



Terwilliger Center for
Innovation in Shelter

Housing Subsidy Programs in Peru: Barriers to Access

Research and recommendations for
public policy innovations

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ACCRONYMS AND ABBREVIATIONS

| | |
|----------------|--|
| ADI: | Association for Real Estate Developers |
| AFD: | French Development Agency |
| AVN: | new house acquisition |
| BFH: | Family Housing Voucher |
| BOP: | base of the pyramid |
| COFIDE: | Development Finance Corporation |
| CSP: | building on one's own site |
| EAP: | economically active population |
| FMV: | <i>MiVivienda</i> (MyHousing) Fund |
| HFHI: | Habitat for Humanity International |
| HMS: | housing market system |
| IDB: | Inter-American Development Bank |
| IFI: | intermediary financial institution |
| INEI: | National Institute for Statistics and Information |
| IOM: | International Organization for Migration |
| LAC: | Latin America and the Caribbean |
| MEF: | Ministry of Economy and Finance |
| MIDIS: | Ministry of Development and Social Inclusion |
| MIMP: | Ministry of Women and Vulnerable Populations |
| MV: | housing improvement |
| MVCS: | Ministry of Housing, Construction and Sanitation |
| NCMV: | New <i>MiVivienda</i> (MyHousing) Loan |
| NSE: | socioeconomic level |
| SBS: | Superintendence of Banking, Insurance and Pensions |
| SDG: | Sustainable Development Goals |
| SIH: | social interest housing |
| SUNARP: | National Superintendence of Public Records |
| SUNAT: | National Superintendence of Customs and Tax Administration |
| TCIS: | Terwilliger Center for Innovation in Shelter |



Recipient of a *MiVivienda* voucher in the building on one's own site (CSP) category. Originally from Pucallpa, this resident of Villa María del Triunfo had spent 12 years trying to access a house built from safe, and sturdy materials.

1 Executive summary

This study seeks to identify the main barriers that prevent many low-income families (those pertaining to the three lowest categories of Peru's socioeconomic classification system) from accessing the country's current housing subsidy programs.

Following the introduction provided in Chapters 1 and 2, Chapter 3 places the issue of access to adequate housing in the context of the global development agenda, particularly with respect to the efforts that countries around the world are making toward more sustainable cities—a goal prioritized by the United Nations 2030 Sustainable Development Agenda. Chapter 4 analyzes this agenda as it pertains to 10 countries in the Latin America and Caribbean region: Mexico, Guatemala, Costa Rica, Ecuador, Argentina, Brazil, Colombia, Uruguay, Chile and Peru. Based on 12 different housing subsidy mechanisms that are being implemented in the countries listed above, this analysis systemizes best practices for public policy making.

Chapter 5 introduces the issue of **limited access to housing subsidy programs for low-income Peruvian families (socioeconomic levels C-, D and E)**, describing the concept of housing deficit and its associated metrics, the informal construction market, the characteristics of the target population, and the programs and initiatives that have been proposed and implemented by the Ministry of Housing, Construction and Sanitation (MVCS) and the *MiVivienda* Fund, or FMV. With the problem defined, Chapter 6 outlines the barriers that impede widespread access to housing subsidy mechanisms along four categories—normative, administrative, financial and social barriers—depending on the root cause.

To address the multitude of issues that arise from Peru's current panorama of subsidy programs, Chapter 7 explores opinions from the housing subsidy system's most relevant actors regarding how to address each barrier—not only in terms of recognizing its primary and secondary causes, but of assessing how it can be overcome. Finally, Chapter 8 summarizes the study's main findings.

Generally speaking, the majority of the barriers identified here have a crosscutting cause; that is, **stakeholders have limited information about subsidy supply and demand**. This is a common dynamic in under-developed markets and can occur when financial providers view low-income clients as high-risk agents. Low-income clients tend to have irregular incomes, a preference for obtaining goods and services from informal markets, and, often, expectations that have been shaped by aid-related policy. This translates to high interest rates that the average beneficiary cannot afford. On the other end, potential beneficiaries often lack trust in financial systems in general, and financing schemes for construction projects in particular.

This dynamic leads to the crosscutting recommendation that the MVCS, in partnership with specialized research institutions, conduct social and economic studies to collect relevant information on socioeconomic levels C-, D and E. The data can then be used to design differentiated products for diverse client types and therefore improve the options available to the country's lowest income sectors.

2 Introduction

Previous studies on access to housing in Peru have shown that the country's public policy leaves socioeconomic level A to the private real estate market (Ramos, 2011). Socioeconomic level B, defined as the traditional middle class, is eligible for the New *MiVivienda* Loan (NCMV) program. Level C, defined as the emerging middle class, is served by public subsidy programs, formal and informal markets, and the *Techo Propio* program's new house acquisition (AVN) category. Level C represents the largest and fastest-growing share of the market.

In addition to accessing housing solutions through the informal market, families in socioeconomic level D, those living in poverty, are eligible for subsidies through the *Techo Propio* program's housing improvement (MV) category. To receive this subsidy, however, the families—whose income largely derives from the informal market—must possess a legal title to their land.

In this context, Habitat for Humanity International's Terwilliger Center for Innovation in Shelter in Peru (TCIS Peru) endeavored to produce the present study, "**Housing Subsidy Programs in Peru: Barriers to Access**," with the goal of gathering relevant information to fuel reflections on the country's housing subsidy system.

This study addresses the fundamental issue of **limited access to housing subsidy programs for low-income families (socioeconomic levels C-, D and E) in Peru**. Central to this topic are the programs pertaining to the *MiVivienda* Fund (FMV), which, despite the integration of new and innovative designs, face several barriers that explain the root causes of the broader issue of limited access to housing.

In the pages below, we detail these barriers, organizing them into four types that reflect the context in which they originate; that is: normative, administrative, financial, and social. We then examine the dynamics of each barrier and explore recommendations to overcome it. As a general methodological guideline, the study relies on input from stakeholders that work within Peru's housing subsidy system. The result is a profoundly valuable reflection drawn from first-hand experiences and expectations. Also informing this analysis is a revision of best practices in subsidy design and implementation from across the Latin America and Caribbean region, other studies on subsidies for social interest housing (SIH), documents developed by relevant actors in the housing subsidy system, specialized research, and more.

We hope the reflections and findings included here will drive a more informed analysis of the reasons behind the broader issue of limited access to housing solutions. This analysis can, in turn, fuel a more appropriate governance of subsidy programs; that is, programs that are more inclusive, scalable, and impactful for families in socioeconomic levels C-, D, and E.



Standard housing design for the *MiVivienda* Fund's building on one's own site (CSP) category . To promote the program locally, the house is painted in the government colors of grey and red before the family moves in.

3 Housing access in the framework of the Sustainable Development Agenda

Latin America and the Caribbean (LAC) is one of the most urbanized regions on the planet. More than 80% of its population lives in cities that are ever growing, swelling by an additional half million new urban residents each month. Should this exponential growth continue, by 2025 some 100 million people will reside in just six mega-cities (IDB 2016). This rapid pace of urbanization presents challenges for the region's cities (housing deficits, high migration rates from rural to urban zones, owner-driven construction, etc.). However, it also creates a broad space within which to design and implement sustainable development strategies that provide residents with an adequate quality of life, minimize environmental impact, and engage the diverse stakeholders that comprise the complex system of building homes for families in the region.

But the topic of building sustainable cities also transcends the LAC region. The Sustainable Development Goals (SDGs),¹ under the auspice of the Sustainable Development Agenda, comprise a set of global guidelines designed to eradicate poverty, inequality, injustice and the impacts of climate change.

The Sustainable Development Agenda includes 17 goals, with 169 integrated and indivisible objectives that address economic, social and environmental factors (Álvarez, Montero and Villamizar, 2019). Of these, SDG 11 aims to create cities and human settlements that are safer and more inclusive, resilient and sustainable, so that vulnerable populations can access adequate housing that ensures their wellbeing and contributes to a better quality of life for families (UNDP, n.d.). For LAC—a region that currently registers the highest rates of urbanization in the world in addition to significant spatial and income disparity and high levels of insecurity—this goal is priority one (Jordán et al., 2017).

Governments and the respective entities responsible for executing urbanization and housing development processes use strategies that incorporate the guideline of SDG 11 into their designs, aiming to provide vulnerable city dwellers with access to adequate housing² that increases their quality of life through access to basic services, education, employment opportunities and public spaces.

As Habitat for Humanity has found, however, addressing the housing problem does more than just support SDG 11. It also touches on Goals 1, 5, 6 and 7. Ensuring access to adequate housing reduces vulnerability and helps tackle poverty (SDG 1). It protects women from discrimination by ensuring their equal access (SDG 5), fosters safe and healthy homes through access to basic services such as water and sanitation (SDG 6), and helps increase savings and reduce air pollution and the adverse effects of climate change by implementing housing systems that rely on safe, accessible, sustainable and modern sources of energy (SDG 7).

¹ The current Sustainable Development Goals were ratified on September 25, 2015 by the United Nations General Assembly as part of the 2030 Sustainable Development Agenda (UNDP, n.d).

² The United Nations identifies adequate housing as one of the most essential human needs.

4 Best practices in housing subsidies in Latin America and the Caribbean

4.1. Selecting the sample group

Housing deficit issues plague many countries in the Latin America and Caribbean (LAC) region. To address this issue, governments launch sector-based initiatives or public-private partnerships to stimulate the social interest housing (SIH) market. To identify best practices

in housing-related policy, we have analyzed 12 housing subsidy mechanisms from 10 countries in the LAC region (see Annex 1: Best practices in housing subsidies in LAC).

Image 1: Map of housing subsidy mechanisms in LAC

Subsidy Mechanisms



Region

Latin America
and the
Caribbean

Created by: TCIS Peru



Focus

10

Countries



Scope

12

Mechanisms



Period

5th

Bimester, 2020



Roles

4

Types



Operation

2

Methods



Best Practices

6

Categories

The countries in the sample group were selected using criteria such as the number of housing subsidy initiatives present, the longevity of these initiatives, a focus on low-income populations, and proven results. This was complemented by the findings of the study, “Policy to boost housing demand in Latin America: A look at recent experiences” (*Políticas para impulsar la demanda de vivienda en Latinoamérica: Una mirada a las experiencias recientes*), published by the Inter-American Federation of the Construction Industry (FIIC) in 2014.

4.2. Best practices in housing subsidy mechanisms

The 12 housing subsidy mechanisms studied—which span programs, projects, funds and institutions—were identified by evaluating the relevant indicators in each country. These were: longevity, scope and demand, focus on low-income population, impact and results, strategy for the efficient and effective placement of benefits, public-private partnerships for SIH financing, and the development of innovative financial products.

Analyzing this robust sampling of experiences allowed us to identify six elements that help initiatives achieve their expected results. These constitute a key point of reference from which to define best practices in housing subsidy mechanisms in the LAC region.

- i. Focused and differentiated lines of subsidies: The subsidy mechanisms we studied channel their efforts toward improving adequate access to SIH for low-income families, based on their specific characteristics and geographic locations. Whether for rural or urban environments, these mechanisms might be geared toward purchasing a new home, building a house on one’s own site, or improving an existing structure.
 - ii. Interest-based subsidies: This strategy aims to help financial institutions provide housing loans at reduced interest rates for low-income clients, which frequently face higher rates than those in higher socioeconomic levels.
- This, in turn, allows a greater number of families to access financing for SIH.
- iii. Agreements with intermediary financial institutions (IFIs): This strategy encourages collaborative work between the organizations that promote housing subsidies and the institutions that provide lines of credit for SIH. The goal is to create lending products based on the characteristics of low-income populations, and to increase these populations’ ability to access to them.
 - iv. Communications and dissemination strategy: To increase the scope of housing subsidy mechanisms in the countries under study, the organizations that promote them share information through the communication channels most readily used by the lowest economic sectors.
 - v. Post-subsidy monitoring: By monitoring and accompanying beneficiary families, this strategy aims to evaluate a given SIH subsidy mechanism’s success and opportunities for improvement.
 - vi. Access and support through digital channels: This is understood as the use of digital features throughout the SIH subsidy process—from the moment the beneficiary expresses interest to when the subsidy is received.



Members of the Numa Cusiche family pose in front of their new home in Villa María del Triunfo. The Numa Cushiches were beneficiaries of the MiVivienda Fund's building on one's own site (CSP) category. Mr. Cusiche, a construction foreman, helped build the home.

5 Housing subsidies in Peru: Designing public policies for the base of the pyramid

5.1. The problem with Peru's housing deficit

A housing deficit occurs when the aspects that constitute decent, adequate housing are lacking. This includes the physical structure and/or living space, as well as access to basic services (INAE, 2019). The result is two types of housing deficit: quantitative³ (access to housing) and qualitative (quality of the housing in material terms (e.g., walls and flooring), habitable space (e.g., overcrowded conditions), and access to basic services (e.g., potable water, drainage systems and electricity).

