

Discussion Paper

GENERAL STRATEGIES FOR AN ALTERNATIVE HOUSING POLICY IN LATIN AMERICA AND THE CARIBBEAN*

With the failure of policies based on housing as a commodity, the time has come for alternative policies based on housing as a right



AMH Dakar 2011
Análisis de la propuesta del Fondo Popular

Privatization of public services, the accelerated and non-viable increase in the cost of housing, evictions caused by foreclosures or rent arrears, the abnormal expansion of city construction with a surplus of empty housing and unnatural pressure on the land, worsening of housing problems for people seen as illegal residents and for minorities, the lack of adequate public policies due to the notion of the state as the facilitator of private investment and massive evictions due to mega-projects and armed conflicts are just some of the current manifestations of a worldwide housing problem. The commodification of housing has enriched the few while

causing suffering to the many, exacerbated the housing crisis, with over a billion people homeless or living in inadequate housing, a figure expected to increase by a further 700 million by 2020, and has caused the creation of the property bubble and global financial crisis.

In other words, housing policies centred on neoliberal principles have totally failed to find a solution to the housing problem, fuelling a worse crisis than in 1929.

At the same time, the policy of “good practices” financed by the World Bank and IMF, a policy with the goal of cushioning the damage and not tackling the causes of the housing crisis, has also failed.

This approach, backed up by UN Habitat’s public-private partnership policies, has even defeated the limited target of Millennium Development Goal 7-11, namely: “By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers.”

In the light of UN Habitat’s population and housing projections, it will be necessary to house more than a billion people over the next few years right across the world, many of them living in poverty or extreme poverty, suffering from inequalities and under the yoke of a system wherein housing is a commodity rather than a fundamental human right and a condition for human development.

In every region and continent, the housing problem has different characteristics depending on local realities. Alternative policies therefore need to respond to these realities but the official approach is the same everywhere in the world, and until it changes, there is no concrete possibility of solving the problem in any of these countries.

This is why networks and social movements working to guarantee adequate housing for the majority have the duty to promote alternatives that spring from our own experiences but are based on a global approach offering an alternative to neoliberalism, in other words, based on a different principle, different premises, a different way of facing realities. We are demanding housing policies based on human and environmental rights, on the role of inhabitants as the creators and responsible administrators of sustainable human settlements rather than the mere customers-users of a territory, in other words, as a resource for the development of cities. This goal inspires

* Paul Maquet Makedonski, March 2013

us to seek to globalize campaigns as well as alternative solutions to the problem, based on cooperation and solidarity rather than profit and competition.

This requires the capacity for criticism, self-criticism and advocacy, which is a qualitative leap forward in local and global struggles led by inhabitants' organizations and support networks, and for strengthening shared spaces for dialogue and action: the path towards the Urban and Community Way. With this determination, we can establish alliances with other social, academic and institutional actors that share these principles and found an alternative Urban Social Pact on successful housing policies.

On various continents, there is a growing awareness of the need for this alternative systemic approach, with different degrees of clarity of analysis and perspective.

For example, we can look to the campaigns opposing the withdrawal of the public sector and commercialization of the social housing sector motivated by the *fiscal compact* in Europe and *fiscal cliff* in the USA, i.e. neoliberal recipes for finding a solution to the global crisis. However, we should not forget the criticism levelled against the mistakes made by top-down public policies. In both cases, the struggles are demanding the reactivation of public housing policies with the important addition of a social and participative approach, which provides key tools such as inhabitants' cooperatives and community land trusts.

Additionally, in a growing number of different areas of Africa facing massive urbanization, the need for public housing and urban planning policies to try to cope with shanty-towns is becoming increasingly evident, i.e. the people's response to the unsustainability of the real estate market. This therefore produces not only resistance to evictions, but also demands for quantitatively and qualitatively acceptable social housing policies with the goal not merely of creating "good practices" providing solace.

Last but not least, it is important to note that there are two poles contending for property market leadership in response to the housing crisis, often fuelling or mitigating certain aspects. On the one hand is the statist Chinese model, capable of developing new cities in line with the economic programme. On the other hand is microcredit, founded and massively developed in the Indian subcontinent. In the first case, China, we are seeing resistance to evictions and relocation of communities. In the second case, especially in the metropolises of India, the inadequacy of microcredit to deal with the consequences of the urban transformation in progress is evident in the increasing numbers of slum dwellers. In this region, as in other cases reported for Africa, the tensions arising from this structural inadequacy have triggered an outburst of conflicts within the same NGOs that are promoting "good practices".

