Freedom and Housing Rights for Low-Income Groups: a Case Study of Peru

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Abstract

This dissertation examines housing policy in the context of the current debate around development models and paradigms. Beginning with a discussion of this debate, the author carries out a critical analysis of neoliberalism and neoliberal shelter policy. Two new approaches which have recently entered development discourse are then considered– the Human Development Approach and the Rights Based Approach to development. Questions are raised concerning the degree to which these represent a break with the neoliberal model and also to what extent the models can be differentiated from each other.

These theories are applied to a case study examining low-income housing and housing policy in Peru. The author analyses the historical context of the low-income housing problem in Peru, looking at urbanisation and housing policy from 1920 to the present. This is followed by a statistical and qualitative analysis of the current low-income housing situation.

The case study then focuses on the existing Peruvian housing policies which follow a neoliberal, market-based approach to housing provision. These policies are evaluated in terms of their reach, and the access that the low-income population has to the programmes.

An alternative policy is then examined – a proposal presented by a civil society housing rights campaign - which takes a human rights based approach, decentralising housing funds and competencies, and using micro-finance, subsidies and technical assistance to facilitate self-build and upgrading-focused housing programmes. This approach is then evaluated using the same criteria of access and reach.

The study closes by looking at political changes which have taken place in Peru since the 2006 elections, and at developments and challenges for the housing rights campaign.
Contents

Chapter          Page No.

Chapter I: Freedom and markets – Neoliberalism, Human Development and Human Rights: their impacts on urban development

1.i The rise of the neoliberal paradigm

1.ii SAPs, 'market-based' solutions and urbanisation

1.iii Neoliberalism and the shelter sector

1.iv Sen, Freedom and the Human Development ‘paradigm’ – a new approach?

1.v Housing as a Human Right

Chapter II: Research Aims, Questions and Methods

2.i Research Aims

2.ii Research Questions

2.iii Methodology

2.iii.a Primary quantitative research

2.iii.b Primary qualitative research

2.iii.c Indigenous knowledge and literature

2.iii.d Limitations and suggestions for future research

Chapter III: Housing in Peru: the historical context of urbanisation and the housing problem

3.i Human settlements and low-income housing in Peru: a brief history

3.i.a 1920-1955 the first phase of the Peruvian urban ‘explosion’

3.i.b 1955-1980: Invasions, community organisation and clientelismo

3.i.c 1980-1990: Heterogeneous urban growth and new developments in housing supply and demand

3.i.d 1990-present: Neoliberalism, centralisation and inequality
Chapter 3.ii Current low-income housing situation 34

Chapter IV: Analysis and evaluation of current Peruvian housing policy 45
  4.i The current Peruvian housing policy 45
  4.ii Evaluation of the current housing policy in Peru: scale and reach
    4.ii.a Scale 50
    4.ii.b Reach 52

Chapter V: Analysis and evaluation of alternative housing policy 58
  5.i Alternative housing policy proposed by Peruvian civil society: 58
    The Decentralised System of Support to the Social Production of Housing and the City
  5.ii Structure and functioning of the system 60
  5.iii Evaluation of the plan 64
    5.iii.a Scale 65
    5.iii.b Reach 67

Chapter VI: Conclusions and recommendations 70
  6.i What happened next? 70
  6.ii Construction sector growth 70
  6.iii Possible bottlenecks – local markets for building materials 72
  6.iv Activities of the campaign 73

Bibliography 75

Annex 1.iii: Neoliberal housing policy in South Africa 81

Annex 2.iiia: Sample questionnaire 82

Annex 2.iiia: Demographics of survey sample 86

Annex 2.iiib: Interviews with community leaders 88

Annex 3.i.b: Villa el Salvador, SINAMOS and CUAVES 94
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annex 3.ii: Lima and human settlements</td>
<td>100</td>
</tr>
<tr>
<td>Annex 3.ii.c: Statistics of housing materials in Peru</td>
<td>103</td>
</tr>
</tbody>
</table>
Chapter I
Freedom and markets – Neoliberalism, Human Development and Human Rights: their impacts on urban development

Planning and control are being attacked as a denial of freedom. Free enterprise and private ownership are declared to be essentials of freedom. No society built on other foundations is said to deserve to be called free. The freedom that regulation creates is denounced as unfreedom; the justice, liberty and welfare it offers are derided as a camouflage of slavery. (Polanyi, 1944)

1.i The rise of the neoliberal paradigm

The genesis of global neoliberalism can arguably be traced to the oil price rises of 1973 and 1979 which precipitated recession in the North (and consequently in the world economy as a whole), and led to the accumulation of enormous debts by countries in the South (Simon, 2002). It was at the end of this period (1978-80) that neoliberalism began to take hold as the dominant paradigm of the new global order, with the first steps taken to open the Chinese economy, Margaret Thatcher being elected Prime Minister in the United Kingdom, and Ronald Reagan - along with his chairman of the Federal Reserve, Paul Volker - becoming president of the United States of America. In this way the ‘epicentres’ were established, from which neoliberalism would spread, quickly becoming the new global economic orthodoxy (Harvey, 2005), and the conditions and mechanisms were established for neoliberalism to be implemented in the developing world.

Taking elements from theories of classical economics (Smith’s hidden hand of the market and Ricardo’s principle of comparative advantage) and with its ideological development in the free market fundamentalism of Milton Friedman and political philosophy of Friedrich von Hayek, neoliberalism follows a purist capitalist framework for social organization, adhering to the principles that:

... human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. (Harvey, 2005)

Economic development could be achieved through the power of markets which as well as generating wealth, also lead to efficiency and innovation in production and organization through competition and the liberalised allocation of resources. The freer the markets the more able they are to carry out these functions, with any limitations or distortions compromising the functioning of the system. The
consequences of this model are that markets become the focus of economic and political activity, while other forces become subservient, or are actively applied to promote markets (Rapley, 1997). The role of the state becomes one of market facilitation, creating the conditions in which markets may thrive through the establishment of a suitable institutional framework and through intervention to stimulate markets where they do not already exist (in areas such as land, housing, health, education etc.) (Harvey, 2005).

Any other state involvement in the economy is seen as ‘inefficient, bureaucratic and an unnecessary drain on public coffers’ (Simon, 2002). Therefore, any state practices which interfere with markets, which seek to regulate markets - or state participation in markets through nationalised industries - are all considered to be detrimental and damaging to the free market model. This precipitates a ‘rolling back’ of the state:

Because of its role in distorting prices and generally interfering with the free operation of the market, the state is seen as part of the problem, not part of the solution; the economy has to be restructured to reduce the state’s role and unleash the private sector. This means privatising state firms and the broader deregulation of trade and investment. (Green, 1996)

By privatising and liberalising¹ their economies, states create the favourable conditions necessary for large-scale foreign direct investment and are able to follow an export-led model for economic development. This generates the foreign exchange needed to pay external debts and should lead to stable macro-economic growth, as each state’s comparative advantage is utilised through participation in the free market. Wealth generated through this model would then ‘trickle down’ to the poorer sectors of the population, lifting those at the bottom of the pile on the ‘rising tide’ of economic growth.

During the 80s this neoliberal development theory was formulated into an approach which became known as the ‘Washington Consensus’. The approach was specifically articulated and codified during the 1990s by the economist John Williamson, and is broadly summed up by Gore (2000) in terms of government reforms in three policy areas:

[governments should] (a) pursue macroeconomic stability by controlling inflation and reducing fiscal deficits; (b) open their economies to the rest of the world through trade and capital account liberalization; and (c) liberalize

¹ Liberalising in this context is taken to mean lowering or discarding taxes and regulation.
domestic product and factor markets through privatization and deregulation. (Gore, 2000)

These structural changes were implemented in the developing world throughout the 80s and 90s. With the onset of the debt-crisis, financial collapses began to occur and developing countries turned to the multi-lateral financial institutions (International Monetary Fund, World Bank and regional development banks) for assistance in stabilising national economies and helping them to cope with ever increasing debt burdens and obligations for repayment (Hertz, 2004). The prescriptions of the ‘Washington Consensus’ were then put into practice through stabilisation policies, conditions on loan and aid packages and Structural Adjustment Policies (SAPs).

1.ii SAPs, ‘market-based’ solutions and urbanisation

The neoliberal restructuring of developing country economies has had a profound impact on the social and spatial organisation of developing country populations. As the state withdrew from the public realm, populations became increasingly more exposed to market forces as the main driver determining their economic activity, livelihoods and habitat patterns. Broadly, the results of liberalisation and structural adjustment have included widening income and social inequalities, further marginalisation of populations and increased exposure to poverty and extreme poverty (Harvey, 2005). During this time urbanisation also increased and there was an increase in tendencies towards urban primacy (Burgess et al. 1997). The processes and conditions that have led to these outcomes are: (a) attracting Foreign Direct Investment (FDI), privatisation and state withdrawal; (b) urbanisation trends and (c) trends towards urban primacy.

a) Attracting FDI, privatisation, state withdrawal

Policies to promote foreign investment and international trade included the removal of protectionist mechanisms such as tariffs and quotas, liberalisation of prices and interest rates, currency devaluation and deregulation of foreign investment (Burgess et al., 1997). The main domestic features of Structural Adjustment and stabilisation policies included:

… privatization of state assets; the retrenchment of civil servants; the withdrawal of a wide range of subsidies on food, energy, transport and shelter; the introduction of cost recoverable prices for public services; the introduction of new taxes; and the compression of government social expenditures. (Burgess et al., 1997)
These drastic measures had a great impact on the social structures of developing countries. Unemployment increased, caused by ‘restructuring [of] the urban labour market, which leads to declining resources to buy into the growth-based strategy of market enablement’ (Zetter and Hamza, 2004), while at the same time larger sections of the population became exposed to impoverishment and vulnerability as social ‘safety-nets’ were driven back and social expenditure reduced (Harvey, 2005). As well as exacerbating the prevalence of poverty, the ‘rolling-back’ of the state also meant that living conditions of the poor worsened: the withdrawal of food subsidies resulted in increased levels of malnutrition, while declining public transfers for social care led to the withdrawal of children from education and declining affordability of healthcare (Zetter and Hamza, 2004).

Privatization of state enterprises and services, and the removal of state intervention meant that populations were left unprotected from the impact of unregulated markets, which became the central mechanism determining the allocation of wealth and resources. Gwynne and Kay (2000) point out how increasing private sector investment in basic services such as health and education has generally led to ‘two-tier systems of social welfare, with only the upper and wealthier middle classes able to afford the high costs of private schools and health provision. [while] The poorer majority is left to fend for itself within an under-funded and low-quality public service.’

This drive to privatisation has resulted in ‘a widening of inequality across a whole range of indices, from wealth and income to mortality and morbidity ratios.’ (Wilkin 1996) Bolivia, for example, which ‘… between 1985 and 1986, underwent one of the most severe structural adjustment programmes to date, and then continued to implement neo-liberal reforms radically, comprehensively and consistently…’ (Hertz, 2004) and had the distinction of topping the Latin American region in the Inter-American Development Bank’s ‘Structural Reform Index’ in 1999 (Lora, 2001), is now ranked as one of the most unequal countries in the world\(^2\) and has the lowest per-capita income and Human Development Index in South America.\(^3\)

In 1991 Peru had just recovered from a period of hyper-inflation and was still on the IMF’s credit blacklist. The IMF was then allowed to ‘put Peru through a particularly

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\(^2\) Bolivia’s GINI index for the year 2002 was 60.1 – see Human Development Index [http://hdr.undp.org/hdr2006/statistics/countries/data_sheets/cty_ds_BOL.html](http://hdr.undp.org/hdr2006/statistics/countries/data_sheets/cty_ds_BOL.html)

harsh new structural adjustment programme.’ (Hertz, 2004) While Peruvian GDP grew during the 90s, this growth was accompanied by a sharp increase in inequality (see Chart 1.2a). These changes in the structure of Peruvian society did not reduce the incidence of poverty as the proportion of the population living below the national poverty line remained relatively static at around 50%.

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<tr>
<th>Chart 1.2a: Macro economic growth, poverty and increasing inequality in Peru (late 1980s to early 2000s)</th>
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<tr>
<td><strong>GDP per Capita</strong></td>
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<tr>
<td><strong>Population Below Poverty Line</strong></td>
</tr>
<tr>
<td><strong>GINI Index</strong></td>
</tr>
<tr>
<td>1986 1993 2000</td>
</tr>
<tr>
<td>0 50% % below poverty line</td>
</tr>
<tr>
<td>40 50 60 70 80 90 100 %</td>
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Sources: World Development Report (various editions), Human Development Reports 2006

These conditions are typical of experiences in the rest of the Latin American region. As countries underwent structural adjustment and economic liberalisation, levels of poverty remained unaffected or, in some cases increased (Gwynne and Kay, 2000). Zanetta (2005) points out how in the region ‘… the share of the population living on less than US$1 a day remained mostly unchanged at around 15 percent between 1987 and 1998’. This coincided with universal increases in levels of inequality.

b) Urbanisation trends

As these socio-economic changes were taking place, the spatial organisation of developing country populations was also in flux. Urbanisation continued to increase, often at higher rates during periods of structural adjustment. Chart 1.2b shows how in the 90s, as Peru underwent radical neoliberal reforms, urbanisation steadily increased – indeed, although rates of urbanisation should decrease exponentially as the urban population tends towards its maximum level, the rate of urbanisation actually increased between 1997 and 2002.

4 The typical model of rates of urbanisation is the urbanisation ‘S’ curve (Northam, 1979) whereby the urbanisation rate increases as a population begins to urbanise (the ‘initial stage’), stabilises as urbanisation increases from about 40% to 60% (the ‘acceleration stage’) and then exponentially decreases as the urban population passes 60% and tends towards its maximum level of urbanisation.
The Todaro model for rural-to-urban migration takes economic conditions - specifically the difference in *expected income* between the rural and urban labour markets (taking unemployment rates as factors) - as the central driver behind rural to urban migration (Todaro, 2006). It can be argued using this model that neoliberalism contributes to trends of rapid urbanisation as, although urban unemployment increases and living conditions in urban centres decline, the increased wealth that is held in cities is attractive for rural populations. Indeed, the inequality that results from neoliberalism may well contribute to the ‘bright lights syndrome’, whereby the appeal of migration to the city is nourished by highly visible illusions of wealth, glamour, technology and well being - all of which increase under neoliberalism, if only for a small percentage of the population (while poor populations and rural-to-urban migrants are largely left excluded).

These conditions coincide with ‘push factors’, also contributing to the decision to migrate. Neoliberal state withdrawal results in deteriorating incomes and standards of living among rural populations. Private provision of services and infrastructure often leads to further neglect and marginalisation of poor rural populations,⁵ while rural livelihoods become threatened by the removal of price controls,⁶ deregulation of

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agricultural commodities\textsuperscript{7} and the exposure of agricultural markets to competition from subsidised developed country produce.\textsuperscript{8}

c) Urban primacy

The neoliberal restructuring of economies not only exacerbates rural-urban migration, but also urban primacy. As the global economy becomes increasingly integrated and liberalised, it is often the case that in developing countries: ‘the single largest city plays a particularly dominant and significant role as the key hub for all forms of communication and interlinkage with the rest of the world.’ (Townroe, 1996) The existence of a single ‘global’ city means that investment, expenditure and political activity – and hence migration - become concentrated in one single urban agglomeration. Urban primacy has also been compounded as the centralisation that results from neoliberalism has occurred in conjunction with the removal of any powers that the state may have had to reverse such patterns:

State withdrawal through deregulation, privatization and marketization has thrown into question the basic equity objectives embodied in long-established planning principles and instruments such as the social function of land; the public character of services; differentiated tariffs; progressive taxation and subsidies; and social and spatial planning regulations and standards. (Burgess et al., 1997)

The abolition of limits on city size and the lack of state intervention to discourage urban migration or to stimulate migration to intermediate sized cities means that population flows continue to gravitate towards the largest urban centres.

One of the most pressing results of these changes is the increasing build-up of human settlements in large urban agglomerations of the developing world. Resettlement takes place with very little provision for the infrastructure in services, employment or housing that will be needed by these populations. This invites an analysis of the ways that the neoliberal policy environment has dealt with the low-income housing problem.

\textsuperscript{7} For example: deregulation of the coffee market, see Gresser and Tickell (2002), International Coffee Organisation (2004, p2)
\textsuperscript{8} See, for example, Oxfam (2003)
1.iii Neoliberalism and the shelter sector

In his analyses of social housing policy, Hamdi (1991, 1997) draws the dichotomy between the ‘provider’ and ‘supporter’ housing policy paradigms. Housing policy of the ‘provider’ paradigm incorporates large-scale construction of new social housing, while programmes in the ‘supporter’ paradigm take an enablement approach, using financial and regulatory policy to support and enable self-build housing (Hamdi, 1991). The following box shows how low-income sector housing policy in developing countries has developed since the 1950s. This has generally been done in harmony with prevailing World Bank and regional development bank orthodoxies and approaches (see Box 1.3).

