

AFFORDABLE LAND  
AND HOUSING IN  
**LATIN  
AMERICA AND  
THE CARIBBEAN**



Copyright © United Nations Human Settlements Programme  
(UN-HABITAT), 2011

An electronic version of this publication is available for download from the UN-HABITAT web-site at  
<http://www.unhabitat.org>

**All rights reserved**

United Nations Human Settlements Programme (UN-HABITAT)  
P.O. Box 30030, GPO Nairobi 00100, Kenya  
Tel: +254 20 762 3120  
Fax: +254 20 762 3477  
Web: [www.unhabitat.org](http://www.unhabitat.org)

**DISCLAIMER**

The designations employed and the presentation of the material in this report do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Reference to names of firms and commercial products and processes does not imply their endorsement by the United Nations, and a failure to mention a particular firm, commercial product or process is not a sign of disapproval.

Excerpts from the text may be reproduced without authorization, on condition that the source is indicated.

HS Number: HS/109/11E  
ISBN Number (Series): 978-92-1-131938-5  
ISBN Number (Volume): 978-92-1-132235-4

Design and Layout: Gideon Mureithi/UNON  
Printing: UNON, Publishing Services Section, Nairobi,  
ISO 14001:2004-certified.



# AFFORDABLE LAND AND HOUSING IN LATIN AMERICA AND THE CARIBBEAN

---

Volume 1

## ACKNOWLEDGEMENTS

Principal Authors:	Brendan McBride and Matthew French
Team Leader:	Claudio Acioly Jr.
Project Team:	Liliana Contreras, Yolanda Sanchez, Cecilia Martinez, Rasmus Precht, Erik Vittrup
Contributors:	Claudio Acioly Jr., Mohamed El Sioufi, Christophe Lalande, and Koen Steemers and The University of Cambridge, and Nigel Browne and the Institute for Housing and Urban Development Studies (IHS).
Programme Assistant:	Helen Musoke
Financial Support:	Governments of Belgium, Italy and The Netherlands, as part of their overall contribution to the Global Campaign for Secure Tenure
English Editors:	Roman Rollnik and Matthew French

## ADEQUATE HOUSING SERIES

In the vast majority of countries access to affordable land and housing is a critical contemporary challenge. While in different countries and regions the specificities of the challenge vary, the universal truism is that it is becoming increasingly difficult for the vast majority of urban residents to obtain and retain adequate and affordable land and housing.

The first four volumes in the Adequate Housing Series canvas the state of affordable land and housing in four regions facing major affordability difficulties: Latin America and the Caribbean, Asia, Africa, and Europe and North America (member countries of the United Nations Economic Commission for Europe).

Each volume firstly explores the major trends in housing conditions, availability, quality and tenure modalities. Following this, each volume analyses housing policy responses to address growing affordability problems and the improvement of substandard housing conditions. Lastly, key recommendations for local, national and international policy initiatives that can increase the provision of affordable housing in the respective regions is provided.

This flagship series is coordinated and produced by the Housing Policy Section of UN-HABITAT and to date the following volumes have been published:

**Volume 1: Latin America and the Caribbean**



**Volume 2: Asia**



**Volume 3: Africa**



**Volume 4: Europe and North America**





# FOREWORD

The first four volumes in the Adequate Housing series respond to the urgent need for a global assessment of the state of land and housing. While countless studies, research projects, and reports have been undertaken on individual housing needs, projects, and programmes, no contemporary studies have compared and contrasted housing conditions, policies, and approaches on a regional or global scale.

This series fills this gap. The four volumes focus on the land and housing situation in four regions facing considerable challenges and affordability problems: Latin America and the Caribbean, Asia, Africa, and Europe and North America. They present a comparative documentation of the historical trajectory, major contemporary trends, and best practices in land and housing provision in each region.

Although the size and overall characteristics of the housing sector does vary markedly across these regions, and indeed their countries, common to all is the fact that obtaining and retaining housing that is adequate and affordable is a serious problem for a large proportion of the population.

Unfortunately housing affordability remains a challenge and it is worsening due to, among other factors, the economic effects of the global financial crisis and the increasing severity of disasters and conflicts, which both place an additional strain on already stretched land and housing resources. This series and its messages and recommendations are therefore timely.

These regional studies represent a significant step forward in investigating the state of the global housing challenge. A detailed examination and comparison of, as well as critical reflection on access to housing at the local, national and regional levels is the first and important step

towards designing policies to improve access to affordable housing opportunities and to bring solutions to scale. This will help in preventing city expansion on the basis of informal land development and informal housing supply. The four volumes represent a significant body of research, documentation, and critical review that I believe will be of value to those involved in the housing sector.

Dr. Joan Clos



Under-Secretary-General of the United Nations  
and  
Executive Director, UN-HABITAT





# TABLE OF CONTENTS

ACKNOWLEDGEMENTS	ii
FOREWORD	iii
EXECUTIVE SUMMARY	vi
KEY MESSAGES	viii
<b>1 INTRODUCTION</b>	<b>1</b>
1.1 STRUCTURE AND CONTENT OF THE STUDY	3
1.2 A BRIEF HISTORICAL SNAPSHOT OF POLICY TRENDS SINCE THE 1950'S	4
<b>2 LAND TENURE CHOICES</b>	<b>9</b>
2.1 HOMEOWNERSHIP TRENDS	10
2.2 OWNING A HOME: IN NAME OR IN LAW?	10
2.3 OTHER TYPES OF TENURE	12
<b>3 HOUSING DEFICITS: DEFINING THE NEED</b>	<b>15</b>
3.1 INDIVIDUAL COUNTRY DEFICITS	17
3.2 INCOME ATTRIBUTES OF HOUSING DEFICITS	19
<b>4 HOUSE-PRICE-TO-INCOME RATIO</b>	<b>23</b>
4.1 COUNTRY EXAMPLES OF HOUSING-PRICE-TO-INCOME RATIO	24
4.2 THE IMPACT OF HIGH PRICE-TO-INCOME RATIOS	25
<b>5 HOUSING FINANCE MECHANISMS</b>	<b>27</b>
5.1 THE REACH OF HOUSING FINANCE	28
5.2 EFFORTS TO MOVE DOWN MARKET	29
5.3 MATCHING MORTGAGE FINANCE WITH SECONDARY SOURCES OF CAPITAL	31
<b>6 HOUSING MICROFINANCE AND OTHER FINANCE MECHANISMS</b>	<b>35</b>
6.1 THE SPREAD OF THE SHELTER MICROFINANCE MODEL	36
6.2 MFIS SPECIALIZING IN SHELTER	36
6.3 FUTURE EXPANSION OF HOUSING MICROFINANCE	38
6.4 OTHER FINANCE ALTERNATIVES	38
6.5 THE EVOLVING ROLE OF MIGRANT REMITTANCES IN HOUSING IMPROVEMENTS AND CONSTRUCTION	38
<b>7 THE PROVISION OF LAND TO THE POOR</b>	<b>43</b>
7.1 THE IMPORTANCE OF LAND TO HOUSING	44



7.2	CURRENT ROLES OF GOVERNMENTS IN LAND ISSUES RELATING TO HOUSING	44
7.3	THE POTENTIAL ROLES OF GOVERNMENT VIS-À-VIS LAND PROVISION	44
7.4	MECHANISMS FOR EXPANDING ACCESS TO LAND FOR LOW-INCOME HOUSEHOLDS: COUNTRY EXAMPLES	45
7.5	IMPROVING SECURITY OF TENURE	47
7.6	PROGRAMS AND POLICIES TO IMPROVE TENURE SECURITY	48
<b>8</b>	<b>THE ROLE OF SUBSIDIES IN HOUSING PROVISION</b>	<b>53</b>
8.1	COUNTRY EXAMPLES OF HOUSING SUBSIDY PROGRAMS	54
8.2	LOCALLY-BASED MODELS FOR HOUSING CREATION: THE ROLE OF NGOS	58
<b>9</b>	<b>SETTLEMENT UPGRADING</b>	<b>63</b>
9.1	BACKGROUND ON SLUMS IN THE REGION	64
9.2	RECOGNITION OF THE NEED FOR SETTLEMENT UPGRADING	66
9.3	INTEGRATED UPGRADING APPROACHES	66
9.4	PARTICIPATION AS A KEY ELEMENT	67
9.5	SOCIALLY-ORIENTED UPGRADING INITIATIVES	69
9.6	THE SYNERGY OF SETTLEMENT UPGRADING WITH ENVIRONMENTAL IMPROVEMENTS	69
9.7	INTEGRATING SETTLEMENTS INTO THE URBAN FABRIC	70
9.8	CONTRIBUTIONS OF RESIDENTS	70
9.9	ONGOING CHALLENGES	71
<b>10</b>	<b>CONCLUSIONS, NOTABLE TRENDS, AND RECOMMENDATIONS</b>	<b>73</b>
10.1	RECOGNIZING AND UNDERSTANDING INFORMAL HOUSING AND LAND MECHANISMS	74
10.2	SCALING SETTLEMENT UPGRADING BUT REMAINING GUIDED BY THE NEEDS OF RESIDENTS	74
10.3	IMPROVING ACCESS TO AFFORDABLE LAND	75
10.4	MAXIMIZING THE USE OF SUBSIDIES TO “MICRO-TARGET” RESPONSES TO HOUSING CHALLENGES	75
10.5	EXPANDING THE REACH OF HOUSING FINANCE MECHANISMS	75
10.6	NEW APPROACHES TO DEALING WITH THE DEMANDS OF URBANIZATION	76
<b>11</b>	<b>REFERENCES</b>	<b>79</b>





# EXECUTIVE SUMMARY

This study examines trends in affordable housing and land provision in Latin America and the Caribbean (LAC). It further represents some of the approaches taken by governments, NGOs, and communities to meet the challenges of providing housing for low-income segments of society. The Latin American and Caribbean region is a key setting for the consideration of housing and land issues, owing in part to the contrasts and disparities that characterize this region of over half a billion inhabitants. Latin America presents a particularly acute case study in the struggle with issues of urbanization: in 2000, 75.5 per cent of the Latin American and Caribbean region lived in cities; in 2030 this proportion is projected to grow to 84.6 per cent.<sup>1</sup>

The numerous ways that the governments, institutions, and populations of the region have dealt – or not dealt – with issues of housing and land in a context of increasing urbanization can offer lessons about how to approach this crucial issue in the 21st century.

The United Nations Human Settlements Programme (UN-HABITAT) and other multilateral organizations have focused on the necessity to redouble efforts at local, national, and international levels to provide decent and affordable shelter for all. Recognition has grown that the pursuit of comprehensive housing goals demands comprehensive responses that go beyond the concerns and devices of any one particular sector. This applies equally to three of the main shelter trends of this era: addressing inferior living conditions and poor housing quality across the region, eliminating housing categorized as slums and preventing its future appearance, and encouraging the development of market-based approaches to the creation of affordable, quality shelter opportunities. These trends will only result in providing housing for all citizens if they address issues of affordability and accessibility for low-income households.

This study focuses on programs, policies, and strategies that have developed in response to these challenges; endeavouring to make

housing and land more accessible, affordable, and adequate for households with limited resources. Since the variety of innovations in the housing and land sectors greatly eclipses the scope of this report, it selectively highlights programs and policies that are representative of larger movements and promising in their numerical results and scale. These movements are representative of the multiple actors involved in housing responses – NGOs, residents, community organizations, financial institutions and governments – and emblematic of the wide range of housing responses that can be found in the region. The majority of the material has been gathered through secondary sources, including government documents, policy papers, academic analyses, and program evaluations, augmented in a few instances by the author's interviews with practitioners.

Improvements can be seen in a number of areas, but crucial issues remain on the road to providing quality housing for all Latin American and Caribbean households. These include high land prices, general affordability concerns for households, evolving but nevertheless pervasive informal land acquisition strategies, and still alarming numbers of households who live in substandard conditions or simply cannot access a home of their own.

Latin America has been the source of a multiplicity of responses to housing and land issues over the last several decades. When we look at recent innovations, we see that the region has continued to utilize tactics from the past, in some cases resulting in success and in others repeated mistakes. It has also exhibited a willingness to change course and adjust approaches that were productive but imperfect, as in the recent case of Chile's reinvention of its subsidy system. Actors like Mexico and Brazil, among others, have taken on challenges that bridge sectors and acknowledge the primacy of addressing the needs of lower-income groups. Brazil has embraced tactics – such as direct funding of community groups – that were born out of popular movements and could have impressive results in



localizing and fine tuning government responses to housing challenges. Participatory tactics in other realms, such as settlement upgrading, show us how resident participation can be paramount in gearing programs to the needs of users and ensuring the ongoing sustainability of projects after outside organizations depart. Housing programs that distribute subsidies using localized strategies similarly open up a space for strengthening the important role of community groups, NGOs, and local governments in housing provision.

The importance of improving access to affordable and secure land has come into focus for many governments and institutions across the region, with increasing recognition that residential land use – one of the most costly inputs to housing – plays a major role in shaping LAC cities. Historically, government inaction vis-à-vis the question of land has resulted in low-income households gaining access to affordable land by any means necessary and feasible. Informal land submarkets have played a major role in meeting a widespread demand for access to affordable land, but sometimes at a high cost to households and society.

Government should not be at the steering wheel to secure or apportion land, but should hold the road map to expand affordable land purchase options and to encourage the use of land for affordable housing. Successful strategies to improve the land sector – and access to affordable and secure land – have included title regularization, municipal land banking, land value recapture and the improvement of the quality and accessibility of cadastral information.

Housing microfinance is increasingly finding a role in the toolbox of incremental housing builders, largely because it fits their improvement strategies and matches their financial abilities. Housing microfinance institutions (MFIs) may become bigger players in the housing sector, if the demand for housing microfinance is as great as estimated; and if MFIs step up their efforts to broaden the reach of this housing finance tool.

Housing finance, for its part, has shown promise for moving down market, but further movement will hinge on the affordability of loans, the development of institutional practices and products that attract lower-income borrowers, and the availability of capital to continue growing the sector.

All of these approaches show most success when they fit the needs of particular housing users in certain locations; a strategy that is successful and appropriate in one locale could fail and be completely inappropriate in another. For this reason, this study concludes that a continuum of housing responses must be utilized in the LAC housing sector to be able to address the enormous variety of housing challenges found throughout the region. Information is crucial to maintaining the relevance of the responses of the housing sector: accurate, up-to-date, and nuanced housing deficit measurements and understanding the workings of informal housing and land mechanisms, for example, inform the understanding of where resources need to be dedicated and how strategies need to be modified or reinvented. As the world moves into the first urban millennium, the housing strategies that emerge from Latin America and the Caribbean are likely to remain in the global spotlight as innovative approaches for improving the affordability and adequacy of housing for low-income households.

---

1. UN-HABITAT, 2005a

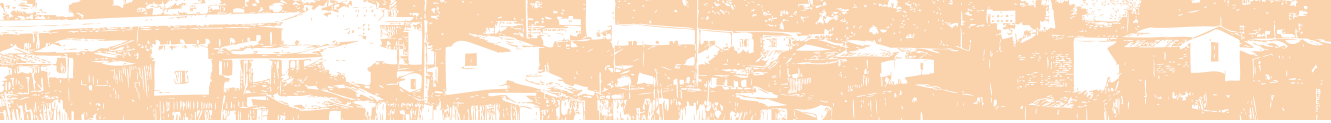




## KEY MESSAGES

<p><b>Latin America and the Caribbean (LAC) is the most urbanised developing region in the world. This urbanisation has placed immense pressure on the provision and cost of urban land and housing</b></p>	<p>Latin America and the Caribbean is a highly urban region with 75.5 per cent of Latin Americans currently living in cities. By 2030 this proportion is projected to grow to 84.6 per cent, a similar level as Western Europe and North America. These trends have created enormous housing demand in Latin American cities that formal housing supply has simply not been able to meet. Having largely completed its transition from a rural to an urban region, LAC demonstrates the various ways governments, institutions, and populations have dealt – or not dealt – with issues of housing and land in a context of sustained urbanisation; This experience offers important lessons for Asia and Africa as these regions are currently undergoing similar urban growth patterns.</p>
<p><b>Housing affordability is a critical issue in LAC countries due to growing inequalities, a lack of flexible finance and the high cost of key inputs to housing</b></p>	<p>The affordability of housing for households is a pervasive and increasing problem throughout Latin America. It is not that household incomes are universally too low, but rather that housing is too expensive due to the high cost of key inputs. For example, in <b>Panama</b>, 34 per cent of households in urban areas earn less than USD 300 per month, not enough to qualify for formal housing financing to purchase a basic finished unit. Likewise, the monthly mortgage repayment for the most basic housing unit (40 square meters on a 100 square meter plot) represents 104 per cent of the average monthly income in <b>Bolivia</b>, and 164 per cent in <b>Suriname</b>. The high price of housing relative to income represents a major bottleneck to the acquisition of housing built by the formal sector. As a result, households are priced out of this sector and seek housing through informal channels.</p>
<p><b>The region has been the source of a multiplicity of responses to housing and land issues over the last several decades</b></p>	<p>In many ways Latin America was the birthplace of ideas regarding the validity of ‘self-help’ housing approaches common to the urban poor. The <i>barriadas</i> of Peru and the <i>favelas</i> of Brazil highlighted the positive benefits and opportunities of land and housing provision directed by the poor themselves to addressing the housing challenge at scale. These experiences and lessons were detailed in several studies, most notably those of John F C Turner, and greatly shaped housing policy and discourse from the 1960s onwards. Prior to the self-help movement, large-scale, multi-story government-directed housing was undertaken in many LAC countries, for example <b>Venezuela, Argentina, Mexico</b> and <b>Chile</b>, yet this approach was often poorly targeted, expensive, and inefficient. Other more recent responses have focused on such approaches as housing subsidies, (<b>Chile</b>), direct funding of community groups (<b>Brazil</b>), and citywide informal settlement upgrading which is presently practiced to varying degrees in all countries in the region.</p>





The majority of households in LAC address their housing needs outside the formal sector and without reliance on mechanisms of the government

The production and consumption of housing and land has principally taken place outside formal markets and without government involvement. Informal housing development is typically incremental, with the occupants acting as the housing developer where they harnesses their labour and financial resources to build their housing. In **Brazil**, for example, informal submarkets and household self-help initiatives have been estimated to account for approximately three-quarters of all housing production between 1964 and 1986. Similarly, in **Mexico**, from 1980 to 2003 more than half constructed housing units were built by households themselves and less than 20 per cent of these were built with formal financing; These homes provided shelter to more than two-thirds of the population.

Un-serviced slums remain as the critical challenge in the vast majority of cities in LAC, yet governments, NGOs, and CBOs in the region are the most active in large-scale slum upgrading and improvement programmes which are benefiting millions of households annually

In 2005 the slum population in the region was estimated at 134 million inhabitants, representing nearly one-third of the regional population. While acknowledging the negative impacts of slums – poor living conditions, insecure tenure, and environmental and societal externalities, *inter alia* – they are, in fact, a housing modality that provides shelter to millions throughout the LAC region and offers entry into the housing sector for many households that otherwise would not have the opportunity. Citywide slum upgrading efforts have been a strong element of habitat improvement strategies over the last decade in most LAC countries. Recent efforts run parallel to a widespread recognition of the political, social, and economic costs of failed policies that uprooted slums and relocated or eventually displaced residents in the past. Participation of a wide range of stakeholders, including slum dwellers themselves, has been mainstreamed as a key element in upgrading programmes and this has improved project design, implementation, and maintenance as well as augmented a sense of citizenship and empowerment for previously marginalised slum dwellers.

LAC exhibits some of the highest rates of homeownership in the world, with estimates suggesting 73 per cent of households own their own home

While there is a range of tenure modalities in LAC – for example renting, sharing, owning, and loaning – the most common is individual homeownership. Homeownership trends in LAC contrast conventional wisdom that posits homeownership is only for the wealthy; in some LAC countries the poor report higher levels of home ownership than even the wealthiest quintile, for example in **Bolivia**. High homeownership rates in LAC are attributed to the growth of housing finance, particularly for middle- and upper-income households; a lack of promotion and support of other tenure types; and the infrastructure and transport investment that has spread cities and supported housing construction, which has been facilitated by governments' laissez-faire approach to the massive spread of self-built informal development on the periphery of cities which has allowed millions to become de facto home owners.



**Formal housing finance mechanisms in LAC are relatively limited and principally serve upper-income households. This severely restricts opportunities for lower-income households to acquire housing**

Formal housing finance in LAC is relatively limited, especially for those in the lower-income strata. Rather, self-help, household savings, community savings tools, sudden windfalls, remittances from abroad, mutual assistance, revolving funds and housing micro-loans have been the principal means by which Latin Americans access a home of their own. Unsurprisingly, then, Latin America constitutes only 1.5 per cent of the global mortgage market. Residential debt as a proportion of GDP is low: for **Brazil** and **Peru** the percentage is only 2 per cent. The highest in the region is **Chile** with 12 per cent, which is still remarkably lower than in the USA and the UK which stand at over 70 per cent.

**Access to affordable and secure land for housing development remains a critical issue in all LAC countries**

Access to well-located, affordable, and regularised and secure land for residential development has been a continual challenge in LAC countries. Land costs constitute a large part of the housing start-up costs of households, and have a big impact on the affordability of housing. Informal land sub-markets have played a major role in meeting widespread demand, but sometimes at a high cost to households and society. Governments should not be at the steering wheel to secure or distribute land, but should hold the road map to expand affordable land purchase options and to encourage the use of land for affordable housing. Successful strategies to improve the land sector have included title regularisation, municipal land banking, land value capture and the improvement of the quality and accessibility of cadastral information.



# ACRONYMS

<b>CELADE</b>	Latin American Centre for Demography
<b>CGAP</b>	Consultative Group to Assist the Poor
<b>COFOPRI</b>	Commission for the Formalization of Informal Property (Peru)
<b>ECLAC</b>	Economic Commission on Latin America and the Caribbean
<b>FUPROVI</b>	The Foundation for Housing Promotion (Costa Rica)
<b>GDP</b>	Gross Domestic Product
<b>HMF</b>	Housing Microfinance
<b>IDB</b>	Inter American Development Bank
<b>IFC</b>	International Finance Corporation
<b>INEC</b>	Nicaraguan Institute of Statistics and Censuses
<b>LAC</b>	Latin America and the Caribbean
<b>MFI</b>	Microfinance Institution
<b>MINVU</b>	Ministry of Housing and Urbanism (Chile)
<b>MINURVI</b>	Organization of High Ministers of Housing and Urbanization in Latin America and the Caribbean
<b>NGO</b>	Non-governmental Organization
<b>PRODEL</b>	Foundation for the Promotion of Local Development
<b>SIDA</b>	Swedish International Development Agency
<b>UN-HABITAT</b>	United Nations Human Settlements Programme
<b>USAID</b>	United States Agency for International Development

## LIST OF FIGURES

Figure 1:	Cuba like much of Latin America has undergone acute urbanization and created complex scenarios in which to respond to housing. Santa Clara, Cuba	1
Figure 2:	Barrios of Caracas, Venezuela	2
Figure 3:	A barriada in Lima, Peru	4
Figure 4:	The informality of the centrally-located informal settlement, Villa 31, sits in stark contrast to the formal city in Buenos Aires, Argentina	7
Figure 5:	Informal expansion on the steep hills surrounding Tegucigalpa, the capital of Honduras	9
Figure 6:	Slum upgrading in Medellin, Colombia	15
Figure 7:	Income distribution of housing deficiencies	18
Figure 8:	Like many other Latin American cities, adequate housing is particularly unaffordable for many households in Panama City, Panama, due a lack of available housing finance	23
Figure 9:	A lack of flexible and available housing finance forces many households to develop their housing with personal savings over many decades. Buenos Aires, Argentina	27
Figure 10:	Residential debt as a % of GDP	28
Figure 11:	Neighbourhoods like this working class neighbourhood in northern Mexico have grown largely as a result of INFONAVIT, which constitutes over half of the mortgage market in Mexico	29
Figure 12:	Housing is the largest investment made by most families around the world, and households in Latin America are no exception, as seen in Rio de Janeiro	35
Figure 13:	Housing microfinance can serve as a tool to accelerate the incremental housing process or build new, as in the case of this property in the state of Tampaulipas, Mexico	37
Figure 14:	Comparison of unrenovated and renovated houses of a similar type on the same street in a small town in El Salvador. The house at the bottom was improved with funds from abroad. Migrant remittances play a strong role in housing improvements and construction in many locales in El Salvador, and financial institutions have increasingly developed finance products geared toward the housing needs and capacities of Salvadorans abroad and their families back at home	40
Figure 15:	A barriada in Lima, Peru	43
Figure 16:	Land development enterprises have grown to fill a demand for low-cost land in El Salvador, as in the case of this land-parceling enterprise on the outskirts of the city of Metapán	46
Figure 17:	Governments across the region are making efforts to upgrade cadastre systems and bring cadastre information to a level that more accurately describes the reality on the ground. Santa Teresa, Brazil	49
Figure 18:	In part due to low population and urbanisation growth, and the role of housing cooperatives, Uruguay's housing deficit is small compared to its Latin American neighbours. Colonia del Sacramento, Uruguay	51



Figure 19:	High density social housing, Medellin, Colombia	53
Figure 20:	NGO and community organisation involvement is crucial to incorporate participatory tactics that enable users to cater projects for their specific needs and contexts, such as this participatory design exercise in Brazil	60
Figure 21:	Adobe housing is used throught Lartin America, Guatemala	61
Figure 22:	The combination of individual and collective improvements means that even the poor families who may not be able to qualify for a housing loan still participate in and benefit from community-wide infrastructure improvements. Medellin, Colombia	63
Figure 23:	Proportion of slum households in LAC by number of shelter deprivations	64
Figure 24:	Favela da Mangueira in Rio de Janeiro, before and after the Favela Bairro Programme	65
Figure 25:	The Urban Development Enterprise (EDU) of Medellín, Colombia assisted households to resettle and consolidate their settlement along the polluted Juan de Bobo stream, combining goals of environmental improvement, land regularization, and community participation	66
Figure 26:	The provision of new affordable housing and the improvement of existing deficient housing is an issue that requires attention throughout Latin America. Barrio San Jorge, Argentina	73
Figure 27:	Time and resources thus need to be invested in the investigation of other tenure types and how to utilize current stock to maximize housing opportunities for low-income Latin Americans. Lima, Peru	76
Figure 28:	Fragile timber housing extending of the water at Novos Alagados, Todos os Santos Bay, Salvador	79



## LIST OF TABLES

Table 1.	Rates of homeownership in selected Latin American countries	10
Table 2.	Comparison of reported homeownership amongst lowest and highest income quintiles in selected countries	11
Table 3.	Percentage of poor households in select cities with registered title	12
Table 4.	House price-to income ratio in selected Peruvian cities	24
Table 5.	Subsidy program coverage across countries	55

## LIST OF BOXES

Box 1.	Housing deficits: a reflection of the blockages to housing production	16
Box 2.	Chile: a new approach to defining housing deficits	19
Box 3.	INFONAVIT – worker contributions labouring to extend the reach of housing finance	30
Box 4.	Programa Vivienda en Lote Familiar	31
Box 5.	Explaining the limited role of housing finance for low-income households: a brief review	32
Box 6.	Mutualista Pichincha in Ecuador: an example of the transnational housing loan model	39
Box 7.	History snapshot: Lima, Peru	45
Box 8.	Roadblocks to regularization	47
Box 9.	The Foundation for the Promotion of Low- Cost Housing: Costa Rica	56
Box 10.	Uruguayan Cooperative Housing Movement	57
Box 11.	Indispensable conditions for converting upgrading initiatives into a sustainable citywide strategy	68





Photo © UN-HABITAT/Matthew French



*This study selectively highlights programs and policies that are representative of larger movements.*





**Figure 1: Cuba like much of Latin America has undergone acute urbanization and created complex scenarios in which to respond to housing. Santa Clara, Cuba**  
Photo © UN-HABITAT/Claudio Acioly

# 1

*PART ONE*

**INTRODUCTION**



# 1. INTRODUCTION

The Latin American and Caribbean region is a unique landscape for the consideration of housing and land issues, owing in part to the contrasts and disparities that characterize this region of over half a billion inhabitants.<sup>1</sup> It is a region exhibiting rapid levels of industrialization, but where the great majority of the population works in the informal sector. It is a place where wealth is concentrated and gross domestic products (GDPs) are rising, but large segments of the populations live in relative or extreme poverty.

