

HOUSING PROGRAMME FOR LOW INCOME PEOPLE IN PERU



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Rodolfo Santa María is an Architect with a vast experience in housing matters, specialized on Urban Planning, Sustainable Construction and Project Management.

His professional background on different Governmental levels covers: Urban Development Manager, Office Projects Manager. These have helped him to develop several projects in order to improve the quality of life for low income people. He also has experience on Capacity Building as a former University Docent at the Faculty of Architecture, Urbanism and Arts.

He has benefited from several International Cooperation Agencies: Nuffic (The Netherlands), SIDA (Sweden), InWent and CIPSEM (Germany) that let him know several realities and develop a multicultural approach.

Rodolfo feels great working at “Fondo MIVIVIENDA S.A.”. FMV is a State Company that has as Mission: To Become the main promoter of a National Real Estate Market for Low Income People in Peru.

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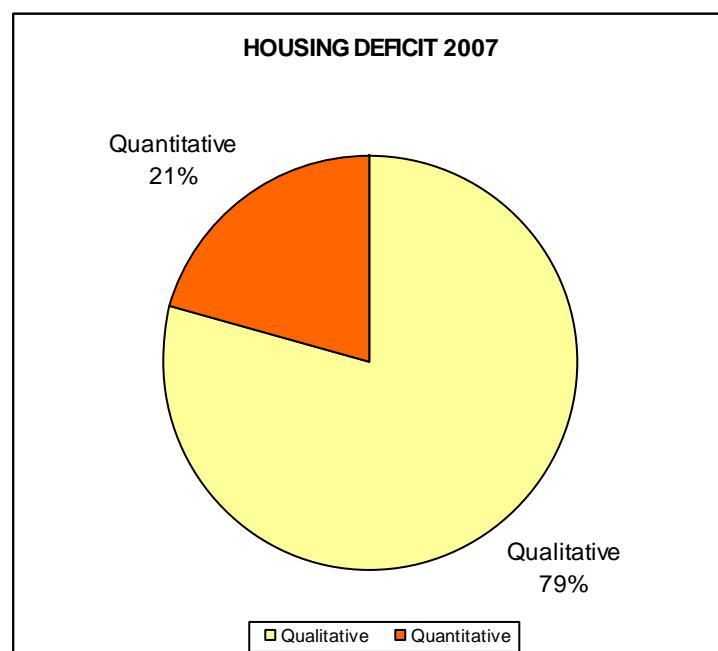
1. BACKGROUND

Housing Deficit, Qualitative and Quantitative

According to the last Housing Census made in Peru, at 2007, there is a huge housing deficit:

The Quantitative deficit is about 400 thousand new houses. The housing provision programme needs to be financed and produced by either the Government or the Private Sector.

The Qualitative deficit is about 1.5 million existing houses that need to be improved in order to solve inadequate sanitary sanitation conditions and provide for safety for the people living there.



Preparation FMV (Data INEI)

2005	Qualitative	Quantitative
Total	1,242,321	260,927

2007	Qualitative	Quantitative
Total	1,470,947	389,745

INEI - National Housing Census 2007

Latest Population Increase Rate (1.6%)

Census Year	1981	1993	2005	2007
Population	17,005,210	22,048,356	26,152,169	27,419,294

Source: National Census - INEI

Housing Responsibilities and Stakeholders

According to the National Law there are three levels for the government: National, Regional and Local.

At the National Level there is the Housing Ministry. It has the Mission to improve the quality of life for the Population, facilitating access for housing and basic services and procuring order. The Ministry is responsible for the development, conservation, maintenance and protection of urban centres and their areas of influence as well as promoting the participation and involvement of Social Civil Organizations and facilitating the Private Investors Initiative.

At a Regional Level there is the Regional Housing Authorities that have the following functions and responsibilities:

- Formulation, approval and evaluation of plans and regional policies on housing matters.
- To promote the execution of Urban and Rural Housing Programs, to canalize public and private resources and Land Administration for Housing Projects.
- To promote the participation of private investors, on different housing programs, in coordination with Local Governments.
- To introduce, spread and monitor the National Housing Policy and the National Building Code, and evaluate their application.
- Execute actions in terms of promotion, technical assistance, capacity building, scientific and technologic Investigation, on housing and sanitation issues.
- To assume the execution of Housing Programs through solicitation of Local Governments.