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<td><strong>Chronology</strong></td>
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<td>1950s – early 70s</td>
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<td>1970s</td>
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<td>2000-?</td>
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Sources: Compiled from Zanetta, 2004; Payer, 1982; UN Fact Sheet
One of the first interventions that the World Bank made into urban and housing policy was to facilitate the shift from the horribly inappropriate slum-clearance and public housing construction policies of the 60s and early 70s to the more benign, community focused self-build projects that were introduced later in the 70s (Payer, 1982). After this, during the 80s, World Bank policy was less concerned with the nature of the housing approach, focusing more on institutional and municipal reform, and integrated urban projects (Zanetta, 2004).

Neoliberal solutions to the shelter problem in the developing world have followed different models, but have invariably involved participation of private-sector providers. When developing countries began to go through structural adjustment, the shelter sector was tied into wider macroeconomic strategies of liberalisation and privatisation – this included the maximisation of the contribution made by urban economies to the national economy through ‘macroeconomic linkages’ (Zanetta, 2004). Burgess et al. describe how:

> The privatization of urban housing, infrastructure and service provision was encouraged either through direct sale to the private sector or through contracting-out of work in central or local government housing, service and infrastructure agencies or projects through competitive bidding. (Burgess et al. 1997)

This ‘market enablement’ approach provides little incentive to prioritise the needs of low-income sectors and vulnerable populations. Burgess et al. (1997) highlight concerns about goals of equity and welfare, signalling that ‘the market does not generate socially acceptable patterns of welfare distribution’. An illustrative example of the results of a neoliberal approach to housing policy is that of South Africa (See Annex 1.iii).

1.iv Sen, Freedom and the Human Development ‘paradigm’ - a new approach?

> Freedom has a thousand charms to show,  
> That slaves, howe’er contented, never know.  
> (William Cowper Table Talk 1782 – cited in Sen, 1999)

Underpinning the Human Development model are the theories of the ‘capability approach’ and the corresponding conceptualisation of development as the expansion of human freedoms. These are concepts which have been developed by Amartya Sen throughout his work – from his groundbreaking studies on famine and food...
According to Sen (1999), the ultimate ends of development should be ‘human flourishing’ - or personal well-being - which can be achieved through the exercising of freedoms and capabilities. Sen sees two roles for freedom, describing the ‘constitutive’ and the ‘instrumental’ roles of freedom in development (Sen, 1999). In this sense he sees freedoms as both the ends and the means of development. While there are ‘instrumental’ and ‘constitutive’ (or ‘substantive’) freedoms, many freedoms have the character of being both ‘substantive’ and ‘instrumental’, as they not only constitute an element of a person’s well-being in their own right, they also contribute to the realisation of other freedoms (Sen, 1999).

An example of this can be seen in political freedom and freedom of speech, which Sen sees as substantive freedoms – an element of a person’s well-being – and also as instrumental freedoms: political activity can be used as an instrument to expand other freedoms, such as freedom from poverty (economic capability) or freedom from sickness (health care).

Sen describes the shift from a conventional, income based definition of poverty to the concept of poverty as ‘capability deprivation’. Although this approach ‘does not involve any denial of the sensible view that low income is clearly one of the major causes of poverty’ (Sen, 1999), it deepens this concept, showing how low income is just one possible cause for a person’s capability deprivation. Therefore, income is seen solely as an ‘instrumental freedom’ which can be used for the achievement of substantive freedoms. These substantive freedoms include ‘elementary capabilities like being able to avoid such deprivations as starvation, undernourishment, escapable morbidity, and premature mortality, as well as the freedoms that are associated with being literate and numerate, enjoying political participation and uncensored speech and so on.’ (Sen, 1999)

Following these ideas and concepts, the ‘Human Development’ approach takes a more diversified and holistic view of development. The focus moves from income to more encompassing indicators of well-being such as literacy, life expectancy, child mortality, access to education - amongst others (Human Development Reports, 2006). There is little doubt that as a tool for refining development interventions
and for measuring development, the ‘Human Development’ approach marks a step forward from the neoliberal focus on macro-economic indicators such as income and economic growth. However, the question remains as to whether Human Development represents a significant structural break with the neoliberal model.

An analysis of Sen’s economics reveals that while Sen presents a more sensitive and humane approach to economic development, his economic prescriptions are broadly in line with neoliberal doctrine. As Sandbrook points out:

> Sen constructs his theory’s normative foundations by equating development with the expansion of freedom, and then defining this freedom to encompass not only political liberties, access to essential services and the reduction of deprivations, but also participation in market exchanges. (Sandbrook, 2000)

Indeed, Sen is careful to emphasise the inclusion of *economic facilities* in his list of five key instrumental freedoms (1999). Sen sees free markets and market transactions as having intrinsic value in themselves: ‘the more immediate case for the freedom of markets lies in the basic importance of that freedom itself. … To deny that freedom in general would be in itself a major failing of a society.’ (Sen, 1999) In this sense, Sen equates free and open markets with other fundamental human freedoms: ‘[he] wraps up important social and political rights in the mantle of free market interactions. Without a liberal-style market, Sen seems to say, none of the other freedoms can work.’ (Harvey, 2005)

Sen’s market centred approach is evident in his treatment of welfare expenditure and social services provision. While Sen points out that health and education services are relatively cheaper to provide in underdeveloped economies because they are labour intensive, and benefit greatly from low wage rates (1999), he also indicates that welfare and social service provision may interfere with market incentives and have the effect of ‘discouraging initiative and distorting individual efforts.’ (Sen, 1999)

In this sense, it would appear that, while Sen’s approach (and the human development approach) provides a deeper and more sensitive treatment of poverty and well-being, its functioning and application remain embedded within the structure of the neoliberal model. As Gore describes:

> These changes have certainly made the Washington Consensus more humane. But at the same time, the SHD [Sustainable Human Development] approach has had the effect of conserving key features of the world-view of the dominant paradigm. (Gore, 2000)
1.v Housing as a Human Right

The Human Rights Approach, or Rights Based Approach to development, arguably represents a divergence with dogmatic neoliberal orthodoxy. The approach focuses on fundamental Human Rights and progress towards universal realisation of Human Rights is its primary objective, in this sense differing from the market fundamentalist or economic growth centred approaches. While the modern era of human rights began during the Enlightenment (Gready and Ensor, 2005), with the fundamental rights of the human being conceptualised in the US Declaration of Independence (1776) and the French Declaration of the Rights of Man and the Citizen (1789), current practice largely follows prescriptions from the post-Second World War Human Rights project – beginning with the drafting of the Universal Declaration of Human Rights, the establishment of the United Nations and the subsequent proliferation of Human Rights bodies, treaties, declarations and institutions.

The Human Rights Approach converges with Sen and Human Development in some of its key theoretical concepts – the ‘indivisibility’ of human rights (formalised in the Vienna Declaration and Programme of Action, 1993) emphasises the interdependence and mutual reinforcement of rights (with a particular reference to the relation between civil-political and socio-economic rights) in the same way that Sen emphasises the interrelation between different freedoms (Gready and Ensor, 2005).

The result is a more pluralistic approach to policy making as policy directives and models are promulgated by human rights bodies and actors, rather than by economically orthodox International Financial Institutions. In the case of the right to adequate housing, the approach can be seen in the work of the UN Economic, Social and Cultural Rights Committee, the UN Special Rapporteur on Adequate Housing, the Housing Rights Program of the UN Human Settlements Program (2004) and in the work of numerous local and internationally based Non-Governmental Organisations.

According to pronouncements of the UN Economic, Social and Cultural Rights Committee, approaches to housing policy should ‘strive to ensure the widest possible enjoyment of the relevant rights under the prevailing circumstances [regarding “available resources”]’ (UN Fact Sheet No. 21 p9). States are obliged to follow a
policy which leads to universal realisation of the right to adequate housing as quickly and directly as possible.

Some of the failures discussed earlier are recognised in the housing rights literature in which it is strongly emphasised that housing policies should prioritise the poor (people with the strongest claim for their rights to be fulfilled). Indeed, the United Nations Housing Rights Programme states its aim to ‘apply [the] housing rights framework into national and local housing policies, with particular attention to the needs of the poor and the most vulnerable.’ (UNHSP and OHCHR 2004, p6 emphasis added).

There are also a number of other positive obligations on states that require them to address and confront some of the problems previously encountered. As part of the principle of “universality” of Human Rights and in order to meet the criteria of “affordability” of adequate housing, states should provide subsidies or finance for all those who are unable to afford housing (General Comment No. 4).

Despite these positive developments, critics point out that the Rights Based Approach has been adopted by institutions such as the World Bank with little or no accompanying change in policy. Unvin argues that the Rights Based Approach was incorporated by the Bank as a continuation of its ‘good governance agenda’, which was ‘explicitly designed to be the complement, the political extension, of structural adjustment programs.’ (Unvin, 2002) Since adopting the Rights Based Approach, the Bank now uses human rights language to deliver the same policies of economic liberalisation and investment climate strengthening, arguing that this creates an environment in which people are ‘better able to pursue a broader range of human rights’ (World Bank, 1998).
Chapter II

Research Aims, Questions and Methods

Research for this dissertation began in Peru in January 2005 while the author was working with the Peruvian Urban Development Institute CENCA (a local NGO). During seven months spent working with CENCA, the author worked with the Urban Development and Environmental Sanitation teams and sat on the Committee of the Campaign for the Right to Dignified Housing for All (Campana por el Derecho a Una Vivienda Digna Para Todos y Todas). He spent a lot of time visiting human settlements in Lima, assisting in capacity building workshops, visiting slum improvement projects (‘programas de mejoramiento barrial’) and assisting in meetings to disseminate the initiatives of the campaign. During this time spent ‘in the field’, and during campaign committee meetings in the offices of the NGO, the author carried out primary research in the form of a questionnaire, and interviews carried out with local community leaders and populations from the human settlements.

As well as carrying out this direct field based research, the author also gathered some secondary sources of information in the form of publications and papers written by the professionals working in CENCA, and through information and analysis which was discussed in committee meetings and in personal conversations with the campaign coordinator, the director of CENCA and other professionals and academics working on the initiatives of the campaign.

This dissertation aims to synthesise much of what was learned during these experiences in Peru, analyse the results of the primary research and conclusions thereof and to embed these in a wider theoretical, historical and global context. In the literature review (Chapter I) the theoretical basis was introduced for this analysis, which focuses on low-income housing provision within the context of contemporary development theory, with particular reference to models of housing policy based on a neoliberal policy framework, in comparison to a Human Rights based approach.

2.i Research Aims:

The three aims of this piece of research are specifically to

1. Analyse the scale of the low income housing problem in Peru.
2. Analyse existing housing polices and critically evaluate them.
3. Give an account of alternatives and critically evaluate these projects.

This will be done using the theory and concepts developed in chapter one, analysing the housing problem and policies in the context of neoliberalism and prevailing development approaches. It should be noted that while the research area of low-income shelter provision incorporates the elements of both housing and land policy, due to considerations of space and focus, this dissertation will centre on the question of housing and housing delivery, rather than land and land policy.

2.ii Research Questions:

The central questions that will be addressed through the research presented are:

A. To what extent can the existing housing policies in Peru meet the needs of the population and contribute to the resolution of Peru’s housing crisis?

B. What is the potential for an alternative rights-based, decentralised, self-build and upgrading approach to resolve these problems?

2.iii Methodology

As well as drawing on the direct field-based experiences of the author, this research uses two principal pieces of primary research and two sources of secondary research. The primary research takes the form of a questionnaire/survey and a series of informal interviews/case studies. The secondary sources used are a selection of local/indigenous literature and secondary statistical data from sources such as the Peruvian census and other government surveys.

In order to address research aim 1, secondary statistical data will be used, to provide an analysis of the national housing deficit and the low income housing situation in Peru. Experiences will be drawn on of working in the human settlements of Lima in order to provide a more tangible description of housing conditions in the poorest urban sectors. This analysis will then be used when comparing the suitability of existing and proposed housing policies.

A quantitative method was elected – a questionnaire carried out with local community leaders and community members - in order to interrogate research questions A and
B and to contribute to research aims 2 and 3. The aim of the questionnaire used is to provide a broad analysis of the impact and attitudes towards the current housing policy among representatives of low income groups. Aiming for broad coverage the results are used to analyse the impact and reach of current housing policies, identify some of the limitations of the policies and look at some of the elements that an alternative policy could incorporate.

This quantitative research is complemented by qualitative primary research in the form of informal interviews with community leaders selected from the respondents to the survey. This, along with a review of locally produced literature and research, deepens the analysis of the current housing policies and is used in the response to question B – to evaluate the potential of the alternative housing policy.

It was decided not to use participatory research methods as the research focuses on an evaluation of existing housing policy and on alternatives which have already been developed in participation with local communities. As many of the participants in the research were community leaders involved in the Campaign..., they generally had clear and well articulated ideas about their situations, and about the housing policies under discussion, and so participatory methods were not needed to extract the information required. However, reflecting on the research, in a few cases a participatory method may have been beneficial, as discussed below.

2.iii.a Primary quantitative research

Questionnaire

The questionnaire was based on a preliminary analysis of locally produced literature and on consultations with professionals working on the Campaign.... After a draft of the questionnaire was produced, it was redrafted several times in consultation with said professionals and redrafted again after a pilot test. Changes were made to the structure and language of the questionnaire - for example, it was found that some of the language used was not specific enough, incorrect terms were used or questions were too complicated, so questions were refined to make them more accessible and more precise.

The format of the questionnaire is included in the appendices to this dissertation (see Annex 2.iii.a), the structure is broadly as follows:
Section 1: personal details (gender, address, number of people in local community), and material conditions of house (including time at current address, size and number of occupants of house, materials that house is made of)

Section 2: Land and land title situation, and attitude towards current land policy.

Section 3: Housing policy: access to existing housing policy; what the limitations are; attitude towards housing policy and needs and priorities in terms of housing policy.

Section 4: external debt: awareness of external debt and links between debt and housing.

Sample

The questionnaire was carried out with community leaders from human settlements in Lima (dirigentes) and with some members of these settlements (pobladores). Questionnaires were completed during campaign committee meetings when community leaders attended, during field during visits to human settlements, at capacity building workshops for local leaders and at campaign committee dissemination meetings in various districts of Lima. The survey has a broad coverage, with representation from the three conos of Lima (these are the north, south and east ‘cones’, which are the three extensions of the city away from the western coast and the centre, where the populous settlements are located) and a broad section of the districts and settlements of Lima. Although there were more male than female community leaders, women are substantially represented in the survey. Demographics and a breakdown of the coverage of the survey can be found in the appendix (see Annex 2.iiia).

2.iii.b Primary qualitative research

Interviews

Based on an analysis of completed questionnaires, five community leaders were selected with whom informal, semi-structured interviews were carried out. In the selection process, communities were selected from diverse geographical locations, populations who were at different levels of consolidation in their housing and with
somewhat diverse circumstances. A female community leader was also selected as one of the interviewees in order to further broaden the range of case studies.

The aim of the interviews was to focus on specific cases, to deepen understanding and analysis of the housing situation and effectiveness of current policies, and to investigate how the Campaign… could help specific people or groups. The interviews were carried out during visits to the interviewees’ communities and in this way it was possible to supplement the case studies with observation of the situations and conditions of the communities and with photos of their housing and communities (Willis, 2006). Examples of the case-studies can be found in the appendix (see Annex 2.iii.b).

2.iii.c Indigenous knowledge and literature

The term indigenous literature is used in its broad sense to refer to literature and research produced in the region of study, in this case, academic and research materials produced by local NGOs and local researchers and professionals. These resources are key to the research topic, as local NGOs have access to local populations and to government institutions, and their researchers have extensive knowledge of local history, culture and theory. As McIlwaine points out: ‘… local researchers will invariably be much more in tune with the realities of life in a given context.’ (McIlwaine, 2006).

Using local research also increases the range of the study making it more complete and encompassing. In this way it is possible to take account of perspectives which perhaps differ from the largely ‘Western’ academic materials used in the literature review. In keeping with the theoretical discussion, indigenous research may also contribute as ‘… a way of challenging the hegemony of the Western researcher and so-called ‘expert’ together with the primacy of Western conceptual ideas.’ (McIlwaine, 2006).

Peru has a wealth of indigenous literature, produced by its well developed civil society, as well as by Peruvian academics and professionals. Within this field there is an active community of researchers who specialise in urban development, human settlements and housing - known in Latin America as urbanistas – whose work will be drawn upon. The research will draw upon reports and books published by the NGO
CENCA, as well as literature produced by other local NGOs. Peruvian print media and articles will also be referred to.

2.iii.d Limitations and suggestions for future research

The survey was carried out to give the widest possible representation of communities and people affected by the low-income housing problem in Peru. There are several ways in which future research could be broadened. In geographical terms, Lima has the highest concentration of both population and low-income housing and so is a critical and representative focus for the research, however, it would deepen the analysis if settlements outside Lima, and in other provinces were also surveyed.

