sustainable cities interventions and programs.

5. FAA Section 222(b) presents the policy mandates governing the UE Credit Program. These policy mandates are of primary importance when evaluating both possible future UE Credit Program interventions and current or on-going UE Credit Programs. (See FAA, Section 222(b)) The provisions of Section 222(b) are:

   a. Activities must emphasize the provision of improved home sites to poor families on which to build shelter and related services;

   b. Interventions must emphasize activities comprised of expandable core shelter units on serviced sites;

   c. Programs must emphasize slum upgrading activities designed to conserve and improve existing shelter;
d. Interventions must emphasize shelter activities for low income people designed for demonstration or institution building purposes; and/or

e. Programs must emphasize the provision of community facilities and services in support of activities authorized under FAA Section 222(b) to improve the shelter occupied by the poor.

6. In developing a UE Credit Program intervention, the officers involved must keep in mind various policy parameters that govern the UE Credit Program. The following are mandated in the FAA, primarily in Section 223(j) and constitute a set of policy parameters for the program (See FAA, Section 223(j)):

a. Guaranties are issued only for shelter and related activities and interventions which are coordinated with and complementary to any development assistance being furnished to the country and which are designed to demonstrate the feasibility and suitability of particular kinds of shelter and related activities, or of financial or other institutional arrangements;

b. The face value of guaranties for shelter and related activities for any country must not exceed $25 million in any fiscal year;

c. The average face value of guaranties in any fiscal year must not exceed $15 million;

d. Not less than 90 percent of the aggregate face value of guaranties will be issued for shelter suitable for families with income below the median income in the subject country, or for housing in urban areas below the median urban income; and/or

e. The total principal amount of guaranties issued and outstanding must not exceed $2.558 billion at any one time. (See FAA, Section 222(a)) The foreign assistance appropriations acts have exempted the program from this limitation for twelve years in a row (to date through FY99).

4. Congress may, on occasion, override some of the previously addressed FAA provisions with specific legislation for certain countries or programs. For example, the Foreign Assistance
Appropriations Act of 1995 exempted from the limits described in the preceding paragraphs programs for Eastern Europe and for South Africa. In other cases a particular program or country may have "notwithstanding any other provision of law" authority from Congress which exempts it from these provisions.

5. USAID's environmental regulations require that USAID prepare an initial environmental examination (IEE) or a request for categorical exclusion for any planned assistance. The IEE recommends whether or not an Environmental Assessment will be undertaken. As a general rule, G/ENV/UP or the RO prepares the IEE for UE Credit Program assistance and it is reviewed by the Global Bureau and geographic bureau environmental officers. This will be done as soon as feasible following Bureau approval of the initial plan for UE Credit Program assistance. (See Initial Environmental Examination)

6. A variety of other statutory provisions are applicable to the UE Credit Program. The Assistant General Counsel for Global (GC/G) review and approval of specific transactions must focus on these issues.

250.3.3 Origination and Guaranty Fees for Urban and Environmental Credit Program (UE Credit Program) Loans

It is the current policy of USAID to charge Borrowers of a UE Credit Program Loan an origination fee of one percent (1.0%) of the principal amount of the loan. In addition, a guaranty fee of one-half of one percent (0.5%) per annum is charged to the Borrower on outstanding Principal during the life of the loan, and is included in the amortization schedule applicable to the loan.

Fee policy must be reviewed from time to time by the Credit Review Board (CRB).

250.3.4 Policies Governing the Development, Implementation, and Administration of the Urban and Environmental Credit Program (UE Credit Program)

In order to ensure that all proposed UE Credit Program activities meet Host Country demand, G/ENV requires that:

a) All programs originate from a request by the potential Borrower; and

b) The program support the Development Objectives (DOs) for that country/region.
The initial policy decisions made at the country level determines whether or not UE Credit Program requests are to be recommended for Program consideration. Such a decision is related to country strategy and the broad political and economic factors which may influence or be influenced by the proposed UE Credit Program intervention, in addition to the detailed economic and general viability of the program.

