

Sharpening the Bank's Capacity to Support the Housing Sector in Latin America and the Caribbean

Background Paper for the Implementation of the Social Development Strategy

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Foreword

The Bank expanded its housing finance activities in the 1990s, shifting its support toward sector reforms that increase the capacity of housing finance and delivery mechanisms to cater to the needs of low-income households. Sector reform enables housing markets to operate more efficiently by shifting the public sector away from directly building or financing houses, towards activities that improve the regulatory environment and support low-income households in obtaining mortgage loans through direct subsidies. In addition, since the early 1980s, the Bank has maintained an active portfolio of settlement upgrading loans, an integral part of its participation in the housing sector. This broadened approach to sector reform and the linkages of housing to the financial and real sectors of the economy, along with their impacts on the populations' quality of life, make housing sector loans good instruments for the alleviation of health, employment and wealth-related poverty issues. These loans also help strengthen the financial sector, improve fiscal discipline and assist in the decentralization of government operations.

The concept of the government as a facilitator of housing sector operation, rather than a producer or sole financier, has progressed in many Latin American countries. Several endeavors are currently underway to strengthen the housing finance sector by developing commercial credit and mortgage markets and by expanding the use of demand-based subsidies for eligible households in purchasing new homes and financing home improvements. The Bank's current housing reform projects are characterized by an emphasis on regulatory reforms and more efficient targeting of public resources. These projects also support a wide range of housing options; foster the participation of the private sector and nonprofit and community development organizations; and promote the use of transparent, direct and up-front subsidies. These projects are more complex than previous site-and-service programs, thus taking longer to mature and presenting a considerable challenge for the Bank and its borrowing countries. However, Bank experience in the sector has validated that governments adopting an "enabling strategy" are more likely to achieve their housing sector goals than those using public funds to directly finance and construct housing units.

The present publication examines Bank experience in housing, draws lessons for the design and implementation of new operations and identifies future areas for development. This report is intended to assist government and Bank officials in the identification and design of housing sector operations. The Social Programs Division hopes that this publication will contribute to the improvement of housing conditions in Latin America, especially those of the poor and excluded.

Wanda Engel
Chief
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Executive Summary

Secure shelter is a basic human need. Operations that promote a housing sector capable of supplying adequate shelter to all population groups are a fundamental part of the Bank's Social Development Strategy. Well-designed policies supporting the production and consumption of housing services have a significant impact on development. They promote the expansion of the construction industry and increase the welfare of the population, particularly the poor, by improving living conditions and expanding their physical assets. Bank experience in the sector has demonstrated that governments pursuing housing policies based on the "enabling markets approach" have better results than those that pursue traditional policies based on direct public sector supply and financing of houses for low-income families. The enabling markets approach relies on the private sector as the main supplier of houses and issuer of long-term financing for households of all income levels, with the government playing a role as regulator and facilitator of housing markets. The approach strives to draw the government out of the direct construction and financing of houses, and focus government interventions on the development of private housing financing, the facilitation of land subdivision for residential uses, the improvement of the construction industry and the support of affordable housing solutions for low-income households.

The Bank adopts a two-pronged strategy in assisting governments to improve housing sector performance: the expansion of new house construction and the improvement of existing houses. There are eight priority areas for Bank involvement.

- First: *improving the performance of housing finance markets* to deepen and broaden the private supply of mortgage finance, as well as creating innovative approaches to microlending.
- Second, *strengthening urban land markets* to increase the availability of affordably priced residential land with secure tenure.
- Third, *supporting phased housing construction programs*, which is the method by which most low-income households acquire a place to live.
- Fourth, *upgrading of low-income neighborhoods* through comprehensive programs to improve the quality of the housing stock built by the informal sector.
- Fifth, *promoting home improvements* to expand the useful life of the housing stock.
- Sixth, *designing and improving programs that use public funds efficiently* in order to expand the number of poor households receiving support.
- Seventh, *effective environmental planning* to reduce the vulnerability to natural hazards through well-designed and enforceable land use regulations.
- Eighth, *developing a suitable set of indicators* to improve the capacity to evaluate progress in the reform process, as well as measure results.

The Bank should distribute information on successful housing reform and development practices and needs to engage governments in policy dialogues to assist in the design of reform programs adapted to their specific conditions. Additionally, the Bank should devote more attention and resources to: *research and development*, including the identification and dissemination of best practices, sector and programming studies and project lessons; and *evaluation and monitoring systems*, including the development of appropriate indicators of project and sector performance, the development of national databases of indicators, and training of the Bank and counterpart staff.

Purpose and Scope

PURPOSE

This document contains orientations for the identification and assessment of Bank operations in housing. Its target audience includes Bank and government officials who are engaged in programming these operations. The document provides a description of the objectives, approaches and preferred instruments used by the Bank in implementing the proposals of the Social Development Strategy that promote housing sector reform and improvements in the sector's capacity to reach the poor. The Board of Executive Directors favorably considered the strategy on July 23, 2003 (GN-2242-1).¹ These orientations are complementary to Operational Policy 751 (Urban Development and Housing) and expand on the existing operational guidelines.²

SCOPE

The document adopts a sector-wide approach to housing. An analysis of the growing importance of the housing sector to the socioeconomic development process and of the lessons learned from Bank interventions in the past ten years reaffirms the suitability of the "enabling approach" to housing adopted by the Bank. This discussion identifies priority areas for Bank action, a central aspect of the programming dialogue with borrowing member countries, and concludes by pointing out services that the Bank can offer countries in support of their housing objectives and policies. Footnotes direct the reader to technical literature relevant to the adopted approach, good practices and program evaluations. The annex contains guidelines for the technical assessment of the housing sector in support of the policy dialogue.

¹ IDB. 2003. *Social Development: Strategy Document*. Washington, DC: Inter-American Development Bank.

² IDB. 1999. *Operational Guidelines for Housing*. Sustainable Development Department, Sector Strategy and Policy Papers Series, Publication No SOC-111. Washington, D.C.

Diagnosis

THE RELEVANCE OF THE HOUSING SECTOR

Adequate shelter is a basic need and housing is considered a merit good. Every household should have access to an affordable and solid home, with ample living space and protection from natural elements, eviction and crime. The home should be located in a neighborhood with reliable basic services, such as water, roads, sanitization, drainage, electricity, open spaces and playgrounds, police and fire protection, childcare, healthcare and good transportation to jobs, urban services and markets.