Another possible limitation of the sample selected for study is the manner of involvement of the participants. The fact that the participants were often already involved with the Campaign… means that they are predisposed to have certain perceptions and attitudes towards current policy. However, there is some evidence to suggest that they are representative of the broader population. When interviewees and respondents who were not involved with the campaign gave their responses and opinions they correlated with those given by people involved with the campaign. Indeed, respondents who were not already involved with the campaign either subsequently became involved, or expressed an interest in becoming involved. It was also confirmed by colleagues that the campaign has broad support from low-income groups in Peru.

A final limitation of the primary research was that in some of the more remote populations surveyed some community members’ literacy levels were insufficient to complete the questionnaire unassisted or to understand the meaning of some of the questions. In these cases it may have been more suitable to use participatory research methods.

2.iii.e Ethics

It is important to consider the fact that the primary research was carried out with vulnerable people, living in very difficult conditions, often with many of their basic needs not being met. It was therefore necessary to consider the impact that the research had on the participants, how the research could benefit the respondents and how the research could be disseminated once completed (Mayoux, 2006).
With these considerations in mind, the research was fed-back to the campaign committee and to several of the community leaders that had been interviewed. Subsequent research and analysis based on the Campaign… has also been sent to the campaign committee in Peru and active involvement in the campaign has been maintained.
Chapter III

Housing in Peru: the historical context of urbanisation and the housing problem

3.i Human settlements and low-income housing in Peru: a brief history

3.i.a 1920-1955 the first phase of the Peruvian urban ‘explosion’

The urbanisation process in Peru began its modern phase in the 1920s. At this time, the Peruvian economy was based around the export of primary commodities such as guano (bird manure sold as fertilizer), sugar cane and - from the Amazon - rubber (Quispe, 2005). The increasing economic activity, and the appearance of a nascent ‘urban proletariat’, led to the development of large avenues around which urban growth was based and to concentrations of housing for servants and workers around areas of economic activity: ports and rivers (Driant, 1991). During the first half of the twentieth century, urban growth exploded - Lima’s urban population doubling twice between 1908 and 1940 (see Chart 3.1).

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1599</td>
<td>14,200</td>
</tr>
<tr>
<td>1614</td>
<td>28,400</td>
</tr>
<tr>
<td>1755</td>
<td>62,000</td>
</tr>
<tr>
<td>1837</td>
<td>94,200</td>
</tr>
<tr>
<td>1876</td>
<td>100,200</td>
</tr>
<tr>
<td>1908</td>
<td>140,900</td>
</tr>
<tr>
<td>1931</td>
<td>273,000</td>
</tr>
<tr>
<td>1940</td>
<td>520,500</td>
</tr>
</tbody>
</table>

Source – Driant (1991)

In the post World War II era, the changing nature of the world (and national) economy meant that capital cities were favoured, and in the case of Peru, this led to a marked increase in migration to Lima (Quispe, 2005). One of the results of this rapid demographic transformation was the appearance of the barriadas (low-income settlements) of Lima. Driant describes how this urban growth was manifested:
...the barriadas take advantage of the discontinuities of the urban fabric to install themselves in those areas that are still not the object of territorial speculation: hills with steep slopes, whose use wasn’t considered at that time, or unstable riversides with permanent risks of collapse at their edges. Despite this difficulty... it was compensated, in part, by the proximity to the most active zones of the agglomeration. (Driant, 1991, *my translation*)

Between 1940 and the mid-1950s low-income social housing consisted of state supplied *Conjuntos Habitacionales* (housing blocks). However, this programme was unable to target precisely the market it was aiming for because the housing was located far from where low-income communities preferred to live (in economically developed zones or the periphery of the city), and because the financial systems and cost of the housing were often inaccessible for low-income families (Quispe, 2005).

**3.i.b 1955-1980: Invasions, community organisation and *clientelismo***

The mid-to-late 1950s marked the start of a new phenomenon in the urban expansion of Lima: large-scale land invasions and settlement on expanses of sandy desert to the North and South of the city by communities often thousands strong (Vidal and Cornejo, 1983). An acute increase in the flow of rural-to-urban migrants was precipitated by the Import Substitution Industrialisation ‘boom’ that was taking place in urban centres (Riofrío, 1991), which coincided with a high level of demographic growth and deteriorating conditions in the rural provinces of Peru (Burga, 1995). This meant that settlements grew rapidly, establishing what are now known as *los conos norte y sur* – the Northern and Southern Cones of Lima.

The government response to the sudden acceleration of urban growth and the proliferation of the *barriadas* was the so-called *politica de dos caras* or ‘two-faced policy’ (named by Peruvian *urbanista* Gustavo Riofrío to suggest that it contained an inherent hypocrisy). The approach attempted to transform the *barriadas* into ‘satellite cities’, using state owned land on the peripheries of the city. This land would be used for state sanctioned, legalised land invasions by the lowest income groups and for the construction of housing for middle income groups, creating speculative markets of land, housing and construction materials – while at the same time helping to remove populations from areas in the centre of the city. As Driant describes:

The “two-faces” of the housing policy are clearly profiled: on one hand a speculative market protected from the popular “invasion” and supported by a subsidised financial system (*las mutuales*), and on the other hand legal
support for the appropriation of public land by the least solvent sectors of the urban population. (Driant, 1991, my translation)

Three ‘satellite cities’ were built in this period, but problems of poverty were not solved due to the location of these nuclei. In being pushed to the outer limits of the city, the population was isolated from the productive, industrial and commercial activity, which meant that there was no means for employment or income for these families and poor living conditions persisted.

A coup d’état on 3 October 1968 marked the installation in power of a left-wing military government led by General Velasco, and the initiation of some new initiatives of urban policy in Peru. Institutional changes were made with the creation of a Ministry of Housing and Construction (Sanchez Leon et al., 1979), and a National Office of Development of Pueblos Jovenes (Young Towns). This new official term, replacing the use of barriadas, was indicative of a more optimistic treatment of the settlements – passing from a conception of a marginal urban zone, to one of a city in the process of maturing (Bromley, 2003).

The first change was from the laissez-faire of the previous regime to one of control and regulation of settlements, outlawing all future land invasions. This policy was combined with the formal recognition of existing settlements, supply of urban services (water, electricity, schools, roads) and the creation of the experimental social projects Comunidad Urbana Autogestionaria Villa El Salvador (CUAVES) and the Sistema Nacional de Apoyo a la Movilización Social (SINAMOS) (see Annex 3.iб).

As the Velasco government reached its end, its inadequacies became evident. Villa El Salvador was not sufficient to supply housing for the growing number of homeless people and families; land invasions began again and a lack of technical and resource capacity in the SINAMOS meant that projects could not be completed (Driant, 1991).

During the 70s, influenced by the work of Turner (1976), the state began to initiate programmes of urban renovation and slum upgrading, oriented around self-build and housing improvement (Quispe, 2005). There were also sites and services initiatives like the lote basico (basic lot) and lote tizado (‘chalked’ or ‘planned’ lot), promoted by multilateral institutions which provided a small plot of land with basic services where housing could be constructed using self-help practices (Riofrío, 1991).
Table 3.1b

<table>
<thead>
<tr>
<th>Chronology</th>
<th>Government(s)</th>
<th>Urbanisation</th>
<th>Housing/Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-1955</td>
<td>Leguía; Haya de la Torre; Odría</td>
<td>Industrialisation and trade lead to start of Peruvian urban ‘explosion’ and flow of rural-urban migration.</td>
<td>Appearance of the <em>barriadas, Conjuntos Habitacionales</em> (public housing blocks)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1955-1980</td>
<td>Manuel Prado; 1st Belaúnde govt.; Gen. Velasco; Gen. Morales Bermudez</td>
<td>Land invasions; high levels of rural-urban migration, Northern and Southern Cones of Lima established.</td>
<td><em>Política de dos caras</em>; satellite cities on periphery; planned self-build settlements; CUAVES and SINAMOS community organization programmes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980-1990</td>
<td>2nd Belaúnde govt.; 1st Alan García govt.</td>
<td>Heterogeneous growth; consolidation of the Northern and Southern Cones; urban densification; rising unemployment.</td>
<td>Creation of FONAVI and ENCACE national housing fund and building company; Banco de Materiales subsidised housing materials bank.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990-2006</td>
<td>Fujimori; Toledo</td>
<td>Neoliberal reforms; increasing inequality and centralisation of resources and authority</td>
<td>Privatisation of services; liquidation of subsidised banking and credit; creation of COFOPRI centralised land titling commission and MIVIVIENDA housing fund.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-</td>
<td>2nd Alan García govt.</td>
<td>Continuation of neo-liberal policies, urbanisation and centralisation.</td>
<td>MIVIVIENDA and Techo Propio housing policies continue with some adjustments to appeal to low and low-middle income groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.i.c 1980-1990: Heterogeneous urban growth and new developments in housing supply and demand

The 1980s marked a period of political and social change in Peru. The democratic election of the Belaúnde government coincided with the emergence of the Shining Path Maoist insurgency, and the beginning of a devastating period of internal armed conflict. Significant changes were also taking place in the urban development of Peru. A demographic transition in the *barriadas* lead to an ‘evolution’ in the structure of demand for housing (Driant, 1991) and correspondingly led to the expansion of the Northern and Southern Cones of Lima. At the same time living conditions in the *barriadas* deteriorated and new approaches to housing policy were introduced.
Although rates of rural to urban migration had begun to stabilise towards the end of the 1970s, a second generation of settlers emerged. As the sons and daughters of immigrants reached adulthood and moved out of home to start their own families, the demand for housing increased and the growth of the *barriadas* continued. As Driant describes: ‘...growth strongly influenced by immigration has passed to a predominant percentage of natural growth, with greatest incidence in the zones with a predominance of *barriadas*.’ (1991, p130, *my translation*)

This new form of ‘heterogeneous’ growth – which was physically manifested in the expansion and densification of the Northern and Southern Cones of Lima - coincided with a decline in living conditions, as the collapse of the manufacturing industry meant that unemployment and the prevalence of informal and sub-employment rose sharply (Riofrío, 1991). This - along with growing family sizes - meant that levels of poverty in the *barriadas* increased, basic service provision deteriorated (Riofrío, 1991), and at the same time as demand for low-income housing increased, the acquisitive power of the population was significantly reduced (Driant, 1991).

Supply of housing also diversified at this time and while the private sector construction continued to focus on housing aimed at middle-income families (Driant, 1991), several new approaches were introduced by the government. The most important of these were the *Fondo Nacional de Vivienda* (National Housing Fund - FONAVI) and the *Banco de Materiales* (Materials Bank).

The FONAVI was a fund created using direct taxes and state contributions, which together with the *hipoteca social* (social mortgage) programme and the *Empresa Nacional de Edificaciones* (National Building Company – ENACE) funded state intervention in the housing sector. The ENACE worked with the private construction sector to produce housing which was then sold under the *hipoteca social* subsidised mortgage system. This social housing scheme was, however, designed to benefit

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9 Driant draws a distinction between homogeneous and heterogeneous growth of the *barriadas*, describing the transition thus: ‘A demographic “maturation” given by the transit from homogeneity towards heterogeneity. Homogeneity due to the great migratory flow whose peak can be identified in the 1960s, and heterogeneity produced by the emergence of a generation of the sons and daughters of migrants that reach adulthood.’ (Driant, 1991, p143, *my translation*)
the ‘lower-middle class’ and the inadequate quantity of housing built and conditions of access to the programme\textsuperscript{10} meant that it did not provide a solution to the ever increasing low-income housing problem.

In fact, the intentions of the programme were not to provide housing for those most in need, but were rather to stimulate the flagging economy by incentivising clientele with stable salaries to inject funds into the construction sector. The second objective was to satisfy Belaúnde’s electorate, the majority of whom were middle class, by facilitating their access to property ownership (Driant, 1991).

The \textit{Banco de Materiales} was introduced to provide low interest loans in the form of building materials, at cheap prices due to economies of scale, for housing improvements and \textit{for self-build} housing. This programme was aimed principally at the \textit{barriadas} and access was open to families who did not have the regular, formal salaries required by the FONAVI. The programme, however, failed in its execution as not only was the number of loans that were made extremely small compared with the quantity of houses being built in the \textit{barriadas}, but the loans were generally given to families who also had access to the FONAVI (the lower-middle income sector) and not to the lowest income sectors (Driant, 1991).\textsuperscript{11}

3.i.d 1990-present: Neoliberalism, centralisation and inequality

The disastrous first government of Alan Garcia (1985-1990) left the country in political and economic crisis. Excessive public spending, a productive deficit and Garcia’s refusal to repay external debt had led to hyper-inflation, coinciding with endemic corruption within the government, the escalation of the internal armed conflict and increasing severity of terrorist activities. These dire conditions set the scene for the unexpected election of Alberto Fujimori, and his implementation of

\textsuperscript{10} People were eligible to access the programme if they were \textit{fonavistas} i.e. if they contributed to the FONAVI through their salary. This required formal employment and a regular income that was high enough for that person to qualify to pay FONAVI contributions. This excluded the poorest sections of the population, who often worked in the informal sector or were either sub- or un-employed. It is estimated that 30-35\% of Lima’s population were excluded by these conditions (Driant 1991).

\textsuperscript{11} Between 1980 and 1985, the \textit{Banco de Materiales} lent an equivalent of 11 million dollars. This is about 9\% of what was spent on middle-income sectors to build housing for approximately the same number of families. Of six types of loan administered by the \textit{Banco de Materiales} (referred to as types A,B,C,K,D and Q) two required the borrower to be a contributor to the FONAVI and to have regular formal incomes (types A and B), one required a guarantor who was a contributor to FONAVI (type C), while the others (K, D and Q) were open to non-contributors (i.e. the lowest income sectors). Between 1980 and 1985, 88\% of the loans made were type A and B and 11\% type C. Only 206 loans of type K were made (Driant, 1991).
drastic neoliberal reforms. Fujimori dealt with hyper-inflation through the
administration of economic ‘shock-therapy’ (the fujishock) and started the process of
opening the Peruvian economy, privatisation of public enterprises and flexibilisation
of the labour market. Fujimori’s economic reforms were combined with widespread
human rights violations and the erosion of democracy, culminating in the autogolpe
(self-coup) in 1992 and the subsequent rewriting of the Peruvian constitution in 1993
(Cotler and Grompone, 2000).

The liberalisation of the economy was accompanied by increases in both economic
and political centralisation as Fujimori passed large numbers of regulations and laws
which undermined and weakened municipal governments (Córdova, 1995). The
centralisation of power and resources, combined with the increasing inequality
resulting from the neoliberal reforms served to exacerbate the situation of urban
poverty in Peru (Riofrío, 2003). The government response to the situation of the
barriadas was in-line with Fujimori’s orthodox neoliberal approach: ‘the deactivation
was started of all the instruments of state intervention in urban policy and housing.’
(Acuña, 2006, my translation)

Following a market fundamentalist approach, Fujimori implemented a policy of
privatisation of public services, the termination of subsidised banking and mortgage
programmes (such as the mutuales programme of previous years) and a widespread
programme of land titling (more than a million land titles were allocated during
Fujimori’s government by the World Bank-funded Comisión de Formalización de la
Propiedad Informal (COFOPRI), a highly centralised land-regularisation body)¹²
(Acuña, 2006).

Large amounts were raised for the FONAVI housing fund during this time (US$ 3,800
million in the space of ten years), but these resources were not used for social
housing programmes. As well as using the housing fund for water infrastructure
(Riofrío, 2004) Fujimori also created the MIVIVIENDA (my house) housing fund -
using the funds from the FONAVI – which aimed to involve the private banking sector
in housing delivery (Acuña, 2006).

This neoliberal path continued to be followed by the next elected government, led by

¹² This was probably largely under the influence of Fujimori’s principal economic advisor from 1990 to
Alejandro Toledo (president from 2001-2006). The MIVIVIENDA fund continued, and the currently active programmes of *Techo Propio* (own roof) and *Mi Barrio* (my neighbourhood) were introduced. Between 1981 and 2005, the number of houses in Peru grew dramatically (see Chart 3.1d). The small quantity of social housing that was built in this period, along with the fact that the majority of new housing was for low-income families indicates that the majority of this new housing was self-built\(^\text{13}\) and of inadequate quality (Quispe, 2005).

### Chart 3.1d: Increase in number of houses in Peru between 1981 and 2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>3,257,124</td>
</tr>
<tr>
<td>1993</td>
<td>5,099,592</td>
</tr>
<tr>
<td>2005</td>
<td>7,271,387</td>
</tr>
</tbody>
</table>


3.ii Current low-income housing situation

The current low-income housing situation can be seen as a culmination of the failed housing policies of previous decades, as the *barriadas* – now known as human settlements (*asentamientos humanos*) or Marginal Urban Neighbourhoods (*Barrios Urbanos Marginales* - BUMs) - continue to dominate the landscape of Lima and extend ever further into the outskirts of the city to increasingly precarious sites on the sides of hills and on unstable land (see Figure 3.ii and Annex 3.ii).

