

A new methodology to promote housing credits with technical assistance in the urban areas.

Ideas based on the experience of PRODEL in Nicaragua



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Introduction

Nicaragua has demonstrated to be a strong country despite to be the second poorest country of Latin America. After earthquakes, civil war and dramatic changes on the politic administration in 1990, every year has been full of challenges and opportunities. The mission of many institutions, central government and the civil society to fight for poverty eradication, has been focused in specific points to impulse development.

Housing issues have been important for actions in the development matters. Latest conceptualizations about housing, has permitted to understand the shelter beyond physical space and a closest relation with the meaning of life quality.

PRODEL has been doing an extraordinary labor in the poverty reduction. In 2009 many MFI which work with PRODEL, responded 3450 new applications for housing improvements. The 86% of total had the opportunity to access to one

credit of US\$ 851 dollars approximately. It demonstrated that housing credits are contributing for the construction of new houses and also its improvements.

For this job, it has been developed a methodology which included the housing credit on the planning of slum improvement projects. The experience of PRODEL with the Technical Advise on Housing and the Infrastructure Program are the base of this proposal.

Some issues are mentioned, like the relevance which gives a multisectorial job, with the participation of the municipality and private sector; and the emphasis of the community labor on the identification of their needs.

1 Shelter Situation Analysis

1.1 Basic General Data

Geography and Administration

Nicaragua is the largest country in Central America with 130 000 km² and the second poorest in the Western Hemisphere. The country is bordered by Honduras to the north and Costa Rica to the south. The Pacific Ocean lies to the west of the country, the Caribbean Sea to the east.

Demography and Health

According to the UN, 48% of the population in Nicaragua live below the poverty line, 79.9% of the population live with less than \$2 per day, unemployment is 3.9%, and another 46.5% are underemployed (2008 est.).

According to the CIA World Fact book, Nicaragua has a population of 5,570,129; comprising mainly 69% mestizo, 17% white, 9% black and 5% amerindian; this fluctuates with changes in migration patterns. The population is 54% urban.

Nicaragua has a population growth rate of 1.8% as of 2008.

Economy

Nicaragua is primarily an agricultural country; agriculture constitutes 60% of its total exports which annually yield approximately US \$300 million. Nicaragua's agrarian economy has historically been based on the export of cash crops such as bananas, coffee, sugar, beef and tobacco. Light industry (maquila), tourism,

banking, mining, fisheries, and general commerce are expanding. Nicaragua also depends heavily on remittances from Nicaraguans living abroad, which totaled \$655.5 million in 2006.

Gross Domestic Product (GDP) in purchasing power parity (PPP) in 2008 was estimated at \$17.37 billion USD. The service sector is the largest component of GDP at 56.9%, followed by the industrial sector at 26.1% (2006 est.).

1.2 Shelter Related Fact and Figures

Access to Shelter

According with the National Survey made in 2005, there are 1, 116, 540 housing units in Nicaragua. There are a deficit of 750 000 units, where 500 000 need to be new houses and 250 000 have to be improved. With an annual grow rate of 1.7, every year is necessary to built 30, 000 housing units.

It is estimated that 52.4% of households have at least one feature (floor, wall or roof) which defines as inadequate housing, 45.6% of houses have the ground as floor, 20.5% have inadequate walls and 5.8% have roof of durable material. About 54.1% of households in fair condition, need further improvement in walls, floor and ceiling, and 37.3% of these same houses need improvement on floor and ceiling, walls and floor or ground only.

Table No.1: Housing stock

<i>Year</i>	<i>1995</i>	<i>2005</i>
Housing Stock	820 499	1 116 540
Individual	819 666	1 114 219
Collectives	833	2 321

Source: Census 2005. Nicaragua. INIDE

Table No. 2: Yearly percentage increase in number of dwelling units

<i>Persons per household</i>	<i>5.2</i>
Annually is needed	30 000 housing units
Annual grow rate	1.7

Source: Census 2005. Nicaragua. INIDE

Floor area per person

9 m² is the average per-capita covered living space in developing countries in non-disaster conditions, based on research conducted by the World Bank.