It is a geography where political and cultural history is strongly rooted in its rural heartlands, but exhibits the highest rates of urbanization in the developing world. Whereas urban areas in Latin America were once conceived as refuges from extreme poverty and shelter deprivation relative to rural areas, greater numbers of the poor now live in cities than rural areas, and urban areas in the Caribbean have higher proportions of poverty than rural areas.<sup>2</sup>

These contrasts give the experiences of Latin America a complexity that can help to inform responses to housing issues in other parts of the developing world that may be experiencing similar trends and contrasts. Latin America presents a


particularly acute case study in the struggle with issues of urbanization: in 2000 75.5 per cent of the Latin American and Caribbean region lived in cities; in 2030 this proportion is projected to grow to 84.6 per cent.<sup>3</sup> The numerous ways that the governments and populations of the region have dealt - or not dealt - with issues of housing and land in a context of increasing urbanization can offer lessons about how to approach this crucial issue of the 21st century.

UN-HABITAT and other multilateral organizations have focused on the necessity to redouble efforts at local, national, and international levels to provide decent and affordable shelter for all. Recognition has grown that the pursuit of comprehensive housing goals demands comprehensive responses that go beyond the concerns and devices of any one particular sector. This applies equally to three of the main shelter trends of this era: addressing inferior living conditions and poor housing quality across the region, eliminating housing categorized as slums and preventing its future appearance, and encouraging the development of market-based approaches to the creation of affordable, quality shelter opportunities. These trends will only result in providing housing for all citizens if they emphasize housing approaches that address issues of affordability and accessibility for low-income households.



Figure 2: Barrios of Caracas, Venezuela. Photo © UN-HABITAT/Claudio Acioly





This report will focus on programs, policies, and strategies that have developed to make housing and land more accessible, affordable, and adequate for households with limited resources. It will serve as a forum to identify some of the most salient housing and land issues in Latin America and the Caribbean and to discuss approaches that have shown success in responding to affordable housing challenges in the region. The majority of the material has been gathered through secondary sources, including government documents, policy papers, academic analyses, and program evaluations, augmented by in a few instances interviews by the author's interviews with practitioners.

The current story of housing and land for lower-income segments of the population will largely be told through a recounting of examples from a range of countries. This study does not claim to cover the majority of the approaches that have emerged to address housing and land issues in the region. The variety of innovations in the housing and land sectors greatly eclipses the scope of this study. Rather, this study selectively highlights programs and policies that are representative of larger movements, promising in their numerical results and scale, representative of the multiple actors involved in housing responses - NGOs, residents, community organizations, financial institutions and governments – and emblematic of the wide range of housing responses that can be found in the region.

The scope of the paper includes examples of affordable housing innovations from the public, private and NGO sectors, as well as instances where these sectors have collaborated to produce housing solutions. Examples will include efforts of both local and international organizations and agencies. The objective is to exhibit some breadth of experience of the region, while acknowledging much remains to be written, to capture the variety of housing approaches found in Latin America and the Caribbean.

## 1.1 STRUCTURE AND CONTENT OF THE STUDY

The first section of the paper will provide a brief snapshot of policy trends since the middle of the 20th century. It then sets the stage for a discussion of policy responses by profiling the

THE MAJORITY OF HOUSEHOLDS IN MOST LATIN AMERICAN COUNTRIES ADDRESSED THEIR HOUSING NEEDS OUTSIDE OF FORMAL MARKETS AND WITHOUT RELIANCE ON MECHANISMS OF THE STATE.

state of housing in Latin America as expressed in current land tenure choices, measurements of housing deficits, and housing price to income ratios. These sections use such housing measures to sketch a picture of the current health of the housing sector in the region and in specific countries, and use particular examples to illustrate some of the shortcomings of current measurements in gauging the state of the housing sector. Thereafter it presents a brief discussion of the current state and evolution of the housing finance system in the selected countries and what socioeconomic segments of the population are able to access formal housing finance.

Subsequently the study addresses a relatively recent and growing trend in the region, shelter microfinance. The latter half of the study focuses on the program and policy approaches that have been developed to improve access to housing and land for low-income households in the region. The question of access to land – one of the major inputs to housing and a huge determinant of how the housing sector functions – will be treated from the perspective of both policy and practice. Also presented will be examples of how subsidies have been used to address the creation of new housing and promote the improvement of the existing housing stock. The report then enters a discussion of current measures to upgrade informal settlements, a phenomenon that has reached a significant scale and magnitude in practically all countries in the region. The paper will end by analyzing the current trends

in affordable housing based on the examples presented. This will inform a final discussion of the directions that affordable housing could take in the selected countries and the lessons that these examples provide for affordable housing provision in other developing countries.

## 1.2 A BRIEF HISTORICAL SNAP SHOT OF POLICY TRENDS SINCE THE 1950'S

From the 1950's through the following two decades, the construction of public rental or for-sale housing was one of the dominant modes of provision of so-called social housing, resulting in over 100,000 dwellings over two decades.<sup>4</sup> Apartment block-style dwellings were influenced by principles of Le Corbusier, of the separation of uses, social housing built to a high-density in comparison with low-rise settlements that provided shelter to most low-income households at the time.

Despite lofty ambitions, units were not always affordable to the poor, however, resulting in solutions that did not reach their target, and the subsidies spent in building and maintaining such programs taxed national budgets and threatened the sustainability of the multifamily public housing approach.<sup>5</sup> Furthermore, high rise dwellings were largely out of synch with the typical housing strategy employed by low-income households: gradual, progressive building of low-rise homes. Informal,

progressively built settlements were largely seen in a negative light and often fell victim to clearance or relocation, sometimes to make way for high-rise complexes.<sup>6</sup>


Public housing complexes like their cousins in the United States and parts of Europe - largely became a burden on the state. When they were successful, budget limitations restricted the amount of public housing to be built and failed to meet the demand for housing among low-income households.<sup>7</sup> In Brazil, for example, the main popular housing entity constructed less than 20,000 units between 1946 and 1964.<sup>8</sup>

Starting in the sixties, the visibility and legitimacy of incremental solutions to housing issues increased with seminal writings like JFC Turner's *Freedom to Build*, which profiled the manner in which households strive to resolve their own housing needs using "self-help" approaches without reliance on formal institutions.<sup>9</sup> As incremental housing strategies came to be seen as an effective tool for creating housing, governments in the seventies and eighties formulated policies and programs to enhance these efforts, regularizing and improving informal settlements, installing services, and providing serviced land to low-income households, at times providing core housing units.<sup>10</sup>

Pioneered in Peru in the 1960's, sites and services schemes represented an acknowledgement of the importance of incremental approaches and served as



Figure 3: A barriada in Lima, Peru Photo © UN-HABITAT/Claudio Acioly



formal channels to addressing low-income housing needs.<sup>11</sup> Sites and services schemes were faulted, however, for a lack of affordability and poor cost-recovery, as vehicles for patronage, and for poor targeting in some cases.<sup>12</sup> The National Housing Bank in Brazil, for example, made nearly five million loans from 1964 to 1986, but only 20 per cent of these were directed toward households below 5 minimum salaries. Furthermore, these schemes were often inconveniently located on urban peripheries and their boilerplate designs did not always match the needs of the poor. They also found competition in grassroots movements that enabled urban dwellers to access land by occupation and invasion and then collectively demand basic services.<sup>13</sup>

The 1980's into the 1990's witnessed governments stepping back significantly from their previous role as direct providers of housing to low-income households. The rise of the “enabling approach” sparked this movement, shifting the role of government to that of facilitator. Rather than providing housing, land or services directly, it focused on the responsibility of government to create the legal, political and regulatory conditions that would, it posited, enable households to address their housing needs through the market.

In line with other movements toward privatization of governmental functions, the enabling approach relied heavily on the private sector as provider of housing options for the populace. As they moved away from direct provision, governments in Latin America in particular experimented with granting subsidies to low-income households to enable them to access privately-produced housing.<sup>14</sup>

The most well-known and praised example of this occurred in **Chile**, and its policy descendants continue to be utilized in subsidy programs across Latin America, including in **Costa Rica** and **Colombia**.<sup>15</sup> In a different approach, **Mexico** and other countries subsidized interest rates on mortgages issued from government-run pension funds to allow households employed in the formal sector to purchase privately constructed housing. While the enabling approach may have improved efficiency and access in some instances, it did not achieve equity of opportunities, with formal market mechanisms remaining out of the reach of most low-income households.<sup>16</sup>

Approaches during the nineties and the first part of the 21st century have incorporated some of these strategies, like certain aspects of the “enabling approach”; while largely discarded others, such as the direct provision of housing by government. Current approaches will be discussed in the body of this report, but it is important to briefly acknowledge some of the changes in the way that housing and land issues are verbalized by housing policy makers and practitioners as the field moves forward into the 21st century.

In large, the language to describe shelter interventions has shifted to an increased emphasis “on the right of the poor to the city, rather than on the more restricted right to housing,” according to a recent meeting of Latin American ministries of housing.<sup>17</sup> Examples of this include **Brazil**, where the Statute of Cities affirms the social function of urban land and enables municipalities to play a role in ensuring that urban land resources are used to meet social needs.<sup>18</sup>

This expanded emphasis on the right of the populace to a fuller enjoyment of the social benefits of the city augments the Brazilian constitution's recognition of the right of citizens to adequate housing. Brazil's Ministry of Cities gives institutional form to integrated visions of urban redevelopment and the right to the city, moving away from a sectoral approach to addressing the needs of the city. Established in 2001, the Ministry brings together housing, environmental concerns, transportation and land use under a single roof to approach urban redevelopment in an integrated manner.<sup>19</sup>

In **Argentina**, the national housing policy promotes an integrated notion of living environment above an isolated concept of housing as habitat.<sup>20</sup> Influenced by the input of a network of grassroots housing organizations, **Ecuador** recently incorporated explicit language underlining citizens' right to adequate housing and right to secure and healthy habitat “without regard to their social and economic situation into its new constitution. Articles 30 and 31 of the constitution go further to assert that:

*People have a right to the full enjoyment of the city and its public spaces, under principles of sustainability, social justice, respect for different*

*urban cultures and balance between the urban and the rural. The exercise of the right to the city is based in its democratic management, in the social and environmental function of property and of the city, and in the full exercise of citizenship.*<sup>21</sup>

A recent analysis pointed out that the inclusion of the right to housing and the city in the constitution provides grounds for demanding these rights in their absence.<sup>22</sup> **Mexico's** 2006 housing law also emphasizes the importance of addressing both the habitat and housing needs of low-income households, and recognizes the significance of households' own efforts in producing housing solutions incrementally under the rubric of "social production of habitat."<sup>23</sup> This shift in language comes in a country that has one of the oldest constitutional recognitions of the right to housing in Latin America, codified in its constitution of 1917.

Throughout these decades, as government programs evolved and policy dialogues took on new directions, the reality on the ground remained, in many ways, consistent: the majority of households in most Latin American countries

addressed their housing needs outside of formal markets and without reliance on mechanisms of the state. The amount of housing produced by informal mechanisms is difficult to gauge given that most measures of housing production are geared toward formal sector housing.

The data that are available, both historically and in the present, indicate that informal housing production has played a strong if not dominant role in addressing the needs of lower-income households. In **Brazil**, for example, informal submarkets and household self-help initiatives have been estimated to account for approximately three-quarters of the housing construction from 1964 to 1986.<sup>24</sup> In **Mexico**, between 1980 and 2003 more than half of constructed housing units were built by households themselves, and less than 20 per cent of these were built with formal financing. These homes provided shelter to more than two-thirds of the country's population. In 2004 the number of new houses classified under social production of housing had grown smaller, but still represented more than a third of new dwellings.<sup>25</sup>

## PART ONE ENDNOTES

1. ECLAC, 2007; Ortiz and Zárate, 2006; INFONAVIT, 2009; CONAVI, 2009
2. UN-Habitat, 2006
3. UN-Habitat, 2005a
4. CGAP, n.d.
5. Fay, 2005
6. CGAP, n.d.
7. Gilbert, 2004
8. Morais, 2007
9. Turner, 1976; Turner and Fichter, 1972
10. Fay, 2005; CGAP, n.d.
11. Riofrio, 1996
12. CGAP, n.d.
13. ECLAC, 2000
14. Gilbert, 2004
15. Gonzales Arrieta, 1998
16. CGAP, n.d.
17. UN-Habitat, 2000
18. Fernandes, 2001
19. Magalhães and Cid Blanco, 2007
20. Fidel, n.d.
21. Ecuador, 2008
22. COHRE, 2008
23. CIDOC and SHF, 2006
24. Morais, 2007
25. CIDOC and SHF, 2006





Figure 4: The informality of the centrally-located informal settlement, Villa 31, sits in stark contrast to the formal city in Buenos Aires, Argentina. Photo © UN-HABITAT/ Matthew French

*This study selectively highlights programs and policies that are representative of larger movements.*







Figure 5: Informal expansion on the steep hills surrounding Tegucigalpa, the capital of Honduras.  
Photo © UN-HABITAT/ Matthew French

# 2

*PART TWO*

## LAND TENURE CHOICES

## 2. LAND TENURE CHOICES

Whereas homeownership and rental are seen as the two main tenure choices in the developed world, in Latin America a number of shelter choices make up what is best described as a continuum of tenure types.<sup>1</sup> This continuum includes but is not limited to shelter that is rented, shared, loaned, and owned by the occupants. Ownership itself is sometimes more nominal than it is legally enforceable, as the security of tenure runs a range from legally codified to highly precarious, with great variation according to context.

### 2.1 HOMEOWNERSHIP TRENDS

Latin America exhibits some of the highest recorded rates of home ownership in the world; with estimates that 73 per cent of households own their home.<sup>2</sup> This exceeds the rate of 67 per cent homeownership the United States, a country with a well-developed real estate market and a housing mortgage finance system with broad reach.<sup>3</sup>

In many developed countries, it is taken as conventional wisdom that higher-income families are more likely to own their homes, and lower-income families are more likely to rent their accommodations. This contrasts with Latin America, where in most cases the poor are as likely as households with greater resources to occupy the category of homeowners. In several Latin American countries the poor report home ownership at higher rates than even the wealthiest income quintile (see Figure 1). In Bolivia, for example, the lowest-income households report homeownership at a much higher rate than the highest income quintile.<sup>4</sup>

There are a number of reasons that homeownership is the predominant tenure type

throughout Latin America. From a structural perspective, the growth of housing finance in the region has increased opportunities for home purchase, particularly for middle- and upper-income groups.<sup>5</sup> The extension of infrastructure and transport networks to outlying urban areas has also been cited as a factor enabling the low-rise expansion of Latin American cities.<sup>6</sup> From a policy point of view, few governments in the region have promoted, facilitated, or funded the proliferation of other tenure types, in particular rental housing.<sup>7</sup> Governments have contributed to the rise in homeownership by directly constructing owner-occupied housing, backing policies or practices to incentivize home construction, and, in some cases, taking a laissez-faire or conciliatory approach to the massive spread of informal housing at the edges of cities.

Perhaps most poignantly, the growth in homeownership has come from a groundswell of informal housing construction by low-income households across the region. Low-income households throughout Latin America have pursued informal strategies of constructing their own homes, changing the face of communities across Latin America. In the absence of formal mechanisms serving their housing needs, low-income households have been abetted by informal markets that have largely filled the void.

### 2.2 OWNING A HOME: IN NAME OR IN LAW?

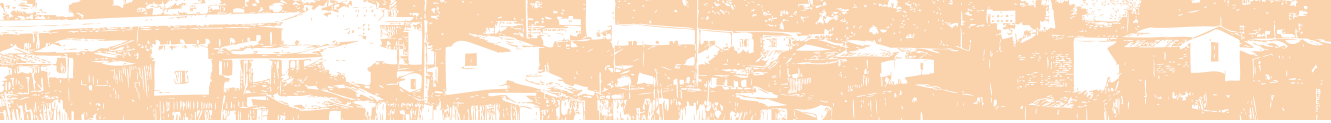
In contrast with many developed countries – where homeownership typically means possession of verifiable legal rights to the property – in Latin America the category of homeownership itself is not monolithic. The definition of homeownership is complicated by a wide range of types of tenure control, including a high degree of informality of tenure across the region.<sup>8</sup>

Table 1. Rates of homeownership in selected Latin American countries

<b>Bolivia</b>	67%	2001
<b>Chile</b>	63%	2002
<b>Costa Rica</b>	65%	2000
<b>Mexico</b>	84%	1999
<b>Panama</b>	79%	2000
<b>Venezuela</b>	78%	2001

Source: (UN-Habitat, 2005a)





High rates of informal land tenure are explained in part by the strategies that many households – and especially lower-income households – pursue to gain access to land, including land invasions, informal land subdivisions, informal transfers, and provisional occupation of land owned by other parties. These strategies are united by the fact that they do not offer easy means to gaining verifiable legal ownership of property – a dynamic that will be discussed in the following section.

Data available on ownership status of land and housing often comes from national censuses that rely on data reported by the households themselves.<sup>9</sup> This casts doubt on whether households categorized as owners actually have legal title to the property or the category of “homeownership” actually translates into one of a range of provisional types of ownership that fall short of full registered title. In some communities, such as in favelas in **Brazil**, definition of ownership is largely conditioned by perceptions of security and control of the parcel, not by the registration of the plot per se.<sup>10</sup>

Across the economic spectrum, it has been estimated that more than a third of Latin American households described as homeowners may have tenure that falls short of full legal title.<sup>11</sup> Informal housing is estimated to constitute anywhere between 25 and 50 per cent of the urban housing stock in Latin America.<sup>12</sup> Concentrations of informality range from 10 per cent in Buenos Aires, **Argentina** to half of all dwellings in the metropolitan areas of Quito, **Ecuador** and Caracas, **Venezuela**.<sup>13</sup> Statistics

THE EXTENSION OF INFRASTRUCTURE AND TRANSPORT NETWORKS TO OUTLYING URBAN AREAS HAS ALSO BEEN CITED AS A FACTOR ENABLING THE LOW-RISE EXPANSION OF LATIN AMERICAN CITIES.

from metropolitan areas in **Mexico**, **El Salvador**, **Honduras**, and **Panama** point to the low rate of actual formal ownership amongst low-income households (Table 3).<sup>14</sup>

If owning a home is taken to mean possessing a full legal title, juxtaposing high rates of nominal homeownership with high rates of informal tenure seems to reveal a certain paradox: a large percentage of those who are categorized as homeowners may have control of their land tenure that is at best provisional and at worst precarious. This brings into question what it means to say that such a large percentage of Latin Americans and Caribbeans are homeowners. Further research is necessary to gain a better understanding of the range of tenure types that

Table 2. Comparison of reported homeownership amongst lowest and highest income quintiles

	Lowest quintile	Highest quintile
<b>Bolivia</b>	86	64
<b>Chile</b>	72	71
<b>Colombia</b>	62	61
<b>Costa Rica</b>	74	80
<b>Dominican Republic</b>	77	62
<b>Guyana</b>	68	64
<b>Paraguay</b>	86	77

Source: Author's elaboration with data from IDB, 2008

Table 3. Percentage of poor households in select cities with registered title

<b>Honduras, Metro Tegucigalpa</b>	65%
<b>Panama, Metro Panama City</b>	64%
<b>El Salvador, Metro San Salvador</b>	55%
<b>Mexico, 31 cities</b>	48%

Source: Fay, 2005, with data from World Bank, 2002 and Ruggeri Laderchi, 2005. Note: Mexico data is from 2003; Central American data from 2001

have arisen, how they impact homeownership as a phenomenon, what rightfully defines homeownership, and how mechanisms can be developed to improve security of tenure and afford protections to households across the homeownership continuum.

### 2.3 OTHER TYPES OF TENURE

Twenty-one per cent of Latin American households are estimated to rent a dwelling.<sup>15</sup> Rental rates vary widely across the region and can exhibit great differences between different locales in a given country. The types of dwellings occupied by renters also show great variety, ranging from rented homes to multifamily buildings, luxury rental apartments, tenement-style buildings, and single rooms rented out in family homes. A small proportion of households across the region – estimated at six per cent – live in less-mentioned tenure arrangements such as sharing of housing amongst relatives and “lent” homes that are occupied by a non-owner at no charge. In some locales, such tenure arrangements are more common than renting.<sup>16</sup>

Higher concentrations of rental activity can often be found in cities and more densely populated areas. ‘Megacities’ in South America like La Paz, **Bolivia**, Bogotá, **Colombia**, and Mexico City, **Mexico** all have higher rates of rental housing and lower rates of homeownership when compared to national urban averages.<sup>17</sup> These dynamics may be explained by relatively higher costs that make it more difficult for households to purchase homes or acquire affordable land for self-construction.

Certain larger cities have also shown patterns of densification in city centres that can favour the proliferation of multifamily rental housing, as in

the case of São Paulo, **Brazil** and Lima, **Peru**.<sup>18</sup> Rental markets may be stronger in locales where property rule-of-law is enforced, since this could make land invasions, occupations, and informal housing practices less tenable and thus encourage renting as an alternative.

As has already been stated, rental housing has not been emphasized as a strategy by most Latin American governments. The absence of policies or practices promoting rental housing has been cited by many scholars as a major gap in the provision of affordable housing in the region, especially as we consider that rental housing has played a major role in addressing the housing needs of the poor in other regions of the world.<sup>19</sup>

One exception to this is **Colombia**, where the Congress instituted a law to promote investment in local rental markets by revising rental procedures and regulations and providing incentives for investment in rental housing.<sup>20</sup>

The existence of affordable rental housing could expand the range of options available to low-income households, and could move the housing sector closer to the integrated approach to addressing low-income housing that has been advocated by some policymakers and academics.<sup>21</sup> Rental housing diversifies the housing supply, offers flexibility, and does not necessarily penalize transience as much as homeownership. It can also serve as a temporary stepping-stone to other tenure forms.<sup>22</sup> Conversely, although homeownership is widely believed to be the preference of poor households in Latin America, this belief is only minimally substantiated by the literature. This leads us to question whether low-income households pursue homeownership because it is their preference or because they view it as the only option available to them.