Housing production and consumption affect the socioeconomic development process in different ways. They promote economic growth through the expansion of the construction industry and contributes to reducing poverty by increasing the demand for low-skilled workers.³ Finally, by increasing the physical assets of the population they also foster economic growth.⁴ The development of housing solutions has proven to be one of the most cost-effective ways of expanding the asset base of low-income households and enhancing both equity and growth. However, the countries of Latin America and the Caribbean have systematically failed to provide adequate shelter to their entire population, thus failing to take full advantage

³ In developed countries, housing construction accounts for about 5 to 10 percent of GDP. In countries such as Chile and Ecuador, public spending on housing has been instrumental in reviving the economy following recession as a result of the direct and significant impact of expanded housing production on employment. A discussion of the economic relevance of the housing sector can be found in S. Angel. 2002. *Housing Policy Matters*. New York: Sage.

⁴ The home is the main economic asset of most families. In the United States, home equity makes up approximately 43 percent of middle class wealth (households with net worth of \$100,000 to \$250,000), with less than 15 percent invested in the stock market. In well-functioning capital markets, homeowners utilize home equity for different purposes, including home improvement projects and education.

of the economic benefits of a well-functioning housing sector. The improvement of the housing sector's performance is broadly accepted as a critical public policy with vast social and economic impacts.

HOUSING POLICIES AND OUTCOMES

Regardless of government efforts to provide low-income households with good housing, conservative estimates indicate that by the year 2000, in Latin America and the Caribbean, more than 17 million households were sharing dwellings with others and 21 million lived in inadequate homes. Additionally, the construction of over three million new houses would be required each year to meet the demand from newly formed households. These discouraging statistics are consequences of several interrelated factors, one of which is the slow economic growth in Latin America, which is unable to generate adequate employment to increase income, a situation worsened by consistently unequal distribution of income. Housing conditions improve as incomes increase. In higher-income countries such as Argentina, Uruguay, Chile, Brazil and Mexico, one-third of the households live in inadequate conditions, while in low-income countries such as Bolivia and Guatemala, more than half of the households live in poor housing conditions.⁵ Misguided public housing programs also contribute to poor housing conditions. This is demonstrated in countries with relatively high income levels that are still unable to provide good housing conditions for the poor. Urban development factors, such as the escalating cost of urban land, also influence the inadequate housing situation of a significant percentage of the population. Another contributing factor is the relative lack of development of the region's housing finance systems.

⁵ United Nations Economic Commission for Latin America and the Caribbean (ECLAC). 2000. *Consensos Urbanos. Aportes del Plan de Acción Regional de América Latina y el Caribe sobre Asentamientos Humanos*. Santiago, Chile.

Few households are able to save enough to afford to purchase finished homes. Moreover, in most countries, only a fraction of the population qualifies for credit to purchase a house built by the formal sector. As a result, most households live in self-built, often substandard houses in formal or informal settlements, frequently without access to key public services. The UN Millennium Development Goals seek to alleviate this problem by reducing the number of families living in informal settlements by 100 million worldwide by the year 2015. Good housing policies are central to achieve this goal. Key functions of these policies with direct bearing in achieving the MDGs include expanded supply of residential infrastructure, easier access for low-income households to serviced land for housing, and financing and technical cooperation for the phased construction and improvement of houses.

In spite of the significant contribution of the housing sector to the accumulation of wealth and growing home ownership rates in Latin America, mortgage financing for housing is low, ranging from 2 percent of GNP in Mexico to 10 percent in Chile. This contrasts markedly with 42 percent of GNP in Europe and 79 percent in the United States. In most countries, less than a quarter of all lending is in the form of mortgage lending, while the corresponding figure in the United States is 87 percent.⁶ The underdeveloped state of housing finance originates from the many risks involved in lending for housing in Latin America. These include credit risk, collateral recovery risk, interest risk and term mismatch risk. *Credit risk* is faced by mortgage lender, and results from the low income of the majority of the population. Nearly half of the population lives on an income of less than two dollars a day and their sources of income (mostly informal activities) are sporadic and difficult to document.⁷ The difficulties that lenders encounter in executing the guarantees generate *collateral recovery risk*. This risk origi-

nates from the legal protection offered to homeowners in cases of default, complex repossession procedures, and the inefficiencies of the judiciary, all making the recuperation of collateral a lengthy and costly business. *Interest risk* is caused by endemic macroeconomic instability in Latin America. Furthermore, volatility discourages long-term savings, forcing lenders to fund long-term loans with short-term deposits, which leads to *term mismatch risk*.⁸ Confronted with these harsh realities, the expansion of private lending for housing in Latin America has been difficult. Greater financial market development is needed in the region to increase the contribution of mortgage financing to improving housing conditions. In addition, reforms in areas of land titling and registration as well as improvements in the instruments to constitute and execute guarantees are also needed.

Housing markets involve more than the construction of finished houses by the formal sector or self-built, informal houses on formal or informal settlements. It also involves rental housing. Complex and varied rental housing markets contribute significantly to the provision of shelter and have vast social, economic and urban impacts. The rental market for houses plays a critical role in facilitating household mobility, particularly as families transition through their various development cycles. The rental market in Latin America requires further development following years of ill-conceived rent control policies. Renting space in informal settlements and house-sharing are common among low-income families.⁹ Renting and subletting deteriorated inner city dwellings are somewhat costly solutions for poor families and contribute to the loss of heritage and underutilization of urban assets.

The role of local governments in housing has increased, as have their responsibilities for key determinants of land availability for residential uses:

⁶ Galindo, A. and Lora, E. 2004. Housing Finance in Latin America: Time to Build a Better Market. IDEA (4) May-August. Inter-American Development Bank, Research Department. Washington, D.C.

⁷ De Ferranti, D. et al 2003. Inequality in Latin America and the Caribbean: Breaking with History? Washington, DC: The World Bank.

⁸ Galindo and Lora, 2004, op. cit.

⁹ For a case analysis, see: Jacobs, M. and Savedoff, W. 1999. There's More Than One Way to Get a Home. Housing Strategies in Panama. IDB Research Department Working Papers. Washington, D.C. <http://www.iadb.org/res/publications/pubfiles/pubwp-392.pdf>

the provision of trunk infrastructure (roads, water, sewerage and drainage) and the regulation of land uses. Local governments also play an active role in supplying residential land for the poor. In the more decentralized countries, the provinces, states and municipalities often exercise significant fiscal authority, mostly in land taxes and service charges, also affecting the operation of housing markets.¹⁰ Larger states, provinces and municipalities in Latin America often command sufficient resources to implement subsidized social housing programs, and some experiment with rental housing for the poor. Yet, when misguided, the valuable resources and efforts of local governments do not yield the desired results and face the same difficulties as those run by central governments.