(USAID/OFDA/LAC 2009)

Tenure of households

People, who live in the 80.7% of the total housing stock, are owner of their properties. The 49.1% has the official documents and 31.6% do not have. The 60% of 385 655 households which live in the urban areas have the need to start a land legalization process.

Table No. 3: Tenure of households

<i>Total of households</i>	<i>978 335</i>
Own	817 478
With land title	498 654
Without land title	318 824
Repaid	8 403
Rent	45 229
Transferred	23 222
Provided	59 964
Other	12 804

Source: Census 2005. Nicaragua. INIDE

House price to income ratio

In 1998 survey of 520 households in 13 informal settlements in Nicaragua cities (International Project Consult, 1998) found that the median houses value-to income ratio was of the order of 0.7 – 1.4. In comparison, the global median houses value-to income ratio in low income countries in our sample was 3.3 in 1990, and the global average for Latin America and the Caribbean was 3.8 in 1995. (Shlomo, Angel 2000:41)

Access to and cost of Basic Services/Infrastructure

The 39.5% of households do not have access to drinking water. In the rural areas this situation is worst with a 73.9%.

The 77.4% of households in the urban areas, use the latrine to eliminate human waste; in the rural area this percentage increase to 98%.

Table No. 4: Access to drinking water.

<i>Access to drinking water</i>	<i>% of households</i>
pipe inside the house	40.4
pipe outside the dwelling but within the field	20.3
Public post	3.2
Private well	10.8
Public well	5.6
River, manatial or broken	12.0
Other	7.0

Source: Census 2005. Nicaragua. INIDE

1.3 Housing Policy

2009:

It has been published the Law 677, *“The Special Law for the promotion of housing construction and the access on housing to low income families”* in May 2009. It is the first attempt of a Policy Framework in Nicaragua and it focus on: (La Gaceta 2009)

- To promote housing production with emphasis on low income families. To establish the financial conditions, credit, materials and technical which make possible to meet effective rights for housing.
- To give priority low income families which are vulnerable social and economically.

2003:

The National Housing Institution for the Urban and Rural Sector – INVUR worked in the proposal for the creation of the Housing Social Fund- FOSOVI. This was approved in 2003 and follows the establishment of the frame and procedures for the function and grant of subsidies for low income families.

1999:

In 1999 was published the law 309, “The Law for the regularization, planning and titling of the illegal human settlements”. The main objective focus on the establishment of a juridical framework for the urban development, the demarcation and titling of informal human settlements of the country.

For this law, it is considered an informal human settlement, those groupings of homes located within the urban areas of a particular municipality, where the families that live there, took possession of the land on which gradually built his family home and there in the same disorderly distribution of urban space , high density housing and basic services lacking or insufficient.

1.4 Actors in Shelter Delivery and their Roles

There are three types of sectors involves in the shelter delivery. Those work in the formal, intermediate and informal sector.

Table No. 5: Actors

Sector	Actors	Roles
Formal Sector	The Social Fund for Housing in Nicaragua - FOSovi	It is the responsible of subsidies and no conventional credit funds for low income families.
	the National Housing Institution for Urban and Rural Sector - INVUR	This institution is the mediator on housing and land for housing. It has participation in the pacification and the creation of norms and codes.
	Municipalities	The municipalities have been acting as counterpart of IDB´s programs.
Intermediate Sector	Private Sector: IMF, Banks, PRODEL NGO National network of housing	They are involved on the management, promotion, formulation, execution and finance of the housing programs.
Informal Sector	Small producers of building materials	They act in an intensive dynamic of the housing production.