## PART TWO ENDNOTES

1. Morais, 2007
2. Fay, 2005
3. ACS, 2006
4. IDB, 2008
5. UN-Habitat, 2005a
6. Gilbert, 1996
7. Gilbert, 1996p; Morais, 2007; Fay, 2005
8. Morais, 2007
9. Morais, 2007
10. LandLines, 2007
11. Fay, 2005
12. Fay, 2005; ROLAC, 2006
13. Fay, 2005; ECLAC, 2000; Clichevsk cited in ECLAC
14. Fay, 2005
15. Fay, 2005
16. Harms, 1997
17. Gilbert, 1996
18. Harms, 1997
19. UN-Habitat, 2005a; Morais, 2007; Gilbert, 1996
20. Fay, 2005
21. Keivani and Werna, 2001; Morais, 2007; Gilbert, 1996
22. Fay, 2005

*The Latin American housing deficit is one of the sources of data most frequently cited to indicate the gravity and scope of the housing problem in Latin America.*







Figure 6: Slum upgrading in Medellín, Colombia.  
Photo © UN-HABITAT

# 3

## *PART THREE*

### **HOUSING DEFICITS: DEFINING THE NEED**

### 3. HOUSING DEFICITS: DEFINING THE NEED

The Latin American housing deficit is one of the sources of data most frequently cited to indicate the gravity and scope of the housing problem in Latin America. From country to country, the housing deficit is invoked variously as explanation, accusation, justification, and call to action for housing policy reforms and new approaches. Grasping the extent and type of housing issues as expressed in deficit measurements is essential to the task of understanding how to grapple with housing and land issues facing the region.

The definition of the term housing deficit is far from monolithic, but the term is generally understood to mean the unaddressed need for housing in a given locale. Deficits are usually segmented into categories of quantitative and qualitative. The quantitative deficit is taken to mean the number of households that lack housing, due to, for example, overcrowding or

doubling up of households. Qualitative deficits are based on the number of households whose dwellings display qualitative deficiencies, such as a dirt floor, a lack of basic sewage disposal, or a precarious location.

Regional estimates give a broad sense of the scope of the housing deficit, but their reliability is conditioned by the quality of the data that they draw from constituent countries. The last comprehensive assessment of the region was carried out by the Economic Commission on Latin America and the Caribbean (ECLAC) in 2000, utilizing data primarily from the nineties. This last regional analysis found that over 51 million households lived in deficient housing conditions, with 61 per cent represented by the qualitative deficit and 39 per cent by quantitative deficiencies.<sup>1</sup>

More recent projections give an updated sense of where the regional deficit may stand, but are only partially supported by updated census data. According to estimates by the ECLAC, the

#### ➤ Box 1: Housing deficits: a reflection of the blockages to housing production

Housing deficits are not just a number or an academic abstraction, but are a reflection of the range of forces in the market and society that complicate the provision of housing for all citizens. A dearth of rental options, recent migration to an urban area, or a lack of affordable land can mean that households resort to building provisional, sometimes qualitatively deficient dwellings that are borne of immediate necessity and turn into a permanent ad-hoc solutions. As self-built settlements develop, they infrequently have access to technical assistance, sometimes resulting in dwellings that are built poorly. In the absence of appropriate housing finance mechanisms, families build with materials that have been "saved up" over time, compromising the integrity of the house from the moment it is built. In other cases, older settlements suffer from a lack of access to capital to make improvements to houses that are not uninhabitable, but may become so with continued inattention.

The explanations for quantitative housing deficits can fill volumes. On the supply side, developers and construction firms must be able to depend on a demand in the market, be able to construct homes with a reasonable amount of time and without undue bureaucracy, and have access to financing to carry out their

projects. On the demand side, for households to purchase they must have capital, or incomes and mechanisms that allow them to access capital. Despite improvements to the economies of Latin American countries over the last decade, poverty is still a primary factor limiting the acquisition power of households. This underlines the importance of housing finance affordable to low-income households and the availability of other devices such as microfinance. In practice, however, appropriate housing finance mechanisms are infrequently available with the appropriate conditions or terms to enable lower-income households to purchase a built home. The unavailability of credit for large segments of the population means an inability to purchase housing built in the formal sector, or access to credit to build on one's own. Rising land costs exacerbate this issue, making it difficult for lower-income families to afford a plot of land on which to construct their own house and thus reduce doubling up of families. Although progress has made, all of these issues are complicated by a lack of will, expertise, or targeted policies on the part of some local and national governments to assist the population in meeting their housing needs or providing for basic infrastructure.

*Sources: UN-Habitat, 2008, UN-Habitat, 2006, FJP, 2005, MINVU, 2004*

current housing deficit in Latin America and the Caribbean stands between 42 and 51 million units in a region that is estimated to grow to 160 million households by decade's end.<sup>2</sup> At its 16th assembly in October 2007, the Organization of High Ministers of Housing and Urbanization in Latin America and the Caribbean (MINURVI) indicated a higher level of quantitative and qualitative deprivation in the region, estimating that 40 per cent of households in Latin America either lived in dwellings that required improvements (22 per cent) or were living in overcrowded conditions or otherwise lacked a home of their own (18 per cent).

Unfortunately, the quality of housing deficit data varies greatly from country to country, and generalized regional estimates are made based on this same data – often from censuses carried out in 2000 or earlier. Data on quantitative and qualitative housing deficits are not uniformly collected and not uniformly measured, sometimes out of date, and the broad strokes of their numbers can sometimes be misleading in understanding the contours of the housing situation of Latin American countries. A classic example can be seen in the determinants of the qualitative deficit, which vary sometimes broadly from country to country – where in one country a dirt floor or a straw roof represents a deficit, for example, in another country it is not recorded at all.<sup>3</sup>

A paucity of exact data on housing conditions on a large scale makes difficult the definition of exactly how many households live in homes characterized as qualitatively deficient.<sup>4</sup> This is not a problem restricted to Latin America – in more advanced economies, for example, the United States, the census also lacks a standardized system for assessing gradations of housing quality. Furthermore, statistics on the number of families without adequate housing in the most vulnerable income groups have been acknowledged to be low, given the likelihood of undercounting such populations due to the precariousness and transience of their living situations.<sup>5</sup>

### 3.1 INDIVIDUAL COUNTRY DEFICITS

Individual country data give us some sense of the specific contours of the deficit in different locales:

DEFICIENCIES IN HOUSING AS REFLECTED IN THE QUANTITATIVE AND QUALITATIVE DEFICITS ARE TYPICALLY DISPROPORTIONATELY CONCENTRATED IN LOWEST-INCOME GROUPS.

**Brazil** presents some of the most recent and considered data on the housing deficit. The Brazilian housing deficit was estimated in 2005 to be 7.9 million dwellings, or the equivalent of nearly 15 per cent of the stock of housing in the country.<sup>6</sup> As a highly urbanized nation, it is not surprising that 81 per cent of this deficit is found in cities.<sup>7</sup> The greatest share of the overall deficit (71 per cent) is split almost equally between the densely populated Southeast region and the Northeast, where the rural qualitative housing deficit is largely concentrated. The deficit nationwide is, in sheer numbers, primarily attributed to quantitative deficiencies, with these representing almost 80 per cent of the entire housing deficit. When we look more closely, the causes of the deficit vary widely between urban and rural areas. In rural areas qualitative deficiencies represented the principal cause of the deficit, with the equivalent of 57 per cent of families living in conditions deemed precarious, with most of the remaining deficit owing to overcrowding. Deficiencies deemed quantitative – overcrowding (60 per cent) and excessive rent payment (29 per cent) – made up the brunt of the deficit in urban areas.

**Peru:** Data from the 2005 Census reports that there are about 200,000 more households in Peru than there are dwellings, representing, in simple terms, the quantitative deficit. Analysis of data from 2004 indicates that over one million households may live in overcrowded conditions, defined as more than 3 family members per room.<sup>7</sup> Conthe and Garcia analyzed the 2005

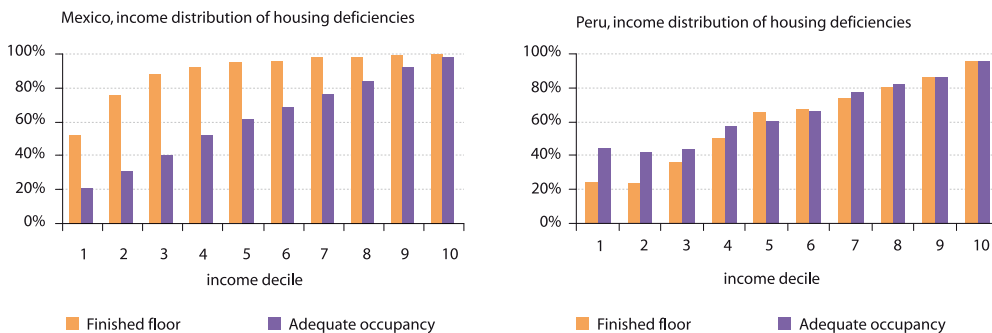
Peruvian Population and Housing Census to determine the number of dwellings displaying precarious qualitative characteristics or lacking minimum living standards. Precarious conditions were defined as walls or roof made of straw, palm leaves, or rush mat and floors marked as “other”, with these categories describing 13.7 per cent of all dwellings in Peru, or over 800,000 dwellings. Minimum living standards were defined as households who were not on the electrical grid, did not have piped water, or lack basic sewage disposal, a group that comprised 32.29 per cent of all dwellings nationwide, or over 1,800,000. The number of dwellings making up the deficit – between those that do not exist and those that persist in substandard conditions – is much higher than the difference between the number of households and the number of houses in the country. How much higher is unclear, since there is likely overlap in the categories exhibiting qualitative deficiencies. Based on these figures, the deficit could reach over one million, and perhaps as high as two million, equivalent to 15 per cent and 30 per cent of all households.

**Nicaragua:** Frequent mention is made of Nicaragua’s housing deficit of 400,000 to 500,000 in the national media, but the provenance of this number is not entirely clear. The Instituto Nicaragüense de Estadísticas y Censos (INEC) carried out a census in 2005, providing data on overcrowding, access to basic services, and dwellings deemed precarious. Six per cent of Nicaragua’s population (59,217 households), according to the Census, lives in dwellings categorically deemed precarious.<sup>8</sup> Five per cent

(50,999 households) live in households that are characterized by the presence of more than one household (family) in a single dwelling – conservatively meaning that 25,500 households are without a house of their own. Thirteen per cent of households did not have a room dedicated to sleeping, making it likely that some percentage of these 120,377 lived in conditions of overcrowding. With regard to basic services, thirty per cent of the population were not connected to the electrical grid (297,413 households), and two-thirds of the rural population did not have electricity. Nineteen per cent depended on a river or other source for water, representing 185,883 households. Fifteen per cent lack basic sanitary disposal facilities, representing 150,663 households.<sup>9</sup> Since categories of deficiency are likely to overlap, the available data found by this study does not permit an estimate of the total number of households that would be correspond to the particular types of qualitative or quantitative deficit.

**Chile** organized dwellings into categories of acceptable, repairable and irreparable based on a matrix of data gathered during a 2002 census. (See Box 2) According to this classification system, 79 per cent of dwellings were determined to be acceptable, 17 per cent repairable and 4 per cent irreparable.<sup>10</sup> The irreparable dwellings represented about 155,000 dwellings, in other words, the qualitative housing deficit requiring replacement. Using the same census data, the study found that about 241,000 households were *allegados*, or households that lived in precarious conditions on the urban fringe. Furthermore,

Figure 7. Income distribution of housing deficiencies



Source: Author’s elaboration with data from (IDB, 2008)



## ▶ Box 2: Chile: a new approach to defining housing deficits

Some of the most comprehensive and recent information about the housing deficits of a Latin American country can be found in Chile, where the Ministry of Housing and Urbanism (MINVU) carried out an extensive analysis based on data from the nation's 2002 census. The result of the housing deficit study is a document that provides detailed data about the state of housing and introduces new perspectives on how to assess and understand a housing deficit.

The study used a methodology proposed by CELADE in 1996, segmenting the housing stock into three categories of acceptable, repairable and unacceptable. This assessment was based on a matrix that took into consideration subcategories of housing type, an index of the type and conditions of the roof, walls, and floor, and the type of sanitary facilities found in the dwelling. Dwellings that were deemed acceptable in all three subcategories were obviously graded as acceptable. According to the matrix, dwellings that exhibited a repairable deficiency in type of materials – degraded adobe walls, a fibreglass tile floor or a fibreglass sheet roof, for instance – were deemed repairable, even if the sanitary facilities were considered

deficient. Cases that exhibited an unacceptable housing condition – roof or walls made of discarded materials, for instance, or a dirt floor – were deemed irreparable. Even in the case of working sanitary facilities, dwellings types defined as unacceptable – categories of provisional housing typologies – were likewise categorized as unacceptable.

One of the novel aspects of this methodology is its recognition that a qualitative deficiency in a house does not mean that the dwelling, a priori, represents a permanent deficiency in the housing stock of the country. Houses exhibiting certain qualitative deficiencies are defined, within certain parameters, to be recoverable, or repairable. Other houses exhibiting more severe deficiencies (or combinations of deficiencies) are categorized as in need of replacement. Put differently, it recognizes the potential to rehabilitate such dwellings, not just the necessity to replace them. This methodology serves to answer the criticism that housing deficit pronouncements are used as unconsidered justifications for new construction.

Sources: MINVU, 2004


the study determined that about 235,000 family units lived in conditions of overcrowding of more than one family in a single dwelling. Crossing this data with census data on the socioeconomic status of these families, the study concluded that approximately 145,000 of these families were in a position to be financially independent, introducing a need for the construction of dwellings to satisfy this demand. The interesting aspect of this data point is that it attempts to establish what percentage of those who are overcrowded may be in such conditions due to lack of financial independence and what percentage find themselves in such a situation due to a deficiency of housing options.

**El Salvador** is an example of a country where rural housing deficiencies present a starker picture than those found in urban areas. Seventy-two per cent of the Salvadoran housing deficit, as measured both quantitatively and qualitatively, is found in the rural zones of the country. Though, these represent a smaller proportion of the population than urban areas.<sup>11</sup> Higher proportions of houses without access to sewage

or piped water, and those with dirt floors are concentrated in rural areas with higher poverty.<sup>12</sup> Elevated housing deficits in rural areas could be tied to more difficult economic conditions in rural areas, where 43 per cent of families are classified as poor as compared to thirty-one per cent of urban households.<sup>13</sup>

### 3.2 INCOME ATTRIBUTES OF HOUSING DEFICITS

Deficiencies in housing as reflected in the quantitative and qualitative deficits are typically disproportionately concentrated in the lowest-income groups. Low incomes limit the housing options of lower-income families, perhaps making it unsurprising that the poor are disproportionately found living in deficient housing conditions. In the case of **Brazil**, ninety per cent of families living in deficient situations make less than three minimum wages.<sup>14</sup> This disproportionate socio economic pattern repeats itself in every region of the country, in areas both rural and urban. Likewise, over 70 per cent of the housing deficit in **El Salvador** fell into the



two lowest income strata.<sup>15</sup> Regional data from the Inter American Development Bank confirms these national trends. Data segmented by income group shows that housing quality deficiencies are concentrated in lower-income groups across the region.<sup>16</sup> In **Bolivia**, for example, only 32 per cent of households in the three lowest income deciles have a finished floor, as compared to 69 per cent on average in the next four deciles, and 90 per cent in the top three income deciles. In **Panama**, the lowest-income groups have basic sanitation in only 20 per cent of cases, as compared to 54 per cent in middle-income households and 88 per cent in the three top income deciles.

Figure 7 shows the distribution by income deciles in **Mexico** and **Peru** of two housing quality indicators, type of floor and adequate occupancy. As we descend the income scale, we see that higher proportions of lower-income households exhibit these two deficiencies. Furthermore, high national averages of households with basic services can mask the fact that high proportions of low-income households suffer from housing deficiencies, as in the case of **Mexico**, where 89 per cent of the households nationally have a finished floor, but only 52 per cent of the lowest-income households have this amenity.<sup>17</sup>

These concentrations underline the importance of having data that clarifies the socioeconomic characteristics of households suffering from deficiencies as much as the characteristics of the housing itself. The existence of micro-data on the particular regional patterns and the socioeconomic spread of the housing deficits,

for instance, can contribute to more nuanced responses to the housing needs of these subgroups.

Data from CEPAL give us some sense of how qualitative deficits have evolved over time, with the coverage of some basic services improving over time and others worsening. Electric network coverage has shown the most improvement, expanding to include 86 per cent of the population of selected Latin American countries in 2006 compared to 78 per cent in 1990 and 80 per cent in 1995. In 1990, 48 per cent of the population had access to basic sanitation, but the region dipped down to 45 per cent coverage in 1995 before rising again to 48 per cent in 2006.

As commented earlier, measurement of regional progress in addressing both quantitative and qualitative housing deficits is made difficult, however, by a lack of contemporaneous and unified data across countries. Although progress has been made by ROLAC and CELADE in promoting more standardized and contemporaneous methods of deficit measurement, there is still a need for housing deficit numbers that are standardized across countries, detailed enough to provide micro-data on housing needs, and frequent enough to provide data that is accurate and useful. This is fundamental for effective policy responses. More standardized, detailed, and organized data would give a better view as to the progress has been made in addressing deficits and a better foundation in understanding how to structure ongoing responses to housing needs across the region.

## PART THREE ENDNOTES

1. CGAR, n.d.
2. Fay, 2005
3. CGAR, n.d.
4. Gilbert, 2004
5. Morais, 2007
6. Turner, 1976; Turner and Fichter, 1972
7. Fay, 2005; CGAR, n.d.
8. Riofrío, 1996
9. CGAR, n.d.
10. ECLAC, 2000
11. Gilbert, 2004
12. Gonzales Arrieta, 1998
13. CGAR, n.d.
14. UN-Habitat, 2000
15. Fernandes, 2001
16. Magalhães and Cid Blanco, 2007
17. Fidel, n.d.
18. Ecuador, 2008
19. COHRE, 2008
20. CIDOC and SHE, 2006
21. Morais, 2007
22. CIDOC and SHE, 2006





Photo © UN-HABITAT/Matthew French



*The relative cost of housing to income can vary widely within countries depending on the range of supply of formal sector housing, the price of land, the cost of construction materials, and the level of poverty.*





Figure 8: Like many other Latin American cities, adequate housing is particularly unaffordable for many households with unstable or informal employment in Panama City, Panama, due a lack of access to housing finance. Photo © UN-HABITAT/ Matthew French

# 4

## PART FOUR

### HOUSE-PRICE-TO-INCOME RATIO

## 4. HOUSE-PRICE-TO INCOME RATIO

The house-price-to-income ratio is often used as a measure of the affordability of housing for low-income households as well as the general health of the housing sector. When referring to housing affordability, house-price-to-income ratio is typically defined as the ratio of the median price of a dwelling unit to the median annual household income.<sup>1</sup> It is important to note that this is typically the price of a house produced by the formal sector, since the secondary real estate market in most Latin American countries is fairly limited. Thus the housing price indicated in house-price-to-income ratios leans more toward the price of a newly constructed home.<sup>2</sup>

Housing costs relative to income in the developing world are much higher than in the global North. In Latin America housing-price-to-income ratios run close to six to one, compared to about four to one for developed countries. Latin America still fares better in this measure than lower-income countries in Asia and Africa, where housing prices can be ten times average income.<sup>3</sup>

### 4.1 COUNTRY EXAMPLES OF HOUSING-PRICE-TO-INCOME RATIO

Individual country examples show that the housing-price-to-income ration can weigh most heavily on the poorest households, as low incomes reduce effective demand and finance options as currently structured do not usually bridge the gap:

- One report estimated that a finished house in a developer-built neighbourhood in **Mexico** was inaccessible for households

earning less than three minimum wages (US\$327 monthly); an economic group that represented approximately forty per cent of newly formed households.<sup>4</sup>

- Similar trends apply in **Colombia**, where about forty per cent of households earn less than two minimum wages (USD 250 monthly), putting loans to purchase finished housing out of their reach.
- In **Panama**, 34 per cent of households in urban areas earn less than USD 300 a month, not enough to qualify for formal financing to purchase a basic finished unit.
- Analyses of the housing sector in **El Salvador** in 2002 shows as much as 70 per cent of the Salvadoran population could not purchase houses worth more than ten thousand US dollars – and the prices of so-called social housing reach as high as USD 15,000.
- One analysis found that the monthly mortgage payment for the most basic housing unit (40 square meters on a 100 square meter lot) would represent 40 per cent of the average monthly income of a low-income household in **Colombia**, 49 per cent in **Venezuela**, 104 per cent in **Bolivia**, and 164 per cent in **Suriname**. Low-income households represent between 60 and 80 per cent of the population in these countries.<sup>5</sup>


The relative cost of housing to income can vary widely within countries depending on the range of supply of formal sector housing, the price of land, the cost of construction materials, and the level of poverty. Table 4 shows how widely housing price-to-income ratios can vary within one country, **Peru**, from 3.9 up to 30. The latter figure, from the region of Huánuco, Peru, is stunning: on average housing prices represent

Table 4. House price-to income ratio in selected Peruvian cities

<b>Cajamarca</b>	3.9
<b>Iquitos</b>	5.6
<b>Huaras</b>	6.7
<b>Lima</b>	8.7
<b>Huanuco</b>	30

Source: (UIP, 2008)





thirty times the average income. This mismatch between the price of supply and the payment capacity of consumers could be explained by the 78 per cent poverty rate in this region.<sup>6</sup> In urban areas where other, non-housing household costs are relatively high – such as the megacities of Lima, **Peru** and São Paulo, **Brazil** – incomes may not go as far,<sup>7</sup> meaning that in practical terms less income may be left for housing purposes. The added weight of the relatively high cost of living in such areas is not reflected in the housing-price-to-income ratio. If it were, the price-to-income ratio could be more extreme in such locales.

The high ratio in Latin America is explained by a number of factors, including high land costs, construction material costs (especially when imported), and persistently depressed income growth in many locales. The prices of inputs to housing can play a big part in driving up prices, making house-price-to-income ratios highly context specific, even within a given country. In

**Colombia**, for example, land costs can represent from about a quarter of the price of a house targeted toward low-income households in Antioquia up to nearly half of the cost of a new social housing unit in the capital, Bogotá.<sup>8</sup>

## 4.2 THE IMPACT OF HIGH PRICE-TO-INCOME RATIOS

The high price of housing relative to income represents a major bottleneck to the acquisition of housing built by the formal sector for households in countries across Latin America, especially in countries or region where incomes are relatively low, like **Bolivia**, **Peru**, and **Haiti**. A lack of formal housing affordability translates into limited access to formal housing options. Households that are priced out of formal markets typically seek opportunities to address their needs in informal markets, with sometimes negative results described in more detail in subsequent sections.

## PART FOUR ENDNOTES

1. UN-Habitat, 2005a
2. CIDOC and SHF, 2006
3. UN-Habitat, 2005a
4. Reports from Mexico, Colombia, and El Salvador cited in UN-Habitat, 2005a

5. Ferguson, 1999
6. Huánuco, 2008
7. Satterthwaite, 2003
8. Cerón, 1992



*As incomes improve, housing finance mechanisms may move toward being an accessible tool for a greater proportion of Latin Americans.*





Figure 9: A lack of flexible and available housing finance forces many households to develop their housing with personal savings over many decades. Buenos Aires, Argentina.  
Photo © UN-HABITAT/Matthew French

# 5

*PART FIVE*

## HOUSING FINANCE MECHANISMS

## 5. HOUSING FINANCE MECHANISMS

Housing is the largest investment made by most families around the world, and households in Latin America are no exception. Rates of homeownership across Latin America are amongst the highest in the world, with percentages of homeowners higher than the United States, at 73 versus 69 per cent respectively.<sup>1</sup> Homeownership rates in Latin America remain high in lower-income groups, in some cases surpassing the homeownership rates of higher-income households.<sup>2</sup> Housing finance can play an important role in making homeownership possible, acting as a mechanism that spreads out the cost of a home over time. Housing finance enables a household to immediately improve their housing circumstances and enjoy the benefits of improved shelter now rather than over the years that it takes to incrementally improve housing conditions.

The use of mortgage finance in the North is common, serving as the main method by which households become homeowners. This is the result of the continual development of housing finance mechanisms that have permitted an increasing number of households to purchase a home. Housing finance is largely considered a necessary condition to achieving homeownership, with a ratio of average housing price to income about four to one in developed countries. At face value this necessity would seem redoubled

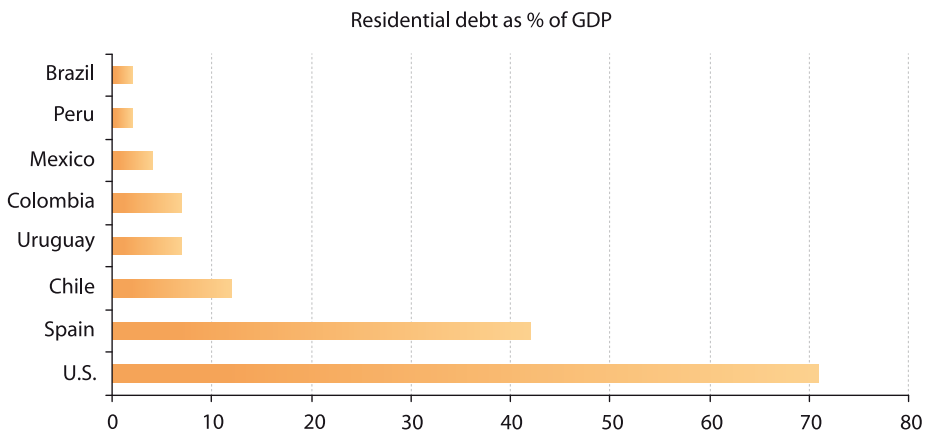
in Latin America, where such ratios run closer to six to one.<sup>3</sup>

### 5.1 THE REACH OF HOUSING FINANCE

To the contrary, housing finance in the region has a relatively limited reach. Most indicators show that housing finance has played a relatively small role in making a homeownership a reality for most households in Latin America, especially those in lower income strata. Rather, self-help, household savings, community savings tools, sudden windfalls, remittances from abroad, mutual assistance, revolving funds, and housing micro-loans have been the principal means by which Latin Americans access a home of their own, typically incrementally and in accordance with their needs and financial capacities. Latin America constitutes about 1.5 per cent of the global mortgage market. The continent has a greater share of the global mortgage market in relation to its share of the world population than Africa, but less than Africa.