By the end of 2019, Peru's housing deficit had reached some 1.6 million homes. Approximately 600,000 of these pertain to a quantitative deficit and the remaining 1 million to a qualitative deficit (Gestión, 2020). This shows that, while there is indeed a need to provide new houses, the main problem that low-income families face is housing quality.

According to the World Bank, limits to real estate market functionality, coupled with the difficulty of accessing financing for housing, creates a dynamic in which low-income populations largely rely on the illegal occupation of land and informal construction methods to meet their housing needs (HFHI, 2019).

When they view access to adequate housing as such a seemingly insurmountable challenge, families adopt the basic survival strategy of acquiring land by "invading" previously unoccupied areas or informally purchasing lots that lack legal tenure. This, in turn, kicks off an owner-driven construction process in which families build their own homes, often in less-than-ideal areas that lack access to basic services (Reátegui, 2015).

The result is a qualitative housing deficit, which according to the FMV encompasses three criteria: the availability of public services, the quality of materials used, and the level of overcrowding (FMV, n.d.). With respect to the first criteria, a deficit is present when access to one of the basic services (water, electricity, and/or drainage systems) is lacking. For the second, a deficit is present when the structural elements of the home (flooring, walls, and/or roofing) are not built from quality construction materials (i.e., with metal sheeting as opposed to bricks and mortar). The third criteria refers to an excessive number of people residing in each room of the house.

³ The FMV defines three types of quantitative deficit: the absence of housing (families that lack housing entirely), the absence of exclusivity (when more than one family unit inhabits the same house), and the absence of property (the lack of a title proving legal ownership by a family member who resides in the house) (Meza, 2016).

5.2. Internal migration and urban growth: Main drivers of the housing problem

The International Organization for Migration (IOM) defines a migrant as any person who is or has been displaced from one location to another, whether internally (within a single country) or across international borders, regardless of the cause of displacement (legal status of the migrant, political instability, etc.), the character of the decision to migrate (voluntary or involuntary), or the duration of the stay (UNDP, n.d.). This phenomenon occurs around the world, in diverse countries and circumstances.

In the mid-twentieth century, economic and social inequality in Peru's rural and urban areas began to drive significant rates of internal migration (Meza, 2016). Many segments of its population, particularly in rural areas, began to migrate from the countryside to the city in search of increased income, the ability to satisfy basic needs, and the opportunity to access better employment, education, health and recreation opportunities.

This phenomenon first emerged during a key turning point in Peruvian cities, when the industrialization that had occurred from 1950 to 1970 led to concentrated investments in the country's main coastal population centers and cities such as Arequipa and Iquitos (Maguiña, 2016). This led to the country's first waves of mass internal migration between cities and various regions of the country.

The later appearance of terrorist groups and the associated dynamics of violence in the 1980s, mainly in the central mountains, drove a second phase of massive and uncontrolled internal migration (INEI, 1995), as families sought safety and opportunity in coastal cities and their adjacent rural zones.

These internal displacements, coupled with existing growth rates, sparked a sharply accelerated process of urban expansion in Peru. In recent decades alone, the land occupied by the country's 43 largest cities has grown by 47% (Espinoza and Fort, 2020). The IOM has identified five tracks of economic growth within the country: Track 1: Piura–Lambayeque–La Libertad; Track 2: Ancash–Lima–Ica; Track 3: Arequipa–Moquegua–Tacna; Track 4: San Martín–Loreto–Ucayali; and Track 5: Cusco–Madre de Dios (Sánchez, 2015). Through the successive migrations described above, the country's highest rates of urban growth occur along these five tracks, each of which represents a key financial and economic center.

Nevertheless, this growth has largely occurred without planning or oversight. According to the Development Analysis Group (GRADE), 93% of the urban growth that has taken place in the last two decades pertains to informal housing that lacks complete urban functionality (Espinoza and Fort, 2020). In other words, most of Peru's urban growth has led to households that lack access to basic services, adequate infrastructure, and/or secure tenure, all of which explains the rising housing deficit the country experiences today.

5.3. Characteristics of the base of the pyramid

Peru's base of the pyramid (BOP) population comprises families in socioeconomic levels (NSE) ⁴ C-,⁵ D, and E, which currently represent 71.6% of all Peruvian households (APEIM, 2020). Most of the families that comprise the BOP reside in the country's largest cities and have more than a 90% coverage rate with respect to basic services (e.g., water, electricity, and sanitation). In terms of family size, households in this group increasingly resemble the middle class. That is, they have an average of 4.2 members, 1.1 of which are children under 12; a head of household that is an average of 42 years of age; and the majority have completed high school (IDB, 2015).

It is important to note that despite sharing similar characteristics the BOP is by no means a homogenous group. This is mainly due to income variability among individuals in the BOP, many of whom are paid daily, weekly, biweekly, or at varying and often unpredictable intervals.

According to the Inter-American Development Bank (IDB, 2015), this suggests that the panorama of monthly expenses required for household needs, tax payments, and access to basic services is not adapted to the realities of the BOP.

According to Peru's 2019 National Household Survey (ENAH), the average income level of BOP families rose to USD 638,⁶ 46% of which is spent on food, 11% on housing, 7% on clothing, 7% on healthcare, 7% on recreation, 6% on various goods and services, and 5% on access to communication (APEIM, 2020). It is worth noting that this differs from the IDB analysis, which states that the BOP population comprises households with an average monthly income of USD 10 or less in purchasing power parity. In other words, the IDB uses the criteria of income variability to define the BOP (IDB, 2015).

⁴ In Peru, a household's socioeconomic level is based on a set of variables stemming from studies conducted by the Peruvian Association of Business Intelligence Companies (APEIM), and not by income. Thus, for the purposes of this study, the term *nivel socioeconómico* (NSE) has not been translated as "socioeconomic status" (SES), the latter of which is typically the measure of a family's income, education, and employability. The variables used to assess a Peruvian household's NSE include home and housing conditions, access to goods and services, household equipment, and public services.

⁵ For the purposes of this study, socioeconomic level C- pertains to NSE C2 as defined by the 2018 National Household Survey (ENAH).

⁶ According to APEIM, the average monthly family income per NSE is C-: PEN 3,591 (USD 933); C: PEN 2,624 (USD 682); and E: PEN 1,370 (USD 356).

Image 2: Characteristics of the base of the pyramid in Peru

Location



Republic of
Peru
South America



BOP Population
71.6%
Socioeconomic levels
C-, D and E



Members per family
4.2
People



Location
64%
Urban



Secure tenure
68%
Legally own their land



Annual expenditures
USD 6,697
Per household



Market size
+43
Billion per year

5.4. The informal construction market and access to housing

Construction is one of Peru's most dynamic sectors and is considered a key driver of the country's economy. This is due to its multiplier effect. That is, it creates employment and interacts with other industries to obtain materials and other inputs. This, in turn, is directly dependent on the dynamism of public and private investment (Palomino, 2017).⁷

Informal construction is major issue that affects this sector. Not only does it lead to disordered urban growth and a rise in the country's qualitative housing deficit, but it represents a constant danger for the families that build their homes in vulnerable areas and with less-than-adequate materials. According to CAPECO, 80% of the houses in Peru have been built informally. Of these, half are considered highly vulnerable to major earthquakes. For those built near cities, the rate of vulnerability reaches 90%.

In this segment of Peru's market, housing projects are predominantly led by construction foremen whose experience is mainly empirical, and who, based on what the family that hires them can afford at any given time, are responsible for both the design and construction. This dynamic of progressively building one's home is what Habitat for Humanity International (HFHI) calls "progressive construction." To gain a deeper understanding of this market, HFHI conducted a study of BOP housing in the district of San Juan de Lurigancho⁸, the district with the highest population in Metropolitan Lima (HFHI, 2019a). The study identified four housing types (A, B, C, and D), for which the progressive construction process can take up to 30 years. As the house transitions through seven different phases, small business owners (hardware stores, etc.) and informal masons and foremen play a vital role in each (HFHI, 2019b).

Figure 1: Typology of BOP Housing in Metropolitan Lima

House Type A



Concrete block construction, two or more stories, finished flooring, evident absence of exterior, and likely also interior, finishings.

House Type B



Concrete block construction, generally one story with plans to add more, evident absence of exterior and interior finishings.

House Type C



"Tongue and groove" design with corrugated tin roofing, built on flat terrain or a concrete slab.

House Type D



Rustic and/or low-quality materials such as wood, grass or bamboo matting, plastic, and/or cardboard, built on flat or sloped terrain.

⁷ Construction was one of the industries most highly affected by the COVID-19 crisis. In April of 2020, it fell by 90%, an even higher downturn than the country's total GDP (-39.9%). Nevertheless, it is recovering more quickly than expected (*El Comercio*, 2020).

⁸ According to the Peruvian Market Study and Public Opinion Company (CPI), as of the 2019 San Juan de Lurigancho had a population of 1.1 million.

Type A houses are located on flat terrain, have two or more stories, are built from concrete blocks, and lack exterior finishings. Families living in Type A houses have an average of seven members, and 97% of these households have potable water, electricity and drainage.

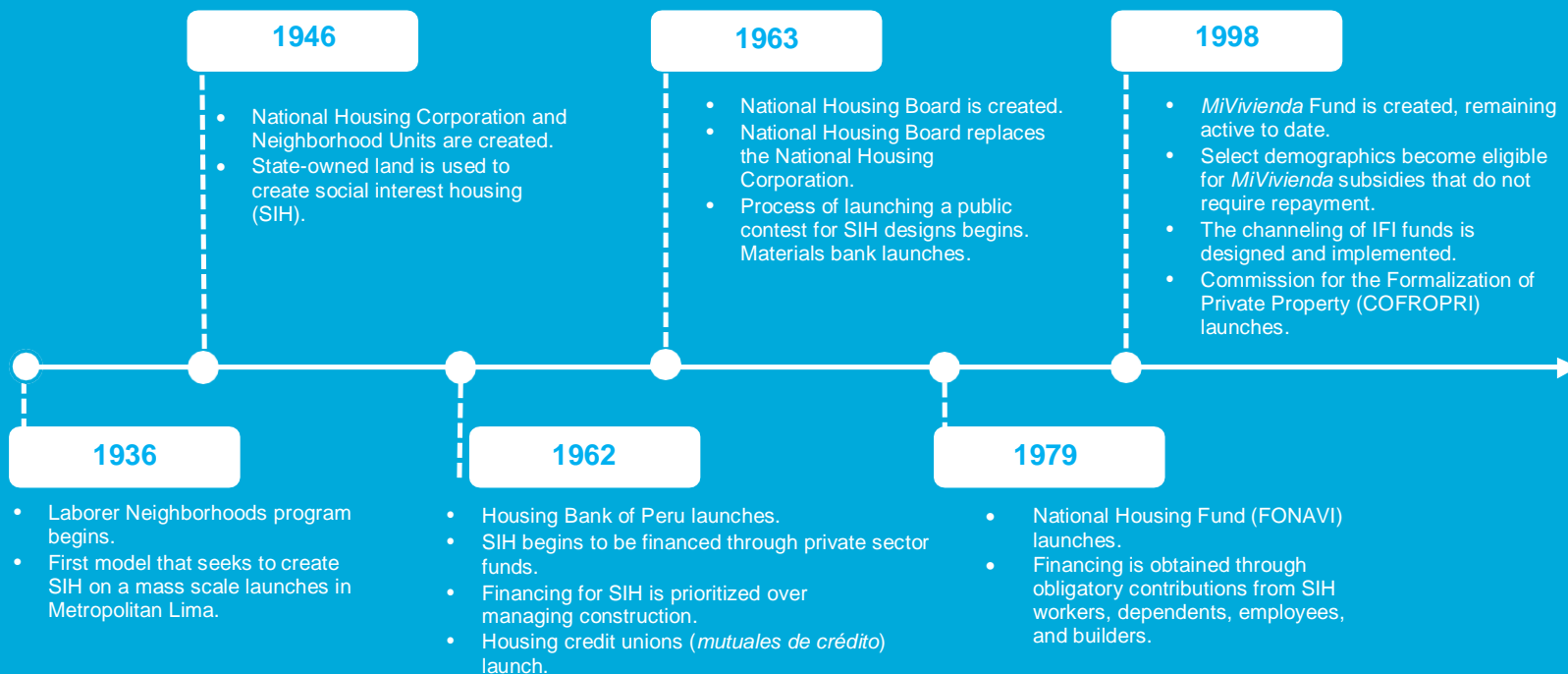
Type B houses are mainly located on flat terrain and are one story with plans to build one or two more. Ninety percent of these households have potable water, electricity and drainage. Families living in Type B houses have an average of four members.

Type C houses are mainly located on sloped terrain. Ninety percent are built from wood and 10% from concrete. Only 46% of these households have potable water, electricity and drainage. Families living in Type C houses have an average of four members.

Type D houses are mainly located on sloped terrain and are generally built from rustic and/or low-quality materials. All of these households have access to potable water but lack electricity and drainage. Families living in Type D houses have an average of four members.

