

From tenants to owners: experiences with a revolving fund for social housing

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SUMMARY: *This paper begins by describing the situation of tenants at national and municipal level within Bolivia, drawing on the limited data and information available and highlighting relevant legislation and policy. The paper then describes the circumstances leading to the setting up and implementation of FROVIS (an NGO revolving fund for low-cost housing) and examines its achievements and the difficulties encountered. Finally, the paper discusses how private tenants might be better included within the policies and activities of both the state and the non-government sector.*

I. INTRODUCTION

THE FIRST AIM of this paper⁽¹⁾ is to examine the situation of low-income tenants in Bolivia and to highlight the need to include them in general housing policies. A second aim is to look specifically at housing development and improvement projects that address the needs of tenants by exploring the experiences of a Revolving Loan Fund for Social Housing (the *Fondo Rotatorio de Vivienda Social* or FROVIS Programme), a programme implemented by the non-governmental organization CERES⁽²⁾. This project, now nearing the end of a first phase of construction of basic housing units for a group of tenants in the city of Cochabamba, may serve as a model for solutions to the problems of private renters in the country as a whole.

The paper begins by describing the situation of tenants⁽³⁾ at national and municipal level, drawing on the limited data and information available and highlighting relevant legislation and policy. The paper then describes the circumstances leading to the setting-up and implementation of FROVIS and examines its achievements and the difficulties encountered. Finally, the paper discusses how private tenants might be better included within the policies and activities of both the state and the non-government sector.

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1. This paper was first presented at two local meetings in Cochabamba in February and March 1997 as part of an international project to share experiences of strategies and solutions for low-income tenants, instigated by IIED, London. Comments and discussions from these meetings and from a variety of people who received a copy of the draft, have been incorporated in the final paper.

2. The *Centro de Estudios de la Realidad Económica y Social* is a non-governmental organization based in Cochabamba, Bolivia, specializing mainly in research in the social sciences complemented by development programmes in both urban Cochabamba and the surrounding rural provinces. The organization, founded in 1978, currently has a staff of approximately 50.

3. Since Bolivia does not have a public or state supported rented sector, the term "tenant" implies private sector tenants throughout the paper.

4. *Anticresis* refers to a contract by which the occupier pays to the owner a lump sum for the use of a property during a set period of time, obligatory for a minimum of one year with a second optional year. At the end of the period the amount is returned to the occupier in its totality. The system is popular in Bolivia due to the high interest rates on borrowing from credit institutions and the difficulties in procuring capital. *Anticrético* deposits may range from US\$ 500 to over US\$ 50,000, for anything from a single room to an independent house, and the system is used both by the middle and upper-classes and increasingly by the low-income sector (see later). It is a housing sub-market peculiar to Bolivia.

5. The intermediary credit institutions (*Instituciones de Crédito Intermediarias* or ICIs) consist of the main banks, cooperatives and

II. CONTEXT

a. State Level

THE PROBLEMS OF tenants in Bolivia are accentuated by the lack of specific legislation. Between 1938 and 1973, various laws and decrees were passed which somewhat improved the system for renting private property, all of these regulations being replaced in 1976 by the Civil Code and Civil Procedure. Although the Code includes references to contracts, to letting, to norms that control the process of eviction and to details of *anticresis* contracts⁽⁴⁾, to date no law has been passed specifically directed at the protection of tenants (such as a rent control act) or to relations between owners and tenants (for example dealing with aspects such as rent payment and living conditions.) This absence of any clear legislation shows, above all, the lack of attention paid to the renters and non-owners.

The Bolivian government has attempted various measures to address housing needs. One such mechanism was the creation, in September 1992 of FONVIS, the National Fund for Social Housing, based on the previously existing government Housing Fund and Institute, in order to provide some support for low-income households. FONVIS acts as a "second-floor bank", where credit risk is transferred to the intermediary financial institutions (*Instituciones de Crédito Intermediarias*)⁽⁵⁾ which manage its funds. Mid-way through 1997, the FONVIS housing portfolio stood at an estimated US\$ 150 million, more than 70 per cent of this being concentrated in mutual societies and co-operatives.

Criticism of FONVIS' activities is high and there is a consensus that it has not resolved the housing problems of the low-income sector – more especially of those who do not have fixed employment, who work in the informal sector and who are unable to satisfy the basic requirements of the financial institutions.

Whilst many aspects of the housing situation in Bolivia have been given attention, little consideration has been given to the aspect of tenure. Various analyses refer to the housing deficit, both quantitative and qualitative. For example, a recent study carried out in 1996, estimated the quantitative deficit at 580,000 houses with around 1,050,000 houses lacking adequate water or drainage; the Ministry of Urban Development suggests a quantitative deficit in the region of 250,000, with a new-build demand of 32,000 units in 1996 to cater for the deficit plus growth in the number of households, and a qualitative deficit of between 600,000 and 750,000.⁽⁶⁾ However, currently in Bolivia there does not exist any policy that offers an improvement in the living standards of low-income tenants, nor do they have any effective legal protection against the difficulties that they most frequently encounter. Due to the high insecurity of those who live in rented accommodation, under contracts of *anticresis* or minding the houses of others, any calculation of quantitative housing deficit should also take into account an assessment of

mutual societies registered with and thus under the supervision of the Superintendencia de Bancos, with the explicit aim of providing finance to the beneficiaries of FONVIS' housing plans. The ICIs are obliged to work to the remit of FONVIS in terms of interest rates, loan terms and agreed criteria with respect to the eligibility of clients. One criticism of the currently operating ICIs is that they include only the bigger and more financially secure institutions, leaving out many smaller cooperatives and mutual societies.

6. Abt Associates (1996), *Bolivia: Estudio del Mercado e Instituciones para el Financiamiento de Vivienda*, unpublished report for the Inter-American Development Bank; and Ministerio de Desarrollo Humano, Secretario Nacional de Participación Popular, Subsecretario de Desarrollo Urbano y Director Nacional de Vivienda (1997), *Reformas al Sector Habitacional*, working document presented at the Seminar on Directions for a Housing Policy, 7-10 May, La Paz.

7. Beijaard, F. (1995), "Rental and rent-free housing as coping mechanisms in La Paz, Bolivia", *Environment and Urbanization* Vol. 7, No. 2, IIED: London.