For these reasons, it is vital to develop knowledge-based efforts, drawing on concrete experiences, checking the efficiency of the various strategies, putting together collective proposals that provide appropriate answers at the local level and implementing global political advocacy.

These efforts depend on combining local struggles with international campaigns and solidarity.

As part of this approach, we are initiating a path of convergence towards this goal in Latin America and the Caribbean.

The modest project that we are presenting is taking this direction. It is the product of a series of exchanges of mutual knowledge, analyses and ideas that need to be added to by everyone so that it can be applied in all the continent's different countries.

The project also aims to be an incentive to encourage our comrades in other continents to work towards the same goal: to fight for policies that remove the majority of the housing sector from the market in order to provide decent housing for a billion people.

The housing crisis in Latin America and the Caribbean

Urbanization, poverty and inequality



Villa 31, Buenos Aires

In recent decades, Latin America and the Caribbean have been seeing a marked urbanization process. In the 1990s, the region's urban population (human settlements with at least two thousand people) represented 71% of the total population and grew to 75% in the first decade of the 21st century (390 million people, against 127 million living in the countryside). The urban population percentage is expected to rise to 85% by 2025.

42% of this population lives in 49 cities with a million or more inhabitants, including Sao Paulo (17.7 million), Mexico City (17.4), Buenos Aires (11.2), Río (10.8), Lima (8.3), Bogotá (8), Santiago (5.3) and Belo Horizonte (5.3).

The globalization process in the form it is taking is increasing urban poverty and widening the gap in income distribution. The World Bank has indicated that its main concern regarding the model for economic and social development in Latin America and the Caribbean is not poverty as such, but the way in which income is distributed: the richest 10% of the population owns almost half of the region's wealth. The World Bank also says that an improvement in equitable distribution¹ would lead to a reduction in poverty on the same scale as would be produced by years of economic growth. Similarly, the Economic Commission for Latin America (ECLAC) and United Nations Development Programme (UNDP) say that almost all Latin American countries could achieve the Millennium Development Goal of halving poverty by 2015 if the margins of inequality were reduced by 4%, even with annual GDP growth per capita of less than 3%.

Poor countries' external debt



Brasil

Another issue to add to the problems outlined above is external debt. As a general indicator, the external debt for poor countries that rose to 73 million dollars in 1970 soared to 2.573 million dollars in 1999, 34% of third world countries' GDP. The main bilateral creditors are G8 countries, multilateral organizations and international financial institutions, primarily the International Monetary Fund (IMF) and World Bank (WB). As a consequence of the spectacular rise in the debt amount, especially the multilateral debt (544% between 1980 and 1997), the

corresponding debt service amount at the beginning of the 21st century has become unmanageable for the region's countries, with a negative impact on education, health, access to drinking water and housing.

Between 2002 and 2004, the net transfer of resources by Latin American countries reached 153.191 million dollars. This amount exceeded by 45.15% the 105.535 million dollars of income

¹ A reduction of one or two points in the Gini coefficient.

from direct foreign investment. This means that during this period, governments spent between 40 and 65% of their budgets on debt service payments.

Housing problem figures

One of the main effects of this convergence in the region of the phenomena of urbanization, poverty and inequality is the exacerbation of housing problems.



Centro histórico, Lima, Perú

The problem with housing lies in the fact that it is not seen as a right, service or means for human fulfilment, but as a trading commodity, a product that can be bought or sold and, as such, subject to the law of supply and demand, whereby the property developer always seeks to obtain maximum profit at minimum cost. This situation, combined with the fact that a large number of people, due to their position in society, earn income from their work that does not bring the prices homes are sold for on the formal market into their reach, means that conventional

housing on the formal market is largely destined for a relatively small segment of the population. Everyone else, situated in the so-called "segment of poverty", has to deal with the need for a home by resorting to precarious rentals and the informal market, settling in risky locations, occupying low-cost individual plots or openly entering into conflict with real estate interests.