At a Local Level the Municipalities have the following responsibilities and functions:

- Approval of Urban and Rural Plans.
- Approval and control the implementation of Works for Basic Services on public land in relation to the application of Environmental Impact Assessment norms.
- Create and maintain the Cadastre,
- Naming of Streets, Squares, and Public Spaces and the lot numeration.
- Recognize and define Informal Human Settlements and promote their improvement and formalization.

- Authorize urban development and give licences for building purposes.
- Execute or provide for the execution of infrastructure works and services, such as: roads, sidewalks, bridges, parks, markets,
- Identify sites and areas for urban renovation in coordination with the Regional Authority.

Housing Ministry and Fondo MIVIVIENDA S.A.

In 2001, the Government decided to develop a new housing policy and to create the Housing Ministry, before that the Ministry of Transportation and Communications managed the Housing Policy.

The new Policy is defined as the Market Approach. As the Government was not able to satisfy all housing needs in Peru, it was suggested that this would only be possible if the process includes the private sector stakeholders.

The new policy aims at assist the people to obtain house in a way that will make it possible to become potential buyers.

In 2006, the Government decided to change the structure and organization of “Fondo Hipotecario de Financiamiento de la Vivienda” to become a State Company named “**Fondo MIVIVIENDA S.A.**”. Since then this company has been managed as a private company in terms of its interaction with commercial banks and concerning cooperation with housing developers.

IADB (Inter American Development Bank).

By the year 2002, the **IADB** decided to finance the first phase of a new Housing Programme for Low Income People. The financing was based on agreements and arrived at in coordination with the Government. The name of the Programme was TECHO PROPIO (TP). With this support Fondo MIVIVIENDA S.A. managed to promote the initial projects. The involvement of IADB was the trigger that initiated the programme. At present all the resources are provided by the State, but at the beginning IADB was one of the most important stakeholders and the main sponsor.

Gross Domestic Product and Economics at Peru

In 1980 the Military left the Government, and Peru came back to democracy after 12 years of military rule, the financial situation was decreasing and none of the two following Democratic Governments were able to solve the crisis and suffered instead because of the terrorism activities from “Sendero Luminoso”,

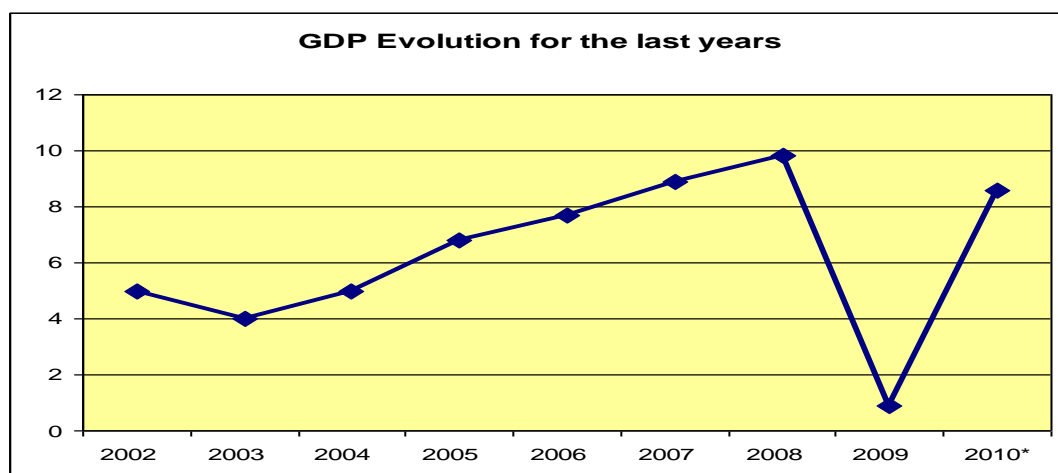
By the 1990s the Government was able to pacify the country and create the foundations for the new market economy approach replacing the Governmental intervention in the market.