5.5. The evolution of housing programs in in Peru

Image 3: The history of housing in Peru



Laborer Neighborhoods (1936)

The Laborer Neighborhoods (*Barrio Obreros*) program, active in the period spanning 1936 to 1939, was sponsored by the Ministry of Development's Public Works Department under the Benavides administration. The program aimed to build sizable and affordable concrete block homes of two to four bedrooms. Applicants received access to these houses through a raffle system, for which they had to meet certain criteria to enter, including being a married man with a clean criminal record, stable work, and a minimum of two children (Meza, 2016).

In 1946, the José Luis Bustamante and Rivero administration, under Legislative Decree No. 10722, created the National Housing Corporation, which donated plots of land for the construction of single family homes and housing developments called Neighborhood Units (*Unidades Vecinales*). The program lasted until 1985 (Meza, 2016).

These developments were autonomous groups of housing units with their own urban infrastructure, medical clinics, general stores, elementary schools, and roadways. To qualify for the program, applicants had to be registered Peruvian citizens and prove that they were in need of a housing loan. Nevertheless, the Neighborhood Units were mainly geared toward the lower middle class. A 70-square-meter apartment cost roughly USD 90, which at the time was over half the monthly salary of an average day laborer.

Housing Bank of Peru and Housing Credit Unions (1962)

In response to the housing crisis of the 1960s, the Housing Bank of Peru was created in 1962 through Legislative Decree No. 14241 (Meza, 2016). The bank

With the support of the Housing Bank of Peru, a series of credit unions were created. These, in turn, gave way to more than ten private organizations that financed housing projects for families in socioeconomic levels B and C. The organizations were eventually dissolved due to inflation and the devaluation of the Peruvian sol.

National Housing Board and the Materials Bank (1963)

In 1963, Legislative Decree No. 14390 led to the creation of the National Housing Board, which eventually replaced the National Housing Corporation. Its operations included the planning and execution of SIH programs in accordance with Peruvian housing policy (Decreto Ley No. 14390). Its most notable project was the Experimental Housing Project (PREVI) in the city of Lima.

The Materials Bank (*Banco de Materiales*) aimed to give families in socioeconomic levels C and D access to loans with a one-year repayment deadline. Families of the qualifying socioeconomic levels would receive shopping vouchers to purchase materials under progressive repayment schedules, as long as they remained credit-worthy and were up to date on payments. The program remained active until 2011.

⁹ In 1961, countries belonging to the Organization of American States (OAS) participated in the Punta del Este Meeting, leading to the creation of the Alliance for Progress (ALPRO), which sought to ensure economic progress and social justice in OAS member states. Among its agreements was the U.S. Commitment to provide immediate technical and financial support for participating countries to build domestic capital markets and achieve their outlined short-term goals. Funding was provided by way of loans with repayment deadlines of up to 50 years.

National Housing Fund (1979)

The National Housing Fund (FONAVI), was created under Legislative Decree No. 22591 to meet the housing needs of the Peruvian population based on household income and the country's degree of economic development.

Its financing originated from mandatory contributions from construction workers, employees, and businesses that carried out projects within the FONAVI framework, contributions made voluntarily from independent laborers, and funding obtained through the interests earned from mortgage lending or through the sale and rental of housing projects that families executed using their own resources. The fund's main projects included the San Borja Towers, the Marbella, the Pachacámac, the Limatambo, the Santa Rosa Satellite City, and the Carlos Cueto Fernandini Project (Meza, 2016).

Commission for the Formalization of Private Property (1998)

Through the Commission for the Formalization of Private Property (COFOPRI), thousands of Peruvian citizens were able to formalize their informally-owned land and buildings before the National Superintendence of Public Records (SUNARP).

As of 2021, the mechanism had awarded more than 2.5 million property titles.

5.6. Current housing subsidy programs in Peru

With the goal of eliminating the housing deficit in the country, the Peruvian government has begun to implement national housing and sanitation plans that focus on the development of housing and infrastructure, with the strategic priorities of **comprehensiveness** (to ensure that the entire low-income population can access quality housing across the country), **progressivity** (to prioritize low-income people, vulnerable groups, those affected by natural disasters, families living in high-risk areas, and people living in make-shift housing), **subsidiarity** (to coordinate the work of diverse actors who comprise the housing

market system, depending on their roles and proximity to the beneficiary population), **market** (to create instruments that incentivize economic and social agents to become part of the SIH production chain), **transparency** (to generate confidence among the stakeholders involved), **industry coordination** (to align programs with the country's industrial and commercial policy, and **social efficiency** (to overcome poverty on a local, regional, and national level). Within this scheme, the *MiVivienda* Fund (FMV)¹⁰ leads efforts to help low-income families access SIH.

Table 1: Main modifications to FMV subsidies

| Year | Main modifications |
|------|--|
| 1998 | <ul style="list-style-type: none"> Creation of the Mortgage Fund for the Promotion of Housing (otherwise known as the <i>MiVivienda</i> Fund, or FMV), assigned to the Ministry of Economy and Finance. Creation of the first FMV loan product (called <i>Crédito MiVivienda</i>) and the Good Payee Award to incentivize the prompt repayment of loans. |
| 2002 | <ul style="list-style-type: none"> The FMV is re-assigned to the Ministry of Housing, Construction and Sanitation (MVCS) and becomes responsible for managing the <i>Techo Propio</i> and Family Housing Voucher programs. |
| 2006 | <ul style="list-style-type: none"> The FMV begins operations as a subsidiary of the MVCS, within the scope of the National Fund for Financing State Business Activity (FONAFE). |
| 2007 | <ul style="list-style-type: none"> The Good Payee Voucher (BBP) is created to provide a non-repayable economic assistance of USD 2,600, granted by the MVCS. |
| 2008 | <ul style="list-style-type: none"> The FMV becomes responsible for promoting the provision of financing for investments in urban development. |
| 2014 | <ul style="list-style-type: none"> The BBP is adjusted to USD 4,420 and can be awarded in conjunction with the down payment. The Structural Reinforcement Voucher, geared toward housing that is vulnerable to seismic events, is created through Legislative Decree No. 30191. The <i>MiTerreno</i> program, which aims to help low-income families access urban private or public land for housing alone or housing with productive purposes, is created. |
| 2015 | <ul style="list-style-type: none"> The My Green Housing Voucher (<i>Bono MiVivienda Verde</i>), which provides economic assistance to those to access sustainable (i.e., green) housing, is created. |
| 2017 | <ul style="list-style-type: none"> The New <i>MiVivienda</i> Loan program is strengthened, allowing families to purchase, build, and improve their homes. |
| 2018 | <ul style="list-style-type: none"> To boost access to sustainable housing, the FMV begins to provide <i>MiVivienda</i> loans at a preferential 5% annual interest rate. The maximum qualifying household income for the <i>Techo Propio</i> program is increased under the new house acquisition (AVN) category. |

Source: FMV

Created by: TCIS Peru

The FMV has therefore developed at least six subsidy mechanisms, which we briefly describe below.¹¹

¹⁰ The FMV is a private, state-run company that operates under the National Fund for Financing State Business Activity (FONAFE) and is a subsidiary of the Ministry of Housing, Construction and Sanitation (MVCS).

¹¹ All amounts referenced in USD reflect an exchange rate of PEN 1 = USD 0.2598 (June 30, 2021).

New *MiVivienda* Loan program

The New *MiVivienda* Loan (NCMV) provides housing loans that are financed by the FMV, channeled through intermediary financial institutions (IFIs), and granted to applicants who meet certain criteria. The loan amount ranges from USD 15,600 - 111,176 to purchase a new or used home, build on one's own land, or improve an existing home. Its main benefit is the Good Payee Voucher (BBP), which awards a USD 1,664 - 4,602 discount for paying monthly premiums on time (FMV, n.d. e).

IFIs also benefit from the program through credit risk coverage, in which the FMV assumes up to one-third of the balance on defaulted loans, provided they have an established guarantee (FMV, 2019).

MisMateriales program

The *MisMateriales* program consists of a USD 3,159 - 10,530 line of credit for the purchase of construction materials. Its aim is to support the construction and improvement of housing on the beneficiary's own land, mainly in peri-urban zones. A financial entity distributes the loan at a fixed interest rate, with the value of the land on which the construction occurs serving as the down payment, thus enabling low-income clients to access financing (Techo Propio Perú, n.d.). The program also incentivizes the formalization of property rights by funding technical support from specialists, such as FMV-authorized materials suppliers, who guarantee that sound construction techniques and quality materials are used.

Techo Propio program

On September 13, 2002, the MVCS created the *Techo Propio* program through Ministerial Resolution No. 054-2002-VIVIENDA. The program aims to facilitate financing for SIH exclusively geared toward Peruvian households with access to potable water, electricity, and drainage, as well as minimum conditions for habitability. Beneficiaries must also have a monthly household income of no more than USD 942 for projects in the new house acquisition (AVN) category, USD 691 for projects in the building on one's own site (CSP) category, or USD 545 for projects in the housing improvement (MV) category.

As of 2021, more than 410,000 houses have been built through the *Techo Propio* program.

Structural Reinforcement Voucher

The Structural Reinforcement Voucher, also called the Voucher for the Protection of Houses Vulnerable to Earthquakes (BPVVRS) is part of the Peruvian government's strategy to prevent, mitigate and adequately respond to respond to disasters (FMV n.d.). The program provides non-reimbursable state financial assistance for families to structurally improve their home so that it can better sustain seismic activity. To access the voucher, families must own legally registered property and appear on the MVCS list of houses requiring intervention (FMV, 2019).

MiTerreno program

The *MiTerreno* program provides housing loans to low-income families who lack land on which to build. The loans provide access urban land—either public or private—on which to build a house alone or a house with a home-based business. Qualifying families must also have savings equivalent to 30% of the value of the land (FMV, n.d. g). The maximum financing provided is USD 13,000, with a repayment deadline of up to eight years at a fixed interest rate. Complete or partial payments can be made with no penalty.

Housing Rental Voucher

The Housing Rental Voucher (BAV) aims to bolster beneficiaries' monthly savings and improve their housing conditions (FMV, n.d. f). The program focuses on Peruvians ages 18 to 40 whose monthly rent is USD 195 - 405 and monthly income is under USD 920. The USD 130 voucher is provided monthly for up to five years to cover the cost of rent (70%) and save for a down payment on the construction of a house through the *Techo Propio* or *MiVivienda* programs (30%).

6 Barriers to accessing housing subsidy programs in Peru



Problem:
Limited access to housing subsidy programs for low-income people (socioeconomic levels C-, D and E) in Peru.



Barriers on the demand side

Barriers on the supply side

Normative

- Lack of knowledge about legislation that lends legitimacy to housing subsidy programs.
- Potential beneficiaries have difficulty meeting the criteria required to access housing subsidies.



- The Peruvian Constitution in force since 1993 does not recognize access to housing as a fundamental right for all Peruvian citizens.
- The current legislation that governs housing subsidies fails to close the housing gap.

Administrative

- Housing subsidies are awarded to families with incomes above the established minimum.
- The Superintendence of Banking, Insurance and Pensions (SBS) has strict control over IFIs in the provision of housing loans for low-income families.



- Decision-making is centralized in the FMV, low accountability and little participation by stakeholders.
- Limited distribution of SIH subsidies by municipal governments.
- Bureaucratic processes complicate the ability to create new SIH projects.

Financial

- Potential beneficiaries are in need of financial education and lack trust in the financial system.
- Housing loans for low-income clients have high interest rates.
- It is difficult to access loans that finance SIH.



- Very few financial products are geared toward socioeconomic levels C-, D and E.
- A limited number of financial institutions award loans for SIH.

Social

- A large number of potential clients lack legal property titles.
- The target population is accustomed to state assistentialism.
- The target population lacks trust in government programs.



- There is disconnect between the value of subsidies, the cost of SIH, and the income levels of the target population.
- Beneficiaries and civil society organizations lack opportunities to participate in SIH program design.
- Few platforms share information on housing subsidies.
- Real estate developers rarely invest in SIH projects.

6.1. Barriers on the supply side

Barriers on the supply side include all those conditions that represent the government housing subsidy system's inability to provide a product¹² that responds to the needs of socioeconomic levels C-, D, and E. The barriers described below have been categorized into four types: normative, administrative, financial, and social.

Normative barriers

- **The Peruvian Constitution in force since 1993 does not recognize access to housing as a fundamental right for all Peruvian citizens (Glave, 2018):** The Peruvian government does not currently recognize or guarantee access to decent, adequate housing for families. This means that it is not the direct responsibility of the state but must be acquired through the free market. While the right to housing was covered by Article 10 of the country's 1979 Constitution, the 1993 Constitution omits this text (CIDAP, n.d.).
- **The current legislation that governs housing subsidies fails to close the housing gap:** Despite the improvements and incentives provided by the *Techo Propio* program to incentivize the SIH housing market,¹³ the housing deficit remains. By the end of 2018, Peru's housing deficit had reached approximately 1.6 million families (Andina Agencia Peruana de Noticias, 2019). Thirty-six percent of this pertains to a quantitative deficit and 64% to qualitative deficit. These families lack their own home and/or the basic conditions to live with dignity (MVCS, 2020a). Current regulations limit the ability of dependents to co-sign on loans.