The total housing deficit in Latin America and the Caribbean currently stands at 54 million, 42 million of which are located in the urban environment. 83% of this deficit is qualitative in nature, with 60% accumulating in the 1990s. The annual increase in the total deficit is around 1.5 million homes.



Nazca, Ica, Sur del Perú

According to ECLAC, in 2008 the region counted 30,500,000 households living in poverty and 15,000,000 households living in extreme poverty, compared to 93 million households not living in poverty. There are 45 million households that have no access to the formal housing market, living in makeshift dwellings made of unstable materials, or quartered in crowded dwellings with no basic infrastructure and no security of tenure. A recent publication from the Inter-American Development Bank pointed out that five million families living in cities share their home with another family, three million live in irreparable dwellings and 34 million lack property titles, drinking water, drainage, adequate floors and enough space and are badly located.

Public housing policies in Latin America and the Caribbean

The public policies put in place have proved incapable of successfully tackling the housing problem. In the 1950s, the first generation of policies attempted vainly to eradicate irregular settlements. This failure led to a re-evaluation of existing policies, defining housing as a process that should incorporate inhabitants in the solution to the problem. The World Bank supported this policy in the 1980s, promoting programmes of lots with services and improving neighbourhoods.



Ciudad Bolívar, Bogotá

In the 1990s, a third generation of housing policies arose from the Chilean experience, proposing a facilitator role for the State and its subsidiary role to the private sector. One of the major expressions of the housing policy based on the facilitating and subsidiary role of the State was the attempt to open up the supply of housing to the economic possibilities of demand by means of subsidies, savings and loans. On the basis of these premises, the State's role is limited to the formulation of policy and the allocation of subsidies to meet demand. This model has been adapted to suit the situation in each country, taking into account the problems arising in the light of reality.

The region has also seen the introduction of housing policies based on upgrading neighbourhoods. Between 1986 and 2008—22 years—the IDB granted loans for 37 neighbourhood improvement projects in 18 countries, amounting to more than three billion US dollars. An important year in this context was 2007, when the IDB disbursed 739 million dollars, corresponding to 8.3% of the total number of approvals from the bank for that period.



Puerto Montt, Chile

Observation of housing policy limitations forced the World Bank itself to express its concern at the situation, and to note that the major deficits in the housing sector and patent inadequacy of financing systems point to the need to alter the way in which the housing problem needed to be tackled and adopt new approaches to funding. These new approaches need to: include an institutional and political framework that incorporates the different actors; give a greater role to the private and community sector; broaden housing financing systems with a variety of products (mortgage insurance, standardization of mortgage securitization); provide direct subsidies based on demand, and increase the supply of urban land for popular housing.²

The persistence of the housing problem despite the changes made to official policies starting in the late 1980s has also been of concern to the region's governments. Worth consulting on this point are "First Evaluation of the Regional Social Housing Programme and AAHH for Latin America and the Caribbean" (Jun 2006) and "The Other Agenda" (Oct. 2004), commissioned by MINURVE with the collaboration of ECLAC, which highlight governments' concerns in the face of the dangers of

² Low-income Housing in Latin America and the Caribbean, Abhas K. Jha, EN BREVE report No. 101, World Bank, January 2007.
<http://siteresources.worldbank.org/INTLACREGTOPURBDEV/Resources/Jan07LowIncomeHousingEN101.pdf>

leaving the solution to the housing problem almost entirely in the hands of the private sector and of loans by multinational banks being conditional on the adoption of the current model. Likewise, there is awareness of the gravity of the qualitative aspect of the housing problem, despite which, programmes centred on building new homes continue to dominate in each country, reflecting, among other factors, the pursuit of profitability by the business sectors linked to construction.



Cuatepec, México

The recent IDB study provided a more detailed analysis of the situation. It suggests various reasons that explain the shortcomings of current housing policies, including: shortages in the housing market that have to be tackled, especially as regards the high costs and difficulty of accessing mortgages caused by factors such as high interest rates and the informal status of potential users; the reluctance of the private sector to build low-cost housing, since it has doubts about its profitability, families' credit constraints, the high cost of land and urbanization,

excessive regulations and high costs of property registration (the cheapest housing in the region offered by the private sector without construction subsidies stood on average at \$24 thousand in 2010; voucher, savings and credit programmes that do not reach the poor because they have few opportunities to save and are often unable to access bank loans for various reasons.

