

Integral Housing Solutions with Technical Assistance in Housing Finance

An Integrated and Progressive Approach



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Honduras is located in the middle of Central America, with a size of 112,492 m² and a population of 7,367,022 in 2005, with a GND per capita of 1151 US\$ and a Gini Index 58.9. In 2003 had a total housing stock of 1,359,427 houses, with an average of 5.05 person per house, and a qualitative and quantitative housing deficit for about 782,063 houses, the qualitative deficit was conformed by 92.1% lack of public services like water, sanitation and electricity; and an 32.1% of overcrowding. The simple average of housing growing deficit between 1999 and 2003 was of 32,942 houses, 23,805 houses were below the poverty line. FUNDEVI works with this population since 1983 providing finances for poor families, in 2005 provide 4,604 solutions in urban and rural areas with a credit average of 2,700 US for: house construction, house improvements, land legalization and house buying, and now micro credits for house improvements and infrastructure. Because the government do not have a housing policy and can not satisfied the public services necessities (water, sanitation, electricity), the housing sector is not organized, the high level of poverty, the lack of low cost of lands, to provide an complete solution is a challenge. One way is use an integrated and progressive approach in the technical assistance provided by FUNDEVI in each credit.

Shelter Situation Analysis

Basic General Data

Geography and Administration

Honduras has a total area of about 112,492 square kilometers. Administratively is divided into eighteen departments and 218 municipalities. The terrain is

predominantly mountainous, with 19 watersheds. The official language is Spanish. The official currency is the Lempira (1 USD = 19 lempiras in 2006).

Honduras is located in the middle of Central America, is the second largest Central American country; it borders with Guatemala in the west (256 kms) El Salvador (342 kms) in the south, and Nicaragua (922 km) in the east and the Atlantic Coast in the North. Honduras has two main cities, Tegucigalpa the capital and San Pedro Sula the industrial city; both have around 20% of the country population.

Demography and Health

The Honduran population projected to 2005 is 7,367,022 (*4) with 48.9% men and with 51.1% women. The Age composition is very younger as you can see in the figure.

AGE COMPOSITION	%
0-15 Years	44.0%
15-65 Years	51.5%
65 years>	4.5%

MIGRATIONS RATE	%
Internal Migration Rate	14.18/1000
International Migration Rate	-4.7/1000

POPULATION RATES	%
The birth rate:	30.3/1,000
Death rate	4.1 /1,000
Infant mortality rate:	24.1 /1,000

Life Expectancy	All	Females	Males
Years	67.80	70.51	67.11

Economy

The GND per capita in 2005 was 1151 US\$(*5), which one is very low, plus the high level of unequal distribution measure by the Gini Index in 2005 was 58.9(*5) in national level, the inequality is worst in rural areas with 62% (*5) than the urban areas (52%). We can see the consequences in the poverty level in 2005 of 65.3% and 42.9% of extreme poverty

Poverty in Honduras 2005	%	Families
Extreme Poverty	42.5%	655,379
Relative Poverty	19.3%	297,619
1.- Poor	61.8%	952,999
2.- Not Poor	38.2%	589,070
TOTAL	161.8%	1,542,069

In 2005 the government invests 8.9% of GND in poverty reduction (*5)

Household expenditure: consumption per household income level, lowest 10%: 0.6% and highest 10%: 42.7% (*6)

The public expenditures was 492.66 millions of dollar (2004 www.bch.hn)

Shelter Related Fact and Figures

The total housing stock in 2005 was 1,526, 673 (*5). In 2003 the housing deficit was 782,063 houses: 7.8 % quantitative, 43.5% qualitative and 48.7% qualitative - quantitative combination, with a housing stock 1,357,424 (*4) and an average of 5.05 people per house

The simple average of housing growing deficit between 1999 and 2003 was of 32,942 houses: -8.4 % quantitative, 77.2% qualitative and 31.3% qualitative – quantitative. This growing occurred 19.3% in relative poor level, 42.5% in extreme poverty level, about 23,805 houses in both levels, and 38.2% in not poor level.