1.5 Shelter Design

Gender Issues

An integral, comprehensive approach to land and housing rights is necessary to marshal the attributes and assets associated with the land sector as a key source for the improvements of the lives of the low income population. (UN-HABITAT 2005)

- Woman= access microcredit and the participation of woman in savings and credit organization.
- Legalization= guarantee the access to basic services and aloud the improvement of the quality of life.
- Land Regularization= land title, physical regularization (urbanization and infrastructure provision)

Table No. 6: Housing ownership at national, urban and rural levels by gender

	<i>Men</i>	<i>Women</i>	<i>Both</i>
National	50.1%	43.5%	6.5%
Urban	39.3%	52.2%	8.6%
Rural	67.0%	29.9%	3.1%

Source: Encuesta Nacional de Medición del Nivel de Vida. (2001). General Report

2 Organization

PRODEL along sixteen years has worked for the local development in Nicaragua. Its conception as a second tier institution, has permitted to invest economic resources and also to transfer knowledge to local authorities and communities for their improvements and strengthening.

The model followed consists in the micro-economic system and it has permitted to create alliance with different MFI to develop products for economic activities and housing improvements.

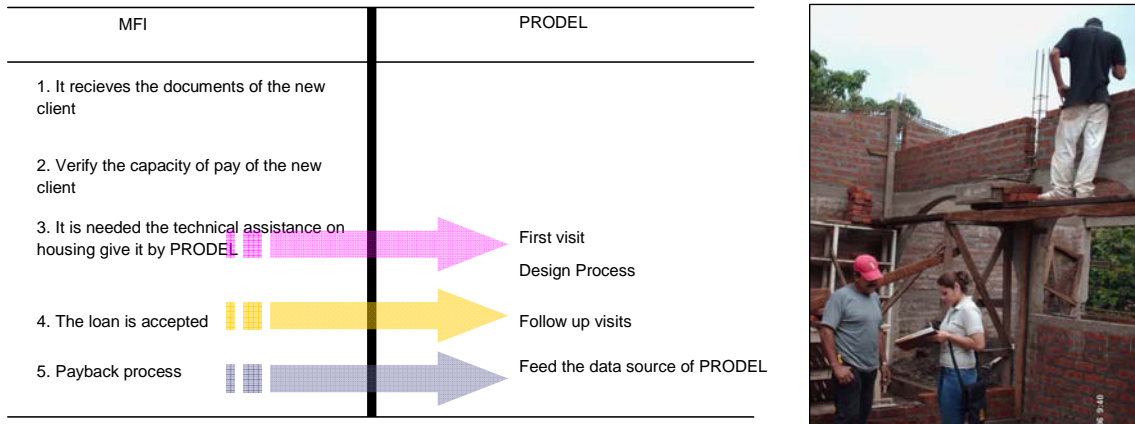
Through years PRODEL has demonstrated the relevance of the micro finance and its positive impacts on the improvement of the quality of life of population. Today this institution has developed an important program on housing and it is based on an outsourcing model carried out with the MFI.

2.1 Technical Advice on Housing Program

Housing improvement is one of the components included in PRODEL (Programa de Desarrollo Local), a loan program initiated and supported by the Swedish International Development Cooperation Agency (SIDA) in 1994, to assist poor families to conduct small-scale upgrading and repairs to their homes in 8 urban municipalities.

The Technical Advice for families that get housing credits consists in a personalized advice on planning, budgeting, supervision and assistance to the labor force during construction. This product works together with every MFI and this is an intensive dynamic of PRODEL.

Diagram of relation and work of PRODEL and MFI in the Technical Assistance on Housing Program and Photo 1. People from PRODEL are giving technical assistance.



3 Shelter Problem

The situation of poverty in Nicaragua is deep and directly affects the outlook for housing. Currently over 60% of the population that has a job, cannot access decent housing. For years, it has designed initiatives to improve this situation, but with few results to have a positive impact on the national deficit of 750, 000 housing units that are needed to build and improve.

After structural changes to the national economy in 1990's and after natural events like Hurricane Mitch in 1998 and most recently the Hurricane Felix in 2007, it has been demonstrated the vulnerability of strategies to help boost the national economy and have evidenced the need for the design and implementation of programs to encourage families with limited resources to access to fair housing.