The challenges faced in improving the performance of the housing sector vary from country to country depending on factors such as: macroeconomics (high inflation, volatility); the level of development of the financial sector; deficiencies in the housing policy environment; or inefficient use of public resources. Experience confirms that government programs that directly build and distribute finished houses to low-income households cannot solve the housing problem because they supply a limited number of quality homes to a few lucky families, while leaving the majority of households unassisted. Even low-standard site-and-services programs (created to expand the coverage of government financed programs) have proven incapable of reaching all the families in need. Government-sponsored housing finance mechanisms, which operate with resources from labor taxes to subsidize loans, are unsustainable.

THE “ENABLING MARKETS APPROACH” TO HOUSING POLICY

Numerous governments, realizing their inability to provide adequate shelter for all households through traditional policies and programs, have recognized the need to mobilize the resources and

¹⁰ For a discussion of the different dimensions of local government involvement in urban development see: Dillinger, W. 1994. Decentralization and its Implications for Urban Service Delivery. UMP 16. World Bank, Urban Management Program. Washington, D.C.

the resourcefulness of the private sector (including household savings and sweat equity). Their goal is to induce private entrepreneurs and civil society organizations to handle housing production and financing for all segments of the population. Under the “*enabling markets approach*,” governments direct their efforts to improving relevant market operations and to correcting market failures through effective regulations and taxes, the provision of infrastructure and services, and targeted subsidies.¹¹ The payoff of unleashing the potential of individuals, communities, developers, investors and entrepreneurs to finance, build, sell and improve houses, is significant. For instance, in Panama, a country with low inflation, low interest rates and a strong financial sector, 70 percent of households (those earning a minimum salary equivalent to approximately US\$250 per month) have access to formal sector loans and low-cost homes developed by the private sector.

The approach pioneered by Chile and Costa Rica, and later adopted by other countries (Colombia, Ecuador, Guatemala, Peru and Panama), involves the restructuring of traditional relations between the state, the private sector and the community with respect to housing. Under the enabling approach, the key task for the public sector is to create the conditions that improve the performance of the private sector. This is possible through the elimination of unnecessary regulations and the government’s direct production and financing of low-cost houses, as well as the improvement of the land titling and registration regime, the elimination of obstacles for executing guarantees and the removal of rental regulations. For instance, the revision of land subdivision regulations facilitates the private production of affordable land with minimum amenities that can

¹¹ The United Nations originally proposed this approach in 1989 in the publication: *A Global Shelter Strategy towards the Year 2000*, Nairobi, 1989, United Nations Center for Human Settlements. This approach was adopted as a policy by The World Bank in the early 1990s: *Housing: Enabling Markets to Work Housing Policy Paper*, Washington, D.C. 1993. Shortly thereafter the Inter-American Development Bank did likewise: *Operational Guidelines for Housing*, Washington, D.C., 1995 (Publication SOC-111).

later be upgraded.¹² If these interventions prove to be insufficient, the government can intervene to facilitate the development of mortgage financing and microfinancing for home construction and improvement, as well as issue one-off capital subsidies to low-income families, enabling them to purchase finished homes constructed by private entrepreneurs.¹³ Success in implementing this approach does not depend solely on housing policies and related reforms, rather it depends on macroeconomic stability, essential to the reduction of interest rate and term mismatch risk and the availability of long-term financing in local currency (if possible).¹⁴

BANK SUPPORT OF HOUSING SECTOR DEVELOPMENT

Since the early 1990s, the Bank has actively supported the efforts of Latin American countries to move away from the direct production and financing of affordable houses, and toward the adoption of a market-facilitating role. Between 1993 and 2005, the Bank approved 29 housing loans totaling US\$2.6 million to assist countries in the design and implementation of housing sec-

tor reforms.¹⁵ The three principal investment components in the Bank's housing portfolio are:

- Upgrading and titling of urban settlements (totaling 47 percent of all loans granted);
- Development of long-term mortgage credit, including loans for second-tier finance institutions and mortgage insurance (18 percent); and
- Up front, one-off, demand-side subsidies to individual households, to be used in conjunction with savings and commercial loans in financing new homes and home improvements (20 percent).

Borrowing countries have also used Bank funds to subsidize core home construction (3 percent), for serviced sites (2 percent) and institutional reforms (3 percent). Finally, they have allocated smaller but significant loan funds (0.5 percent) to spearhead numerous initiatives for regulatory and legal reform, aimed at creating long-term housing policy enhancements. The remaining funds have covered administration and financial expenses.

Bank operations in support of the enabling approach are more complex than previous housing loans, which focused on the production of finished houses or sites and services for low-income households. Contemporary programs, which include more components requiring a closely intertwined implementation process, involve a variety of executing agencies and regulators, and require more time to generate results. Project completion reports convey the difficulties encountered by initial Bank operations in ensuring the long-term sustainability of housing policy reform, and provide other useful lessons for future projects. In Paraguay, housing sector institutions never fully adopted the enabling approach, and in Uruguay, old housing institutions continued operating in conjunction with the new instruments introduced by Bank-supported reforms.¹⁶ These results high-

¹² For a definition and assessment of the various institutional and mechanical elements constituting a land management system that have a significant impact on the functioning of land markets, see: Farvacque, C. and McAuslan, P. 1992. "Reforming Urban Land Policies and Institutions in Developing Countries," UMP 5, Washington, D.C.: The World Bank. <http://www.unhabitat.org/programmes/ump/documents/UMP5.pdf>

¹³ These measures mitigate some of the risks that slowed down the development of mortgage financing. Direct one-off subsidies decrease credit risk by reducing the financing to an amount affordable for families in different income brackets. Improved title and registration regimes partially reduce the risks confronted by lenders in executing the guarantees.

¹⁴ This was demonstrated in Chile, where the reform of the social security systems and the development of financial markets have boosted private housing financing. See Pardo, C. 1998. Housing Finance in Chile. The Experience of Primary, Secondary Mortgage Financing. Sustainable Development Department. Best Practices Series N° IFM-123. Washington, D.C.: IDB.

¹⁵ *The Challenge of an Urban Continent* (Washington, D.C., 2004), provides a detailed description of IDB lending that supports urban development.