With the new century new winds blew into Peru and as a mining country the economy has benefited by the increase in prices of gold, silver, copper, zinc and other minerals that come from our country and are exported to the world.

At this time Peruvians were getting new jobs and the unemployment rates became very low, as it was planned the market approach was becoming effective and benefitted mainly the middle class families. Housing became more affordable for some income groups that in the past could not be included.

The Real Estate Business became progressively more interesting for a lot of investors and new housing projects started to be initiated and implemented.

In the last few years it is possible to complete projects with more than a thousand new houses in several regions around the country.



For the last years Peru has lead the Growth of Latin American Countries

2. OBJECTIVES of Fondo MIVIVIENDA S.A.

MISSION: To facilitate Access to Housing, especially for the low income families, through a coordinated management approach including the State, the real estate market and the financial sector.

VISION: Become the referent solution for meeting the housing needs and for developing the real estate and the financial markets.

OBJECTIVES:

- To Promote the Housing Projects Development by supporting the initiative of Fondo MIVIVIENDA S.A. integrating the financial and real estate sectors.

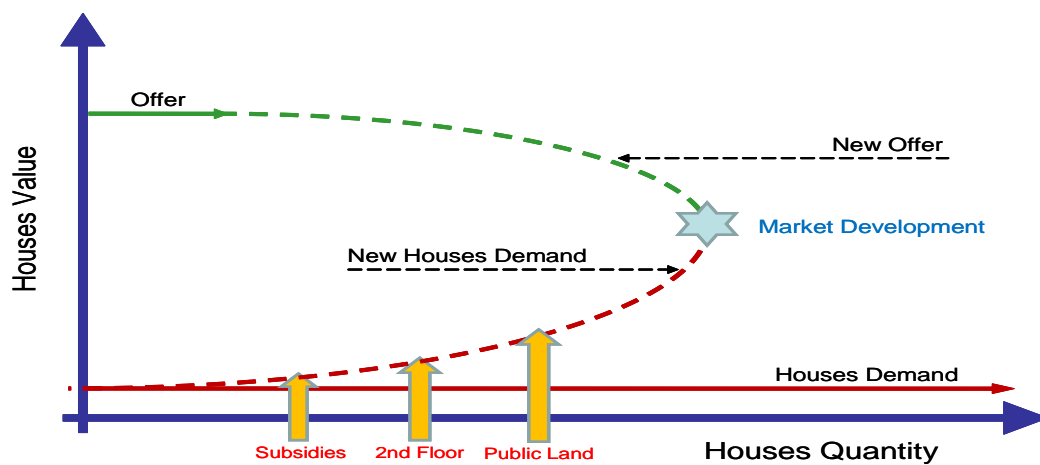
- To position the products of Fondo MIVIVIENDA S.A. and identifying its population target groups according to the housing needs at the Regional Level and according to the Governmental Decentralization Guidelines.

3. PROCESS

Facilitating interactions between State and Private Investors.

As the local economy was improving in Peru, a lot of new jobs were made available for many Peruvians. There was sufficient critical mass in order to develop a Housing Market in a way that houses were affordable for a few. In the Housing Projects there are many participating stakeholders such as land owners, the real estate developers, the public property registers, municipalities, service providers (Water & Sanitation, Electricity), banks and buyers. The FMV main function in this context is that of a facilitator.

At the beginning most of the work was dedicated to create a legal framework that formulates the Minimum Requirements that need to be sufficiently flexible. Then several forums were organised at National Level in order to promote Housing Projects. Finally a promotional phase was undertaken mainly focusing on media (Newspapers, Radio and TV)



Preparation Fondo MIVIVIENDA S.A.

Acting as a Second Floor Bank in order than Loans can be affordable for people at low rates.