8. See reference 7.

the security of the home and not only numerical data on numbers of units.⁽⁷⁾

b. The Situation of Private Tenants

The only comprehensive data on the tenant situation in Bolivia is found in the national housing censuses. Analysis of the 1992 and 1976 censuses shows:

- an increase in the number of private tenants during the inter-censal period from 30 to 34 per cent of total households nationally and from 24 to 31 per cent in the department of Cochabamba;
- a further concentration of the rented sector in urban areas, rising from 84 to 90 per cent of all private tenants;
- a deterioration in the living conditions and/or quality of housing of private tenants in the inter-censal period.

These figures are not wholly reliable due to the deficiencies in data collection and classification difficulties. Nevertheless, they are broadly indicative of trends. When considering issues related to tenancy and urban poverty, it should be noted that between 10 and 20 per cent of the tenant sector are not of low income or do not live in rented accommodation as their principal form of residence, and have greater possibilities of resolving their problems within the traditional market in the medium to long-term.

In addition to tenants, there are two other substantial non-owner groups – those living in *anticresis* (or with a mixed contract of *anticresis* and renting) and those who look after a property without paying rent, known as *cedida*.⁽⁸⁾ According to the 1992 census, these two groups accounted for 18 per cent of the population, increasing the total number of non-owners to 34 per cent of households. Census data also show that use of *anticresis* has remained more or less constant at 4 per cent of households although it is becoming increasingly concentrated in urban areas.

In Cochabamba (see Table 1), the average for the conurbation is 8.45 per cent of households but some districts have over 13 per cent of households in *anticresis* including both upper middle-class and lower middle-class areas. Zones with a concentration of low-income households that exceeded 70 per cent have correspondingly low numbers of *anticresis* contracts. Whilst interest rates remain high and loans difficult to access, there clearly exists an interest on the part of property owners to "let" out property on the basis of an *anticrético* contract, whereby they benefit from the use of the lump sum capital for at least a 12-month period, the minimum term of a legal *anticrético* contract (there are informal arrangements, especially on the use of single rooms, whereby lesser periods are agreed, frequently without proper legal documentation). An interesting phenomenon is the increasing use of *anticresis* by homeowners in the low-income sectors of the city where single rooms or groups of rooms or "apartments" within their own property are offered on the

basis of *anticrético*. This suggests that the limited access to credit for the low-income and informal sector workers is encouraging the search for capital from alternative sources – *anticresis* being one such possibility. Clearly, interest-free capital for up to two years is of great interest to the informal sector worker with inadequate security or evidence of income to offer the formal banking sector. The *anticresis* system is an attractive alternative to informal lenders exploiting their market position and to the few more reputable lending bodies catering to the informal sector but who charge very high interest rates.

In conclusion, any study of the problems of renting should include those living under *anticresis* and *cedida*, as these two categories have characteristics in common with tenants in terms of lack of security and poor quality of housing and life, and are similarly victims of the uncertainties of the market.

c. A New Housing Policy

In view of the lack of an adequate housing policy and propelled in part by the changes gradually coming into effect as a result of the Law of Popular Participation, the basis for a radically new national housing policy was proposed towards the end of 1995. It is built around five lines of action, namely:

- the right to a decent house for all;
- the encouragement of people's participation under the terms of the popular participation legislation;
- reduced sectoralization (e.g. between government departments and agencies) and an emphasis on a more integrated policy;
- the sustainability of any proposed interventions and an assurance of non-detrimental effects in the future in both economic and social terms; and finally,
- social equity.⁽⁹⁾

Amongst the specific lines of action proposed were:

- the regulation of individual and communal property rights based on traditional social values of legitimacy as opposed to formal legal regulations;
- the reclaiming and development of participatory mechanisms and forms of social organization related to the demand for new houses and improvement programmes;
- the development of accessible lines of finance;
- emphasis on the social use of the home;
- the use of original and traditional construction techniques;
- the institutionalization of a national housing policy.

Within this, it is proposed that FONVIS be dismantled and replaced with a system whereby the existing funds are used to lever new finances. If and when implemented, the new policy will obviously assist the low-income sector. However, attention is not aimed specifically at the rented sector and, moreover, it is felt that laws relating to tenants are a low priority at the present time.⁽¹⁰⁾

9. Bazoberry, G. (1996), "Bases para una política nacional de viviendas en Bolivia", draft document presented at the seminar *Plan de Acción de Bolivia en el Marco de Habitat II*, organized by Promesha, Ministerio de Desarrollo Humano, October 1996, Cochabamba.

10. See reference 9, MDU (1996).

11. Any changes in future policy depend on the outcome of the national elections held on 1st June 1997. With the formation of a new government, a coalition of four parties under the leadership of General Banzer, called *Acción Democrático Nacional* (ADN), a Ministry of Housing has been formed under the responsibility of CONDEPA, the most populist party but that which to date has not had any strong line on housing policy. More positively, the outgoing government managed to ensure that the previous work of its inter-departmental commission was published and received constitutional support before its term ended which means that some continuity over proposed reforms can at least be hoped for.

12. Gordillo, J.M., V.H. Blanco and P. Richmond (1995), "Diagnóstico de la vivienda en la conurbación de Cochabamba", UMSS/CERES/H.A.M.:Cochabamba.

In May of this year, the inter-institutional commission set up in December by the Ministry of Human Development presented its conclusions in the form of a proposed housing plan (*Plan Habitacional*). Whilst there was recognition of the progress that had been made, there was overwhelming agreement that existing proposals did not go far enough. In the run-up to the general election on 1 June 1996, all of the major political parties included the housing issue in their campaigns and were promising action on the dissolution of FONVIS and its replacement with a more equitable finance system.⁽¹¹⁾

d. Municipal Level

In Cochabamba, the council sought to develop appropriate policies for the housing sector during the current session. However, to date, the only projects realized have been those of the Social Emergency Fund created in 1986, FONVIS' plans directed at the middle and lower middle-classes, and a few specific projects financed by international cooperation.

A detailed study of housing quality in Cochabamba,⁽¹²⁾ was undertaken using data from the 1992 census. A number of specific findings were made with respect to tenants:

- 52 per cent of the population of the Cochabamba conurbation are non-owners; 27 per cent live in rented accommodation, 8.5 per cent under *anticresis* contracts and 17 per cent in *cedida* – either *cedida parentesco* (from relatives) or *cedida con servicios* (providing services in return for rent-free accommodation).
- In several areas, high levels of poor quality housing are associated with high levels of non-owner tenure. Whilst homeowners are also living in poor housing, especially on the periphery, it is evident that problems of housing quality, above all the lack of basic services and a high level of overcrowding, relate, to a large extent, to renting.
- Female headed households and the largest families are more likely to live in non-owned houses which are of poor quality.
- The distribution of renters is a reflection of the history and growth of the city. Tenants are concentrated in the urban expansion areas (the districts of Jaihuayco, Alalay Norte and Chimba). More recent areas such as Alalay Sur, Valle Hermosa and Condebamba have a relatively greater number of homeowners who are still in the process of building a basic unit for themselves and who are not yet able to offer rooms for rent.

