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HOUSING POLICY IN ECUADOR:
DIAGNOSIS, PRIORITIES, AND PROPOSED PROGRAMS

Dr. Shlomo Angel
Housing Policy Advisor

Prepared for
The Inter-American Development Bank, Quito, Ecuador
and
The Ministry of Urban Development and Housing,
Government of Ecuador

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Dr. Shlomo Angel, Housing Policy Advisor¹

I Introduction and Summary

This paper aims to provide a quick diagnosis of the housing sector and the status of housing policy in Ecuador, and to focus on a number of priorities and proposed programs that can guide housing policy in Ecuador at the present time. The diagnosis of the housing sector is divided into two parts: an investigation of the overall economic, social, and political context of the housing sector, with a view to determining how this context affects both housing sector performance and housing policy; and an overview of housing conditions in Ecuador. The diagnosis of housing policy in Ecuador focuses on key aspects of housing policy as they are perceived and implemented by both central and local governments. Based on these diagnoses, housing policy priorities and eight complementary housing programs B most with a focus on central government initiatives and extensive municipal participation B and discussed, and the current threeByear plan of the Ministry of Urban Development and Housing (MIDUVI) is analyzed with reference to these priorities and programs.

Twelve contextual factors need to be taken into account in attempting to understand housing sector performance and the housing policy environment in Ecuador at the present time:

1. the urban–rural balance;
2. the distribution of the urban population;
3. urban growth rates;
4. the distribution of urban growth;
5. income and poverty;
6. the income distribution;
7. inflation;
8. the state of the financial sector;
9. fiscal deficits;
10. the external debt;
11. social unrest; and
12. political instability.

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Eight aspects of housing sector performance merit discussion, illustrating specific housing conditions in Ecuador, and contrast them with conditions in other countries:

1. the availability of land;
2. conditions in the residential construction sector;
3. the availability of mortgage finance;
4. prices, rents, and affordability;
5. dwelling units and living space;
6. housing quality;
7. tenure; and
8. housing production and investment.

Six key components of an enabling housing policy in Ecuador need to be examined, offering a broad panorama of the state of housing policy in Ecuador at the present time:

1. property rights;
2. housing finance;
3. housing subsidies;
4. residential infrastructure;
5. laws and regulations governing the housing sector; and
6. institutional mandates.

Given a diagnosis and a preliminary analysis of the present context of the housing sector, the conditions in the sector, and the state of housing policy, several possible housing programs which are now being contemplated are presented and discussed. The present three-year plan of the Ministry of Urban Development and Housing [MIDUVI, 2000a] has six program components now being contemplated or implemented:

1. rural housing improvement;
2. housing assistance for recipients of solidarity subsidies;
3. housing improvement in marginal urban settlements;
4. new low-income urban housing;
5. improvement of urban housing; and
6. rehabilitation of housing in historical centers.

These programs are briefly analyzed with reference to the key priorities for housing development in Ecuador, to their potential for engaging municipal governments in housing, and to their expected effectiveness in improving present and future housing conditions. It is noted that this important plan does move the country ahead on the path to a more enabling and a more comprehensive housing policy. However, it does not contain several important components that would make it truly comprehensive:

1. Intensive Participation of Municipalities;
2. Macroblock development of serviced land;
3. Introducing Effective Alternatives to Informal Land Subdivisions;
4. A National Program of Urban Upgrading;
5. Saving for Mortgages; and
6. A National Legislative Reform Program for Housing and Urban Development.

Given the diagnoses of the present economic, social, and political context of the housing sector, the status of housing policy and housing sector performance, we conclude that the

current housing policy initiatives, with important modifications, can and should be used to focus the efforts of both the Government of Ecuador and the multi-lateral institutions assisting it on poverty alleviation at the present time. A decisive factor in the present drive for economic reform.

II The Economic, Social, and Political Context of the Housing Sector

Twelve different aspects of the economic, social, and political situation in Ecuador merit special consideration, because they have a direct effect on housing sector performance as well as on housing policies, programs, and projects. Some of those aspects can be quantified, and some cannot. Basic quantitative indicators comparing conditions in Ecuador to conditions in Latin American and Caribbean countries as a whole, to conditions in other countries with similar per capita incomes, and to conditions in the world at large are summarized in table 1.

1. *The Urban/Rural Balance:* In 1997 for example, only 60% of the Ecuadorian population lived in cities, compared with 74% for Latin America and the Caribbean and 79% for South America. In South America, only Bolivia and Paraguay were less urbanized than Ecuador. Indeed, Ecuador is still a rural country compared with other South American cities, relying as it does on agriculture as its main export. 53% of all exports in 1995, compared with 36% for petroleum, were of agricultural products. The housing problem in Ecuador may, therefore, still involve a substantial rural component.

2. *The Distribution of the Urban Population:* The distribution of the urban population in Ecuador is highly skewed. Of a total urban population of 7.7 million in 1998, 46.3% resided in the two primate cities (Group 1) — Guayaquil (2.0 million) and Quito (1.5 million). 13 secondary cities (group 2), with populations between 100,000 and 300,000 and an average population of 160,000, housed an additional 26.5% of the urban population (2.0 million). 31 tertiary cities (Group 3), with populations between 20,000 and 100,000 and an average population of 30,000, housed an additional 12.5% of the urban population (1 million). The rest of the urban population, 1.1 million, were housed in 160 urban settlements (Group 4) with an average population of 7,000 [Ministerio de Desarrollo Urbano y Vivienda, 1999]. The severity and character of housing problems in cities in these four groups are significantly different, implying that housing strategies for these groups must, of necessity, be quite different. There cannot, therefore, be one single strategy for involving all the municipalities in the country in the development and execution of housing policies and programs.