FMV was created based on financing through taxes and contributions and savings of workers for housing purposes. At present the available funds has reached to about One Billion US Dollars (US\$ 1,000'000,000)

The intervention of FMV in the Mortgages Market reduces the interest rates used by banks. At present the regulations prescribe that if a house cost less than US\$ 60,000, people can ask their bank for credit financed by FMV. If the client applies he/she will get a lower interest rate funded by FMV. By now the rates given to the banks are around 6.6% so they can give a loan to

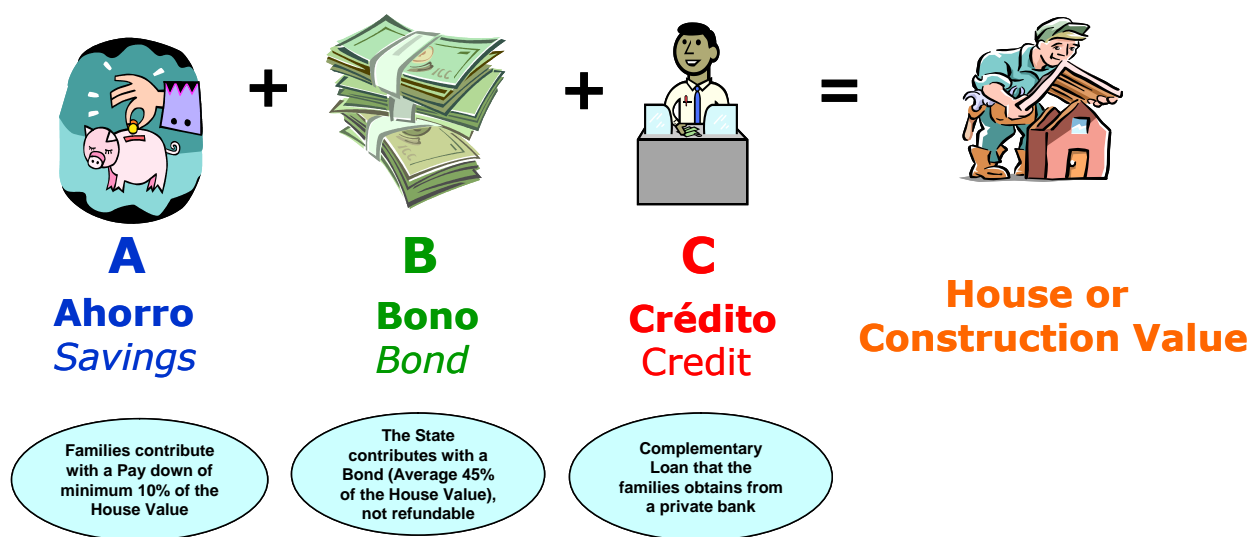
the final client at 9.5% interest rate. Without FMV involvement as an important actor the interest loans would be higher (11%).

Subsidies administrator for families that cannot buy or build a house on their own.

According to the new Market Approach, the programme TECHO PROPIO (TP) was developed in order to support low income people to buy or build a house on their own.

The commercial financing market was not working for low income people, tend to address this problem the Governmental Subsidies was established. The **Bono Familiar Habitacional**” (Family Housing Bond) provides support for families that did not own a house and with incomes lower than US\$ 450, that means the 78% of the population.

The concept of **A+B+C (Ahorro/Savings + Bono/Bond + Credito/Credit)** was established, as you have already read, a lot of Peruvians were getting jobs and were able to afford loans and credits, but not enough for a mortgage, the Bond helped them to address this Market Issue and meet the financing requirements.