\(^{13}\) It has been estimated that 80% of the housing built in the period between the 1981 and 1993 census was self-built (Quispe, 2005)
Figure 3.ii: Examples of hillside settlements on Lima’s periphery

Human settlements on hillsides in Juan Pablo II area of San Juan de Lurigancho district (Author’s own photographs)
The production of informal low-income housing on such a large scale results from the state of housing supply and demand and the consistently high levels of poverty and inequality in Peru. The estimated minimum price of a house in the formal market (US$20,000)\textsuperscript{14} is currently 5.5 times the average annual family income (US$3,600), compared with a regional average for the same index of 3.9 times (Escalante, 2005). The informal housing situation can be explained further by considering that the average annual incomes of families from sectors D and E\textsuperscript{15} - who make up 62.4% of the Peruvian population - are US$2,388 and US$1,512 respectively (Escalante, 2005). These statistics help to explain why:

\[ \ldots \text{[for] the low-income segments of the population all that is left is to resort to the invasion of land, progressive self-building of their houses, renting sub-standard housing in either one of the slums in the central zone of the city or one of the old human settlements, or accommodation in relatives' housing etc.} \] (Escalante, 2005, \textit{my translation})

Low-income housing in Peru is overwhelmingly dangerous, poorly located, cramped (often with several family members sleeping in the same room with very little space or privacy), made from inadequate materials which offer little protection or security and often lacks basic services, making domestic living difficult and unhygienic. Poor housing contributes to other aspects of poverty such as poor health, low levels of education and unemployment. These conditions can be analysed in terms of: (a) human settlements, location of housing and vulnerability; (b) the accumulated housing deficit; (c) housing materials and (d) access to services.

\begin{itemize}
\item[a)] Human settlements, location of housing and vulnerability
\end{itemize}

Urban growth in Peru increasingly takes place through land invasions and the growth of informal settlements. According to official statistics, there are now close to 7,500 ‘Marginal Urban Settlements’ (see Table 3.2.a) in Peru. As the number of settlements grows, the land which communities are able to occupy becomes

\textsuperscript{14} This is the minimum cost of a house built with support from the MIVIVIENDA housing fund, the minimum cost of housing built by the private sector is $36,000 (Escalante, 2005)
\textsuperscript{15} Groups D and E refer to social groupings based on the \textit{Occupational Groups} schema, a western system which is used in Peru by social scientists and statisticians to identify social class and income groups. Indicators refer to households, with the occupation of the head of the household determining to which group the household belongs (Rose and Pevalin, 2005). Broadly speaking, Group A refers to senior managers and professionals, B to managerial and technical occupations, C to manual and non-manual skilled occupations, D to partly and unskilled manual occupations and E to unskilled occupations, casual workers and the unemployed (The Market Research Society, 2006).
increasingly scarce. This means that populations begin to settle on increasingly inhosptiable, remote and dangerous land.

Table 3.2.a: Number of Barrios Urbanos Marginales (Marginal Urban neighbourhoods) identified at national level, according to territorial domain

<table>
<thead>
<tr>
<th>TERRITORIAL DOMAIN</th>
<th>TOTAL</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lima Metropolitan</td>
<td>2,705</td>
<td>36.5</td>
</tr>
<tr>
<td>Southern Sierra</td>
<td>1,694</td>
<td>22.8</td>
</tr>
<tr>
<td>North Coast</td>
<td>946</td>
<td>12.8</td>
</tr>
<tr>
<td>Jungle</td>
<td>801</td>
<td>10.8</td>
</tr>
<tr>
<td>Central Coast</td>
<td>518</td>
<td>6.9</td>
</tr>
<tr>
<td>South Coast</td>
<td>391</td>
<td>5.3</td>
</tr>
<tr>
<td>Central Sierra</td>
<td>318</td>
<td>4.3</td>
</tr>
<tr>
<td>Northern Sierra</td>
<td>46</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,419</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Taken from Escalante, 2006, Annex 5. Source: Instituto Nacional de Estadística e Informática 2001-2002

Chart 3.2.a profiles the settlement of land of communities in Lima. It is clearly illustrated that that the majority of human settlements are located on inappropriate land. The dangers of being settled on hillsides and slopes include the possibility of falling rocks or landslides that could be triggered by seismic activity. Other communities settle on floodable land such as gullies or former riverbeds or unstable land such as, for example, the El Agustino hill, where settlements are situated above tunnels and on re-filled land exposing them to the risk of collapse (Arias, 2004).
b) The accumulated housing deficit

The national housing deficit can be measured in two different dimensions: the quantitative and the qualitative deficits. The quantitative deficit measures the lack of housing in terms of the overall number of existing dwelling units. The quantitative deficit in Peru for the year 2001 was 325,998 units (see Table 3.2.b). This refers to the shortfall in the number of housing units compared with the number of households (families) in the country. This figure therefore includes cases where more than one household live in a single unit as well as families that are not housed.
<table>
<thead>
<tr>
<th>Department</th>
<th>Quantitative</th>
<th>Qualitative</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lima</td>
<td>155,261</td>
<td>193,195</td>
<td>348,456</td>
<td>28.26%</td>
</tr>
<tr>
<td>Loreto</td>
<td>7,634</td>
<td>86,149</td>
<td>93,783</td>
<td>7.61%</td>
</tr>
<tr>
<td>Cusco</td>
<td>13,679</td>
<td>78,690</td>
<td>92,369</td>
<td>7.49%</td>
</tr>
<tr>
<td>Cajamarca</td>
<td>5,340</td>
<td>81,612</td>
<td>86,952</td>
<td>7.05%</td>
</tr>
<tr>
<td>Junín</td>
<td>14,263</td>
<td>52,538</td>
<td>66,801</td>
<td>5.42%</td>
</tr>
<tr>
<td>Puno</td>
<td>14,985</td>
<td>45,663</td>
<td>60,648</td>
<td>4.92%</td>
</tr>
<tr>
<td>Piura</td>
<td>13,741</td>
<td>38,327</td>
<td>52,068</td>
<td>4.22%</td>
</tr>
<tr>
<td>Arequipa</td>
<td>24,072</td>
<td>25,213</td>
<td>49,285</td>
<td>4.00%</td>
</tr>
<tr>
<td>La Libertad</td>
<td>15,779</td>
<td>27,764</td>
<td>43,543</td>
<td>3.53%</td>
</tr>
<tr>
<td>Huánuco</td>
<td>4,489</td>
<td>38,535</td>
<td>43,024</td>
<td>3.49%</td>
</tr>
<tr>
<td>San Martín</td>
<td>5,532</td>
<td>30,378</td>
<td>35,910</td>
<td>2.91%</td>
</tr>
<tr>
<td>Lambayeque</td>
<td>10,467</td>
<td>22,925</td>
<td>33,392</td>
<td>2.71%</td>
</tr>
<tr>
<td>Ucayali</td>
<td>2,516</td>
<td>30,627</td>
<td>33,143</td>
<td>2.69%</td>
</tr>
<tr>
<td>Ancash</td>
<td>9,997</td>
<td>21,864</td>
<td>31,861</td>
<td>2.58%</td>
</tr>
<tr>
<td>Amazonas</td>
<td>2,194</td>
<td>24,961</td>
<td>27,155</td>
<td>2.20%</td>
</tr>
<tr>
<td>Ayacucho</td>
<td>3,813</td>
<td>23,286</td>
<td>27,099</td>
<td>2.20%</td>
</tr>
<tr>
<td>Ica</td>
<td>8,371</td>
<td>10,715</td>
<td>19,086</td>
<td>1.55%</td>
</tr>
<tr>
<td>Pasco</td>
<td>1,723</td>
<td>16,565</td>
<td>18,287</td>
<td>1.49%</td>
</tr>
<tr>
<td>Huancavelica</td>
<td>1,887</td>
<td>16,014</td>
<td>17,891</td>
<td>1.45%</td>
</tr>
<tr>
<td>Apurímac</td>
<td>1,351</td>
<td>14,816</td>
<td>16,167</td>
<td>1.31%</td>
</tr>
<tr>
<td>Tacna</td>
<td>4,798</td>
<td>9,329</td>
<td>14,127</td>
<td>1.15%</td>
</tr>
<tr>
<td>Tumbes</td>
<td>1,737</td>
<td>6,349</td>
<td>8,086</td>
<td>0.66%</td>
</tr>
<tr>
<td>M. de Dios</td>
<td>486</td>
<td>6,592</td>
<td>7,078</td>
<td>0.57%</td>
</tr>
<tr>
<td>Moquegua</td>
<td>1,883</td>
<td>4,803</td>
<td>6,686</td>
<td>0.54%</td>
</tr>
<tr>
<td>Total</td>
<td>325,998</td>
<td>907,001</td>
<td>1,232,999</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Taken from (Quispe 2005), Source: Encuesta a Hogares ENAHO 2001 – INEI

The qualitative deficit refers to houses that exist but that are not suitable to be lived in either because they are not physically adequate or because they are damaged or worn to such an extent that they are no longer habitable (see Box 3.2.b). The qualitative deficit in 2001 was 907,001 units. These houses would need to be ‘… substituted, extended, remodelled or rehabilitated.’ (Quispe, 2005, my translation)

Both the quantitative and the qualitative housing deficits principally effect low-income sectors of the population. As Escalante indicates:

… the accumulated quantitative housing deficit in 1990 corresponded in 64.2% to the low-income sector …. Also, the qualitative deficit, expressed in inadequate housing materials predominates in poor homes, still more in homes in extreme poverty. (Escalante, 2005, my translation)
Box 3.2.b: Example of qualitative housing deficit – damaged, unstable housing

The houses in Pamplona Alta are well consolidated, the settlement having been established more than 30 years ago. Many of the houses have a second floor, and considerable investment has been made in their construction.

However, as can be seen in the right hand picture, there is serious structural damage to the columns of the houses. Because the community used too much sand in the concrete mix while building, moisture enters the structures. This rusts iron beams inside the columns which then expand, and the weak concrete crumbles under the pressure. Similar damage is evident in nearly all of the houses in the settlement - as the community built their houses together, they made the same errors during construction.

In some cases, the onset of the instability caused by the weakening columns has resulted in collapsing of the roofs inside the houses. These conditions make the houses extremely vulnerable to total collapse in the case of an earthquake, and serious damage could result from even a small amount of seismic activity.

(Taken from interview and case study with community leader Eusebio Quispe.)

c) Housing materials

One of the main ways in which the above mentioned qualitative deficit is manifested is in housing constructed with inadequate or provisional materials. Three levels of consolidation can be identified: initial, medium and basic. Initial housing refers to housing with an earth floor and with walls and a roof made from light materials such
as esteras (a popular material often used in relatively new settlements or invasions which consists of thin bamboo mats – see Box 3.2.c), wood or cardboard. *Medium consolidation* refers to housing with brick and concrete walls, a concrete floor and a corrugated iron or wooden roof, while a basic level of consolidation refers to a house with brick and concrete walls and a concrete roof.

---

**Box 3.2.c: Inadequate materials – Los Hijos de Juan Pablo**

*Los Hijos de Juan Pablo* is a relatively new settlement in the *San Juan de Lurigancho* district of Lima. The inhabitants of the settlement would be classified as income sector E (probably around $1 per day).

The houses are made from esteras a kind of bamboo mat commonly used for provisional housing in new settlements and after land invasions.

The houses do not have basic services - they have no sanitation or electricity and families use water from a shared standpipe which services the whole settlement (20 families). This makes day to day life difficult for the inhabitants and problems include illness, environmental contamination and unemployment.

*(Taken from interview and case study with community leader Percy Benavente)*

---

This situation of housing construction with inadequate materials is most pressing among low-income sectors of Peru’s population. It is these groups that suffer most with housing made from materials that are unstable, offer little protection against the elements and that place them in situations of heightened vulnerability to natural hazards. Instances of housing at the *initial* stage are most frequent among the poorest sectors - according to government statistics 84.8% of households in extreme poverty have an earth floor in their home (Escalante, 2005).
Most of the urban housing that is constructed with inadequate materials is found in human settlements, where the majority of Peru’s urban poor inhabit. **Chart 3.2.c** shows how the level of consolidation of housing in human settlements in Lima in 1993 was predominantly at the initial or medium stage, with only a quarter having reached a basic level of consolidation. Further statistics of housing materials in Peru can be found in **Annex 3.2.c**.

**Chart 3.2.c: Type of materials used for houses in Human Settlements in Lima**

<table>
<thead>
<tr>
<th>Level of consolidation of houses in human settlements in Lima (1993)</th>
<th>No of Houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial</td>
<td>180,000</td>
</tr>
<tr>
<td>Medium</td>
<td>160,000</td>
</tr>
<tr>
<td>Basic</td>
<td>140,000</td>
</tr>
</tbody>
</table>


d) Access to services

One of the central ways in which adequate living standards are not reached in Peru’s housing is in levels of access to basic services. The lack of access to clean water supplies and the absence of adequate sanitation can have terrible consequences for low-income populations, as was the case when a cholera epidemic spread through Peru in 1991 (Hertz, 2004).

As well as the risk of public health emergencies, there are also everyday consequences of a lack of access to basic services. As an alternative to a connection to the public sewage network, families use other solutions which can be dangerous and damaging to the environment, not to mention undignified and even
While the majority of Peruvians do have a domestic connection to the public sanitation network, over 2 million houses use a cess pit or have no sanitation at all.

At the national level, over 2 million households in Peru do not have a domestic water connection in their home. The most common water alternatives in urban settlements are the water truck and shared tap-stand, while rivers and springs and wells are more commonly used in rural communities.

The use of *silos* (improvised cess-pits) is widespread (see Chart 3.ii.d1) - these destabilise the land on which the housing is settled and can leak into water supplies, irrigation or the sea. Where no sanitation is available, alternatives include the use of plastic bags and direct use of rubbish dumps and waste areas in close proximity to settlements.

When the possibility of a domestic connection to the public water network is unavailable, water supply decreases in quality and increases in price (Escalante, 2005). Communities often share a more expensive communal standpipe, or if the water network does not reach their community, highly inflated prices are paid for poor quality water delivered by a water truck. If neither of these options is viable, families will get their water from alternative sources such as directly from rivers or streams, or from public overflows (see Box 3.ii.d). Chart 3.ii.d2 contains statistics of the water services as they are currently used in homes in Peru – 1,909,368 households are not connected to the public network (32.6%), while 737,342 (12.6%) use a river, stream or spring as their water source.

**Box 3.ii.d: Water alternatives in Lima**

Water is used domestically for drinking, cooking, washing, personal hygiene, watering plants, cleaning etc.

In the poorest areas of Lima communities often use communal stand pipes and connect hoses to fill buckets and carry water to their houses.

This is a container on the roof of a house which is periodically filled by a water truck. This water must be bought and is relatively expensive, it must also be boiled before consumption as the quality varies.

This is an example of what is termed “other” in the statistics. This community are using water from an overflow of the public water provider. As can be seen in the top photo, this water is contaminated at its source.

*(Taken from case studies in Punta Hermosa, El Agustino and San Juan de Lurigancho)*
Chapter IV

Analysis and evaluation of current Peruvian housing policy

4.1 The current Peruvian housing policy

…the state assumes a normative role, facilitator and promoter of private activity oriented towards the creation of a housing market that satisfies, in a sustainable and permanent way, the habitation necessities of the population, establishing the conditions so that families, whatever their economic condition, have access to the opportunities that the market provides them. (Plan Nacional de Vivienda 2002, taken from Quispe, 2005, my translation)

The current housing policy in Peru is a continuation of programmes which were initiated in the Fujimori period of the 1990s. The programmes are aligned with the policies of the Inter-American Development Bank (IDB),¹⁶ which part-funds some of the programmes that are aimed at low-income families. In line with the IDB, the programmes aim to tackle the housing problem by facilitating participation and promoting investment of the private sector in the housing and mortgage markets. In this way, the policy is designed to have the dual purpose of contributing to the growth of the housing and finance markets, while performing the social function of supporting low-income sectors of the population and tackling Peru’s housing problem (MIVIENDA website).

Current government housing policy has three principal elements 1. El Creditio MIVIENDA (MIVIENDA credit); 2. El Programa Techo Propio (own roof programme); 3. El Banco de Materiales (The Materials Bank).¹⁷ The MIVIENDA credit and Techo Propio programmes are designed to facilitate access to the housing market through mortgage and credit schemes, in some cases including subsidies or discounts. The Banco de Materiales is a materials lending bank which promotes self-build and housing improvement for low-income families. A more thorough description of these programmes follows:

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¹⁶ The Inter-American Development Bank has two overall objectives within its institutional strategy (which was approved in 1999). These objectives determine the activities and operations of the Bank and are stated as: 1. To create and sustain a policy and investment environment conducive to robust economic growth; and 2. To achieve higher levels of human development for all their people, including groups and persons historically excluded from mainstream society. From IDB website: http://www.iadb.org/aboutus/I/ma_institutional.cfm?language=English accessed 12 May 2007.