Identification of UE Credit Program potential is a result of contacts with customers and possible partners, and the process must start with an initial request by the host country. If approved, a UE Credit Program intervention is ultimately incorporated into the country’s Customer Service Plan.

250.3.4.1 The UE Credit Program Process

There are a number of statutes/regulations which govern the UE Credit Program. G/ENV requires a number of steps be taken in the design and implementation phases of any UE Credit Program in order to document and guarantee compliance with these statutes/regulations. Additional steps are taken to protect the purpose/integrity of any given UE Credit Program interventions.

The process then continues with the Regional Urban Environment Officers exploring the applicability with the customer and the DO Team(s) as to whether the perceived need might better be handled by a UE Credit Program intervention, Technical Assistance through the grant mechanism, or a combination of both. Once approval of a UE Credit Program is part of the Strategic Plan, the design phase commences. The basic planning process and documentation for a UE Credit Program is essentially the same as that for other types of USAID assistance, except that a credit risk assessment must be performed and funds sufficient to cover the risk must be obligated. (For additional details and requirements, see ADS 201.) (See Program Agreement; Credit Subsidy Estimate Memo; Authorization Memo; and Congressional Notification)

250.3.4.2 Effecting UE Credit Program Technical Assistance (TA) Provisions

When the Strategic Plan or Results Review and Resource Request (R4) approval includes technical assistance (TA) for accomplishing UE Credit Programs, such assistance is made available through RO or G/ENV/UP Tour of Duty (TDY) assistance, and/or through contracts, grants, or cooperative agreements that might be in effect at the time.

A Technical Assistance Authorization and Technical Assistance Agreement is generally processed in conjunction with the UE Credit Program authorization and UE Credit Program Agreement. Technical Assistance (TA) contracts relating to implementation of authorized programs are usually funded by Mission or geographic bureau grant funds. Consistent with the Environment Center’s Strategic Plan, G/ENV/UP or the DO Team develops the scope of work for any such TA, in consultation with the Mission and recruit personnel, when needed. G/ENV may also seek assistance from other U.S.
Government agencies when appropriate. (See Authorization Memo; Program Agreement)

250.3.4.3 Competitive Negotiation and UE Credit Program Lenders

It is USAID's policy to prefer competitive negotiation (based on lowest cost to borrower) when selecting a lender for the UE Credit Program, and this is the method used most often by Borrowers. USAID may, however, approve non-competitive negotiation on a case-by-case basis, if adequately justified. (See ADS Chapter 300)

The lender selection process begins after a UE Credit Program Agreement is negotiated and signed, and the Borrower has complied with the conditions precedent to disbursement specified in the Program Agreement. Borrowers, with USAID concurrence, select lenders (eligible U.S. Investors as specified in Section 238(c) of the Foreign Assistance Act of 1961, as amended). (See FAA of 1961, Section 238(c)) Lenders may be represented by intermediaries, such as placement agents or underwriters. USAID reserves the right to approve the lender selection and the terms of the UE Credit Program loan to be offered. (See Program Agreement)

250.3.4.4 Submission of Loan Documentation

In keeping with standard financial practices, USAID requires that suitable loan documentation be submitted prior to a borrowing/ disbursement of the loan. (See Loan Documentation)

After lender selection, the Borrower and Investor have up to 60 days to negotiate UE Credit Program loan documents, which are linked by reference to the UE Credit Program Agreement. (See Loan Documentation, and Program Agreement)

250.3.4.5 Loan Refinancing

USAID may permit the refinancing of a loan if conditions warrant such action. (For a discussion of conditions which warrant refinancing see Refinancing.)

If UE Credit Program Loan documents permit the Borrower to prepay and/or refinance a UE Credit Program loan to obtain better terms and conditions (e.g., more favorable interest rate), the loan may be refinanced, subject to the approval of USAID. (See Loan Documentation, and Loan Refinancing)

250.3.4.6 Loan Termination

G/ENV must follow certain guidelines for terminating a loan account upon repayment. For additional information, contact G/ENV/UP, 3.08 RRB, Washington, DC, 20523-3800.
250.3.4.7 Loan Repayment

For full discussion of the policy and essential procedures upon full repayment of a UE Credit Program loan, contact G/ENV/UP, 3.08 RRB, Washington, DC, 20523-3800.