Although regional figures are not available on the income reach of mortgage markets in Latin American countries, data on residential debt as a proportion of the GDP give some indication of the role that housing mortgage finance does or does not play for households across the Latin American region. Compared to over 70 per cent residential debt as a proportion of the GDP in the USA and the UK, **Brazil** and **Peru**, for example, showed levels of about 2 per cent of GDP, with

Figure 10: Residential debt as % of GDP



Source: Author's elaboration with data from (IDB, 2008)

slightly higher proportions of 4 and 7 per cent in **Mexico** and **Uruguay** respectively.<sup>4</sup> The success of mortgage securitizations in **Chile** and **Colombia** has been one reason why these countries now stand at 7 and 12 per cent respectively.<sup>vi5</sup> These numbers suggest that housing mortgage finance plays a small role in the housing sectors of Latin American countries when compared to its role in many developed nations.

Less than 30 per cent of dwellings in Latin America are built using some kind of formal financing, according to United Nations estimates.<sup>6</sup> Those who are able to access housing finance are typically upper income households, with the reach slowly extending downward over the last decades. In **Brazil** and **Mexico**, it is estimated that households would need to place around the 70th income percentile in order to qualify for the financing to purchase a finished home.<sup>7</sup> It is notable that even in these two countries – characterized by relatively sophisticated housing finance systems with dedicated housing finance banks – housing loans and financial services hardly reached the lowest income brackets. In Peru, lower mortgage limits put housing finance within the reach of households in the 65th percentile or above, a vast improvement from a decade ago, when only the top ten per cent of Peruvians would have been able to take on formal housing finance.<sup>8</sup> The fact that a household falls within such income thresholds does not necessarily mean that they would seek a mortgage, of course, as the house that such a

mortgage would afford may not address their needs in size or location, for example.

## 5.2 EFFORTS TO MOVE DOWN MARKET

Housing finance has, in some cases, succeeded in moving further down market to reach households with lower incomes. One example of this can be found in **Peru** with the program Fondo Mivivienda, an example of a state fund that is administered through private financial institutions. On the supply side, the program has encouraged banks to move down market by providing affordable capital and insuring their loans. On the demand side, this government funded program has used flexible underwriting and credit building mechanisms to enable both formal and informal workers to access mortgage finance. This program has served a dual purpose of developing the Peruvian financial sector and introducing housing finance options to relatively lower income Peruvians, expanding access to mortgage finance from the 90th down to the 65th income percentile. Between 2001 and 2006 the program saw rapid growth, doubling in size to USD 2.3 billion, with an average annual growth of 15 per cent.<sup>9</sup> The sustainability of the program has come into question due to the limited availability of government funding, a limitation that spurred a reinvention of the program to attract funding primarily from secondary markets.<sup>10</sup>



**Figure 11: Neighborhoods like this working class neighborhood in northern Mexico have grown largely as a result of INFONAVIT, which constitutes over half of the mortgage market in Mexico.** Photo © Brendan McBride





➤ **Box 3: INFONAVIT – worker contributions labouring to extend the reach of housing finance**

The Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT) was created as a result of a constitutional amendment requiring that employers contribute to the support of housing their employees. The agency has granted over 4.8 million credits since its founding in 1972. INFONAVIT has more than doubled the number of loans it has issued since 2001, and originated over 458,000 loans in 2007. The program constitutes 53 per cent of all mortgage loans in Mexico.

INFONAVIT's core functions are collecting funds from contributors, originating loans according to its mandate, and servicing the credits that have been invested. The program has largely overcome widespread criticism in the 1990's about the quality of homes built by developers and reports of endemic patronage. Additionally, INFONAVIT is the leader in issuing mortgage-backed securities in Mexico, with a 25 per cent share of the market. The institution also manages nearly a third of all retirement savings in Mexico.

Borrowers with incomes falling between 2 and 6 minimum salaries (between USD 108 and 646 monthly)<sup>viii</sup> who work in the formal sector are eligible for 100 per cent INFONAVIT financing once they have accumulated sufficient points under the contribution system, with points based on a number of factors such as work history, age, family size, and income (usually taking about two years for a full time worker). Participants who make more than 6 minimum salaries (over USD 646 monthly) receive funding co-financed with private sector financial institutions, mainly banks and SOFOLES (single purpose lending institutions created after Mexico's banking crisis in the 1990's). Although previously a requirement, no down payment is necessary in the current program. Total estimated potential demand in 2007 was 9.5 million workers. Mortgage payments are

deducted from the checks of borrowers on a monthly basis, with unaffiliated workers paying their premiums at a bank. An extensive network of brokers and construction firms has emerged to service the housing needs of INFONAVIT borrowers.

The numbers of households that have benefited from INFONAVIT has reached an unparalleled scale, enabling millions of families to access housing finance. The program has achieved a solvency that will likely enable it to meet projected future demand, and securitization has bolstered its ability to provide capital to its target households. The question remains of whether INFONAVIT and associated programs will, in the long run, be a positive on the balance sheet of the Mexican housing sector. Time and further study will tell if the program is a net positive – and if massive subsidized lending allows enough breathing room for the private market to expand and independently provide market-based mechanisms to address housing needs. One Achilles heel of the program is that workers in the informal sector – typically poorer households – do not contribute and thus have no access to INFONAVIT funds, meaning that a major state subsidy is not reaching some of those who need it most.

The market for mortgages is expected to grow significantly over the next two decades, with the economically active population (20-59 years) projected to increase from 51 to 72 million between 2005 and 2025. The programs goal from 2008-2012 is to expand the reach of the program geographically, continuing to emphasize building the quality of homes, move closer to an equality of income distribution of loans, and support efforts at “well-planned urban development”.

*Sources: (CIDOC and SHF, 2006, MINVU, 2004, Rivas, 2004)*

In other cases, low-income households can access subsidized mortgage finance funded by worker contributions, as in the case of Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT) in **Mexico**, a pension fund supported by the mandatory contributions of workers in the formal sector, their employers and the federal government. The program provides loans to workers to purchase housing and pay it back at subsidized interest rates, usually over a 30 year term.<sup>11</sup> The program constitutes over

half of the Mexican mortgage market, providing purchase financing for 458,000 loans in 2007. Its benefit is limited to workers in the formal sector, however, and affordability issues can pose a challenge to qualifying lower-income formal workers (see Box 3).<sup>12</sup> Despite wide reach, such subsidized mortgage programs have been criticized for a regressive subsidy structure relative to income and their potential to crowd out non-subsidized players and interfere with the development of the private capital market.<sup>13</sup>



Subsidized mortgages can benefit low-income households when properly targeted, as in the case of the *Mejoramiento en Lote Familiar* program (Family Lot Improvement Program) program in Mexico City, **Mexico**, which provides subsidized loans for low-income households to improve or expand their existing homes or build a new home on an existing plot owned by the borrowers' family. Technical assistance is provided by a large network of building professionals, the cost of which is rolled into the loan. Fifty-seven per cent of the loans were made to households living in marginal areas, one of the populations targeted by the program. Between 2001 and 2005, the program carried out over 100,000 housing improvements in the Mexican capital.<sup>14</sup> The program targets low-income families, including workers in the informal sector and the self-employed. It is unique as a mechanism that allows families to secure financing to build on an existing plot or increase the density of a back lot. Such financing for densification can be essential in metropolitan area like Mexico City where affordable land is in short supply.<sup>15</sup>

### 5.3 MATCHING MORTGAGE FINANCE WITH SECONDARY SOURCES OF CAPITAL

In a counterpoint to subsidized mortgages, the last two decades have seen an increasing focus on enabling approaches as a strategy to build and strengthen housing finance markets.<sup>16</sup> The International Finance Corporation (IFC) of the World Bank and the Inter-American Development Bank (IDB), among others, have supported legal and policy adjustments with the goal of enabling banks to strengthen the housing finance sector and attract long-term funding from capital markets. Countries across Latin America have shifted their approaches to both raising capital for mortgage finance, increasing their emphasis on the development of linkages between the housing finance sector and capital markets. Moving beyond the traditional means of raising capital through short-term savings deposits, there has been a shift to the mobilization of capital through mechanisms like mortgage securitization and the attraction of institutional capital to housing finance investment.

#### ▶ Box 4: Programa Vivienda en Lote Familiar

In the late 1990's a coalition of NGO's submitted a plan for addressing low-income housing needs to a newly sympathetic municipal administration of Mexico City, Mexico, that resulted in the pilot program of the *Mejoramiento en Lote Familiar* program (Improvement on Family Lot Program). The program provides subsidized loans for low-income households to improve or expand their existing homes or build a new home on an existing plot owned by the borrowers' family. The maximum loan for improvements was USD 3,486 and USD 6,845 for new construction. Loan terms ranged from three to eight years depending on the amount lent. Technical assistance was provided by a large network of building professionals tending to the thousands of families enrolled in the improvement program, the cost of which was rolled into the loan.

Fifty-seven per cent of the loans were made to households living in marginal areas, one of the populations targeted by the program. Between 2001 and 2005, following this prioritization of improvements, nearly 100,000 housing improvements were carried out.

The success of the program is likely due to the large infusion of resources invested in the program by the municipal government, the highly favourable loan terms offered to low-income households, and the pent-up demand on the part of low-income households for an accessible and well-promoted finance tool to improve their living conditions. The volume of improvement actions taken also translates into a significant ripple effect in the local construction market, with an estimate of 55,000 jobs indirectly and directly created.

All told, the program's success in reaching households in marginal areas (76% of actions) suggests that it satisfied objectives of improving precarious housing, addressing qualitative and quantitative deficiencies, and strengthening rooted families in such neighbourhoods. It is worth noting the role that the coalition of housing NGOs played in the initial stage of the program, putting housing improvements for low-income households on the agenda of a newly receptive municipal government and ushering the program through its initial growth phase.

Source: (Saborido, 2006, Ortiz and Zárate, 2006)



### Box 5: Explaining the limited role of housing finance for low-income households: a brief review

The reasons for the limited reach of housing finance in Latin America are numerous, and by no means uniform from country to country. From the supply perspective, and on the whole, low-income households have not historically been clients of banks, whether for housing finance or other financial services. This has meant low levels of savings placed in most formal financial institutions in Latin America, even in well-developed economies like Mexico and Brazil. This is in part due to generally low-incomes that require households to dedicate most their income to meeting subsistence needs, thus inhibiting savings, low-levels of “banked” households, and macroeconomic conditions like inflation that discourage savings in formal institutions.

Likewise, some of the same reasons that curtail the growth of housing finance systems generally can have an aggravated effect in limiting the access of lower-income households to such mechanisms. Macroeconomic instability shakes the foundation of housing finance market development, creating a climate for increased inflation and fluctuation of interest rates. The security of collateral and a relative lack of borrower credit history information have been cited as areas of weakness in the region. A recent analysis by Warnock and Warnock found that the size of housing finance systems worldwide – including Latin America – were positively correlated with the enforceability of legal rights relating to foreclosure as well as presence of systems to measure borrower credit risk.

Further reasons for the blockage in the provision of housing finance to low-income households include:

- Banks have not historically made efforts to reach out to low-income households, and are often logistically out of the reach of such populations.

- There is a widespread perception of credit risk in lending to low-income households, creating apprehension about incurring high costs in recovering loans.
- Mechanisms to measure consumer credit risk are not well-developed, and/or low-income consumers do not appear on the radar screen of credit reporting systems.
- Lending to low-income households is often not considered profitable for banks given the high per loan costs associated with small loans.
- Low-income families may have ad-hoc or provisional tenancy over the land, but many lack the titles to provide collateral to secure a loan.
- Even if households have title, recovering this collateral in the case of default can present a costly challenge, although legal efforts are underway in some countries to enable the recovery of collateral.
- Low-income groups have relatively little experience with banking or the culture of accessing formal financial services, resulting in financial institutions not being seen as a viable option for low-income households.
- Loan terms are alternatively too short, resulting in payments that are unaffordable, or too long, not matching the economic realities of low-income families, who are not able to guarantee the income stability that will enable them to make payments over a long term.
- Low-income households are often employed formally or self-employed, and thus unable to provide the formal income documentation typically required by banks.

Sources: UN-Habitat 2005, (Warnock and Warnock, 2008; Linden, 2005), (Ferguson, 1999; SIDA, 1997; Weisner, 2005)

A frequently cited example of the success of mortgage securitization can be found in Chile, where mortgage-backed securities have come to represent one of the principal mechanisms for raising housing finance capital. Other countries such as **Brazil, Colombia, Mexico, Argentina,** and **Panama** have used similar mechanisms with less robust success. One author notes that this may be explained by the weakness of primary markets themselves and recent financial crises that have put international capital markets on shaky

footing.<sup>17</sup> Tapping a different source of capital, Brazil has relied in part on compulsory savings to mobilize capital for housing finance through its Unemployment Insurance Fund. Enhancing the climate for investment, the Housing Finance Program (SHF) in **Mexico** helps to stimulate private sector investment by partially covering financial institutions’ losses in the case of defaults. The Ecuadorian Housing Bank (BEV) has taken a different support approach by acting as a second-tier institution that refinances the



portfolios of private financial institutions to encourage the growth of the housing finance sector in **Ecuador**.<sup>18</sup>

The attraction of long-term capital to housing finance has increased with the aid of these mechanisms, but continues to be a work in progress. Effort should undoubtedly continue to be invested in enabling formal housing finance markets to expand, grow more efficiently, attract a more diverse supply of capital and continue to move down market to include lower-income populations. One of the central difficulties of extending housing mortgage downward, however, continues to be affordability. With minimum

loan amounts at current levels, mortgage finance as a mechanism will continue to be at odds with the economic realities of many Latin American households. As incomes improve, housing finance mechanisms may move toward being an accessible tool for a greater proportion of Latin Americans. Financial institutions should therefore develop in step with economic improvements in order to be in a position to support this segment of the population with finance products that match their economic and social realities. Given the disarray of international capital markets at present, the source of external capital to fuel the expansion of the scale of housing finance remains in question.

## PART FIVE ENDNOTES

1. Jha, 2007
2. Fay, 2005
3. UN-Habitat, 2005a
4. UN-Habitat, 2005a
5. UN-Habitat, 2005a
6. UN-Habitat, 2005a
7. Hoek-Smit cited in UN-Habitat, 2005a
8. UN-Habitat, 2008a
9. UN-Habitat, 2008a; Conthe and García, 2007
10. UN-Habitat, 2008a
11. CONAVI website
12. UN-Habitat, 2005a
13. González Arrieta, 2005
14. Saborido, 2006
15. González Arrieta, 2005
16. Odell, 2008; UN-Habitat, 2008b
17. González Arrieta, 2005
18. González Arrieta, 2005







# 6

*PART SIX*

## HOUSING MICROFINANCE AND OTHER FINANCE MECHANISMS

**Figure 12: Housing is the largest investment made by most families around the world, and households in Latin America are no exception, as seen in Rio de Janeiro.**  
Photo © UN-HABITAT/Claudio Acioly



## 6. HOUSING MICROFINANCE AND OTHER FINANCE MECHANISMS

Microfinance worldwide has been one of the major movements that have catered to the financial needs of those at the base of the economic pyramid. Over the course of the last decade, housing microfinance has come to be recognized as an important tool for low-income households, with notable examples of expansion in Latin American countries. Just as microfinance has served as a tool to address the needs of microenterprises that had previously had little access to formal financial tools, housing microfinance (HMF) can fill a need for capital for households that have traditionally lacked access to formal housing finance.

The basic principles of housing microfinance are similar to those of microfinance for small business enterprises:

- Small loan amounts are the norm – typically between a few hundred and a few thousand US dollars. Loans are often cycled, with a new loan opened once the first loan is satisfied.<sup>1</sup>
- Short loan terms match the financial horizons of low-income families, typically between six months and two years.
- MFIs are accustomed to underwriting credit with non-traditional forms of collateral, for example, a co-guarantor and/or some provisional proof of ownership instead of full tenure to the home.
- MFIs are accustomed to working with loan applicants who are informally or self-employed, making it possible for a wider range of applicants to access finance.

### 6.1 THE SPREAD OF THE SHELTER MICROFINANCE MODEL

MFIs and other entities in Latin America are beginning to recognize the massive demand for housing microfinance. In 2004, the Consultative Group to Assist the Poor (CGAP), a network

of 28 public and private development agencies, recognized the importance of shelter microfinance in addressing the needs of households that build progressively. Market analyses from **Mexico** and **Peru** have shown a demand for housing microfinance that may even outstrip the demand for traditional microfinance.<sup>2</sup> Many of the same clients who require capital to improve microenterprises experience a similar bottleneck of capital with regard to housing improvements. MFIs have the advantage that they constitute an existing network of organizations already attending to the finance needs of such low-income households. Recent growth in the sector has been notable:

- It is estimated that 30 per cent of MFIs in Latin America offer housing microfinance products.<sup>3</sup>
- One study of MFIs associated with Acción International showed a 35 per cent annual growth in HMF in institutions in 7 Latin American countries between 2002 and 2005. Such growth has come in institutions that on average do not consider HMF to be a core product.<sup>4</sup>
- The same study found that housing microfinance represented 18 per cent of the portfolio of selected lending institutions.

A significant percentage of microenterprise loans may already be used for housing – one study in **Bolivia** estimated that more than 20 per cent of microenterprise loan may have been redirected toward housing uses.<sup>5</sup>

### 6.2 MICRO FINANCE INITIATIVES SPECIALIZING IN SHELTER

Microfinance initiatives (MFIs) that specialize in housing microlending have developed in a number of countries with the assistance of international microfinance NGOs like Acción International and Cooperative Housing Foundation (CHF), and with the support of bilateral organizations like USAID and the Swedish International Development Agency (SIDA).<sup>6</sup> One example is the Micasa program run by Mibanco, a community bank in Peru, which has taken on deposits to increase the capital that can be on-lent for housing purposes, with rapid growth results.<sup>7</sup> FVP (Fundación para La Vivienda Progresiva) and Fundación para

Hábitat y Vivienda (FUNHAVI) – CHF affiliates in Northern **Mexico** – were founded to address the needs of a growing population that had migrated to the US/Mexico border region to work in the extensive *maquiladora* industries.<sup>8</sup> Even in the case of formally employed households, progressive housing improvements are the norm, and housing microfinance has combined with households' own labour and savings to build the patrimony of thousands of households on the border.

Microfinance programs in **Bolivia** offer unique opportunities for renters to enter into arrangements to reduce their rent burden and eventually save to address their own housing needs.<sup>9</sup> Another Bolivian organization used the moment of contact with new clients as an opportunity to provide assistance in regularizing tenure. (Ferguson 1999). The Programa de Desarrollo Local (PRODEL) in **Nicaragua** serves as a second-tier institution providing capital to a network of MFIs across Nicaragua that lend to low-income families in accordance with PRODEL's lending principles and strategy.<sup>10</sup>


This same network has produced impressive results by creating synergies of housing microfinance with wider, collective community improvement efforts or parallel efforts to create housing solutions. Working with local governments and community representatives, PRODEL **Nicaragua** and

affiliate MFIs combine microloans for housing improvements with subsidy for community planned infrastructure improvements; to achieve a holistic program incorporating both individual household and community-wide improvements. Infrastructure improvement goals are decided by all stakeholders utilizing a well-tested micro-planning methodology.<sup>11</sup> The combination of individual and collective improvements means that even the poor families who may not be able to qualify for a housing loan still participate in and benefit from community-wide infrastructure improvements. Similar approaches have been identified in settlement upgrading programs in Brazil.<sup>12</sup>

In **El Salvador**, a microfinance organization called Integral purchases land, installs the services, builds a core unit and finances the purchase of the package through an affordable loan secured by the withheld title.<sup>13</sup> This same MFI allows relatives overseas to make partial or full payments of housing loans for their local relatives, and includes remittance receipt history in their assessments of clients' loan eligibility. These and other examples from Central America, including programs, like FUPROVI in **Costa Rica**, show how NGOs can use small-scale finance, technical assistance, and strong linkages to communities to mobilize the residents around goals of housing improvement and neighbourhood development. **Bolivia**



**Figure 13: Housing microfinance can serve as a tool to accelerate the incremental housing process or build new, as in the case of this property in the state of Tamaulipas, Mexico.** Photo © UN-HABITAT/Brendan McBride



community bank Banco Sol team ups with local land developers to provide small loans for land purchase or improvements, another example of how microfinance can harness or enhance parallel strategies to create housing solutions.<sup>14</sup> In a different vein, large concrete firms such as CEMEX in **Mexico** offer financing that allows progressive builders to purchase more of their materials and build more quickly.<sup>15</sup> Examples like CEMEX may portend a growing role for the private sector in the future, as construction material sellers and other construction – related businesses come to realize that progressive builders often constitute a large percentage of the retail sales base.

### 6.3 FUTURE EXPANSION OF HOUSING MICROFINANCE

Given the demand for housing microfinance (HMF), it is not growing as fast as might be expected. One study has commented that growth will require making HMF a core product of MFIs, many of which have seen the provision of capital to microenterprises – not financial facilitation of housing improvements – as their core mission. Bringing shelter finance to a greater scale also means expanding lending to clients who are not currently clients of MFIs, including higher income formal sector workers that still lack access to capital to build incrementally.<sup>16</sup> Furthermore, shelter microfinance has not, to date, been extensively used to address the housing finance needs of the lowest-income groups.<sup>17</sup>

Access to capital continues to be an issue, with many MFIs receiving concessional capital from bilateral organizations, but unable to access capital in global markets, whether because they are not regulated to do so or because the costs of capital are seen as too high. Two routes described for the scaling up of shelter microfinance are the transformation of microfinance institutions from NGOs into financial institutions – the “bottom up” approach – and the movement of housing finance institutions down market as they offer products and retool existing systems to reach lower-income households.<sup>18</sup> The comparative viability of these approaches depends on the ability of NGOs to expand in new directions and the flexibility of financial institutions in changing their approach to lower-income households – both factors highly predicated on the willingness and capacity to change exhibited by particular banks and NGOs.<sup>19</sup>

### 6.4 OTHER FINANCE ALTERNATIVES

Across the region, a number of community based efforts have also incorporated the use of revolving loan funds into community housing redevelopment. Although such funds do not have the name or recognition of microfinance per se, they can have a wide impact in providing capital for housing purposes, and are often controlled and managed by community groups rather than established institutions. Examples of revolving loan funds include initiatives funded by SIDA in **Guatemala, Nicaragua, Costa Rica**, projects that utilize revolving loans funds to finance cooperative housing and mutirao mutual aid projects in favela areas of **Brazil**, and neighbourhood improvement projects in **Venezuela**.<sup>20</sup> The Dominican Republic operates a program to provide financing out of a revolving loan fund for households improving existing dwellings, sometimes issuing low-cost building materials in lieu of loan proceeds.<sup>21</sup> Utilizing similar lending methodologies to microfinance, credit unions in **El Salvador**, for example, have expanded their lending to members for housing improvements.<sup>22</sup>

MFIs have also expanded into products beyond microfinance, increasingly offering loans backed by mortgage guarantees for larger improvement projects or modest new construction. Ninety MFIs in Latin America offered such loans amongst their housing finance products, representing USD 972 million dollars in loans in 2007. In this year mortgage backed loans grew to represent 7 per cent of the portfolio of the selected MFIs. An average loan size of USD 4,640 of mortgage-backed loans shows that MFIs are not restricted to providing small home-improvement loans, but are creating a niche in products that fall between non-collateralized shelter microfinance and traditional mortgage finance.<sup>23</sup>

### 6.5 THE EVOLVING ROLE OF MIGRANT REMITTANCES IN HOUSING IMPROVEMENTS AND CONSTRUCTION

Remittances – the funds sent by labour migrants to their home countries – have come to light as important capital flows to developing

➤ Box 6: Mutualista Pichincha in Ecuador: an example of the transnational housing loan model

Mutualista Pichincha (MUPI) in Ecuador is an example of a financial institution that has successfully tapped into the migrant market to fuel growth over the past decade. Recognizing migrants' financial resources and their desire to invest in housing in their native land, MUPI has developed housing finance mechanisms that enable Ecuadorians overseas to purchase existing or new homes in a variety of locations throughout Ecuador. MUPI is the largest issuer of remittance-backed transnational mortgages in the country and the second largest mortgage issuer overall. Transnational mortgages represented about 25 per cent of the USD 120,000,000 in mortgages MUPI issued in 2008. In 2006, MUPI launched a similar version of its transnational model in Spain, where it is marketing homes to a growing Ecuadorian Diaspora.

The institution launched its first effort to reach out to the Diaspora in 1996 with the opening of an office in New York City, where they marketed houses for sale in Ecuador and offered purchase financing. This initial effort evolved into a marketing partnership with Unión Andina, a company that markets homes for sale in several South American countries. Unión Andina carries out all marketing, collects information to assess eligibility for financing, and serves as a liaison between the client in the USA and MUPI in Ecuador. The immigrant buyer can grant power of attorney to a relative in Ecuador, meaning that the entire transaction with MUPI – from picking out their house type to closing the loan – can be executed without leaving New York. To qualify for a loan, the applicant must be at least 25 years old, have sufficient income to qualify for the loan, and must have one year of consecutive

work history. Borrowers are required to make a 30 per cent down payment, and MUPI finances up to 70 per cent of the value of the house, with interest rates averaging 11 per cent over a 15 year term.