¹⁷ There are also government programmes within the national housing plan which focus on urban renovation and infrastructure improvement, such as the Programa de Mejoramiento Integral de Barrios/Mi Barrio programme, however these are beyond the scope of this present study.
1. MIVIENDA Credit

The MIVIENDA credit is financed using the resources of the MIVIENDA housing fund, which total approximately US$600 million. The credit is a mortgage programme aimed at middle- and lower-middle income sectors of the population which offers interest rates which are below market levels. It does this through the Premio al Buen Pagador, a discount equal to 15% of the amount borrowed, up to a limit of 15,000 Soles (about US$4,650) (MIVIENDA Website).

The mortgages are administered indirectly through commercial banks, with the MIVIENDA fund assuming part of the risk (Quispe, 2005). The property purchased must be new housing, which means that the supply of housing comes from private construction firms.

2. Techo Propio

The Techo Propio programme is a mortgage and subsidy programme which aims to promote access to the housing market for low-income families. It is financed by the MIVIENDA housing fund and also the Interamerican Development Bank (Escalante, 2005). According to the MIVIENDA website, the Techo Propio programme is:

‘... a programme designed to solve the housing problems of low-income Peruvian families so that they are able to obtain dignified housing, that has the principal services of electricity, water, sanitation, paths and pavements.’ (MIVIENDA website)

To access the programme, the net accumulated income of the family that is applying must not be more than 1,450 Soles/month (around US$450), the family must not already own a home and they must not have previously received housing assistance (MIVIENDA website). The key component of the programme is the Bono Familiar Habitacional (BFH) – financed by the Interamerican Development Bank, it is a direct subsidy which is usually given in conjunction with a loan from one of the commercial banks.

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18 The MIVIENDA fund was created in the 1990s using the resources from the FONAVI fund which consisted of direct contributions taken from workers’ salaries and of government contributions - see Chapter III of this dissertation.
The programme has number of components: Vivienda Nueva (new housing), Mejoramiento de Vivienda (housing improvement), Deuda Cero (zero debt), Sítio Propio (own site) and Renovación Urbana (urban renovation).

- **Vivienda Nueva** the applicant can use the subsidy and credit to buy a new home.
- **Mejoramiento de Vivienda** allows the applicant to use the subsidy for housing improvements.
- **Deuda Cero** is aimed at the lowest income families that are eligible for the programme and functions as a subsidy of US$3,600, with no accompanying loan, which allows families to buy housing which costs US$4,000, the applicant providing a contribution of US$400.
- **Sítio Propio** uses the finance to construct housing on land owned by the applicant.
- The **Renovacion Urbana** programme finances slum upgrading for a whole community – this programme has been limited to two pilot projects at the time of writing (MIVIVIENDE website, 10 April 2007).

3. **Banco de Materiales (BANMAT)**

The Banco de Materiales (Materials Bank) was created in 1980 (see Chapter III of this dissertation) as a state controlled materials bank, lending building materials to low-income sectors of the population with the aim of promoting self-build housing and housing improvement in Peru. The Banco de Materiales website states its original aims as: ‘… to contribute to the solution of the problem of building and improvement of basic housing, with the system of self-build, financing them through the supply of materials.’ (Banco de Materiales website)

Between 1990 and 2000 - financed through a fund that originated with contributions from the FONAVI, ENCACE and MIVIVIENDA housing funds - the bank implemented a large-scale programme of support for self-build housing. The programme granted 5 year loans of between US$1,600 and US$2,300 to supply materials as well as providing technical assistance and labour.

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The mandate of the bank was changed by laws passed in 1997 and 1998 (Banco de Materiales website)\(^\text{20}\) and functions were added which focused on social and community organisations (communal kitchens, small businesses etc). One of the outcomes of this change in orientation of the bank was the organisation of ‘non-payment committees’ that refused to repay their loans. In line with the populist political climate created by the Fujimori government, the bank was used for political gain and began to be seen as a state entity which did not need to be reimbursed (Quispe, 2005). This lead to the depletion of the resources of the bank as default rates on its loans reached more than 80%, leaving the bank with a budget of US$14 million, left from an original budget of US$1 billion (Quispe, 2005).

The bank’s housing policy now consists of four principal interventions: Vivienda Básica (basic housing), Vivienda Nueva (new housing), Vivienda Progresiva (progressive housing) and Mi Barrio (my neighbourhood). These programmes function in the following way:

- **Vivienda Básica**: group projects for communities to construct new housing in collaboration with private construction firms. Projects must be for the construction of at least 20 houses.
- **Vivienda Nueva**: for families that own a plot of land to construct new housing.
- **Vivienda Progresiva**: credits for self-build and housing improvements for individuals.
- **Mi Barrio**: funds external improvements and improvements of environmental conditions in settlements – this includes infrastructure, roads and pavements, communal services and green spaces.

Table 4.i – taken from the National Housing Plan 2006-2015 - shows how the programmes which make up the national housing policy correspond to different socio-economic groups. This diagram does not include representation of the sizes of the population groups in each sector or the budgetary assignments which are allocated to the various programmes.

4.ii Evaluation of the current housing policy in Peru: scale and reach

This evaluation of the current housing policy in Peru will be based on the degree to which the policy tackles the low-income housing problem in Peru. A framework to analyse this can be derived from the stated objectives of the programmes themselves.21 The stated ‘vision’ of the MIVIENDA fund is: ‘To be recognised as an institution with social conscience, protagonist in the reduction of the country’s qualitative and quantitative housing deficit.’ The MIVIENDA fund’s ‘mission’ also states its aim to: ‘contribute to the social well-being of the population lacking adequate housing, with a special emphasis on the population with least resources, facilitating the acquisition, construction or improvement of housing’.22

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21 The housing programmes generally follow two sets of objectives: market enablement and tackling the low-income housing problem. For the purpose of this evaluation, only the objectives relating to low-income housing provision will be analysed.

22 In line with the InterAmerican Development Bank, the MIVIENDA fund’s ‘mission’ also includes a market oriented aim: ‘identifying and developing the opportunities of the housing and finance markets, and promoting the participation of private investment to guarantee its growth and sustainability.’ (MIVIENDA website) An analysis of this aim goes beyond the scope of this dissertation, however, it will be discussed further in the conclusion.
Techo Propio is stated as being a programme which is: ‘oriented to solve the housing problem of low-income Peruvian families so that they can have dignified housing.’ According to the website of the Banco de Materiales it is: ‘oriented with the aim of achieving for all Peruvian families, especially those with low economic resources, possession of dignified housing and infrastructure that permits them to improve their quality of life.’

It has been established in Chapter III of this dissertation that the low-income housing problem in Peru is manifested in an unsustainably large housing deficit and undignified, inadequate and hazardous conditions of low-income housing. According to the aims of the programmes, their priorities are: 1) the reduction of the national housing deficit and 2) the provision of adequate housing for low-income families with an emphasis on the lowest-income families. These aims give us a framework with which to evaluate the effectiveness of the existing policy in terms of a) scale and b) reach. More precisely, these terms can refer to:

a) the scale of current interventions in terms of the quantity of adequate housing which is built and the impact on the quantitative and qualitative housing deficit.

b) the population groups which the programmes reach, and the possibilities of impacting on the housing conditions of people living in the most vulnerable conditions, and those most in need of new or improved housing.

These criteria can be used to evaluate how well the programmes meet their own objectives and whether they are successful in tackling the housing problem in Peru.

4.ii.a Scale

As indicated in Chapter III of this dissertation, the housing deficit in Peru as measured in 2001 was approximately 1.23 million houses, the quantitative deficit corresponding to 325,000 houses and the qualitative deficit reaching 907,000 housing units. As little importance is given to the study and analysis of the Peruvian housing deficit within Peru, availability of data is limited and it is therefore difficult to estimate how the 2001 figure has changed over time (Quispe, 2005). Observing
general trends in Peru, of rapid population growth (1.4% per year), continued rural to urban migration and the expansion and growth of human settlements in Lima and other urban centres, it could be assumed that the housing deficit - particularly the qualitative deficit – also continues to grow at a considerable rate and is now significantly higher than the 2001 figure.

Table 4.ii.a summarises the performance of the current housing policies in terms of the number of housing units built in the period 2001-2005.

<table>
<thead>
<tr>
<th>Table 4.ii.a: Number of houses built under the current housing policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Per year</strong></td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>New Housing (units)</td>
</tr>
<tr>
<td>Improved Housing (units)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

*82,000 units constructed with finance from Banco de Materiales, Techo Propio and MIVIENDA + 18,000 with private finance
** Banco de Materiales Vivienda Progresiva programme

Source: El Plan Nacional de Vivienda 2006-2015 – Como incluir a los sectores mas vulnerables

Without accounting for growth in the housing deficit which has taken place between 2001 and 2005, or that will take place in the future, housing construction at this rate would take approximately 40 years to completely eradicate the outstanding accumulated housing deficit. However, UN Habitat estimates that the number of new households formed in Peru between 2000 and 2005 was 736,000 and that a further 776,000 will be formed from 2005 to 2010 (UNCHS, 2001). This indicates that 155,200 new households require housing each year, only a fifth of which would be supplied under the current housing policy. As Escalante points out: ‘...such a low result [of housing construction] cannot cover the new demand registered annually, much less reduce the accumulated or “dragging” deficit.’ (Escalante, 2006)

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24 According to UN Habitat estimates (UNCHS, 2001), household formation is actually taking place at a higher rate than population growth (2.5% per year between 2000 and 2015). Reasons for this could include divorces and an ageing population: as families divide and as younger generations move out to form their own homes, more households are formed.

25 Even more conservative estimates suggest that the current rate of housing construction is inadequate. The Peruvian construction industry chamber, CAPECO (Camera Peruana de la Construcción) estimates that annual growth in demand for housing is 40,000 units – over 10,000 more units per year than are currently being built. (La Republica, 2005)
The proportion of new housing being built compared with the number of existing houses that are being improved is also incongruent with the reality of the housing situation in Peru. While 26% of the accumulated housing deficit is quantitative and 74% of the deficit is qualitative, only 33% of the housing generated with the current programmes is housing that has been improved to meet adequate standards, while 67% is newly constructed housing. Although new housing can also be used as a solution to the qualitative housing problem, it is less efficient\(^{26}\) than improving existing housing and therefore can only be carried out on a small scale compared with the situation faced.

4.ii.b Reach

In the survey carried out for this study, community leaders and community members were asked if they had received any form of government housing assistance. Graph 4.ii.b shows the results of the responses, with 93% of those surveyed having received no assistance. It should be noted when interpreting these results that the demographics of the sample surveyed are of socio-economic groups D and E\(^{27}\) and that the housing situations of those surveyed were predominantly at the ‘initial’ stage (light materials – see chapter III). Housing conditions of these people fall below minimum standards for adequate housing and the majority would be considered part of the qualitative housing deficit.\(^{28}\)

\(^{26}\) Building new housing is less efficient in terms of cost. For example, credits given by the Banco de Materiales for housing improvement are between s/2,000 up to s/15,180 (US$630-$4,790). Prices of new housing built by MIVIVIENDA are at the economical end around US$4,000 per unit, up to $30,000.

\(^{27}\) Groups D and E being socio-economic sectors of low and lowest-income.

\(^{28}\) A methodological consideration when analysing this survey could consider that, had these groups received housing assistance from the state, that their housing situation may have improved and they would fall outside of the sample (the sample focused on low-income groups with poor quality housing). However, subsequent research carried out into the reach of the housing programmes is consistent with the conclusion that these low-income groups receive very little help.
One explanation for the lack of reach that the current housing programmes have is evident from an analysis of the budget of the housing policy and the allocation of government resources. While MIVIVENDA (aimed at middle-income families) uses a public fund of US$600 million (from the FONAVI housing fund), the programmes designed to benefit low-income groups – *Techo Propio*, *Techo Propio Deuda Cero* – use funds borrowed from international lenders (Inter-American Development Bank) and are financed on a much smaller scale (*Techo Propio* has a fund of US$75 million) (Escante, 2006). The disproportionate allocation of resources is reflected in the levels of activity of the programmes. According to Escalante: ‘…while the MIVIVIENDA fund has financed housing for 32 thousand families, the *Techo Propio* programme has only instigated 78 programmes nationally [during the period of the last National Housing Plan].’ (2006, *my translation*)
Another principal problem in the design of the housing programmes is the conditions and requirements needed in order to be eligible to apply to the programmes. These limit their reach, preventing large portions of the lowest income sectors of the population from accessing them. Table 4.ii.b details some of the access conditions for the housing programmes.

Table 4.ii.b

<table>
<thead>
<tr>
<th>Programme</th>
<th>Conditions and requirements</th>
</tr>
</thead>
</table>
| **MIVIVIENDA**             | • Have a satisfactory credit rating from the institution that will do the lending. (this would require a satisfactory credit history, regular income, formal bank account etc.)  
  • Hold 10% of the value of the house as savings. |
| **Techo Propio: Vivienda Nueva** | • Hold 10% of the value of the house as savings.  
  • Obtain complementary financing from a commercial bank. |
| **Mejoramiento de Vivienda** | • Hold 10% of the value of the house as savings.  
  • Hold the land title to the property to be improved.  
  • Have water, sewage and light connections in the house. |
| **Sitio Propio**           | • Hold 5% of the value of the house as savings.  
  • Have complementary financing from a commercial bank.  
  • Hold the title to the land where the house will be built.  
  • Have water, sewage and light connections in the house. |
| **Deuda Cero**             | • Have formal savings of US$400. |
| **BANMAT:** All BANMAT housing programmes: | • Net monthly income must be at least 3 times the amount of monthly repayments.  
  • Wage slips must be provided to prove this.  
  • Must have been in the same employment for at least 1 year.  
  • Land title. |
| **Vivienda Progresiva**    | • Net monthly income must be at least 5 times the amount of monthly repayments.  
  • Water and electricity connections |
| **Vivienda Nueva**         | • Net monthly income must be at least 3 times the amount of monthly repayments. |

Source: MIVIVIENDA website and Banco de Materiales website (Accessed 18 May 2007)
Because most of the programmes have contracts with commercial banks\textsuperscript{29} to administrate the credits and finance, formal documentation is required and applicants must have commercial bank accounts and a land title. In the case of most of the Techo Propio programmes, in order to obtain the Bono Familiar Habitacional subsidy the applicant must also secure a complementary credit or loan from a commercial bank. This excludes a large portion of the low-income groups in Peru as they often work informally and are therefore unable to participate in the formal banking system. They are also often informally settled on the land where they live and are therefore unable to meet the requirement of having a land title.

Many of the programmes also require an initial quota to be saved in a commercial bank. It is very difficult for these low-income groups to meet this requirement. Low-income groups in Peru generally do save when they have surplus income, however not in a form which can be used as an initial quota for these programmes. As Escalante points out: ‘These families do save, however not in banks but rather in construction materials, which they acquire when they have an additional income.’ (2006, \textit{my translation})

A lack of access to the commercial banking system due to irregular and low incomes was articulated as a principal obstacle to access the programmes in the interviews carried out with community leaders. When asked whether he had been able to access the Techo Propio programme community leader Percy Benavente responded that: ‘We can’t apply to the Techo Propio programme because we don’t have a current account in a bank. The only help that we receive from the state is the glass of milk.’\textsuperscript{30} Similarly when discussing the government housing programmes, Jorge Bernardo pointed out that:

\begin{quote}
Incomes in the community are very low. Many work in temporary positions, earn a salary of s/90 [US$29] per week … the salary for a worker is very low, it’s too low to cover the living costs for a family. Because of this we can’t improve our housing because there’s no way we can get credit.

\textit{Techo Propio} is even worse because you need to have savings of around a thousand soles [US$310] and they still have to approve your application for a loan. (Translated from interview)
\end{quote}

\textsuperscript{29} The only exception is the Banco de Materiales which is not a comercial bank, however, it still demands similar requirements to those of a commercial bank in order to administer credits.

\textsuperscript{30} The Glass of Milk (Vaso de Leche) programme is a community based programme which distributes free milk to young children.
Several of the programmes also require the property which is to be improved or where new housing will be built to have water and electricity connections, and to be located on flat land. This also ignores the real conditions of low income groups, particularly the poorest and most vulnerable who generally inhabit the most precarious sites, often on hillsides, and without connections to basic services.

One of the questions in the survey asked whether the respondent had applied to any of the housing programmes, and if not, why not. Of those surveyed, only 7% had applied to the government housing programmes, 93% not having applied. Graph 4.ii.c shows the results of the subsequent question, asking why those who had not applied to the housing fund had not applied. The answers were distributed among the suggested reasons, with lack of legal title being the most common reason for not applying. When looking at the results of respondents who do have a title, the most common reasons are not being located on flat land (43%) and not being able to present the initial quota of savings (29%).

