

# A key to better living conditions





# Introduction



**T**he world is experiencing a process of rapid urbanisation. The United Nations estimates that more than half of the population in developing countries will live in urban areas by 2017. Urban population growth will continue, especially in the developing countries. In many countries the increase in rural population has stopped, while at the same time the urban population continues to grow.

An estimated one billion people live in slums without proper shelter, water, sanitation, electricity, transport and other infrastructure and social services.

## **Sida's housing programmes**

In many of the countries where Sida has programmes of development cooperation, the lack of adequate and affordable housing is severe. Sida supports programmes for housing improvement and the construction of new houses in Central America. The programmes have been successful and reached very low-income households.

Through programmes supported by Sida poor families may access to small loans to improve their homes or construct new houses. The families also receive technical assistance and guidance for the design and building process.

In some of the Sida-supported programs, poor families organise themselves in neighbourhood groups to introduce and improve infrastructure and basic services such as water, sewage and electricity. Typically families contribute about 15 per cent of the total cost of a project while 35 per cent of the investment costs are provided by the local authorities and the remaining 50 per cent by the Sida-supported program. In addition to providing finance for infrastructure improvements these contributions also serve as a tool for creating new jobs in poor settlements.

Small loans for income-generating activities are also given to micro-entrepreneurs that live in neighbourhoods where the programmes operate.

The Sida-supported housing programmes in Central America are aimed at families that earn monthly incomes equivalent to or below the conventional established poverty lines.

These housing programmes have provided support to more than 90 000 families or approximately 450 000 persons during the last 15 years.

## **Sida cooperates with five housing institutions in Central America**

1. La Fundación Promotora de Vivienda (FUPROVI) in Costa Rica
2. Fundación para la Promoción del Desarrollo Local (PRODEL) in Nicaragua
3. La Fundación Salvadoreña de Apoyo Integral (FUSAI) in El Salvador
4. La Fundación para el Desarrollo de la Vivienda Social Urbana y Rural (FUNDEVU) in Honduras
5. Fideicomiso para el Desarrollo Local (FDLG) in Guatemala

These institutions manage the funds given by Sida and offer loans directly to the families or through specialised micro-finance institutions to end-users. On average, one loan to a family for housing improvement is around USD 700.

The money paid back by the borrowers is typically installed in revolving funds so that the partner organisations may be able to continue lending to the same type of families after Sida's support has ended.



## Sida's Development Goal

The most important aim of all Sida-supported activities is to contribute to the reduction of poverty. Poverty is not only an issue of absence of resources and opportunities but, equally important, is the lack of power of poor people to have control over fundamental aspects of their lives.

The relationship between poverty and poor housing is obvious. The situation is aggravated in most cases by the existence of inadequate land registration and tenure systems. For the poor this means difficulties in access to affordable and secure land and also to basic services and infrastructure.

## Sida in Central America

For more than 15 years, Sida has supported social housing and local development programmes in Central America. The first of these programmes was initiated in Costa Rica in 1988. Based on experience gained in Costa Rica, similar programmes were started in four other countries in the region, El Salvador, Nicaragua, Honduras and Guatemala. Today Sida supports operations through five implementing organisations in the region, one in each country.

In spite of the differences between the five countries, the Sida-supported institutions share a common vision that has the aim of reducing poverty by improving the living conditions of poor families, and of strengthening democracy by promoting their participation in local development processes.

The target group are poor families with a monthly household income of between 2 and 4 minimum wages, which is equivalent to or below the poverty line as defined and established in each one of the Central American countries.

**Housing improvement.** Families receive loans to improve their houses and the communities can get loans or other resources to improve basic services used for setting up public lightning, installation of electricity etc. For more advanced projects, such as here in Inmaculada Concepción in Choluteca, Honduras, qualified construction workers are hired. The local population always contributes with manpower.

PHOTO: KINA ROBERTS



**Basic infrastructure.** Basic services such as drinking water, sewerage, drainage, road improvements, etc. The projects are based on local participation and on cooperation with local authorities. The photograph shows the residential area Carlos Nuñez in Jinotega where the inhabitants have jointly improved the wastewater system. The new system covers 80 houses and approximately 960 persons. The investment was USD 50 000.