Administrative

- **Decision-making is centralized in the FMV, with low priority given to accountability and little participation by key stakeholders:** The Peruvian government lacks strategies that enable coordination between the various actors involved in the housing subsidy system, resulting in products that fail to meet needs and requirements of the target population. In the same regard, spaces in which stakeholders can exchange lessons learned and success stories are lacking, as are accountability processes and a broader generation of knowledge on the part of the FMV. Likewise, there is disconnect between the value of the Family Housing Voucher (BFH), the value of the building on one's own site (CSP) distinction, and the costs involved with building a home.
- **Limited distribution of SIH subsidies by municipal governments (MVCS, 2020b):** According to a survey by the MVCS's General Directorate of Housing and Urbanization Projects and Programs,¹⁴ 27% of municipalities in Peru are unfamiliar with the structure and the products involved with the *Techo Propio* program, and only 18% declare that they have carried out *Techo Propio* projects in their jurisdiction. This shows a lack of coordination between the MVCS and local governments in terms of incentivizing the promotion and distribution of housing subsidies available to the low-income sector. Municipalities are not consulted with, resulting in a lack of standardization with respect to the administrative costs involved with licensing and financing construction projects.

¹² A "product" is understood as the specific characteristics and value of a given subsidy.

¹³ According to the FMV website, the *Techo Propio* program has two main goals: to promote the mechanisms that enable low-income sectors to access adequate housing in accordance with their financial capabilities, and to boost the participation of the private sector in the mass construction of social interest housing.

¹⁴ The survey spans 800 municipalities.

- **Bureaucratic processes complicate the ability to create new SIH projects:** This is due to the excessive number of steps and processes required to evaluate and approve real estate projects, including those related to SIH (Santa Maria and Tijero, 2016).

Financial barriers

- **Very few financial products are geared toward socioeconomic levels C-, D and E:** Intermediary financial institutions (IFI) lack sufficient strategies for populations with informal and/or variable incomes. This impedes the development of a credit rating system that adequately assesses applicants for SIH loans (HFHI, 2020).
- **A limited number of financial institutions award loans for SIH:** Few financial entities include housing loans for the *Techo Propio* program in their portfolio of offerings. At the time of this study, the FMV portal showed 54 financial entities as actively participating in the program (FMV, n.d. b).

Social barriers

- **There is disconnect between the value of subsidies, the cost of SIH, and the income level of families in socioeconomic levels C-, D and E:** For the *Techo Propio* program, the maximum cost of single family home¹⁵ is USD 22,265, or USD 27,800 for a multifamily unit or housing complex.¹⁶ With the BFH program, the family can receive a discount of USD 9,970, lowering the cost to roughly USD 12,400 and USD 17,900, respectively. This is the amount that must be covered by beneficiary families, whether through their own savings or IFI financing. If families opt for IFI financing, their monthly payments (spread over a period of 20 years) come to more than USD 156 for a single family home and USD 222 for a multifamily unit.

According to the IDB (2015) the monthly income of families in socioeconomic levels C-, D and E reaches a maximum of USD 277, making it extremely difficult for this sector to access financing—especially considering that IFIs typically set a maximum debt/income ratio of 30%, which translates to USD 83 for this demographic.

- **Beneficiaries and civil society organizations lack opportunities to participate in SIH program design:** The target population is infrequently invited to weigh in on the development of subsidy programs that enable access to SIH. Increasing demand for this type of housing requires an understanding of the behaviors, tastes and preferences of clients in socioeconomic levels C-, D and E, as well as a detailed assessment of their consumer habits, income levels, etc., to provide a product that responds to their specific needs and is in line with what SIH should cost them (HFHI, 2020).
- **Few platforms share information on housing subsidies offered through the FMV:** There are few communication channels through which the target population can access the information they need about current housing subsidy programs, such as the characteristics of the *Techo Propio* program and any relevant changes. It is therefore necessary to expand the number of platforms that communicate this information to the target population and to explore new mechanisms that take into account the limitations they face in terms of access to information (HFHI, 2020).
- **Real estate developers rarely invest in SIH:** There are a limited number of SIH projects provided by real estate developers, due to the challenges and obstacles that arise when implementing these types of projects. This includes a scarcity of urban land, the added cost of providing access to basic services, reduced profit margins, potential delays in placements, and other issues.

¹⁵ Projects located on a single lot and comprising one housing unit for one family.

¹⁶ Projects located on a single lot but including the construction of several houses.

6.2. Barriers on the demand side

Barriers on the demand side refer to the challenges that families in socioeconomic levels C-, D and E face when attempting to access housing subsidies promoted by the FMV's *Techo Propio* program.

Normative barriers

- **Lack of knowledge about legislation that lends legitimacy to housing subsidy programs:** Families in this socioeconomic level are often unaware of the policies and regulations relevant to SIH programs and their various iterations (HFHI, 2020).
- **Potential beneficiaries have difficulty meeting the criteria required to access housing subsidies (Reátegui, 2015):** The criteria for the three categories included in the *Techo Propio* program (AVN, CSP and MV)¹⁷ is not adjusted to the needs of this demographic.

Administrative barriers

- **Housing subsidies are provided to families with incomes above the established minimum:** The high rate of employment informality in Peru—i.e., a lack of registered income—increases the possibility that families in socioeconomic levels higher than C-, D and E will receive housing subsidies (Gamboa and Niño, 2019).
- **The Superintendence of Banking, Insurance and Pensions (SBS) has strict control over IFIs in the provision of housing loans for low-income families:** In order to prevent a growth in the number of late

payments on loans, the SBS imposes stricter control and supervision of IFIs and requires a greater number of provisions on loans to low-income clients. This translates to higher interest rates and more rigorous application criteria for families in socioeconomic levels C-, D and E (Santa María and Tijero, 2016).

Financial barriers

- **Potential beneficiaries are in need of financial education¹⁸ and lack trust in the financial system (IDB, 2015):** People in socioeconomic levels C-, D and E have significant distrust in the formal financial system, mainly due to their lack of knowledge regarding its terminology and processes. This leads to a predominance of informal financial services (loan sharks, credit associations, pawn shops, etc.).
- **Housing loans for socioeconomic levels C-, D and E have high interest rates (SBS, 2021):** Compared with the interest rates offered to clients in socioeconomic levels A and B, it has been shown that IFIs place elevated rates—often up to 15%—on clients in socioeconomic levels C-, D and E who request financing for *Techo Propio* projects.¹⁹
- **It is difficult to access loans that finance SIH.** This refers to the barriers low-income families face when attempting to meet the IFI criteria needed to access programs such as *Techo Propio*.

¹⁷ AVN: new house acquisition (*adquisición de vivienda nueva*); CSP: building on one's own site (*construcción en sitio propio*); MV: housing improvement (*mejoramiento de vivienda*).

¹⁸ The National Strategy for Financial Inclusion in Peru (ENIF) recognizes financial education as an effective tool for responsible and informed decision-making by the country's various socioeconomic levels regarding the use of financial products or services in a way that helps improve their quality of life by facilitating access to financing for consumer goods, business investments, access to housing, and other needs.

¹⁹ Extrapolated from price listings on IFI websites as of November 12, 2020.

Social barriers

- **A large number of potential clients lack legal property titles (Espinoza and Fort, 2020):** In order to access a Family Housing Voucher (BFH) in the CSP or MV category, applicants must have legal tenure for the land on which they want to build. This is a difficult criteria to meet in a context where some 90% of urban expansion is informal (Espinoza and Fort, 2020). Coupled with this is the lack of data on the number of families that have been granted permission to live on municipal land.
- **The target population is accustomed to state assistentialism (Espinoza and Fort, 2020):** Assistentialism refers to the approach of resolving social interest problems through direct assistance rather than long-term, structural solutions. Although the law prohibits new illegal occupations of land, for example, the state occasionally makes exceptions that include schemes to facilitate the acquisition of legal tenure.
- **The target population lacks trust in government programs (Álvarez and Valencia, 2017):** Faulty practices observed in CSP and MV construction projects have fueled a sense of distrust among potential beneficiaries toward state-run programs. This hinders the possibility that the people who need these subsidies will take advantage of them.

7 Recommendations for improving housing subsidy programs in Peru

This section provides a brief summary of the main causes of the barriers to access described in the previous chapter. We begin by highlighting the importance of understanding the needs of the progressive construction market, as well as the wide variety of interactions that occur between the various stakeholders involved. Finally, based on reflections from these stakeholders, we present a brief analysis of the recommendations for overcoming the barriers to access.

- 1 Recognize that we work in a housing market system with diverse functions and actors:** To ensure that the benefits of these types of programs are adequately geared toward the most disadvantaged segments of the population, the actors involved must understand where these clients are coming from—that is, the realities of the market (i.e., the problem and its root causes), and what needs to change—that is, the aspects of the market that must be developed or improved to make it more efficient and sustainable.
- 2 It is not enough to provide this market segment with “solutions”; end users must participate in a co-creation process to ensure that ad hoc products and services address real needs:** To prototype viable solutions that successfully meet end users’ needs, it is imperative to first understand what these needs are. In the case of housing subsidy programs, it has been shown that families will continue to expand their homes as their needs evolve, so it is fundamental that designs are based on progressive, modular construction. In this way, end users can view the state’s social housing solutions as the first step in their dream of building a home, rather than simply a means of obtaining a roof over their head.
- 3 Work in partnership to reduce risks and barriers to entry:** Working through partnerships promotes the identification and development of tools that can improve processes, and, in turn, enable the adoption of new practices and capacities—both internal and external—that can help reduce the risk that each organization would otherwise assume alone. To create real change in the market, it is fundamental to understand the “why” and “for what” of the partnership, as well as the individual capacity and commitment level of each participant involved.
- 4 Use agile, fail fast methodologies to establish low-cost prototypes:** Agile methodologies focus their efforts on finding a minimum viable product that can be tested by the final user in as little time as possible, so that subsequent “versions” of the initial design can be created in a timely manner. This ensures the proper assessment of whether the initial product or service will be successful or needs to be adjusted. Rather than incurring additional costs, this process begins by simply observing the end users’ real world needs and reflecting on how to meet them.

5 Encourage stakeholders in the housing subsidy system to reflect on the extent to which housing subsidy programs in Peru address the problem: This section outlines the main reflections of the 17 stakeholders we identified as pertaining to the housing subsidy system (see Annex 2: Housing subsidy system in Peru and Annex 3: Matrix of stakeholders per category and main roles). It also covers the principal findings regarding best practices from subsidy programs in diverse Latin American and Caribbean countries (see Annex 4: Specifications for housing subsidy programs in LAC), as well as studies specializing in social housing subsidies and similar programs. The information provided here aims to generate a baseline understanding of the diverse recommendations for creating government subsidy programs that are inclusive,²⁰ scalable,²¹ and impactful²² for Peruvians in socioeconomic levels C-, D and E.

Matrix of causes and recommendations: Normative and financial barriers on the subsidy supply side

| | | | | |
|------------------|-----------|--|--|--|
| NORMATIVE | 01 | The Peruvian Constitution in force since 1993 does not recognize access to housing as a fundamental right for all Peruvian citizens. | <p>Cause 1.1: Lack of commitment on the part of the Peruvian government to guarantee and contribute to the right to adequate housing for the most vulnerable groups.</p> <p>Cause 2.1: Lack of knowledge about the target population and the market share it represents (IDB, 2014).</p> | <p>Recommendation: The executive branch should reconsider the congressional appeal to include an article in the Peruvian Constitution that recognizes the fundamental right to adequate housing for every Peruvian citizen (Glave, 2018).</p> <p>Recommendations 2.1 and 2.2: The MVCS and FMV, in partnership with research centers in Peru, should conduct studies on the characteristics and consumer habits of socioeconomic levels C-, D and E, particularly related to housing, and adjust the criteria and parameters of the <i>Techo Propio</i> program accordingly.</p> |
| | 02 | The current legislation that governs housing subsidies fails to close the housing gap (MVCS n.d. a) | <p>Cause 2.3: Inexistent or outdated urban development plans.</p> | <p>Recommendation 2.3: Create a comprehensive urban development policy, including specific plans for each region or municipality, that allows the growing market of illegal settlements to be monitored, overseen, and ultimately replaced with viable subsidy options (Espinoza and Fort, 2020).</p> |
| FINANCIAL | 01 | Very few financial products are geared toward socioeconomic levels C-, D and E (HFHI, 2020). | <p>Cause 1.1: Inability of IFIs to reach the target market.</p> | <p>Recommendation 1.1: Explore new mechanisms through which to confirm the variable income of potential clients (through unscheduled inspections to corroborate housing and employment data, bills of sale, receipts for fees paid, etc.) that enable the creation of new products.</p> |
| | 02 | A limited number of financial institutions award loans for SIH (FMV, n.d. b). | <p>Cause 2.1: Lack of strategies geared toward socioeconomic levels C-, D and E among certain financial institutions.</p> | <p>Recommendation 2.1: a) Ensure IFI-MVCS coordination to generate relevant, up-to-date information on socioeconomic levels C-, D and E to design appropriate products; b) Create differentiated FMV criteria based on categories such as municipal treasuries, banks, financial institutions, and small and micro-business development entities; c) Continue to include savings and loan cooperatives in the <i>Techo Propio</i> program (to date, only two of these—<i>Cooperativa de Ahorro and Crédito Pacífico</i>—offer lines of credit for this program) (Alcalá, 2020).</p> |

²⁰ This study defines inclusive solutions as those which seek to recognize and benefit low-income populations through the acquisition of housing subsidies based on their socioeconomic characteristics.