3. *Urban Growth Rates:* Ecuadorian cities are still growing rapidly because of rural-urban migration. The urban growth rate in Ecuador between 1990 and 1998 was 3.7%, the second highest in South America after Bolivia (4.3%), and considerably higher than the growth rate for Latin America as a whole (2.5%). Urban population growth constituted 98.2% of Ecuador's total population growth between 1990 and 1998 [IDB, 2000], and continues to account for almost all population growth in the country. Generally speaking, much of our attention must necessarily focus on the improvement and sustainability of the

Table 1: Basic Economic and Social Indicators, mid-1990s

Indicator	Ecuador	Latin America & the Caribbean	Lower-Middle Income Countries	The World
Population (millions), 1997	12	494	2,283	5,820
Annual Population Growth Rate, 1997-2015 (%)	1.5	1.3	0.9	1.1
Urban Population (%), 1997	60	74	42	46
Annual Urban Population Growth Rate (1980-95)	4.3	2.9	-	2.7
Household Size, 1990	4.7	4.3	4.6	4.1
Annual Urban Population Growth (%), 1990-2010	3.13	2.15	-	2.55
GNP (\$ billions), 1997	18.4	1,196.8	2817.9	29,925
GNP per Capita (\$), 1997	1,570	3,940	1,230	5,180
Annual GDP per Capita Growth (%), 1990-98	1.0	1.4	-	-
Income Distribution Gini Index (1985-95)	46.6	51.6	-	39.1
Annual Inflation (%), 1990-97	37.7	106.2	-	14.4
Under-5 Mortality Rate per >000, 1996	40	41	44	73
Female Life Expectancy (years), 1996	73	73	71	69
Female Adult Illiteracy (%), 1995	12	15	27	38
Access to Safe Water (%), 1995	70	73	-	78
Access to Sanitation in Urban Areas (%), 1995	60	80	75	-
Debt as percent of GDP (%), 1997	75.0	33.6	-	-
Gross Domestic Investment as % of GDP, 1997	20.2	20	27	22
Value Added by Construction as % of GDP, 1997	3.2	5.3	-	-
Gross Domestic Savings as % of GDP, 1997	22 ²	20	27	22
Banking Sector Credit as % of GDP, 1997	29.0 ¹	35.7	65.6	139.1
<i>Institutional Investor</i> Credit Rating, 1998	26.7	33.5	33.6	35.8
Corruption Perception Rank (lowest=85), 1998	77	55	-	42

Sources: The World Bank, *World Development Report-1998/9*; International Monetary Fund, *International Financial Statistics Yearbook-1998*; United Nations, *World Urbanization Prospects-The 1992 Revision*; and Transparency International, *The Corruption Perceptions Index-1998*.

¹ Data for Ecuador is for 1998. The estimate for 2000 is 18%.

² World Bank Estimate in 1998/9. Recent IMF data estimates a 16.6% savings rate in 1997, increasing to 17.5% in 1999 and 19.2% in 2000.

existing housing stock. Still, a critical aspect of the housing problem in Ecuador involves the challenge of accommodating the growth in the number of new households seeking shelter in its rapidly growing cities.

4. *The Distribution of Urban Growth*: The rapid growth of the urban population is not evenly distributed. The smallest urban settlements (Group 4) grew at the slowest rate B 1.1% per annum B between 1990 and 1998. Tertiary cities grew the fastest, 4.9% per annum, followed by the secondary cities (4.2%) and the primate cities (3.9%). Nine cities grew very rapidly, at rates of more than 6% per annum B Santo Domingo, Eloy Alfaro (Duran), Sangolqui, Pagaje, Salinas, Rosa Zarate, Naranjito, Puye, and Naranjal. At these rates of growth, these nine cities can be expected to *double* their populations in a single decade. Clearly, while

programs addressing existing the housing stock B such as settlement upgrading B must necessarily focus primarily (but not exclusively) on Guayaquil and Quito, programs aimed at increasing the housing stock (and especially the lowBincome housing stock) must necessarily focus on the secondary and tertiary cities experiencing the fastest growth of their populations.

5. *Income and Poverty:* Ecuador is a relatively poor country: In 1997, it ranked 72nd in the world and 9th in Latin America in its level of GNP B \$18.4 billion, and 117th in the world and 12th in Latin America in its level of GNP per Capita B \$1,570. Since 1997, levels of per capita incomes have been declining. Real per capita GDP declined by 1.6% in 1998 and an estimated 9.8% in 1999, and is expected to decline by a further 1.9% in 2000 before the economy stabilizes [IMF, 2000]. As a result of the shrinking of the economy, gross domestic investment as a share of GDP declined to 11.2% in 1999 [IMF, 2000], with an accompanying decline in value added by the construction sector. Housing conditions are, by and large, a reflection of household incomes and correspond to the country=s level of economic development. Bad housing is to a large extent a reflection of poverty. In general, therefore, the quality of housing in Ecuador should be similar to those in other countries with similar levels of per capita income. In turn, the quality of new housing must also be tailored to household incomes: for example, to target medianBincome households given global norms, the value of new housing solutions should not exceed a multiple of 2B4 of median annual household incomes.

6. *The Income Distribution:* Income distribution in Ecuador, like many of its Latin American neighbors, is highly skewed. Its Gini Income Distribution Index in 1994, for example, was 46.6 [World Bank, 1999, 198], compared to a still higher index for Latin America as a whole B 51.6, and a considerably lower index for the world at large B 39.1. In 1994, for example, the top 20% of income earning households in Ecuador earned 52.6% of all income, and the bottom 20% earned 5.4% of all income [World Bank, 1999, 198]. Assuming that income distribution has remained the same (a conservative assumption, given a 17% rate of unemployment in January, 2000 and incomplete data on the worsening of the income distribution), we can calculate the median annual household income in the year 2000 to be of the order of \$2,500. We can also estimate that in 2000, 40% of the population lives on less than \$1 per day, and almost 70% on less than \$2 per day. The skewness of the income distribution implies that there are significant differences between low, middle and high incomes, and that housing assistance programs need to be narrowly-targeted to reach lower-income households. To reach below-median households, housing solutions should be in the range of \$5,000B10,000; and to reach the lowest 20% of the income earning households, they need to be in the range of \$2,000B4,000.

7. *Inflation:* Ecuador has suffered from a high annual inflation rate for many years. It averaged 37.7% between 1990 and 1997. According to the IMF it was at 36% in 1998 and 52.2% in 1999, and is projected to be of the order of 74% in 2000 [IMF, 2000, 3]. According to the Government of Ecuador, the A[t]welveBmonth inflation in consumer prices accelerated from 43 percent at endB1998 to 91 percent in February 2000; and in producer prices it rose from 35 percent to 301 percent. The *sucre* depreciated by almost 200 percent in 1999, and by a further 25 percent in the first week of January 2000A [Government of Ecuador, 2000, 2]. In January, 2000, the *sucre* was pegged to the dollar, fixing the exchange rate at 25,000 *sucre*s to the dollar. Extended periods of high inflation rates have had a serious and prolonged

downward effect on real wages and real household incomes. On the whole, the annual growth of private consumption in Ecuador between 1980 and 1996 has been negative, -0.1% [World Bank, 1999, 192]. Declining real incomes usually increase the share of income devoted to food and other necessities and reduce housing investment. They also prevent the development and marketing of mortgage instruments, even those using double-indexed mortgages to cushion the impact of inflation, and by extension restrict housing transactions. Very few can afford to pay for an entire house, whether new or old, without a loan. Persistent inflation restricts housing investment of low-income families to gradual house improvements which protect the value of their savings. In periods of high inflation, housing assistance programs focusing on gradual house improvements and on progressive urbanization are thus to be preferred to programs focusing on complete housing solutions that require mortgage lending.