The data show the importance of the low-income rented sector at the municipal level in Cochabamba and the need to consider its requirements within any housing policy. According to the 1992 census, 69.5 per cent of houses in the conurbation of Cochabamba lack at least one of the basic services; 15 per cent suffer from high or medium overcrowding; 39.5 per cent are of

13. See reference 12.

a poor physical standard; and 22 per cent suffer a sub-standard use of space. These variables were combined to produce a definition of housing quality ranging from good to deficient.⁽¹³⁾ Table 1 shows percentages of deficient houses in the city inhabited by tenants.

Table 1: Houses According to Tenure and Quality – Municipal Districts of Cochabamba

DISTRICT	TOTAL	PERCENTAGES				QUALITY OF HOUSING DEFICIENT	
		Rented	Anti-credito	Cedidas	Total non-owners	No	%
QUILLACOLLO							
1 Central	2033	28%	10%	17%	56%	1050	52%
2 Tacata	1458	28%	6%	11%	44%	1108	76%
3 Ironcollo	1569	26%	6%	16%	49%	1179	75%
4 Santo Domingo	2181	26%	8%	15%	49%	1462	67%
5 Sapenco	1809	27%	5%	12%	44%	1483	82%
6 Cota	114	36%	5%	16%	57%	83	73%
7 Cotapachi	657	25%	3%	11%	39%	360	55%
AXIS Q'COLLO-CBBA							
8 Capacachi	1582	26%	7%	19%	52%	1143	72%
9 Sumumpaya	1707	24%	6%	15%	45%	1037	61%
10 Colcapirhua	761	26%	4%	15%	45%	469	62%
11 Piñami	1874	29%	6%	17%	52%	1184	63%
12 Colcapirhua 2	48	23%	6%	31%	60%	30	63%
CBBA							
13 Mayorazgo	1669	20%	5%	20%	46%	1033	62%
14 Sarco	2267	22%	12%	20%	54%	734	32%
15 Cala Cala	3660	17%	14%	19%	51%	379	10%
16 Queru Queru	2434	18%	9%	18%	45%	477	20%
17 Tupuraya	927	23%	9%	23%	56%	382	41%
18 Hipódromo	5133	21%	14%	19%	54%	980	19%
19 Nor-oeste	2276	22%	13%	21%	56%	258	11%
20 Nor-este	1798	25%	10%	17%	52%	136	8%
21 Muyurina	2964	25%	11%	20%	56%	453	15%
22 Chimba	2583	28%	11%	15%	54%	1087	42%
23 Sud-oeste	3674	28%	15%	22%	64%	1031	28%
24 Sud-este	2993	29%	15%	21%	65%	680	23%
25 Las Cuadras	3830	26%	13%	17%	57%	1128	29%
26 La Maica	1912	24%	9%	24%	57%	975	51%
27 Jaihuayco	4430	35%	9%	18%	62%	2177	49%
28 Alalay Norte	15177	37%	7%	15%	60%	9922	65%
29 Lacma	3744	35%	6%	12%	53%	3150	84%
30 Ticti	2047	27%	2%	11%	40%	1859	91%
31 Alalay Sur	1615	27%	1%	11%	39%	1479	92%
32 Valle Hermoso	2837	31%	2%	12%	45%	2581	91%
33 Sarcobamba	3932	25%	9%	17%	51%	2502	64%
34 Condebamba	3030	24%	5%	15%	45%	2436	80%
35 Temporal Pampa	2811	22%	8%	20%	51%	1433	51%
36 Queru Queru Alto	1369	22%	9%	17%	49%	740	54%
37 Aranjuez Alto	813	19%	8%	21%	47%	351	43%
38 Mesadilla	2659	21%	8%	18%	48%	1461	55%
39 Villa Busch	3120	27%	11%	17%	55%	2096	67%
40 Coña Coña	1990	26%	8%	16%	50%	1188	60%
41 Taquiña	1362	26%	5%	16%	47%	1097	81%
42 Tupuraya B	9	0%	0%	22%	22%	2	22%

AXIS CBBA-SACABA								
43	Arocagua	1464	21%	6%	18%	45%	936	64%
44	Quintanilla	1014	26%	5%	14%	45%	658	65%
45	Puntiti	699	24%	4%	15%	42%	543	78%
46	Pucara	497	15%	2%	14%	32%	373	75%
47	Huayllani	305	15%	1%	18%	34%	221	72%
48	Chimbocol	530	16%	1%	21%	38%	435	82%
SACABA								
49	Laicacota	1028	24%	1%	11%	36%	772	75%
50	Sacaba	1075	24%	3%	14%	40%	691	64%
51	Ulincate	1169	26%	2%	13%	41%	838	72%
COCHABAMBA:								
	112639		27%	8%	17%	52%	60262	54%

SOURCE: Diagnóstico de la Vivienda en la Conurbación de Cochabamba - Gordillo, Blanco y Richmond 1995

14. Gilbert, A. (1991), "Renting and the transition to owner occupation in Latin American cities", *Habitat International*/Vol.15, No.1/2, pages 87-99, Pergamon Press:UK.

15. Rivera Pizarro, A. (1986), "Ocupación municipio en Cochabamba: el barrio 24 de enero", paper presented at the seminar *Municipios, Crisis y Democracia* organized by CERES, May 1986, Cochabamba.

Additional difficulties for renters relate, for example, to location and the additional costs of living at a distance from the city centre. In many cases private tenants prefer to live in rented accommodation because of problems of travelling from their own plots located further from the city and from the centres of employment, commerce and activity.⁽¹⁴⁾

III. COMMUNITY LEVEL – CERES HOUSING PROJECT

THIS SECTION STARTS by introducing the context in which CERES started to work with low-income renters. The experience of the tenants involved in the first CERES housing project helps to illustrate the general situation of renters in Cochabamba and explain the possible options.

a. Background to the Project

To understand the context in which CERES implemented the housing project, it is necessary to go back to 1978, when around 200 poor, homeless families invaded the flanks of San Pedro, a hill on the east side of the city of Cochabamba.⁽¹⁵⁾ They occupied land destined as open space and a state forestry reserve and formed one of the few examples of a social movement of low-income tenants in Bolivia. On the night of the 23rd January 1979, the police, using city council machinery, demolished the 150 precarious homes built over a period of three months. The families were moved to the showground site on the south-eastern edge of the city where they were temporarily housed under metal sheeting. There, due to the awful living conditions, the movement dispersed little by little, leaving a much reduced group of 300 persons who formed the *24 de enero* cooperative in honour of the night of their eviction.