Homes range widely in price, starting at around USD 40,000 for a 60-70 square metre new home and going as high as six figures. About half of the time MUPI acts as the developer and contractor – a unique role for a financial institution – and in the remainder of cases it markets and provides loans for the purchase of existing homes or homes built by other developers. MUPI management commented that most homes purchased serve as new housing for the parents or the spouse and children of immigrants or as eventual retirement homes. The purchasers are usually not low-income even by USA standards, with incomes of immigrant buyers averaging about USD 5,000 monthly. The homes purchased in Ecuador may, however, be a dramatic improvement in housing conditions for families of limited means who may never have had such opportunities without migrant funding.

MUPI management related that the transnational portfolio has traditionally performed very well, estimating that the rate of default on transnational loans was about half of the 4 per cent default rate seen nationwide in 2008 for non-transnational loans. Given recent drops in remittances to Ecuador, however, MUPI is closely monitoring its transnational portfolio to see if the global economic crisis will have a lasting negative effect.

*Source: Author's interview with Cornelio Montalvo and Patricia Alarcón of Mutualista Pichincha.*

countries over the past decade, playing as big a role in family budgets as they do in national macroeconomic forecasts. Formal estimates alone show that USD 240 billion in officially recorded remittances entered developing countries in 2007, much of it sent in increments of hundreds of US dollars.<sup>24</sup> Only in the last decade have practitioners of housing development begun to investigate the role that migrant remittances are playing or could be playing in improving housing conditions in Latin America and the Caribbean. Although housing may be the most visually conspicuous use of remittances, knowledge of remittance spending on housing is limited and largely anecdotal. Local studies have found that

remittance-receiving households are more likely to make improvements or build a new house than households without remittances,<sup>25</sup> that housing can be the primary durable good in which households invest when they have relatively more income to spend,<sup>26</sup> and that remittance-funded construction and land purchases may be reshaping land uses in communities with high influxes of remittance capital.<sup>27</sup> Available evidence suggests that remittance spending on housing in some areas follows the contours of the typical incremental housing process – largely informal, self-managed, and controlled by the household – and may enhance the efficacy and speed of this process.<sup>28</sup> However, remittance investments



in housing could also be creating inequalities in housing conditions between remittance- and non-remittance-receiving households.

In the formal housing sector, the last decade has seen an increase in housing finance products that cater to Diaspora clientele or households with remittance income. These mechanisms have begun to develop in several countries in the region, including **Mexico, Colombia, Ecuador, Peru, and El Salvador**. **El Salvador** exemplifies the range of mechanisms that are being utilized to connect migrants and migrant remittances with efforts to improve or construct housing.<sup>ix</sup>

Within the country, several banks have started to create a niche, offering ‘transnational mortgages’ that enable migrants in the USA to purchase a house in their home country without having to return there. Since 2006, the Inter American Development Bank (IDB) has provided both capital and technical assistance to promote the development of a housing finance market for trans-national families.<sup>29</sup> Banco Agricola, Scotia Bank, Banco Cuscatlan, and La Hipotecaria – a mortgage company – are counted among the financial institutions that have become increasingly active in this sector, recognizing the relatively higher spending power of migrants.



**Figure 14: Comparison of unrenovated and renovated houses of a similar type on the same street in a small town in El Salvador. The house at the bottom was improved with funds from abroad. Migrant remittances play a strong role in housing improvements and construction in many locales in El Salvador, and financial institutions have increasingly developed finance products geared toward the housing needs and capacities of Salvadorans abroad and their families back at home.** Photo © UN-HABITAT/Brendan McBride

As of mid-2007, one major Salvadoran bank, for example, had an average transnational loan size of approximately USD 50,000. Most loans – usually paid over a 15 or 30 year period – are used to purchase new homes in planned developments built by the largest Salvadoran developers. Typically, institutions use a model whereby marketing of houses and loan products is done in the USA – including at industry sponsored “housing fairs” in major USA cities – and the processing and underwriting of loans is carried out in El Salvador.<sup>28</sup> However, the global financial crisis has already resulted in an alarming increase in mortgage defaults in El Salvador,<sup>30</sup> a development that could put a damper on the growth of the sector.

In the microfinance sector, Apoyo Integral is one Salvadoran microfinance institution that allows remittances to be considered a source of income when assessing the capacity of borrowers to take on loans for housing. This has opened up the possibility for migrants to complement the income of their family members and augment their ability to purchase or improve housing. In one recent pilot project in Usulután, nearly half of all loans were funded at least in part by remittances sent by migrants abroad, allowing participants to purchase a plot of land and a small core housing unit. Apoyo Integral – which itself

pays out remittances sent by three money transfer operators in the USA – has also started offering transnational mortgages enabling migrants in the USA to get financing to purchase new or existing housing in El Salvador. The organization, together with two other financial institutions in El Salvador, has received funding from the IDB, Swedish International Development Agency, and the Swiss Development Agency to further develop such transnational housing finance strategies. Research is underway to develop remittance-funded finance mechanisms for housing improvements, land purchase, home purchase, and new construction, as well as the analysis of the marketing and legal infrastructure required to scale up such mechanisms.<sup>31</sup>

The importance of this topic for Latin America and the Caribbean cannot be overstated, given that the region received USD 69 billion in remittances in 2008, a figure that dwarfs all official development assistance to the region. More research is necessary about the roles – both current and potential – of these financial flows in expanding housing options in the region. And with regional remittance flows declining for the first time in the fourth quarter of 2008, it remains to be seen how housing as a remittance use will weather the global financial crisis.<sup>32</sup>

## PART SIX ENDNOTES

1. Ferguson, 1999
2. Mesarina and Stickney, 2007; Alliance, 2002
3. UN-HABITAT 205a
4. (Mesarina and Stickney, 2007)
5. UN-Habitat, 2005a
6. UN-Habitat, 2005a; Stein and Castillo, 2005
7. ACCION, 2007
8. Alliance, 2002
9. IMPRO, 2009
10. PRODEL, 2006
11. PRODEL, 2006; Stein and Castillo, 2005
12. Ferguson, 1999
13. Stein and Castillo, 2005
14. UN-Habitat, 2005a
15. WRI, 2007
16. Mesarina and Stickney, 2007
17. UN-Habitat, 2005a
18. Ferguson, 1999
19. Ferguson, 1999
20. Stein and Vance, 2008; Ortiz and Zárate, 2006; Cabannes, 1997
21. Saborido, 2006
22. Federación de Asociaciones Cooperativas de Ahorro y Crédito (FEDECACES) in El Salvador, July 2007.
23. Data from personal communication with Renso Martinez of Mixmarket, October 2008.
24. WB, 2008
25. McBride, 2007
26. Adams, 1991
27. Serageldin et al., 2004
28. McBride, 2007
29. IDB, 2006
30. Rivas, 2009
31. Author's interview with Silvia Melendez, Head of Housing for Integral and Wendy Escobar, Special Consultant on the IDB Remittances Project.
32. IDB, 2009

*The digitization of cadastres has enabled great strides to be made by those governments that can afford this investment.*







Figure 15: A barriada in Lima, Peru.  
Photo © UN-HABITAT/Claudio Acioly

# 7

## *PART SEVEN*

### **THE PROVISION OF LAND TO THE POOR**





## 7. THE PROVISION OF LAND TO THE POOR

### 7.1 THE IMPORTANCE OF LAND TO HOUSING

Residential land uses occupy more land than any other use in urban areas of Latin America.<sup>1</sup> Land costs constitute a large part of the housing start-up costs of households, and have a big impact on the affordability (and, hence, adequacy) of housing for such households. One study in **Colombia**, for example, found that land costs made up nearly half of the price of social housing in the capital city of Bogotá.<sup>2</sup> While wealthy households have relative ease of access to land, affordability constraints price many if not most low-income households out of the formal land market. This presses low-income households to access land through informal land markets, oftentimes in areas that are characterized by some deficiency, whether a location inappropriate for housing, distant from employment, or has not been properly planned to provide a healthy living environment.<sup>3</sup>

The manner in which land develops – whether formally or informally – determines the ways that cities develop and the way that the cities are inhabited by residents, stitching into the urban fabric trends of integration or segregation, harmony or chaos, and disenfranchisement or participation. In turn, the government policies that regulate land and housing trends have a direct impact on the shape of the cities of today and tomorrow. (See Box 7 for the example of Lima, **Peru**)

### 7.2 CURRENT ROLES OF GOVERNMENTS IN LAND ISSUES RELATING TO HOUSING

Land is one of the major inputs to housing, and the affordability of land has a direct relationship to the affordability of housing. Most Latin American governments have recognized that improved access to land plays a major role in expanding the housing options of low-income households.<sup>4</sup> Indeed, governments can be one of the principal actors in a position to intervene to prevent the pursuit of individual land interests

from becoming a “tragedy of the commons,” to borrow the Garrett Hardin term.<sup>xi</sup> The Inter American Development bank writes that:

*In theory, governments can play a major role in creating legal frameworks that shape the use of property to satisfy goals for the common good of shelter provision, creating zoning frameworks, construction regulations, and mechanisms to promote the possibility of accessing land by all members of society. Government also administers systems that insure that property rights are respected and are able to be transferred between parties, a system relying on transparent information about the state of the property market.<sup>5</sup>*

Even as such tasks have been undertaken by government, when it comes to access to land by low-income households, it has been said that many Latin American governments are “running behind the people” in terms of their responses to the way that land trends are occurring in this day and age.<sup>6</sup> Households in Latin America largely access land through informal markets, and governments address trends of informal land acquisition in a reactive rather than proactive manner in many instances. This is largely a result of the enormity of informality, with estimates that 70 per cent of housing is built using informal mechanisms.<sup>7</sup> The scale of informality in Latin American housing and land sectors demands that communities, governments, NGOs, and international stakeholders continuously evaluate its serious implications for housing policies and interventions aimed at the delivery of affordable and adequate housing options.

### 7.3 THE POTENTIAL ROLES OF GOVERNMENT VIS-À-VIS LAND PROVISION

This report concurs with the statement of the Organization of High Ministers of Housing and Urbanization in Latin America and the Caribbean (MINURVI) that, “government agencies are without comparative advantage as land developers”, and that their role is not to control land markets, but to guide policy that can produce more beneficial effects for low-income households in both securing their rights to land and opening up new opportunities to access

land for housing purposes.<sup>8</sup> Some of the roles for government recommended in the literature include:

- Governments could play a part to tailor land regulations to attract low-income housing construction by developers, such as reducing minimum plot sizes and allowing greater multifamily density.<sup>9</sup>
- The streamlining of permitting procedures can make it more clear what time developers need to invest to get projects approved.<sup>10</sup>
- Governments can promote legal changes to streamline mechanisms to recover collateral in the case of loan default to entice the movement of financial institutions down market.<sup>11</sup>
- Government can improve cadastral quality and generally improve the quality and flow of information about land markets, enabling both individuals and developers to make more informed decisions about accessing land.<sup>12</sup>
- Hardin's article highlighted the dilemma in which multiple private parties satisfying their own interests can lead to the destruction or deterioration of a shared resource, even if that shared resource is prized by each of these private parties.
- Governments should improve tenure security in an incremental manner while supporting improvements in land management and land administration; which can reduce transaction costs and limit the intrinsic bureaucratic procedures that inhibit land development. This can boost the security of land rights and consequently enhance housing improvements and housing supply.<sup>13</sup>
- Taxation of land may invigorate the land market by making it less financially attractive to hold land indefinitely.<sup>14</sup>
- Governments can install basic or partial infrastructure to create more serviced land at a relatively low cost, with caution taken that such improvements do not solely increase the profits of land sub-dividers but ultimately benefit low-income households.<sup>15</sup>

#### 7.4 MECHANISMS FOR EXPANDING ACCESS TO LAND FOR LOW-INCOME HOUSEHOLDS: COUNTRY EXAMPLES

Most discussions of the issue of land in present day Latin America have one eye on the past and one eye on the future. The eye on the past is focused on how to regularize informal

##### ▶ Box 7: History snapshot: Lima, Peru

An unofficial policy of tolerance in Lima, Peru, led to the widespread occupation of peripheral land during the latter half of the twentieth century. *Barriadas*, as these neighbourhoods were called, provided a way for low-income settlers to gain mostly free access to land and build at their own pace and in accordance with their capacities. While serving a clear need, such neighbourhoods were largely unofficially planned, self-improvement efforts moved slow and were resource-dependent and construction was sometimes of poor quality. Efforts at regularization and improvement that followed settlement proved expensive and time-consuming when undertaken by settlers or government. While providing shelter to large numbers of low-income Peruvians, the proliferation of hundreds of self-help neighbourhoods fuelled low-rise sprawl that pushed back the edges of Lima and gradually

consumed much of the buildable land on the periphery.

This pattern contributed to a sharp reduction in the supply of land affordable to low-income households, especially land located within a reasonable distance of work opportunities. As land became scarcer, once low-density settlements accommodated increasing numbers of new residents in a process of vertical growth and densification, sometimes resulting in conditions of overcrowding. Faced with inflated land costs and little remaining free land, new arrivals or poorer households toward the end of the century were hard pressed to purchase their own land. This evolution has been one of the factors leading to the occupation of the precarious areas that remain at the turn of the century.

*Source: Riofrio in Gilbert, 1996*

settlements that resulted from past efforts of low-income households to address their own housing needs, a topic that will be addressed later in this study. Discussions of the future often focus on the proliferation of informal land tenure arrangements across the region, how to expand access to land for low-income households now, and how government and the housing sector can engage and control continuing informal land uses.

The difficulty of acquiring land through formal channels has been recognized as one of the major factors contributing to the proliferation of informal land tenure arrangements throughout Latin America.<sup>16</sup> The creation of new channels to allow low-income households to access land is an enormous task, but one that has been creatively undertaken by a number of governments in Latin America. Although the coverage of programs is small in light of the overwhelming demand, these programs represent proactive efforts to enable low-income households to purchase land in the formal market. Private land provision efforts also offer a window of opportunity, but with sometimes mixed results.

**Colombia** presents novel examples of how to capitalize on urban growth to create resources for expanding access to land for the urban poor. The Program Nuevo USME is authorized by Colombian legislation to recover a 30 to 50 per

cent increment of the equity gained by private properties that have recently benefited from regularization, infrastructure improvements, or changes in land use. The equity derived from this land value recapture can then fund land purchase or grants for affordable housing production.<sup>17</sup> The same program features an alternative mechanism that allows private owners to cede a portion of their land to the government in compensation for the installation of infrastructure. This allows property owners to improve the value and quality of their property, reduces some of financial burden to municipalities of creating serviced land for housing, and can create a reserve of land for housing.

In the **Dominican Republic** a similar scheme of partial land recuperation is utilized in the case of public works improvements that increase property values.<sup>18</sup> These types of intervention can create a competitive alternative to the informal plots delivered by informal 'pirate' land subdividers, increasing opportunities for low-income households to access formally developed and serviced land.

Negotiated recuperation of irregular lands is another approach that has proved effective, if limited in its application. Under this strategy, municipalities identify land with unclear or disputed title and negotiate with owners to surrender some portion of the land in exchange



Figure 16: Land development enterprises have grown to fill a demand for low-cost land in El Salvador, as in the case of this land-parceling enterprise on the outskirts of the city of Metapán. Photo © UN-HABITAT/Brendan McBride

for regularizing title to the remainder of the parcel. Faced with a tide of rural to urban migrants with few options for housing, the federal capital city of Brasília, **Brazil**, utilized this approach to open up land access to migrant households that included parcels for housing and small-scale agriculture.<sup>19</sup>

The Metro Vivienda program in **Colombia** banks land and then resells it to local community housing organizations and developers for housing construction. Ceilings are set on the price of land in exchange for stipulations that the land will be used for housing for target populations.<sup>20</sup> The Habitat Program provides incentives to municipalities to create territorial reserves and land banks in **Mexico**, creating over 16,000 hectares for housing in 2003.<sup>21</sup>

Despite the existence of the aforementioned programs, governmental involvement in the provision of land is generally on the wane. The overwhelming majority of households gain access to land without recourse to any government assistance. In most locales through Latin America, various informal land submarkets are at the ready to serve the needs of low-income households.

In **El Salvador** it is estimated that over one-third of housing is built on land acquired through both formal and informal land parcelling enterprises known as lotificaciones. Although in existence since the 1970's, these enterprises were largely made legal by legislation in 1992 permitting the urbanization of land on urban peripheries. The largest of these enterprises is estimated to have provided land to nearly 300,000 households as of the year 2000.<sup>22</sup> The target clientele makes less

than two minimum salaries, and the majority is employed in the informal sector.<sup>23</sup> This trend is a compelling example of private sector firms shaping their products to serve the needs and capacities of a low-income market niche. Land purchase is made possible by a payment plan over five years with the land itself serving as collateral. The marketing and customer service strategy was designed to be welcoming and conscious of the needs of low-income households, a factor that contributed to the approach's success.<sup>24</sup> It has made accessing land a real possibility for lower-income urban and peri-urban residents, perhaps redirecting households from settling inner-city slums or adding to informal settlements on the urban fringe.<sup>25</sup> This example also shows that the private sector can make a profit and simultaneously play a beneficial role in urban upgrading initiatives. The growth of this strategy could help to remove some of the burden from government entities facing a long list of urban upgrading needs.

## 7.5 IMPROVING SECURITY OF TENURE

What is the impact of insecure tenure? A lack of secure tenure is a phenomenon that can have a variety of negative consequences for households. Its deleterious effects vary greatly in form and severity according to the local context. Conversely, secure land rights are particularly important in helping to reverse three types of phenomenon: gender discrimination; social exclusion of vulnerable groups; and wider social and economic inequalities linked to inequitable and insecure rights to land.<sup>26</sup> Legal access to land

### ➤ Box 8: Roadblocks to regularization

Although regularization is often a shared goal of governments and communities in name, the process can face a number of legal, political, and social obstacles in practice:

General public opinion can be opposed to regularizing informal settlements, viewing the practice as condoning illegal actions, especially in the case of private land.

The existence of informality may in fact benefit the political and economic interests of certain parties, parties that may attempt to thwart change to protect these interests.


The legal process of regularization can be complicated and labour-intensive, representing a drain on municipalities with limited human and financial resources.

Informal settlers may not always want regularization, fearing increased costs such as taxes.

Residents of informal settlements may be frightened at "rocking the boat" and changing their current situation, even if it is less than optimal.

Sources: Fay, 2005; Mitlin, 2005; Cabannes, 1997





is a strategic pre-requisite for the provision of adequate shelter for all and for the development of sustainable human settlements.<sup>27</sup> Some unifying themes cited to describe the effects of insecure tenure include:

A lack of full rights to property can lead to eviction and insecurity – with the effect of the home acting as a source of instability rather than a foundation and source of leverage for asserting households’ rights.<sup>28</sup> On another level, residents can be exploited or threatened with eviction by parties who recognize that tenure insecurity means vulnerability.

Tenure insecurity often means lack of access to basic services, leading to potentially deleterious health consequences. It can also mean that access to services is much more expensive, as in the case of informal settlements that pay inflated prices to draw water from tanker trucks in the absence of piped water.<sup>29</sup>

Lack of secure tenure can attenuate citizens’ ability to participate fully in society. Insecure tenure often translates into lacking a legal address, which can in turn makes households “invisible” to the wider society, uncounted in censuses, and ineligible for certain services, such as mail delivery, school registration, or government assistance programs.<sup>30</sup>

Insecure land rights affect economic and productive activities and adversely affect access to secure shelter and better quality of housing, and prevent households from accessing a source of financial security and transferable asset that can be sold, rented out, mortgaged, loaned and bequeathed.<sup>31</sup>

## 7.6 PROGRAMS AND POLICIES TO IMPROVE TENURE SECURITY

Having tenure security is not a panacea, but can create the foundation for greater rights and better living conditions. The recognition of the importance of tenure security on the part of governments and multilateral institutions is a big step toward creating this foundation.<sup>32</sup> In this vein, Latin American governments have supported efforts to improve land titling and cadastral systems, with the goal of strengthening systems for registering land in the public domain.

As well, increasing effort has been invested in regularizing or improving the security of tenure in the interest of securing the property ownership rights of low-income households and potentially creating the conditions for assets to be used to secure formal loans.

The World Bank is one of the multilateral institutions that has made land issues a policy and funding priority over the past decade, as has the Inter American Development Bank through its funding of settlement regularization efforts.<sup>33</sup> The Global Land Tool Network (GLTN) – set up by UN-HABITAT and its partners – focuses on improving land management and tenure tools for poverty alleviation and livelihood improvement of the poor as a way to facilitate the attainment of the Millennium Development Goals.<sup>34</sup>

Land regularization efforts are often integrated with parallel efforts to improve housing and neighbourhoods, a dynamic discussed in more detail in the section on settlement upgrading. Examples such as the Neighbourhood Improvement Program (PROMEBA) and Rosario Habitat in **Argentina** share the goal of providing legal title to households in low-income settlements simultaneous with supporting infrastructure improvements and programs to promote healthier living conditions and youth education.<sup>35</sup> The Urban Property Owner Rights Regularization Pilot Project in **Guatemala** has worked to streamline land registration procedures to enable individual owners and organizations to secure clear titles to their properties.<sup>36</sup> FUPROVI in **Costa Rica** helps households regularize their properties at the same time that they make housing improvements funded by a loan that is paid off by an anticipated future subsidy.

These programs require government or international donor funding, of course, a factor that can always pose a threat to sustainability. COFOPRI in **Peru** charges a fixed fee for regularizations carried out on private land, but regularizes titles to plots on government land at no charge. Rosario Habitat in **Argentina**, and the Informal Neighbourhood Legalization Process in **Guatemala**, cover more than three-quarters of regularization costs, offering financing to households to fill the gap.<sup>37</sup> In the case of FUPROVI, costs for technical assistance for tenure regularization are incorporated into the larger bridge loan.

In **Brazil**, the city of Recife pioneered the enactment of ZEIS – Special Zones of Social Interest – as a planning and land management instrument that recognized the boundaries of dozens of informal settlements in the early eighties. Included in the city’s master plan and endorsed by the municipal council, this initiative opened the door to the recognition of land rights of inhabitants of informal settlements and the application of specific planning and building codes within their boundaries.

ZEIS had a two-fold goal: to recognize the informal settlements and their respective residents’ rights over that land and to determine the boundaries where specific setback, floor area ratio, road width and plot sizes and other planning standards could be applied in the its subsequent regularization and upgrading. The ZEIS concept was further incorporated into the 2001 Brazilian national legislation known as the “City Statute” that conditionally recognizes the land rights of individuals in urban areas occupied not less than 5 continuous years. Henceforth both the ZEIS and the City Statute’s instruments have been widely used by municipal governments in Brazil as a means to recognize land rights and simultaneously regulate land use.<sup>38</sup>

The most well-known program to regularize informal property has taken place in **Peru**, where the Peruvian government has undertaken a massive effort to legalize more than 1.2 million

THE DIGITIZATION OF CADASTRES HAS ENABLED GREAT STRIDES TO BE MADE BY THOSE GOVERNMENTS THAT CAN AFFORD THIS INVESTMENT.

properties in less than a decade, half of these in the greater Lima area. The program was carried out by the governmental entity Commission for the Formalization of Informal Property (Peru) (COFOPRI), with the goal of formally establishing property rights that could serve as the collateral to secure capital for home improvements and business start-up and expansion. The program regularized former squatter settlements, illegal subdivisions, businesses, and parties who had occupied private land. The effectiveness of this effort vis-à-vis “thawing out” the capital thought to be frozen in irregular assets appears to be limited. As of 2002, less than 2 per cent of regularized households had accessed formal mortgage loans – possibly because of a reluctance of households to seek financing at banks due to a longstanding alienation, or because their informal



Figure 17: Governments across the region are making efforts to upgrade cadastre systems and bring cadastre information to a level that more accurately describes the reality on the ground. Santa Teresa, Brazil.

Photo © UN-HABITAT/Claudio Acioly



sources of income made lenders reluctant to issue them loans.<sup>39</sup> These results do not undermine the wisdom of regularizing tenure per se, since households may view their assets as more secure, could leverage them in the future to gain access to services or capital, or may be better positioned to transfer assets as secondary real estate markets develop. The limited uptake of mortgage finance seems, however, to have debunked any notions that regularizing tenure in itself is a panacea for affordable housing woes.

More generally, governments across the region are making efforts to upgrade cadastre systems and bring cadastre information to a level at which it more accurately describes the reality on the ground. The digitization of cadastres has enabled great strides to be made by those

governments that can afford this investment, and the advent of easily accessible but sophisticated tools like Google Earth have enabled municipal officials to access up-to-date data that would have been unimaginable a decade ago. Moreover, it has been noted that recognition is growing of the importance of the cadastre as a source of information that serves multiple purposes and multiple actors, including utility companies, government, and the private sector. To this end, some Latin American cities – notably in **Brazil** and **Colombia** – have made progress in bringing together diverse sources of information to construct integrated multipurpose cadastres.<sup>40</sup> Continued improvements in the quality of information using such approaches will help all stakeholders have a better grasp of the evolution of land uses in the region.