250.3.5 UEC Program Monitoring

It is the policy of G/ENV to carefully monitor all UE Credit Program activities. UE Credit Program interventions are monitored for:

a) Compliance with governing statutes;

b) Compliance with the terms of the loan documents; and

c) Compliance of the Borrower with programmatic goals.

Additionally, all UE Credit Program activities are program audited on a periodic basis.

UE Credit Program activities are periodically evaluated in the same manner as other USAID programs. The credit risk of the borrower or guarantor must be reevaluated each year that the loan is outstanding, and the subsidy reprices. In addition, frequently mid-program and end-of-program evaluations are done by parties not directly involved in program implementation (e.g., representatives from G/ENV, Washington, the Inspector General, and/or the General Accounting Office). (See Program Evaluations) (See OMB Circulars A-11 and A-34)

a) For UE Credit Program activities in progress, ROs, together with the respective DO Teams, must exercise due diligence to confirm that eligible expenditures and/or structural or policy reforms that are required by the Program Agreements are accomplished in a timely manner in accordance with Program action plans. (See Program Agreement)

b) G/ENV in coordination with RO’s, Bureaus, and Missions has developed a performance monitoring system utilizing performance indicators to measure results and G/ENV/UP reports these results annually and uses them for guidance in recommending budget levels and resource allocation.

c) Under guidance from G/ENV and Mission Directors, the Center Urban Environment Team, the RO’s, together with G/ENV/UP and the DO Teams will continue to improve the UE Credit Program Performance Monitoring System and develop and refine Performance Indicators to measure achievement results with respect to stated Development Objectives.

250.3.5.1 UE Programs and The Results Review and Resource Request (R4)
Package

Commencing in fiscal year 1996, performance monitoring of the UE Credit Program is an integral part of the Results Review and Resource Request Package (R4) submitted annually by operating units to indicate progress in meeting the Strategic Objectives of the UE Credit Program in-country. The results report contained in the R4 contributes to budget decision-making regarding allocation of resources and also has a bearing on any changes required in the "management contract."

250.3.5.2 Financial Monitoring of UE Credit Program

In close coordination with the Bureau for Management, Office of Financial Management (M/CFO), and utilizing accounting information and financial reports prepared and provided by M/CFO, G/ENV monitors the performance of the UE Credit Program Loan Portfolio. This includes (but is not limited to) monitoring the following reports provided by the (M/CFO):

1) The UE Credit Program payment experience;

2) Changes in country risk;

3) Adequacy of reserves for loan losses; and

4) UE Credit Program loan reschedulings under Paris Club bilateral agreements.

As of fiscal year 1996, the Government Management Reform Act of 1994 requires agencies to submit to the Office of Management and Budget (OMB) an annual Agency consolidated financial statement, this financial statement includes the activities of the UE Credit Program. (See Government Management Reform Act of 1994)

M/CFO, in coordination with G/ENV, prepares the financial performance information, and any notes or supplementary information to the UE Credit Program's contribution to the Agency financial statement.

250.3.6 Annual UE Credit Program Audit

The USAID Inspector General's Office (IG) conducts an annual financial audit of the Agency Consolidated Financial Statement, of which the Urban and Environment Credit Program activities are part.

Usually the IG will contract with an accredited accounting firm to perform the audit under IG supervision. In addition, the IG conducts financial audits, management reviews, and/or program audits of individual UE
Credit Program activities from time to time, as it deems appropriate.