Graph 4.ii.c: Barriers to access to government programmes

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No legal title</td>
<td>52%</td>
</tr>
<tr>
<td>Not located on flat land</td>
<td>16%</td>
</tr>
<tr>
<td>Can't reach initial quota</td>
<td>11%</td>
</tr>
<tr>
<td>Don't have services</td>
<td>17%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

31 Respondents were instructed that they could mark more than one answer if more than one reason applied to them.
It is clear that these restrictions are excluding precisely those groups who are most in need of state assistance to gain access to adequate housing. The employment and property situations of low-income groups are overwhelmingly informal or only partially formalised. The existing policy does not take these conditions into account and because of this it fails to meet the stated goals of serving those groups in Peruvian society who are most in need. The policy also fails to significantly contribute to the wider goal of reducing poverty and extreme poverty.
Chapter V

Analysis and evaluation of alternative housing policy

5.i Alternative housing policy proposed by Peruvian civil society: The Decentralised System of Support to the Social Production of Housing and the City

Based on a substantial body of experience of working in Human Settlements and with local communities on issues of housing and poverty reduction, a coalition of civil society organisations and NGOs has initiated *The Campaign for the Right to Dignified Housing for All* to promote the implementation of an alternative housing policy: *The Decentralised System of Support to the Social Production of Housing and the City*.

This alternative model follows Human Rights based development principles, taken from global campaigns of the United Nations and UN Habitat as well as recommendations given by the UN Special Rapporteur for the Right to Adequate Housing, after his mission to Peru in 2003. The policy incorporates theories of self-build housing developed by Turner (1976) in Peru in the 1960s and 70s.

The alternative model, which prioritises community based self-build housing improvement over the commercial construction of new housing, is based on specific principles concerning the housing problem in Peru:

1. The housing problem and poverty are intrinsically linked:

The housing problem in Peru is a result and symptom of the economic and social conditions of low-income sectors of the population, and should be dealt with in this context (Quispe, 2005). When considering the housing question, the causes and circumstances of poverty must also be considered.

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2. Tackling the housing problem is part of the fight against poverty:

Housing is a fundamental human right and as such all people should have access to adequate housing. Inadequate housing is an aspect of poverty and also reinforces and contributes to other aspects of poverty, for example:

- poor housing can lead to poor health through inadequate protection and unhygienic conditions;
- education is compromised by inadequate space and conditions for study;
- domestic employment is compromised by inadequate space, and poor housing is often located far from centres of economic activity;
- poor housing exposes people to vulnerabilities that can include loss of life, loss of livelihoods and loss of assets in the case of a disaster or hazard.

Improving housing conditions will therefore contribute to overcoming other conditions of poverty such as poor health, low levels of education, unemployment and vulnerability.

3. The housing deficit in Peru is predominantly qualitative in character:

Low-income households in Peru are generally housed, but existing housing is often inadequate in terms of space, materials, basic services and location. As such the low-income housing problem is more qualitative than quantitative in character.

4. Low-income housing production in Peru generally takes place through self build.

The majority of low-income housing in Peru is produced through self-build processes, following the pattern:

a. Land invasion, occupation and division of occupied area into lots
b. Housing construction carried out by families and communities
c. Urbanisation – basic services acquisition, improvements to external environment, infrastructure and housing. (Housing is improved and consolidated through self-build and housing improvement.)
These processes are carried out by the communities themselves with intervention of the state to grant land-titles, in negotiations for basic services provision and through programmes to improve infrastructure (Escalante, 2005).

5.ii Structure and functioning of the system

a) Funding

The policy will be funded through the creation of a *Popular Housing Fund*. The fund would be created through the transfer of 60%\(^{33}\) of the funds of the MIVIVIENDA housing fund, the transfer of all resources from the *Banco de Materiales* including the outstanding debts that are to be recuperated,\(^{34}\) and funds raised from international aid contributions and debt-swap\(^{35}\) for development schemes.

b) Decentralisation

Resources from the *Popular Housing Fund* will be decentralised. Local municipalities will coordinate with local organizations, communities and Micro-Finance Institutions (MFIs), to develop participative *Local Housing Plans*. These *Local Housing Plans* will prioritise interventions that are needed and determine how resources are to be distributed. It is emphasised in the design of the model that local organisations, made up of democratically organised communities will be actively involved in the designation and design of interventions, monitoring progress and results and monitoring the participation and compliance of the population themselves. In this way, the funds will be genuinely accountable to communities helping to avoid *clientelismo*. **Chart 5.ii.b** illustrates how funds and resources will be distributed.

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\(^{33}\) The *Popular Housing Fund* would use 60% of the funds from the MIVIVIENDA fund, allowing some of the existing housing construction programmes to continue, but on a smaller scale and with a reduced budgetary assignment. This will help to address the quantitative housing deficit and also continue to stimulate the housing market for middle and lower-middle income families.

\(^{34}\) The *Banco de Materiales* is owed outstanding debts of US$1 billion. It is expected that 50% of these outstanding debts could be recuperated.

\(^{35}\) Debt-swap schemes allow heavily indebted developing countries to forgo external debt payments on the condition that funds are spent on development or poverty alleviation initiatives. Several such programmes have been implemented in Peru, where ‘counter-value funds’ with a designated developmental of environmental purpose have been created with swapped external debt.
c) Financial Instruments

**Micro-credit**

Instead of using commercial banks to administrate loans and mortgages, the *Decentralised system*… will provide finance to low-income families through Micro-Finance Institutions (MFIs). These credits will then be used to finance self-build housing improvements. There are already many such institutions working with poor communities across the whole of Peru, and these will be able to apply to take part in the system, and selected via a public tender. 36

In this way, the system will be able to reach poor and marginalised populations as the MFIs already work with these communities, and the communities will have access to credit which is not restricted by the conditions that are required by commercial banks. Micro-credit is also much more suitable for low-income families

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36 At the moment, these institutions generally work with small and micro-enterprises rather than housing and construction. For this reason it will be necessary to carry out capacity building with the organisations, looking at previous experiences and pilot programmes which have used micro-credit for construction.
as it provides small, short-term loans with low interest rates which are better suited to borrowers who have irregular, low incomes.

**Subsidy**

The system also includes a subsidy component, designed to benefit people and groups who are in extreme poverty and particularly those who are in situations of high risk and vulnerability. The subsidy component is a response to the principle that adequate housing is a Human Right and that direct state intervention is necessary to guarantee that right in certain situations. It is also a way in which that state can intervene in situations where groups are marginalised and excluded from society, contributing to the realisation of other basic rights and constituting a step towards the alleviation of extreme poverty.

With these considerations in mind, it is proposed that the subsidy component follows certain guidelines as set out by Escalante (2005):

- It should be a policy that is wide-reaching and sustainable, and therefore should function using small subsidies to as many people as possible, rather than large amounts which benefit a limited section of the target population.
- It should aim to benefit groups and families who are unable to access the micro-credit scheme, providing technical assistance and materials for housing improvements.
- It should form part of a broad strategy for tackling extreme poverty and social exclusion, and should therefore be coordinated along with other poverty alleviation policies.
- It should be funded using taxes on the construction materials industry, which would greatly benefit from the programme.
- The funds available for subsidies could also be increased using money raised from debt-swap programmes and international aid.
- Selection criteria should consider, as well as economic criteria, social criteria such as prioritisation of female headed households, households with disabled family members and considerations of family size and participation in local community activities.
d) Technical instruments

Technical Assistance

Municipalities will be responsible for providing technical assistance for self-build families as part of the 'local housing plans' mentioned earlier. They will select through public tender professionals from small local construction firms, schools of architecture and engineering, universities and NGOs who will support local self-builders in management and all aspects of construction of their housing. This will improve the quality of the housing that is produced, meaning that it reaches an adequate and safe standard.

Previous experiences with the Banco de Materiales have incorporated one technical assistant (an architect or engineer) for a group of a maximum of 30 families. Each assistant could attend 3 groups, on average assisting them for 3 months (Quispe, 2005).

Information System

A national level system of information sharing and coordination will be implemented. This system will be used to determine the National Housing Plan which will allocate resources regionally based on the levels of poverty, population size and housing deficit for each respective region of the country. Resources will then be channeled through regional and local municipalities for the design and implementation of the Local Housing Plans. Chart 5.ii.d shows how the system will work through the various stages of the plan and the various institutions that will be involved.

37 According to the UNDP Human Development Report 2006, 12.5% of the Peruvian population currently live on less than US$1 per day.
5.iii: Evaluation of the plan

Based on the principles outlined earlier, the Decentralised System… is designed to respond to the reality of the low-income housing situation in Peru, taking into account the situations and conditions of low-income groups and their housing. In this sense, the proposed policy is designed to benefit a much greater number of people and families – taking account of the size of the national housing deficit - and is designed to support those most in need – allowing access for low-income groups. It is therefore appropriate to analyse the policy using the same criteria of scale and reach, facilitating an evaluative comparison between the two policies.

As the alternative policy is yet to be implemented, the evaluation must be based on expected outcomes derived from research into the context and conditions in which the policy will be implemented as well as previous experiences of similar programmes.
5.iii.a Scale

By reorienting the government housing funds towards housing improvement rather than construction of new housing, the alternative policy aims to tackle the national housing deficit on a larger scale and much more quickly than the existing policy. The way funds are allocated also reflects the fact that the housing deficit is approximately three quarters qualitative and one quarter quantitative.

Previous studies have shown that self-build and housing improvement schemes can produce adequate housing much more efficiently than new housing construction. This is because of the uses of resources in these types of programme. First of all, existing resources are used in terms of existing housing structures and materials. Secondly, labour costs are reduced because local wages are lower (when local builders are hired) and through 'sweat equity'\textsuperscript{38} of self-building families.

The committee of The Campaign… has carried out a study to estimate the impact of the alternative policy based on the proposed resources, the estimated unitary cost of housing improvement and the size of the housing deficit (Escalante, 2005). Using demographic data from the 1993 Peruvian national census, the 2001 Housing Ministry study into the housing deficit (see Chapter III) and estimates of the unitary cost of housing improvements, the study estimated that finance would be needed for a total of 907,000 housing improvements (equal to the size of the total qualitative housing deficit), with finance totalling US$1,749,386,000 (see Table 5.iii.a1).

\textsuperscript{38} ‘Sweat equity’ is the saving made by substituting unpaid family labour for paid labour. Burgess (1990) describes how research has indicated that this increases resident’s equity and makes housing production more efficient: ‘A widely quoted figure for the Alliance for Progress projects was that a 20%-30% reduction in construction costs vis-à-vis the costs of a similar conventional unit could be achieved by replacement of wage labour.’
<table>
<thead>
<tr>
<th>PROGRAMS FOR THE EXISTING QUALITATIVE DEFICIT</th>
<th>ESTIMATED NATIONAL DEMAND FOR CREDITS 2002</th>
<th>ESTIMATED AMOUNT OF LOANS (US$)</th>
<th>TOTAL FINANCE (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Substitution</td>
<td>90,700</td>
<td>$6,000</td>
<td>$544,200,000</td>
</tr>
<tr>
<td>B. Walls, corrugated roof</td>
<td>341,213</td>
<td>$1,000</td>
<td>$341,213,000</td>
</tr>
<tr>
<td>C. Concrete roof</td>
<td>274,277</td>
<td>$1,100</td>
<td>$301,705,000</td>
</tr>
<tr>
<td>D. Extension</td>
<td>100,405</td>
<td>$2,200</td>
<td>$220,891,000</td>
</tr>
<tr>
<td>E. Densification</td>
<td>100,405</td>
<td>$3,400</td>
<td>$341,377,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>907,000</strong></td>
<td></td>
<td><strong>$1,749,386,000</strong></td>
</tr>
</tbody>
</table>

Taken from Escalante (2005)

Using these figures, the study then calculated that an additional US$43,735,540 would be required for technical assistance – to be covered by the subsidy programme - and that the subsidy programme would also contribute US$535,397,250 to the total cost of housing improvements. Subtracting the cost to be covered by subsidies from the total amount needed for housing improvements leaves US$1,213,997,750 to be financed by micro-credit. It can then be calculated that with a fund of US$374,000,000 and assuming a loan repayment rate of 90%, it would take 4 lending rotations to cover the finance needed for micro-credits (see Table 5.iii.a2).

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39 This calculation was based on demographic statistics and the proportion of the population in socio-economic sector E.
40 60% of MIVIVIENDA fund and US$14,000,000 from Banco de Materiales.
41 Micro-credit loans have much higher repayment rates than commercial loans.
Table 5.iii.a2
FINANCE OF DEFICIT FOR HOUSING CONSTRUCTION 2004

<table>
<thead>
<tr>
<th>CONCEPT</th>
<th>US $</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMOUNT TO BE COVERED BY SUBSIDY</td>
<td>579,132,790</td>
</tr>
<tr>
<td>AMOUNT TO BE COVERED BY MICROCREDIT</td>
<td>1,213,997,750</td>
</tr>
<tr>
<td>TOTAL FINANCIAL DEMAND</td>
<td>1,793,121,540</td>
</tr>
<tr>
<td>RESOURCES THAT WILL BE USED</td>
<td></td>
</tr>
<tr>
<td>60% Of Mivivienda Fund</td>
<td>360,000,000</td>
</tr>
<tr>
<td>100% Banco de Materiales Funds</td>
<td>14,000,000</td>
</tr>
<tr>
<td>Total Finance</td>
<td>374,000,000</td>
</tr>
<tr>
<td>Number of Rotations 1,213,997,750 : 374,000,000 = 3.25</td>
<td>4 times</td>
</tr>
</tbody>
</table>

Taken from Escalante (2005)

This would mean that if the loan period for credits is approximately three years, the time it would take to complete the programme would be 12 years. If three additional years are included for time taken at the start of the programme to build local capacity and prepare the required administration, the total timescale for the policy would be 15 years. If the subsidy programme, financed from the national budget, also includes an additional US$45,478,289 per year to cover population growth and growth in housing demand, then using a 15 year timescale the government expenditure on the subsidy programme would be approximately US$84,087,142 per year.\(^{42}\)

5.iii.b Reach

The change in scale and reorientation of funds proposed for the alternative model also has implications for the reach of the housing interventions. As has been discussed, a more efficient programme with lower unitary costs will be able to reach a much larger proportion of the population in a shorter time period. By decentralising the national housing policy and working through local municipalities, the programmes will also have a much greater geographical coverage, and the use of micro-finance and subsidies means that those sectors of the population most in need of housing support (the groups that make up the national housing deficit), low-income sectors D and E, will have access to the programmes.

\(^{42}\) This is approximately 0.12% of Peru’s GDP. This compares with public spending on health: 2.1% of GDP, and total debt service payments: 4.0% of GDP (according to UNDP Human Development Report 2006).
The allocation of funds through the *National Housing Plan* and then through *Local Housing Plans* will help to ensure that the programmes reach those most in need. Geographically, designing interventions based on a decentralised model corresponds to the reality of the housing situation in Peru as this facilitates access to more remote and dispersed communities.

Alternative financial mechanisms will also avoid the problems of exclusion and limited access that characterise the existing housing policy. Micro-credit and subsidy programmes are designed specifically for low-income groups and as such do not include the conditions to entry that the commercial banks require. A survey carried out by the NGO CENCA with population groups from socio-economic sectors D and E showed that 78% of those surveyed would be in a position to solicit a small or micro loan to improve their housing (Escalante, 2005). Families that are unable to access the micro-credit mechanisms would be eligible for the subsidy programme.

The interviews carried out with community leaders confirm that a micro-credit for self-build housing improvements scheme is accessible and suitable for the needs of low-income communities. The housing in Eusesbio Quispe’s community is at risk of collapse because of structural damage, which could be repaired with a relatively small investment. He pointed out how small credits would be accessible for his community and would be invaluable in helping to secure their housing and restore its value:

> The campaign helps us because it is proposing a fund that will work with small credits. We could use these credits to fix the problems that our houses have and make them safe. If we don’t fix the structures, we will lose the whole house and we’re left with nothing. Short-term small credits are better for us because we don’t have the regular and certain incomes that they ask for in a bank. Afterwards, when we’ve made the repairs to the house, it’s worth much more and we will be secure. Unfortunately, the state programmes don’t serve us because we can’t access them and they are larger loans. *(Translated)*

Percy Benavente was also enthusiastic about the micro-credit scheme, although it is more likely that he and his community would be eligible to apply for the subsidy

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43 Smets (2006) points our how: “Microfinance institutions attempt to work with the poor by developing finance schemes whose terms and conditions do not discriminate against those working in the “informal” sector and those living in “informal” settlements.”
scheme. They are in socio-economic group E, their incomes are very low and housing in their community is made of very light materials with no basic services:

Look, if this credit happens (Popular Housing Fund), it would be the responsibility of each member of the community to look into it. Because if it’s about improving housing, everything that refers to this would be welcome, we would have the commitment to take it up as long as we can know the conditions of the credit and the form in which we can pay it. If they would have, for example, the capacity to offer us the possibility to pay in the long term, for example 5 to 10 years, we could take it on. Who doesn’t want to improve their housing? We’re living in esteras. (Translated)

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44 Loan repayments would be 50-150 (US$15-46 approx.) soles per month. 10% of respondents would be able to make monthly repayments of 50 soles and below (US$15 or under).
Chapter VI

Conclusions and recommendations

6.i What happened next?

