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**Centro de Investigación y Docencia Económicas, A.C.**

**2007 Consistency and Results Assessment of the Savings, Subsidy and  
Credit Housing Program "Tu Casa"**

**Fideicomiso Fondo Nacional de Habitaciones Populares**

**Final Report**

**Researchers**

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## **Executive Summary**

The Housing Savings, Grant and Credit Program, "*Tu Casa*" (PTC) is operated by the *Fondo Nacional de Habitaciones Populares (FONHAPO)* Trust and has its immediate antecedents in the Savings and Progressive Housing Grant Program "*Vivah*," which began operating in 1998. Its current name dates from 2003, and its aim is to ameliorate the living conditions of Mexican households in patrimony poverty by providing federal subsidies to build, acquire, expand, or improve their dwelling. Through these housing actions, financed with resources from the states and from the beneficiaries themselves, the Program seeks to help improve the living conditions of the population in patrimony poverty in order to comply with the provisions of Article IV of the Mexican Constitution, and the general guidelines of the National Development Plan 2007-2012.

### ***Main findings of the evaluation***

The lack of an adequate diagnostic according to the program requirements negatively affects various aspects of its design and the determination of its scope. Thus, while the core problem to resolve by the PTC, is identified, the size and the causality between poverty and housing needs are not explicitly analyzed and quantified. This negatively affects the definition of potential and target population, because the program does not know the precise needs of the population living in patrimony poverty. This has prevented to lay down a launching point for the program and therefore, the definition of strategies and goals of coverage and focus of medium and long term. This additionally limits the possibilities to focus the resources precisely and to determine whether access mechanisms provided for in the design of the program are suitable to benefit the target population.

The Program has set up as care unit the households living a situation of patrimony poverty that is, whose income is less than three minimum wages. To determine the applicant's eligibility, he/she must provide information, among other things his/her income level, which is the central criterion for access to the Program. Additional details about other prioritization criteria are also required: 1) if the household head

is a female, 2) if there are family members with disabilities, 3) if the current location of the dwelling is declared a natural risk area and so forth.

It is important to say that, with regard to the operational terms, the selection of beneficiaries is done by standard procedures, and all applications are scored with equal parameters. However, even though the scoring system algorithm includes the criteria set forth by the Operation Rules (OR), the procedures do not provide a comparison of the scores of different requests entering at different times. That is, an application is approved if it receives a certain qualification showing that it meets the criteria, and it automatically is granted the right. If an incoming request at a later date has a higher rating, it takes precedence over the former. Therefore, the order of arrival of the requests becomes too great weight in making decisions about other focusing criteria.

The list of beneficiaries shows that the eligibility criteria set forth in the policies are met, but past external evaluations state that a high proportion of the beneficiaries of the program may not correspond to the target population itself<sup>1</sup>. Additionally, information was obtained indicating that the investment per housing action in localities of low-level marginalization is greater than in those of high marginalization, and that the first are virtually assigned the same budget as the latter.

This implies that there is a regressive bias in the application of resources, and that there are focalization problems reducing the effect of actions to improve the quality of life of people in patrimony poverty. However, in 2007, we see that for 83.5% of the municipalities where actions were completed, 82.7% of the completed actions and 79.2% of the addressed budget were focused on municipalities with a medium to high proportion of population living in patrimony poverty, which is considered appropriate.

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<sup>1</sup> According to the 2006 External Assessment, up to 40% of beneficiaries would have an income above three minimum wages that define the status of patrimony poverty.

In this sense, there is a significant area of opportunity in the design of the administrative tools to determine the eligibility of applicants and the need to verify the information that the latter reported to access the program. It is also necessary to provide different patterns of contribution of resources by the Executing Agencies (EA) in order to reduce the regressiveness in the budget distribution statewide and offers different types of reports related to the progress of the operation.

