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Progressive housing approaches in the current Peruvian policies

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A B S T R A C T

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Since 1961, Peruvian governments promoted progressive housing construction as a way to cope with the huge housing deficits resulting from accelerated urbanization, a process which inspired John Turner for a pragmatic approach for progressive housing in poor countries: the self-help approach. The Peruvian political reforms of the 1990s, however, eliminated the support to progressive housing. The housing sector was reformed to promote access by: (a) facilitating mortgage credit as the way to overcome the large housing deficits, and (b) providing land titles in informal neighbourhoods to incorporate the properties to the formal housing market. Programmes for affordable housing were initiated in 2003, which coupled with the uplift of the economy have produced a construction boom and delivered affordable housing. On the other hand, COFOPRI, the programme to regularize land in informal neighbourhoods – considered the world's largest of its type and a model to other countries – has granted more than 1.8 million land titles. Since the main benefits seemed confined to certain groups during the first years, the government of García – installed in July 2006 – re-oriented the housing policies towards lower-income groups. In this context, this study explores the role of progressive housing approaches in the new policies and their effects on the housing situation of the poor.

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Introduction

Progressive housing approaches have been a characteristic of the Peruvian housing policies since 1961. Driven by rapid urbanization, progressive home building by poor residents had already become an important element of urban growth in Lima by the end of the 1950s. A demographic transition process, began in the 1940s, was forcing people to move away from the rural areas towards the largest Peruvian cities. Rural–urban migration changed Peru from an eminently rural into an eminently urban country in few decades, from 1940 to 1970. However, post-war industrialisation by import substitution was more modest and arrived later compared to other Latin American countries (Dietz & Tanaka, 2002), what resulted in widespread urban poverty.

Consequently, the housing situation became extremely challenging: rapid urbanization produced extensive informal settlements (called in Peru, *barriadas*). Most dwellings produced in such way, however, have low quality levels. According to the 2003–2007 National Housing Plan (PNV):

The total number of private dwellings according to the 1993 Census reached the figure of 5,099,592 housing units. Compared with the 1981 Census, this figure represents an average annual growth of (actually-occupied) 121,249 housing units. From these, the absolute majority was produced outside the formal rules and lacking minimal conditions of habitability (Ministerio de Vivienda, 2003: 2).

Due to the massiveness of *barriadas*, the housing deficit has become a qualitative rather than a quantitative issue. The Ministry of Housing estimated for 2000 a quantitative deficit of 326,000 dwellings, and a qualitative deficit of 907,000 dwellings. 40.9% of the whole housing deficit would be concentrated in Lima (Ministerio de Vivienda, 2003: 2). Nevertheless, the housing sector has been growing fast during the last years in Peru. State-sponsored programmes with private sector participation were initiated in 2003, aimed at building affordable housing, something new in the Peruvian housing sector, in which formal housing accessibility has been traditionally exclusively in the hands of the private sector.

The improved economic situation and the recently implemented programmes have promoted the dynamism of the construction sector. Thousands of new homes have been built in recent years, although not exclusively through public programmes. *The Economist* described Lima's construction boom:

Blocks of flats or offices are under construction on nearly every street. New hotels and restaurants sprout on every corner, while

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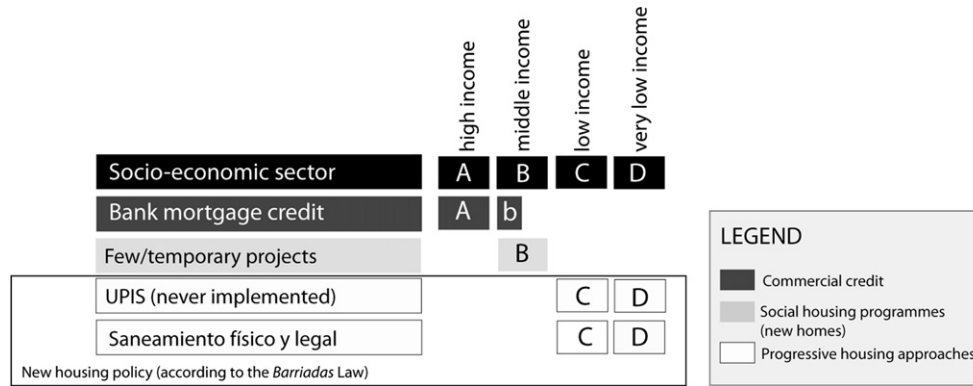


Fig. 1. Main way of access to housing according to the household's socio-economic levels during the 1960s.

shopping centres multiply in what were once shantytowns. ... Lima, Peru's capital of 8 million people is shedding its former air of provincial lassitude and turning into a bustling metropolis. The city is the visible face of a boom that has made Peru South America's fastest-growing economy. (The Economist, 2008: 56).

This process has made Lima denser, changing the face of many central districts. There are some auspicious trends: land consumption is not excessive; construction firms are building smaller and more affordable dwellings, and 98% of the new homes are apartments (Vera, 2007); while the average mortgage credit has decreased from US\$ 27,000 in 1994 to US\$ 20,000 in 2007 (El Comercio, 2007). Similar trends are observed in other large Peruvian cities.

Nevertheless, annual figures of new home building, counting both free-market and social housing sectors, is not even half of the 92,000 new-formed households annually (Davelouis, 2008). Consequently, the accumulated deficit keeps on growing, while a large percentage of households still get access to land and housing through self-supply.