The 2006 Peruvian elections were won by the APRA party\(^{45}\) and Alan García replaced Alejandro Toledo as President, for his second term in office. García allayed fears that he would follow similar policies to those of his first presidency, which ended in fiscal disaster, by broadly continuing the neoliberal policies of his predecessors (Crabtree, 2006). This also satisfied the International Financial Institutions and orthodox economists who had been concerned that Peru would be swept along with the ‘pink tide’ of leftist governments emerging across Latin America.\(^{46}\) García’s new administration has combined orthodox economics (pursuing Free Trade Agreements with the USA, voluntary contributions rather than increased tax for mining companies) with a few populist gestures such as the reduction of his own and other governmental salaries.

The government housing policies also continue, with a few minor changes. García re-launched the MIVIVIENDA and Techo Propio programmes in October 2006, with a target to build 300,000 houses in 5 years. It was announced that the MIVIVIENDA programme would be re-oriented to sectors C and D by building houses which will cost between US$10,000 and US$20,000, while Techo Propio will build houses with a value of US$8,000 to US$10,000. Other changes include allowing remittances for payments on mortgages, fixing the MIVIVIENDA subsidy at US$3,000 rather than 20% of the value of the house and the launch in April 2007 of the programme Techo Propio “Ahora Sí!” offering low cost housing with higher subsidies and low monthly mortgage payments targeted at low-income families\(^{47}\) (La Republica, 2007). Apart from these changes, the structures of the programmes remain the same, including conditions of access to credits, meaning that low-income groups and those living in human settlements will still remain largely excluded.

6.ii Construction sector growth

One strong factor determining why these policies have not been substantially changed is the effect the policies have on the construction industry (La Republica,
Large construction firms, as well as sub-contractors which supply materials, fittings and services to the construction industry benefit greatly from state contracts, leading to high levels of growth in the construction sector (See Figure 6.ii). This also contributes to the growth of the Peruvian economy and to the government treasury.

Figure 6.ii: MIVIVIENDA market benefits

Recent research has highlighted the impact that housing production has on the economies of developing countries (Harris and Arku, 2007). Within neoliberal discourse it is argued that this kind of growth through government investment in the private sector is beneficial to society because it creates wealth, jobs and government income. A continuation of this dissertation could test that hypothesis by analysing the developmental impacts of the growth in the construction industry which results from the current housing programmes.

Analysis of the developmental impact of private investment has been carried out in recent reports on foreign investment in mining in Peru and hydrocarbons in Bolivia. Research into the construction sector could follow a similar methodology to these studies, looking at:

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47 It remains to be seen how this programme will function in terms of scale and reach, how many low cost houses will be built and in which geographical areas.
1) Job creation – how many jobs are created, and, importantly, who benefits from this employment (for example: from which socio-economic group, skilled or unskilled workers), transfers in terms of wages and how these transfers contribute to redistribution of wealth. How wages are spent and whether this money reaches low-income groups or has a development impact.

2) Linkages with other businesses – how far and wide do the economic impacts of sector growth reach, which other businesses benefit through linkages with the construction firms and how this contributes to wealth redistribution.

3) Government revenue from the construction industry – what the government receives in terms of taxes and royalties from the construction firms and how this revenue is used to further development and support low-income sectors of the population.

The results of such a study could then be compared with the anti-poverty remits of the development banks which determine the line of these housing policies. If it is found that the development impact of the policy is indeed lacking, this would strengthen the research presented here, showing that the government housing policies are of very limited benefit to low-income groups in terms of economic development as well as adequate housing provision.

6.iii Possible bottlenecks – local markets for building materials

It is also important to consider the economic effects that the alternative policy would have on local markets. The injection of such large amounts of finance and the resulting increase in building activity and housing production will greatly increase national demand for building materials. This would be the cause of a possible bottleneck if the national supply of materials is not adequate to meet the elevated demand. In such a case it would be necessary to look at the possibility of importing materials from neighbouring countries or from international markets. Any corresponding increase in prices would also effect the budget required for the policy.
6.iv Activities of the campaign

The Campaign for the Right to Dignified Housing continues to lobby for the changes in housing policy needed to implement the Popular Housing Fund and Decentralised System of Housing Production. This has recently included international activity to promote the alternative housing policies and to sensitise the debt-swap for housing investment initiative (See Chart 6.iii). Visits have been made to several European countries and preliminary links have been made with civil society and politicians.

Chart 6.iii: Debt swap for investment in housing

The debt-swap initiative is key because funds raised from international sources could be used to carry out a pilot programme of the Decentralised System..., on a small-scale, focused on a specific location. This would provide the opportunity to empirically evaluate the policy and results could then be used to lobby the Peruvian government to implement the policy at the national level. Such a study could evaluate the efficacy of the programme using the criteria of scale and reach as well as the performance of Micro Finance Institutions (repayment rate on loans), municipalities and local organisations. An analysis of the economic and further
developmental consequences could also be carried out using similar criteria to those defined above, looking at local job creation and stimulation of the local economy.

Once this process has been carried out, further challenges still remain such as the urban primacy that characterises Peru’s urban system, concentrated urbanisation in desert regions with scarce water supplies and continued rural to urban migration. Although a decentralised housing policy may go some way to help reverse some of these trends, it is clear that there is a great need for other complimentary policies which can help to improve living conditions in rural areas of Peru as well as stimulating growth of and migration to Peru’s intermediate cities.

If the housing policy were to be successfully implemented in Peru, other countries with a similar profile in terms of low-income groups and large housing deficits could use it as a model. This could then precipitate a shift from the current orthodoxy of neoliberal housing policies to one of decentralised local housing provision following a Human Rights based framework.
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Annex 1.iii: Neoliberal housing policy in South Africa

Patrick Bond describes how a free market model for housing provision in post-apartheid South Africa entrenched existing inequalities:

[In post-apartheid South Africa] The effect of the neoliberal policy was to transfer state resources that should have gone into public or social housing, into the private sector, with little to show for it in return. Massive incentives found their way to banks and developers. The results were appalling. (Bond, 2000)

Bond describes how a market centred approach to housing was inadequate, inappropriate and damaging. As well as creating new conflicts and exacerbating existing conflicts, compounding social segregation and marginalisation and leading to the erosion of state capacity, private sector housing delivery lead to:

- an inequitable allocation of funding between different low-income groups (favouring those with higher incomes because they have the capacity to gain access to credit and hence are the target of private sector developers’ projects);
- a low rate of delivery, witnessed by the growth of the housing backlog...

(Bond, 2005)

The model followed in this example fails on a number of levels. The private sector is unable to meet the needs of low income groups or to have an impact on the national housing deficit – the policy does not correspond to the reality of the housing situation in South Africa. There is also a lack of participation or capacity building of local communities and actors, who are largely excluded from the processes and design of the policy.
Annex 2.iii: Sample questionnaire

CUESTIONARIO PARA LA CAMPAÑA POR UNA VIVIENDA DIGNA
(Questionnaire for the campaign for dignified housing)

Datos Personales (Personal Details)

1. Nombres y apellidos: _____________________________ (Name and surnames)
2. Sexo:  F □  M □ (Sex)
3. Dirección: ______________________________________ (address)
4. ¿Cuántas personas integran su organización / asentamiento? ______ (How many people are there in your organisation / settlement?)

Situación actual de vivienda (Current housing situation)

5. ¿Por cuánto tiempo a ocupado su lote (años)? _____________ (for how long have you occupied your home?)
6. Usted es: (You are:)
   - dueño □ (owner)
   - inquilino □ (tenant)
   - otra □ ____________ (other)
7. ¿Cuál es el área que tiene su lote (en metros cuadrados)? ______ (What area is your property in square metres?)
8. ¿Cuántas personas ocupan su vivienda en este momento? ______ (How many people live in your house at the moment?)
9. Por favor, indique cuáles son los servicios que tiene usted en su vivienda: (Please, indicate which services you have in your house)
   - agua □ (water)
   - luz □ (electricity)
   - desagüe □ (sewage)
10. Sobre cuál terreno está ubicada su vivienda? (What sort of land is your house located on?)
    - terreno plano □ (flat land)
    - terreno pendiente □ (slope)
    - cerro □ (hill)
    - arenal □ (sand – desert area)
    - ribera río □ (riverside)
    - otra □ ____________ (other)
11. Por favor, indique Ud. de qué materiales está hecha su vivienda: (Please, indicate what materials your house is made from)
    Piso: (Floor)
    - tierra □ (earth)
    - concreto □ (concrete)
    - madera □ (wood)
    - otra □ ____________ (other)
    Paredes: (Walls)
    - maderba / nordix □ (fabricated board)
    - estera □ (bamboo matting)
    - adobe □ (mud block)
    - madera □ (wood)
    - concreto / ladrillos □ (concrete / bricks)
    - cartón / latas □ (cardboard / tins)
    - quincha y piedra / barro □ (mud and stone)
    - otra □ ____________ (other)
Techo: (Roof)
- estera
- eternit
- calamina
- madera
- concreto
- otra

Política del estado acceso al suelo (State policy access to land)

12. Usted tiene título de propiedad sobre su lote? (Do you have a property title for your house?)
- no (no)
- si (yes)

13. ¿Cree Ud. que la política existente sobre acceso al suelo le puede servir para formalizar su propiedad? (Do you believe that the current land policy will allow you to formalise your property?)
- no, nunca (no, never)
- poco probable (unlikely)
- no sé (don’t know)
- es probable (it’s probable)
- si siempre (yes, definitely)

14. ¿Sobre que tierra está ubicada su vivienda? (What land is your house located on?)
- propiedad privada (privately owned land)
- propiedad comunal (communally owned land)
- propiedad publica (publicly owned land)
- zona de riesgo (at risk zone)
- derecho de via (right of way)
- otro (other)

15. ¿Qué proporción de los miembros de su organización / asentamiento tiene título de propiedad? (What proportion of the members of your organisation / settlement have property titles?)
- 0-10%
- 10-40%
- 40-50%
- 60-90%
- 90-100%
- no sé (don’t know)

Política de estado sobre fondos de vivienda (State policy for housing funds)

16. ¿Ha recibido usted apoyo del gobierno para mejorar su vivienda? (Have you received help from the government to improve your housing)
- no, nada (no, nothing)
- poco (a small amount)
- mediano (medium amount)
- si, mucho (yes, lots)
- no sé (don’t know)
17. ¿Han recibido los miembros de su organización / asentimiento apoyo del Estado para mejorar su vivienda?
(Have the members of your organization/settlement received help from the government to improve their housing)

no, nada ☐ (no, nothing)
poco ☐ (a small amount)
mediano ☐ (medium amount)
si, mucho ☐ (yes, lots)
no sé ☐ (don’t know)

18. ¿Alguna vez ha solicitado los fondos de vivienda que tiene el Estado? (“Techo Propio” y/o Banco de Materiales)
(Have you ever applied to the state housing funds? e.g. Techo Propio or Banco de Materiales)

no ☐ (no)
si ☐ (yes)

19. ¿Por qué no ha solicitado? (Puede marcar más que una respuesta)
(Why haven’t you applied? You can mark more than one answer)

no alcanzo a los $200 ☐ (I can’t save the initial quota)
no estoy ubicado en terreno plano ☐ (I’m not located on flat land)
no tengo título ☐ (I don’t have a land title)
no tengo servicios ☐ (I don’t have services)
other ☐ __________ (other)

20. ¿Qué resultados tuvo su solicitud?
(What result did your application have?)

fue exitoso y se llevo a cabo ☐ (it was successful and was carried out)
fue aceptado, pero no pasó nada ☐ (it was accepted but nothing happened)
no fue aceptado ☐ (it wasn’t accepted)

21. Cree Ud. que los fondos de vivienda (“Techo Propio” y Banco de Materiales) le puede servir para mejorar su vivienda? (Es decir, si no se cambian los fondos)
(Do you think that the housing funds can help you to improve your housing?)

no, nunca ☐ (no, never)
poco probable ☐ (unlikely)
no sé ☐ (don’t know)
es probable ☐ (probably)
si siempre ☐ (yes, definitely)

22. ¿Qué ayuda sería su prioridad con un préstamo para mejorar su vivienda?
(What help would be your priority with a loan to improve your housing?)

mejorar casa existente ☐ (improve existing house)
reubicación en otra casa ☐ (relocation in another house)
servicios – agua, desagüe, luz ☐ (services – water, sewage, electricity)
other ☐ __________ (other)

Deuda externa del país
(External debt)

23. ¿Qué conocimiento tiene sobre la deuda externa que tiene el Perú?
(What knowledge do you have of Peru’s external debt?)

no conozco nada ☐ (I don’t know anything)
conozco un poco ☐ (I know a little)
conocimiento mediano ☐ (medium knowledge)
conozco mucho ☐ (I know a lot)
soy experto ☐ (I’m an expert)
24. ¿Percibe Ud. alguna relación entre la deuda externa que tiene el país y su estado de vivienda? (si hubiera menos deuda externa, el gobierno tendría más dinero para gastar en vivienda)

(Do you perceive a relationship between the external debt and your housing situation?)

- nada □
- alguna relación □
- no sé □
- relaciones fuertes □
- muy fuertes relaciones □ ¿cuáles son? ______________ (very strong relationship)

25. ¿Estaría Ud. de acuerdo con una iniciativa para canjear deuda externa por inversión en vivienda (en lugar de pagar deuda externa gastar más fondos en vivienda)?

(Would you be in agreement with an initiative to swap external debt for investment in housing?)

- si, totalmente □
- si, medianamente □
- ni estaría a favor ni en contra □
- estaría en contra □
- no sé □

Continuación del estudio

(Continuation of the study)

¿Podría Ud. ayudar con otra entrevista según estos temas?

(Could you help with an follow-up interview about these issues?)

- no □
- si □

Teléfono: __________________

Celular: __________________

Email: ____________________

Muchas gracias por su colaboración.

(Many thanks for your collaboration)
Annex 2.iii: Demographics of survey sample

- 45 community leaders (dirigentes) who together represent a total of 27,919 people.
- 28 community members who are not community leaders (pobladores)

Districts and settlements represented in the sample:

**Punta Hermosa:**
A.H Martir Olaya

**Ate Vitarte:**
Asoc. Nueva Villa La Campiña
A.H Inmigrantes de Chincho

**Los Olivos:**
Asoc. D.A.C. II

**Pachacamac:**
Coop La Unión

**San Martin de Porres:**
Los Olivos de Pro

**Santa Rosa:**
A.H La Arboleda Ampliacion

**Santa Anita:**
Coop. Andahuaylas
Urb. Huascar

**El Agustino:**
A.H 9 de Octubre
A.H Catalina Buendía

**Surco:**
A.H Tejada Alta

**San Juan de Lurigancho:**
A.H Nueva Vida
A.H Cerrito Libertad
A.F Hijos de Juan Pablo II
A.F Keiko Sofia
A.F Mundo Nuevo
A.H Nuestra Señora del Sagrado
Corazón de Jesus
A.F Nueva Mayoralía

**San Martin de Porres:**
A.H Arbolada Ampliacion

**Santa Anita:**
Coop. Andahuaylas
Urb. Huascar

**El Agustino:**
A.H 9 de Octubre
A.H Catalina Buendía

- **Demographics**
  - Average time that the respondent has lived in their house: 11 años
  - Average size of lot: 150m2
  - Average number of people living in house: 4.9 people per house
  - Respondents were 43% female, 57% male.

How many basic services the houses have:

- three: 16%
- two: 20%
- one: 27%
- none: 47%
What materials the houses are made of (level of consolidation):

- Initial: 76%
- Medium: 11%
- Basic: 13%

Summary

- The surveyed population has inadequate housing conditions
- Most do not reach minimum housing standards
Annex 2.iiib: Interviews with community leaders

1. Dominga Leguia Lima

Asentamiento Humano: Mártir Olaya, Punta Hermosa, Lima.

Sumilla:
Dominga Leguia Lima, casada, con cuatro hijos, actualmente desempleada, vive en “Mártir Olaya” desde hace 18 años. Señala que el principal problema de su comunidad es la falta de saneamiento físico legal y la carencia de los servicios de agua y desagüe.

Testimonio
“El problema que tenemos nosotras es un problema de titulación de nuestras casas. El asentamiento ha estado aquí desde hace 50 años. Muchos de nosotros hemos entrado a posesionar los lotes y tenemos certificados de posesión reconocidos por el municipio, pero aun no tenemos títulos de propiedad. El problema es la ley del ‘66 que dice que estamos sobre derecho de vía. Cuando construimos nuestras casas no habían dicho que la anchura de la autopista (que va al lado de su asentamiento) sería de 80m. Entonces construimos las casas de acuerdo a estas medidas. Después se cambió y están diciendo que la anchura es de 120m y que estamos sobre derecho de vía. No es culpa de la población, ha sido culpa de los alcaldes. En este caso ninguna autoridad fue sincera con la población. Yo he hecho todo mi esfuerzo para levantar mi casita donde vivo que yo no tengo ningún otro lugar a donde irme. Ya pronto voy a cumplir 50 años, no sé cuanto me queda, me da pena por mis hijos a dejarlos sin seguridad, eso me preocupa, a mi personalmente, si me preocupa tanto”.

