

Housing Improvement Method

Integrating Microfinance and Technical Assistance to Improve Housing Conditions in Short and Long Term

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1 Shelter Situation Analysis in Honduras

1.1 Basic General Data

Geography and Administration

The Republic of Honduras is located in the north-central part of Central America, has a Caribbean as well as a Pacific coastline. Guatemala is to the west, El Salvador to the south, and Nicaragua to the east. It is second largest country in Central America, with an area of 112,090 sq. km., containing generally mountainous territory, with a population of 7.4 million people, Tegucigalpa is the capital city. There are five registered political parties in the country, but only two major ones, it's a democratic government. The elections take place every 4 years, with no reelection.



Economy

Honduras is one of the poorest countries in the Western Hemisphere, with two thirds of the Hondurans living in poverty. The economy is based on agriculture, bananas and coffee are the most important exports; but recently the economy has change in there products. For example: melons, tourism, maquila industry, and cultivated shrimp. One important income of the Hondurans is the remittances from their families living abroad, mainly in the United States. It is estimated \$ 2.3 billion in 2006, it represents over 20% of its GDP. Honduran national monetary is the Lempira; the exchange rate is L. 19.03 for \$ 1.00.

GDP: \$22.3 billion (PPP) or \$9.3 billion (official exchange rate).

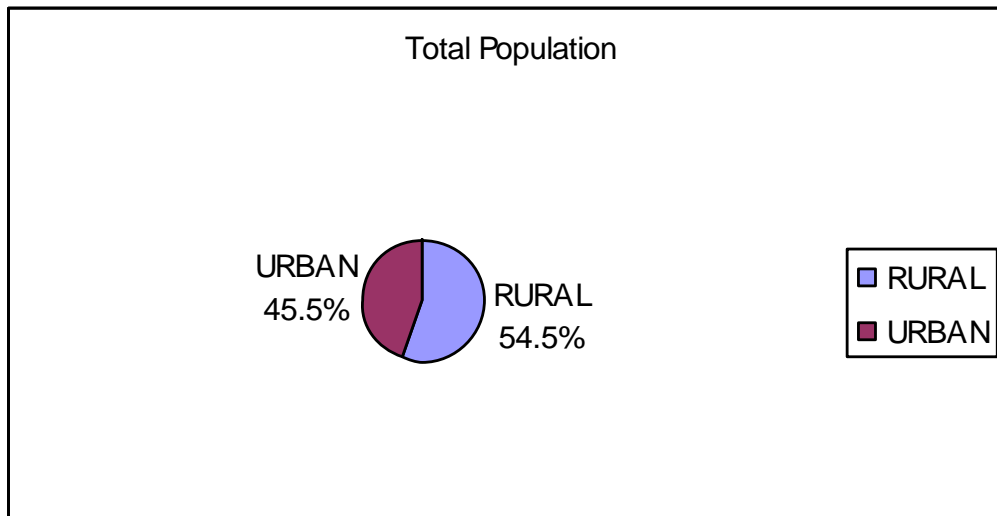
Growth rate: 5.5%.

Per capita GDP: \$2,900 (PPP).

Per capita income: \$ 894.00¹

1.2 Shelter Related Fact and Figures

Housing Deficit



The majority of the population lives in the rural area; this is changing with a migration to the cities to work.

AGES	Total	
	No.	%
00 to 24 Years	3,699,157	49.9%
24 to 49 Years	2,712,450	36.6%
50 Years and More	1,004,365	13.5%
TOTAL	7,415,972	100.0%

Half of the population is under age, which makes the housing problem have greater challenges. This means that the majority of the people start working under age.