QUALITATIVE DEFICIT (*4)	1999	%	2003	%	Average Annual Grow
1.- Without Services (Water, Sanitation, Electricity) one or all	515,786	89.5%	662,149	92.1%	0.6%
2.- Overcrowded	216,553	37.6%	230,719	32.1%	-1.4%
Total Qualitative Deficit	576,018	100.0%	718,916	100.0%	0.0%

Household Tenure Composition	%
Own	71.0%
Rented	14.0%
Yielded without payment legalized	11.0%
	4.0%

The Building common materials more used are:

- For roof: tile, asbestos, zinc, concrete, straw, others.
- For floor: earth, concrete, wood, brick and ceramic.
- For Walls: mud brick, concrete block, bricks

Access to and cost of Basic Services/Infrastructure

Honduras has deficit of access to Basic Infrastructure Services:

Access to a Service	1,999	2,005 (*5)
Access to Potable Water	81.0%	84.7%
Access to Sanitation	70.2%	78.2%
Access Electricity	54.9%	64.2%

Communication Access	2,000	2,005
Access to Fixed Phone Lines	4.8%	6.6%
Access to Mobile Phone Lines	2.5%	15.5%

The Access to Health Services in 2002 area about 875 inhabitants per bed, 8412 beds in total, 6659 are publics and 1753 area privates beds (hospital and health care

centers). The Total of Health Care Centers was 2891, 2071 are public and 820 are private. The Total of Hospitals was 246 Hospitals, 138 are public and 108 are private.

Access to and Cost of Education

The Primary School Enrolment in primary education from 6-11 years was 89%. The Secondary School Enrolment was about 21%, and tertiary education Enrolment 20-24 years was 8%

Existing Housing Policy

Actually Honduras do not have and National Housing Policy, in the last year was a proposal without approbation by de National Congress.

The Actual Government, who starts this year, now is working with a continuously housing workshop with the participation of government institutions, international donors and civil society, FUNDEVI is participating in it. This workshop starts in August of this year.

Also the government of Honduras with aid of AID (Banco Internacional de desarrollo) is working in a new proposal for a new National Housing Subsidies System. In this Area the last government who ended the last year give subsidies trough to programs, the 1037 AID loan to subsidies, through FUNDEVI, and with the Program “Vivienda para la Gente” (Housing for All) which consisted in give and amount of subsidies to the housing developers in housing projects concentrated and approved in this program.

Also the government provides finance with low interest rates through BANHPROVI, a public second floor bank, it finances median income people.

Actors in Shelter Delivery and their Roles

The governmental Hosing delivers Actors are: BANHPROVI a governmental institution that give funds through private financial institutions; INJUMPEP: A Pension Institution for Public servers, who provided financial for housing and also contract construction of housing projects; IMPREMA: a pension Institution for teachers, the majority of teachers works in the Public Education.

In Honduras there various NGOs working in Housing Deliveries like: ICADE (Institute for cooperation and self development); Centro San Juan Bosco, AIEH (Association of evangelic institutions of Honduras); APRHU (Association for Human promotion of Honduras) ; FUNDEVI a Foundation for Rural and Urban Housing Development in Honduras, who provide about 19% housing solutions of

housing deficit for poor people each year ; Foundation Covelo which is giving also line of credit to microfinance institutions for housing improvement; FECOHVIL is a federations of Cooperatives who finances housing for his clients.

Private Sector/Housing Producers: the private sector depends of finance facilities, two build housing projects, the employees has RAP a saving fund of private employees to finance houses.

The National University of Honduras (UNAH) made Housing research and CEDAC an architectural university work with SIDA in PROMEHSA program.

Design

In the Housing area Honduras does not have building codes in general, and no housing code. Construction is controlled by construction permits issued by the municipalities, who do not have, in the majority of the cases (except the main cities of Tegucigalpa and San Pedro Sula), professionals with the capacity to review the plans and specifications.

Honduras does not have a law for urban planning. Only the main cities make urban plans with each new government, but even in these cases specially in Tegucigalpa those plans are oriented to correct urban problems more than to planning.

The urban growth in Honduras area is directed by the builders who propose the site plan designs to the municipalities.

In the cases of Public services of Infrastructure there are no national codes approved for Water, Sanitation and Electricity. In the Case of Electricity ENEE (National Institution for Electricity) has his code and controlled its application through construction permission, in the case of water and sanitation in the past was controlled in the same way by SANAA a National Institution for Water and Sanitation, but now his systems are transferring to the municipalities.