The activities of this group and the threat of a hunger strike finally forced the city council to seek an urgent solution to the

16. Homeless International is a registered charity with a membership based in the UK housing and construction sector. Its main objectives are a) to provide financial and technical support to charitable organizations and groups working to improve the shelter conditions of poor people in Asia, Africa, Latin America, the Caribbean and Europe; and b) to support the international exchange of information and experience on homelessness.

17. Laserna, R. (1996), "El desarrollo sostenible", Los Amigos del Libro: La Paz; also Solares, H. (1992), "Modernización: nuevos ropajes para viejas estructuras. El proceso urbano de Cochabamba" in *Ciudades de los Andes* compiled by Eduardo Kingman Garcés, CIUDAD: Quito, Ecuador.

problem and address public anxieties. After eight long months, 48 families obtained land from the city council in the Jaihuayco area, in the south of the city, where they began the construction of their houses under a directed self-build project with help from the city council in the form of materials and technical assistance. Today, the *barrio 24 de enero* is consolidated – its houses have water and drainage, the streets are paved and its residents scarcely recall their pains and triumphs of 18 years ago.

In 1987, CERES obtained approximately US\$ 9,700 for the installation of 725 metres of drinking water pipeline and 48 domiciliary connections for the *barrio*. In addition, using recovered monies from the revolving loan fund which had been established, improvements to individual houses were made including the provision of bunk-beds and washstands. More importantly, CERES demonstrated the viability of such lending to international funding institutions, in this case the NGO Homeless International.⁽¹⁶⁾

During the process of installing drinking water in *barrio 24 de enero*, CERES noted the plight of other residents in the area who were similarly living without basic services but, more seriously, lacked legal right to their homes. Many families wanted water but did not have the necessary documents to show ownership of their houses; a large number were tenants or living in *anticrético*. In 1991, CERES gathered a group of about 400 tenants, principally from Jaihuayco, Villa Mejico and the Air Base Area, in the south of the city, who presented a proposal to Homeless International for funds for a social housing project. CERES and 40 families are now concluding the first phase of this project.

The development of the FROVIS project was based around two constraints - the difficulties low-income renters face in obtaining adequate housing and the lack of financial resources for the low-income sector.

i. Options for Low-income Renters

Examples of recent research show the forces and pressures that are directing the growth of Cochabamba.⁽¹⁷⁾ Whilst various peripheral zones of the city are the result of invasions and occupations, opportunities for poor people to acquire land have become increasingly limited due to speculation and rapid price increases within the urban zone. With rising land prices, a family of limited means with a monthly average income of US\$ 79 needs at least six years to pay for a low-priced plot, assuming that no more than 25 per cent of monthly income can be allocated to housing costs. Self-help construction of a basic house costs a minimum of US\$ 2,000. Therefore, to purchase land and construct a house would require continual investment over at least 15 years. The fall in real income value for the poor and the increase in economic insecurity in the informal sector means that this strategy is increasingly impractical.

ii. Financial Resources for the Low-income Sector

In addition to the above problem, the formal financial sector in Bolivia does not address the needs of the low-income population. FONVIS housing plans are not accessible by the majority

of the poor, and the requirements of the intermediary credit institutions, with their restrictive conditions with regards to interest rates and loan periods, limit access to credit for the purchase of a plot and building materials.

b. The Situation of Renters

CERES selected a group of low-income non-homeowners on the basis of their living conditions and family characteristics to form the first phase of the FROVIS programme. The group comprised 40 families including five single mothers and two widowers. Twenty-eight of the families had three or more children. The average family income was US\$ 147 (according to 1993/94 data) and the average rent paid by the 22 private tenant families was US\$ 25.

Taking into account the costs of water and electricity, total expenditure on the rented home averaged 23.5 per cent of monthly income. However, within the group there were variations in renting preferences – some preferred to pay a little more, up to US\$ 48, in order to live in a more central location. Others preferred to pay a lower rent (US\$ 12) although this meant living several kilometres from the city centre. These choices were based on individual priorities – the need or otherwise to be close to the city centre for work, schools etc. – balanced with economic limitations. During the period of the project, participants had been subject to high costs, repaying loans for the plot and the installation of services before moving into the property whilst continuing to pay rent where they were living. Strategies to reduce outgoings were noted - for example, one family of six moved into a single room in a relative's home where they lived together with seven other families; Don Fernando and his wife Guadalupe paid 60 Bs monthly (about US\$ 12), even though there was no water or drainage and their one room, where Guadalupe recently gave birth to her third child, was less than 8 square metres. These strategies were directly related to the commitment to repay loans to CERES.

Six of the participating families lived in *anticresis* and seven in *cedida*. A further five lived with relatives. The amounts paid in *anticresis* varied between US\$ 600 and US\$ 1,200 according to size and location and those opting for this form of tenure were generally older families who had managed to save some money thus allowing them to pay a lump sum in *anticrético*, knowing that it would be returned to them at the end of the contract. In this way, they lost only the interest on their capital but had no monthly outgoings on the home. The system of *anticresis* represents a strategy for saving and, for those who have the capital available, is far preferable to renting even though the associated problems – insecurity, lack of privacy and the risk of eviction – are the same. As mentioned previously, the advantage for the owner is the use of interest-free capital over the period of the contract.

The participants indicated the following as the main problems of living as non-owners:

- “complaints from the owners” – the attitude of the landlord, lack of privacy and/or independence;
- “they’ll throw us out at any moment” – insecurity;
- “there’s no water” – lack of basic services;
- “the lack of cleanliness – nobody cleans, especially not in the toilet” – lack of independence, lack of respect between neighbours and/or tenants.

On average, these families have been obliged to move every 12 to 24 months and very few have lived in their current home for more than three years.

c. Landlords and Owners

In the case of the CERES project participants, the majority of landlords were “petty landlords”, that is landlords with only one house or a few rooms to rent out and who do not live off this income alone but have other principal forms of work, in contrast with landlords who build or buy property solely to live off the rental income. They are, in the main, lower or lower-middle class and, in several cases, the owner lives together with the tenants in the same property. Very few live off the rental income alone. In some cases, the landlord is waiting for an opportunity to develop the plot and move there at a later date, living meanwhile in the countryside; he builds a couple of rooms for rent in order to protect the land in the interim.