¹⁶ IDB Project Completion Report: *Proyecto de Apoyo al Reordenamiento del Sector Habitacional*, (884/SF-PR y 683/OC-PR), Asunción, October 2001, and IDB Project Completion Report: *Programa de Apoyo al*

light the importance of securing strong long-term political support for the reforms and to replace old policies and programs with new ones. These lessons enrich early experience that confirmed that isolated investments in sites and services or settlement-upgrading programs do not solve the critical issues facing the sector and tend to consolidate informality as the strategy of choice for the poor to access housing.¹⁷

Although recent Bank loans have prompted significant changes in government policies and programs, the repertoire of instruments included in these operations still falls short of fulfilling the complex needs of the region's housing sector. In particular, it has proven to be difficult to reach households in the first two quintiles of the income distribution structure.

By focusing primarily on the formal portion of housing production, Bank sponsored programs neglect critical informal housing production processes that provide shelter to numerous households through the informal acquisition of land and the phased, and mostly self-financed, construction of the shelter.¹⁸ Moreover, the Bank rarely addresses rental markets (which play a significant role in well-functioning housing markets) and land market issues, often critical to facilitate housing access to low-income households.

There are very few evaluations of housing sector operations undertaken or initiated by the Bank. Consequently, there is a lack of reliable information detailing the performance of housing sector loans, which is compounded by the fact that government agencies in charge of implementation and Bank country offices pay more attention to disbursing investment resources than to crucial sector reform components.

Sector Habitacional (735/OC-UR and 736/OC-UR), Montevideo, March 2002.

¹⁷ Rojas, E. 1995. A Review of the IDB Experience in Low-Cost Housing, DPP Working Papers N° 102. Inter-American Development Bank. Washington, D.C.

¹⁸ In some cities in the region, up to 65 percent of the housing stock was constructed informally (United Nations, 2000).

Lessons Learned from Bank Interventions

The enabling approach to housing reform yields better results.

The failure of government financed housing production has encouraged a shift in government efforts toward actions that improve the performance of housing markets. The enabling approach to housing reform yields better results, as demonstrated by the successes of early reformers, such as Chile and Costa Rica, and progress made by countries that received Bank support in the 1990s. However, tangible results occur after several years of sustained efforts, spanning several administrations, underscoring the need for a long-term perspective and political commitment when attempting housing sector reform.¹⁹ Such a commitment may not need additional resources, as available data prove that countries attaining positive results have devoted a similar percentage of GNP to housing (around 2 percent) as poorly performing countries lagging behind in the reforms. As in other spheres of development, macroeconomic and political stability are essential.

A two-pronged strategy for improving both the flow and the stock of houses is effective.

A critical task is to expand and diversify the flow of new housing solutions by improving the performance of the markets for housing finance and urban land. Encouraging private suppliers of houses and financing in moving down market is critical. This expands the reach of formal housing markets, thus freeing public resources to cater to the needs of poor households unable to access these markets. In most countries, improving the private supply of affordable urban land is the key element in any housing policy benefiting low-income households. Reforms to the regulations

¹⁹ See: Rojas, E., 2001. The Long Road to Housing Reform: Lessons from the Chilean Housing Experience. *Housing Studies*, 16 - 4 [416-483]. Ferguson, B. 2001. Direct Demand Subsidy Programs in Latin America: Core Characteristics and Implications for Mexico. Staff technical note. Inter-American Development Bank. Washington, D.C. July.

regarding land use planning, subdivision and servicing of residential land and land titling are very cost effective. They should be based on well-conceived pro-poor regulatory audits.²⁰ Well-designed systems of land taxation also encourage more efficient land markets, particularly by discouraging the speculative retention of land outside the market. Traditional land holding systems, and innovative forms of collective land ownership also play a role in securing land tenure in communities where individual titles do not concur with communal customs and values.

The maintenance and upgrading of the existing stock of housing is the second prong of the strategy. The experience of the Bank demonstrates that urban upgrading programs must be an integral part of any housing policy. Key areas of intervention that directly and indirectly influence housing conditions include: improvements to physical infrastructure, the regularization of land tenure security and the provision of neighborhood social services that make the homes more valuable. In addition, they induce higher levels of investments in the homes and open up the potential use of home equity collateral to access credit markets. Yet these programs are difficult to execute because they require the coordinated intervention of several agencies. The Bank has had positive results when municipal governments step in and execute these programs. The multiple deficits of informal settlements may induce overspending of public resources. By enforcing caps on individual household investments based on solid estimates of their economic benefits, governments help control this tendency to overspend, while allowing flexibility in the choice of interventions.²¹

²⁰ For a methodology in undertaking such assessment, see: Dowall, D. 1995. The Land Market Assessment. A New Tool for Urban Management. UMP 4, Washington, D.C.: The World Bank. <http://www.unhabitat.org/programmes/ump/documents/UMP4.pdf>

²¹ Examples of lessons learned from Bank experience in support of settlement upgrading programs can be

Expand the range of innovative low-cost housing solutions for low-income households.

Bank sponsored projects support up-front housing subsidy programs that require households to access complementary commercial bank mortgages to buy houses produced by the private sector. These loans are not accessible to households in the first two quintiles of the income distribution. New government-supported programs that assist the phased construction of houses by poor households are needed. Key components should facilitate household access to low-cost land subdivisions for residential use under secure tenure systems; promote innovative solutions for the provision of infrastructure and services to residential land, and promote microcredit and technical assistance for home improvements.²² Specific programs are required to improve the efficiency and transparency of markets for the sale of used houses. The promotion of efficient rental markets is also needed since they are key components of well-functioning housing markets that facilitate household mobility.

Expand private lending for housing.

This would mitigate or eliminate the risks that currently limit private lending for housing. Macroeconomic stability, sound financial sector policies and stricter regulations are needed to mitigate interest rate risk. The indexation of loan principal and payments has also helped financing systems survive periods of high macroeconomic volatility, yet this is an inferior solution, as it increases credit risk.

The mitigation of term mismatch risk requires promoting long-term savings to flow to housing finance. Macroeconomic stability and well-developed financial markets are central in developing stable sources of long-term funds, such as private retirement funds and the insurance industry. Mortgage-backed bonds and pass through securities exist in the most advanced financial systems of Latin America and, given sustained macroeconomic stability and sound social security systems, the use of these instruments of financing should increase. These interventions are complementary to the direct subsidies that help to reduce credit risk and the reforms to the tenure and registration systems that, together with improvements in the judiciary, reduce collateral recovery risk.

Pay more attention to factor markets.