According to the approach on which the program is designed and operated, there is a risk to the accomplishment of its aim and purpose. While the various documents that govern the operation of the PTC will provide the powers and responsibilities of all actors involved in the program's operation, the objectives attributed to FONHAPO tend to consider that its responsibility ends with the delivery of federal funds to the EA, leaving out its supervision and quality control of the funded housing actions. From this point of view, it reassures to efficiently achieve the posited Component of granting federal housing subsidies, but this does not guarantee its compliance with the aim of improving the living conditions of the population and with the view of contributing to the improvement of their quality of life. To remedy this situation is essential to strengthen and reinforce the control and supervision powers of FONHAPO thereby ensuring the final quality of the various housing actions.

The decentralized structure provided for the operation of the program offers the challenge of aligning the incentives of the parties involved. While it is considered that the operation through EA is a strength of the program as it gives the authority of making decisions to those responsible for the conduction of local development, it is essential to attend the efforts of all stakeholders to the goal of improving the living conditions of people in patrimonial poverty, and not just to provide subsidies or housing that does not meet quality criteria and conditions satisfactory.

In the area of operation results, the program has made progress in defining indicators and a globally consistent and adequate Logical Framework Matrix (LFM). While actors interviewed report that they are working on it, at the time of

preparing this report, the program has shown no evidence of establishing baselines and targets for the above indicators, nor for those listed in the OR.

A major strength of the program is the design and operation of the Integrated Information System through which information is systematically captured and maintained by the various operational stages. Among other things, through the information provided by the system the budget monitoring execution is performed at the level of each Executing Agency (EA) and is compared with the allocation made in the state work plans. Additionally, in terms of information for accountability and evaluation, it contains information on the socioeconomic characteristics of the applicants.

From the above information it was possible to perform external assessments of both process and effects since 2002. While these have produced useful information for making decisions, the evaluation process is not properly integrated to the rest of the operational processes of the program. It is underutilized as it does not spread at all levels and does not perform the actions to involve major administrative areas in a dynamic of participatory planning and assessment.

### ***Major Program Results***

In 2007, the program funded over 158 thousand housing actions with a budget of 1.723 million pesos, satisfactorily complying with the goals outlined in its annual work plan and in the Federal Expenditure Budget<sup>2</sup>. The third impact assessment<sup>3</sup> has shown that the taken actions had a positive effect of improving the quality of housing supported by the program. Meanwhile, satisfaction surveys among the 2006 beneficiaries of the program show results in the same sense, as those who

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<sup>2</sup> Applies to preliminary estimates of the analysis from the list of beneficiaries submitted by the Program during the month of February. Final figures may differ from the Public Account.

<sup>3</sup> Impact Assessment Program "Tu Casa" 2003-2005.

live the dwellings rate with 8.88 in a scale of 10 their usefulness in changing their life and social progress.

Furthermore, the above evaluation evidences a significant proportion of houses that are vacant or abandoned because of the lack of services or unfinished construction. In this sense, the assessment team believes that in many cases the quality of products delivered is unsatisfactory and this impedes a progress in fulfilling the Aim and Purpose of the Program at a pace that would be potentially feasible given its budget. The effect assessment shows in this sense that limited progress in fulfilling the aim of improving the quality of life of households, among other reasons because in variables related to the health of both children and adults and the economy of the beneficiaries, the effects are of zero to negative.

### ***Main Recommendations***

It is necessary that the different areas involved in implementing the Program, including the Regulatory Agency as well as the Executing and Auxiliary Agencies (AA), participate in a continuous feedback process in order to improve its design and management. It is considered that the tests that have been conducted in recent years show useful information to guide the work of adjusting the main processes and the regulatory framework of the Program. However, they have not been used according to their potential, because there are no participatory mechanisms to ensure their inclusion in key moments of decision making to adjust the PTC. In general, the main points recommended to improving the performance of the program are:

1. Perform a complete diagnosis of the problem it seeks to resolve through the program.
2. Implement participatory planning processes and direct the work to the development of plans for short, medium and long terms. These should include targets and indicators aimed at measuring the Program's contribution to solving the problem defined.

3. Develop and strengthen the mechanisms to work in coordination with the EA and AA in the definition of key issues of the Program, such as OR, Manual of Operations, Work Plan, coverage and targeting strategies, benchmarks for measurement of performance, and quality control of the housing actions.
4. Make adjustments to the design of the program, the budget allocation mechanisms between states and municipalities, and the procedures for determining the eligibility of applicants, in order to improve the targeting of resources.