250.4 MANDATORY REFERENCES

250.4.1 External Mandatory References

a. 22 CFR 204, Ch. 2 (as published September 1, 1988 in The Federal Register, Volume 53, No.170)
b. Credit Reform Act of 1990 (Contact G/ENV)
c. Government Management Reform Act of 1994 (Contact G/ENV)
d. OMB Circulars A-11, A-34, and A-129 as amended
e. Sections 221, 222, 223, and 238(c) of Part I, Title III of the Foreign Assistance Act of 1961, as amended (FAA)

250.4.2 Internal Mandatory References

a. ADS 103, Delegations of Authority
b. ADS Series 300
c. Action Memorandum to the Assistant Administrator
d. Action Memorandum for the Deputy Assistant Administrator, Bureau For Management/Credit Subsidy Memo
e. Authorization Memo (Contact G/ENV)
f. Credit Review Board Charter (Contact G/ENV)
g. Congressional Notification (Contact G/ENV)
h. Design of Urban and Environmental Credit Program (UE Credit Program)
i. Guaranty Agreement (Contact G/ENV)
j. Initial Environmental Examination
k. Loan Documentation (Contact G/ENV)
l. Loan Refinancing
m. Loan Termination
n. Monitoring Performance and Performance Measures

o. Non-competitive Negotiation (Contact G/ENV)

p. Notice of Investment Opportunity

q. Program Agreement and Guaranty Agreement (Contact G/ENV)

r. Program Evaluations (Contact G/ENV)

250.5 ADDITIONAL HELP

There are no Additional Help documents for this chapter.

250.6 DEFINITIONS

The terms and definitions listed below have been incorporated into the ADS Glossary. See the ADS Glossary for all ADS terms and definitions.

activity
An activity carries out an intervention, or set of interventions, typically through a contract, grant, or agreement with another U.S. Government agency or with the partner country government. An activity also may be an intervention undertaken directly by Mission staff that contributes to a project, such as a policy dialogue. In most cases, multiple activities are needed to ensure the synergistic contributions necessary to achieve the project’s desired results. (Chapter 250)

assistance mechanism
A specific mode of assistance chosen to address an intended development result; a particular intervention chosen to solve a particular development problem or set of development problems. Examples of mechanisms include: food aid, housing guaranties or other loan guarantees or direct loans, debt-for-nature swaps, endowments, cash transfers, etc. (Chapter 250)

authorization
After approval by USAID’s Chief Financial Officer of the credit subsidy required for a Housing Guaranty borrowing, an authorization (with an accompanying Action Memorandum describing the circumstances of the borrowing) is signed by the Mission Director. The authorization specifies the amount and suggested terms of the borrowing. (Chapter 250)

borrower
Borrowers may be sovereign (governments) or non-sovereign (private sector, or "stand-alone" government agencies) and are specified in the underlying Program Agreement and HG loan documentation. Sovereign borrowers often may borrow by and through
such entities as ministries of finance, central banks, or other government agencies carrying the full faith and credit of the borrowing country. (Chapter 250)

Credit Review Board
The Credit Review Board (CRB) is an internal advisory committee reporting to the USAID Chief Financial Officer (CFO). Pursuant to the CRB Charter, the CRB has the responsibility to recommend, for the CFO's final determination, the credit subsidy cost of each proposed DCA activity. The Charter further provides that the CRB recommends policies and procedures designed to ensure the financial soundness of all USAID credit programs, including DCA. (Chapters 249, 250)

credit subsidy/reserve
In accordance with the Credit Reform Act of 1990, a credit subsidy (i.e., a loan loss reserve) must be estimated (under an overall FY appropriation for this purpose) for each Housing Guaranty authorization. OMB Circular No. A-34 (revised annually) outlines the procedures for credit subsidy estimates. For sovereign risk borrowers, the credit subsidy is determined by utilizing an OMB computer software model based on U.S. inter-agency (ICRAS) ratings for country risk. For non-sovereign risk borrowers, the credit subsidy is calculated utilizing a non-sovereign risk software model developed for the Housing Guaranty Program and approved by OMB. This model is based partially on country risk and partially on financial analysis of the borrowers. (Chapter 250)

customer
The person or group who is receiving a service, or who is considered the recipient or beneficiary of a given result or output. Washington and U.S.-based customers: U.S. Government entities, or individuals representing such an entity, at whose behest USAID carries out its programs and who have a stake in the program results that USAID produces. Examples include Congress, the Office of Management and Budget (OMB), and the Department of State. Congress represents U.S. taxpayers. (Chapter 250)

customer service plan
A planning document previously required for every individual Operating Unit. The plan is no longer required. This term is no longer used. (Chapter 250)

host country guarantor
For sovereign risk borrowers, either (1) a specific paragraph obligating the sovereign borrower must be included in the Housing Guaranty Program Agreement, or (2) a separate Host Country Guaranty document covering the sovereign obligation is to be included in the loan documentation for specific Housing Guaranty borrowings. (Chapter 250)