The land property is controlled by IP (Instituto de la Propiedad) a Land Property Institute where all the land property is registered. Now exist is implementing a national system for territorial planning, named SINAP (www.sinap.hn) with the participation of PATH (Land Administration Program of Honduras) who is ordering the land and territorial information.

Identification of Critical Shelter Problem/problems

The housing sector in Honduras is not organized, with a lot of limitations in land, land legalizations, construction costs, construction quality, designs codes, plus the big problem of poverty. For that reason provide complete and integral housing solutions for poor people is very difficult, in this situation works FUNDEVI providing housing finance access to poor people.

FUNDEVI is Private Foundation for social housing development in rural and urban areas, financed by KFW from Germany (95%) and by ASDI (5%). Born in 1983 with PMVR program oriented to Finance Rural Housing, in 1991 PRIMHUR program for finance urban housing is added and in 2003 both programs were united in FUNDEVI

The main objective of FUNDEVI is provide **access to financing** the improvement of housing conditions to families with lower income, less than 5 CBA (CBA= Cost of the minimal alimentary requirements of a family in a month equivalent 180US\$, 5 CBA = 900 US\$). The maximal amount of loan that can provide FUNDEVI is about 5,000 US\$ in a maximum of 10 years.

Because of the cost of private technical Assistance for poor people, FUNDEVI also provide Technical Assistance in design and construction process to guarantee the finalization of the house, with minimal conditions and at right cost.

FUNDEVI in 2005 provide about 4,604 housing solutions, that represents about the 19% of housing growing of housing deficit for poor people in 2005.

Credits Provided by FUNDEVI	1983-2005		
AREA	URBAN	RURAL	TOTAL
Solutions	26,245	12,397	38,642
Credit US\$	46,121,940	7,822,919	53,944,858
Gov. Subsidies US\$	11,997,362	10,006,721	22,004,082

Credits Provided by FUNDEVI	2,005		
AREA	URBAN	RURAL	TOTAL
Solutions	3,193	1,411	4,604
Credit US\$	5,869,871	1,973,169	7,843,040
Gov. Subsidies US\$	2,032,219	2,527,372	4,559,591

FUNDEVI provide credits for different type of solutions:

- Credit for house (build and buy)
- Credit for land (legalization)
- Micro Credit for small house improvements (is a new product started in 2005 with SIDA support)

- Credit for house small improvements.
- Credit for infrastructure in new and existence urbanization (is a new product started in 2005 with SIDA support)

FUNDEVI charge 6% of the housing solutions for Technical Assistance, this value compared with other similar institutions in Central America (PRODEL in Nicaragua, FUPROVI in Costa Rica) are very high, in the case of technical assistance of financial institutions, and is very low in the cases when FUNDEVI works with the community in the building process, in those case the value has to be about 10%.

Until this year the process of approve a credit was integrated with the technical Assistance Process, for that reason the differentiation of the responsibilities of the official of credit and the technical adviser are not clear.

Now FUNDEVI start a process to be more efficient and for avoid a lot of problems with credit unpaiments and technical problems with the housing solutions, standardization process in all his four regional offices. This process starts in Credit area.

The technical area has now the challenge to follow this process, and to be more efficient, reduce his costs, and provided better services with integral housing solutions. This is a challenge because the technical area does not have a Manual, the technical software is not integrated, the process is very heavy, the technical adviser en the majority of the cases has medium education level, just in a few cases are engineers or architects and Honduras do not have Technical Education level for housing construction, and finally the situation of housing sector demand more level of technical assistance to provide a complete house solutions.

For all these reasons the problem is how to provide an Integral Housing Solutions with Technical Assistance of Housing Finance in FUNDEVI.

Analysis of Critical Shelter Problem/problems

To provide an Integral solution, first we have to define the requirements, each requirement has different problems to provide it:

- Land: the access of the land for housing projects for people is difficult because of the lack of urban planning.
- Water Services: the municipalities do not have the capacity to provide these service and the poor people do not have the capacity to finance.