Most poor tenants have found their homes through informal means, such as by word of mouth or through relatives. The poor seldom resort to the formal property market where there is a growing number of agencies and individuals offering services. In Cochabamba, in a single Sunday newspaper, a total of nine agencies were advertising properties for sale, rent or in *anticrético* and many other unidentified telephone numbers or addresses, when contacted, were found to belong to a real estate company.⁽¹⁸⁾

18. *Los Tiempos* (25 May 1997).

d. The Role of the NGO

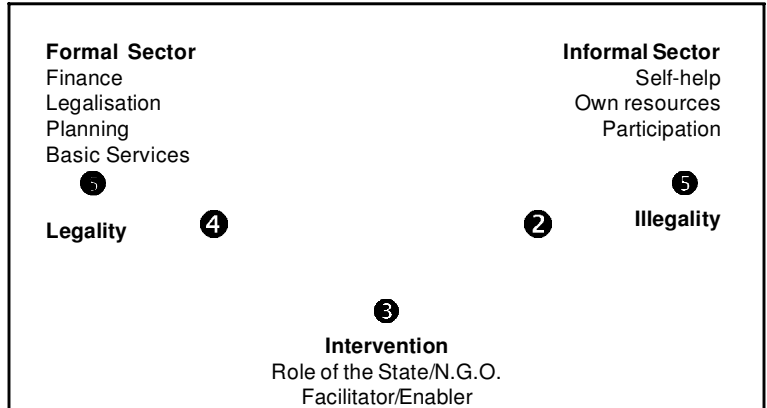
As an NGO, CERES sought to define an effective role for itself. For the purposes of this paper, the “formal sector” is defined as the ensemble of financial and legislative bodies, construction companies, urban planning systems and the provision of basic services by the authorities. The “informal sector” as the self-helpers and community participators, dependent on their own resources, ie. those people excluded for one reason or another from participating in and benefitting from the systems and structures of the formal sector. Between these two extremes is located the non-governmental sector with, amongst others, its role in the production of social and popular housing (see Diagram 1). Through NGOs, low-income groups within the informal sector may be able to access part or all of the benefits of the formal sector, that is, legalize their properties, obtain basic services, access appropriate loans - in short, live in a more “legal” fashion.⁽¹⁹⁾ The lack of state intervention generally leaves a gap which is covered by the non-governmental sector whose aim is to im-

19. Satterthwaite, D. and Hardoy J.E. (1989), *Squatter Citizen: Life in the Urban Third World*, Earthscan Publications Ltd: London.

20. These are, in addition to CERES, ProHabitat working in Tarija and Cochabamba, Red Habitat in El Alto, Habitat for Humanity with projects in various parts of the country, PROA providing credits for housing in Santa Cruz and El Alto, CEPRODES in Oruro, and CEIS-FATRAVI, also in El Alto and La Paz.

prove the conditions of life of the low-income sector who would otherwise remain marginalized and poor. In Bolivia, despite the need for more activity in the field of social housing production, there are nonetheless only seven NGOs⁽²⁰⁾ out of a total of approximately 600 registered that are dedicated to intervention in the housing sector.

Diagram 1: Intervention in Housing Production



IV. IMPLEMENTATION OF THE PROJECT

a. Background

AN INITIAL MEETING to present the idea of a housing project to some of the 400 local residents who had petitioned CERES was held in August 1993 and, thereafter, a group varying from 15 to 30 families met regularly with CERES over the next few months. Final selection of participants was on the basis of an application to CERES detailing living conditions, family composition, income and expenditure. Families with three or more children and with heads of household aged 35 or over were given priority. However, exceptions were made to include single mothers and younger heads of households who had participated in the group for a long time. Whilst the programme focused more on helping women with children, it was also felt important to reflect the variety of "family" types that exist in society. Applicants also had to demonstrate their lack of property ownership, had to take part in the preliminary meetings and had to pay an initial deposit of US\$ 250 which served as a down-payment on the land. A visit was made to each participant to verify the data on their application and to assess their living conditions.

The group formed an informal tenants' association and, in December 1993, opened a bank account to begin depositing their quotas, well before the purchase of the site. Meetings continued during 1994, where budgets, provisional costs and design were considered along with a regular update on possible sites. Funding to begin the project was finally received in No-

vember 1994. In the meantime, various changes in the group composition had taken place due to the long wait and to personal and economic difficulties. The long lead-in also affected the technical team, with a change in the project architect. At the time of the site purchase in March 1995, 25 families were involved in the project. This number grew rapidly to the required 40 once the site was bought and doubting families became more confident that the project was a reality. However, land purchase was a complex process.

b. Difficulties in Acquiring Land

The relatively high price of land meant that it was difficult to find a suitable site. Throughout 1994, the CERES team, together with the project participants, looked for land suitable for the construction of the 40 planned units. The results were discouraging with the only available land being either poorly located or too expensive. By the beginning of 1995, many of the participants were disheartened and began to look for individual plots in areas outside the urban limit. Several were near to leaving the group and thus losing the opportunity of accessing loans, working with an organized group to lower construction costs and ensuring access to basic services within a properly planned development. Due, in part, to this pressure and to the probability of losing finance from Homeless International if the programme was delayed any further, CERES bought a 16,320 square metre site in La Tamborada, a zone outside the official urban limit but where there already existed in 1995 at least 39 other "illegal" site developments, some of which were well consolidated and fully serviced.

Whilst this decision caused conflict with the city council, it highlighted the enormous difficulties faced by the poor in trying to access land for housing. By deciding to develop land designated for agricultural use, CERES was demonstrating the need to reformulate the urban planning system to take account of the rapid growth of the city beyond the legally defined boundaries. It was also emphasizing the need to implement policies of land use control that included a solution for the poor.

The CERES project has helped highlight the competition between agricultural and housing land use in the peripheral zones of Cochabamba. In 1996, the city planning department began a long and detailed study of the area to produce a development plan. The participative planning process included consultation with landowners and residents of the zone. Whilst much concern was expressed over the extension of the urban area into previously agricultural land, there was also the recognition that both land for housing and better services for the existing communities were needed. The CERES project was cited as an example of the kind of development, complete with services, that everyone wanted. At the time of writing, this report has yet to be presented formally to the municipal council but it is known that the plan includes proposals for a change of land use designation for La Tamborada, with automatic approval for those developments already consolidated at the time of the study and the

21. This information is based on a meeting held with the head of planning and the planning officer in charge of the development plan for District 9 in late May of 1997.

subsequent approval of developments such as that of CERES.⁽²¹⁾ It is understood that, within this area, as yet undeveloped surrounding land will be given development status thus providing a source of housing land for the low-income sector and for further social housing projects, hopefully at an accessible price.