8. *The State of the Financial Sector:* The financial system in Ecuador collapsed in 1999, following a run on deposits in March of that year. As of April, 2000, 14 financial institutions (including the two largest banks), accounting for about 65 percent of the system's onshore assets, have been intervened or closed by the AGD², with the owners losing their equity... By January 2000, nonperforming loans had reached 43 percent of the total loan portfolio compared to 9 percent at end-1998, and banks' external credit lines had fallen by half to \$US918 million [Government of Ecuador, 2000, 4]. The banking system is presently in disarray, although since the dollarization of the *sucre* in January of 2000 it has begun to experience net deposit inflows. Interest rates have both declined and stabilized. The savings rate is expected to increase substantially, from 13.7% in 1998 to 17.5% in 1999 and 19.2% in 2000 [IMF, 2000, 4]. Still, with the banking system in a vulnerable state, it is expected to take one to two years before mortgage lending can be resumed at significant levels, let alone extended to reach lower-income households seeking smaller loans. Needless to say, private-sector housing construction which relies both on construction loans and on mortgage financing will suffer in the short run. Housing investment in Ecuador can be expected to be less than optimal without a vibrant housing finance sector that can extend mortgage loans to broad sectors of the urban population.

9. *Fiscal Deficits:* Ecuador is presently experiencing a large and unsustainable fiscal deficit and serious public-sector payment arrears. As a result of a combination of factors among them the El Niño weather phenomenon which hurt crops and damaged structures and public works, the sharp drop in world oil prices, and the collapse of the banking system with its government-guaranteed deposits the Government of Ecuador accumulated a large fiscal deficit in recent years. In 1996, public revenues covered expenditures. In 1997, the combined public sector deficit was 2.5%. It increased to 5.8% in 1998, and to 7.2% in 1999 [Government of Ecuador, 2000, 3]. Plans are under way to reduce deficit spending to 3.2% in 2000 [Government of Ecuador, 2000, 6]. Such reduction will require tight control over government expenditures, and could hurt the housing-sector safety net. For example, by abandoning public investments in residential infrastructure in low-income settlements, or by forsaking housing-related subsidies to low-income groups unless safety-net considerations play an important role, as presently envisioned, in budget allocations.

² the government's deposit insurance agency, created in December of 1998.

10. *The External Debt:* Ecuador has accumulated a substantial external debt, most of it long-term public debt. Total external debt amounted to 75% of GDP in 1997, compared with less than half this percentage (33.6%) for Latin America as a whole. Total external debt rose sharply to 82.2% of GDP in 1998 and 97.2% of GDP in 1999, and is expected to reach 148% of GDP in 2000 [IMF, 2000, 5]. The rise in external debt places severe limits on any future housing programs that can benefit from multi-lateral assistance from the World Bank and the Inter-American Development Bank, unless such programs can be justified as integral parts of the social safety net that the multi-lateral organizations are committed to support in their future lending to Ecuador.

11. *Social Unrest:* Deteriorating economic performance and government efforts to enforce corrective measures have resulted in numerous manifestations of recent social unrest in Ecuador. In July of 1999, the former President declared a state of emergency in the country following a crippling transport strike to protest a rise in the cost of fuel. On the 21st January of 2000, several thousand indigenous Indians supported by rebel army troops invaded Congress to oust the former President. The invasion led to a takeover of the government by a three-man council, and to the replacement of the former President by his Vice President in a peaceful transition. Both indigenous organizations and labor unions have expressed concerns with dollarization which, they fear, will impoverish them by raising prices and keeping salaries and wages low. Negotiations between the Government and the indigenous groups have not yielded the desired results as of early May, 2000. Public servants, whose wages were frozen for more than a year ended a two-week strike in early May, and other organizations were planning protests to oppose ending transport subsidies and implementing the recent agreements between the government and the IMF. In this heated atmosphere, public funds for investments in new housing, housing improvements, and housing-related infrastructure are in danger of being eschewed in favor of short-term stop-gap measures to diffuse burning crises.

12. *Political Instability:* The invasion of Congress on the 21st January of 2000 with the support of military units, and the forceful takeover by a three-man council headed by the commander of the armed forces has raised serious concerns both inside and outside Ecuador about the vulnerability of democratic government in the country. Support of the democratically-elected government within the military has not been uniform, posing serious dangers of a return to military rule. These dangers have now been mitigated with the decision to bring the military commanders involved in the attempted coup to trial. Still, political stability in Ecuador has been disturbed, again mitigating against putting into place housing policies, programs, and projects as well as private housing investments with a time horizon of more than one year.

All of these factors have a direct bearing on housing conditions in Ecuador at the present time, on the prospects of improvements in the sector in the near future, and on the housing policy options available to the Government of Ecuador (and to the multi-lateral agencies seeking to assist the government) in improving housing conditions in the context of an overall development strategy. There is no question that many improvements in the housing sector are contingent upon macro-economic stability, the harnessing of inflation, the rejuvenation of the financial sector, the growth of real incomes, the harnessing of budget deficits, the containment of external debt, and the increase in political stability. In fact, we can safely say that improvements in these conditions are more important to the health and

growth of the housing sector than any action taken within the housing sector itself. Conversely, in the absence of the basic economic, social, and political preconditions for housing sector growth we must, at the very least, restrain our expectations about what can be realistically done within the sector to improve housing conditions in the years to come.

III Housing Conditions in Ecuador

Housing conditions in Ecuador vary considerably from city to city, but unfortunately there is very little data to compare cities in Ecuador, either among themselves or with cities outside Ecuador. Some housing indicators comparing Quito and Guayaquil, the capital of Ecuador and its largest city respectively, to cities in Latin America and the Caribbean, to cities in other lower-middle income countries, and to cities in the world as a whole are summarized in table 2. Most of the data for Quito and Guayaquil, prepared for the UN Habitat II Conference in Istanbul in 1995, were obtained from the UNCHS Urban Observatory. Data for Latin America and the Caribbean, for lower-middle income countries, and for the World at large were taken from the Global Survey of Housing Indicators of 1990 summarized in Angel [2000]. Other, more recent data were obtained by the author during his recent mission to Ecuador. The housing indicators discussed below should be approached with caution, however, as they may hide important aspects of the housing sector in Ecuador, especially as economic conditions have changed.