- Sanitation: in a lot of rural places there is a Sanitation System and the solution has to be latrines. In the Urban Areas is very expensive to provide these services in new projects.
- Streets: because of lack of an urban planning, each urbanizer has to make his own design of streets, and in the majority of the cases the municipalities do not have personal to evaluate that designs.
- House: In the majority of the cases, FUNDEVI has provided designs of houses with a specific area, no designed for improvements.
- Communal Services: this services has to be designed in each urbanization, without an urban plan low, the urbanization builder in rural areas do not want to provide that areas as the green areas.

Evaluating the requirements is easy to see that provide all these necessities in an unorganized housing sector are very difficult. And in the short term the only possible solution is that the technical Assistance of FUNDEVI tries to provided and made associations with other institutions to provide.

This problem is more difficult to solve, if we consider the efficient the process problems of FUNDEVI, especially in the technical area, who lacks of integrated software.

Also the cost of houses is growth that means lest square meters of house in each loan.

The technical assistance has to provide very different kind of services en each credit product of FUNDEVI, making more complex the process.

For all these reason the technical area has to reorganize, standardization his process, change his emphasis, to have the capacity to provide a different services in each product of FUNDEVI, overcoming the lack of help in the housing sector.

In the housing sector, the technical area has to try to influent a change in the Housing Sector through his participation in the Housing workshop.

Proposal for Change and Improvement

The proposal for change and improvement has two main areas:

- A.- Internal Technical Assistance Improvement
- B.- Housing Sector Influence:

A. Internal Technical Assistance Improvement

To provide integral technical assistance with low cost, in houses for poor families is necessary systematize and standardize the assistance through different ways:

a. Progressive Designs

Progressive designs permit flexibility to families to choose different levels, of a complete house, depends of the capacity. Is necessary having al least three models:

- Houses with both side walls separate
- Duplex with one common wall
- Row house with both walls shared

The progressive designs have to considerate the financial impact of different levels of credit.

b. Standardization

In case of new houses it is very important to have a models standardized, but can be combined in different patters.

In case of housing improvements, it is important to have different combinations and models of different spaces such as bedroom, dining room.

c. Technical Services Division

If the technical assistance is oriented to financial products this situation produce an inflexibility and high costs of the services, with a service division in five levels, is easy to manage different production levels, and to concentrate skills in different technical.

Level 1: Financial technical services, Valuation of properties in lands: Evaluation of advances of the construction, Review of designs, Review of budgets

Level 2: Consultant Services: House designs, House reforms designs, Budgets.

Level 3: Project Execution and administration: Direct execution of construction, Administration of constructions.

Level 4: Technical and Credit integration: House designs

Level 4: Technical and Credit integration: Micro credit with technical assistance integrated in esthetical constructions and small reforms with additional assistance.

Level 5: Project Organization: Organization of projects with municipalities and communities, with self construction

d. Information Systems

To reduce the cost and raise the quality of the technical assistance at the same time it is necessary to establish an integrated information system for the technical area of FUNDEVI.

e. Strategic Alliances

A financial institution can have a big technical staff, because the levels of services requirements change with different financial products. For that reasons to special projects

f. Organization Systems

In some cases, the only way to provide house solutions is to organize groups of families' event in a new urbanization, to guaranties access to a land with low cost.

B. Housing Sector Influence

Participate in the Housing Workshops and made agreements with public institutions to overcoming the problems of an unorganized housing sector.

Annex: Action Plan

Activity	Date	Days	Person
Re design the system of Technical Assistance Model of Model. Define 5 levels of services	July 2006	30	General Manager of Technical Area of FUNDEVI
Design of information System. Modules of lands values, materials providers, construction budgets, cost centers, supervision controls, etc	August 2006	15 days	General Manager of Technical Area of FUNDEVI
Simplify Formats of Technical Assistance	September 2006	15 days	Technical Managers of each region of FUNDEVI
Standardize Models of Houses with progressive designs	September 2006	60	General Manager of Technical Area of FUNDEVI with external persons
Elaboration of Manual of Technical Assistance for Poor people	September 2006	60	Technical Area of FUNDEVI
Elaboration of Information System designed	September 2006	60	Software Programmer
Elaboration of material to organize and advice the communities in urbanization with integral point of view	December 2006	60	Technical Consultant
Certification and an standardization of technical assistances	November 2006	90	General Manager of Technical Area
Participate in Housing Workshop	August to December 2006		General Manager of Technical Area

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