

Radical reforms needed for housing finance in Latin America

By Eric Carlson

THE First Inter-American Forum on Housing Policy, held in Lima in November 1989, with more than 150 participants, brought together a set of considerations and recommendations that suggest the need for radical reforms in national macro-economic policies and strategies as well as in national policies for housing and shelter financing. The Forum was intended to be the first in a series to be convoked by the Inter-American Housing Union (UNIAPRAVI).

CABSHFI was represented at the Forum by its chairman, Dr Freddy Reyes Perez, its special adviser, Eric Carlson, and the general manager of the National Housing Bank of the Dominican Republic, Opinio Alvarez Betancourt, who presented one of the major statements to the Forum.

The other main speakers included: Julio Kneit, president, Mortgage Bank of Uruguay; Luis Filipe Soares Baptista, president, Brazilian Association of Savings and Loan Entities (ABECIP); Lauchlin Currie, Professor of Economics, University of the Andes, Bogota, whose address was presented by Luis Eduardo Rosas, president, Colombian Institute for Savings and Housing; Francis Conway, US-AID Office of Housing, Quito; and Iari de Andrade, president, BIAPE, Inter-American Savings and Loan Bank, Caracas.

The Forum was convoked with the understanding that the world economy is in rapid transition, increasingly interdependent, and with the globalisation process accelerated by

communication and financial technologies which are essentially international in character.

All traditional economic and political alignments are being rapidly transformed in the various regions, such as the single European market of 1992; the US-Canada free trade arrangements; the decline of Communist ideology and competitive capacity; the economic expansion of nations in the Asia-Pacific region; and the gradual emergence of a per-

'Problem of external debt'

vasive peace process, leading to a new era of Building for Peace.

But, while growth in gross domestic product (GDP) for Asian developing countries was 9.3% in 1988 and projected at 7.6% for 1989, in the region of Latin America and the Caribbean, economic growth has slowed, further delaying the process of restoring per capita output, income and consumption to the average levels prevailing in 1979-81. GDP per capita declined at an annual rate of 0.6% in 1988 and the decline in per capita GDP was accelerating in 1989.

In most countries, the decline in output per capita has been accompanied by increases in export earnings and acceleration of inflation. Many countries are burdened by high external debt repayment require-

ments which reduce government resources and capacities to attend to the basic needs of their populations. In effect, a vast new obligation of accumulated "social debt" remains to be fully considered and financed if the countries of the region are to be efficient, productive and competitive in the new world economic order. They must embark on a process of stabilisation of their economies, but they must also attend to the human dimension in development. Productive modern economies require strong emphasis on health, education, employment and shelter. Children must have a proper environment for growth.

"Environment" is being given priority by international and bilateral aid agencies. Human settlements, housing and shelter, must find their proper role in the new order of priorities. "Poverty is pollution" and "pollution leads to poverty" must be recognised as the most dangerous threats to the human environment, and especially in a fast-growing urbanisation context.

The Forum was divided into two working groups, one on Housing Policy and the Role of Housing Finance Institutions, the other on Monetary Policies and Housing Finance. After discussion in plenary, a consolidated report was adopted of the key conclusions of the working groups. The full report is published and available from UNIAPRAVI headquarters in Lima. A summary of some of the conclusions follows:

46 →

← 45

Housing problems require priority because three main areas receive attention: social concerns, economic reactivation aspects, and social peace and order.

Housing policy should clarify the role of the public and private institutions, as well as those for housing finance. Their activities should be co-ordinated.

The development of housing by the private sector should be sustained principally by internal savings.

Housing policy should be stable over a period of time, and the rules of the game should be transparent.

Subsidies are a key instrument for housing finance policy. Subsidies should only be given to those who really need them, preferably by the use of internal resources (through a percentage of the gross internal product, or from taxes directly destined for housing). A careful diagnosis of the needs is essential.

The existence of an advisory organism at the highest level is necessary to provide the planners with support at the time of formulating general national policies and for housing in particular.

International organisations should be requested to provide a larger percentage of their resources to the housing sector on favourable terms.

'Stable housing policy needed'

Monetary policy as part of macro-economic policy should take on as an objective the achievement of economic stability as the basis for sustained expansion of housing finance. In the process of transition from instability toward stability it is necessary that the monetary authorities and others of the government adopt the pertinent measures to protect the continuity of the financing institutions, particularly those oriented towards long-term financing.

Monetary policies exert important influence on the activity of housing finance institutions. Short-term predominant orientation of monetary policy has adversely affected the availability of long-term housing finance.

Long-term financing is different from short-term credit, where the variables are known. In consequence the rules of the game to assure the availability of both, in amounts and costs, ought to be necessarily different.

Because housing investment is of considerable magnitude and long term, some mechanism of protection against inflation is required to assure the maintenance of real value of the financial resources mobilised by housing finance institutions. Housing finance in an inflationary context is not viable without the existence of a mechanism of protection.

Among the other main points of interest brought up during the Forum were the following:

Surveying the variable conditions and quality of urban and rural housing in the different regions of a country is seen as an important factor in determining appropriate housing policy, financing and subsidies. Equally important is a diagnosis measuring the state of interest, support and participation of the population, as well as their economic capacity to benefit from new construction, progressive improvement programmes or renewal and to indicate also the needs for infrastructure and services of the local governments and communities.

The important roles of local government and community action through co-operative and self-help and mutual aid programmes must be defined and stimulated, and for low income groups it will be essential to consider subsidies of land and infrastructure, tax exemptions, as well as financial credits. Various forms of housing tenure should be contemplated, including ownership,

rental and co-operative forms, as well as progressive construction programmes.

Long-term investors should be attracted to housing programmes, particularly pension funds, insurance companies and others. Adequate financing for the construction industry should be assured, and there should be promotion of efficient productivity by the construction industry in the search for housing solutions at low cost. New technologies should be stimulated as well as improved on-site management.

Housing policy should promote co-ordinated and complementary

'Attracting investors'

action for financing by public and private sectors. Housing finance institutions should declare their interest in support of self-help programmes and help the families of the informal sector enter into the established systems. This may include assistance for more rapid promotion of land titles and registry, new mortgage and credit systems, and other steps to achieve legalised housing.

More should be done to promote regional and international interchange of information, experience, and technical assistance to achieve efficiency in planning and utilisation of resources for housing, community development and human settlements in general. New support instruments should be created, such as information centres, research and training institutes, and other methods for achieving participation for significant progress for low-cost housing programmes and their financing. ■

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