1. *The Availability of Land:* In general, it appears that there are no shortages of raw land for residential development in Ecuadorian cities, including Quito and Guayaquil [Jarrín, 1997, 3]. It is abundantly clear, however, that there are serious shortages of serviced urban land for low-income housing in the formal sector, with the result that a great share of housing production takes place in the informal sector either through land invasions or through informal land subdivisions which do not conform to zoning and subdivision regulations. The availability of land for informal-sector housing varies from city to city, as do land prices. In some secondary cities on the coast, for example, more than 70% of residential land is in informal-sector occupation, while in secondary cities in the sierra only 25% is in informal-sector occupation [MIDUVI, 1994, table 6, 15]. In Cuenca, for example, where remittances from abroad have swollen the demand for residential land, raw land costs \$10/m² and fully-serviced land costs \$50/m². As a result, there are virtually no new informal settlements in the city. In Quito, raw land in illegal subdivisions now costs \$4/m², partially-serviced land in established informal settlements costs \$15-25/m², land for middle-income housing costs \$50-60/m², and land in upper-income fully-serviced subdivisions costs \$100/m² or more. There are still numerous illegal subdivisions where cheap land can be found within the city limits. To reach below-median households in

Table 2: Selected Housing Indicators, 1990-1998

Indicator	Quito, Ecuador 1990-98	Guayaquil, Ecuador 1993	Latin America & Caribbean 1990	Lower- Middle Income Countries	The World 1990

Dwelling Units per 1,000 People	239	212	221	195	229
Median House Size (m ²)	33.6	73.3	67	47	62
Floor Area per Person (m ²)	8.6	15.6	15.6	9.4	15.3
Urban Density (persons per km ²)	-	9,200	5,700	6,300	6,600
Land Registration (%)	55	-	70	78	100
Permanent Structures (%)	71.3	70.0	90	94	97
Water Connection (%)	94.1	80.0	91	87	95
Journey to Work (minutes)	56	-	56	40	37
Infrastructure Expen.BtoBincome Ratio	9.1	-	4.1	7.9	5.9
Public Housing (%)	0	0	10	12	12
Unauthorized Housing (%)	30.0	60.0	26.4	27.1	15
Squatter Housing (%)	7.5	-	25	16	4
Homelessness per 1,000 people	0.6	-	2.1	0.2	0.9
Owner Occupancy (%)	79	68.2	65	59	55
The Median House Price (\$)	6,767	-	11,818	16,205	20,315
The House Price-to-Income Ratio	2.4	2.0	2.4	4.5	5.0
The Rent-to-Income Ratio (%)	12.5	14.0	19.8	16.2	16.2
Down-Market Penetration	2.1	-	3.9	3.6	3.4
Construction Cost per Square Meter (\$)	171	-	171	156	171
The Housing Credit Portfolio (%)	20.1 ^a	-	20	8	14
The Mortgage-to-Prime Difference (%)	-	-	3.2	0.5	0.2
The Mortgage Arrears Rate (%)	3	-	6	10	5
New Household Formation (%)	4.2	3.7	3.1	3.9	3.1
Housing Production per 1,000 people	9.3	-	6.0	7.7	6.5
Residential Mobility	3.4	-	3.4	5.0	7.1
The Vacancy Rate (%)	1.6	-	4.2	2.8	3.5

Sources: UNCHS Urban Observatory, *Urban Indicators*; Angel, Shlomo, *Housing Policy Matters: A Global Analysis*; República del Ecuador, *Sistema Integrado de Indicadores Sociales del Ecuador [SIISE]*.

^a Value is for 2000 for Ecuador as a whole.

Ecuador at the present time, serviced or partiallyBserviced plots should cost \$1,660B3,300³ B in other words, \$14B28/m² for 120m² plot or \$8B17/m² for a 200m² plot. To reach the lowest 20% of the income earning households, serviced or partiallyBserviced plots should cost \$660B1,330 B in other words, \$6B11/m² for 120m² plot or \$3B7/m² for a 200m² plot. These numbers help explain why the informal sector continues to be the main supplier of residential land for the poor. They also explain, in stark terms, the challenge facing the formal sector in going downBmarket to develop progressive urbanizations that can effectively compete with what the informal sector now offers.

2. *Conditions in the Residential Construction Sector:* The residential construction sector in Ecuador consists largely of small builders who build one house at a time, and a few construction companies that have enough capital and expertise to engage in building

³ Assuming that land cost forms up to a third of total houseBAndBland cost.

housing projects in residential subdivisions. Small builders are responsible for building in both formal and informal land subdivisions, and homeowners sometimes act as contractors and sometimes assist in the building process. The public sector is no longer engaged in the construction of public housing projects, either for rent or for sale. The formal private sector has recently moved downBmarket to serve lowerBincome households that have obtained subsidies and credit from the Ministry of Urban Development and Housing (MIDUVI), to be described at greater length below. It now builds houses that cost well below two median household incomes. In Quito and its surrounding province of Pichincha, for example, there are presently 12 developers offering 3,000 lowBcost houses, with an average size of 35m², for an average price of \$3,800 including land. The cost of construction of these houses should be of the order of \$70"20/m². Several builders in the province are offering to built houses, averaging 58m², for those who own a plot of land, at an average price of \$2,400 (\$45/m²) [MIDUVI, 2000b]. These values are considerably lower than the cost of construction of upperBmiddle class houses in Cuenca, for example, which is of the order of \$200/m². They are also much lower than the median value reported for Quito in the midB1990s, \$171/m². The data suggest that, barring further increases of construction costs visBaBvis incomes, the formal private sector in Ecuador is now poised to go downBmarket and to serve lowBincome families. In places where serviced or partiallyBserviced land prices are low, it may even be able to reach down to the lowestBincome quintile.