# **EL COLEGIO DE MÉXICO**

## **Final Report of the 2007 Consistency and Results Evaluation**

### **Rural Housing Program**

#### **Executive Summary**

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El Colegio de México  
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The Rural Housing Program (RHP) started operations in November 2003 in compliance to the provisions of the *Acuerdo Nacional para el Campo* (National Agreement for the Countryside), as a result of the 2008 social movement known as *El campo no aguanta más* (The field doesn't take any more). The program aims to give financial support to lower-income rural and indigenous households for the construction of a Rural Basic Housing Unit (RBHU) for the extension or improvement of their current home, in order to strengthen their family patrimony and to improve their quality of life.

The regulatory framework of the RHP is composed of its Operation Rules and Manual of Operations, which set forth general criteria for defining the problem that the program seeks to solve. This problem is identified as "poor housing conditions of families living a situation of patrimony poverty in rural and indigenous areas up to 5,000 people, classified as high or very high marginalization." However and despite the above definition, the program does not have an updated and appropriate diagnosis of the situation and magnitude of the problem. Nevertheless, the National Housing Commission (CONAVI) through its housing backwardness index provides information that would enable the program to have an estimate of the size of the problem addressed. It is therefore recommended, to adequate the information available and disaggregate this index in localities where the specifications adopted by the program are fulfilled.

The following was found in terms of the Design of the Program: on the vertical logic of the Logical Framework Matrix (LFM) in the RHP, it was concluded that while there is a logical causal relationship between levels of Goal, Purpose, and Components, although the above activities are necessary, they are not considered as sufficient to achieve the identified components. Therefore, it is recommended to incorporate other activities, which can be found in Annex VI to this assessment. Furthermore, with regard to the assumptions of the LFM program, these are not validated in its entirety as it shows that there are assumptions that are endogenous to the program, which should ensure its full implementation, so they should not be

considered as an assumption. Given the above recommendations, the vertical logic of the LFM cannot be fully validated, and it is suggested to consider the above recommendations, and the logical framework matrix proposed by the Assessment (see Annex VI).

With respect to the indicators proposed by the program, these generally do not meet the operationally defining characteristic of what is stated in the Narrative Summary. Furthermore, although most of them justify each of its features, not all such arguments are considered as appropriate.

In relation to the means of verification, the program is based primarily on reports produced by the institution itself and related institutions of the same scope. However, there is a significant difference regarding the specific source of information between each of the existing indicators and levels of the LFM. There is also a risk that other institutions do not generate new information on the relevant variables, thereby invalidating the corresponding indicator.

Given the above recommendations in terms of assumptions, indicators, and verifiers, and in addition to the changes suggested in the vertical logic of the LFM, it is neither possible to fully validate the horizontal logic of the LFM. Thus, based on previous comments, this assessment makes an alternative LFM proposal, which is submitted in Annex VI to this evaluation.

Concluding with the design, it is noted that the RHP has complementarities and/or potential synergies with the following federal programs: *3 x 1 Migrantes*; *Infraestructura Básica para la Atención de los Pueblos Indígenas*; and *Programa para el Desarrollo Local* (Micro-regions), as well as possible duplication with the following programs: *3 x 1 Migrantes*; *Programa para el Desarrollo Local* (Micro-regions); and "*Tu Casa*".

With regard to Strategic Planning, it is noted that the program does not have medium and long-term strategic plans. However, it should be mentioned that the program does have an Interinstitutional Work Plan (IWP) covering some aspects of short-term strategic planning such as goals, strategies, courses of action, and how to distribute the budget. However, this document cannot be considered an exclusive strategic plan for the Program since that document was jointly prepared for the program "Tu Casa" and the Rural Housing Program, which obviously hampers planning, monitoring, and evaluation of the latter.