## PART SEVEN ENDNOTES

1. IDB, 2004
2. Cerón, 1992
3. Fay, 2005
4. MINURVI, 2007
5. IDB, 2004
6. LILP, 2002
7. UN-Habitat, 2005a
8. Fay, 2005
9. Fay, 2005
10. de Soto, 2000
11. UN-Habitat, 2005a
12. Simioni and Szalachman, 2007
13. UN-Habitat, 2008c
14. LILP, 2002
15. UN-Habitat, 2005a
16. Mitlin, 2003
17. Simioni and Szalachman, 2007
18. Janvry and Sadoulet, 2002
19. Janvry and Sadoulet, 2002
20. Simioni and Szalachman, 2007
21. Simioni and Szalachman, 2007
22. MIT, 2008a
23. VVDU, 2005a
24. MIT, 2008a
25. Stein and Vance, 2008; FUSAI, 2004
26. UN-Habitat, 2008c
27. UN-Habitat, 2003
28. Ferguson, 1999
29. Mitlin, 2003
30. de Soto, 2000
31. UN-Habitat, 2008c
32. MINURVI, 2007; UN-Habitat, 2008c
33. Brakarz, 2008
34. GLTN, 2008
35. Brakarz, 2008; Simioni and Szalachman, 2007
36. Simioni and Szalachman, 2007
37. Simioni and Szalachman, 2007
38. Acioly, 2002
39. UN-Habitat, 2005a
40. LandLines, 2006





Figure 18: In part due to low population and urbanisation growth, and the role of housing cooperatives, Uruguay's housing deficit is small compared to its Latin American neighbours. Colonia del Sacramento, Uruguay. Photo © UN-HABITAT







Figure 19: High density social housing, Medellín, Colombia.  
Photo © UN-HABITAT

# 8

## *PART EIGHT*

### THE ROLE OF SUBSIDIES IN HOUSING PROVISION





## 8. THE ROLE OF SUBSIDIES IN HOUSING PROVISION

Subsidies have long been one of the tools in the toolbox of housing policies in Latin America, taking various forms and exhibiting results just as diverse. Once spurned as alternatively wasteful, inefficient, or given to corruption – especially vis-à-vis the era of government-built public housing – subsidies have experienced various transformations over the past decade. Large-scale subsidy programs have come out of **Chile, Colombia, Costa Rica, Ecuador, Mexico** and **Brazil**. In addition, municipalities, national governments, NGOs, and international organizations have all played a part in creating smaller-scale models targeted at specific marginalized populations or the needs of specific regions. In their totality, these efforts have worked to take a bite out of quantitative and qualitative housing deficits, exhibiting great promise and initiative but also case-by-case limitations as models for addressing low-income housing needs.

Current incarnations of large-scale subsidy-based approaches to addressing low-income housing needs emerged from a context in the 1970's and earlier of widespread disillusionment with direct government provision of housing to low-income populations.<sup>1</sup>

By recognizing that the State alone could not address housing needs, governments created instruments and allocated resources to further the goal of enabling low-income families to address their housing needs through the market.<sup>2</sup> For low-income households with constricted housing budgets, opportunities to access formal housing markets were limited.

Direct-demand subsidies have come to be favoured as an instrument to expand the purchase power of such households, thus transforming their potential demand for housing into an effective demand and enabling them, in theory, to participate in the market. Such subsidies, when well applied, can be effectively targeted toward needy groups, contrasting with interest-rate subsidies, for instance, which are often seen to benefit disproportionately those who can afford loans and households who are able to borrow

more.<sup>3</sup> Some subsidy mechanisms are viewed as a means for sparking private investment in the housing sector by increasing consumer demand, while other types are viewed as a way of getting resources to community groups that in turn spur local, more informal economic ripple effects.

### 8.1 COUNTRY EXAMPLES OF HOUSING SUBSIDY PROGRAMS

**Chile** is the most touted example of subsidies' use in expanding housing opportunities to low-income households. Launched in 1977, Chile's program combined a one-time subsidy, obligatory savings, and an optional loan component, now a well-recognized tri-partite strategy. Up through the turn of the twentieth century, Chile's program allocated capital subsidies to households according to income and a number of criteria such a level of savings and membership of certain subgroups (single mothers, for instance).<sup>4</sup> The Chilean program came to be praised as a best practice for its transparency, its targeting of the poor relative to previous programs, and its shift of housing provision to private market providers – typically small construction firms – that were seen as more efficient and effective than government in addressing the diversity of housing demand. The Chilean program curtailed the invasion of land and extended infrastructure to a larger percentage of the population than ever before, in the process significantly reducing Chile's housing deficit.<sup>5</sup> It may also have been a factor contributing to Chile's lower proportion of urban slums.

The need for big responses to mounting housing deficits motivated programs in **Colombia, Costa Rica**, and, later, **Ecuador** that were largely modelled on the Chilean approach. These programs all combined subsidy, savings and an optional loan component and were administered through private sector entities, except in **Costa Rica**, where the administration is largely the province of housing NGOs.<sup>6</sup>

The subsidy program in **Colombia** has shown success, but also set in bolder relief some of the drawbacks of the Chilean model. The third prong of the subsidy strategy – private mortgage finance to supplement subsidy and savings – showed limited uptake by low-income households, despite the strength of Colombia's

finance sector.<sup>7</sup> Similar issues affected the subsidy program in **Ecuador** in the late 1990's, perhaps owing to a cultural and financial reluctance of low-income households to borrow and financial institutions' insufficient efforts to reach down market. **Chile** also experienced issues with addressing the finance question, prompting one author to write that "perhaps private banks and traditional mortgages for low-income households are incompatible" in the case of such subsidy programs.<sup>8</sup> The Chilean program attempted to remedy this by disbursing its own loans, resulting in default rates at approaching 70 per cent at one point in the nineties.<sup>9</sup>

The program in **Chile** was also criticized for not sufficiently reaching the neediest households, with less than 30 per cent of subsidies going to families in the lowest income quintile, a dynamic that characterized the Colombian program as well.<sup>10</sup> Progress was made in reaching out to lower-income groups relative to past efforts, but still less than it should have been considering the concentration of the housing deficit in the lower-income strata. A mandatory savings component may have played a part in making it difficult for poorer households to qualify<sup>11</sup> – a dynamic that is said to have limited the reach of **Ecuador's** subsidy, which required about a 30 per cent contribution from the household between savings and fees.<sup>12</sup> In this area, the subsidy program in **Costa Rica** has made strides in extending subsidies to lower-income groups.

This is compared to its previous policies in the early 1990's, through which 95 per cent

of housing funding was directed toward the wealthiest 39 per cent in the form of mortgage subsidies.<sup>13</sup>

While subsidy programs can serve to control government housing expenditures, the same issue of limited resources can, indeed, be the "the Achilles heel of all subsidy policies—too many families in search of too few subsidies."<sup>14</sup>

Table 5 shows the coverage of aforementioned programs, impressive but limited in the face of the demand. The size of the housing deficit and the massive demand also casts a shadow over the relative numbers of subsidies granted, and a larger shadow in countries with bigger housing deficits. **Colombia** is one example of this, a country where over 70 per cent of the population in the 1990's was at an income level to qualify for the subsidy on paper.<sup>15</sup> Without taking into account future population growth, the Housing Incentive Program in **Ecuador** would need to deliver subsidies for 25 years to address the current qualitative deficit.<sup>16</sup> Even in **Chile** with its relatively low housing deficits, in 1998 over 1.5 million households opened a savings account – a prerequisite for subsidy qualification – resulting in an estimated wait of over twenty years to be subsidized for a new housing unit.<sup>17</sup>

**Costa Rica's** subsidy program – one program of the National Finance System for Housing (SFNV) – is directed toward construction, land acquisition and construction, or purchase or improvement of an existing house. The program combines subsidy graduated by income with

Table 5. Subsidy program coverage across countries

Number of subsidies relative to the housing deficit	
Chile, 1996	10.5–12.2%
Colombia, 1993	1.7–2.6%
Ecuador, 1998-2002	0.0115
Huanuco	30
Subsidies relative to national population/number of households	
Chile	2.2%
Colombia, 1995	0.4–0.65%
Costa Rica, over 10 years	13%

Source: (Gilbert, 2004, Fay, 2005, Frank, 2004) In Ecuador there were 25,000 beneficiaries, out of 540K urban deficit over four years. Single year estimate is 1.15%



a down payment from the household, and is typically supplemented by a loan administered by a non-governmental “Authorized Entity”. This entity works with beneficiaries to define a locally appropriate housing strategy, contrasting with previously developer-driven approaches. The involvement of skilled housing NGOs has been cited as one factor enabling the program to move down market (see Box 6 for more detail).<sup>18</sup>

**Chile** completely retooled its subsidy program in 2002, substantially changing the channelling and targeting of the subsidy. Subsidy allocation

and program design result from a collaboration of savings groups and facilitator entities, allowing a micro-targeted approach. The new program shifted its emphasis almost entirely to the neediest households; 94 per cent of the participants came from households in the lowest three income deciles, many of whom would have been unable to access previous government programs, especially those requiring debt. This resulted from a conscious decision on the part of MINVU (The Ministry of Housing and Urban Development) to invest an eye-opening 70 per cent of national housing program resources in

### ▶ Box 9: The Foundation for the Promotion of Low-Cost Housing: Costa Rica

The Foundation for the Promotion of Low-Cost Housing (FUPROVI) was created as a result of efforts on the part of the Costa Rican government and the Swedish International Development Agency (SIDA) to bring new housing tools to low-income populations. FUPROVI represented a new model of NGOs that would play a novel role in the housing improvement efforts of low-income households, serving as a liaison to both low-income groups and government housing agencies. The agency served as one of the “Authorized Entities” that administer the national housing subsidy, combining functions of ad-hoc underwriter for loans, financial intermediary for the subsidy, and facilitator and technical advisor on the housing construction process.

FUPROVI provides a range of different forms of assistance to families in the process of accessing and implementing the national housing subsidy. Support includes technical assistance in construction, legal issues (in terms of securing land tenure), assistance with bridge financing, and facilitation of self-help and collective building processes. FUPROVI plays a unique role as bridge lender for families who have access to the subsidy, but have not yet met all requirements to qualify for final disbursement. (Families do not receive the subsidy from the SNFV until they have secured title to their property and built their housing, for example.) Households receive bridge funding from FUPROVI to either build or improve their homes and begin to repay FUPROVI following completion. Once households receive title to their completed property (with FUPROVI's assistance) they receive the subsidy and repay the FUPROVI loan as agreed, and take on longer-term financing if necessary. The household has been assisted in accessing government subsidy,

and FUPROVI revolving loan fund is reimbursed for further use. The NGO also uses this bridge period to conduct collective education efforts around community-building.

The role of FUPROVI goes beyond the provision of financing. In a typical low-income settlement the government constructs the main infrastructure (roads, water, electricity), and families, individually and through mutual aid, build their housing units and internal service connections. FUPROVI assists with the organization of the latter process and plays a role in providing technical assistance in the construction process to help ensure the quality of the final product. (FUPROVI-assisted houses cost less than the average house built by the construction industry, at USD 6,000 for a house of about 42 square meters, and are said to be of higher quality.)

One of FUPROVI's innovations is its unique organizational form. It works closely with the government as a liaison to facilitate housing solutions, but remains an independent entity. This means that the organization can stay relatively unaffected by political shifts and thus focus on its role in the implementation of housing solutions in low-income communities. Its independence allows it autonomy, but not self-sustainability, given that the current program depends on the continued flow of subsidies from the central government. Its methodology has also legitimized self-construction by low-income households in the eyes of the housing sector and enhanced it through community based technical assistance efforts. FUPROVI is one example of the strong involvement of NGOs in Latin America as effective and beneficial intermediaries between communities and governments.

*Source: (Grundström, 2005, Linden, 2005)*

## ▶ Box 10: Uruguayan Cooperative Housing Movement

Like many collective efforts at housing improvements, the Uruguayan cooperative housing movement began in the late sixties as a reaction to a growing housing deficit for low-income communities and dissatisfaction with the available means of accessing housing. Uruguayan housing policy provides the legal and institutional framework that enables cooperatives to serve as the organizing entities for housing creation and also provides financing and subsidy to fund such efforts. The movement has resulted in approximately 200,000 member household accessing housing in over 400 Uruguayan communities over the last three decades. The Quinta de Batlle Cooperatives – located on the outskirts of Montevideo, the capital of Uruguay – present a strong example of how a collective process can produce high-quality homes and weave an enduring social network for community development. The project resulted in the construction of 206 homes with all necessary infrastructures, set the stage for the construction of a second phase of 350 homes, and brought infrastructure to a poor neighbourhood of nearly 2,000 families.

Previously living in range of precarious housing conditions on the urban periphery, the members of the four cooperatives organized to improve their housing conditions utilizing the mutual-aid model. Federación Uruguaya de Cooperativas de Vivienda por Ayuda Mútua (FUCVAM) - a cooperative umbrella organization – collaborated with the collectives to secure the approval and funding to build. The municipality provided the land and infrastructure for the project and the Ministry of Housing, Territorial Planning and Environment provided the financing, which was administered by the Mortgage Bank of Uruguay.

Low-interest financing – including 19 per cent subsidy – funded 80 per cent of the project costs, with the remaining 20 per cent covered by the members' in-kind labour contributions. FUCVAM connected the various stakeholders, serving as the main negotiator, advising the cooperatives on their initial formation, training them in self-management, and making collaborative connections with other cooperatives. Once underway, the cooperatives themselves managed the project financial resources, planned the layout of the neighbourhood and homes, mobilized the community's involvement, and, not least, each household contributed 21 hours of weekly labour to the mutual-aid construction effort. Technical assistance entities assisted the cooperatives with design, construction approvals, loan applications, and monitoring of construction progress. Households did not know which house will be theirs until post-completion, when homes were assigned by lottery. The owner of the homes and land is the cooperative itself. Families have usage rights but are not, individually, the owners; they must seek the permission of the cooperative to sell their share, which represents their contribution to the project to-date.

One strong result of the project is the social network it created. Community organizations stabilize the neighbourhood and have a capacity to solicit other collective benefits, such as new public transport routes. Notably, children of cooperative members have started another two cooperatives to construct a second generation of housing on a nearby plot of land, illustrating how the collective movement has had an enduring influence on approaches to addressing the community's housing needs.

*Source: (Grundström, 2005, Linden, 2005)*

addressing the needs of the poorest 20 per cent of the population. The regional reach was equally impressive, serving 67 per cent of municipalities (comunas) in the country. From its start as a pilot program in 2001 until 2005 the FSV benefited 57,000 families in 1,018 projects, an expenditure of USD 465 million over four years.<sup>19</sup>

**Brazil** has set a new horizon for subsidizing low-income housing with the establishment of the National Social Housing Fund (FNHIS) in 2005. The FNHIS was established by the newly-formed Ministry of Cities with a mandate to formulate policies and programs that “promote

access to decent housing for the low-income population, which constitutes nearly the entirety of the country's housing deficit.” FNHIS was the result of a long process of mobilization by popular groups advocating for the establishment of a dedicated fund for housing improvements for low-income groups.<sup>20</sup>

The program is remarkable for its nature of inclusion as well as its scale. Business organizations, labour groups, NGOs, community groups and academics make up the Council of Cities, one entity responsible for approving proposals for subsidy funding out of the FNHIS,



which represents 1 billion BRL per year (USD 416 million) until 2010.<sup>21</sup> Project proposals are defined primarily by local and state governments, and focus on land acquisition, settlement upgrading, and the creation of new housing for families making less than USD 471 in monthly income. From 2008 onward ten per cent of funds (BRL 100 million, or USD 41.6 million) will be specifically dedicated to funding housing proposals put forth by community groups and NGOs from across the country.<sup>22</sup>

This Social Housing Fund is only part of a broad-reaching strategy in **Brazil** to address both housing affordability and adequacy issues through the allocation of resources to regularize land and convert it to housing use, construct and acquire homes, upgrade existing structures, spur the rental market, and upgrade and regularize informal or precarious settlements. The Ministry of Cities has invested resources of BRL 64 billion (USD 27.5 billion) in housing-related initiatives for the period from 2003 to 2008 – an outlay that reached approximately 2.9 million families. Given the recent advent of this comprehensive approach, detailed data is not yet available on the success of its execution or its impact in reducing housing deficits. Initial evidence indicates that resources have reached lower-income households, with estimates that 77 per cent of housing actions in 2007 benefited households falling under three minimum salaries.

## 8.2 LOCALLY-BASED MODELS FOR HOUSING CREATION: THE ROLE OF NGOS

A number of independent initiatives, emerging from NGOs, community groups, and local governments have worked to address housing issues in low-income communities through new housing construction, housing improvements, and infrastructure provision. The examples are united by their unique organizing entities; in most cases some variation of a collective organization of residents or future residents was utilized. They represent more than just a method for conveyance of subsidies or delivery of housing, but utilize the process of producing housing as an opportunity to build communities and local organizational capacities. Their methodologies have a great deal in common, but also offer lessons about how different modes of organizing

can fit into different local contexts. Furthermore, many of these serve as examples of how NGOs and local government can successfully collaborate to facilitate the provision of quality housing for low-income groups.

- The cooperative housing movement in **Uruguay** has a long history as a collective mechanism for community-based housing creation. Projects are financed by national housing funds that include a subsidy, and cooperative households contribute their own construction labour, owning the properties collectively. Umbrella organizations of cooperatives play a major role in advocating for the movement and acting as liaison during the implementation of projects. In Uruguay, the cooperative housing movement has resulted in over 200,000 member households accessing housing over the past three decades. The cooperative model has spread to neighbouring **Brazil** and **Paraguay**, among other Latin American countries.<sup>23</sup>
- The NGO FEDEVIVIENDA in **Colombia** uses small subsidies to aid households earning below four minimum wages (USD 497) that already have land or are in the midst of improving their housing progressively. Concentrated in the Bogotá metropolitan area, the program assisted 5,237 households from 1993-2001. The program offers technical assistance to improve construction quality and helps collectivize material purchases to reduce costs. It is funded by local and national governments and received start up assistance from an international NGO, Misereor.<sup>24</sup>
- The “Esta es Tu Casa” Program in **Mexico** (“This is Your Home” Program) combines subsidies with loans and household savings to enable low-income families to improve and purchase dwellings, primarily in metropolitan areas. The program is administered through intermediaries ranging from banks and microfinance institutions to housing NGOs and municipalities. In 2007 the program granted 118,000 subsidies constituting USD 350 million in investment that leveraged an additional USD 130 million in savings

from participants and USD 1.9 in housing loans. The program targeted low-income households, with 91 per cent of subsidies going to families making less than three minimum salaries, or USD 470 monthly.<sup>xv25</sup>

- The result of grassroots efforts to create new tools for low-income housing improvements, Casa Melhor/PAAC in Fortaleza, **Brazil** combines a subsidy from the local government with household savings and a small loan to make improvements or additions to existing dwellings. Participants – self-organized into savings groups – learn collectively about the housing process, encourage each other to save and support each other on repayment. The program has been incorporated as a regular feature of municipal budgets through local participatory budgeting processes.<sup>26</sup>
- A companion program of PAAC, Comunidades, channels subsidy to low-income families in **Brazil**, combining it with savings, small loans, and contribution of households' efforts. The program used the mutual-aid *mutirão* method, organizing participants into savings groups that served as the organizing unit for teams contributing to the collective community construction effort. Both local and international NGOs were involved in the administration and implementation of the program.
- Previously described programs like FUPROVI in **Costa Rica** and PRODEL in **Nicaragua** engage directly with communities to determine their housing needs, then assist individual households to gain access to subsidies, define and fund household improvements or construction, and assist families to resolve issues that may be acting as a bottleneck to improved housing conditions, such as lack of technical skills or insecure tenure.<sup>27</sup>

These programs have commonly directed a subsidy to low-income households to build or improve, each using a unique channelling mechanism in conjunction with technical assistance, innovative organizing methodologies, and, in some cases, mutual support strategies. These are examples of what has been called

“non-state public management” integrating NGOs, government, and civil society to achieve a communitarian purpose.<sup>28</sup>

NGO and community organization involvement was crucial to incorporate participatory tactics that enabled users to cater projects to their specific needs and contexts. This dynamic appears to have strengthened the projects and insured that they were demand-driven, contrasting with earlier more top-down, developer-dominated strategies of delivering housing. The involvement of NGOs and the use of community-based strategies has helped to ensure that low-income communities are served, including delegating to poor families the decision of whom to serve, such as in **Brazil**, and serving only families below the poverty line, as in the examples of **Chile** and **Mexico**, *inter Alia*.

Given the people-intensive models that are employed in these projects, it is not surprising that they require a great deal of human resources to administer. Evaluations of projects involving NGO and other intermediaries often stress that a high degree of coordination is necessary to satisfy goals of participation, manage user-directed subsidies, and provide technical assistance. Examples from **Costa Rica**, **Brazil**, **Chile**, and **Mexico** show how NGOs and municipalities can reduce the time and funding burden of such strategies by relying on the labour and expertise of volunteer professionals and students. The involvement of NGOs can pay off, though: their knowledge of local housing conditions can serve to focus the use of subsidy to address the most pressing shelter needs in the community. Likewise, their involvement can strengthen local capacity for creating housing solutions, thus decentralizing approaches to solving housing problems.



## PART EIGHT ENDNOTES

1. Fay, 2005
2. Gonzales Arrieta, 1998; Frank, 2004
3. UN-Habitat, 2005a
4. Saborido, 2006
5. Gilbert, 2004
6. SIDA, 1997
7. Gilbert, 2004
8. Gilbert, 2004
9. Saborido, 2006
10. Gilbert, 2004
11. Gilbert, 2004
12. Frank, 2004
13. Fay, 2005
14. Gilbert, 2004
15. Gilbert, 2004
16. Frank, 2004
17. Gilbert, 2004
18. Fay, 2005
19. Saborido, 2006
20. Blanco, 2007
21. Blanco, 2007
22. Brasil, 2008
23. Fruet, 2005; Ortiz and Zárate, 2006; Fox, 2008
24. Ortiz and Zárate, 2006
25. CONAVI, 2009
26. Cabannes, 1997; Cabannes, 2002
27. PRODEL, 2006; Stein and Castillo, 2005
28. Denaldi, 1994



**Figure 20: NGO and community organisation involvement is crucial to incorporate participatory approaches that enable users to cater projects for their specific needs and contexts, such as this participatory design exercise in Brazil.** Photo © UN-HABITAT/Matthew French



Figure 21: Adobe housing is used through Latin America, Guatemala.  
Photo © UN-HABITAT/Matthew French







Figure 22: The combination of individual and collective improvements means that even the poor families who may not be able to qualify for a housing loan still participate in and benefit from community-wide infrastructure improvements. Medellín, Colombia. Photo © UN-HABITAT/Manuel

# 9

*PART NINE*

## SETTLEMENT UPGRADING



## 9. SETTLEMENT UPGRADING

### 9.1 BACKGROUND ON SLUMS IN THE REGION

Although not exclusively an urban phenomenon, slum growth has come to be associated with urban growth and the growth of urban housing deficits, as greater numbers of households compete to access housing in growing urban areas. In 2005, the slum population throughout the region was estimated at 134 million inhabitants, representing nearly one-third (30.8 per cent) of the regional population.

Given that “slum” is a word that carries strong negative connotations, it is important to point out that these settlements are the results of often resourceful strategies of low-income (and sometimes moderate-income) households driven by necessity to address their housing needs. While acknowledging the negative impacts of slums – poor living conditions, insecure tenure, and environmental and societal externalities, inter Alia – they are, in fact, a housing category that provides shelter to millions throughout the LAC region and offers an entry into the housing sector for many families. UN-HABITAT writes that:

*Slums do not simply ensnare impoverished urban dwellers; they also act as intermediate urban spaces, situated between destitution and opportunity – key places of transition*

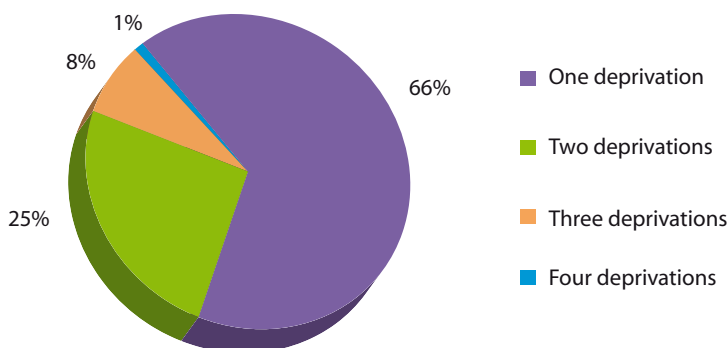
*that can help or hurt individuals, depending on the actions of governments, the private sector, civil society and slum dwellers themselves. They can also provide upward mobility to urban dwellers and become sites of immense economic opportunity, culture and innovation – the hallmarks of successful cities.<sup>1</sup>*

Nevertheless, slums are typically defined by what they lack: dwellings subject to deprivations in any of the following areas are categorized as slums by UN-HABITAT:<sup>2</sup>

1. Durable housing of a permanent nature that protects against extreme climate conditions.
2. Sufficient living space which means not more than three people sharing the same room.
3. Easy access to safe water in sufficient amounts at an affordable price.
4. Access to adequate sanitation in the form of a private or public toilet shared by a reasonable number of people.
5. Security of tenure that prevents forced evictions.

Slums are by no means homogenous, exhibiting a diverse range of typologies. Scattered households experiencing overcrowding in a working class neighbourhood of Lima, **Peru**, for example, could be classified as slum dwellings, as could

Figure 23: Proportion of slum households in LAC by number of shelter deprivations



Source: State of the World's Cities, 2006/7

large parts of entire informal settlements like the Rocinha favela in Rio de Janeiro, **Brazil**, a city whose slum population is as large as Helsinki, the capital city of Finland.<sup>3</sup> The degree of housing inadequacy can also be quite broad within the slum category. In Latin America and the Caribbean (LAC) the majority of slums exhibit a single deprivation according to the above definitions, with a quarter of households exhibiting two deprivations, and less than ten per cent with more than two deprivations.