The purchase of the site in La Tamborada, however, did not wholly resolve the problem of plot cost. The residents had to leave 39 per cent of the site for social infrastructure, open space and streets, and the plot cost for each participant turned out to be greater than that originally budgeted. CERES had to look for a private loan to offer credit to those who could not pay the full amount, in effect 75 per cent of the group.

c. Finance

22. CERES is in the process of undertaking a technological evaluation of the first 40 houses in order to analyze building and material costs per element of construction and suggest modifications to the design and/or technology accordingly for future phases.

Table 2 summarizes the project costs and the means of financing each element. The table shows that final costs, including those for skilled and unskilled labour, surpassed the budgeted figure.⁽²²⁾ It is similar to the original figure which was reduced at the request of the funding agency. Such reductions are frequently requested because of a tendency to make inappropriate cross-country comparisons about housing costs, whereas the reality of national economies and social situations is very different. Despite careful planning, it proved impossible to keep within the revised costs.

Table 2: Unit Costs and Finance: Phase 1, 1994-7

UNIT COST	US\$		
Plot (199m ² @ US\$ 2.6 per m ²)	850.00		
Water and foul drainage services	358.00		
Construction	1500.00		
Skilled labour	242.00		
Unskilled labour and others	263.00		
Total	3213.00		
CREDIT / LOANS	AMOUNT US\$		TERMS
	MIN.	MAX.	
Plot purchase	0.00	600.00	12 months, 14% interest p.a.
Water and foul drainage services	358.00	358.00	7 months, 10% interest p.a.
Construction	1500.00	1500.00	4 years, 10% interest p.a.
Total	1858.00	2458.00	
percentage of total unit cost	58%	77%	
BENEFICIARY'S CONTRIBUTION	AMOUNT US\$		
	MIN.	MAX.	
Deposit	250.00	850.00	
Skilled labour – construction	242.00	242.00	
Unskilled labour and others	263.00	263.00	
Total	755.00	1355.00	
percentage of total unit cost	23%	42%	

Pressure to lower the unit costs meant that the installation of drinking water and a foul drainage system had to be omitted

23. The first loan, for the land purchase, was optional and beneficiaries had the option of a US\$ 50-600 loan over a period of 12 months. All paid off the water and drainage installation loan over seven months and, in May of this year, began paying off the final US\$ 1,500 over a period of 41 months.

24. Since the amount available for materials and labour did not cover all costs, the participants contributed additional labour costs and some materials. In addition, the project loans do not include finishes, although CERES is currently considering taking out a further loan from the private sector to assist those families unable to finish their home with their own resources.

from the construction loan. Fortunately, CERES was simultaneously managing a revolving loan fund for community water and drainage provision and it was decided to use funds from this programme for digging a well on-site, for the installation of the drinking water system and for the construction of septic tanks and capillary drainage networks. The final cost per house, without finishings but including land, services and labour, is estimated at about US\$ 3,213. The participants have paid between 23 per cent and 42 per cent directly, depending on their means, and have had access to a variety of subsidized loans to a maximum of US\$ 2,458.⁽²³⁾ Operational costs represent a further subsidy in the region of US\$ 1,250. With various other modifications to the design, the estimated total price per square metre is US\$ 63.⁽²⁴⁾ Whilst there exist two subsidies to the programme, namely technical assistance from CERES and the interest rates on the two loans (and, to a lesser degree, on the bank loan for the site purchase), the project has been successful in its most important challenge, ie. the production of low-cost, quality units, through maximizing self-help and looking for appropriate technological solutions.

The project also developed opportunities for income generation. Whilst offers of outright donations were rejected as it was thought important to demonstrate that the project could sustain itself under market conditions, a small training project in the production of construction materials was started with the support of a large, local cement cooperative and, in early 1995, a team of three to five project participants worked on the production of kerb-stones for sale and, at the same time, were trained in the use of moulds and ferro-cement techniques. In the same way, the temporary purchase of a tipper-truck using part of the revolving loan fund enabled the project to cross-subsidize the costs of materials and transport and proved an income-generating activity as, when the project had no need for the truck, it was deployed in the commercial sector in order to cover its operational costs.

The project methodology was based principally on the concept of directed or managed self-build. CERES controlled the budget and organized the purchase of materials which were handed over to the project committee of the group to distribute. The lack of time available on the part of the participants prolonged the construction period and required a further financial contribution per family to cover additional contracted communal labour. Each family was also made responsible for contracting bricklayers for the construction of walls and roofing. In this way, most of the cost of qualified labour was transferred directly to the participants and the US\$ 1,500 allocated to each house was used for the cost of materials and some specialized labour. However, three families fulfilled the original philosophy of managed self-build and worked with family and friends on the construction at weekends, thus avoiding the cost of extra paid labour.

The generally accepted definition of self-build is where the family "self-manages" the construction of a house, that is, organizes the design, buys materials, directs works, in brief, man-

ages the process of production but rarely is there a contribution of family labour. With this definition in mind, to what extent has the FROVIS programme fulfilled its objective of a project based on managed self-build? One probable conclusion is that the system increases rather than lowers final costs. Self-build continues to be a practical option for the poor simply for lack of alternatives. It offers a cheap and easily manageable means of obtaining a house. However, when the element of self-management is eroded, as in the CERES project where, in effect, the NGO replaced the home-builder in the most important areas of decision-making, e.g. materials, time-scale etc., and there is little or no possibility of reducing costs by replacing paid labour by family labour, the appropriateness of the self-build model is highly questionable.

d. Gender Perspective

From the outset, the role of the women has been very important. The maintenance of the group and the coordination of the participants in the initial months were due in particular to the efforts of a small group of women from *barrío 24 de enero*. The men showed greater interest once activities began on-site, especially when the construction of the houses commenced.