To tackle these housing problems, the IDB suggests adopting flexible policies, still with a facilitating approach³, directed at the middle classes and low-income sectors and correcting the aspects that make this approach inefficient:

- encourage the construction of low-cost housing by granting facilities to the private sector and reducing constraints on the expansion of formal housing in terms of urbanization, construction and financing;
- promote the reduction of interest on mortgages and tackle the associated problem of the informal status of many potential users;
- improve efficiency in the way programmes are implemented, saving on costs for the benefit of users;
- promote rental housing;
- examine the qualitative aspect and not only the quantitative aspect of the deficit;
- carry out interventions and regulatory reforms that improve the functioning of land markets.

More specifically, the IDB proposes the following actions for low-income sectors:

- Assess the importance of incremental housing and the positive role played by micro finance institutions (small-scale, short-term loans for buying materials and progressive construction);
- Encourage neighbourhood improvement initiatives. The study shows that although the majority of governments in the region do not have policies to address the causes of the emergence of informal settlements and slums, they do have programmes to help already established families, including the issue of titles and neighbourhood improvement.

³ Promotion of the extension of urban plots equipped with services, provision of infrastructure, access to credit for building and purchasing, the introduction of realistic regulations relating to the use of land and reflecting the desire and willingness to purchase housing, and access to building materials and services.

According to the IDB, these policies have major potential to accelerate families' investments in their homes, with the consequent positive impact on their well-being;

- Assess the Chilean experience, which grants overall subsidies focusing on the poorest families.



Guayaquil

What can be inferred is that the Inter-American Development Bank persists in placing the solution to the problem of housing in the hands of private capital and commercial banking, which proposes to grant these actors better facilities and more security, which would lead to lower housing prices and make mortgages more accessible. And for the low-income sectors, the idea is to develop neighbourhood improvement programmes, encourage "incremental housing" (progressive self-building) and microcredit and focus on social subsidies.

STRATEGIES FOR AN ALTERNATIVE POLICY

GENERAL APPROACH

1. A multiple or polysemic understanding of housing

There is not one way to understand housing—there are several diverse ways. Housing is not only or primarily a commodity that can be traded: it is also an investment in human development, vital for a nation, and an inalienable human right. All human beings need a place to live and develop with their families, a place that offers them shelter and safety, a place that is healthy, that bestows ownership and allows us to develop social ties.

2. Housing as a comprehensive problem

Housing comprises a multitude of elements that are constantly changing within the context of its inter-relationship (emergency). These changes can affect everything else, producing situations that are not totally predictable (uncertainty).

3. Housing as a diverse problem

A number of typologies have been developed and are useful in considering the different ways the problem can be expressed:

housing located in at-risk areas;
communities affected by mining;
neighbourhoods threatened with eviction due to large-scale road or equipment projects;
slum dwellings;
run-down rural dwellings;
housing located or relocated outside the city.

4. Social production of habitat

Social production of habitat is a concrete process for building cities based primarily on step-by-step construction using various mechanisms and methods. It comprises productive processes that mobilize major economic resources and involves communities, their families, savings and environment. Social production of habitat takes into account the specific needs of each family.

5. The need for public policies centring on the interests of the people

It is vital to design tools for tackling the poor quality of housing by proposing solutions that seek to improve people's quality of life and strengthen inhabitants' communities. Technical tools should be based on the conception of housing as a right and of inhabitants as the constructors of cities.

GOALS FOR HOUSING POLICY AIMED AT PEOPLE

Within the conception of housing essentially as a human right and instrument for human development, the goal of housing policy aimed at people should be to guarantee the existence of proper habitability conditions for the population as a whole.

STRATEGY

Guiding principles

The overall approach allows us to extract a number of fundamental guiding principles:

1. policies have to be systemic;
2. clear responses do not currently exist;
3. the accent needs to be on users' needs and opinions;
4. it is important to avoid leaving all the solutions exclusively to market forces;
5. all actors must be involved, taking into account the polysemic, overall and diverse nature of housing;
6. the problems of housing need to be considered on the basis of relevant typologies;
7. it is important to prioritize the most vulnerable situations and families.