According to these criteria, slums in LAC exhibit less deficiencies relative to those of Sub-Saharan Africa – where more than half of the slum population suffers from more than two deprivations – but represent more deficient

conditions relative to those of Western Asia, where 23 per cent of the slum population experiences more than two deprivations.<sup>4</sup> It should be noted that slums are not solely the province of poor households, as indicated by a slum growth rate that is higher than the poverty growth rate across the region.<sup>5</sup> A recent article maintains that “poverty alone cannot explain [the] informality” that categorizes areas as slums, pointing out, for example, that the growth rate of inhabitants of favelas in Brazilian cities is five times that of the growth rate of the poor population of Brazilian urban areas. This indicates a trend encountered in other Latin American cities as well, where it is not just the poor who experience conditions of shelter deprivation.<sup>6</sup>



**Figure 24: Favela da Mangueira in Rio de Janeiro, before and after the Favela Bairro Programme.**

Photo © UN-HABITAT/Gisele Raymundo

Like Eastern Asia, slums in the LAC region are growing at a slower rate than urban population. While it is still alarming that slums grow at a rate of 1.28 per cent per year, this is lower than the average annual urban population growth rate of 2.21 per cent. In general, this suggests that progress has been made in addressing deficiencies in slum areas. While this accomplishment is laudable, the task of reducing slum growth remains great: based on the rate of slum growth between 1990 and 2001, the United Nations' Global Urban Observatory projects that over 160 million households will live in slum conditions in the year 2020 in Latin America and the Caribbean.<sup>7</sup>

## 9.2 RECOGNITION OF THE NEED FOR SETTLEMENT UPGRADING

Responding to the enormity of the issue of slums, settlement upgrading efforts have been a strong element of habitat improvement strategies over the course of the last decade, with many Latin American cities pursuing large-scale upgrading programs to improve housing conditions and expand opportunities for affordable and adequate housing. Whether through direct funding or public policy measures, a number of international institutions and national and local governments have come to acknowledge the primacy of upgrading efforts in reducing qualitative housing

deficits and opening up access to improved shelter opportunities for low-income households.<sup>8</sup> With Goal 7, Target 11, the Millennium Declaration has set the global objective for the year 2020 of achieving a "significant improvement in the lives of at least 100 million slum dwellers".<sup>9</sup> The spotlight on settlement upgrading as a response to this objective has come from, inter Alia, the "Cities Without Slums" initiative the Cities' Alliance, a partnership of the World Bank and UN-HABITAT.<sup>10</sup> Recent efforts to emphasize the importance of upgrading run parallel to a widespread recognition of the political, social, and economic costs of failed policies that uprooted slums and relocated or eventually displaced residents in the past.<sup>11</sup> In contrast, settlement upgrading can improve housing options and conditions, bolster security of tenure, and offer opportunities for socially, politically, and economically integrating settlements and their inhabitants more fully into the fabric of cities.


## 9.3 INTEGRATED UPGRADING APPROACHES

In its most visible form, settlement upgrading is about improving physical conditions in slums, including basic infrastructure (water, electricity, sewerage, etc.), community improvements such as public lighting, storm drainage, solid waste disposal, and the improvement of private homes and businesses. The scale of these physical



Figure 25: The Urban Development Enterprise (EDU) of Medellín, Colombia assisted households to resettle and consolidate their settlement along the polluted Juan de Bobo stream, combining goals of environmental improvement, land regularization, and community participation. Photo © UN-HABITAT/Gisele Raymundo





improvements can be quite large, such as in the case of the Favela Bairro program in Rio de Janeiro, **Brazil**, which upgraded physical infrastructure and basic services in 143 communities benefiting nearly 600,000 residents over the course of the last 15 years. Upgrading as currently conceived is not just a physical task, however, and a place to live does not just mean a house, a fact illustrated by Favela Bairro and other integrated strategies across Latin America.

Settlement upgrading has come to represent a range of approaches to improving living conditions beyond just bricks and mortar and strictly housing-related improvements. Interventions to improve living conditions have evolved into programs that integrate physical improvements with community-based efforts to address social and health issues, promote education and training for residents, address environmental concerns, and create physical layouts that promote the physical and social inclusion of residents in the city.<sup>12</sup> Regularizing the tenure status of settlements typically underlie this integrated strategy, with approaches ranging from securing de facto right of use to full provision of title.<sup>13</sup> The integrated approach has been influenced by a number of movements across Latin America; including the notion that habitat is more than just a house, but the entire physical and social surroundings of the house. Concomitant with this is the idea that all citizens have a right to use, participate in, and benefit from the public spheres of their urban environment – known as the “right to the city”.<sup>14</sup>

## 9.4 PARTICIPATION AS A KEY ELEMENT

The ethic of participation has been increasingly put into practice as governments, funding agencies, and NGOs recognize that community participation is a key factor in ensuring that upgrading initiatives have a positive and lasting impact on communities. Focusing on participatory strategies is not just about effectiveness, per se, but represents an acknowledgment that poor households are already resourceful and creative in addressing their housing needs even in the face of powerful constraints

From a wider perspective, a recent study writes that “there exists a strong desire and powerful potential within low-income communities to take care of their own affairs, manage financial matters, and create sustainable assets in infrastructure and shelter.”

The same study defined participation as:<sup>15</sup>

*a process in which people, and especially disadvantaged people, influence resource allocation and the formulation and implementation of policies and programs, and are involved at different levels and degrees of intensity in the identification, timing, planning, design, implementation, evaluation, and post-implementation stage of development projects.*

An analysis of upgrading initiatives in São Paulo, **Brazil** – where 32 per cent of the nearly 20 million residents live in slums – found that the involvement of community actors at every stage of the upgrading process – from design to post-completion maintenance – was a key ingredient in the success of upgrading programs.<sup>16</sup>

A study of five Latin American participatory upgrading projects found that participation should not constitute a fixed variable in settlement upgrading schemes, but, rather, should take shape in accordance with the capacities of stakeholders, the goals of the project, and the demands of the local context.

Examples from the field show a wide variety of approaches to participation. In **Costa Rica**, the FUPROVI program intensively trained families to implement and manage mutual-assistance construction projects.<sup>17</sup> A law relating to popular participation in projects in **Bolivia** mandated participatory budgeting at the local level an entry point to participation of the community.<sup>18</sup> The PROSAMIN project in **Brazil** featured several entities geared toward different modalities of participation, including an independent commission to serve as ombudsman to resolve disputes and conflicts.<sup>19</sup> Some projects came into being as a result of the efforts of community organizations mobilizing to put settlement upgrading on the local and national government agendas. One example of this can be found in





➤ **Box 11: Indispensable conditions for converting upgrading initiatives into a sustainable citywide strategy**

**Political will and decentralized governmental structures:** Seen by many as the most important factor in scaling up settlement upgrading, political will must be in place to ensure the dedication of financial resources and public policy support for upgrading efforts. Government economic and program resources need to be dedicated to investing local authorities with responsibility for upgrading efforts, activating their often rich local knowledge and experience.

**Legal, political, and regulatory framework:** Local policies and regulations should be designed so as not to impose requirements that stifle settlement upgrading. Nationally, effective mechanisms to ensure land rights and registration and cadastre systems play a big role in facilitating upgrading efforts.

**Area-Based Needs Assessment and Implementation:** A long-term strategy and vision for the development of an informal settlement needs to be in place, not just a strategy focusing on one sector of upgrading. To implement such an integrated plan, the coordinating entity needs to have access to resources to implement the project and be a legitimate authority in the eyes of both the community and the various agencies involved in upgrading. Technical assistance mechanisms must be in place to enable citizens to participate effectively in planning and implementing upgrading projects and aid them to become stewards of the long-term sustainability of habitat improvements.

**Development of Appropriate Institutional Arrangements:** The transition from a sectoral approach to an integrated approach calls for a clear, coordination strategy adopted by all stakeholders, to ensure that individual actors' prerogatives do not dominate planning or implementation of upgrading efforts.

**Strategic Alliances:** Multi-actor approaches are necessary to integrated efforts to upgrade settlements, including residents, public utilities, various levels of government, and

property owners, among others. Actors who hold a stake should be included in planning and implementation. While respect must be maintained for individual perspectives and interests, a common vision and strategy needs to be defined.

**Land Tenure:** The security of tenure is of paramount importance. It can be a factor that enables and promotes investment in homes, and can encourage community-wide improvements.

**Subsidy Structure and Cost Recovery Strategy:** Attention should be given to the balance of subsidy and cost recovery strategies, incorporating the financial contribution of beneficiaries when appropriate.

**Program Format:** The means of allocating resources must be carefully chosen, in accordance with local demands and the availability of resources. Two options that exist are the "social investment fund" and the "comprehensive upgrading program". The former allows communities to submit proposals to fund specific housing needs but can represent a piecemeal approach to addressing habitat issues. The latter can promote more all-encompassing improvement efforts involving various stakeholders and diverse goals, but can sometimes prove too costly.

**Development of a Critical Mass of Local Capabilities:** A range of unique skills and specialized organizations and professionals is necessary to accomplish integrated settlement upgrading efforts. Whether this means construction skills specific to informal settlements, participatory approaches, or promotion of microcredit access, efforts must continue to be dedicated to training professionals and organizations in the skills that are needed to implement specialized approaches to upgrading.

*Sources: adapted from (Imparato and Ruster, 2003, SIDA, 1997, CELADE, 2007)*

Fortaleza, **Brazil**, where the organizing efforts of community groups and NGOs around housing issues eventually led to the creation of the Casa Melhor/PAAC program to aid communities in their self-construction and regularization efforts.<sup>20</sup>

Housing needs are defined largely by the contexts and demands of users; these factors can be brought

into the equation of settlement upgrading when participation is incorporated into project planning and implementation. The "buy-in" of residents can be crucial to the implementation of projects and the maintenance of improvements over time, especially after external organizations leave. Furthermore, participation of users can translate into housing and communities that embody the needs on the ground rather than

the proscriptions of outside actors or externally-imposed models. Furthermore, incorporating participation acknowledges the important role that communities have already played in addressing their housing needs, and the important role that they continue to play in improving their communities.

## 9.5 SOCIALLY-ORIENTED UPGRADING INITIATIVES

A number of upgrading efforts across the region incorporate initiatives that address social and educational goals. The IDB's Neighbourhood Improvement Program has emphasized goals of social inclusion and poverty reduction, funding the construction of clinics, day-care facilities, and community centres in its integrated upgrading programs in 17 countries.<sup>21</sup>

In **Argentina**, Rosario Habitat has emphasized youth training and workforce preparedness and supported efforts to improve health outcomes of residents.<sup>22</sup> The Favela Bairro's efforts in **Brazil** to integrate training and education for residents have met with less success, finding that literacy training was needed before job training.<sup>23</sup> In the case of UN-HABITAT Mexico, the Secretariat of Social Development has recognized that settlement upgrading serves as a powerful mechanism for addressing poverty and social improvement goals.<sup>24</sup>

Such initiation of settlement upgrading efforts by governmental entities concerned with goals of social development is becoming increasingly common, according to a recent report.<sup>25</sup> Upgrading programs in **Bolivia**, for example, have integrated goals of physical improvement with social development, training residents in the construction skills necessary to participate in the refurbishing and upkeep of their homes over time.

## 9.6 THE SYNERGY OF SETTLEMENT UPGRADING WITH ENVIRONMENTAL IMPROVEMENTS

As access to land becomes more difficult for low-income households, informal settlements appear in some of the most precarious and vulnerable urban sites. Residents of such settlements are more vulnerable to natural disaster – living in a

flood zone – or environmental hazard – living in the vicinity of transport nodes – and the presence of such settlements can negatively impact the wider population of urban areas, as in the case of informal settlements that contaminate local watersheds.

Settlement upgrading efforts in the region have come to recognize that an exclusively sectoral approach to such issues is often ineffective – environmental concerns and habitat concerns often go hand in hand, as do their solutions.

The Guarapiranga project in **Brazil**, which focused on the management of a water basin that was critical for water provision for several municipalities, the shores of which had been gradually occupied through informal encroachments and illegal land sub-divisions. The initiative regularized and relocated informal settlements at the same time that it addressed serious environmental issues affecting an area inhabited by over half a million residents of metropolitan São Paulo.

The PROSAMIN program, also in **Brazil**, integrated major relocations and reshaping of land uses in the interest of reducing the vulnerability of informal settlers and protecting tributaries of the Amazon in Manaus.<sup>26</sup> Upgrading projects have also served more modest but laudable environmental remediation goals, as in the case of Favela Bairro, which has reforested over 40,000 trees through its 14 years of operation.

These initiatives respond to the principles that preserving the environment and addressing environmental concerns are essential to adequate shelter provision, given that residents of informal settlements often face disproportionate risks – both now and in the future -- as a result of environmental problems, whether through land slides, flooding, or exposure to high pollution areas. Moreover, the manner in which slum upgrading incorporates environmental concerns can positively or negatively impact upon the quality of life not just of slum dwellers, but of the populations of entire urban areas, as in the case of water basin management.



## 9.7 INTEGRATING SETTLEMENTS INTO THE URBAN FABRIC

In a region earmarked by sharp inequalities and social exclusion, a new brand name has emerged to become a synonym of settlement upgrading: integration of informal settlements. This denomination clearly indicates a policy focused to reverse economic exclusion, physical disconnection, social and spatial segregation. This approach is motivated by goals of recapturing citizenship for disenfranchised populations and promoting equality in access to services. Improving the physical connections of settlements with the rest of the city has been one theme guiding integrated settlement upgrading strategies. It recognizes that some settlements are, quite literally, cut off from the rest of the city by their physical location. Others do not have access to infrastructure and basic services, sometimes owing to difficult logistics and other times the result of prejudicial treatment by service providers.

To address such issues, the Neighbourhood Improvement Program (PROMEBA) in **Argentina** has improved road and pedestrian connections to the rest of the city, and improved access to public transportation and public infrastructure such as hospitals. Likewise, the Housing Subsidy Program in the **Dominican Republic** views transport connections as one of the primary factors in locating projects.<sup>27</sup> A study of settlement upgrading in São Paulo, **Brazil**, notes that locating public spaces at points of intersection with adjacent neighbourhoods is an important tactic to promote integration with the rest of the city.<sup>28</sup>

In Medellín, **Colombia** the municipality implemented a strategy to improve areas around new cable car transport nodes, enhancing the impact of transport and physically and socially reconnecting an area of 230,000 inhabitants that had experienced high degrees of crime and social exclusion.<sup>29</sup> These responses to settlement upgrading can strengthen low-income households' "right to the city", creating greater opportunities for integration into the physical and social fabric of the cities and better positioning residents to take advantage of the benefits offered by urban areas.

## 9.8 CONTRIBUTIONS OF RESIDENTS

Participation of residents can also include the contribution of financial resources or sweat equity to upgrading projects. Low-incomes curtail the payment capacity of most residents of informal settlements, but current examples show that residents are often willing and able to make some financial or other contribution to improvement initiatives.

PRODEL in **Nicaragua** integrates household labour contributions into the upgrading of common facilities and services, and offers households microloans to be able to improve their individual housing circumstances.<sup>30</sup> Revolving loans funds offer another option for financing individual improvements, as in the case of a nationwide program in **Bolivia** that offers microcredits at subsidized interest rates for housing improvements in informal settlements.<sup>31</sup>

Pooled savings act as a mechanism to raise funds for a community trust that can leverage other funding sources and can finance the beginnings of upgrading efforts and provide loans to contributors, as exemplified by the Mutual Assistance Program in **Mexico**, which helps to facilitate such funds.<sup>32</sup> Bringing down costs can also mean collectivizing community functions, such as in **Guatemala**, where the El Mezquital community cooperative responded to a lack of services by collectively managing water provision to the community at affordable prices.<sup>33</sup>

Technical assistance is part of enabling participation: Favela Bairro in **Brazil** makes improvements in the public domain and public services provision while leaving the improvement of the dwellings in the hands of residents. This objective is supported by the POUISO program, which takes the form of urban planning and social orientation stations in neighbourhoods after regularization efforts are completed. Acting as small municipal government units within the favelas, they assist residents with the housing improvement process; provide guidance in complying with building and planning codes and help residents gain access to financing.<sup>34</sup>

## 9.9 ONGOING CHALLENGES

Despite these successes, the task of settlement upgrading continues to be extremely complicated and difficult to achieve, especially as settlement upgrading programs evolve to include a more complex and wide-ranging set of goals.<sup>35</sup> Furthermore, the same factors that limit low-income households' shelter options limit the implementation of settlement upgrading initiatives. Counted among these obstacles are the high cost of land for relocations and common facilities, the expense of retrofitting services in often precarious and awkward locations, difficulties of regularizing tenure, and the challenge of working in a context of urban social conflict and crime that has disenfranchised much of the population from participation in mainstream urban life.<sup>36</sup>

Compounding these difficulties is the fact that every project is unique, requiring a context-specific approach that responds to the demands of users. As a recent study notes, this challenge can inspire “a strong, demand-responsive supply structure and enabling framework to aid community participation”, strategies that have driven the success of recent programs in five Latin American countries.<sup>37</sup> Scaling up successful strategies depends on a number of conditions and approaches, including a long-term and integrated assessment of neighbourhood needs, political will and institutional supports on a number of

levels, and the input and participation of local stakeholders in the formulation of program goals and methods (see Box 8). Not least, the costs of settlement upgrading can be enormous, and difficult to afford for governments with already limited budgets. But the costs of not upgrading could be even higher if we consider the negative impacts of unimproved settlements on their residents and the negative externalities for cities as a whole.

It is clear that informality is expensive considering the financial and social costs to residents of irregular settlements and the social, economic, and environmental costs borne by the communities and cities that they occupy. Recent writing has also made it clear that settlement upgrading is quite expensive when compared to acquiring and servicing raw land. Smolka has written that servicing new land in Latin America can cost an average of USD 25 per square meter compared to USD 50-70 per square meter to service occupied land through a regularization program.<sup>38</sup> Concerns have also been expressed about the unintended consequences of settlement upgrading when not well-executed, including creeping informality and speculation in areas that are slated to be regularized.<sup>39</sup> Settlement upgrading thus cannot be an isolated approach to expanding housing options for low-income families, but must be one approach to shaping the city to satisfy the housing demands of its low-income inhabitants.

## PART NINE ENDNOTES

1. UN-Habitat, 2006
2. UN-Habitat, 2006
3. UN-Habitat, 2006
4. UN-Habitat, 2006
5. Smolka, 2003
6. Smolka, 2003
7. UN-Habitat, 2008d
8. Simioni and Szalachman, 2007
9. UN-Habitat, 2008e; UN, 2000
10. UN-Habitat, 2005b
11. Fay, 2005
12. CitiesAlliance, 2008
13. Acioly, 2002
14. Fernandes, 2007
15. Imparato and Ruster, 2003
16. CitiesAlliance, 2008
17. Stein and Castillo, 2005
18. Imparato and Ruster, 2003
19. dos Santos, 2008
20. Cabannes, 1997
21. Brakarz, 2008
22. Saborido, 2006
23. MIT, 2008b
24. González, 2008
25. Brakarz, 2008
26. dos Santos, 2008
27. Simioni and Szalachman, 2007
28. CitiesAlliance, 2008
29. Orsini, 2008
30. PRODEL, 2006
31. Simioni and Szalachman, 2007
32. Simioni and Szalachman, 2007
33. Díaz et al., 2000
34. Brakarz et al., 2002
35. Brakarz, 2008
36. CitiesAlliance, 2008; Orsini, 2008
37. Imparato and Ruster, 2003
38. Smolka, 2003
39. Smolka, 2003



*Latin America has been the source of a multiplicity of responses to housing and land issues over the last several decades.*






Figure 26: The provision of new affordable housing and the improvement of existing deficient housing is an issue that requires attention throughout Latin America. Barrio San Jorge, Argentina.  
Photo © UN-HABITAT/Matthew French

# 10

*PART TEN*

**CONCLUSIONS,  
NOTABLE  
TRENDS, AND  
RECOMMENDATIONS**



## 10. CONCLUSIONS, NOTABLE TRENDS, AND RECOMMENDATIONS

This report has endeavoured to represent some of the trends in affordable housing and land provision in Latin America and the Caribbean and identify some of the approaches taken by governments, NGOs, and communities to meet the challenges of providing housing for low-income segments of society. Improvements can be seen a number of areas, but crucial issues remain on the road to providing quality housing for all Latin American households, including high land prices, general affordability concerns for households, evolving but nevertheless pervasive informal land acquisition strategies, and still alarming numbers of households who live in substandard conditions or simply cannot access a home of their own.

This report has not been exhaustive, but even a limited review of the housing situation in the region shows that there is a wide range of innovation in progress and a great deal of potential to meet the challenges of the century ahead. While it is difficult to generalize about a region of 21 countries, this final section identifies promising trends and recommends how further movement in positive directions can be promoted.

Housing deficits and related measures provide a great deal of information about the problems of short supply of housing and the deficiencies in the existing housing stock. These measures, however, are not as useful as they could be, given that data is not always contemporaneous, is sometimes quite out of date, and assessments of deficits are not always designed to measure the same variables across countries. These areas of disjoint make difficult the use of housing deficit statistics to assess progress or compare the impact of housing approaches in different countries or different regions. Furthermore, better measurement is needed not just of which houses are acceptable or deficient, but what proportion of the housing stock is improvable.

More contemporaneous, parallel, and frequently measured data would be invaluable to better understanding the shelter challenges faced by the region, and more nuanced data about the continuum of deficiencies would better enable governments and practitioners to shape more diverse and targeted responses.

### 10.1 RECOGNIZING AND UNDERSTANDING INFORMAL HOUSING AND LAND MECHANISMS

Compared to the amount of data and research available on the formal housing sector, little information exists about how informal housing and land processes function. Informal strategies are the rule rather than the exception in many locales, serving as the mechanisms that many if not most low-income households utilize to access land and housing. The centrality of the informal housing and land sectors underlines the importance of asking still-unanswered questions: How do informal land markets work and vary with locality? How do low-income families make housing decisions? What are the different ways that families build incrementally? What are the various roles of informal contractors? Having more complete answers to these questions will enable housing policymakers and practitioners to better structure their responses to current challenges.

### 10.2 SCALING SETTLEMENT UPGRADING BUT REMAINING GUIDED BY THE NEEDS OF RESIDENTS

Settlement upgrading programs have achieved notable successes over the past decades, integrating a number of different approaches that reduce qualitative and quantitative deficits and improve living conditions for families across the region. Participation is often identified as one of the fundamental aspects of such programs, enabling it to achieve success and maintaining the sustainability of its positive impacts. As programs reach greater and greater scale (by necessity, given urban growth), attention needs to be paid to the evolving needs of communities. Maintaining participation as a core value of these efforts can be a key to their success, as is maintaining a number



of points of entry to participation as households themselves change over time.

### 10.3 IMPROVING ACCESS TO AFFORDABLE LAND

Land is one of the most costly inputs to housing. The pursuits of affordable land is shaping Latin American cities, as more and more households head to urban peripheries and convert open areas into new settlements. Government inaction vis-à-vis the question of land can result in low-income households gaining access to affordable land by any means necessary and feasible. Informal land submarkets are meeting these demands, sometimes at a high cost to households and society. The potential consequences of this trend include the spread of informality, poor planning resulting in unworkable neighbourhoods and sprawl, and high costs and thus smaller budgets to spend on housing improvement for low-income households. Government should not be at the steering wheel to secure or apportion land, but should hold the road map to expand affordable land purchase options and to encourage the use of land for affordable housing. This includes adjusting regulatory and legal frameworks to enable legal divisions in line with current successful informal practices, reinventing taxation schemes to discourage “sitting” on land, and looking for opportunities to bank land using mechanisms like land value recapture.

### 10.4 MAXIMIZING THE USE OF SUBSIDIES TO “MICRO-TARGET” RESPONSES TO HOUSING CHALLENGES

The time in which mass-produced, one-size-fits-all housing was the norm in attempting to address mass housing needs seems to be fading into the past in most countries. There is wide recognition that solutions need to be demand driven in order to succeed and offer housing options that address the specific needs and capacities of low-income households. To achieve solutions that meet the demands of specific contexts, the mechanisms to implement housing solutions need to be informed by knowledge about these needs. One way that this has been achieved is through the allocation of subsidies through channels that enable communities to “micro-target” responses

to housing issues. Whether through local savings groups, housing cooperatives, or mutual help groups, these channelling mechanisms create space for participants to define housing responses appropriate to their needs, capabilities, and local constraints. Furthermore, the involvement of NGOs and local governments, for their part, can be an effective means of delivering housing solutions that are similarly catered to local contexts. Although often labour and cost-intensive, the involvement of local organizations and governments can yield the added benefit of building local organizational capacities. On another level, governments can follow the examples of countries like Brazil that have created funding streams that directly support the efforts of community and NGO proposals to micro-target housing responses – in a sense, an instance of “funding the funders”<sup>xix</sup> and enabling those who know the needs to construct the solutions. This approach is not easy – of government it requires a trust in intermediary organizations and of these organizations it requires capacity to carry out housing programs – but it shows great promise.

### 10.5 EXPANDING THE REACH OF HOUSING FINANCE MECHANISMS

From a macroscopic point of view, housing finance can spur economic development and influence the growth of capital markets. On a household level, it enables large numbers of Latin Americans to purchase housing and gain access to an asset that can serve as a household’s source of stability and future wealth. Its benefits to low-income households in Latin America, however, are limited at best. The lack of affordability and accessibility of formal mortgage finance has cast it out of the reach of more than two-thirds of low-income households, making the powerful leverage of finance only an abstract concept for the great majority of Latin Americans. Strides have been made in certain instances to bring housing finance down market and open up financing opportunities to lower-income groups, but these examples remain limited. Government policies can play a role in encouraging movement down market by offering incentives like capital, mortgage insurance and training to financial institutions. Government, NGOs, and financial



institutions can better position low-income households to access finance by encouraging financial institutions to move into low income neighbourhoods, educating communities about the benefits of finance, and providing tools to build up their credit records. On current terms, however, low-incomes relative to loan amounts make affordability a major bottleneck to accessing mortgage finance. Promise can be seen in other trends like shelter microfinance, which better match the budgets of low-income households and suit the progressive construction methods that many households use. Movements of housing finance down market should continue to be encouraged, housing microfinance mechanisms should be strengthened and broadened to meet the growing demand, and other products that fall between the two modalities need to be researched to provide new finance mechanisms to support housing construction and improvements.