3. *The Availability of Mortgage finance:* The banking crisis of 1999, which resulted in the closure of numerous banks, has set back the development of mortgage finance in Ecuador, and especially the development of microBfinance B small loans that can benefit lowBincome households. From 1998 to 1999, banking sector credit as a percentage of GDP declined sharply from 29% to 18%. As a result of credit rationing, the share of the construction sector in total disbursements decreased from 6.5% of total disbursements to 3.5% during this period, a decrease of 65% in real terms. There is a serious shortage of funds for construction loans, and many developers are experiencing a credit squeeze with its attendant cashBflow problems. Although the gross mortgage portfolio is still 20.1% of the total gross portfolio in the banking system, the market for mortgages has seriously weakened and mortgage arrears, which were of the order of 5% of the loan portfolio in 1998, soared to 37% in 1999. There is little interest in the banking sector in lending to lowBincome borrowers. Small loans are considered to be a higher risk and entail a higher administrative costBtoBprincipal ratio. The fragility of financial institutions and the instability of the macroBeconomic environment are likely to restrict mortgage lending for the next 12B24 months. But with the onset of dollarization and the harnessing of inflation, conditions for mortgage lending should, in principal, improve. InterestBrate spreads should be expected to narrow, and terms lengthened from as little as 7 years before to 15B20 years. However, the growth of the mortgage market in Ecuador will face two serious problems: the present shortage of locallyBgenerated longBterm funds for longBterm lending, and the ceiling on interest rates which will be discussed at greater length below.

4. *Prices, Rents, and Affordability:* There is no question that the present economic crisis has had a negative impact on the affordability of housing, as house prices increases far outpaced salary and wage increases. In other words, real incomes and purchasing power declined precipitously. A house with a subsidy from the SIV program of the Ministry of Urban Development and housing (MIDUVI) that cost \$7,235 in July of 1998 B targeted at

program beneficiaries with annual household incomes of \$4,500 B was priced at 1.6 annual household incomes. That same house cost \$4,600 in December, 1999, but the dollar value of the annual household income of the same program beneficiaries declined to \$1,600 by that time. This house was therefore priced at 2.9 annual household incomes, and was almost 80% more expensive for that family [Ministerio de Desarrollo Urbano y Vivienda, 2000, table 2, 5]. Still, it appears that medianBpriced houses in Ecuador tend to be relatively cheap, with values of the order of 2B3 of median annual household incomes, values similar to other cities in Latin America and the Carribbean but considerably lower than values in other lowerBmiddle income countries (4.5) or in the world at large (5.0). We should note, however, that there are considerable variations in house prices among different cities in Ecuador. For example, in Cuenca, the third largest city in the country, there are virtually no squatter invasions or shanty towns within the city limits, and practically 100% of the structures in the city can be considered permanent structures (likely to last 20 years or more). New houses in Cuenca tend to be very large (100-200 m²) and to cost \$20-40,000, 4 B 8 times the median annual household incomes in Ecuador. This would be highly unusual, were it not for the fact that most of the new houses in Cuenca are financed by remittances from abroad (estimated by a city official to be of the order of \$200B300 million a year). In Guayaquil, in contrast, where remittances from abroad are the exception and not the rule, more than 40% of households live in organized squatter invasions, and only 70% of the structures can be considered permanent structures.

5. *Dwelling Units and Living Space:* There is no apparent shortage of dwelling units in the country. The census of 1990 reported an overall average of 213 dwelling units per 1,000 people for 15 largest cities in the country, approximately one dwelling for 4.7 persons. We cannot, therefore, speak of a quantitative housing deficit in the country. Homelessness in Ecuador is also very low, estimated to be of the order of 0.6 persons per 1,000 in Quito in 1990. The data for the floor area of the medianBpriced house (33.6 m² in Quito and 77.3m² in Guayaquil) or for the floor area per person (8.6m² in Quito and 15.6m² in Guayaquil) is sketchy and difficult to compare to other countries. The value for Quito are similar to those of LowerBmiddle income countries as a whole, while the values for Guayaquil are similar to those in other Latin American countries.

6. *Housing Quality:* The >qualitative= housing deficit, often found in housing documents in Ecuador is, at best, a questionable concept. There is no question that a significant part of the housing stock in the country is in serious need for improvement, as is much of the residential infrastructure. But the need for improvements cannot, and should not, be construed as a >deficit.= Good measures of housing quality require a systematic accounting of the prices and attributes of the housing stock, but there is very little systematic information on either at this time. Estimates based on the 1990 census suggest that 11% of all urban housing and 18% of all rural housing were qualitatively deficient [MIDUVI, 1999]. In the historical center of Quito, for example, there are 17,000 families living in 4,000 old houses subdivided into small, dilapidated apartments. The same is true for many other cities in the country.

Data on the quality of residential infrastructure is also available from the 1990 census. In 1990, 95.4% of all urban homes in Ecuador had electricity, 75.8% had a water connection, 61.6% had sewage disposal, 69% had garbage collection, and 24.7% had telephones [MIDUVI, 1994, table 3, 12]. In 1995, 42% of all households in the country had an indoor

water connection and 41% had a water connection on their lot. 53% had access to regular garbage collection [SIISE, 2000]. Water rates for those with a water connection varied between \$0.06 and \$0.30 per m³, as against \$1.80 per m³ for water delivered by truck, but many of those with a permanent water connection experienced an irregular water supply. There is, no doubt, a clear need to extend infrastructure services to the poorer segments of the population, both in the marginal settlements in the cities and in the rural areas. Infrastructure improvements are not, however, an important priority in historical centers where there are usually quite adequate.

7. *Tenure*: Compared to other countries, a very high percentage of the urban households in Ecuador live in unauthorized housing communities without legal title documents. In 1994, 48.1% of the urban population in Ecuador lived in marginal settlements and 34.7% of the urban population lived without legal tenure [MIDUVI, 1994, tables 6 and 7, 15B16]. This compares with a value of 25% for cities in Latin America and the Caribbean, a value of 16% for lowerBmiddle income countries, and a value of 4% for the world as a whole. In Quito, the population in marginal settlements B mostly informal land subdivisions and not invasions B amounted to 30%, and the population without legal land titles to 18%. In other cities in the sierra, the population in marginal settlements amounted to 25%, and the population without legal tenure to 13%. In Guayaquil, the population in marginal settlements amounted to 60% and the population without legal tenure to 45%. Illegal invasions of private lands, with political support, have been going on in the city for 60 years. In other cities on the coast, 70% of households lived in marginal settlements, and 56% did not have legal title documents [MIDUVI, 1994, tables 6 and 7, 15B16]. The absence of legal title documents continues to impede housing market transactions at full value, to prevent the use of the house as collateral for loans, to limit investment in house improvements, to diminish residential mobility, to give rise to property-related disputes, to prevent effective property taxation, and to create an overall environment of illegitimacy and disrespect for the law [The World Bank, 1998,4]. Titles, on the other hand, increase the value of houses, although it is not exactly clear by how much. A recent study of the effect of titling on the house values of 400 families in Guayaquil concluded that

[t]he unconditional effect of granting title is to raise properties= value by 23.5%. However, we also find that informal property rights can substitute effectively for formal property rights, so the marginal effect of titling on the ability to transact and on prices can vary widely among communities and among households within a community. For example, the the value of property owned by a newly established household with no adult males can increase by 46% with the acquisition of title. These findings suggest that tiling programs should be targeted at young disorganized communities if they are to have much effect [Lanjouw and Levy, 1998, i].