Most part of the housing deficit – estimated as 1.5 million dwellings – is then qualitative, product of the substandard level of construction in informal settlements. In such cases, helping households in the different stages of their home building activities has a more significant effect in quality of life than the delivery of new homes, which tends to be assigned to those with easy access to credit. 'The progressive housing process has one central virtue. It offers the low/moderate-income majority a means for affording homeownership unavailable otherwise.' (Ferguson & Navarrete, 2003: 309).

In this context, this article explores the role of progressive housing approaches in the current housing policies and programmes offered by the Peruvian state. Although it refers to national policies and programmes, it has a special emphasis on the situation in Lima. The next section provides an overview of progressive housing approaches in Peru since the 1950s. Section 3 presents the recent changes in the housing policy and the establishment of the current social housing sector. Section 4 analyses the implementation of the policies and programmes. The results and conclusions are discussed in the last section, reflecting upon the achievements and pending challenges of the new housing policies and programmes.

Progressive housing approaches in Peru

The origins

Since the mid-1950s, Lima was affected by massive invasions of peripheral land – widely available at that time – by rural migrants

coming from the Andes. In February, 1961, the government passed a progressive policy, the Law for Marginal Settlements and Popular Social Housing Estates (the so-called *Barriadas* Law), which recognized the legal status of existing informal settlements; a radical shift at that time. Its aim was integrating *barriadas* into the city with a progressive approach, by coupling the physical improvement and the legalization of the existing *barriadas* in a process called "physical and legal improvement/regularization" (*saneamiento físico y legal*). The process began by the legalization of the whole settlement, crucial to provide tenure security for the investment in home building. The physical part included the delivery of basic services, while the legal part included property titles of the individual homes (in the final stage).

To avoid the formation of new *barriadas* the government would build 'Popular Social Housing Estates' (UPIS) with low-cost serviced lots and basic service units that would develop with progressive development² (Riofrío, 1991). Fig. 1 shows a scheme of the different ways to access housing according to the household's socio-economic levels (NSEs) after the approval of the *Barriadas* Law. To understand the socio-economic levels (or sectors) in Peru, see Box 1.

The 1970s: progressive housing propagates worldwide

During the 1950s and 1960s, conventional academic wisdom considered that the growing informal settlements in developing cities were by definition slums, places of delinquency and social breakdown (Hall, 2002). But John Turner's writings on *barriadas* gradually convinced the academic community of the positive aspects of progressive processes, and the importance to support them, as Peruvians did after the *Barriadas* Law.

In the 1970s, the progressive housing approach advocated by Turner – later called self-help – was recognized and recommended by international funding agencies. The World Bank proposed stopping slum clearance and supporting housing and land policies for low-income groups (Zanetta, 2001). After the First Habitat Conference in 1976, Turner's ideas were adopted by most international agencies involved with urban issues in developing countries. National governments built fewer housing projects but improved support for neighbourhood upgrading.

In Peru, the government promoted participation at neighbourhood level and improved the *barriadas*, providing connection to basic services and roads. In 1971, the establishment of Villa El

² The UPIS were never implemented, while the Law produced unintended effects, encouraging poor people to invade new land, in the hope of the future regularization of their settlements.

Box 1. Socio-economic levels (NSEs) in Peru

Most surveys in Peru are done according to the NSE (socio-economic levels) scheme, based on variables related to the possessions and consumption habits of the households and their heads. In the survey of the Peruvian Association of Market Research Firms (APEIM) showed here, the most important are: (a) level of education of the household head; (b) way of access to the medical system; (c) tenure of household equipment and services; (d) level of home crowding; and (d) home building materials (APEIM, 2008).

According to the results, households are distributed in five socio-economic levels: high-income (A level), middle-income (B level), middle-low-income (C level), low-income (D level) and very low-income (extreme poverty) (E level). Fig. 2 shows the percentage of households in each of the five socio-economic levels in Lima for 2009, according to the APEIM.

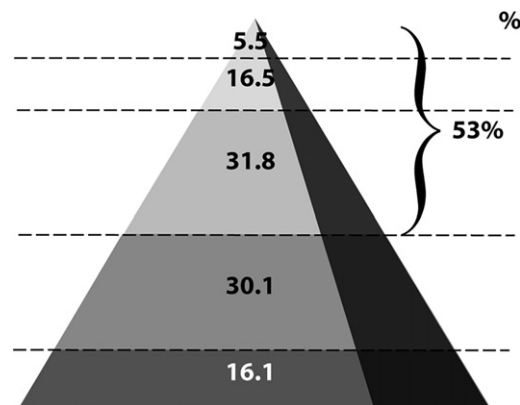


Fig. 2. Distribution of households in Lima for 2009, according to socio-economic level (NSE). (Source: APEIM, 2008.)

Salvador (VES) generated a new type of settlements: the so-called 'planned *barriadas*' (Riofrío, 1991). In VES, the government had an important role in both the physical development of the settlement – for the provision of electricity, water, sewerage, roads, schools and medical services – and in the organisation of the population. Fig. 3 shows the ways of access to housing in the different socio-economic sectors during the 1970s.

Since then, *planned barriadas* have been the most common way of development of popular habitat in Lima, although the commitment of the successive governments has visibly decreased. The largest *barriadas* that followed VES are San Juan de Lurigancho (early 1980s), Huaycán (late 1980s), and more recently Nuevo Pachacútec in Ventanilla (2000) (see Fig. 4).