²¹ A solution is scalable when it can be broadly applied without losing its original characteristics or the benefits it provides, and is adaptable to new contexts.

²² An impactful solution is one that, when implemented, can significantly change the quality of life of the potential beneficiaries.

Matrix of causes and recommendations: Administrative barriers on the subsidy supply side

| | | | | |
|----------------|----|---|--|--|
| ADMINISTRATIVE | 01 | Decision-making is centralized in the FMV, with low priority given to accountability and limited participation by key stakeholders. | Cause 1.1: Limited implementation of joint work and network governance strategies. | Recommendation 1: Create incentive programs for local and regional governments that award subsidy schemes with demonstrated success in urban and local territorial development (see the case of the Ministry of Housing, Cities, and Territories in Colombia with the <i>Minivienda</i> program referenced in the Bibliography). |
| | 02 | Limited distribution of SIH subsidies by municipal governments (MVCS, 2020b). | Cause 2.1: Local governments lack information on housing subsidy programs. | Recommendation 2: The FMV should provide an annual training program for municipal governments to create a team that specializes in the <i>Techo Propio</i> program. |
| | 03 | Bureaucratic processes complicate the creation of new SIH projects (Santa María and Tijero, 2016). | Cause 3.1: Long response time from local and regional governments on new real estate investments. | Recommendation 3: Promote municipal ordinances that prioritize technical records for SIH projects and accelerate the length of time it takes to obtain construction licenses and permits for projects in the <i>Techo Propio</i> program. |
| | 04 | Disconnect between the value of subsidies, the cost of SIH, and the income levels of families in socioeconomic levels C-, D and E. | Cause 4.1: Lack of focus on the most vulnerable sectors, based on income level, occupation, gender, age, disabilities, location, etc. | Recommendation 4: a) Conduct studies on the key components of the <i>Techo Propio</i> program (the value of the subsidy and the minimum cost of the housing solution) and how these correspond to the financial capacity of low-income families. b) Conduct an impact assessment on the <i>Techo Propio</i> program. |
| | 05 | Beneficiaries and civil society organizations lack opportunities to participate in SIH program design (HFHI, 2020). | Cause 5.1: Long response time from local and regional (GORE) governments on new real estate investments. | Recommendation 5: Promote activities that lead to the design of products that are appropriate for socioeconomic levels C-, D and E, such as the Build to Grow (<i>Construir para Crecer</i>) contest, that incentivize construction students and professionals to create SIH solutions (geared toward coastal, mountain, and forest regions). |
| | 06 | Few platforms share information on housing subsidies offered through the FMV (HFHI, 2020). | Cause 6.1: Limited distribution channels disseminate information on housing subsidy programs. | Recommendation 6: a) Build a database of active projects per community, updated monthly by the FMV. b) Create a mass media distribution plan (radio, TV) and spaces for local communication (e.g., trade fairs, pharmacies, hardware stores, and public routes) (IDB, 2015). |
| | 07 | Real estate developers rarely invest in SIH projects (MVCS, n.d.). | Cause 7.1: Social and economic instability. Causes 7.2 and 7.3: High operational and commercial risk involved with real estate investments and delay in return on investments for developers. Cause 7.4: Limited availability of urban land on which to develop SIH projects, an existing supply that follows a speculative rationale, and the underutilization of land with potential to meet SIH needs. | Recommendation 7: Incentivize increased urban planning to create urban land that has the necessary water and sanitation systems to develop SIH projects, therefore lowering costs for real estate developers and incentivizing them to invest in these types of projects. Create incentives for real estate developers to make use of state land through municipal intermediaries, with the goal of creating SIH projects within the framework of the <i>Techo Propio</i> program. |

Matrix of causes and recommendations: Normative and administrative barriers on the subsidy demand side

| | | | | |
|-----------------------|-----------|--|---|---|
| NORMATIVE | 01 | Lack of knowledge about legislation that lends legitimacy to housing subsidy programs (HFHI, 2020). | Cause 1.1: Limited access to platforms (e.g., websites) that share information about housing subsidy programs in Peru. | Recommendation 1: Use traditional media outlets. According to APEIM (2020), socioeconomic levels C-, D and E show high rates of internet usage for social communications (97%), but low rates of usage for government-related transactions (12% for C-, 8% for D and 4% for E). |
| | | | Cause 2.1: Difficulty sustaining the income levels required by the FMV. | |
| | 02 | Potential beneficiaries have difficulty meeting the criteria required to access housing subsidies (Reátegui, 2015). | Cause 2.2: Exclusion of people who do not pertain to a family group. | Recommendation 2: Design additional mechanisms to identify the amount, frequency, and veracity of the target population's real income, such as through unscheduled visits to corroborate housing and employment data. Evaluate how to broaden the different types of beneficiaries that the <i>Techo Propio</i> program serves (older adults, people living in vulnerability, etc.) (Meza, 2016). |
| | | | Cause 2.3: Lack of legal tenure among potential clients/beneficiaries. | |
| ADMINISTRATIVE | 01 | Housing subsidies are given to families with incomes above the established minimum. (Gamboa and Niño, 2019). | Cause 1.1: The information registered in SUNAT (the national body that manages tax information) does not represent true family income. | Recommendation 1: Conduct unscheduled visits by the FMV to applicants' homes and places of work to verify their current economic condition (Gamboa and Niño, 2019). |
| | | | Cause 1.2: Limited follow-up with housing subsidy beneficiaries. | |
| | 02 | The Superintendence of Banking, Insurance and Pensions (SBS) has strict control over IFIs in the provision of housing loans for low-income families. | Cause 2.1: Potential clients from socioeconomic levels C-, D and E have low credit scores in the current financial system. | Recommendation 2: Incorporate credit assessment strategies that adapt to the characteristics of the target population, such as long-term savings capacity, the validation of information such as housing and employment data, etc. |

Matrix of causes and recommendations: Financial and social barriers on the subsidy demand side

| | | | | |
|-----------|----|--|---|--|
| FINANCIAL | 01 | Potential beneficiaries are in need of financial education and lack trust in the financial system (IDB, 2015). | Cause 1.1: Reduced number of financial inclusion strategies for socioeconomic levels C-, D and E (IDB, 2014). | Recommendation 1: Conduct and/or utilize data from studies on how low-income populations use communication platforms (social networks, TV, smartphone apps, etc.). |
| | 02 | Housing loans for socioeconomic levels C-, D and E have high interest rates (SBS, 2021). | Cause 2.1: Mortgage lending market favors socioeconomic levels A, B and C. | Recommendation 2: Analyze subsidy programs in countries like Brazil and Costa Rica ²³ to create a lower-interest subsidy in the framework of the <i>Techo Propio</i> program. |
| | 03 | It is difficult to access loans that finance SIH (Reátegui, 2015). | <p>Cause 3.1: Difficulty meeting the criteria required by IFIs.</p> <p>Cause 3.2: Limited capacity to afford the monthly payments required for housing loans.</p> | Recommendation 3: Design subsidy programs with interest rates that coincide with the financial capacity and the savings and consumption habits of the target population, based on the results of research efforts. |
| SOCIAL | 01 | A large number of potential clients lack legal property titles (Espinoza and Fort, 2020). | Cause 1.2: Significant presence of an illegal market for land. | Recommendation 1: Restrict public investment in informal expansion areas and the development of legal water and sanitation services in these settlements in order to push populations to more formalized zones (Espinoza and Fort, 2020). |
| | 02 | The target population is accustomed to state assistentialism (Espinoza, 2020). | Cause 2.1: Government officials appeal to populist strategies to gain the support of their constituencies. | Recommendation 2: a) Ban companies from formalizing or providing basic services to properties lacking legal tenure (i.e. Informal). b) Ban pardons for those who have illegally settled on occupied properties (Espinoza and Fort, 2020). |
| | 03 | The target population lacks trust in government programs (Álvarez and Valencia, 2017). | Cause 3.1: Failure of real estate developers and contractors to meet construction deadlines. | Recommendation 3: a) Conduct FMV visits to assess the project and the work being carried out by the authorized builders and developers. b) Implement a FMV body that can accompany beneficiaries in the post-sale processes carried out by authorized builders and developers, and ensure that commitments are being carried out and/or impose the appropriate penalties. |

²³ Some subsidy programs in LAC are not only geared toward family groups, but also to single-person family units, people with disabilities, or groups of people living in vulnerable situations (for example, ethnic minorities, victims of terrorism, people affected by natural disasters, etc.).

8 Conclusions

- In recent decades, various Latin American and Caribbean countries have created a wide variety of housing subsidy programs that are geared toward families that live in vulnerable conditions. This has generated a collection of best practices—the study, comparison, and innovation of which should be an integral part of any country's housing construction agenda.
- In the case of Peru, at least four types of barriers have been shown to impede the low-income population from accessing current housing subsidies in the country. These are: normative, administrative, financial, and social.
- Among the barriers identified is a shortage of financial products geared toward socioeconomic levels C-, D and E: and the limited number of financial institutions that provide housing loans for social interest housing (SIH). Both barriers are mainly caused by this sector's lack of information about the focus and inclusion of low-income populations, and an absence of strategies that target these markets.
- Other barriers include the disconnect between the value of the subsidies, the cost of SIH solutions, and the income levels of families in socioeconomic levels C-, D and E; the absence of opportunities for beneficiaries and civil society organizations to participate in housing designs; the limited number of platforms that share information about current subsidy programs; and the limited investment in SIH projects.
- On the demand side, a large number of potential clients have purchased their land on the informal market and lack legal titles. Additionally, the target population is largely accustomed to state assistentialism and, conversely, lacks confidence in its benefits.
- Generally speaking, the most notable of these barriers is the insufficient provision of information about the housing subsidies available on the part of the very target population these programs aim to serve. This stems from the fact that low-income clients with irregular incomes are viewed as high risk agents, leading to interest rates that are higher than what they can afford.
- A crosscutting recommendation that addresses many of these barriers is for the MVCS, in partnership with specialized research institutions, to conduct social and economic studies that gather relevant information on socioeconomic income groups C-, D, and E and, thus, improve the options available to low-income sectors.
- Finally, while the state has the power to generate significant impact on the housing situation in Peru, it is not the only stakeholder responsible for ensuring that these initiatives are successful. To achieve the expected results requires the active participation of the target population, financial entities, the real estate sector, civil society organizations, and multilateral organizations that work to improve the quality of life in developing countries.



After having lived in a make-shift house of wood and grass matting, Mrs. Alcántara Cruzado chats with a visitor in her new cement block home. She is a beneficiary of the *MiVivienda* Fund's building on one's own site (BSP) category. In 2022, she plans to complete the first floor of her house and begin construction on the second floor, which will include bedrooms for family members who visit from other provinces.