8. *Housing Production and Investment*: Data on housing production and investment in Ecuador was not forthcoming. An earlier estimate for Quito in 1990 put housing production per 1,000 persons at 9.3, a relatively high value compared to other Latin American countries at the time. It is clear that formalBsector housing production has suffered during the recent financial crisis, with the shrinking of credit to the construction industry, and with the shrinking of the size of the construction sector. We must also assume that as the formal construction sector has shrunk, the informal sector expanded to fill the

vacuum. It was estimated that between 1982 and 1990, 50% of housing production was in the formal sector and 50% in the informal sector [MIDUVI, 1994, 25]. We have no reason to suggest that this percentage has now changed, and, in the absence of more recent data, we should expect that the share of informal sector housing increased above 50% when the formal sector has shrunk. Given that there is no real shortage of housing units in the country, we must conclude that the formal and informal sectors together presently produce a sufficient quantity of housing units, although many of these units are of low quality (and sometimes of very low quality) and often without adequate infrastructure services.

IV The Status of Housing Policy in Ecuador

A housing policy regime can be said to be enabling when the central government abandons its role in the direct provision of a limited number public housing units, and instead takes on the role of overseeing and correcting the course of the housing sector as a whole, enabling the other key actors in the housing sector B dwellers and communities, builders, lenders and local governments B to work efficiently and equitably towards meeting housing needs. More specifically, enabling is defined as enacting and enforcing laws and regulations, correcting market failures, and providing institutional, technical, and financial support to these actors, while relinquishing control over the building, lending for, buying or selling, owning or renting, managing or maintaining houses and apartments. A housing policy regime can also be said to be enabling if each of its five key components B property rights, housing finance, housing subsidies, residential infrastructure, and the legal and regulatory regime governing the housing sector B is enabling in and of itself, and if the institutional mandates of government agencies engaged in housing support the enabling effort.

The Constitution of Ecuador guarantees the right to housing, and, as such, suggests that the state is responsible for ensuring that all its citizens are properly housed. Article 23 of the Constitution states that

The state will recognize and will guarantee the following rights to the people: the right to a quality of life and to secure health, food and nutrition, potable water, environmental sanitation, education, work, employment, recreation, housing, clothes and other necessary social services.

The right to housing, however, does not oblige the state to *provide* housing to its citizens. A national housing policy document issued by the Ministry of Urban Development and Housing (MIDUVI) in 1994, states that

As a result, as a general rule, it will not be the state=s primordial function to produce the necessary assets and services, but the state will guarantee that society will have the required mechanisms for accessing these assets and services B the state will guarantee equal opportunity of access to those services that are related to food, health, education and housing. . . . Its basic role will be to motivate, to channel, to facilitate, to regulate, to set norms, and to coordinate the agents engaged in urban development [MIDUVI, 1994, 4].

This, and numerous other documents [e.g. MIDUVI, 2000a], clearly show that the Government of Ecuador has embraced the enabling approach to housing. Indeed, the Government of Ecuador no longer builds housing, and the Ecuadorian Housing Bank (BEV) no longer finances housing projects directly. Furthermore, along the various dimensions of housing policy, the Government of Ecuador has also moved decisively towards more enabling housing policies.

1. *Property Rights*: The Government of Ecuador and specifically the municipalities of Quito and Guayaquil have recognized land tenure rights in marginal settlements, and have embarked on efficient and effective programs to register title documents in these settlements. In Quito, more than 90% of informal settlements are, in fact, informal land subdivisions with the consent of the landlord rather than invasions. A formal program for the legalization of land tenure was initiated there in 1995. More than 100 settlements, housing as many as 50,000 families, were legalized in the past five years. Each settlement in Quito requires a different approach to its particular legal, social, and political problems surrounding legalization, and there is, therefore, no standard procedure that is always followed by the Commission on Informal Settlements (Comisión de Asientos Informales) in charge of legalization.

Since 1992, the Municipality of Guayaquil has been engaged in the systematic legalization of lands and the issuing of proper land titles. The Office of Land Legalization now employs 70 people and issues approximately 15,000 land titles per year at little net cost to the Municipality. The process of legalization in Guayaquil involves the use of a special law (Law 37) which allows Congress to approve the purchase of invaded lands by the Municipality for their assessed value (approximately 10% of market value) or on another politically determined value. Once land is transferred to the Municipality, the Office of Land Legalization can issue titles. Except for 15% of the invaded land in Guayaquil, which includes swamps on which houses were built, all the marginal settlements in Guayaquil will be legalized within a few years. In parallel to the legalization effort in Quito and Guayaquil, there is an ongoing effort to improve the cadastral registration of plots. Land registration in Ecuador still lags behind other cities in Latin America, other lower middle income cities, and other cities in the world at large.

2. *Housing Finance*: The Government of Ecuador has taken a number of important steps to create a more enabling housing finance regime. Most important among those are: (a) the decision to remove interest rate subsidies and to make housing subsidies more transparent; and (b) the transformation of the Ecuadorian Housing Bank (BEV) from a direct lender for housing projects to a second tier lending institution. The Bank, under the auspices of the Ministry of Urban Development and Housing (BEV), now fulfills the important role of supporting, as well as overseeing and monitoring, the development of mortgage finance industry in the country. Its present activities, however, are currently constrained by the banking crisis and the dysfunctional state of commercial banks. As the macroeconomic situation stabilizes, and the commercial banks are restructured and resume their activities, the bank will be able to take on its enabling role. It will then be faced with the challenge of generating long term funds for lending for housing, and to overcome obstacles in the financial sector which ration credit away from the housing sector in general and away from low income borrowers in particular. One such obstacle is the law placing a ceiling on interest rates. This law, passed in March of 2000, established ceilings on interest rates of

18% and 22%, that will tend to ration credit away from mortgage lending, and completely destroy the potential for microfinance for housing. Mortgage interest rates after dollarization are still expected to be of the order of 23-25% (10% financial cost, 10-12% administrative cost, 2% default risk, and 1% profit). For a low-value loan of, say, \$1,000-1,500, the administrative cost is of the order of \$80-150 per year. This amounts to 5-15% of the value of the loan, increasing the administrative cost of small loans beyond the present ceiling mandated by law. There are a few mortgage loans being issued at present, in the range of \$500-20,000, for interest rates ranging from 16% to 18% per annum, but apparently without due regard to their true cost. Low-income families will not be able to benefit from mortgage credit, an essential requirement in a well-functioning housing sector, unless ceilings are removed while administrative costs and default risks are substantially lowered.