The 1980s: years of crises, hardship and violence

In 1979, the government established a National Housing Fund (FONAVI), as a mandatory contribution from the salary of all workers to meet the housing needs. FONAVI was used to build few housing estates for middle-income groups between 1980 and 1985, but never led to a systematic policy for social housing construction.³ FONAVI's funds also served to create the Banco de Materiales (Banmat) in 1980, as a revolving fund to provide loans in building materials for self-help activities. Banmat beneficiaries provided monthly payments with interest rates below the market level, but loans were granted according to income-related criteria, which disqualified very low-income groups. Initially Banmat functioned very well, but the deepening of the economic crisis along the 1980s led to payment arrears which eventually produced its collapse.

Peru's economy experienced huge troubles during the 1980s, which brought widespread poverty and unemployment. The deep economic crisis was accompanied by political insurgency from terrorist groups that took control of great part of the country. As political violence escalated, the economic recession worsened, producing a vicious circle of poverty and violence that paralyzed the economy.

The government withdrew from supporting and upgrading *barriadas*, while the provision of urban land to the poor became problematical due to the increased demand from the second

generation of migrants, who were forming their own households but kept on living with their parents (Driant, 1991). The few *barriadas* formed in this period, settled in land which was mostly inappropriate or even dangerous for urban development. Fig. 5 shows the way of access to housing in the different socio-economic sectors during the 1980s.

In the mid-1980s, international funding agencies gradually shifted away from the aided self-help approach, considered little effective. At the same time, the economic crisis of the 1980s obliged most Latin American countries to embrace a thorough economic reform imposed by the World Bank, IMF and Inter-American Development Bank (IADB), within the frame of the neo-liberal economic paradigm (Zanetta, 2001).

The 1990s: new rules of the game

In Peru, the neo-liberal reforms were initiated and carried out after Fujimori came into power in July 1990. The new Constitution approved in 1993 stopped recognizing the right to housing, while the government neglected the housing sector and dismantled its institutions. The Ministry of Housing was closed, as well as most other institutions – the Banco Central Hipotecario (Central Mortgage Bank), Banco de la Vivienda (Housing Bank) and housing cooperatives – that provided loans for middle and low-income segments (Calderón, 2005).

Fujimori deviated FONAVI and Banmat from its original objectives, to support institutions and activities for his personal political ends. In view of the evident mismanagement, Banmat beneficiaries organized 'Committees against payment'. In July 2001, from a portfolio of \$900 million, Banmat's arrears rate was 86% (Ministerio de Vivienda, 2006).⁴

In 1996, the Fujimori government established – with a credit from the World Bank – the Commission for the Official Registration of Informal Property (COFOPRI) as a special land-administration office. It has distributed 1,797,836 land titles in urban areas at

³ Argentina, for example, has a similar fund (with the same name, FONAVI) which has delivered many housing projects for new homes for people relocated from marginal settlements through national, regional or municipal initiative.

⁴ To solve these problems the following governments have passed several laws specifically targeted to Banmat. In July 2002, the Toledo government passed the Law 27810, to allow the restructuring of the loans of Banmat to those households in extreme poverty and those affected by the El Niño phenomenon. A complement to this law, the Law 28275, was passed in October 2004, to correct the problems detected in the first regulation. According to Banmat's president, these two laws allowed the restructuring of 346,000 loans in the whole country. In April 2008, the Peruvian congress approved the bill to cancel debts to Banmat contracted from 1992 until 2001 by households in extreme poverty and/or affected by natural disasters (El Comercio, 2008a), which would mean the cancellation of the debts of additional 267,000 households.

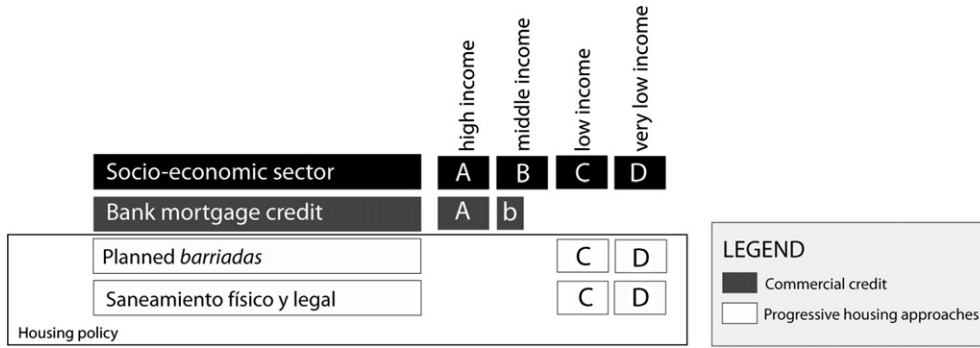


Fig. 3. Main way of access to housing according to the household's socio-economic sector during the 1970s.