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Annexes

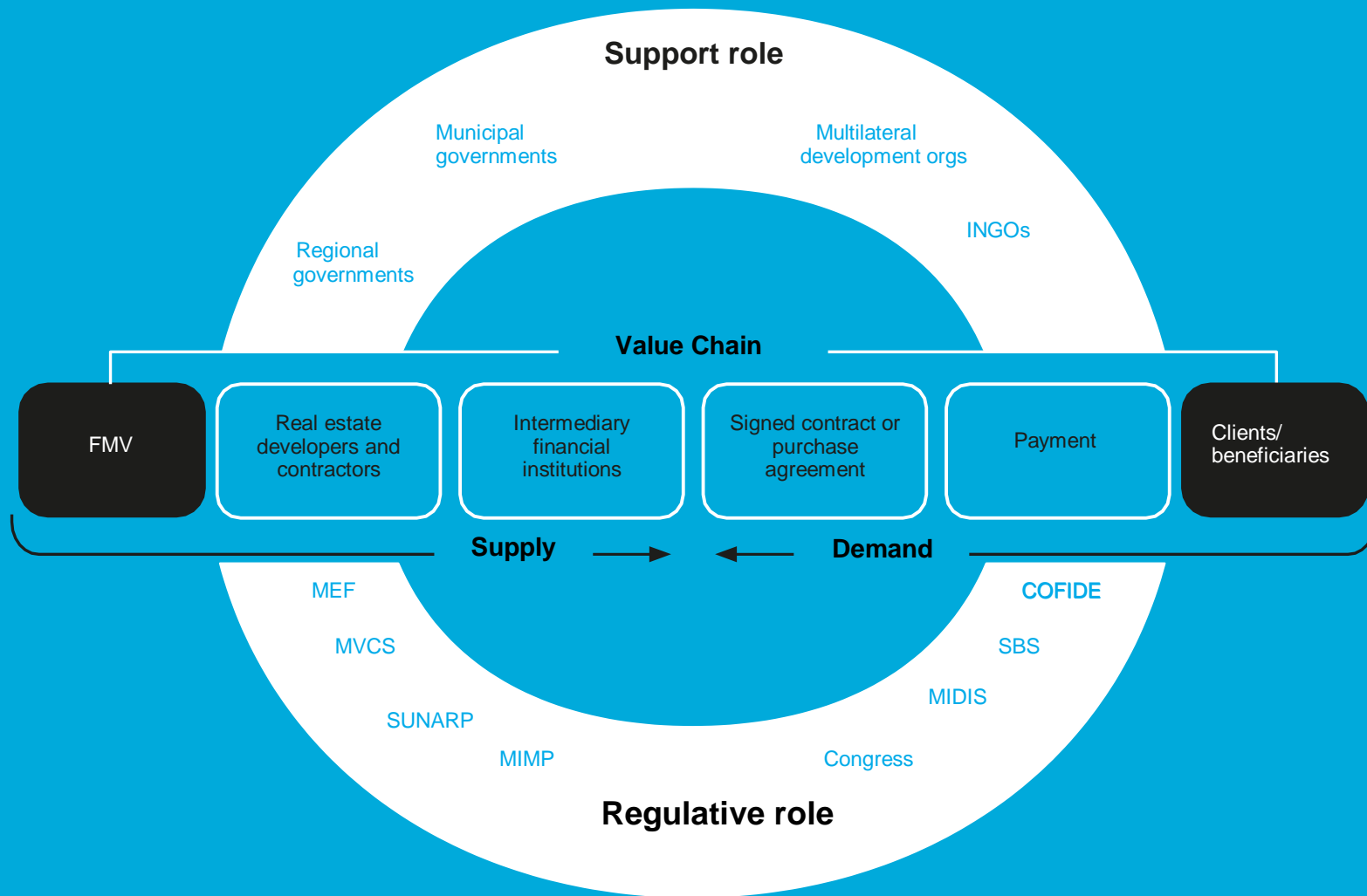
Annex 1: Best practices in housing subsidies in LAC²⁴

| | MECHANISM | | Focused and differentiated line of subsidies | Subsidies with interest rates | Agreements with IFIs | Comms and dissemination strategy | Post-subsidy monitoring | Access and support through digital channels |
|----|---|--|--|-------------------------------|----------------------|----------------------------------|-------------------------|---|
| 1 |  | Federal Society of Mortgage Lending (SHF) – Mexico | ● | ● | | ● | ● | ● |
| 2 |  | PRO.CRE.AR – Argentina | | ● | | ● | | ● |
| 3 |  | Integrated Urban Complexes – Argentina | ● | ● | | ● | ● | ● |
| 4 |  | Fund for Housing (FOPAVI) – Guatemala | ● | | | ● | ● | ● |
| 5 |  | Casa Verde e Amarela – Brazil | ● | ● | ● | ● | ● | ● |
| 6 |  | Central Public-Private Partnership – Brazil | ● | | | ● | ● | ● |
| 7 |  | Housing Mortgage Bank (BANHVI) – Costa Rica | ● | ● | | ● | | ● |
| 8 |  | Casa para Todos flagship program – Ecuador | ● | ● | | ● | | |
| 9 |  | MiVivienda Fund (FMV) – Peru | ● | | ● | | | ● |
| 10 |  | Rural Housing Policy - Colombia | ● | | | ● | | ● |
| 11 |  | Mortgage Bank of Uruguay (BHU) – Uruguay | ● | ● | | ● | | ● |
| 12 |  | Housing Solidarity Fund – Chile | | ● | | ● | ● | ● |

Source: Websites for the selected programs: For more information, see Annex 4.
 Created by: TCIS Peru

²⁴ For more information on each of the mechanisms presented here, see Annex 4: Specifications for housing subsidy programs in LAC.

Annex 2: Housing subsidy system in Peru



Annex 3: Matrix of stakeholders per category and main roles

Government Entities

| No. | Stakeholder | Role |
|-----|---|---|
| 01 | Peruvian Congress | Write and approve laws for Peru's economic, political and social development, and exercise political control over the state and represent the nation (Portal digital, n.d.). |
| 02 | Ministry of Housing, Construction and Sanitation (MVCS) (Law No. 30156, 2014) | Design, develop, promote, execute and supervise sectorial public policies. Optimize resources, certify the process and distribution of regional housing subsidies in Peru (MVCS, n.d.). Distribute housing loans supported by the capital market and approves budget transfers to the FMV (La República, 2020). |
| 03 | Ministry of Economy and Finance (MEF) (MEF, n.d.) | Plan, direct and monitor state budget issues. Provide the necessary financial resources to the MVCS for the distribution of Family Housing Vouchers (BFHs). |
| 04 | Ministry of Women and Vulnerable Populations (MIMP) | Design, develop, promote, execute and supervise public policies that aim for equal opportunities for women and vulnerable populations (Portal digital, n.d. b). |
| 05 | Ministry of Development and Social Inclusion (MIDIS) | Design, plan, direct, execute and supervise sectorial policies that aim to improve the quality of life and social inclusion of populations living in situations of poverty and vulnerability (Portal digital, n.d. c). |
| 06 | MiVivienda Fund / Techo Propio program (FMV) | MVCS entity. Role is to identify the needs of socioeconomic levels C-, D and E in order to promote private sector participation in the construction of social interest housing and distribute lines of credit to IFIs to channel loans for its products (FMV, n.d. c). |
| 07 | Regional governments (GORE) (Law No. 27867) | Disseminate the national housing plan; drive and distribute housing subsidy programs, incentivize the participation of private developers in housing subsidy programs; and carry out promotional activities, technical assistance, training, and research on matters related to housing and sanitation. |
| 08 | Municipal governments | Promote the execution of programs for low-income families, register families that lack adequate housing, grant construction permits, approve completed construction projects, approve ordinances for construction procedures, and develop the land registry. |
| 09 | National Superintendence of Public Records (SUNARP) | Dictate technical policies and regulations. This includes managing the public records system and ensuring that all actors and their respective contracts are properly registered in the system (SUNARP, n.d.). |
| 10 | Superintendence of Banks, Insurance and Pensions (SBS) | Supervise the performance of IFIs, evaluates and approves aspects that enable IFIs to provide new housing loans and manages any increases in loan default rates. (Santa Maria and Tijero, 2016). |
| 11 | Development Finance Corporation (COFIDE) | Channel FMV resources through trusts assigned to IFIs (COFIDE, 2019). |


Private Entities


| No. | Stakeholder | Role |
|-----|---|---|
| 12 | Multilateral development organizations | Improve quality of life among vulnerable populations through their access to adequate housing. The French Development Agency (AFD) is one such organization. It currently runs two financing programs, one with the FMV and the other with IDB Invest, the latter of which has developed manuals and practical guides to implementing sustainable cities in the LAC region. |
| 13 | International nongovernmental organizations (INGOs) | Support the development of adequate SIH solutions for families in situations of vulnerability. Habitat for Humanity is one such example. |
| 14 | Real estate developers | There are currently 94 real estate developers carrying out projects in the AVN category of the <i>Techo Propio</i> program (FMV, 2020a). Using either their own or outside funding, these stakeholders drive housing development projects for the sale, subsequent delivery, and transfer of homes (Santa María and Tijero, 2016). |
| 15 | Intermediary financial institutions (IFIs) | Receive and evaluate loan applications from clients, approve loans prior to the assignation of BFHs and grant housing loans by channeling assigned FMV funds (FMV, 2020b). |
| 16 | Ministry of Women and Vulnerable Populations (MIMP) | Design, develop, promote, execute and supervise public policies in favor of women, children, adolescents, older adults, people with disabilities and internal migrants to ensure that they can exercise their rights and live free from discrimination and violence. |
| 17 | Authorized contractors | These are construction companies authorized by the FMV to carry out projects under the <i>Techo Propio</i> program in the CSP and MV categories. There are currently 857 authorized contractors. They provide technical support toward the elaboration, management and supervision of projects in MV and CSP categories, and map areas with qualitative housing deficits. |


Beneficiaries


| No. | Stakeholder | Role |
|-----|-----------------------|--|
| 18 | Beneficiaries/clients | Family units eligible for a <i>Techo Propio</i> housing subsidy must request information about the subsidies available, comply with the necessary application requirements to access a BFH, and meet IFI criteria for approval of the associated housing loan. |

Annex 4: Specifications for housing subsidy programs in LAC

| Federal Society of Mortgage Lending (SHF) - México | |
|--|---|
|  | <p>The Federal Society of Mortgage Lending (<i>Sociedad Hipotecaria Federal</i>, or SHF), is one of Mexico's main development banks. Its objective is to promote the development of the housing lending market and the productive and technological capacities of the housing sector, with an emphasis on social interest housing and indigenous communities and regions.</p> |
| <p>Types of institutions responsible for the subsidy</p> <ul style="list-style-type: none"> • Until 2013, the SHF managed all of the subsidies and guarantees associated with federal loans. In accordance with Mexico's regulatory framework, it then became self-sustaining in all of its operations, | |
| <p>Structure of the housing subsidy program</p> <ul style="list-style-type: none"> • Long-term funding for housing loans • Medium-term funding for owner-driven construction assistance • Short-term funding for housing improvements or additions • Bridge loans (extremely short-term loans) for housing construction • Insurance and guarantees • Programs and tools to develop markets and promote the creation of integrative and sustainable urban developments | |
| <p>Brief description of the housing subsidy and its main characteristics</p> <p>SHF programs promote suitable conditions for Mexicans in urban and rural zones to access housing loans so that they can acquire adequate housing built with modern technology and including functional spaces and services, and secure legal tenure regardless of whether they are married or single, with or without children, salaried or independent workers.</p> | |
| <p>Value of the housing subsidy</p> <p>The SHF funds 25-30% of the cost of each rural or urban housing project. The developer is responsible for the difference, which pertains to the provision of land (up to 20% of the cost of the project), and manages incoming funds from the anticipated sale.</p> | |
| <p>Beneficiaries of the housing subsidy</p> <p>Mexican families in urban and rural zones and/or located in indigenous communities.</p> | |
| <p>Best practices used</p> <ul style="list-style-type: none"> • Focused and differentiated lines of subsidies • Interest-based subsidies • Communications and dissemination strategy • Post-subsidy monitoring • Access and support through digital channels | |
| <p>Contact information</p> <p>info@shf.gob.mx</p> | <p>Related links</p> <ul style="list-style-type: none"> • https://www.gob.mx/shf |

| PRO.CRE.AR – Argentina | |
|---|--|
|  | <p><i>Procrear</i> (PRO.CRE.AR) is a country-wide territorial, urban, and housing development policy that takes an integrated approach to improving the conditions related to housing access in the country.</p> |
| <p>Types of institutions responsible for the subsidy PRO.CRE.AR Argentina is backed by the country's Ministry of Territorial and Habitat Development, which distributes lines of credit that are simple and easy to access.</p> | |
| <p>Structure of the housing subsidy program <u>Personal loans</u>: For the purchase of housing improvement materials for renovations, general repairs, updates for energy efficiency, and the installation of domestic gas lines. <u>Mortgage loans</u>: Urban developments, lots with access to public services, small housing developments, single family homes, additions to existing homes.</p> | |
| <p>Brief description of the housing subsidy and its main characteristics <u>Personal loans</u></p> <ul style="list-style-type: none"> • Renovations: For housing improvements such as insulation; completion of bathroom and kitchen areas; paint, carpentry, flooring; gas, drainage, or water lines; and electrical wiring. • Sustainability improvements: For green housing interventions, particularly the cost of materials and labor. • Gas: To install access to public gas lines. <p><u>Mortgage loans</u></p> <ul style="list-style-type: none"> • Urban developments: To purchase a new house or a house in a PRO.CRE.AR housing development. • Lots with service hookup: To create quality urban land on which to build houses through PRO.CRE.AR mortgages. • Housing developments: To access a new house or a house in a PRO.CRE.AR housing development. • Home construction: To build a 60m² house (includes the cost of materials and labor) on a lot provided by the PRO.CRE.AR trust fund, the municipality, or land owned by the applicant. • Additions: To build additions of up to 20m² onto existing homes (includes the cost of materials and labor). | |
| <p>Value of the housing subsidy In 2020, PRO.CRE.AR aimed to provide 300,000 loans at an fixed annual interest rate of 24%.</p> <ul style="list-style-type: none"> • 120,000 microloans of up to USD 675 for the purchase of construction materials. • 70,000 loans of up to USD 6,745 for materials and labor. <p>Exchange rate: USD 1 = ARS 74.1279 (Aug 31, 2020).</p> | |
| <p>Beneficiaries of the housing subsidy Natural persons with or without a family group who meet the necessary criteria for loans or financing pertaining to urban or rural zones.</p> | |
| <p>Best practices used</p> <ul style="list-style-type: none"> • Interest-based subsidies • Communications and dissemination strategy • Post-subsidy monitoring • Access and support through digital channels | |
| <p>Contact information procrear@minhabitat.gob.ar</p> | <p>Related links</p> <ul style="list-style-type: none"> • https://www.anses.gob.ar/procrear • https://www.argentina.gob.ar/ |