Letra en lado de casa en Asentamiento Humano Mártir Olaya, dice: “renovación urbana, desalojo NO, si a nueva ley 2005 apoya al congreso”

“Realmente ya nos preocupa tanto porque todo nuestro esfuerzo y por falta de un título de propiedad nuestra labor que habíamos invertido en levantar nuestras casas no esta seguro. Y cuando uno tiene necesidad de un préstamo, no nos toman en cuenta porque se necesita título de propiedad. Hablando del programa Techo Propio, creo que es para personas que tienen trabajos estables. Para nosotros, no ayuda porque no tenemos trabajo estable.

“Hasta el momento tenemos solamente la servicio eléctrico, pero mas aún no hay agua ni desagüe, no hay título de propiedad, pero, normal, nosotros como ciudadanos pagamos nuestros servicios, nuestros arbitrios, cumplimos con todo ese derecho.”
“Pero nos afecta bastante no tener todo este servicio, porque para muchos de nosotros es muy importante, realmente nos afecta. El agua tenemos que comprar que nos traiga la cisterna y no sabemos ni que tipo de agua traen. No se puede tomar porque aquí ha aparecido una enfermedad - cólera - que está prohibido tomar, no se puede tomar el agua si no está hervida”.

“Felizmente tengo mis amigos, vecinos, siempre nos ayudamos, nos organizamos muy bien y cuando hay un problema nos juntamos y trabajamos juntos para superarlo.”

La campaña trabaja con la población de Mártir Olaya dando asesoría legal a los dirigentes para ayudarlos obtener sus títulos de propiedad y finalmente servicios de agua y desagüe.

2. Percy Javier Benavente Aquino


Sumilla:
Percy Javier Benavente Aquino, casado, con una hija, actualmente desempleado, vive en “Hijos de Juan Pablo II” desde hace 5 años. Señala que el principal problema de su comunidad es la carencia de servicios básicos tales como agua, luz y desagüe.

Testimonio
¿Ustedes ya tienen títulos de propiedad?

“Si, tenemos aquí seis personas con título de propiedad (de los 32 lotes en total). La municipalidad nos ha dicho que el resto todavía está en proceso. Nuestros tramites están en el municipio (...) en abril iban a salir los títulos, pero se han retrasado. Todavía no nos han avisado hasta cuando va a ser eso.”

¿Cuáles son los principales problemas para ustedes?

“No tenemos agua ni desagüe, no tenemos luz. Con respecto a la vivienda, mas que todo nuestras están expuestas al frío. Nuestros hijos son los que pasan problemas, se enferman de gripe, el resfrío, las enfermedades bronquiales, etc.”
¿Cuáles son las enfermedades más frecuentes aquí?

“La gripe, la fiebre con los niños. Casi hemos tenido un caso de dengue aquí porque en una temporada tuvimos una abundancia de zancudos - el mes de abril ha sido eso- pero ahora ya ha pasado. Hay muchas cosas, las moscas por ejemplo - ahora hay moscas grandes. Otro problema es el aire contaminado.”

¿Cómo consiguen el agua?

“Hemos ido a SEDAPAL para pedir un pilón. Un pilón es donde uno se puede abastecer con varias personas, es como un sólo grifo. Es provisional, es comunal pues. No tenemos una capacidad para consumir más de lo que consumimos en este momento. Este grifo es para 20 familias, jalamos nuestra manguera y después subimos con el agua (en un balde).”

¿Qué ayuda han recibido de los programas del Estado, por ejemplo, de Techo Propio?

“Nosotros no podemos aplicar para el programa de Techo Propio porque no tenemos una cuenta corriente en el banco. La única ayuda que recibimos del Estado es el “Vaso de Leche”.

¿Cómo les podría ayudar la Campaña?

“Mira, si sale este crédito (Fondo de Vivienda Popular), sería responsabilidad de cada uno de los pobladores que tengan que ver en esto. Porque si se trata de mejorar una vivienda, todo lo que sea referente a esto será bienvenido, nosotros tendríamos el compromiso de asumirlo, siempre y cuando podamos saber las condiciones del crédito y la forma de cómo podemos pagarlo. Si tendrían por ejemplo, ellos la capacidad de ofrecernos pagar a largo plazo, por decirle 5 a 10 años, nosotros podríamos asumirlo, ¿Quién no quiere mejorar su vivienda? Estamos viviendo en esteras.”
3. Marciano Matos Escobar

Asentamiento Humano: 9 de Octubre, El Agustino, Lima.

Somilla:
Marciano Matos Escobar casado con 3 hijos, de oficio chofer, vive en El Agustino desde hace 23 años. Sostiene que el principal problema de su comunidad es que están viviendo en módulos temporales, luego de que sus casas colapsaron. El 23 junio 2003 el alcalde de El Agustino ha dicho que los reubicaran en el programa “Techo Propio” en los terrenos La Polvera dentro den término de un año, pero ya pasó mas de dos años y todavía siguen en la misma situación. Su alojamiento actual es inadecuado, los módulos son demasiado pequeños para las familias, carecen servicios básicos, agua potable, seguridad contra crimen y padecen de enfermedades; diarreicas, sarna y otros, debido a la polvareda, humedad del suelo y poco protección de los elementos que ofrecen los módulos.

Testimonio
“Nosotros somos las victimas del colapso de viviendas en el Asentamiento Humano 9 Octubre del Cerro El Agustino. Somos un caso famoso, nuestro caso ha salido en las noticias, en la tele y en los periódicos. Nos han usado en una manera muy mal, aprovecharon nuestra desgracia y la municipalidad de El Agustino se adjudicó los terrenos de La Polvera y aquí nos abandonaron. La municipalidad y el gobierno nos han tratado péssimo.”

“Nosotros tenemos títulos de propiedad de las casas que se colapsaron, hemos pagado nuestros impuestos a la municipalidad, entonces están obligados a proveer reubicación definitiva para las 80 familias de nuestra organización. Nos reubicaron aquí en estos módulos temporales en junio del 2003 y nos dijeron que sólo sería por un año, no más. Casi dos años después no han hecho nada. Hay muchos problemas aquí, la vida es muy difícil, estamos viviendo en estos módulos pequeños [miden 3 metros por 6 metros]. Aquí adentro habitan familias de 6, 7, 8 personas, a veces hasta una familia de 9 personas. Comparten camas pequeñas, los hijos en las camas y los maridos duermen en el piso junto a otros hijos. No hay privacidad, vivimos como chanchos. También hay muchas ratas, culebras, hay muchas pulgas. Los problemas son varios. Sin embargo las autoridades hacen caso omiso a nuestros reclamos, el Ministerio de Vivienda, el Municipio de Lima – no hacen ni
dicen nada – es más, nos los quisieron el comedor y ahora los niños no tienen donde alimentarse. Dicen que ya la emergencia se acabó.”

“Tuvimos agua comunal pero no tuvimos con que pagar, entonces nos cortaron el agua. Ahora usamos un embalse de agua que es un rebosadero de SEDAPAL. Esa agua usamos para bañarnos y para beber, pero no es agua potable, es agua contaminada. Causa enfermedades, los niños tienen diarrea, vomitan, tienen fiebre y otros males.”

“El comité de campaña nos ha ayudado bastante. Tenemos un proyecto para un terreno alternativo que resolvería todos nuestros problemas. La municipalidad no nos escuchaba, no había avances simplemente porque no había voluntad de apoyarnos. Si hubieran avanzado en algo, tendríamos más paciencia para esperar, pero cuando estamos esperando y no nos dan nada necesitamos hacer algo por nosotros mismos. El comité de campaña está apoyándonos mucho. Hemos hecho un plan alternativo para un terreno con el fin de reubicarnos y el comité está apoyando en el proyecto. Tenemos que seguir presionando. Ojalá que las autoridades se sensibilicen y nos apoyen con nuestra propuesta alternativa, ya que el programa ‘Techo Propio’ no se de nada”

Marciano fuera su modulo temporal en El Agustino

4. Eusebio Quispe Condori

Asentamiento Humano: Pamplona Alta, San Juan de Miraflores, Lima.

Somilla:
Eusebio Quispe Condori (61) casado con dos hijos, de oficio carpintero, vive en Pamplona Alta desde hace 30 años. Sostiene que el principal problema de su comunidad es que las casas, construidas sobre terrenos inapropiados y de estructuras poco sólidas, están colapsando.

Testimonio
“Nosotros vinimos desde Puno y nos mudamos a Lima en los años setenta. Cuando llegamos ocupamos un terreno que nadie mas quería usar porque era arenal y construimos ahí nuestras propias casas. En Puno teníamos nuestras viviendas con
adobe, por eso, no conocimos nunca el concreto; no tuvimos el conocimiento de cómo se debería mezclar y aprendimos mientras construimos. Como este material es muy caro, hicimos mezcla de poco cemento y más arena. Lo que pasa ahora es que los fieros de las columnas en las casas se están oxidándose y reventando. La mezcla deja entrar agua y esta oxida los fieros, la mezcla con mucha arena es débil y por ello, las columnas se revientan."

"El problema es que nuestras casas están colapsando, algunas ya han colapsado y los techos se siguen cayendo por la inestabilidad que hay. Las estructuras de las casas son muy vulnerables y en casos de sismos o terremotos resulta muy peligroso para la seguridad de las familias que habitan allí."

"La campaña nos ayuda porque está proponiendo un fondo que trabajará con pequeños créditos. Nosotros podríamos usar estos créditos para arreglar los problemas que tienen nuestras casas y hacerlas seguras. Si no arreglamos la estructura, vamos a perder toda la casa y nos quedamos sin nada. Los pequeños créditos a corto plazo son mejores para nosotros porque no tenemos los ingresos regulares y ciertos que exigen en un banco."

"Después, cuando hemos hecho las reparaciones de la casa vale mucho más y estaremos seguros. Lamentablemente, los programas del estado no nos sirven porque no podemos acceder a ellos y son préstamos grandes."

"También apoyo a la campaña porque creo en una vivienda digna para todos los peruanos, nosotros necesitamos mejorar nuestras situaciones y luchar para salir de la pobreza."

Eusebio fuera casa con fiero expuesto
Annex 3.i.b: Villa el Salvador, SINAMOS and CUAVES

_Villa el Salvador_, the **Comunidad Autogestionaria de Villa El Salvador** (CUAVES) and **Sistema Nacional de Apoyo a la Movilización Social** (SINAMOS)

The CUAVES was a project designed to foment organisation of the population of the self-build project _Villa el Salvador_. The settlement of _Villa el Salvador_ was planned by the government in the form of a uniform grid, made of blocks, each containing 24 lots and ‘residential groups’ which consist of 16 blocks (a ‘residential group’), therefore, containing a total of 384 lots. The physical structure of the settlement supported the democratic organisation of the population, creating a pyramidal structure with elected representatives at the block and ‘residential group’ levels, and finally an overall governing body elected to administrate and negotiate for the entire settlement (Driant, 1991). These governing structures were responsible for the development of _Villa El Salvador_, and engaged in direct dialogue with the state, as well as organising civic actions to demand basic services and infrastructure:

‘… the struggles [of the CUAVES] that have centred around education, water and other essential demands, have lead to the improvement in infrastructure conditions and have actively mobilised more than a tenth of the population in marches to the centre [of Lima], actions in support of the schools, etc.’ (Henry, 1981, p54, _my translation_)

The SINAMOS (which translates as ‘without masters’) was based on the experience of the CUAVES. The aim of the SINAMOS was: ‘the organisation and mobilisation of all of the popular sectors of the country, urban as well as rural; although it was more effective in the sector of the _barrios_…’ (Driant, 1991, _my translation_). The SINAMOS, like the CUAVES, followed a pyramidal structure, with neighbourhood committees of around 30 families and ‘Committees of Promotion and Development’ which grouped all of the neighbourhood committees in each _Pueblo Joven_. The role of these representatives was, like the CUAVES, to negotiate directly the installation of services, as well as land titles and legal formalisation of settlements (Driant, 1991).

There is some debate about whether the aims for the SINAMOS were to co-opt citizens political activities, or to create a system of ‘fully participatory social democracy’ (McClintock, 1999). Other commentators have focused on the way that the SINAMOS created a ‘clientelistic’ system, which ‘ended up exacerbating a dependency towards the state that affected the autonomy of the decisions of local communities, cutting off the possibility of autonomous local development.’ (Calderón and Maquet, 1990, _my translation_) Certainly, it can be observed that a strong culture of democratic community organisation in the human settlements persists in the present day (Maskrey, 1989), alongside a culture of ‘clientelismo’ - evident in, for example, the naming of new settlements after political parties or political figures (e.g. _A.H Keiko Sofia_ – ex-President Fujimori’s daughter, _A.H Nueva Mayoría_ – one of Fujimori’s political parties, _A.H Perú Posible_ – ex-President Toledo’s political party etc.).

The planned layout of Villa el Salvador can be clearly seen in these satellite photos taken from the internet resource _Google Earth_. These pictures also illustrate the ‘pyramidal’ structure that was used in the design of the CUAVES. The uniform ‘block’ and ‘Residential Group’ design create a natural form of organisation for the inhabitants of the settlement.
This first picture shows the layout of the ‘residential groups’ side-by-side across Villa el Salvador. Each of these units has a democratically elected community leader - or dirigente - who represents the interests of their group in negotiations with the state and deals with internal issues within the community.
A close up view of a ‘Residential Group’ (Grupo Residencial) shows 16 blocks, each block containing 24 lots (houses). Each block also has an elected community leader who helps to coordinate the development of his block and represents the interests of his community within the CUAVES.
Original plans of the structure of the CUAVES show the structures of Residential Groups and blocks within these groups. Each residential group has a general assembly which elects a Central Directive Committee. This committee then appoints a General Secretary and Sub-General Secretary, and also secretaries responsible for health, education, production, services and commercialisation.

The blocks which make up each residential group incorporate a similar structure with health, education, production and services and commercialisation secretaries. This structure is uniform for the 108 residential groups of Villa El Salvador.

Plan of Residential Group structure

Source: website
http://www.amigosdevilla.it/Documentos/doc011.htm
For the government of the whole community of *Villa El Salvador*, community leaders from the residential groups convene in a General Assembly of Delegates, and elect a General Executive Secretary, and Committees of Finances, Administration, Relations and Planning. Councils are also convened of the secretaries from the residential groups, with responsibilities for overseeing the administration and negotiation of the various services and productive areas for which they are responsible.

**Structure of the governing organs of the CUAVES**

Source: website
http://www.amigosdevilla.it/Documentos/doc011.htm
Photo of a CUAVES assembly meeting


Photo of community working to install water services in Villa El Salvador

Annex 3.ii: Lima and human settlements

Each person invents their city, its interior landscape. In what other way do you appropriate a city if not through your feelings? One knows that they belong to a city through their friends, their corner, their barrio. Lima can be a mood, a row, an invasion, a kick-about in the street, a love in the park, a smell that transports us. Lima is a city in mutation, genetically promiscuous, chaotic, centrifugal, grey, humid. The sky has no sky, but the sea is always there, nascent.

(Calderón, 2000, my translation)
(Author’s own photographs, except satellite pictures taken from the internet and from Google Earth)
Annex 3.ii.c: Statistics of housing materials in Peru


### Roof materials

<table>
<thead>
<tr>
<th>Material</th>
<th>No. of houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concrete</td>
<td>2,043,999</td>
</tr>
<tr>
<td>Wood</td>
<td>109,326</td>
</tr>
<tr>
<td>Tiles</td>
<td>654,858</td>
</tr>
<tr>
<td>Corrugated steel or concrete</td>
<td>2,035,278</td>
</tr>
<tr>
<td>fibre</td>
<td></td>
</tr>
<tr>
<td>Estera or cane with mud</td>
<td>312,858</td>
</tr>
<tr>
<td>Estera</td>
<td>222,914</td>
</tr>
<tr>
<td>Straw, palm leaves, etc.</td>
<td>443,827</td>
</tr>
<tr>
<td>Other</td>
<td>35,289</td>
</tr>
</tbody>
</table>

The majority of roofing in Peru is made from concrete, corrugated steel/concrete fibre or tiles. Straw/palm leaves are also commonly used, although this is much more common in rural settings rather than in urban housing.

### Floor materials

<table>
<thead>
<tr>
<th>Material</th>
<th>No. of houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parquet or polished wood</td>
<td>311,439</td>
</tr>
<tr>
<td>Laminated/vinyl</td>
<td>128,580</td>
</tr>
<tr>
<td>Tiled/stone</td>
<td>388,537</td>
</tr>
<tr>
<td>Wood (planks)</td>
<td>233,000</td>
</tr>
<tr>
<td>Cement</td>
<td>2,309,564</td>
</tr>
<tr>
<td>Earth</td>
<td>2,433,060</td>
</tr>
<tr>
<td>Other</td>
<td>56,969</td>
</tr>
</tbody>
</table>

The majority of housing in Peru has either concrete or earth floors, in almost equal measure. Earth floors are very common in rural housing, although earth floors are also common in low-income housing in cities.
Walls of housing in Peru are predominantly made of brick or cement, or adobe. Many are also made of wood and according to these statistics almost 100,000 houses have walls made of estera (this figure may actually be higher as many houses made of estera are informal and remote and so may not have been surveyed).