To this, the Technical Assistance program for housing improvements of PRODEL has shown the effectiveness and the positively impact to reduce the low quality of construction of houses of poor families, also has put in evidence the importance that represent the community for the development of programs of this profile.

4 Proposal

This work focuses in the design of a new methodology to promote housing improvements with credits and technical assistance in urban areas. This methodology is based in the current methodology of both Program of Infrastructure and Technical Advise on housing of PRODEL. The time for the development of each intervention is 11 weeks and it is necessary to have at least 45 housing improvements to afford the sustainability of the program.

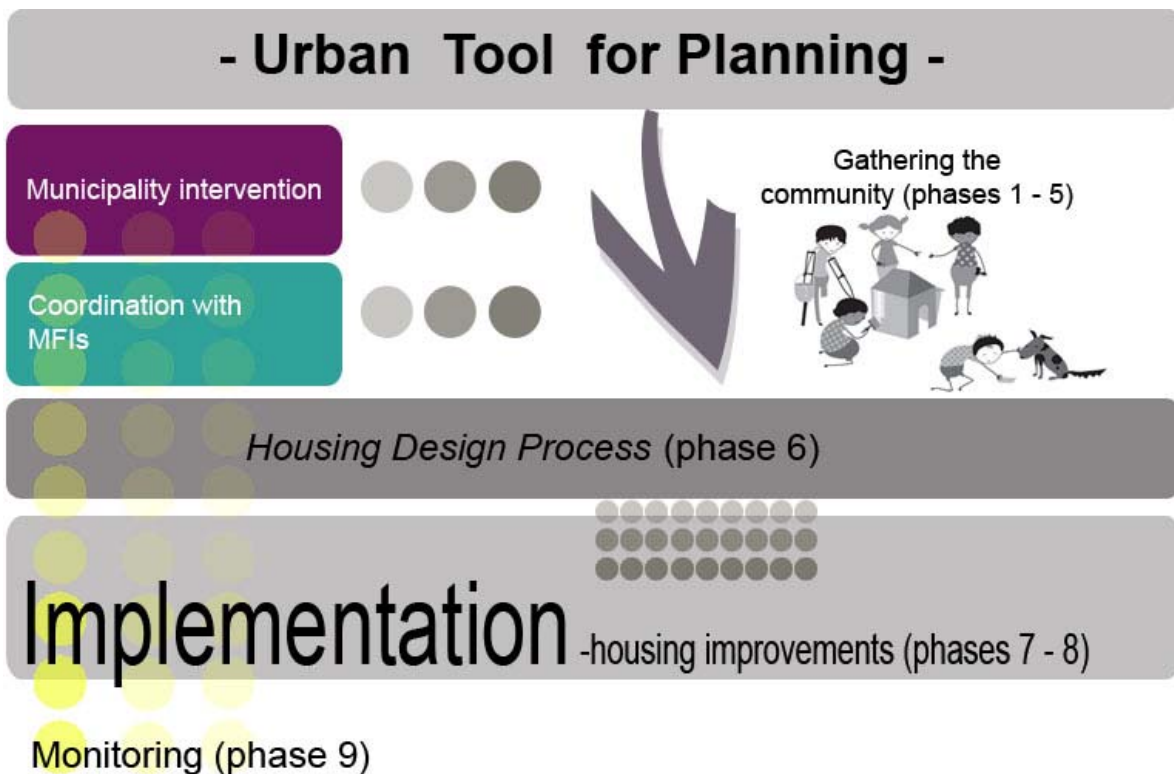
Basically, there are in the same level three different actors which are MFI, PRODEL and Community. At first moment, it is necessary the application of a Urban Tool for Planning. This is basically software (GIS) which works with the base of poverty maps of the city and some indicators. The objective of this tool is to help our technical assistants on the selection of intervention zones and to create a general data source to measure the actions on housing improvements and its impacts in the urban environment.