Implementation Letter (IL)
Formal correspondence between USAID and another party following a formal agreement that obligates funding. Implementation letters serve several functions, including providing more detailed implementation procedures, providing details on terms of an agreement, recording the completion of conditions precedent to disbursements,
and approving funding commitments and mutually agreed upon modifications to program descriptions. (Chapter 250)

**investors**
Investors eligible for the Housing Guaranty are as specified in 22 USC 2198, Section 238 (c), and include (1) U.S. citizens; (2) domestic U.S. corporations, partnerships, or associations substantially beneficially owned by U.S. citizens; (3) foreign corporations whose share capital is at least 95% owned by U.S. citizens; and (4) foreign partnerships or associations wholly owned by U.S. citizens. (Chapter 250)

**noteholder**
A "noteholder" may be the initial investor, or subsequent eligible investor(s), which purchase the promissory note(s) associated with a Housing Guaranty borrowing. Promissory notes are transferable to new eligible investors (noteholders) over the life of the Housing Guaranty loan. Any changes of ownership of promissory note(s) are reflected in a register maintained for that purpose by the designated Paying and Transfer Agent. (Chapter 250)

**paying and transfer agent**
The functions of Paying and Transfer Agent, in connection with a Housing Guaranty borrowing, are performed by the corporate trust department of a commercial bank designated by USAID. Functions of the Paying and Transfer Agent include (1) disbursement of the initial proceeds of Housing Guaranty loans; (2) billing and collecting payments of Interest, Principal and fees, as scheduled in Housing Guaranty loan documents; (3) maintaining and updating a registry of noteholders; and (4) effecting transfers of promissory notes between eligible investors (including issuing new replacement promissory note(s) for the new eligible investor (noteholder). (Chapter 250)

**performance indicator**
Means to monitor expected outputs and outcomes of strategies, projects, or activities based on a Mission’s Results Framework or a project’s or activity’s logic model. Performance indicators are the basis for observing progress and measuring actual results compared to expected results. Performance indicators help answer the extent to which a Mission or Washington OU is progressing toward its objective(s), but alone cannot tell a Mission or Washington OU why such progress is or is not being made. (Chapter 250)

**performance management plan**
A tool to plan and manage the process of monitoring strategic progress, project performance, programmatic assumptions and operational context; evaluating performance and impact; and learning from evidence in order to inform decision-making, resource allocation, and adaptation at the strategy level. PMPs are Mission documents and are distinct from Project MEL Plans and Activity MEL Plans. (Chapter 250)

**performance target**
Specific, planned level of result to be achieved within an explicit timeframe. (Chapter 250)

**results framework**
The predominant logic model for representing the development hypotheses underlying the Mission’s strategy. The Results Framework diagrams the development hypotheses, outlining the logic for achieving DOs over time, including causal logic (at levels up to IRs) and contribution between IRs and DOs and between DOs and Goals. The Results Framework includes the CDCS Goal, DOs, IRs, and sub-IRs. (Chapter 250)

**results package**
A results package is a shorthand designation for items that contribute to achieving a particular result. Some Operating Units have used the term as a name for documentation used to obtain approval for a set of activities and to define AO sub-teams that concentrate on a particular new set of activities. The term is no longer “officially” used. Documentation to approve activities is called Activity Approval Documentation. (Chapters 204, 250, 305)

**results package team**
A group of people who manage a results package. The results package team is established by a parent assistance objective team. (Chapter 250)

**Results Review and Resource Request (R4)**
The document, which is reviewed internally and submitted to USAID/W by the operating unit on an annual basis. The R4 contains two components: the results review and the resource request. Judgment of progress will be based on a combination of data and analysis and will be used to inform budget decision making. (Chapters 103, 204, 250)