PHOTO: ANDERS GUNNARTZ



PHOTO: KINA ROBERTS

# Products and Services

## Housing Construction and purchase/legalisation of land

The institutions offer a range of financial and non-financial services. Some of the institutions have specialised in models for the construction of new houses with basic services including the organisation of the community, the purchase and legalisation of land, participatory design of the settlements and the local management of the housing programmes.

## Incremental Housing Improvement

The lack of sufficient income is the main reason why poor people have problems in acquiring a house of their own. Given the limited options to obtain access to housing, these families, whenever their scarce resources permit, usually construct and improve their houses gradually with materials readily available and purchased at local markets or outlets.

Micro credit is one of the financial tools used to support this process. PRODEL in Nicaragua and FDLG in Guatemala have specialised in micro-credits. The credits are invested in expansions and renovations through a process of “incremental building” where several smaller loans may be granted one after the other. This process facilitates the construction of a simple house, which is completed by the families themselves over a period of five to ten years. The improvement of the house is supplemented with technical assistance in the design, budgeting and construction phases. These services are paid by the loan users and therefore become financially sustainable over time.

## Promotion of micro and small enterprises

This support is directed to families with small businesses working in the service sector, commerce or industry, especially in marginal urban areas.

The financial assistance given through micro-loans for working capital and fixed assets helps these micro-entrepreneurs to increase their production capacity, volume of sales and income.

## Provision of Basic Services

The provision of basic services and local facilities is based on a model of decentralised resource management, operated by the municipalities and with a high level of local participation. The model includes a process of micro planning with problem analysis, planning of works, contributions in cash and labour and financial and technical management and supervision of the works carried out by the community.

## Main Actors

Sida channels its support through counterpart organizations or already established institutions, avoiding as much as possible the creation of temporary implementation structures. At present the counterpart institutions operate as non-profit foundations. Sida has supported their legal and institutional creation or transformation, with the purpose of ensuring a long term, financially and structurally sound organisations for the benefit of the housing programmes.

**La Fundación Promotora de Vivienda (FUPROVI) in Costa Rica**, was founded in 1987 and has been supported by Sida since 1988. FUPROVI has developed a participatory self-management methodology to help low income sectors organise themselves in order to gain access to social housing. FUPROVI has contributed with financing for 25 000 families with its revolving fund and funds channelled through the Financial System (Sistema Financiero). FUPROVI also offers other individual credits for the construction and improvement of houses. In 2005, FUPROVI's revolving fund was worth USD 25.6 million. The Swedish contribution up to and including 2005 is equivalent to USD 15.6 million



PHOTO: KINA ROBERTS

**Achievements.** In one decade 450 000 persons, more than 90 000 families, have benefited from improved or newly-constructed houses and strengthened micro businesses. In hundreds of marginalised neighbourhoods, basic services have been installed and communal facilities have been provided. The total value of the five revolving credit funds is more than USD 70 million.



**La Fundación Salvadoreña de Apoyo Integral (FUSAI) in El Salvador**, initiated its activities in 1992. Sida has supported FUSAI since 1999. Between 1992 and 2004, FUSAI has contributed financing for over 10 000 family houses and has benefited a great number of micro businesses. In 2005 FUSAI's revolving housing fund was worth USD 7.0 million. The Swedish contribution up to and including 2005 is equivalent to USD 5.1 million.

**Fideicomiso para el Desarrollo Local (FDLG) in Guatemala**, was established in 1999 through an agreement between Guatemala and Sweden (Sida), and initiated its activities in the year 2000. The funds are administered through a trust. In four years (2000–2004), FDLG has contributed financing for the improvement of 3 400 houses. It offers credits for families and communal banks and channels funds through micro-financing entities. 8 400 credits have been granted to 5 600 families with micro businesses. In 2005 FDLG's revolving fund was worth USD 9.9 million. The Swedish contribution up to and including 2005 is equivalent to USD 8.8 million. It is planned that a further USD 6.0 million will be disbursed from 2006 onwards.

FDLG offers micro-credits to small businesses or for investments that can benefit the community, for example electricity, drinking water or a communal telephone. The credits can also benefit individual families for housing improvement.



PHOTO: KINA ROBERTS



PHOTO: KINA ROBERTS

FDLG was formed in 1999 with the purpose of improving living conditions in Guatemala, promoting the participation of the poor in the economy and in political decisions. The needs have no limits.