4. RESULTS OF PROGRAMME TECHO PROPIO (TP)

Evolution since 2003 until 2010

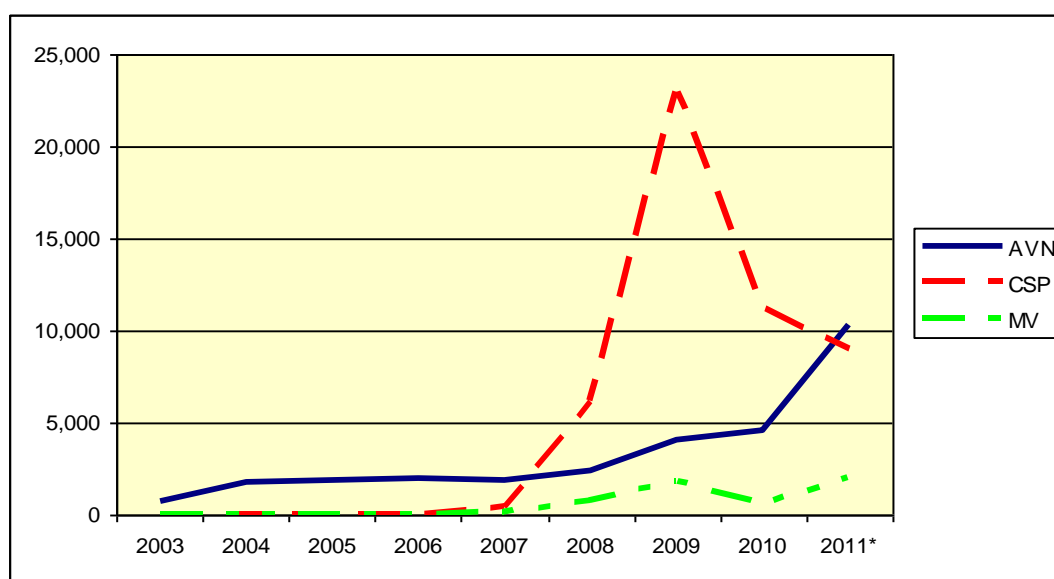
During the first years the implementation of the programme was really slow, and only in the modality of AVN (New House Acquisition) was there some progress. This was developed in order to attend to the Quantitative Deficit.

The modalities of CSP (Construction on Own Site), and MV (House Improvement), which were developed in order to attend the Qualitative Deficit, did not reach any success until 2007.

Bonds given by the Programme TP

YEAR	AVN	CSP	MV	TOTALH
2003	688	0	0	688
2004	1,810	0	0	1,810
2005	1,852	0	0	1,852
2006	1,991	21	8	2,020
2007	1,887	398	109	2,394
2008	2,396	6,120	772	9,288
2009	4,078	22,904	1,744	28,726
2010	4,535	11,177	500	16,212
2011*	10,300	8,920	2,000	21,220
TOTALV	29,537	49,540	5,133	84,210

SOURCE FMV / (*) ESTIMATED



* ESTIMATED

Graphic (Bonds by Modality Evolution)

As you can see on the graph and according to the deficit the programme has a huge opportunity for implementation in a bigger scale. There is however a constraint in the budget provisions of the Housing Ministry. There are not sufficient funds to attend to all the demand. In coordination with the Treasury Ministry it has been agreed to put priority on the Modality of AVN (New House Acquisition), which is why for the year 2011 the estimated increase is assumed to be more than 10000 new houses.

National Workshop / May 2010

In order to analyze the development of the Programme in terms of the Modality of AVN (New House Acquisition), a 3 Phases Workshop was organised with all the Stakeholders involved in the success of the Programme:

The first workshop was dedicated to professionals working at FMV in order to unify criteria and share information.



Workshop 1: FMV Executives

The second workshop was dedicated to give a chance to Private Investors, Banks and Municipalities to involve them and give them the opportunity to identify the main constrains that affect the development of new projects.