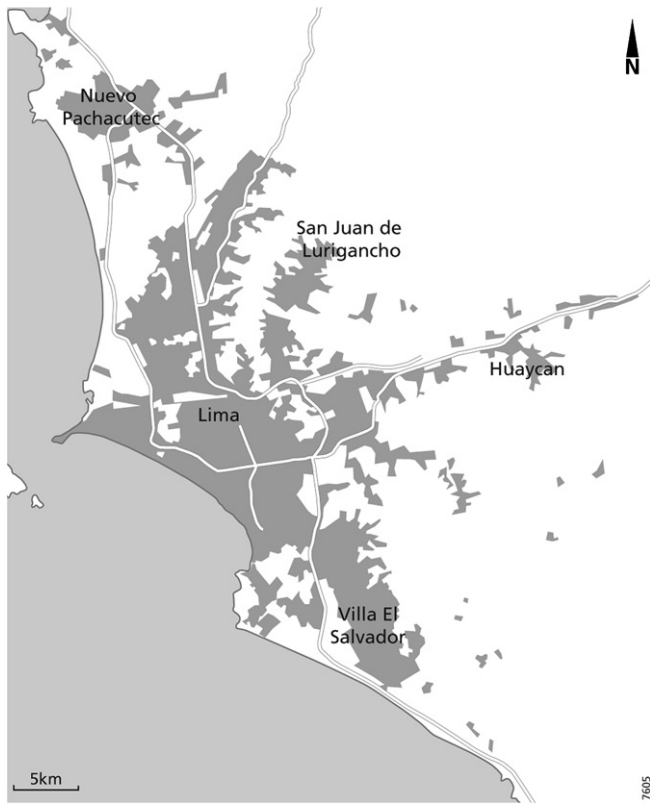


Fig. 4. Map of Metropolitan Lima with the location of the four largest 'planned barriadas'.

country level from March 1996 to February 2009, 25.9% of them in Lima (COFOPRI, 2009). COFOPRI aims to promote access to the financial system with the title as collateral; to promote housing investment, thanks to secure tenure; and the development of a city-wide real-estate market. COFOPRI embodies the work of Hernando De Soto, who argues that if people mobilise existing assets – represented in socially-agreed forms, as land registries – they generate growth. Consequently, integrating the whole housing sector into the formal economy should be a planning priority.

Although the provision of titles has not achieved the mentioned objectives or assumptions (Fernández-Maldonado, 2007), the process constitutes an achievement considering the land title as the first step for progressive development. Fig. 6 shows the main way of access to housing in the different socio-economic sectors during the 1990s.

The new social housing sector

In July 2001, the government gave a complete turn to the neglecting attitude towards housing, which was declared of national interest. The Ministry of Housing was re-established, and Mivivienda (Box 2) and Banmat (Box 3), were reorganized to become the main institutions of the housing sector. The government elaborated a new housing policy – following the recommendations of the World Bank and the IADB – which attempts to attract private construction firms to produce affordable housing, on the one hand, and private financial institutions to finance the loans, on the other. The government would be in charge to organize the whole scheme, while private firms would design, build, finance and commercialize the housing units. Following Chile's successful housing policy, direct housing subsidies would be provided, through the *Bono Familiar Habitacional* (Housing Family Subsidy) (BFM), to increase the affordability of lower-income groups.

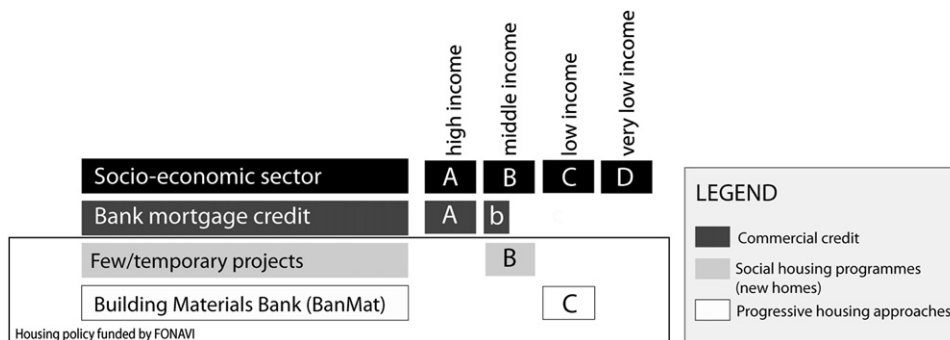


Fig. 5. Main way of access to housing according to the household's socio-economic sector during the 1980s.

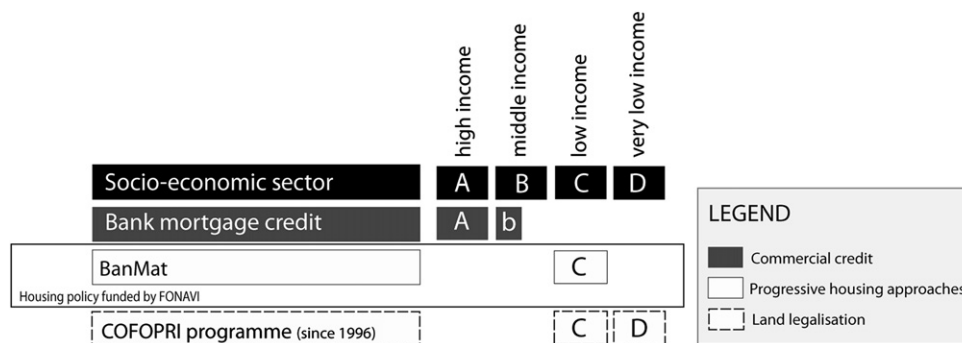


Fig. 6. Main way of access to housing according to household's socio-economic sector during the 1990s.

The National Housing Plan (PNV) (2003–2007) established the new programmes managed by Mivivienda and Banmat (Ministerio de Vivienda, 2003). The idea was to build new homes for all segments which could not afford a home, implementing a housing reform very close to Chile's reform, which was hostile to progressive housing solutions had no place in these initial schemes; some politicians even declared that *barriadas* and self-help housing should be considered an aberration, which should not be allowed in the future.

As a consequence of the easier access to housing credit through Mivivienda, the level of home building increased visibly in Lima, a trend which contributed to the dynamism of the whole construction sector. Since most Mivivienda projects were located in parcels inside the consolidated areas, Lima grew vertically. This process constituted a great political success of the Toledo government, and more specifically of the Housing Minister, Jorge Bruce, who organized the new social housing policies.