PHOTO: KINA ROBERTS



PHOTO: KINA ROBERTS

Support for micro and small businesses with the purpose of improving the income of poor families. A micro business is a business with very low sales volume and assets, typically run by a single person. This woman is from Chimaltenango in Guatemala. She has received a micro-credit from the organization for developing her shop. Many micro businesses have received credits for their business activities through the housing programmes.

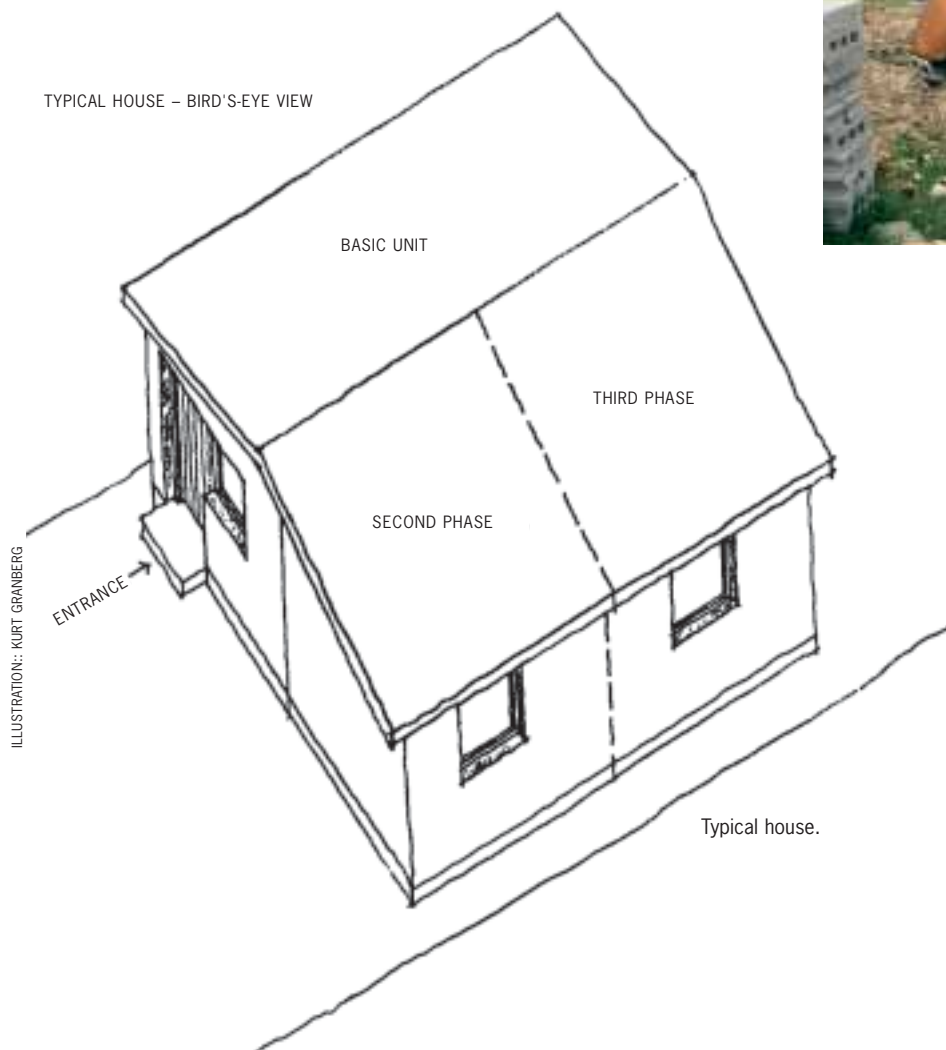


Tina and her family were the first inhabitants in the new settlement called Inmaculada Concepción. Their house is 36 square metres in area and the investment was USD 2 160. The family received USD 540 in financial assistance, and the remaining funds were given as a loan to be repaid with interest over 10 years. In total, 508 new houses will be built. The photograph to the left shows the house where Tina and her family used to live.