HOUSES BY LEVEL OF POVERTY

Years	Number of Houses					Poverty			
	Total	Not Poor	%	Poor	%	Relative	%	Extreme	%
1991	878,629	221,415	25.2%	657,214	74.8%	180,998	27.5%	476,217	72.5%
1992	916,434	275,847	30.1%	640,587	69.9%	206,198	32.2%	434,390	67.8%
1993	945,811	307,389	32.5%	638,422	67.5%	211,862	33.2%	426,561	66.8%
1994	981,726	322,006	32.8%	659,720	67.2%	200,272	30.4%	459,448	69.6%
1995	1,015,291	326,924	32.2%	688,367	67.8%	207,119	30.1%	481,248	69.9%
1996	1,045,430	327,220	31.3%	718,210	68.7%	156,815	21.8%	561,396	78.2%
1997	1,089,039	372,451	34.2%	716,588	65.8%	189,493	26.4%	527,095	73.6%
1998	1,130,362	417,104	36.9%	713,258	63.1%	197,813	27.7%	515,445	72.3%
1999*	1,133,209	386,424	34.1%	746,785	65.9%	196,045	26.3%	550,740	73.7%
2001	1,258,299	447,209	35.5%	811,091	64.5%	214,342	26.4%	596,749	73.6%
2002	1,324,868	477,718	36.1%	847,150	63.9%	248,522	29.3%	598,628	70.7%
2003*	1,234,067	430,763	34.9%	803,304	65.1%	222,936	27.8%	580,368	72.2%
2004*	1,167,741	417,545	35.8%	750,197	64.2%	229,701	30.6%	520,496	69.4%
2005*	1,267,299	439,655	34.7%	827,644	65.3%	230,860	27.9%	596,783	72.1%
2006*	1,352,952	513,442	37.9%	839,510	62.1%	267,777	31.9%	571,733	68.1%

The chart illustrates the percentage of houses considered not poor and the ones considered poor. Throughout the years the improvement is done to the reduction of poor houses. Analyzing the number of houses that are poor its number has incremented since the last 10 years as well as the total number of houses. So actually we have had an increment in the number of poor houses.

2 Organization

FUNDEVI is a non profit organization dedicated to provide low income families with financial aid to be used towards building, improving or buying their houses and infrastructure credits. This Institute is the result of the fusion of two governmental programs (PVMR and PRIMUHR). It's partnerships are the Swedish Corporation (Asdi) and the German Bank of Reconstruction (KFW).

The Foundation not only provides financial aid, but gives the families technical assistance before, throughout and after the construction process. Its role is very important when it comes to housing deficit; it's the leading organization within the country. It covers the deficiency of the government toward housing policies and the absence of financial institutes dedicated to the informal sector.