However, it was evident that the new homes built through Mivivienda during the Toledo administration were assigned to middle-class groups. The new National Housing Plan (2006–2011) of the García government aimed at reorienting the programmes towards lower-income groups:

A useful approach for housing in this context: (a) offers a wider range of low-cost solutions, rather than just complete new units; (b) joins small loans at market rates (rather than long-term traditional mortgages), with family savings, and sometimes a small subsidy; and (c) has Government set the rules of the game and the private-sector directly produce and finance housing (Ferguson & Navarrete, 2003).

Fig. 7 presents the finance system designed by the Ministry of Housing in the 2006–2011 PNV to support the access to housing for the different socio-economic sectors (NSEs). The programmes targeted to the E level – 'Mi Barrio', 'La Calle de mi Barrio' and

Box 2. Mivivienda Fund

The main public institution to provide social housing in Peru is the Mivivienda Fund, created in June 1999 and thoroughly reorganized in 2002. Mivivienda provides access to mortgage finance to population groups who cannot easily afford a mortgage credit. People without a property can purchase a dwelling in a housing project obtaining a soft credit or mortgage, through a conventional commercial bank (listed by Mivivienda). For middle-class households (Mivivienda credit), the government subsidizes the interest rate, bringing it under market level. Mi Hogar and Techo Propio, however, are more than credit. They are based on the A–B–C Ahorro–Bono–Credito (Saving–Subsidy–Credit) concept adopted from international experiences. This means that: (A) the household must make a down-payment of 10% of the price of the house with own savings; (B) then it receives the BFH (Until November 2008, the BFH was 13,450 soles, but it has been raised to 17,500 soles (for the Techo Propio programme). There is an additional subsidy, *Bono Familiar Habitacional del Buen Pagarador* (BBP) (Family subsidy for paying on time), which amounts to 15,000 soles in Mivivienda and 10,000 in Mi Hogar.) subsidy; and (C) then it can get a credit/mortgage from a financial institution.

Techo Propio has three modalities: (a) credit for the acquisition of a new home; (b) construction in an own site (Sitio propio); and (c) home improvement or extension. Table 2 shows the different programs of Mivivienda and their main features.

Box 3. Banmat (Building Materials Bank)

Created in 1989, Banmat reoriented its activities beyond loans in building materials (in 2002) to provide access to housing finance to the poorest families. Since the latter do not have access to the traditional banking system because they do not fulfil the income requirements, Banmat does not work with the commercial banks but directly with the involved groups. It is estimated that until 2006 Banmat had 540,000 borrowers, whose debts amounted to 1800 million Peruvian soles (US\$ 553.7 million). Banmat main programmes are:

- *Casa Bonita*, up to US\$ 4741 credit for homeowners to improve or expand their dwelling. It constitutes 49% of Banmat loans (since July 2006).
- *Dulce hogar*, up to US\$ 6465 for owners of a land lot, to construct their house (37% of Banmat loans).

Vivienda para todos, a programme to build new homes through housing associations, and organized groups was closed in 2008 (Banmat, 2008), after corruption practices were made public by the media in the allocation of new homes in Los Alamos, its first housing project built in Lima. (Los Alamos is a project of 380 dwellings with an average value of US\$ 16,400, in which high functionaries of Banmat allocated the dwellings for themselves or for close relatives. When this was published in the media, the government closed Banmat for several days, fired the management and later closed the *Vivienda para todos* programme.)

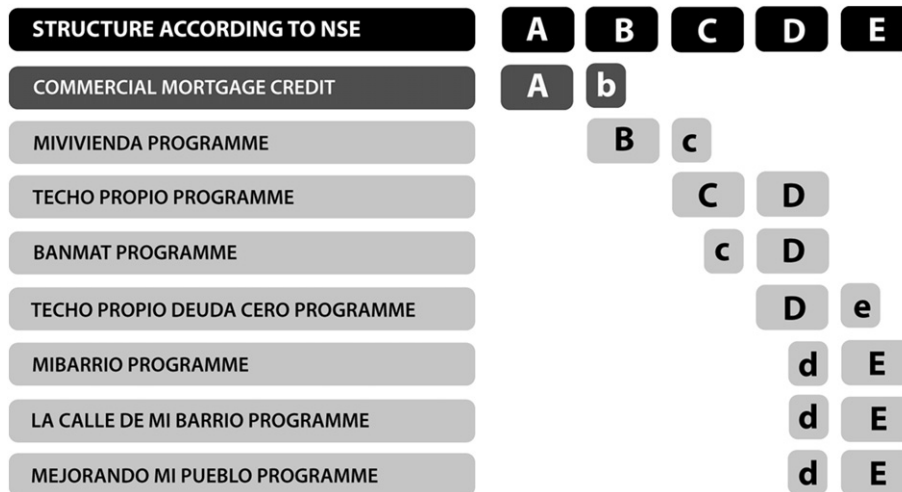


Fig. 7. Finance system according to socio-economic level (NSE). (Source: Ministerio de Vivienda, 2006: 36.)

Table 1
Value of dwellings in the different social housing programs of Mivivienda.

Program	Home value (in UITs) ^a	Home value (in US\$)	Targeted socio-economic sector
Mivivienda credit	Between 25 and 50 UIT	Between 31.000 and 62.000	B
Mi Hogar	Up to 25 UIT	Up to 31.000	C
Techo Propio	Up to 14 UIT	Up to 17.400	D
Techo Propio (Deuda cero)		4.000	E

^a UIT (Unidad Impositiva Tributaria, or Tax Revenue Unit) is the base indicator from which the different taxes, bills, fines and other charges are calculated by the Peruvian state. In February 2009 one UIT equaled 3550 Peruvian soles (US\$ 1081).