### 10.6 NEW APPROACHES TO DEALING WITH THE DEMANDS OF URBANIZATION

The growth of cities big and small seems to be an inevitability of the future. As cities expand outward, the threat of sprawl grows; in cities that are geographically constricted, densification and vertical growth can have their own negative

consequences. In areas where poverty reigns, demands for affordability can exert pressure on existing informal settlements, spread cities to the perimeter with new developments, and exacerbate environmental and transport concerns. In areas where economies are pushing up incomes, the number of cars on roads may increase; families look for opportunities to purchase developer-built housing or may build their own houses bigger.

The potential negative externalities of any growth scenario make it absolutely urgent to support investigation and implementation of a greater diversity of housing responses. In most locales, true categorical housing choices are not diverse: new housing construction and improvements to existing stock do not a pluralist housing sector make. Rental housing – a potentially powerful tool in addressing housing needs -- is relatively limited in the region and practically ignored by most governments. Secondary real estate markets are stunted in many locales by an emphasis on new construction and a paucity of loans to purchase “used housing”. This limits the mobility of people and the liquidity of their homes as assets. Current taxation policies, for example, do not encourage investment in existing properties, for example, with one result being that a large number of dwellings remain uninhabited. This



Figure 27: Time and resources thus need to be invested in the investigation of other tenure types and how to utilize current stock to maximize housing opportunities for low-income Latin Americans. Lima, Peru. Photo © UN-HABITAT/Claudio Acioly

is a tragedy in an era of great housing need. Time and resources thus need to be invested in the investigation of other tenure types and how to utilize current stock to maximize housing opportunities for low-income Latin Americans.

Latin America has been the source of a multiplicity of responses to housing and land issues over the last several decades. At present the region continues to be seen as a leader in responding to these pressing issues, and a leader in innovation on the level of governments, NGOs, and community organizations. Part of this may be explained by the fact that LAC has urbanized earlier than most other regions of the developing world, necessitating a response to urban challenges earlier in the game than other places. When we look at recent innovations, we see that the region has continued to utilize tactics from the past, in some cases resulting in success and in others repeated mistakes. It has also exhibited a willingness to change course and tweak approaches that were productive but imperfect, as in the recent case of Chile's reinvention of its subsidy system.

Actors like Mexico and Brazil have taken on big challenges that bridge sectors and acknowledge the primacy of addressing the needs of lower-income groups. The latter has embraced tactics – such as direct funding of community groups – that were born out of popular movements and could have impressive results in localizing and fine tuning government responses to housing challenges. Participatory tactics in other realms, such as settlement upgrading, show us how the role of participants can be paramount to gearing programs to the needs of users and ensuring the ongoing sustainability of projects after outside organizations depart. Housing programs that distribute subsidy using localized strategies similarly open up a space for strengthening the important role of community groups, NGOs, and local governments in housing provision.

Housing microfinance is increasingly finding a role in the toolbox of incremental housing builders, largely because it fits their improvement strategies and matches their financial abilities. These institutions may become bigger players in the housing sector, if the demand for housing microfinance is as great as estimated and if MFIs step up their efforts to broaden the reach of this housing finance tool. Housing finance, for its part, has shown promise for moving downmarket, but further movement will hinge on the affordability of loans, the development of institutional practices and products that attract lower-income borrowers, and the availability of capital to continue growing the sector.

All of these approaches are necessary to truly address the diversity of housing needs and housing contexts found throughout the region. All of these approaches show most success when they fit the needs of particular housing users in particular locations – a strategy that is successful and appropriate in one locale could fail and be completely inappropriate in another. For this reason, a continuum of housing responses must continue to be utilized in the LAC housing sector to be able to address the enormous variety of housing challenges found throughout the region.

Information is crucial to maintaining the relevance of the responses of the housing sector: accurate, up-to-date, and nuanced housing deficit measurements and understandings of the evolution of informality, for example, inform our understanding of where resources need to be dedicated and how strategies need to be modified or reinvented. As the world moves into the first urban millennium, the housing strategies that emerge from Latin America and the Caribbean are likely to remain in the global spotlight as innovative strategies for improving the affordability and adequacy of housing for low-income households.







Figure 28: Fragile timber housing extending of the water at Novos Alagados, Todos os Santos Bay, Salvador.  
Photo © UN-HABITAT/Matthew French

# 11

*PART ELEVEN*

**REFERENCES**



## A

- ACCION 2007, A Comparison of Housing Finance Programs for Low Income People in Peru.
- ACIOLY, C. 2002, The rationale of informal settlements regularisation projects: from settlement upgrading to integration approaches, Institute for Housing and Urban Development Studies.
- ACS 2006, 2006 American Community Survey US Census Bureau, [Online]. Available: [http://factfinder.census.gov/servlet/STTable?\\_bm=y&-geo\\_id=01000USqr\\_name=ACS\\_2006\\_EST\\_G00\\_S2501&-ds\\_name=ACS\\_2006\\_EST\\_G00\\_](http://factfinder.census.gov/servlet/STTable?_bm=y&-geo_id=01000USqr_name=ACS_2006_EST_G00_S2501&-ds_name=ACS_2006_EST_G00_)
- ADAMS, R. H., JR. 1991 'The Economic Uses and Impact of International Remittances in Rural Egypt'. *Economic Development and Cultural Change*, 39, no. 4, pp. 695.
- ALLIANCE, C. 2002, FUNHAVT's Housing Microfinance Program in Mexico, Cities Alliance, Washington, DC.

## B

- BLANCO, C. J. 2007, Sistema e fundo nacional de habitação de interesse social, Ministério das Cidades, Brasil, Brasília.
- BRAKARZ, J. 2008, Logros y Desafíos de los Programas de Mejoramiento de Barrios: Lecciones a Partir de la Experiencia del Banco Interamericano de Desarrollo, unpublished paper presented at the workshop "Programas de Mejoramiento de Barrios: Análisis comparado de lecciones aprendidas y nuevos enfoques" October, 2008, Montevideo, Uruguay.
- BRAKARZ, J., GREENE, M. & ROJAS, E. 2002, Cities for all: Recent Experiences with Neighborhood Upgrading Programs, Inter-American Development Bank, Washington, DC.
- BRASIL 2008, Sai resultado de entidades habilitadas para o FNHIS, Ministério das Cidades, [Online]. Available: <http://www.cidades.gov.br/noticias/sai-resultado-de-entidades-habilitadas-para-o-fnhis> [December 13, 2008].

## C

- CABANNES, Y. 1997 'From community development to housing finance: from Mutiroes to Casa Melhor in Fortaleza, Brazil'. *Environment and Urbanization*, 9, no. 1.
- CABANNES, Y. 2002, Urbanisme négocié au Brésil : bilan d'une expérience à Fortaleza.
- CELADE 2007, Potencialidades y aplicaciones de los datos censales: una contribución a la explotación del Censo de Población y Vivienda de Nicaragua 2005, CELADE - División de Población de la
- CEPAL, [Online]. Available: <http://www.eclac.cl/cgibin/getProd.asp?xml=/publicaciones/xml/0/29920/P29920.xml&xsl=/celade/tpl/p9f.xsl&base=/celade/tpl/top-bottom.xsl> [December 1, 2008].
- CERÓN, H. A. 1992, Análisis a proyectos de vivienda de interés social, Universidad de los Andes, [Online]. Available: [http://guaica.uniandes.edu.co:5050/dspace/bitstream/1992/752/1/MI\\_ICYA\\_2005\\_031.pdf](http://guaica.uniandes.edu.co:5050/dspace/bitstream/1992/752/1/MI_ICYA_2005_031.pdf)
- CGAP n.d., Framing the Debate — Housing Finance for Slum Upgrading, [Online]. Available: [http://www.habitat.org/hfhu/programs/cgap\\_working\\_group/housing\\_finance\\_for\\_slum\\_upgrading.aspx](http://www.habitat.org/hfhu/programs/cgap_working_group/housing_finance_for_slum_upgrading.aspx) [December 5, 2008].
- CIDOC & SHF 2006, Current housing situation in Mexico, 2006, Centro de Investigación y Documentación de la Casa (CIDOC) and Sociedad Hipotecaria Federal (SHF), Mexico City.
- CITIESALLIANCE 2008, Slum upgrading up close: experiences of six cities, Cities Alliance, Washington, DC.
- COHRE 2008 'Ecuador heading towards a new Charter of Rights.' *Bulletin on housing rights and the right to the city in Latin America*, 1, no. 1.
- CONAVI 2009, CONAVI website, [Online]. Available: [http://www.conafovi.gob.mx/tu\\_casa\\_necesitas.html](http://www.conafovi.gob.mx/tu_casa_necesitas.html) [January 24, 2009].
- CONTHE, P. & GARCÍA, A. 2007 'New Mechanisms for Developing Primary and Secondary Housing Finance Markets'. *Housing Finance International*, 21, no. 4.

## D

- DE SOTO, H. 2000, The mystery of capital : why capitalism triumphs in the West and fails everywhere else, Basic Books, New York.
- DENALDI, R. 1994 'Viable self-management: the FUNACOM housing programme of the São Paulo municipality'. *IHS Working Papers*, 1, no. 9, pp. 60.
- DÍAZ, A. C., GRANT, E., VARGAS, P. I. D. C. & VELÁSQUEZ, V. S. 2000 'El Mezquital – A Community's Struggle for Development'. *Environment and Urbanization*, 12, no. 1.
- DIGESTYC 2005, Principales resultados de la encuesta de hogares de propósitos múltiples 2005, Ministerio de Economía, Dirección General de Estadística y Censos (DIGESTYC), División de Estadísticas Sociales, San Salvador.
- DOS SANTOS, B. A. 2008, PROSAMIM y participación comunitaria: una propuesta democrática unpublished paper

presented at the workshop “Programas de Mejoramiento de Barrios: Análisis comparado de lecciones aprendidas y nuevos enfoques” October, 2008, Montevideo, Uruguay, Montevideo.

## E

ECLAC 2000, From rapid urbanization to the consolidation of human settlements in Latin America and the Caribbean: a territorial perspective, ECLAC and UN-Habitat, Santiago, Chile.

ECLAC 2004, The other urban agenda: experiences and programmes to alleviate poverty and precariousness in Latin American cities, unpublished paper prepared for the Ninth Ibero-American Forum of Ministries and High-level Authorities of the Housing and Urban Development Sector (MINURVI), 25-28 October 2004, Economic Commission for Latin America and the Caribbean (ECLAC), San Jose, Costa Rica.

ECLAC 2007, Social panorama of Latin America: statistical appendix, Economic Commission on Latin America and the Caribbean.

ECUADOR 2008, Constitución 2008: dejemos el pasado atrás, Asamblea Constituyente de la República del Ecuador, Quito, Ecuador.

## F

FAY, M. (Ed.) 2005 The urban poor in Latin America International Bank for Reconstruction and Development, World Bank, Washington, DC.

FERGUSON, B. 1999 ‘Micro-finance of housing: a key to housing the low or moderate-income majority?’ Environment and Urbanization, 11, no. 1.

FERNANDES, E. 2001, A new statute for Brazilian cities, [Online]. Available: [http://portal.unesco.org/shs/es/files/6104/10928441881city\\_statute.pdf/city\\_statute.pdf](http://portal.unesco.org/shs/es/files/6104/10928441881city_statute.pdf/city_statute.pdf) [December 15, 2008].

FERNANDES, E. 2007 ‘Constructing the ‘Right To the City’ in Brazil’. Social & Legal Studies, 16, no. 2, pp. 201-219.

FIDEL, C. n.d., Peculiaridades e interrogantes de la política económica, social y habitacional en Argentina: la década del ‘90, Universidad de Quilmes, unpublished report.

FISDL 2004, Mapa de Pobreza, FISDL and FLACSO, San Salvador.

FJP 2005, Déficit habitacional no Brasil 2005, Fundação João Pinheiro, Belo Horizonte.

## K

KEIVANI, R. & WERNA, E. 2001 ‘Refocusing the housing debate in developing countries from a pluralist perspective’. Habitat International, 25, no. 1, pp. 191-208.

## L

LANDLINES 2006 ‘Faculty Profile: Diego Alfonso Erba’. LandLines, 18, no. 1.

LANDLINES 2007 ‘Faculty profile: Interview with Pedro Abramo’. LandLines, 19, no. 1, pp. 20-21.

LILP 2002, Access to land by the urban poor, Lincoln Institute of Land Policy, Cambridge, USA.

LINDEN, A. 2005, Responding to the Qualitative and Quantitative Housing Deficit in the Latin American and Caribbean Region: Social Production of Habitat, a Sustainable Alternative for the Development of Human Settlements, ROLAC, Rio de Janeiro.

## M

MAGALHÃES, I. & CID BLANCO, J. 2007, A política nacional de habitação e os processos de coordenação federativa para atendimento da população moradora de favelas, Ministério das Cidades, Brasil, Brasília.

MCBRIDE, B. 2007, Building capital: the role of migrant remittances in housing improvement and construction in El Salvador, unpublished Masters thesis, Institute for Housing and Urban Development Studies, Rotterdam, the Netherlands.

MESARINA, N. & STICKNEY, C. 2007 ‘Getting to Scale in Housing Microfinance: A Study of ACCION Partners in Latin America’. Acción Insight, 1, no. 21.

MINURVI 2007, General Assembly of Ministers and Maximum Authorities of Housing and Urban Development in Latin America (MINURVI) October 8 - 9, 2007: Declaration from Santiago de Chile, MINURVI, Santiago, Chile.

MINVU 2004, El déficit habitacional de Chile Medición de requerimientos de vivienda y su distribución espacial, Ministerio de Vivienda y Urbanismo, Santiago de Chile.

MIT 2008a, THE CASE OF ARGOZ El Salvador private development: the case of Argoz, [Online]. Available: <http://web.mit.edu/urbanupgrading/upgrading/case-examples/ce-es-arg.html> [December 4, 2008].

MIT 2008b, Upgrading: case examples, [Online]. Available: <http://web.mit.edu/urbanupgrading/upgrading/case-examples/ce-BL-fav.html> [December 3, 2008].

MITLIN, D. 2003 'A fund to secure land for shelter: supporting strategies of the organized poor'. *Environment and Urbanization*, 15, no. 181.

MORAIS, M. D. P. 2007, Housing demand, tenure choice, and housing policy in Brazil, unpublished draft paper, Institute of Applied Economic Research (IPEA).

## O

ODELL, A. M. 2008, New Fund for Affordable Housing In Latin America, <http://www.socialfunds.com/news/article.cgi/2233.html>, [Online]. Available: [February 22, 2007].

ORSINI, F. 2008 'Proyecto Urbano Integral (PUI) de la Nororiental, hacia un Urbanismo Social'. *Revista Terracota*, 8, no. 3.

ORTIZ, E. & ZÁRATE, L. 2006, From Marginality to Citizenship: 38 Cases of Social Production and Management of Habitat, Habitat International Coalition, [Online]. Available: <http://www.hic-net.org/content/Online/PSH-2005-2.pdf> [November 25 2008].

## P

PRODEL 2006, Reducción de la pobreza y mejora urbana en Nicaragua : diez años de avance, Fundación para la promoción del Desarrollo Local (PRODEL), Managua.

## R

RIOFRÍO, G. (1996) Lima: mega-city and mega-problem. In GILBERT, A. (Ed.) *The Mega City in Latin America*. Tokyo United Nations University Press.

RIVAS, F. 2004, La situación del déficit habitacional de El Salvador, San Salvador.

RIVAS, G. 2009, Préstamos irrecuperables incrementan un 36.9%, *La Prensa Gráfica*, [Online]. Available: <http://www.laprensagrafica.com/economia/nacional/25497-prestamos-irrecuperables-incrementan-un-369.html>

ROLAC 2006, Producción social del hábitat en América Latina y el Caribe, Regional Office on Latin America and the Caribbean (ROLAC), Rio de Janeiro.

## S

SABORIDO, M. 2006, Experiencias emblemáticas para la superación de la pobreza y precariedad urbana: provisión y mejoramiento de la vivienda, Comisión Económica para América Latina y el Caribe (CEPAL), Santiago de Chile.

SATTERTHWAITE, D. 2003 'The Millennium Development Goals and urban poverty reduction: great expectations and nonsense statistics'. *Environment and Urbanization*, 15, no. 2, pp. 179-190.

SERAGELDIN, M., CABANNES, Y., SOLLOSO, E. & VALENZUELA, L. 2004, Migratory flows, poverty, and social inclusion in Latin America, Barcelona.

SIDA 1997 'New models for aid agencies seeking to improve housing for low-income groups: Sida's initiatives in Costa Rica, Chile and Nicaragua'. *Environment and Urbanization*, 9, no. 2.

SIMIONI, D. & SZALACHMAN, R. 2007, Primera evaluación del programa regional de vivienda social y asentamientos humanos para América Latina y el Caribe, CEPAL, División de Desarrollo Sostenible y Asentamientos Humanos Santiago de Chile.

SMOLKA, M. 2003 'Informality, Urban Poverty and Land Market Prices'. *Land Lines*, 15, no. 1.

SOLEIS.COM 2009, Índices: valores do salário mínimo, [Online]. Available: [http://www.soleis.com.br/salario\\_minimo.htm](http://www.soleis.com.br/salario_minimo.htm)

STEIN, A. & CASTILLO, L. 2005 'Innovative financing for low-income housing improvement: lessons from programmes in Central America'. *Environment and Urbanization*, 17, no. 47.

STEIN, A. & VANCE, I. 2008 'The role of housing finance in addressing the needs of the urban poor: lessons from Central America'. *Environment and Urbanization*, 20, no. 1, pp. 13-30.

SZALACHMAN, R. 2008, Acceso a la vivienda para los sectores de menores ingresos en América Latina, División de Desarrollo Sostenible y Asentamientos Humanos - CEPAL, presentation at IFHP conference October 2008, San Juan, Puerto Rico.

## T

TURNER, J. F. C. 1976, *Housing by people*, Marion Boyars Publishers Ltd, London.

TURNER, J. F. C. & FICHTER, R. 1972, *Freedom to build; dweller control of the housing process*, Macmillan, New York.

## U

UIP 2008, *Urban Indicators, Peru*, EEIR.org, [Online]. Available:

[http://www.eeri.org/lfe/pdf/peru\\_urban\\_indicators.pdf](http://www.eeri.org/lfe/pdf/peru_urban_indicators.pdf)

UN-HABITAT 2000, *Second Substantive Session of the Preparatory Committee for the Special Session of the General Assembly on the overall review and appraisal of the implementation of the Habitat Agenda*, UN-Habitat.

UN-HABITAT 2003, *Handbook on best practices, security of tenure and access to land – implementation of the Habitat agenda*, United Nations Human Settlements Programme, Nairobi.

UN-HABITAT 2005a, *Financing Urban Shelter: Global Report on Human Settlements*, United Nations Human Settlements Programme (UN-Habitat), Nairobi.

UN-HABITAT 2005b, *UN-HABITAT’S strategy for the implementation of the Millennium Development Goal 7 target 11*, United Nations Human Settlements Programme (UN-HABITAT), Nairobi.

UN-HABITAT 2006, *State of the world’s cities 2006/7*, United Nations Human Settlements Programme (UN-Habitat), Nairobi.

UN-HABITAT 2008a, *Housing Finance Mechanisms in Peru*, United Nations Human Settlements Programme, Nairobi.

UN-HABITAT 2008b, *Housing for all: the challenges of affordability, accessibility, and sustainability*, United Nations Human Settlements Programme (UN-Habitat), Nairobi.

UN-HABITAT 2008c, *Secure Land Rights for All*, United Nations Human Settlements Programme, Global Land Tool Network (GLTN), Nairobi.

UN-HABITAT 2008d, *Slum population projection 1990-2020 (based on slum annual growth rate (1990-2001))*, UN-Habitat, Global Urban Observatory, [Online]. Available: <http://ww2.unhabitat.org/programmes/guo/documents/Table4.pdf>

UN-HABITAT 2008e, *United Nations Millennium Declaration paragraph 19*, [Online]. Available: <http://ww2.unhabitat.org/programmes/landtenure/Paragraphs19.asp> [December 12, 2008].

UN 2000, *Resolution adopted by the General Assembly, United Nations Millennium Declaration*, [Online]. Available: <http://www.un.org/millennium/declaration/ares552e.htm>

## V

VVDU 2005a, *Diagnóstico sobre Vivienda y Urbanismo, Plan Nacional de Ordenamiento y Desarrollo Territorial*, Vice Ministerio de Vivienda y Desarrollo Urbano de la República de El Salvador (VVDU), San Salvador.

VVDU 2005b, *Política nacional de la vivienda*, Viceministerio de Vivienda y Desarrollo Urbano, San Salvador.

## W

WARNOCK, V. C. & WARNOCK, F. E. 2008 ‘Markets and housing finance’. *Journal of Housing Economics*, doi:10.1016/j.jhe.2008.03.001, no.

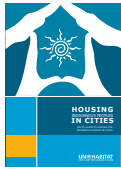
WB 2008, *World Remittances Factbook*, World Bank, [Online]. Available: <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21352016~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html> WEISNER, M. 2005, *Formalizing the Informal Sector: Should Microfinance Play a Role in Mexico’s Housing Policy?*, unpublished work.

WRI 2007, *Housing: The Next Four Billion*, World Resources Institute.





## OTHER RECENT LAND AND HOUSING PUBLICATIONS BY UN-HABITAT:



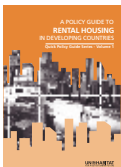
**Housing Indigenous Peoples in Cities: Policy Guide to Housing for Indigenous Peoples in Cities (2009)**  
ISBN: 978-92-1-132187-6

**Policy Guide to Secure Land Rights for Indigenous Peoples in Cities (2011) UN-HABITAT and GLTN**  
ISBN Number (Volume 2): 978-92-1-132360-3



**A Practical Guide for Conducting Housing Profiles (2010)**  
ISBN: 978-92-1-132028-2

### Quick Policy Guide Series



**A Policy Guide to Rental Housing in Developing Countries (2010) (Volume 1)**  
ISBN: 978-92-1-132327-6

**Enabling Shelter Strategies: Design and Implementation Guide for Policymakers (2010) (Volume 2)**  
ISBN: 978-92-1-132334-4



### Housing Practices Series



**Condominium Housing in Ethiopia: The Integrated Housing Development Programme (2010) (Volume 1)**  
ISBN: 978-92-1-132326-9

### Housing Profiles

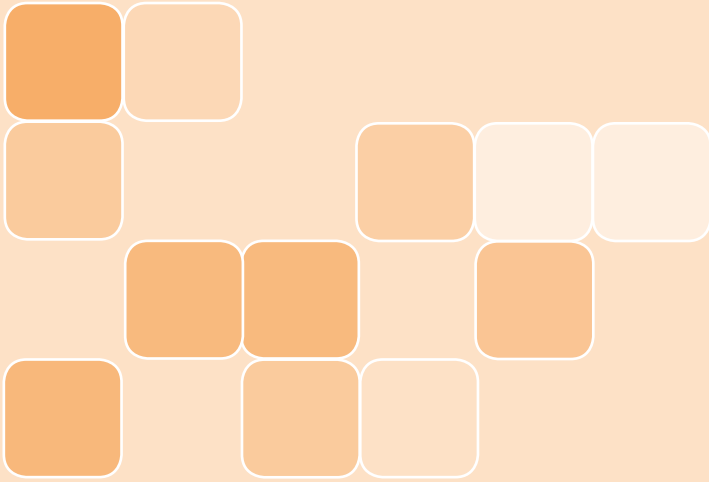


**Malawi Housing Sector Profile (2010)**  
ISBN Number (Volume): 978-92-1-132188-3

**Nepal Housing Sector Profile (2011)**  
ISBN Number (Volume): 978-92-1-132373-3



**Forthcoming: Uganda (2011), Ghana (2011), Tunisia (2011), Vietnam (2012), El Salvador (2012), Ecuador (2012).**



AFFORDABLE LAND  
AND HOUSING IN  
**LATIN  
AMERICA & THE  
CARIBBEAN**



## **Affordable Land and Housing in Latin America and the Caribbean**

Countries in Latin America and Caribbean region were the first in the developing world to go through rapid urbanisation. Today, the region is the second most urbanised region in the world. This urbanisation process has been accompanied by sharp social contrasts and economic disparities, a buoyant informal housing and land development process and increased local democracy and municipal autonomy, coupled with active social urban movements. This makes the Latin America and Caribbean region a unique landscape in the study of land and housing for the poor.

This study brings forward the complexity and richness of the housing responses undertaken by national and local governments, as well as NGOs in the region, with the aspiration to inspire other regions where similar trends are arising.

Indeed it offers the reader a contemporary review of these experiences in addition to shedding light on critical indicators and the overall housing needs of the region.

This publication provides an authoritative study for housing experts, policy makers, researchers and civil society organisations, and fills a gap in housing and land studies whilst enhancing our knowledge about the ways in which countries of Latin America and the Caribbean address land and housing needs.

**UN**  **HABITAT**

United Nations Human Settlements Programme (UN-HABITAT)  
P.O. Box 30030, Nairobi 00100, KENYA  
Tel: +254 20 762 3120  
Website: [www.unhabitat.org](http://www.unhabitat.org)