**La Fundación para el Desarrollo de la Vivienda Social Urbana y Rural (FUNDEVI) in Honduras**, is an autonomous foundation created through a tripartite agreement between Honduras, Sweden (Sida) and Germany (KfW), which was ratified by Honduras' National Congress in December 2001. Sida has supported PRIMHUR and later FUNDEVI since 1999. Since FUNDEVI was established 23 years ago more than 26 000 families have benefited from its services with contributions from Sida, KfW and BID. In 2005 FUNDEVI's portfolio was worth USD 40.6 million. The Swedish contribution up to and including 2005 was equivalent to USD 5.3 million. Another USD 4.3 million is scheduled for disbursement to FUNDEVI from 2006 and onwards.



TYPICAL HOUSE – BIRD'S-EYE VIEW



Typical house.

**Housing construction.** The housing programmes in Central America offer low income families the opportunity to receive loans for the construction, expansion or improvement of their houses. Technical advice and assistance is offered to all families. For example, architects can assist in the planning of the construction. The houses are constructed so as to resist natural disasters such as earthquakes and hurricanes. (Photograph: Tela in Honduras)





#### THE CITIES THAT ARE PARTICIPATING IN PRODEL

##### 1994–1997

Chichigalpa  
Chinandega  
Estelí  
León  
Ocotal  
Somoto

##### 2002

Masaya  
Rivas  
Masatepe

##### 2003

Managua  
Chontales

##### 1998–2001

Jinotega  
Matagalpa



The seamstress Rosa Adilia Lanuza lives in central Masatepe with her husband and three of her five children. She is building a new house with a loan from PRODEL. The family is moving to the new house and Rosa runs her business in the old house.

**Fundación para la Promoción del Desarrollo Local (PRODEL) in Nicaragua** has been supported by Sida since 1993.

Between 1994 and 2004, PRODEL has granted more than 17 000 credits for housing improvements and some 16 700 credits for development of micro businesses through micro-financing institutions (MFI). It has also financed 440 infrastructure projects in approximately 300 communities, benefiting hundreds of thousands of people. In 2005, PRODEL's revolving fund was worth USD 12.9 million. The Swedish contribution up to and including 2005 is equivalent to USD 17.6 million. It is planned that a further USD 4.5 million will be disbursed to PRODEL from 2006 onwards.



Teodora Rodríguez lives in Rivas. Through PRODEL she received a loan of USD 1120. She used most of the money to improve the facade of the house and to reconstruct the roof, the windows and the doors. Teodora's husband carried out the construction work in his spare time. They need another loan in order to install a toilet and to improve the floor.



# Regional Programmes

## Sida-IDB

Sida and IDB, the Inter-American Development Bank, established a partnership programme in 2000 with the objective of improving the effectiveness and impact of IDB's and Sida's poverty reduction operations in the four poorest countries in Central America: Guatemala, Honduras, El Salvador and Nicaragua. In 2006 Sida initiated cooperation with the Multilateral Investment Fund (MIF) at IDB.

The Sida-MIF joint activities will be designed to expand access to quality housing for lower income groups, and to improve housing markets across Latin America and the Caribbean (LAC). It has been agreed that the organisations will collaborate in the following areas:

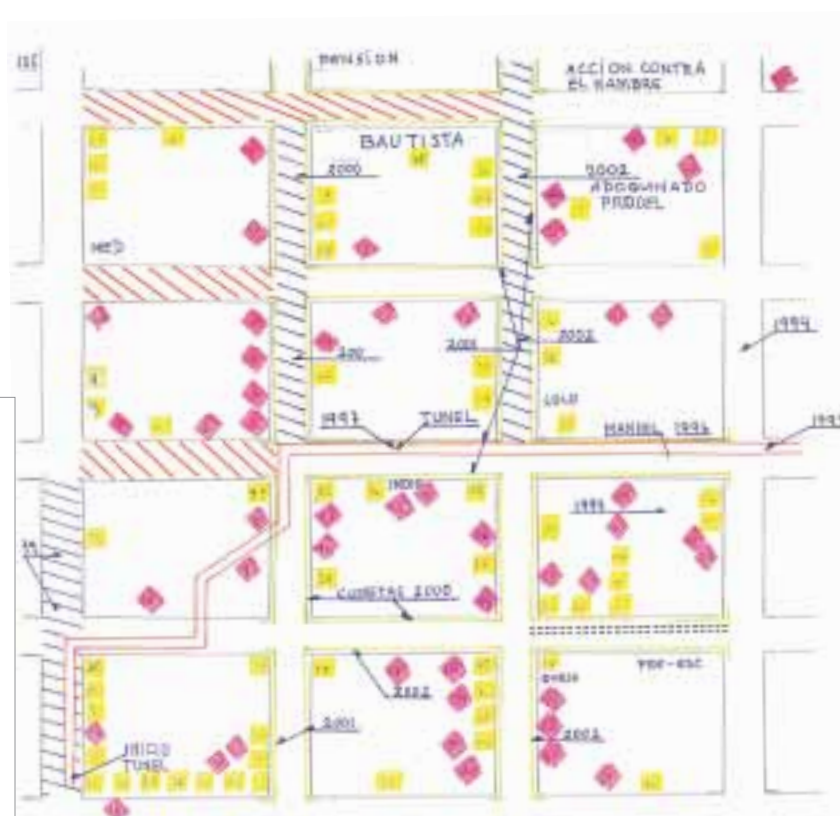
- Joint development and financing of a housing finance and residential infrastructure facility
- Joint development and financing of studies and associated field work on housing and housing markets in LAC
- MIF participation with Sida in the CGAP (Consultative Group to Assist the Poor) Working Group on Housing Finance
- Joint development and implementation of projects and actions to facilitate the flows of remittances to housing