‘Mejorando a mi Pueblo’ – tackled neighbourhood improvement but not individual housing. *Deuda Cero*, providing housing to that sector, has only been used for dwellings in Nuevo Pachacútec and Ica, for households affected by the 2007 earthquake.

This housing finance system, elaborated at the beginning of the Garcia administration, was later changed to better accommodate the huge low-income demand. In 2007, the *Mi Hogar* programme was introduced for the C socio-economic level, which until then was not the specific target of any programme. In this way, each socio-economic level (NSE) had a specific programme in Mivivienda. Table 1 shows the different housing programmes and the home values they allowed.

Techo Propio and Banmat later developed specific schemes for different types of demand of lower-income households: (a) to buy a new home, (b) to build a home in an own site and (c) for home improvement or expansion. Most of the subsidies and loans in Banmat and Techo Propio are addressed to build a home in an own site or home improvement, which may be considered as progressive housing approaches. Fig. 8 shows the main social housing schemes for the different target groups, as well as the position of progressive housing approaches.

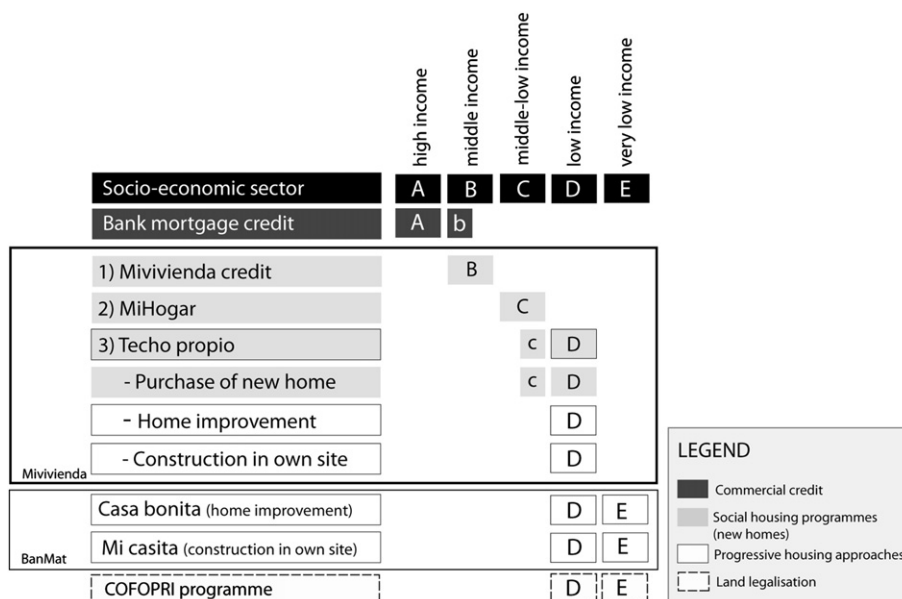


Fig. 8. Main housing schemes according to the socio-economic levels of the population.

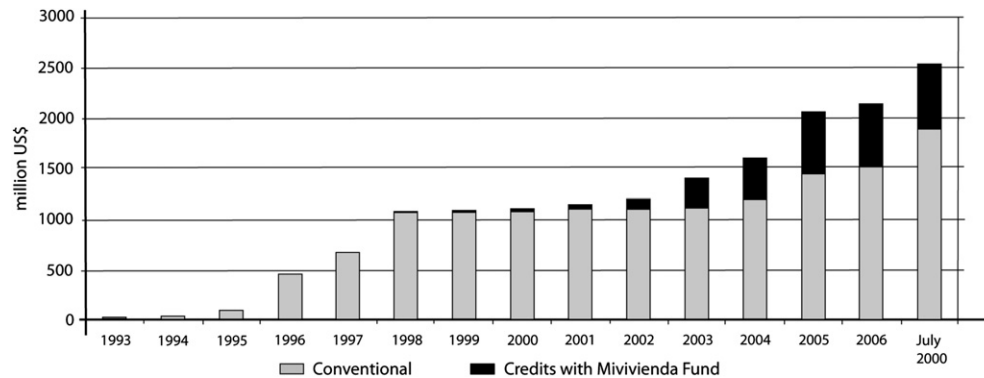


Fig. 9. Participation of the Mivivienda Fund in the total mortgage market 1993–2007. (Source: Davelouis, 2008.)

Table 2

Main requirements of the Mivivienda programmes (in US dollars of February 2009). (Source: Mendoza & Ramírez, 2009.)

	Mivivienda credit	Mi Hogar	Techo Propio – new home	Techo Propio – Sitio propio (with credit)	Techo Propio – Sitio propio (zero debt)
Max. monthly household income	–	–	\$491.3	\$446	\$418.4
(A) Household savings	10% of total price	10% of total price	10% of total price	5% of total price	\$766
(B) Subsidy	BBP (up to \$4615)	BBP (up to \$3076.5)	BFH \$5384	BFH \$4122.5	BFH \$5153
(C) Home value	up to \$54,608	up to \$27,304	up to \$13,106	\$10,306	\$5919

Credit is indeed important; but for progressive housing approaches, access to land becomes critical to start the process (Ferguson & Navarrete, 2003). Aware of this, the Ministry of Housing has created Mi Lote (My Plot) programme in February 2009 by Decree No. 003-2009, with the aim of developing land owned by the State for progressive housing. For that, the Ministry can make agreements with regional and local governments, as well as public or private institutions. The beneficiaries may later have access to credit of Banmat and Techo Propio if they fulfil the requirements (Ministerio de Vivienda, 2009a). Mi Lote pretends to begin the allocation of lots in 2010, but it is not yet clear which will be the requirements to have access to it.