As direct subsidy assistance becomes available to low-income families, house prices may increase as a result of the significant boost in demand, while the supply of housing stock remains relatively stable. Lagging supply may be the result of deficiencies in factor markets (serviced land, building materials), a slow reaction on the part of developers, or a combination of the two. Housing sector reforms should include interventions that facilitate the operation of factor and land markets, and promote the development of entrepreneurial capacity in the housing sector.

found in Brakarz, J.; Greene, M. and Rojas, E., 2002. *Cities for All. Recent Experiences with Neighborhood Upgrading Programs*. Washington, D.C.: IDB.

²² The Government of Chile successfully supports such programs. See Greene, M. 2004. *The Progressive Housing Program in Chile. 1990 – 2002.*, IDB Sustainable Development Department. Washington, D.C. July.

Priority Areas for Bank Action

The Social Development Strategy directs the Bank to continue supporting housing sector reform in the region. Consistent with the current housing policy, the Bank's objectives are to improve the living conditions of low-income households, improve sector effectiveness and promote the sector-wide efficiency of housing and related markets.²³ Experience indicates that limited reforms may exacerbate existing problems, thus support for the reforms should cover all housing markets serving all income levels. Bank interventions should solve the problems faced by the target populations as part of a coherent system that ensures solutions to other demand groups. To incorporate housing sector reform into a country development strategy, it is necessary to put emphasis on eight main areas of concern related to three critical objectives: expansion of the housing stock, improvement of the existing housing stock and promotion of institutional developments for more efficient policy formulation and execution.

EXPANSION OF THE HOUSING STOCK

Strengthening urban land markets is critical in improving the operation of the housing sector and must be prioritized along with other sector reforms. Land prices should be compatible with market conditions and within the reach of low-income households. Facilitating the production and sale of affordable urban land requires interventions on several fronts including: investing in urban infrastructure to expand the supply of serviced land, introducing mechanisms to discourage speculative retention of land and capturing appreciation caused by public investment.²⁴ In addition,

establishing public-private partnerships to develop land,²⁵ promoting the rehabilitation of deteriorated urban areas, the recycling of empty urban land²⁶ and promoting greater transparency of land markets²⁷ are key intervention tools. A pro-poor regulatory audit can reveal the need for reforms in areas of governmental policy including public investment in infrastructure, land taxation and land use and subdivision controls and standards.²⁸

Policy. Issues and Opportunities, Oxford, , Oxford University Press. Also see Dillinger, W.1991. Urban Property Tax Reform. Guidelines and Recommendations, UMP 1 Washington, DC, The World Bank, Urban Management Program. Another source is Altshuler, A. and Gómez-Ibañez, J. 1993. *Regulation for Revenue. The Political Economy of Land Use Exactions*, Washington, DC, The Brookings Institution and Lincoln Institute of Land Policy. For an updated review of the application of instruments see: Smolka, M. and Furtado, F. 2003. El debate sobre la recuperación de plusvalías en América Latina, Land Lines, 15-3, July, <http://www.lincolinst.edu/pubs/pub-detail.asp?id=827>

²⁵ See Payne, G., ed. 1999. *Making Common Ground Public-Private Partnerships in Land for Housing*, London, Intermediate Technology Publications.

²⁶ For a review of the opportunities in several cities of Latin America, see Clichevsky, N. 2002. *Tierra Vacante en Ciudades Latinoamericanas*, Cambridge, Lincoln Institute of Land Policy. Institutional and financial arrangements to promote recycling of vacant or underutilized land are discussed in Rojas, E. 2004. *Volver al Centro. La Recuperación de Áreas Urbanas Centrales*, Washington, DC, IDB.

²⁷ See Dowall, D., Clarke, G. 1991. A framework for Reforming Urban Land Policies in Developing Countries, UMP 7, Washington, DC, The World Bank, Urban Management Program.

²⁸ A discussion on housing regulation reforms needed to facilitate access to housing for the poor, and lessons from Africa can be found in Yahya, S., et al. 2001. *Double Standards, Single Purpose*, London, ITDG Publications. An example of regulations attuned to the needs of the poor can be found in De Sousa Moretti, R. 1997. *Normas Urbanísticas para Habitação de Interesse Social*, São Paulo, FINEP. A methodology for land market assessment can be found in Dowall, D. 1991, The Land Market Assessment. A New Tool for

²³ Inter-American Development Bank. 1999. Operational Policy for Urban Development and Housing, (OP-751). Also, see: Operational Guidelines for Housing. Sustainable Development Department, Sector Strategy and Policy Papers, No SOC-111. Washington, D.C. June 1999; and 2004, IDB, *Reforming Latin American Housing Markets. A Guide for Policy Analysis*. Washington, D.C.

²⁴ Examples of mechanisms that accomplish these objectives are found in, Dunkerley, H. 1983, *Urban Land*

Promote private sector involvement in the production and financing of houses for all income groups by pulling the government out of the direct production and financing of houses, consequently opening up opportunities for private producers and lenders to supply the market. The availability of affordable and easily accessible mortgage loans is crucial.²⁹ Traditional mortgage finance mechanisms in Latin America and the Caribbean typically reach only a small share of the population (middle class and above) offering one product, a loan for the purchase of a developer-built new home.³⁰ This poorly suits the needs of the low/moderate-income majority, who in general are unable to afford high-cost finished housing solutions or lack the formal employment and other requisites necessary to qualify for loans. Thus, it is important to persuade mortgage issuers to go down market, diversify the variety of products, and develop second tier mechanisms to expand the pool of funds available. In addition to expanding the supply of low-cost houses, it is necessary to develop housing microfinance, which are small, short-term loans used for low-cost housing solutions such as phased home construction, improvement of existing houses, or the construction of a new core unit on a lot owned by the family.³¹

The rapid expansion of new home production may lead to the construction of substandard houses. It is difficult for consumers to protect themselves against such risks, as houses are complex products with potentially concealed defects at the time of purchase. Local governments should carefully supervise and approve new hous-

Urban Management, UMP 4, Washington, DC, The World Bank, Urban Management Program.

²⁹ See Angel, S. 2000, *Housing Policy Matters. A Global Analysis*, Oxford, Oxford University Press.

³⁰ See Rojas, E. 2005, *Housing Finance in Latin America. Making Progress through a Bumpy Road*, IDB, Sustainable Development Department.

³¹ See: Ferguson, B. 1999, *Micro-finance of Housing: a Key to Housing the Low or Moderate-income Majority? Environment and Urbanization*, 11-1 [185-200]. Also, Center for Urban Development Studies, Harvard University. 2000. *Housing Micro-Finance Initiatives*, Cambridge, MA, and Mitlin, D., *Reaching Low Income Groups with Housing Finance*, IIED, London (w/d).

ing developments to ensure quality and protect consumers, although most municipalities will need support in discharging these responsibilities.