Gender changes within the committee have been very notable. In the two years of project preparation, male participation on the committee was minimal – only one man was on the first Committee formed in August 1995. Once site work began, the men “took over” the committee which, from July 1996, has been all male. This reflects the male attitude of attributing greater value to tasks that appear more productive, in this case construction. This transition or shift of power is related to the gender division in Bolivian society where it is common for the woman to dedicate her time to the “private” sphere, ie. the home, the community or *barrío* and the informal society whilst the male feels his role is in more formal work or the “public” sphere, despite the fact that females are important income generators and commonly control the family economy.⁽²⁵⁾ It will be interesting to see what occurs once house construction is fully completed, the families take up residence and there is again a need to promote ideas and action around the social development of the urbanization.

e. Participation

Over the duration of the project, changes have also been observed in the level of participation. At each stage, CERES insisted upon the full participation of participants – in the initial meetings, in the search for land, in the design of the houses, in the evaluation of the pilot model and in the battle with the *alcaldia*. The formation of the Association with a democratically elected committee was actively encouraged by CERES and, in July 1995, this was registered as a community based organization under the new Law of Popular Participation. In terms of non-qualified labour, it is estimated that each family contrib-

25. Moser, C. with L. Peake (1995), “Seeing the invisible: women, gender and urban development” in Stren, R. (editor) (1995), *Perspectives on the City – Urban Research in the Developing World* Vol.4, Toronto: University of Toronto Press Inc.

uted about six hours a week over a period of 18 months, a value of over US\$ 15,000 to date. Weekly input has varied between as little as three hours a week in the first months (July to December 1995) to more than 12 hours a week during the construction stage. The cycle of participation and the low level of interest at various points has been very noticeable. An important part of such a project is the need to maintain morale which means trying to overcome conflicts and problems rapidly and openly in order not to demoralize the group and thus sustain the level of participation.

V. ASSESSMENT OF THE PROJECT

a. Point of View of the Participants

ALTHOUGH NO EXTERNAL evaluation had been carried out at the time of writing, it appears that, in spite of the problems identified, the majority of the participants have a positive attitude towards the project. They recognize that to bring together dispersed tenants was no easy challenge and that many things were learnt along the way both by CERES and the participants. Currently, there is concern over the additional costs involved in finishing off the houses but there is also the awareness that the most difficult moments have passed and the greatest expenditure already incurred. The feeling is that, once on the site, families will enjoy the fruits of their earlier efforts and will have considerably fewer expenses. A sustaining factor throughout has been the location of the project and the dream of living in a pleasant development in harmony with and protecting the surrounding natural environment. Since the purchase of the site in March 1995, only three families have withdrawn from the project – one for employment reasons, two others due to economic problems. It is apparent that the location of the project has encouraged the participants to do more than just build houses and they are developing ways of using the land productively. Some women are now working as part of the tree nursery project begun in January 1997 on spare land within the development and others are keen to begin planting their own land to provide fruit and vegetables for the family.

b. Financial Viability

As indicated previously, final unit costs are higher than was originally anticipated. This illustrates two vital points in terms of the financial viability of the programme, namely the need to lower production costs of both land and construction, and the need to access long-term credit under favourable conditions.

To date, there has been a good record on loan recovery. Of the 30 participants who took out a loan to help pay for the plot, only one family, a single mother with seven dependants, had trouble with the debt and had to withdraw from the project. With respect to the second loan, for water and drainage installation, by February 1997, six families had paid in full, 19 were on time

26. Banco Solidario, formed in 1992 from the NGO PRODEM and a start-up loan from USAID, is one of the non-commercial micro-loan programmes proliferating worldwide which provides small credits at commercially viable rates to the poor who generally cannot access loans from the formal financial sector. In 1996, BancoSol was ranked fourth among a total of 13 private Bolivian banks in terms of solvency, liquidity and administrative efficiency, and had an active portfolio of US\$ 59 million (*Nueva Economía*, 1997).

27. This strategy may, of course, be influenced by any changes in the structure of the formal financial sector over the coming months as a result of, for example, the formation of the pension funds, the 1997 election, the dismantling of FONVIS.

and 15 were in arrears. In March, the association paid off the remaining communal debt and helped eight families with their final payments by extending their loans for a further few weeks. By May, all participants had fulfilled their requirements to pay and were ready to start repayments on the final loan of US\$ 1,500. An important change in the management of the programme, which has had a positive effect on repayments, was the transfer of the responsibility for loan recovery to the Banco Solidario⁽²⁶⁾ which, with its more objective and professional image, has encouraged greater responsibility on the part of the participants as well as introducing them to the formal banking sector, albeit under terms set by the programme.

Whilst it may be possible to fix monthly payments at an appropriate level based on available data on participants' incomes and outgoings, the willingness to pay varies considerably according to perception of need. The poorest families, and thus those in greatest need, have shown greater effort in repaying their debts and making their homes habitable. It is also evident that the proportion of monthly income that a person is prepared to put towards a home varies according to the anticipated payment period. High levels of expenditure are more difficult to sustain over long periods of time. The poor also demonstrate ingenious ways of saving and obtaining money when necessary. In Bolivia, many low-income families take part in an informal, communal savings system called *pasanaku*, whereby each member of a group of six to eight deposits a determined sum monthly and, in turn, receives six or eight times the sum every six or eight months. Many of the project participants have relied on *pasanaku* to make their payments to CERES. Finally, CERES has been encouraging the formation of a sense of communal solidarity within the urbanization and, despite inevitable conflicts, the association's committee is gradually taking on an additional role which includes helping those families in need from a small emergency fund.

However, this pilot project has shown clearly the difficulties of building an adequate house at an accessible price. An evaluation of this first phase indicates that, for future phases, it will be necessary to implement one or more of three options:

- lower construction costs by using radically alternative technologies (e.g. the use of adobe);
- make minor modifications to the design and construction in addition to the procurement method, in order to lower costs and reduce construction time; and/or
- increase the loan period.⁽²⁷⁾

Currently, the challenge for CERES is to show the feasibility of building low-cost houses and the credit-worthiness of the informal sector in order that the formal finance sector in Bolivia will agree to loans for popular housing under more favourable conditions than those that currently exist in the market. With this aim in mind, CERES is developing proposals for a guarantee fund to obtain funds from mutual societies in Cochabamba. The revolving loan fund model has been tried and tested suc-

28. Bombarlo, F. and C.L. Pérez (1994), "Nuevas estrategias de producción y mantenimiento del hábitat popular en América Latina".