The second moment is defined by the coordination with the MFI, the local authorities and the community. Here is needed the participation actively in all process to transfer the objectives, methodology, credit data (in coordination with the MFI) and results of the intervention.

The third moment focuses in the housing design process where is elaborated drawings and budgets taking in considerations technical aspects like density, quality of the building materials, affordability of indoor spaces, access to infrastructure and the management of risk situation occasioned by hazards.

A forth moment is developed during the housing improvements and the fifth which is also the last moment, is based on the monitoring plan. Everything put in practice a methodology to follow the relevant changes in the housing situation in the intervention zone and to feed the general data source of PRODEL.

Structure of the Program



Time Table and Actors' Participation

	Phase	Actors			Time
		PRODEL	MFI	Community	
1	Tool for urban planning	X			1 week
2	Identification of leaders	X			1 week
3	First meeting	X	X	X	
4	First workshop	X	X	X	1 week
5	Visit household by household	X		X	
6	Design and Credit Process	X	X	X	2 weeks
7	Implementation	X	X	X	3 weeks
8	Follow up visits	X		X	2 weeks
9	Monitoring	X			1 week
Total - Time - Process					11 weeks

Development of Phases

PHASE 1

Identification of intervention zones

Objective: To put in practice a tool for urban planning and to identify zones for future interventions.

Indicators to be used:

1. Tenure
2. Existence of a community organization
3. Physical Vulnerability
4. Access to drinking water
5. Access to sewer system
6. Housing Quality (Roof, Walls, Floor)
7. Household Income Ratio

PHASE 2

Identification of community leaders

First meeting: Technical Assistance from PRODEL, Credit Promoter from MFI and leaders.

Objective: To present the program for housing improvements supported by PRODEL and assisted by the MFI. Here is mention the requirements of guaranties for loans, amount and technical assistance.

PHASE 3

First meeting with the community

Objective: To give general data of the intervention and information about modalities of improvements, difference of amount on loans and Payback Periods.

PHASE 4

First workshop

Objective: To Identify the housing improvements in the intervention zone.

Results:

1. Number of households (minimum per District 45 improvements)
2. Planifications of the housing improvement project: next meetings

Materials: The Master Plan of the Neighborhood

PHASE 5

Visit household by household

Objective: To develop the technical visits and get the basic information of the improvements.

PHASE 6

Design and Credit process

Objective: To develop the information of the housing improvements

Comment: In this phase it will be develop a parallel process. One way managed by the technical workers of PRODEL who have the competence of the design process and in the other way, credit promoters of the MFI will have all the information of the loans.

PHASE 7

Implementation

Objective: To start the construction of the improvements in the slum areas that was selected.

Comment: This is the moment where the credit is accepted and it is the begging of the improvements.

PHASE 8

Follow up visits

Objective: To be safe that the housing improvements are going well with all the technical guaranties and with the participation of all actors involved.

Comment: It has been developed some formats to registrate all the information of the client and the improvements.

PHASE 9

Monitoring

Objective: To follow the process of housing improvement and feed the basic data source of PRODEL.

5 Conclusions

- *“It is only recently that housing improvement is slowly emerging as a key element of the urban poverty reduction strategies and of housing policies that try to address the qualitative housing deficit of the majority of the population....as such, small and microlending programmes have the potential to become significant instruments to support state housing policies”.* (Stein and Castillo 2003:7)
- For Nicaragua can reduce the high deficit on housing and the high percentage of population in poverty, it necessary the design of projects for low income-families according to their income level.
- Microcredit becomes a cornerstone of financing housing projects for low-income families because it allows the gradual or step by step improvement as needed.
- To build sustainable cities, we must encourage joint working between all sectors that has to do with housing production such as: the municipality, private enterprise and community.
- For credit in housing upgrading projects have more impact, this is must be worth of technical assistance and thus ensure the proper design techniques, implementation and evaluation standards, building techniques.

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