Support for phased-housing construction programs is crucial because the vast majority of the households build their homes in stages. The continuous process of home expansion and improvement can be made more effective through targeted interventions that promote better quality of the houses produced and accelerate the construction process. In addition to facilitating access to serviced residential land, key interventions include promoting microcredit for home improvement and expansion, the provision of technical assistance to self-builders and the development of new building materials.³²

IMPROVEMENT OF EXISTING HOUSING STOCK

Upgrading of low-income, informal settlements is a key intervention in solving the problems of the existing stock of housing. Successful interventions range from the simple improvement of basic infrastructure and the provision of secure tenure, to more complex and extensive integrated interventions. When the sponsoring institutions have sufficient financial and institutional resources, they can adopt a more comprehensive approach with a variety of interventions, such as infrastructure improvements, elimination of environmental hazards, tenure regularization and technical and financial support for home enhancements and social services.³³ These programs are often the only viable government housing solutions in the absence of a stable macroeconomic environment and efficient financial markets, and in countries facing significant distortions in their land markets. However, to prevent governments from condoning informal methods of accessing housing solutions, while encouraging them to allocate

³² An ample discussion on technology for low-income housing is found in Salas, J. 1992 *Contra el Hambre de Vivienda. Soluciones Tecnológicas Latinoamericanas*, Bogota, Escala. A review of different typologies of progressively built housing is found in Haramoto, E. 1997 *Vivienda Social. Tipología de Desarrollo Progresivo*, Santiago, Universidad de Chile.

³³ See Brakarz, Greene and Rojas op. cit.

funds to formal housing solutions in a reformed housing sector, Bank operations that promote settlement upgrading must always be integrated with efforts to expand new housing production.

Cost-effective house improvements are essential. As a portion of the housing stock within formal settlements is usually in different stages of disrepair or lacks basic facilities, the promotion of cost-effective house improvement programs is imperative in improving the overall housing conditions of the population. Additionally, most countries in the region demonstrate low housing mobility, with many families staying in the same house for most of the family life cycle. This leads to informal, precarious home improvements and expansions undertaken by the families themselves. The availability of credit lines and technical support for these families, as well as training and technical support for micro and small construction enterprises, would make the process more efficient.³⁴

INSTITUTIONAL DEVELOPMENTS FOR MORE EFFICIENT HOUSING POLICY

The *efficient use of public funds in support of the housing sector* is essential. The public sector should help markets to achieve greater efficiency, leaving the private sector with the responsibility of producing and financing houses. Bank operations should only allocate public funds for subsidies (one-off, up-front, transparent, budgeted and targeted to households in need) as a last resort, after other means of facilitating access to housing by low-income households have been explored and proven unfeasible or insufficient.³⁵ Public funds can be allocated more effectively to improve the regulatory environment for the building industry, develop efficient land market regulations and improve transparency in land markets.

³⁴ The Cooperative Housing Foundation developed a feasibility assessment guide for this type of program. See CHF, "Incorporating a Home Improvement Loan Program. A Feasibility Assessment Guide for Microfinance Institutions," Washington, DC (w/d).

³⁵ A thorough discussion of the use of subsidies can be found in Mayo, S. 1999. Subsidies in Housing, Washington, DC, IDB, Sustainable Development Department, Technical Papers Series, Publication SOC-112.

Yet, when subsidies are the tool of choice, targeting techniques, such as social surveys specifically designed for housing programs or part of a more general system of targeting social expenditures, are essential in identifying and assisting all families in need. Local governments play a key role in administering these surveys as they are in close contact with the targeted populations.³⁶ The maintenance of a national lists of beneficiaries also helps targeting, reducing the risk of families receiving more than one subsidy for the same purpose.

Effective environmental planning, such as the enforcement of land use and subdivision regulations, helps prevent or mitigate environmental risks in urban settlements. However, these regulations are often ineffective because they are systematically bypassed when governments are incapable of ensuring compliance and the low-income population often cannot afford them. Alternatively, it is important to develop low-cost approaches that focus on reasonable and enforceable rules and identify and reduce vulnerability to environmental hazards, while at the same time avoiding the worst ills of informal settlements (lack of critical basic services, overcrowding, poor accessibility and lack of light and ventilation in the dwellings). Bank operations should avoid creating further vulnerability, while supporting effective risk management in borrowing countries by disseminating simple disaster-resistant building codes, and encouraging housing agencies to work with those organizations responsible for hazard mapping and with municipalities in improving land use planning.

Performance indicators must be identified. Bank support for housing requires a concerted effort to produce, maintain and disseminate a set of performance indicators that accurately portray the state of the sector and its evolution toward greater

³⁶ For instance, to identify beneficiaries, Colombia uses the SISBEN system and Chile uses the CAS Profile system. For more details on the Chilean system, see Rojas, E., and Greene, M. 1995. Reaching the Poor. Lessons from the Chilean Housing Experience, *Environment and Urbanization*, 7-2 [31-49]. Information on the SISBEN system can be found at http://www.dnp.gov.co/paginas_detalle.aspx?idp=586

efficiency and equity. Performance indicators need to be identified and incorporated into sector and baseline studies.³⁷ Given that scarce data availability limits the variety and scope of the potential indicators, it is essential to promote data collection and analysis through population and housing census and household surveys to improve the set of indicators in use. Improvements in housing conditions take time and, therefore, performance indicators should be tailored to measure progress in different periods, ranging from yearly assessments in government programs and special studies that allow insight into whether key indicators of a well-functioning housing sector are moving in the correct direction, to measures of progress in the aggregated housing situation through censuses taken every decade.³⁸

Additionally, Bank operations in support of the housing sector must concern themselves with the adequate provision of basic urban services and infrastructure. Although these components usually fall outside the housing sector, they provide essential services to households. Municipalities play a key role in the provision of well-located, basic urban services, such as health, education and recreational facilities, and trunk infrastructure, such as the availability of roads, potable water and sewerage services, which are essential to the well-being of the population. Bank sponsored housing programs must support the development of proper institutional and financial mechanisms that ensure the sustainable provision of these services is in place.

³⁷ The United Nations Program on Human Settlements (HABITAT) compiles comparative indicators for housing. They can be obtained at <http://www.unchs.org/guo/>.

³⁸ Detailed housing sector indicators are described in: Jacobs, M. and Angel, S. 2006. Getting Results in Housing. A Framework for Monitoring Results in Housing Projects Using Measurable Indicators, Washington, DC, Inter-American Development Bank, Sustainable Development Department.