29. Stein, A. (1994), "El gobierno central, los gobiernos locales y las ONGs".

30. However, the level of subsidy is substantially less than that incorporated in many development projects receiving international cooperation.

cessfully by CERES in its water and drainage programme with a 99.6 per cent recovery rate to date. However, the longer time period involved in the repayment of housing loans makes it difficult to address housing needs through simple revolving funds.

c. Institutional Sustainability

The sustainability of NGOs is a complex theme due to the variety of funding and the forms of institutions that exist.⁽²⁸⁾ A concern of the 1990s is to ensure the sustainability of non-government institutions and thus their programmes.⁽²⁹⁾ The long-term goal of the drinking water, drainage and social housing programmes in CERES is the creation of a specialized, sustainable entity with secure finance and a separate identity. Within this perspective, the real costs of the current programmes are being examined, taking into account the various forms of subsidy that have been received from the "mother" institution, CERES. To date, the Social Housing Programme has been subsidized by Northern agencies to 51 per cent of its budget. In addition, CERES and other organizations have covered operational costs of up to US\$ 7,000-8,000 per annum. Only the revolving loan fund is recoverable, albeit with a subsidized interest rate. As a result, the total estimated subsidy per house is approximately US\$ 2,780 – equivalent to the participants' initial deposit and loan repayments.⁽³⁰⁾ All these aspects need to be taken into account in the guarantee fund model in order to ensure that the system is replicable and sustainable.

d. The Project in a Broader Context

Representatives from the municipality, the University Faculty of Architecture and the Architectural Research Institute, other NGOs, the private construction sector and financial institutions were invited to participate in two local meetings held in Cochabamba in February and March 1997 to explore the experiences of the project and discuss their relevance to housing in Bolivia. Due to the low level of activity on the part of non-governmental or state agencies in the area of social and popular housing in Bolivia the discussion focused on broader issues of NGO approaches to housing, primarily on aspects related to the development of housing for homeownership rather than on the issue of tenancy and the rental sector. In their comments, however, the participants clearly recognized the problem of ensuring land for urban development, low-cost services provision and construction methods, and the limitations of self-build.

VI. CONCLUSIONS AND ALTERNATIVES

GIVEN THAT THE original aim of the CERES Social Housing Programme was to offer a solution to low-income tenants, the experiences of the programme in its first phase have led to the following conclusions relating to the use of managed self-build basic units destined for home-ownership and to the alternative

option of producing houses for rent under a more commercial system of construction.

a. Identified Issues with Respect to the Housing Project

- **Land cost** – a major problem was an underestimation at the planning stage of the real cost of land. This will continue to be a problem whilst current rates of speculation continue and no adequate means are found to reserve land for social use.
- **Cost of construction** – there is a need to better control and thus reduce construction costs, considering in turn the three principle elements of labour, transport and materials, e.g. through employing bricklayers under fixed contract.
- **Length of construction period** – construction was delayed by poor planning with regard to the supply of materials and, more importantly, by the use of participants' labour. The benefit of this approach is questionable.
- **Other problems of managed self-build** – in delegating the contracting out of skilled labour to the participants, the quality of work suffers. Better control of workmanship and more uniformity is needed. More important is the need to recognize the limitations of the self-build system and that, contrary to popular opinion and that of many funders, it does not produce a reduction in costs due to the fact that people have neither the time nor sufficient skills to collaborate. This requires a fuller analysis.

Nevertheless, the significance of the learning development through this project has been recognized. The experience shows the value of pilot projects and the need to continue with other phases taking into account lessons learnt from the pilot evaluation. To ease the aspect of people management, smaller initial projects – such as five to eight houses – are suggested. Whilst unit costs may be higher in some respects, overall costs are likely to be lower because of more efficient management. However, it is also recognized that home-ownership is never likely to be a solution for all urban residents and the following section explores some of CERES' current thinking about other initiatives for tenants.

b. About the Tenant Sector and Strategies for their Inclusion within Human Settlement Improvement Projects

There are various possible options⁽³¹⁾ to intervene in rental markets. As an alternative to the project described in this paper, the feasibility of developing a non-governmental, non-profit-making body dedicated to the construction and provision of houses and other forms of basic accommodation for rent needs to be further considered within the Bolivian context.

The objective of such an institution would be to provide houses or basic living units for tenants who, due to their low income and current economic situation, have access neither to home-ownership nor to a subsidized public or state rented system or

31. The IIED project refers to six alternative strategies, which are each examined/included in this publication as case studies; see also Satterthwaite, D. and J.E. Hardoy (1989), *Squatter Citizen: Life in the Urban Third World*, Earthscan Publications Ltd., London.

adequate protection (through tenancy laws, etc.) In this context, the possibility of establishing an organization dedicated to the construction and subsequent management and maintenance of rented houses for those of low income is proposed. The following are considered prerequisites:

- Protection by law of rental conditions for both the owner and the tenant (this currently exists only under the Civil Code in Bolivia).
- A subsidy to the managing body to cover its operational costs for at least 10 years (until it owns enough housing to cover its costs from rental income).
- Very low land and construction costs to allow 10-15 year loan finance to be covered by rental income.
- Construction techniques that require low maintenance in order that it may be covered by rental income or, alternatively, that it may be the responsibility of the tenants under their contract with the certainty that the property is maintained adequately without more cost.
- Acceptability, i.e. public opinion, and demand. Certain target groups such as single mothers and young couples can be identified. Participants need to appreciate the advantages which may not be very apparent. For example, whilst it may be more expensive than other rented property, the advantages due to the owner being an independent body are considerable.

For an institution such as CERES, the following potential advantages can be noted:

- It offers an alternative response to a growing problem, that of the building and sale of houses which can help only a limited number of people.
- It responds to international concerns about the one-track tendency towards home-ownership which, in many countries, has reached its natural limit at a national level of approximately 60 per cent. There is recognition that in whatever society, 40 per cent of the population cannot or do not wish to be home-owners.
- It gives long-term security to the organization or NGO because it will be the owner of property, once an initial period of subsidy has passed.

When evaluating possible solutions to the problem of low-income tenants in Bolivia, it is necessary to question, first, the philosophy of home-ownership for all and to propose radical alternatives for resolving the growing problems associated with housing tenure in urban areas. Whilst the CERES managed self-build project is one way of improving living conditions for the low-income, this paper has highlighted the difficulties of this approach and, above all, questions the sustainability of such a methodology given the size of the problem. The enormous gap in the provision of adequate housing for the poor in Bolivia requires that various options be considered. Managed self-build

combined with subsidized loans, the construction of low-cost housing with minimal beneficiary participation plus access to loan finance and, finally, the construction of low-cost living units for rent are considered complementary elements of a more comprehensive housing system capable of meeting the variety of needs of the low-income sector.