Fighting the huge housing deficit

In the first semester of 2007, Mivivienda Fund provided 25% of all investment in the construction sector (40% of granted loans). Fig. 9 illustrates the evolution of the loans from Mivivienda fund – including Mivivienda Credit, Mi Hogar and Techo Propio – compared with the loans from the conventional banking system.

But while the housing problem is more urgent in the lower-income segments, most social housing credit went to the middle-income groups during the initial years (2003–July 2006).⁵ One of the reasons of this bias towards the middle-income segment was the limited profits that (large) construction firms get building for lower-income groups. Since the private sector was not interested in building for the lower-income segments, Techo Propio became stagnated.

Soon after his inauguration in July, 2006, President García announced the readjustment of Mivivienda fund, claiming that in the previous 5 years, Mivivienda provided 33,000 loans for middle-class households (through Mivivienda credit) and only 6000 for

lower-income households (through Techo Propio), while 77% of all loans were given in Lima. During the whole previous presidential period (July 2001–July 2006), a total of 100,000 new homes had been built in the formal sector, including those built in the free-market sector, increasing the accumulated quantitative housing deficit (El Comercio, 2006).

García promised to build 400,000 new homes during his 5-year period, for which the involvement of the private sector was necessary. The main modifications to involve the private sector included the creation of a new programme for C and D segments, the increase of the maximal home value for Techo Propio beneficiaries and the modification of the requirements and simplification of procedures for homes under US\$ 10,000 (El Comercio, 2006). In December 2006, Mivivienda calculated the demand of new homes for each socio-economic sector in Metropolitan Lima as 17,000, 78,000 and 81,000 for the B, C and D segments, respectively; reaching a total of 176,000 new homes (Carrasco, Mazuelos, Mercado, Toledo, & Yallico, 2006).

One year later, the official statistics (Table 3) showed a significant change: similar number of loans through Mivivienda credit and Techo Propio. However, taking into account the total investment provided to each programme, middle-income households has still a great advantage. Considering all public investments in social

Table 3

Loans per housing programme in July 2007. (Source: Ministerio de Vivienda, 2008.)

Programme	Total number of loans (since 1996)	Loans in July 2006–July 2007	Aver. amount per loan (in thousand US\$)	Total investment (in million US\$)	Percentage of total investment
Mivivienda/ Mi Hogar	39,084	3117	22.3	132.8	67.8%
Techo Propio	10,819	3271	3.7	8.4	4.3%
Banmat	112,911	9400	5.8	54.5	27.9%
Total	162,814	15,788		195.8	100%

⁵ In Lima, the exception was El Mirador project in Nuevo Pachacutec, consisting of 1510 plots of 72 m², with core houses (modules) of 22 m², intended to be progressively expanded by the homeowners.

Table 4

Loans and subsidies provided through Mivivienda and Banmat during the García administration until June 2009. (Source: Ministerio de Vivienda, 2009b.)

Loans	Mivivienda fund	8741
	Banmat	25,823
Subsidies	Techo Propio	22,646
	Bono 6000 ^a	28,700
Homes		85,910
Total investment (in million US\$)		527.52

^a Bono 6000 is a subsidy distributed mainly to those affected by natural disasters. It has been only distributed in Lima and in Ica, to the victims of the 2007 earthquake. It consists in the provision of US\$ 6000 to each household, from which \$5400 are provided in building materials and \$600 in cash to pay for the construction of the dwelling (Banmat, 2008).

housing since the beginning of the reform until July 2007, 67.8% had gone to the (B) middle-income segment.

Two years later, Banmat stated that 60% of the 72,385 new homes built (or assisted) during the first 2 years of the García government had been financed by Banmat, which represented 41,398 loans amounting to 492.73 million soles (US\$ 164.44) (Banmat, 2008). The official statistics of the Ministry of Housing on the 'promoted' or subsidized homes built during the García government is shown on Table 4. From the total investments, 40.7% went into projects located in Lima.

Disaggregating the Mivivienda Fund's loans and subsidies in the August 2006–June 2009 period in its three modalities, we see a steady decline of Mivivienda credit loans and an increase of Techo Propio, which verifies the reorientation of the programmes (see Table 5). 65% of the 22,646 homes assisted through Techo Propio targeted for the D segment, went to construction in own site, 28% to new homes and 7% to home improvements (Ministerio de Vivienda, 2009b). Banmat's disaggregated figures (Table 6), however, do not show significant changes.

One of the most remarkable projects of Mivivienda is Los Parques de El Agustino, consisting of 3400 apartments for Mi Hogar programme, built on land of an old army complex, La Pólvera (see <http://www.losparquesdeelagustino.com/>). The complex combines residential, commercial and educational functions for the whole district, considered successful due to the gradual improvement of the adjacent neighbourhood, previously considered as a no-go area.

The intention of the government is to build more homes within Techo Propio schemes (of an average value of US\$ 8000). Several projects have been approved, are in plans or under construction. The largest is located in Collique, which will offer 22,656 new homes: 10,048 for Techo Propio, 4160 for Mi Hogar and 8448 for Mivivienda Credit. Techo Propio dwellings (of 44 m²) will cost 21,400 soles (US\$ 6583), which after the BFH subsidy would only need a small amount to finance.