Fundación Para el Desarrollo de la Vivienda Social Urbana y Rural - FUNDEVI

Table No. 1

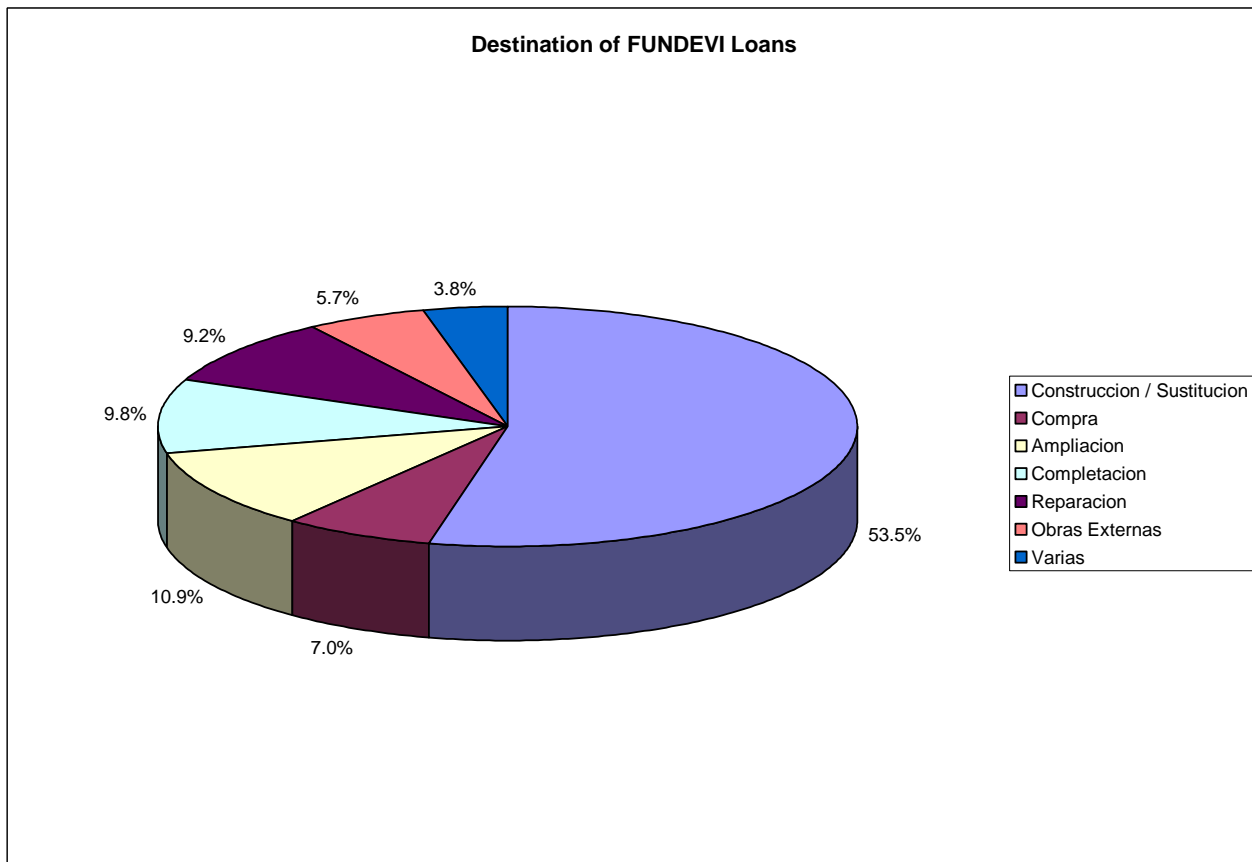
Number of families attended According to Their Incomes

Al 31 de diciembre de 2007

Estratos		Urban	Rural	Total	%
CBA	SM				
Total Nacional		32,096	12,982	45,078	100%
>0.0 - 0.5	>0.0 - 0.8	736	1,271	2,007	4%
>0.5 - 1.0	>0.8 - 1.5	4,234	6,405	10,639	24%
>1.0 - 1.5	>1.5 - 2.2	6,968	3,730	10,698	24%
>1.5 - 2.0	>2.2 - 3.0	6,984	862	7,846	17%
>2.0 - 2.5	>3.0 - 3.8	5,131	363	5,494	12%
>2.5 - 3.0	>3.8 - 4.5	3,788	151	3,939	9%
>3.0 - 3.5	>4.5 - 5.3	2,177	121	2,298	5%
>3.5 - 4.0	>5.3 - 6.1	1,249	49	1,298	3%
>4.0 - 5.0	>6.1 - 7.6	690	26	716	2%
>5.0	>7.6	139	5	144	0%

Fuente: Unidad de Organización y Planeamiento

This table illustrates that the majority of attention has been to population with incomes between 0.5 to 2 CBA.



Most of the loans have been for construction and substitution, but in the last year the loans for improving the houses has had a considerable increment.

3 Shelter Problem

When it comes to shelter problem Honduras is not the exception, it has many problems such as the high construction costs, the harsh tropical environmental conditions, few financial institutions dedicated to this sector, no housing policies and few interest from the authorities to solve this problems. Construction budget is limited and we have to be on the look out for new construction materials or processes that are economical yet sturdy to withstand the harsh tropical environmental conditions.

The major problems in the deficit of housing is the conditions and qualitative of the houses (which are not considered solutions because in most cases need to be improved). Honduras has a housing deficit of approximately 0.9 million units. 67% of the housing deficit is the qualitative aspect, in most cases can be solved with small improvements. The economical aspect of these families contributes in making the problem worse, their income is informal. Having an informal income doesn't mean that they should live in spontaneous settlements; they have the right for the basic services.