3. *Housing Subsidies:* The struggle to keep housing subsidies from drying up is likely to be a key challenge in the development of effective housing policies in Ecuador in the years to come. The government is contending with budget deficits that need to be eliminated, with vocal resistance to the elimination of existing subsidies (on gasoline, for example), with a significant reduction of real incomes and a significant increase in the number of poor families, with a massive injection of public funds to resurrect the banking system, and with negotiations with numerous organized groups that demand immediate actions to ameliorate their suffering. It is not difficult to see that in this context, unless a concerted effort is made to articulate housing subsidy programs and to garner massive public support for them, public support for the housing sector is likely to dry up quickly.

At present, the most visible housing subsidy program is the ABC program of the Ministry of Urban Development and Housing (MIDUVI). The Ministry entered into an agreement with the Inter-American Development Bank (IDB) in March of 1998 to embark on a program of support for the housing sector [Republic of Ecuador and IDB, 1998]. The objectives of the program were: (a) to improve housing conditions for the low-income population; (b) to improve the efficiency and equity of public investments in the housing sector; and (c) to induce and enable the private sector -- both lenders and builders -- to market housing to lower-income groups efficiently and equitably. The program consists of four components: (a) a regulatory reform initiative, focused on the creation of new regulations for progressive housing and land subdivisions, on the reduction of regulatory costs associated with new construction for low-income groups, on the simplification of title registration, and on technical assistance to municipalities in these areas; (b) technical assistance to the Ministry and to participating institutions in the selection of beneficiaries, in program design, and in information collection; (c) technical assistance to financial institutions in an effort to bring housing finance to lower-income groups; and (d) the creation of a system of incentives for new housing and for housing improvements in existing settlements (SIV) based on a combination of household savings, a one-time grant, and a loan. The latter is referred to as the ABC system -- A for Ahorro (saving), B for Bono (grant or subsidy), and C for Credito (Credit). The total budget for the program amounts to \$68.8 million, of which \$62 million is a loan from the IDB and \$6.6 million is in contributions of the Government of Ecuador. The bulk of the budget for the program is for the System of Incentives for Housing (SIV), with plans to provide subsidies and arrange credit for a total of 40,000 new housing units and 15,000 improvements of existing housing units. The

program is now fully operational, and has now issued 23,000 grants for new housing, 22,000 grants for housing improvements in marginal urban settlements, and 500 grants for housing improvements in historical centers.

This subsidy program is presently being restructured to respond to the current economic crisis, especially to the reduction of real incomes and the difficulty in obtaining housing finance (as well as construction loans) from the banking sector. With its remaining funds, it must aim at lower-income families and lower-cost housing solutions to reflect the decrease of purchasing power. Moreover, the number of beneficiaries with approved subsidy grants now exceeds the number of affordable housing solutions offered by the private sector, and there is an urgent need to mobilize developers to supply the needed housing. One suggestion currently being pursued is to make available public lands or lands belonging to the Ecuadorian Housing Bank (BEV), the Social Security Fund, and the municipalities for building social interest housing by the private sector.

The Ecuadorian Housing Bank (BEV), for example, owns more than 100 parcels of land which was assembled in earlier years, when it was more directly involved in financing housing projects. The Bank is now solely concerned with operating as a second-tier institution for housing finance, and no longer lends directly for housing projects. Its land assets are part of its portfolio, and have been assigned values approximating market values as they appreciated. Should those lands, and other public lands, be used to subsidize low-cost housing? Should they be offered to developers at near-market rates as a way to ease the cash-flow problems they now encounter as a result of credit rationing in the banking system? Should they be offered to the highest bidder with a stipulation that a part of each site be used for low-income housing in a land sharing scheme involving cross-subsidies? Or, should they be traded at market value for lands more suitable for low-cost housing development? These are, indeed, difficult questions. It does seem clear, however, that the use of public assets as one-time subsidies for housing is shortsighted, because such lands are non-renewable resources that are surely to dry up very quickly and bring the effort to a halt. If it is deemed appropriate to use public lands for housing, then land sharing schemes or trading arrangements that take full advantage of the economic value of each site are to be preferred to an indiscriminate use of these sites as supply-side subsidies for low-cost housing.

A third form of housing subsidy are the funds for rural housing improvement, mandated by Law 003 as tax transfers from the municipalities to the Ministry of Urban Development and Housing (MIDUVI) for one-time grants for rural housing. The Ministry is presently awaiting funds for the program, estimated at \$400 per family, which, coupled with households savings and labor can help improve rural houses by twice that amount. The original mandated grants of 5 million *sucres* per family amounted to \$1,000 in 1998 and has now been reduced in value to \$200, but negotiations are under way to increase it to \$400. This housing subsidy program can become a major redistributive program, and an effective way of reaching and organizing the rural poor.

In more general terms, the principles guiding housing subsidy policy in the near future should be: (a) to direct subsidies to beneficiaries (demand-side subsidies) rather than to suppliers; (b) to avoid interest-rate subsidies; (c) to reduce the per-household subsidy so as to achieve greater coverage; (d) to combine subsidies with savings, sweat equity, and

credit so as to achieve the greatest multiplier effect of each subsidy grant; (e) to create lowest cost housing alternatives in progressive urbanizations that can compete effectively with illegal subdivisions; (f) to balance housing improvements in existing settlements with new housing; (g) to direct public subsidy funds to non construction efforts that have a multiplier effect on housing construction B titling, infrastructure improvements, capacity building, and legislative and regulatory reform; and (h) to seek new sources of funds to replenish housing subsidy programs, either through taxation and budgetary allocations at the central, provincial, or municipal levels, or through multi lateral assistance.