Bank Services

THE NEW LENDING FRAMEWORK

The New Lending Framework (NLF), approved by the Board of Executive Directors in 2005, directs the Bank to more diligently measure the development impact of its interventions, while authorizing it to adopt more flexible lending policies and procedures (GN-2200-13). The purpose of the NLF is to improve responsiveness to country needs, to introduce lending modalities as attractive as Policy-based Loans (PBL) and to reduce disbursement delays. In addition to providing flexible lending instruments (Learning and Innovation Loans [LIL], Multi-Phase Loans [MPL], Sector Facilities [SF] and Project Preparation and Execution Facilities [PROPEF]), the NLF promotes the adoption of a programmatic approach and the progressive use of national systems of supervision in the execution of Bank loans; allows the use of Performance Based Loans (PDLs) and Sector-wide Approaches (SWAPs) to lending, and eliminates restrictions in the use of the resources supplied by the Bank.

Housing sector interventions are a natural fit for a programmatic approach because, in order to be effective, they require an integrated understanding of their impacts on the whole sector and a long-term perspective for implementation. Key reasons for adopting a programmatic approach to housing reform include: (i) housing markets are interlinked, requiring a comprehensive approach for effective reform and development; (ii) governments need to develop long-term approaches to devise effective interventions that can modify the behavior of the most important actors in housing markets, most of them in the private sector; and (iii) Bank financing always represents a very small part of the funds mobilized in the sector, thus having greater impact by leveraging the rest of the resources running through the sector. Moreover, successful housing reforms require long-term political commitments and the sustained allocation of resources. until the objectives are attained. For these reasons, it is advisable that the Bank refrain from engaging in single, uncoor-

dinated operations in housing, rather framing the operations, in agreement with the borrowers, on a comprehensive, long-term approach to the development of the sector. Such framework agreements allow the coordinated deployment of the tools available to the Bank. These tools include, in addition to the traditional Bank investment and policy-based loans to the public sector, loans to the private sector that the Bank can make without the guarantee of the sovereign; loans, guarantees and capital investments from the Inter-American Investment Corporations (IIC) and operations financed by the Multilateral Investment Fund (MIF). Once a program approach is negotiated, the Bank can work with the borrower in the development of individual operations, remaining attentive to their impacts in other spheres of development and vigilant in fitting in the programmatic agenda negotiated.

The Bank needs to be selective of the countries in which it embarks on housing sector reform and development operations. A significant technical and financial effort is required to attain a sector-wide understanding of and long-term approach to a sector as complex as housing. Additionally, the multiplicity of economic sectors and the social actors involved in promoting the enabling markets approach to housing policy lead to complex inter-sector negotiations and trade-offs in the design and execution of housing reform programs. However, at any given point, a limited pool of human and financial resources is available to carry out the reforms. To fully incorporate this complexity in the design and execution of reform programs, and to manage the resource constrains, the Bank can support borrowing member countries with the full array of its available financial and nonfinancial instruments, such as policy dialogue based on well-designed sector studies, which promotes widespread political support for long-term, lasting reforms. Among the lending instruments, in the initial stages, technical cooperation loans are useful in the design and implementation of regulatory and institutional reforms, and in supporting the establishment and consoli-

dation of the institutional structure required by the reformed housing sector. Multi-phase loans are particularly useful to accompany complex reform processes that take several years to mature.

The suitability of Bank instruments depends on various circumstances such as the state of the sector, the objectives of the reform program and the borrower's willingness to make progress in their execution. Each type of lending instrument has advantages and can serve a purpose in attaining the programmatic goals. Policy-based loans focus on the appropriate reforms that help foster a rapid and sustained development of the sector, and to disburse resources based on the attainment of agreed outcomes. Single-tranche PBLs may appeal to borrowers with strong commitments to reform and subsequently, well-defined programs for its implementation, while multi-phase investment loans are already in use to finance phased sector reforms and development based on well-defined long-term goals and clear benchmarks for tracking progress. Sector-wide approaches are useful for borrowers receiving financing from different sources yet maintain a commitment to coordinated sector-wide goals. Operations that support the reform and development of private sector actors in housing are starting to be considered by the Private Sector Department (PRI), the Inter American Investment Corporation and the Multilateral Investment Fund in accordance to their mandates and regulations.³⁹

The ample assortment of financing mechanisms available to the Bank helps ensure a better fit to borrowers' needs. The best use of Bank resources, whether to provide up front subsidies or purchase land, is unique to each borrowing country's situation and programmatic goals. The broad availability of lending options offered by the

³⁹ For instance, to date PRI has provided a guarantee to a mortgage-backed security issued in Colombia helping the instrument to attain investment grade ratings. The IIC has taken a minority share position in a real estate leasing company in Chile to assist the development of a housing leasing program promoted by the government. The MIF is working to channel and leverage remittances from expatriate workers to different areas of development, including housing.

NLF, along with the flexibility in financing, allow programming and project teams great leeway in negotiating sector reform programs and individual operations tailored to the specific needs and objectives of each borrower, while demanding greater creativity and flexibility from Bank officials and their counterparts.

KEY BANK ACTIVITIES

Disseminate the Bank's approach among borrowing member countries to increase awareness of the complex interactions that occur within the housing sector, with other sectors of the economy and with other areas of social policy. A wider dissemination of the enabling approach to housing issues and solutions, in conjunction with empirical research on its effectiveness, should be helpful in promoting a sector-wide reform agenda, as well as discourage client-centered policies that still persist in the region. Key interventions include sector studies producing well-documented diagnoses of the problems and the shortcomings of inappropriate policies, ample consultation among stakeholders leading to solid commitments to long-term reform objectives and goals and extensive training of public and private officials and community leaders.

Engage governments in policy dialogue, discussing especially those policies with a record of failures, and draw lessons for the design and implementation of policy reforms. Assist in the definition of realistic, consensual long-term objectives, of attainable mid- and short-term goals for the housing sector and of the measurable benchmarks to assess performance. Promote an integrated view of the housing sector by relating it to other sectors of the economy and identifying reforms and programs in those areas that are required in the attainment of the housing sector objectives. Stress the need for continuity in the commitment to the complex process of reform, while focusing policy debate on the obstacles preventing housing markets from satisfying demands. Frame Bank support on these objectives and goals, identifying successful sequences of operations that support the launching and consolidation of the government programs and reforms required to attain the objectives.

