

UK Aid Money Used by Contractor to Build Houses for the Wealthy in El Salvador

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A promotional home ad by Avance Ingenieros.

An investment branch of the UK's Department for International Development (DFID) [aid agency has come under fire for subsidizing Avance Ingenieros to build elite housing projects in El Salvador at the expense of the UK taxpayer](#), according to an investigation by the Guardian newspaper.

["CDC has betrayed its original mandate of poverty reduction"](#) by now focusing on lucrative projects that are designed to generate high returns for investors than any benefits for poor communities in the global south," John Hilary, executive director of War on Want, wrote in the Guardian.

A key component of [DFID's Business Plan for 2011-2015](#) focuses on "wealth creation" as a tool for sustainable growth and alleviation of poverty. And the Commonwealth Development Corporation (CDC) - the investment arm of DFID that was set up in 1948 to support the private sector in developing countries - claims on its website that it is committed to ["building businesses to create jobs and making a lasting difference to people's lives in some of the world's poorest places."](#)

There is no shortage of opportunities for supporting housing for poor communities in El Salvador via the Fondo Nacional de Vivienda Popular (National Public Housing Fund). The National Fund is part of the ["House for All" program that has provided decent housing for over 25,000 low-income families](#) throughout El Salvador for an average contribution of \$1,357 to \$3,263 per family.

But instead the CDC chose to back the family-owned Avance Ingenieros which specifically states on their website that they are a ["construction company dedicated exclusively to the construction of houses for the middle class."](#)

[CDC gave Avance Ingenieros \\$3.3 million through the Aureos Central American Fund](#) - one of the 88 private equity funds that the CDC works to invest capital in small and medium-sized enterprises with the aim of generating quick profits.

Avance Ingenieros used the CDC money to build four housing projects in El Salvador including Villa Veranda - a 34-acre gated community of 500 luxury homes in Santa Tecla, a wealthy suburb. The market value of the cheapest home available was \$117,650 - [roughly 35 times the average annual income of \\$3,360 per household](#).

“Villa Veranda is a [private island of calm in a country struggling with pollution and rampant urban crime](#),” write Claire Provost and Marta Bausells in the Guardian. “More than 500 houses stand in neat rows on freshly-paved private roads in beige, brown and coral pink. Private security guards control who comes in and goes out 24 hours a day.”

Such projects are very common – El Salvador witnessed a [boom in construction and real estate from 2004 to 2009](#) notably with money from expatriate and returning Salvadoreans who purchased luxury homes in private and gated communities with encouragement from the [right-wing presidency of Elias Antonia Saca](#). (Some 20 percent of people born in El Salvador now live in the U.S. and send \$3 billion a year back to the country)

Critics say that the £7.682 billion (\$12.954 billion) that UK taxpayer paid out for the total operating cost of DFID in 2012 was never intended to support such schemes. [“A fantastic return is all you need to prove that you’re having a ‘positive development outcome,’”](#) said Nick Dearden, director of World Development Movement told the Huffington Post. “But this model – under the guise of fighting poverty – actually removes decisions and accountability from public bodies and reinforces the power of companies driven by a thirst of super-profits”

This is not the first time the CDC has been criticized for investing money into [“mega projects” that provide no added value to alleviating the plight of poor people](#). In January the CDC approved a \$25 million investment in Nairobi, Kenya to build upmarket flats, a business hotel and East Africa’s largest shopping mall.

“The waste and corruption that goes unseen or unchallenged by DFID is [a kick in the teeth both for the people at home who pay the bill and for the people aid is supposed to be helping,](#)” wrote Jonathan Forman in the Spectator magazine.

[DFID defends the projects](#). “Individual investments are fully decided by CDC and the government has put in place strict rules which require commitments to deliver jobs, economic development and poverty alleviation in developing countries,” a spokesman told the Guardian.

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