Strategic elements

1. **Strengthen integrated and progressive** solutions for the entire country that remain flexible by taking into account all the different methods, prioritizing low-income sectors and, in general, communities living in poor conditions in working class districts and rural areas.
2. **Focus on the essentially qualitative nature of the housing problem** in order to improve the living conditions for the entire population, planning for and anticipating future housing needs.
3. **Contextualize the housing problem within a proper context**, taking into account its diversity and comprehensive nature. Reality differs from one place to the next, and the housing problem is linked to economic, cultural and environmental variables that must be taken into account.
4. **Support existing initiatives** and create favourable conditions for the initiatives to meet with the success they are seeking. There are major projects comprising a wide range of skills that have demonstrated their viability, and they need to be taken in to account.
5. **Prioritize areas of poverty**: define these based on appropriate indicators measured by, among other factors, income, health, education and housing indices.

6. The complexity of the situation requires involving a diverse range of public, private and community actors.

7. Localize the solutions and implement local action plans: since the housing problem is comprehensive and diverse, it needs to be tackled in accord with each reality and concrete situation. A location needs to have a ***housing plan that considers*** the following aspects, among others:

- a) improvement of dwellings located in poor conditions;
- b) the quantitative deficit and projected annual demand;
- c) the need to relocate at-risk families;
- d) urban improvement of the neighbourhood;
- e) legalization of ownership where necessary.

This work requires ***tools***:

- a land bank capable of providing land for development and preventing speculation;
- the active participation of district and provincial municipalities in urban control, particularly in the face of land trafficking;
- legislation that facilitates urban and rural planning and development processes;
- technical support, urban planning and legal teams to provide on-the-ground advice to communities.

8. Ensure that the policy is sustainable

- implement annual housing programmes that prevent the deficit from growing;
- move forward with the goal of overcoming poverty and the unequal distribution of income;
- provide programmes with adequate institutional support.

9. Define appropriate management methods

10. Guarantee the necessary resources:

- within the state budget, redefine the distribution of sector-based allocations (for example, the amount of foreign debt service or arms expenditure);
- determine the amounts that have to be allocated to tackle the shortage of housing in collaboration with local authorities, inhabitants' organizations and cooperatives and encourage popular housing with land grants, tax exemptions, accounting of construction for tax and pension purposes, etc.;
- consider using other resources, such as foreign remittances;
- reallocate funds in order to ensure progressive policies (housing for those who have the least) and take into account the essentially qualitative nature of the housing problem; recover gains originating in administrative decisions and investments by municipal bodies.

How can we and why do we need to house a billion people? A proposal for joint work towards concrete political advocacy

"FINDING HOUSING FOR A BILLION PEOPLE, advocacy in public policy on land and housing." This is the new web page where we would like to show that the proposal to create Peoples' Funds for Land and Housing is an objective to which IAI has made a decisive commitment, as part of a broader and more integrated strategy.

IAI has initiated a process of reflection and debate which aims to contribute to this approach, by providing a useful tool for the convergence of the struggles and the proposals of inhabitants' social networks and organizations, i.e. the construction of the Urban and Community Way, a common space that was emphatically launched at the World Assembly of Inhabitants in 2011.

We began this work in Latin America and the Caribbean, taking an integrated approach based on the social movements.

We hope to complete an analysis of the situation in each of the countries, to gain a concrete understanding of what needs to be done in each case, agree on a critical vision of current policies and research the main alternative experiences occurring in the region. With these materials and the active participation of popular organizations and networks, we would like to begin a clear and frank dialogue with the local and national authorities of each country, as well as multilateral organizations, and mobilize at regional level around a common agenda.

A call to join in the debate and coordinate proposals and the struggle

The Alliance considers that this initiative can and should be taken up, bringing together similar proposals from other regions and continents, because alternatives to the current status quo must be global, as the policies which are imposed on us are global.

We call on all the movements and organizations to stand up to this pressure and coordinate activities and struggles with unity and solidarity.

The World Assembly of Inhabitants, (WSF, Tunis, 26-30 March 2013) is a first step towards this approach.

This page serves as part of this proposal. This is why its purpose is to offer debate, tools for the development of regional analysis, documentation and a bibliography to enrich our thought processes and our proposals, and materials for self-training in housing and habitat, which should be adapted to the reality of each country.

More info: www.habitants.org -
http://www.habitants.org/the_urban_way/housing_one_billion_people/how_can_we_and_why_do_we_need_to_house_a_billion_people

Original version in Spanish

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