Workshop 2: Bankers



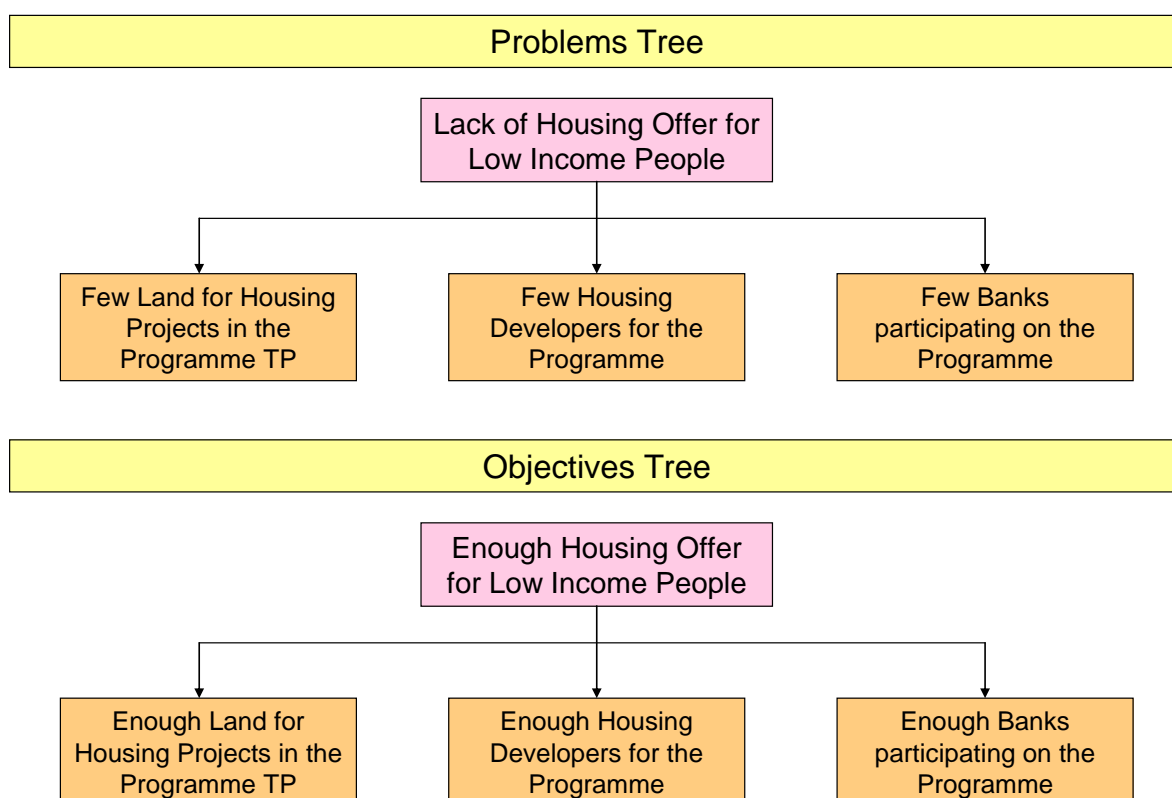
Workshop 2: Housing Developers

The third and last workshop was dedicated to the Housing Ministry, in order to allow this institution, as provider of the budget and as manager of the programme to understand the constraints and opportunities and to improve the Programme and to increase the provisions for new housing projects.



Workshop 3: Housing Ministry and FMV Executives

As a result of these Workshops it was possible to undertake the Problem Tree Analysis and prepare The Problems Tree and the Objectives Tree, as well as formulate Conclusions and Recommendations.



Observations

- Normatively and process are complex and must be revised because they do not facilitate the structure and funding of new projects as they should.
- The Programme needs dissemination between bankers and housing developers.
- The roles of the municipalities and the public registers are not articulated to the Programme.
- Investors' perception on the Programme is estimated and assumed as risky.
- The Housing Projects developed as part of the Programme are a suitable business ventures for real estate developers.

Recommendations

- Articulate the stakeholders to be involved in order to simplify and reduce time for legal procedures and for administrative issues at Local Governments and Public Register.
- Establish long term legal framework.
- Set up a National agreement about the sustainability of the Programme.

- Identify new sources for funding the Programme.
- Include capacity building for civil servants involved with authorizations for housing Projects.
- Promotion and diffusion of the Programme at the National Level in order to let investors and the public know the benefits of the Programme.

5. CONCLUSIONS

- The Programme TP has plenty opportunities to provide an appropriate solution for housing for many low income families in Peru.
- Other programmes must be developed in order to provide a long term and lasting solution for the majority of low income families.
- The private investors and bankers are interested in participating as there is sustainability for the Programme (Enough money for subsidies in the coming years).
- There is a need to increase and improve the coordination and cooperation between the Treasury Ministry and the Housing Ministry.
- Awareness must be developed among all Stakeholders in order to promote the Programme at a national level.

Photographic Annexes of Projects Developed on the *Techo Propio* Programme



“Riberas del Chillon” Project



“Valle Hermoso” Project



“San Andrés” Project



“Don Carlos” Project



"Las Brisas" Project