| Public-Private Partnerships in Argentina: Integrated Urban Complexes | |
|---|---|
|  <p>Ministerio del Interior, Obras públicas y Vivienda Presidencia de la Nación</p> | <p>Argentina's Integrated Urban Complexes (<i>Conjuntos Urbanos Integrados</i>) program runs housing projects that prioritize social integration through shared public and private sector initiatives enacted by public-private partnerships (PPPs).</p> |
| <p>Types of institutions responsible for the subsidy</p> <ul style="list-style-type: none"> • Subsecretary of Urban Development and Housing and the Ministry of Internal Affairs, Public Works and Housing. | |
| <p>Structure of the housing subsidy program</p> <ul style="list-style-type: none"> • First house construction (<i>Primera Vivienda</i> program): 20-40% from public financing/subsidy • Mortgages (<i>Vivienda Apto Crédito</i> program): 40-80% from private lenders • Free market or commercial housing: 0-40% from private lenders | |
| <p>Brief description of the housing subsidy and its main characteristics</p> <p>The program aims to:</p> <ul style="list-style-type: none"> • Help reduce the housing deficit among base of the pyramid (BOP) beneficiaries / family units • Help reduce the housing deficit among middle-income beneficiaries / family units by making housing loans and mortgage lending more accessible • Social integration • Employment generation <p>Public sector contributions:</p> <ul style="list-style-type: none"> • Administrative faculties (calls for bids) • Diverse typologies and prices • Financing for first house construction • Distribution of housing loans / mortgages <p>Private sector contributions:</p> <ul style="list-style-type: none"> • Land • Project pre-development • Construction • Sales (via <i>Vivienda Apto Crédito</i> mortgages and the free market) | |
| <p>Value of the housing subsidy</p> <p>Subsidy of up to 40% of the value of the house through public financing. Mortgages of up to 80% through private financing.</p> | |
| <p>Beneficiaries of the housing subsidy</p> <p>Households with housing deficits.</p> | |
| <p>Best practices used</p> <ul style="list-style-type: none"> • Focused and differentiated lines of subsidies with three types of financing for different sectors of the population. The main sector, and that which receives the most public sector attention, is the <i>Primera Vivienda</i> program, focused on lowest quintile income bracket. • Interest-based subsidies from the private sector. • Communications and dissemination strategy that is driven and carried out by the private sector through an improved communications strategy. • Post-subsidy monitoring based on assessments within the framework of a PPP, with the aim of improving and supervising private sector actions. • Access and support through digital channels by using online outlets to learn about and apply for the program. | |
| <p>Contact information</p> <p>Tel: +011 5071-9811 or +011 5071-9810 informacion@minhabitat.gob.ar</p> | <p>Related links</p> <ul style="list-style-type: none"> • https://www.argentina.gob.ar/sites/default/files/linea_3_a_pp_-_presentacion_general.pdf |

| Fund for Housing (FOPAVI) – Guatemala | |
|--|--|
|  <p>GOBIERNO de GUATEMALA <small>DE LA REPÚBLICA GUATEMALTECA</small></p> | <p>The Fund for Housing (<i>Fondo para la Vivienda</i>, or FOPAVI) aims to distribute subsidies directly as well as to facilitate access to loans for families in conditions of poverty and extreme poverty that lack adequate housing.</p> |
| <p>Types of institutions responsible for the subsidy</p> <ul style="list-style-type: none"> FOPAVI is a second-tier government financial institution pertaining to the Ministry of Communications, Infrastructure and Housing. | |
| <p>Structure of the housing subsidy program</p> <p>The program is geared toward the following types of housing units:</p> <ul style="list-style-type: none"> Acquisition of a lot with services Acquisition of adequate and healthy housing Construction of decent, adequate and healthy housing Improvements and repairs Additions Access to basic housing-related services Community production of housing materials | |
| <p>Brief description of the housing subsidy and its main characteristics</p> <p>The FOPAVI subsidy aims to:</p> <ul style="list-style-type: none"> Provide housing solutions that include subsidies and eventual contributions from beneficiaries Strengthen the demand through beneficiary contributions, direct subsidies, and market-based loans | |
| <p>Value of the housing subsidy</p> <ul style="list-style-type: none"> Maximum of USD 580 per family unit. Exchange rate: USD 1 = GTQ 7.7344 (June 23, 2021). | |
| <p>Beneficiaries of the housing subsidy</p> <ul style="list-style-type: none"> Program for the Development of Decent, Adequate and Healthy Housing: People living in conditions of poverty and extreme poverty who are not eligible for loans. Program to Strengthen Social Interest Housing Demand: People who are eligible for loans. Program for High Risk and Emergency Areas: People living in conditions of poverty and extreme poverty who are not eligible for loans and are living in zones that have been identified as high risk areas by the National Coordinator for Disaster Reduction (CONRED), or who have been affected by natural disasters. | |
| <p>Best practices used</p> <ul style="list-style-type: none"> Focused and differentiated lines of subsidies Communications and dissemination strategy Post-subsidy monitoring Access and support through digital channels | |
| <p>Contact information</p> <p>Av. Petapa 47-79 zona 12, Centro Comercial "Plaza Grecia", Guatemala, Guatemala PBX: +502 2294-6400; Email: info@fopavi.gt Tel: +502 2422-0700</p> | <p>Related links</p> <ul style="list-style-type: none"> http://www.fopavi.gob.gt/ http://www.civ.gob.gt/web/guest/83 |

Casa Verde e Amarela – Brazil

The “Green and Yellow Housing” program (*Casa Verde e Amarela*) is a collection of measures designed by the Brazilian federal government to facilitate people’s ability to own their own home and ensure a better quality of life.

Types of institutions responsible for the subsidy

- This government program aims to lower interest rates on housing-related loans, which translates to lower monthly payments for families that wish to buy new or used homes or build or renovate houses in urban zones. A notable aspect of the program is that it is categorized by income level.

Structure of the housing subsidy program

- The program comprises several ranges, depending on income level.

| | Range 1 | Range 1.5 | Range 2 | Range 3 |
|--------------------------------|---------|---------------|---------|---------|
| Household income / month (USD) | 342 | 402 | 804 | 1,408 |
| Maximum property value (USD) | 19,315 | 27,330 | 55,000 | 114,688 |
| Maximum state support (%) | 90% | Less than 90% | | None |
| Maximum state support (USD) | 17,383 | 9,557 | 5,835 | None |
| Payment term (years) | 10 | 30 | 30 | 30 |
| Annual interest rate (%) | 0% | 4.75% | 6-7% | 9.16% |

Exchange rate: USD 1 = BRL 4.97

Brief description of the housing subsidy and its main characteristics

- Subsidies are provided directly or by reducing interest rates on loans for urban and/or rural housing.
- The program drives lower interest rates on loans, which translates to lower monthly payments for families. A notable aspect of the program is that it is categorized by income level.

Value of the housing subsidy

- Depending on their income range (determined by gross monthly income), families can access subsidies of up to USD 17,383. The income rate reduction scheme includes loans with up to an annual interest rate of 9.16%.

Beneficiaries of the housing subsidy

- The program facilitates access to property for low-income families that earn up to USD 1,408 per month. This includes families living in conditions of poverty and extreme poverty in urban and rural zones, subsistence farmers, artisanal fishers and fish farmers, miners, indigenous peoples, and other traditional communities.

Best practices used


- Focused and differentiated lines of subsidies
- Interest-based subsidies
- Agreements with IFIs
- Communications and dissemination strategy
- Post-subsidy monitoring
- Access and support through digital channels


Contact information

<https://www.caixa.gov.br/faleconosco/Paginas/default.aspx>

Related links

- <https://www.caixa.gov.br/Paginas/home-caixa.aspx>

| Central Public-Private Partnership – Brazil | |
|--|--|
|  | <p>The Central Public-Private Partnership (<i>APP del Centro</i>) is Brazil's first public-private partnership (PPP) for social interest housing. The partnership works to provide housing and improve public services and infrastructure in order to revitalize neighborhoods in central Sao Paulo.</p> |
| <p>Types of institutions responsible for the subsidy The Sao Paulo Housing and Urbanization Company</p> | |
| <p>Structure of the housing subsidy program The products offered include:</p> <ul style="list-style-type: none"> • Social Interest Houses: For clients with a gross monthly income of USD 162 – 874 • Popular Market Houses: For clients with a gross monthly income of USD 874 – 1,629 | |
| <p>Brief description of the housing subsidy and its main characteristics The partnership has built 3,683 homes in the capital city of Sao Paulo, Brazil. Of these, 1,423 are considered “Popular Market Houses,” which are sold directly by the license holder to buyers with a monthly income of greater than USD 874. The remaining 2,260 are “Social Interest Houses” which are sold to buyers with a monthly income of up to USD 874 through the Secretary of State for Housing, which acts as an intermediary.</p> | |
| <p>Value of the housing subsidy The value of the subsidy depends on the applicant's gross monthly income, with lower income brackets receiving an amount close to the value of the house. Loans have up to a 20 year repayment deadline.</p> | |
| <p>Beneficiaries of the housing subsidy The program benefits families or individuals with monthly incomes of USD 162 - 1,629 that have already been living in the municipality, work in central Sao Paulo, and are still unable to purchase their own home.</p> | |
| <p>Best practices used</p> <ul style="list-style-type: none"> • Focused and differentiated lines of subsidy, with different subsidy amounts depending on the range in which the recipient's gross income falls. • Strategic communication and distribution plan, awarding subsidies via a public call for applicants with an exhaustive assessment of potential beneficiaries. • Post-subsidy monitoring based on assessments conducted using a PPP model, with the aim of improving and supervising private sector actions. • Access and support through digital channels, as the size and scope of the program makes digital communication channels essential for the subsidy application and assessment process. | |
| <p>Contact information Tel: +011 3638-5100</p> | <p>Related links</p> <ul style="list-style-type: none"> • http://www.habitacao.sp.gov.br/icone/detalhe.aspx?Id=9 |

| Housing Mortgage Bank (BANHVI) – Costa Rica | |
|--|--|
|  <p style="font-size: small; text-align: center;">Banco Hipotecario de la Vivienda</p> | <p>The Housing Mortgage Bank (<i>Banco Hipotecario de la Vivienda</i>, or BANHVI) is a state-run program focused on families, people with disabilities, older adults with no nuclear family, and young couples, who lack housing or whose housing is in need of expansion or repair.</p> |
| <p>Types of institutions responsible for the subsidy</p> <ul style="list-style-type: none"> • BANHVI is state-owned bank in Costa Rica that provides adequate housing for Costa Rican citizens. | |
| <p>Structure of the housing subsidy program</p> <ul style="list-style-type: none"> • Provides housing loans and loans covered under Law No. 7052 and its amendments, with the following objectives: <ul style="list-style-type: none"> - New house acquisition (single family home) - New house construction on the applicant's lot or that of a family member (single family home) - Purchase of a single lot and new house construction on said lot (single family home) - Repair, expansion, and improvement of a single family home | |
| <p>Brief description of the housing subsidy and its main characteristics</p> <p>Consists of a cash voucher, the amount of which varies depending on the characteristics of the house to be purchased or built, as well as the beneficiary's economic situation.</p> <ul style="list-style-type: none"> • Applies to construction on a single lot of land. • Can be used to build a second building on the same lot of land or onto an existing building on the same lot. • Can be used to purchase an existing building or to fund first- or second-phase construction (or both), when applied to two family units linked through blood relation, affinity or marriage, extending as far as three degrees. | |
| <p>Value of the housing subsidy</p> <p>The program limits housing vouchers to a maximum of USD 11,600 - 12,100. To access the subsidy, the applicant's gross family income may not exceed USD 2,603. Exchange rate: USD 1 = CRC 620.76 (June 23, 2021).</p> | |
| <p>Beneficiaries of the housing subsidy</p> <ul style="list-style-type: none"> • <u>Extreme poverty</u>: For low-income families whose socioeconomic situation causes them to live in a state of extreme need. • <u>Middle class</u>: Middle-income families are eligible to receive the down payment on a mortgage and/or long-term, low-interest loans. • <u>People with disabilities</u>: Families with one or more people who suffer a total and permanent physical impediment are eligible for one and a half family housing vouchers. • <u>Older adults</u>: Older adults are eligible for one and a half family housing vouchers to both resolve their housing situation and improve their quality of life. • <u>Community</u>: These solutions help improve the quality of life of hundreds of families that live in communities with precarious health and environmental conditions that represent a risk to their residents. | |
| <p>Best practices used</p> <ul style="list-style-type: none"> • Focused and differentiated lines of subsidies • Interest-based subsidies • Communications and dissemination strategy • Access and support through digital channels | |
| <p>Contact information</p> <p>Barrio Dent, San Pedro de Montes de Oca, San José, Costa Rica Tel: +506 2527-7400</p> | <p>Related links</p> <ul style="list-style-type: none"> • |

Casa para Todos flagship program – Ecuador



The “House for all” program (*Casa para Todos*) is part of the Ecuadorian government’s “Lifetime” plan (*Toda una Vida*), which coordinates and designs social policy through the generation of technical tools that further the country’s multi-annual development plan. The program aims to build 325,000 quality houses for people in situations of vulnerability.