Most of the foundations and NGO that work with low income housing dedicate all their efforts in new solutions (quantity) and not in the qualitative conditions of the houses. It is important to consider the amount of houses that lack of basic services, approximately more than 600,000, which in some cases could be solved with a small amount of money.

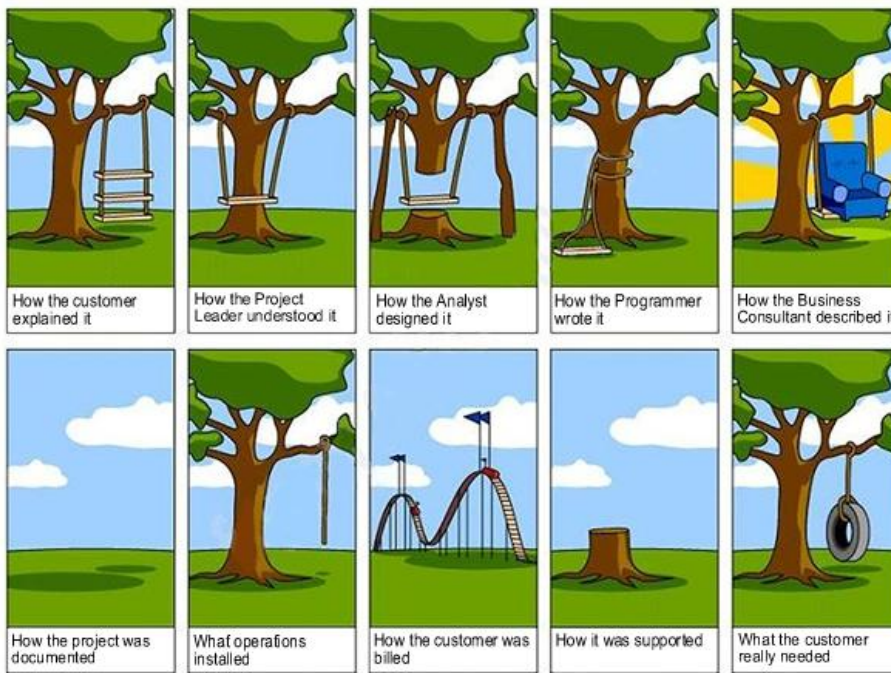
4 Proposal for Change and Improvement

The proposal for change and improvement of technical assistance for the housing conditions is considered to be implemented in the department of Atlántida; where the third major city is located, La Ceiba. The department of Atlántida has an extension of 4,372 km² and 380,532 habitants; it represents a 5% of the total population of the country.

As we all known, the housing issue is a complex problem and that is necessary a multidisciplinary team when analyzing and decision making. It is consider that more than 67% of the housing deficit is the qualitative conditions of the houses, micro credits with technical assistance can be an opportunity to come up with a real solution of the problem. It is important to understand that just the loan as itself is not the solution to the problem, and we can't consider that the amount of loans equals solutions. It is important to identify with a more technical approach the real needs of the people to improve not only their houses but their life's. Integrating a social, credit analysis and technical approach when assistance this portion of the population.

It's important to understand that the loans are granted to the people and that they are the ones that have to contract and administrate the money. Most of the population we assist have low education or no education, which becomes harder for them to understand the process of administrating, controlling and supervise the construction. With no technical assistance, the only have the chance to trust the construction worker. In some cases they self help construct with no guidance on what they should do.

- Help our clients to create a short and long term plan to improve their housing conditions.
- Integrate the knowledge that the credit officials and the technical supervisors have about the real needs and experiences of our clients to improve the technical assistance. The next diagram illustrates the common example of how the different actors understand a problem.



- Come up with a proposal method that covers the following aspects: the real needs – physical solutions – importance (that considers urgency, costs, sequence, feasibility) – plan and document the solutions within a period of time – financial solution. The process has to be flexible to be integrated with the actual process of FUNDEVI, without changing the actual process.