Regarding the Performance Indicators, the Program has four indicators set out in the Report to the House of Representatives for the Fourth Quarter of 2007 and the Operation Rules in force: *Budgetary Efficiency*; *Index coverage*; *Support Distribution and Benefitted Households*. These indicators seek to show the results of the Program and provide information to quantify the expected effect. Unfortunately, it is considered that the above indicators do not meet that objective. Furthermore, although the indicators are identified for measuring the frequency (quarterly), they do not point to specific targets, timing or baselines.

Concerning the external assessments of the program, there have been two and both of them were conducted by *El Colegio Mexiquense* (in 2005 and 2006). These assessments sought to provide an overview of the nature of the program and its effects in those years. However, there is a considerable difference between both evaluations as the first was focused on the conceptualization of the problem targeted by the Program and its recent evolution, while the second focused more on aspects of design, operation, and Program results. It is important in this sense to note that it was precisely from the 2006 evaluation that the Logical Framework Methodology was incorporated to the Assessment in order to reflect, inter alia, the Program's objective, the impact to be achieved, the goods and services to be produced, as well as external factors that influence the objectives achievement.

With respect to the Operation subparagraph, the program does have a standardized procedure for selecting beneficiaries, and for receiving and processing applications, which are set forth in its Operation Rules. However, although it may be concluded that such criteria are applied in the operations performed by the RHP, it is not possible to assert the same on the modality called *Vivienda Campesina* (which served 54.9% of the budget), and which was directly instrumented by the Ministry of Social Development through its local agencies, and in parallel with the operation of the RHP. Thus, in the operation mode *Vivienda Campesina*, based on lists of beneficiaries, it was detected that 98.4% of the beneficiaries of this modality had not made the contribution established in the OR. Because these resources were not exercised by the RHP, it is not possible to conclude that there has been a violation of the corresponding legislation even though such actions do appear to contravene the spirit of the law.

The analysis of the lists of beneficiaries of Rural Housing and *Vivienda Campesina* shows that the maximum amounts of federal, state or municipal grants have been respected in all actions. Nevertheless, problems remain with the information provided by the Executing Agencies, as they did not deliver it on time to the Regulatory Agency, thus making it impossible to have a proper monitoring of the implementation of such actions.

The program has in this sense formats that allow an appropriate follow-up on the progress of the works and actions. However, as mentioned above, the Executing Agencies have not provided such information on time.

With respect to the coverage of the program, it does not have a document specifying the existence of an explicit method that allows to quantify and to determine its potential and targeting population. However, this assessment made a rough estimate of the population potential, and for 2006 and 2007 the total number of households located in towns of up to 5,000 inhabitants in a situation of patrimony poverty was 1,886,376 and 1,874,214 households, respectively.

The program has a *Study on the Benefit Perception of the Rural Housing Program in Southern Guanajuato*, performed in 2006 through a questionnaire of 25 questions to a random sample of 179 people served during the fiscal years 2005 and 2006, seeking to measure the perception of the program's beneficiaries. This instrument, although properly designed for local application, is not considered as a suitable instrument since it is not nationally representative, which prevents to assume that the results obtained are valid for determining the general perception of the beneficiaries of RHP.

### **General Comment**

The Rural Housing Program addresses a crucial issue that affects the welfare of an important segment of the Mexican population facing multiple disadvantages. It is in this sense a program that must be maintained and perhaps should be strengthened. However, for this reason the program should find ways to substantially improve its efficiency and effectiveness. Therefore, the program should improve significantly in at least two aspects:

- 1) Operational Efficiency. It would be desirable that the program ceases to operate as a separate program administered by FONHAPO and to seriously evaluate the possibility of simply becoming the rural branch of "*Tu Casa*." Ultimately, both programs operate in a similar manner, with common methodologies and human resources. In addition, the Rural Housing Program could greatly benefit from the best practices that underlie "*Tu Casa*" program. This would also reduce unnecessary duplication of activities, reports and so forth, which could result in a substantial improvement in efficiency.
- 2) The second line of potential improvement for the program involves the removal of incentives that encourage patronage behavior of peasant organizations or strategic behavior of certain individuals, as such behavior could result in an inadequate coverage and focus of the program. This would be desirable to eliminate the involvement of peasant organizations in

some stages of the support allocation, and to amend regulatory issues that negatively affect the targeting of program resources.