Types of institutions responsible for the subsidy

Empresa Pública Casa para Todos is public company that runs a massive housing program for base-of-the pyramid populations. The program will increase ownership of adequate housing among Ecuadorian families living in vulnerable housing conditions by 95%. The Technical Secretary of the *Toda una Vida* plan is responsible for launching and updating the social registry, which identifies potential beneficiaries among citizens living in situations of vulnerability.

Structure of the housing subsidy program

The plan is implemented through seven missions: *Misión Ternura*, *Misión Impulso Joven*, *Misión Mis Mejores Años*, *Misión Mujer*, *Misión Manueles*, *Misión Menos Pobreza más Desarrollo*, and *Misión Casa para Todos*. Each of these missions aligns with the overarching goal of ensuring adequate quality of life and fulfilling various human rights (e.g., employment, social security, health, education, and adequate housing).

Brief description of the housing subsidy and its main characteristics

Because this public policy instrument prioritizes those who suffer from the most severe conditions of vulnerability, the *Toda una Vida* plan seeks to transform this population’s quality of life by working to reduce risk factors, strengthen capacities, and create opportunities through an integrated intervention approach (Secretaría Técnica Plan Toda una Vida, 2017).

Value of the housing subsidy

There are three groups that qualify for a housing loan:

| | Maximum cost of housing solutions (USD) | | |
|--|---|------------|------------|
| | USD 40,608 | USD 71,064 | USD 91,368 |
| Monthly payments (USD) | 130 | 230 | 390 |
| Annual interest rate (%) | 4.99 | 4.99 | 4.99 |
| Maximum repayment deadline (years) | 25 | 25 | 25 |
| Beneficiary's initial down payment (%) | 5 | 5 | 5 |
| Maximum house size (m ²) | 50 | 57 | |
| Maximum number of bedrooms | 3 | 3 | |

Beneficiaries of the housing subsidy

This project was developed to serve clients living in conditions of vulnerability who meet the necessary criteria, determined through an exhaustive evaluation by the institutions involved.

Best practices used


- Focused and differentiated lines of subsidies
- Interest-based subsidies
- Communications and dissemination strategy


Contact information


Av. Quitumbe Ñan junto a la Plaza Cívica Quitumbe,
Plataforma Gubernamental Social, Quito, Ecuador
Tel: +593 2298 3600 Ext: 1525


Related links

- <http://www.todaunavidainfo.gob.ec/>
- <http://www.casaparatodos.gob.ec/>
- <https://twitter.com/CasaParaTodosEP>

| Rural Housing Policy – Colombia | |
|---|--|
|  <p>Política de VIVIENDA RURAL</p> | <p>The Ministry of Environment, Housing, and Territorial Development created the Rural Housing Policy (<i>Política Pública de Vivienda Rural</i>) to provide clearcut and lasting tools, guidelines and programs that protect rural households' right to adequate housing.</p> |
| <p>Types of institutions responsible for the subsidy The Ministry of Environment, Housing and Territorial Development</p> | |
| <p>Structure of the housing subsidy program The Rural Family Subsidy (SFVR) funds new house construction, whether for nuclear or multi-household families.</p> | |
| <p>Brief description of the housing subsidy and its main characteristics The Rural Housing Policy aims to decrease the qualitative and quantitative housing deficit in rural Colombia in order to reduce poverty and improve quality of life in rural homes through adequate housing solutions. The SFVR is provided by the social rural housing program to build new houses, whether for nuclear or multi-household families. This is an in-kind subsidy; in other words, the beneficiary family receives a newly-built home.</p> | |
| <p>Value of the housing subsidy The SFVR for new house construction has a maximum value of USD 16,000.</p> | |
| <p>Beneficiaries of the housing subsidy</p> <ul style="list-style-type: none"> • Vulnerable rural households targeted by the Rural Housing Directorate (DVR), which are identified through national databases (Sisbén and Red Unidos, specifically). | |
| <p>Best practices used</p> <ul style="list-style-type: none"> • Focused and differentiated lines of subsidies • Communications and dissemination strategy • Access and support through digital channels | |
| <p>Contact information Calle 18 No. 7-59, Bogotá, D. C., Colombia</p> | <p>Related links</p> <ul style="list-style-type: none"> • https://www.minvivienda.gov.co/ |

| Mortgage Bank of Uruguay – Uruguay | |
|--|--|
|  | <p>Founded in 1892, the Mortgage Bank of Uruguay (<i>Banco Hipotecario del Uruguay</i>, or BHU) aims to provide “a continual and competitive loan offering [...] that facilitates housing solutions for families.” Its role in the market is to complement monetary subsidies or monthly loan payments for those who qualify for credit but lack sufficient savings to purchase a house.</p> |
| <p>Types of institutions responsible for the subsidy</p> <ul style="list-style-type: none"> Autonomous entity with government support. BHU acts as a financial intermediary whose business model is supported by a limited number of products and services that are tied to lending for the acquisition, repair or expansion of housing. | |
| <p>Structure of the housing subsidy program</p> <ul style="list-style-type: none"> The Home Loan Guarantee Fund (<i>Fondo de Garantía de Créditos Hipotecarios</i>) serves families with low fixed incomes by financing a maximum of 90% of the value of a given housing solution at a repayment deadline of up to 25 years. The Housing Savings Program for Youth (<i>Programa de Ahorro Joven para Vivienda</i>) provides a subsidy of up to 30% of the amount saved, depending on the beneficiary’s savings habits. The “I Save” (<i>Yo Ahorro</i>) program aims to encourage savings deposits to put toward purchasing a home. | |
| <p>Brief description of the housing subsidy and its main characteristics</p> <p>Provides qualifying beneficiary families with loan guarantees, which help reduce the interest on the purchase, expansion or improvement of a given housing solution. The subsidy particularly facilitates access to home loan guarantees for those with the lowest savings capacity, aiming to improve access among broad segments of the population.</p> | |
| <p>Value of the housing subsidy</p> <ul style="list-style-type: none"> The maximum amount that the program supports is 90% of the value of the housing solution (with a minimum of 75%). | |
| <p>Beneficiaries of the housing subsidy</p> <p>People who qualify for credit but lack sufficient savings to purchase a house.</p> | |
| <p>Best practices used</p> <ul style="list-style-type: none"> Focused and differentiated lines of subsidies Interest-based subsidies Communications and dissemination strategy Access and support through digital channels | |
| <p>Contact information</p> <p>info@anv.gub.uy</p> | <p>Related links</p> <ul style="list-style-type: none"> https://www.bhu.com.uy/ |

| Housing Solidarity Fund – Chile | |
|--|---|
|  | <p>The Housing Solidarity Fund (<i>Fondo Solidario de Vivienda</i>) aims to help families living in vulnerable conditions to access housing solutions via state subsidies.</p> |
| <p>Types of institutions responsible for the subsidy</p> <ul style="list-style-type: none"> • Ministry of Housing and Urban Development | |
| <p>Structure of the housing subsidy program</p> <p>Provides state support for the purchase of a house or apartment that does not exceed USD 36,500, without a housing loan, in urban or rural locations, or to apply for one of the housing developments available through SERVIU, a branch of the Ministry of Housing and Urban Development.</p> | |
| <p>Brief description of the housing subsidy and its main characteristics</p> <p>The subsidy is geared toward families that do not own a home and that live in situations of vulnerability. This state support allows them to either access housing (single family home or apartment) without a housing loan or apply for a housing construction project that aims to provide housing to this segment of the population. The subsidy can be used in any region of the country.</p> | |
| <p>Value of the housing subsidy</p> <ul style="list-style-type: none"> • The state support comprises an initial subsidy of USD 12,000, which can be augmented based on the location of the home. Complementary subsidies depend on the characteristics of the family unit applying for the loan and the type of house they seek to obtain. | |
| <p>Beneficiaries of the housing subsidy</p> <ul style="list-style-type: none"> • Families that do not own home and that live in situations of vulnerability | |
| <p>Best practices used</p> <ul style="list-style-type: none"> • Interest-based subsidies • Communications and dissemination strategy • Post-subsidy monitoring • Access and support through digital channels | |
| <p>Contact information</p> <p>Alameda 924, Santiago, Chile, 6513482 Tel. +600 901-1111</p> | <p>Related links</p> <ul style="list-style-type: none"> • https://www.chileatiende.gob.cl/fichas/37960-subsidio-pa-ra-comprar-una-vivienda-de-hasta-950-uf-llamado-individual-ds • https://www.minvu.cl/beneficio/vivienda/subsidio-para-comprar-una-vivienda-construida-de-hasta-950-uf-ds49/ • https://www.minvu.cl/ |

| MiVivienda Fund - Peru | |
|--|--|
|  | <p>Launched in 1998, the <i>MiVivienda</i> Fund (FMV) aims to promote and finance housing (including purchase, construction, and improvement) directed toward socioeconomic levels B, C and D.</p> |
| <p>Types of institutions responsible for the subsidy</p> <ul style="list-style-type: none"> The FMV is run by the Federal Fund for Financing Business Activity (FONAFE), and is a subsidiary of the Ministry of Housing, Construction and Sanitation (MVCS). In addition to financing for housing solutions, it also works to strengthen the flow of capital to the housing finance market, participates in the primary and secondary mortgage lending markets, and helps develop the capital market. | |
| <p>Structure of the housing subsidy program</p> <ul style="list-style-type: none"> The New <i>MiVivienda</i> Loan (NCMV) finances the purchase of finished houses, new house construction, or units that are part of a larger project, that are either new or used and are valued at USD 15,800 - 80,000. The <i>Techo Propio</i> program provides complementary financing in the form of a housing loan from a financial institution. The loan is used to cover the difference between the value of the house being purchased, built or improved and the sum of the family's savings and the state subsidy, which is obtained through the <i>Techo Propio</i> program and distributed through the FMV. The subsidy is designed to help people with very few resources. <i>MiT terreno</i> provides families with loans to purchase urban, private, or public land on which to build a house or a house-workshop for both residency and income generation. The maximum loan amount is USD 14,200, with a minimum down payment of 30% of the value of the land. <i>MiProyecto</i> offers financing to housing construction companies and advocates in order to incentivize related projects. The financing is channeled through intermediary financial institutions. | |
| <p>Brief description of the housing subsidy and its main characteristics</p> <p>The Good Payee Voucher (<i>Bono de Buen Pagador</i>) provides non-repayable financing to families who access loans within the parameters of the FMV program. The amount granted is based on an inverse relation with the beneficiary's housing situation (the greater the need, the higher the amount). An additional voucher is available for household that have taken into account factors related to energy and water efficiency.</p> | |
| <p>Value of the housing subsidy</p> <p>Depending on the product selected (purchase, construction, or improvement), the program offers subsidies of up to USD 10,000 and financing up to USD 15,000.</p> | |
| <p>Beneficiaries of the housing subsidy</p> <p>Socioeconomic levels B, C and D, as delineated by Peru's rating system (NSE, in Spanish).</p> | |
| <p>Best practices used</p> <ul style="list-style-type: none"> Focused and differentiated lines of subsidies Agreements with IFIs Access and support through digital channels | |
| <p>Contact information</p> <p>Av. Paseo de la República 3121, San Isidro, Lima Tel: +511 211-7373 https://www.mivivienda.com.pe/PortalWEB/</p> | <p>Related links</p> <ul style="list-style-type: none"> https://www.gob.pe/vivienda |

The Terwilliger Center for Innovation in Shelter (TCIS) is a branch of Habitat for Humanity that works within housing market systems to support local firms and expand innovative and client-responsive services, products and financing. The goal of the Terwilliger Center is to ensure that housing markets function more effectively for those who need adequate and accessible housing, so that households can improve their quality of life.

As part of its efforts to strengthen housing market systems in Peru, in 2017 and 2018 Habitat for Humanity carried out a series of quantitative and qualitative studies to inform the development of business proposals for market system actors—an initiative facilitated by the Terwilliger Center’s Project for the Development of Market Systems in Peru. This report is one of the outcomes of this research.

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