## Exchanges and Internships

With the purpose of promoting learning and of communicating its experience in the region, Sida finances annual meetings for the region's institutions as well as courses and joint seminars for representatives of the programmes and internships. The purpose of these activities is to exchange experience and promote the development of the organisations involved by using the skills that exist within the network of programmes. In addition Sida has supported, since 2004, annual meetings between the housing ministers in Central America.

The map to the right gives a general view of the improvements that have been achieved through PRODEL in the neighbourhoods of the city Somoto in Nicaragua

- ◆ housing improvement
- small business
- = water piping
- street curbs/sidewalk
- \\ cobble road financed by PRODEL
- /// cobble road financed by another institution
- = sewerage system



## Capacity Building for Professionals in the Sector of Popular Habitat (PROMESHA)

The Programa de capacitación para el Mejoramiento Socio Habitacional, also known as PROMESHA, has been implemented since 1995 by the Department for Housing Development and Management at Lund University in Sweden, and the IIA (Instituto de Investigaciones de Arquitectura) at the Universidad Mayor de San Simón in Cochabamba, Bolivia. The purpose of the programme is to provide capacity building courses for professionals working in the sector. It consists of a course in English, offered by FUPROVI in Costa Rica. The annual regional course in Bolivia, which is offered by the IIA, is open to participants from all over Latin America.

The programme also offers national courses and seminars for institutions in each of the programme's seven counterpart countries.

The participants in capacity building and investigational studies are largely representatives of local and central governments, as well as of universities and NGOs. PROMESHA has counterparts in Bolivia, Ecuador, Peru, Guatemala, El Salvador, Honduras and Nicaragua.

Sida's financial support to PROMESHA amounted to USD 2.5 million between the years 1995 and 2003. Further support to PROMESHA (phase v) was granted towards the end of 2005. The additional Swedish support for the period 2005–2008 is equivalent to USD 4.2 million.

## Conclusion

The information presented above proves that, with unity and effort, it is possible to develop models that generate significant contributions to the task of eradicating poverty in our countries.

We know that there still remains much to be done, that the task has barely started, but the answers received, the achievements of this first decade, and the strong commitment and backing from all stakeholders motivate us to keep working.

We wish to invite governments and institutions to make use of these cases to assist them in implementing their projects with the objective of achieving a better Central America for everyone.



PHOTO: KINA ROBERTS

Sida's programmes in Central America have to ensure that both women and men are given the possibility to participate in, and exert and influence on, and influence in the selection of the improvements to be made.



PHOTO: KINA ROBERTS

In the period between 1988 and 2004, the housing programmes that Sida co-financed in Central America contributed to improving living conditions for 90 000 families. In what used to be a vacant lot, the neighbourhood Inmaculada Concepción has emerged. The new houses have electricity and receive water from a communal tank.





*Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.*



SWEDISH INTERNATIONAL DEVELOPMENT  
COOPERATION AGENCY

SE-105 25 Stockholm Sweden  
Telephone: +46-(0)8-698 50 00  
Telefax: +46-(0)8-20 88 64  
sida@sida.se, www.sida.se