In October 2008 there were 40,000 projected dwellings within Techo Propio and 55,000 within Mivivienda for the coming years (El Comercio, 2008b). Mivivienda Fund has been growing, diversifying the loans and extending credit lines to microfinance

Table 5

Loans and subsidies provided through Mivivienda, August 2006–June 2009. (Source: Ministerio de Vivienda, 2009b.)

	Mivivienda credit loans	Mi Hogar (loans)	Techo Propio (subsidies)	Total
Aug 2006 – Dec 2006	1441		990	2431
2007	2698	432	2393	5523
2008	730	2264	9286	12,280
Jan 2009–June 2009	187	989	9977	11,153
Total	5056	3685	22,646	31,387

Table 6

Loans and subsidies provided through Banmat, August 2006–June 2009. (Source: Ministerio de Vivienda, 2009b.)

	Number of Banmat loans	Investment in million US\$	Average loan in US\$
Aug 2006–Dec 2006	4910	29.90	6089
2007	9371	58.83	6277
2008	7699	47.96	6229
Jan 2009–June 2009	3843	24.46	6364
Total	25,823	161.16	6240

institutions, in order to extend Mi Hogar and Techo Propio programmes, whose target groups find limitations in the traditional banking system (Davelouis, 2008). Mivivienda Fund's functions have also been expanded beyond credit provision towards developing land for housing projects carried out by private firms. The Minister of Housing stated in April 2009 that Mivivienda Fund will offer 17 land parcels owned by the state for new home building for the C, D and E segments (El Comercio, 2009).

Conclusions

The Peruvian housing reform has set up policies and programmes that have allowed the establishment of a social housing sector, following successful practices in other Latin American countries. This type of housing policies – which include the involvement of the private sector, the provision of housing subsidies and sometimes certain hostility towards progressive housing schemes – combine neo-liberal principles with attention to social issues to support the poorest segments of society. The latter, however, was almost completely absent during the first years of the reform, which exhibited favouritism towards middle-income segments.

The present government, however, is following recent policy recommendations that consider the nature of housing supply as an important issue to tackle the housing deficit (Ferguson & Navarrete, 2003), and seems committed to reorient the housing policy towards the lower-income segments, providing more flexible schemes that include progressive housing approaches. In such way, the current housing policy seems to have taken advantage of the past policies implemented to assist people's demand of housing in a pragmatic way and according to their own available means.

The new social housing schemes are not the traditional self-help approaches of the 1960s and 1970s, in which the household managed the whole construction process. In the new schemes, the formal construction sector is involved in building basic modules for the poor. This system has, however, several limitations. First, there is a great difficulty to engage construction firms for the 'Construction in own site', the most popular programme. This involves small-scale construction works in individual sites scattered in different locations, which require a well-coordinated and flexible approach. This way of construction discourages large construction firms which prefer large construction sites.

A second limitation concerns the availability of funds. In June 2009, the whole budget for Techo Propio for 2009 was finished – which led to the paralyzation of the works – a fact that produced great unrest among the people whose loans and subsidies were approved and the construction firms which were working for that segment. Mivivienda has asked the Ministry of Economy for additional funds, without success, what suggests the lack of a long-term feasibility for the progressive housing programme. These problems also point out the poor communication between the housing institutions and the groups with the most urgent housing demands, as well as among the different government instances. How is it

possible to continue approving projects and subsidies for poor households when the funds for that programme will be soon finished?

Another limitation is the monitoring and evaluation of the works, which is done by Mivivienda staff from site to site, in a piecemeal manner, being time-consuming and little effective. All these difficulties illustrate the many tensions inherent to reconcile market principles with public policy goals, while attempting to improve the quality of life of the poorest segments.

Although during visits in April 2009 to the sites in Lima the satisfaction of beneficiaries with the built homes could be easily observed, it is too soon to analyze the effectiveness of these programmes at urban level. Methodological limitations of the official statistics hinder a more precise understanding about the whole dynamics of the subsidized housing segment. These recently-built basic homes constitute a good beginning to improve and expand a home, but they cannot be considered as finished units, because of its limited area (33 m²). Since households have several children, homes have to be rapidly enlarged through self-help; so flexible design and construction methods are indispensable.

With the available data, we can conclude that the role of government assisting self-help housing in the new policies remains important. The figures provided in the previous section confirm the reorientation towards lower-income segments during the present government. In 2008, there have been 48,469 loans for low-income households versus 8741 for the middle and middle-low-income segment. In terms of investments, however, the difference is not so evident, since the average loans for the low-income households tend to be much lower: US\$ 6240 for Banmat versus US\$ 22,000 for Mivivienda loans (Ministerio de Vivienda, 2009b). A more careful and just distribution of funds is desirable.

The fight to overcome the housing deficit seems better organized and committed than before, as well as directed to those who need it more urgently. However, it has delivered insufficient numbers of new homes; counting with the new homes built by the private sector, the official statistics state a total of 133,645 new houses built between August 2006 and June 2009. Considering the number of new-formed households annually (92,000), the immense task ahead becomes clear. Nevertheless, recognizing progressive housing schemes as the most realistic alternative to face the huge housing demand from lower-income households constitutes an important step in the good direction. The current policies and programmes tackling the housing deficit, offering possibilities for low-income families to improve their homes, should be matter of continuous attention and evaluation to guarantee their progress and the effective benefits for the poor.

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