Expand the range of housing delivery systems already incorporated in the reforms and supported by government programs. The main instruments utilized by Bank operations (settlement-upgrading programs and government support to the purchase of finished houses constructed and financed by the formal private sector) should be balanced with programs supporting other forms of housing access. Key interventions that the Bank should encourage include:

- Programs that support low-income households in accessing affordable land under secure tenure arrangements, while endorsing innovative solutions for the phased provision of infrastructure and services to the land, and the provision of microcredit and technical support for phased house construction, improvement and maintenance.
- Programs that advocate the maintenance, upgrading, adaptation, recycling and trading of the existing housing stock. This promotes an expansion of the quality housing supply and allows households more flexibility in modifying their housing consumption patterns as their needs change during the family life cycle.
- The development of a stronger private rental housing market, of particular importance for young, small or aging households, which facilitates housing mobility and improves the efficiency of the housing sector.

The diversification of housing programs will increase the flexibility of responses to the problems detected in the sector studies, facilitating balanced government action and ensuring a better match between government programs and the needs of households in the different income brackets.

Assist governments in the design and implementation of urban land policies geared to facilitate the operation of urban land markets in general, while

promoting national-local partnerships to provide or upgrade infrastructure and services to the land.

Studies in urban land market are required to identify viable interventions that mitigate market distortions and eliminate factors affecting their efficiency. The effectiveness of different measures needs to be assessed vis-à-vis the costs imposed. Frequent regulatory audits should take place to identify unnecessary government-created restrictions to the operations of urban land market, while evaluating alternative interventions and suggesting the best combination of reforms and government programs to attain the stated objectives. This may involve a complex array of initiatives, ranging from the elimination or reduction of unrealistic land subdivision standards, to the introduction of betterment levies or additional taxes for idle lands. The design of an urban land policy must incorporate the fact that land taxation serves to not only finance investments in infrastructure and urban services, but also to send signals to private agents of urban development about the social costs of their location decisions in the cities and to discourage the speculative retention of land.

Expand the scope of loan supervision as it provides an opportunity for the Bank to offer continuous technical advice in the implementation of the reform components and in the identification of adjustments when needed.

NONFINANCIAL SERVICES

Sector studies and programming. The Bank will stress the need for good sector studies to ground the policy dialogue that leads to an agreed agenda of reform. The Bank will facilitate the exchange of experience and methodologies for housing sector studies and program design and evaluation, while helping to evaluate the results of the studies and identify policy alternatives.

Corporate Impacts

Research and development of good practices. To support the design and development of new instruments and government programs, the Bank should research good practices in several areas of housing reform. Particularly needed are efficient housing delivery systems for low-income households, ranging from finished affordable houses to serviced land for the construction of houses in phases, as well as effective policies and programs to assist private suppliers of housing and long-term financing to go down market. Other areas in need of development are effective microcredit mechanisms to finance home construction, expansions and improvements; regulatory reforms and procedures to develop primary mortgage markets for affordable housing; better incentives for promoting private rental markets and the maintenance and improvement of the existing housing stock. To develop these new instruments, the Bank must pool human and budgetary resources from the operational departments (Regional Operations Departments and the Sustainable Development Department) and encourage the

inclusion of the new tools in housing loans under preparation.

Evaluation. To refine the Bank's approach to housing, it is necessary to draw lessons from past operations including the assessment of the loan design and execution process; impact assessments of disbursed loans; and ex-post evaluations of executed loans. All staff involved in the sector, as well as government officials engaged in policy reform and program formulation, should have access to and discuss the results of these evaluations.

Training. The housing sector, and particularly housing financing, is a rapidly changing field. Thus, the Bank should regularly update staff through a variety of means including: participation in formal training offered by universities or other training institutions; specially designed training programs; field study tours; seminars and conferences and the regular sharing of experiences among staff engaged in project design and appraisal.

Annex

Rapid Assessment of Housing Sector

OBJECTIVES

Along the lines described in the present document, the programming of Bank interventions in housing requires sufficient knowledge of sector conditions and technical guidelines for action. Several Bank operations have conducted “Rapid Assessments of the Housing Sector” as part of the loan preparation process whose main objective is to ground new housing initiatives in a solid and broad understanding of the housing markets and provide technical support for an extensive policy reform agenda. Specifically, the assessment (i) evaluates the current state of the housing sector and government policies, and (ii) suggests guidelines for action, including the identification of areas in which the Bank can contribute.

The following is a typical table of contents of a Rapid Assessment document, intended only as an orientation to Country Strategy Teams, as each country has its own peculiarities and will require a specific approach. They are included here to facilitate the drafting of Terms of Reference for the studies.

TYPICAL TABLE OF CONTENTS

The Economic, Social and Political Context.

Discusses the main external factors that affect the housing sector, while evaluating the demand for housing and the factors conditioning the response of the sector.

Discussion topics include:

1. Population growth and urbanization;
2. Economic growth and the level of economic development;
3. Distribution of income;
4. Government fiscal policy;
5. Inflation, savings and conditions of the financial sector;
6. State of the construction sector;
7. Environmental hazards and other critical aspects affecting housing.

Conditions in the Housing Sector

Describes the main internal factors that affect housing markets and their impact on housing sector performance.

Discussion topics include:

1. Availability of land;
2. Conditions in the residential construction sector;
3. Availability of mortgage finance.

The Status of Housing Policy

Focuses on the main characteristics and impacts of government interventions in housing markets.

Discussion topics include:

1. The property rights regime;
2. The housing finance regime;
3. The subsidies regime;
4. Residential infrastructure;
5. The legal and regulatory regime governing the housing sector; and
6. The institutional framework for government intervention in the sector.

Housing Market Outcomes

Focuses on the diversity, quality and affordability of the housing products generated by the housing markets in the country or city under analysis.

Discussion topics include:

1. House prices, rents and affordability;
2. Dwelling units and living space;
3. Housing quality;
4. Housing tenure;
5. Housing production and investment;
6. Perspectives of the housing sector.

The Government Housing Programs

Broadly describes and evaluates the terms of the public housing programs, their budgets and accomplishments, including interventions of all agencies involved from the central, regional and local governments.

Discussion topics include:

1. The housing budget;
2. The components of the housing programs:
 - a. Urban renewal
 - b. Apartments
 - c. Single-family houses
 - d. Serviced lots
 - e. Building material kits
 - f. Legalization of squatter settlements
 - g. House improvement loans
3. Institutions intervening in the sector;
4. Sources of financing and sustainability of the programs.

Guidelines for Action

Outlines ten recommendations for reforming housing policy in the country, including all areas of intervention affecting housing markets. Proposes areas of Bank cooperation in the implementation of the reform agenda based on feasible mid- and long-term objectives.