The latest three year housing development plan, issued by the Ministry of Urban Development and Housing (MIDUVI) in May of 2000 [MIDUVI, 2000a] contemplates the allocation of housing subsidies among six programs, which will be discussed in greater detail in the next section. The plan allocates an estimated total of \$61 million per year in housing subsidies in the following proportions: 45% to subsidies for new urban housing, 19% for urban housing improvement grants, 15% for the rural housing program, 14% for housing improvement grants in marginal urban settlements, 5% for housing rehabilitation in historical centers, and 3% for assistance to the Hogar de Cristo housing program in coastal cities.

4. *Residential Infrastructure:* Several problems plague the provision of residential infrastructure in Ecuador, both in urban and in rural areas. Those most frequently cited are duplication of functions and lack of coordination among infrastructure agencies and among different levels of government, inadequate physical planning and investment planning, the proliferation of invasions and informal land subdivisions without infrastructure services, the absence of tax and rate mechanisms for recovery of investments as well as operating costs, and inadequate rehabilitation, maintenance and repair. These problems, coupled with the inadequate allocation of resources to residential infrastructure for a number of years, have resulted in a serious deterioration of service levels over the last decade. The coverage of services for which data is available B drinking water supply and sanitation B has declined: Between 1990 and 1995, water supply coverage declined from 80% to 70% in urban areas, and from 35% to 30% in rural areas. During the same period, sewage disposal coverage declined from 69% to 60% in urban areas, and from 16% to 9% in rural areas. In 1995, only 26% of rural households had latrines, up from 23% in 1990 [INEC, 1995]. Electricity coverage was considerably more widespread. Right of way for roads was usually adequate, but the conditions of roads B particularly in marginal urban settlements B leaves much to be desired.

Although the central government is charged with the coordination of infrastructure policies and programs B the Ministry of Urban Development and Housing (MIDUVI) has an under secretariat for water and sanitation B the bulk of responsibilities for residential infrastructure provision falls on municipalities that are often ill-equipped to handle them. At present, there is little experience with the privatization of infrastructure services, for example, although the Municipality of Guayaquil now plans to invite bids for the supply of sewage and water services by July 2000 [Government of Ecuador, 2000, 13]. And even though the bulk of residential development in urban areas occurs in informal land subdivisions with little or no infrastructure services, there is little coordinated effort to upgrade infrastructure in these settlements. In short, although there are programs for land

titling in informal settlements, there are at present no integrated program for improving infrastructure in these places, with the result that a key incentive for increasing domestic investment in housing in these neighborhoods is missing, and house values there are unnecessarily depressed.

5. *Laws and Regulations Governing the Housing Sector:* Several important laws govern, and often unnecessarily constrain, the development of the housing sector in Ecuador. Most important among them are the laws governing property development and transfer, the municipal laws governing residential development, the Social Housing Law, the Municipal Government Law, and the Rental Law. The Rental Law imposes a ceiling on rents, based on a fixed percentage of the assessed value of properties, thus discouraging would-be investors from building rental housing. As a result, home ownership rates in Ecuador are exceptionally high—79% in Quito, for example, compared with 65% in Latin American cities as a whole, and 55% in the world at large. The shortage of low-priced rental units is an additional cause of seeking housing in the informal sector.

The laws governing property development and transfer impose heavy costs on residential subdivisions, estimated at more than 30% of the value of new homes (24% in property transfer taxes to various agencies, and 7% in various approvals) [Jarrín, 1997, 3B5]. Municipal laws governing residential development, especially in the primate cities—Quito and Guayaquil—have created a cumbersome approval process for residential subdivisions, averaging 15–16 months for a typical subdivision, but on occasion requiring up to 34 months in Guayaquil. In smaller cities, such as Machala, the approval process was considerably faster—of the order of 2 months [Jarrín, 1997, 5]. The Social Housing Law absolves the developers of social housing from most taxes and fees, but requires a cumbersome approval process that often renders these advantages useless:

The number of requirements and procedures of the various institutions that is necessary in order to qualify for the exemption of payments permitted by law (The Law for the Development of Social Housing) does not justify the time that it demands. It is preferable to pay whatever is necessary in order to avoid the delay in the procedures (opinions expressed by urbanizers and developers in Quito and Guayaquil) [Jarrín, 1997, 12].

The Municipal Government Law imposes a heavy fine on anyone engaged in the illegal subdivision of land, which can amount to 5 times the value of the subdivided land (Article 224). Illegal subdivision is defined as fraud and considered a crime subject to the penal code (Article 126) [Government of Ecuador, 1989, 83 and 152]. Needless to say, neither of these provisions are in force.

Until recently, municipal regulations governing land subdivision did not allow progressive development, and required that all infrastructure services, as well as houses, be in place before occupancy permits were issued. Following the initiative of the Ministry of Urban Development and Housing, several municipalities are presently enacting new regulations pertaining to progressive housing and progressive land subdivisions. Cuenca, for example, passed its new ordinance in January, 2000 [Municipality of Cuenca, 2000]. The ordinance still requires that all houses be initially habitable. It allows for the gradual completion of infrastructure during a period of five years (10 years for paving the roads), and includes architectural specifications for houses, a minimum lot size of 70 m², parking,

areas for public facilities, and a series of permits for gradual improvements. It is too early to tell whether the new regulations will usher a new supply of progressive subdivisions B projects which will be executed efficiently, at low cost and with little delay, and that can attract low-income families which would normally resort to illegal subdivisions.

6. *Institutional Mandates:* There is no question that municipalities and local governments everywhere play a key role in the formulation and execution of housing policy, but this role is often glossed over or rendered invisible in the now-common perception B both in the housing literature and among policy-makers everywhere B that housing policy is a national concern and a national prerogative. In reality, municipalities and states have overlapping and intertwined responsibilities for the housing sector, and there is no a priori division of these responsibilities between them B one that assigns an exclusive set of housing-sector functions to local governments and another to national governments. At present, there is no question that national governments have the upper hand in both policy decisions and taxing powers, and that local government powers are fundamentally limited to those powers granted to them by national governments. But the precise balance of power between municipalities and national governments is dynamic and sometimes subject to rather radical change: A[G]overnment bureaucracies are the present traces of past struggles over public policies, and cannot really be understood outside of that historical context@ [Jones, 1995, 82].

Local authorities, in Ecuador and elsewhere, now have considerable power to influence both housing policy and its implementation. They often have broad legal mandates, taxing powers, and considerable land at their disposal. They also have a crowded agenda which colors, constrains, and motivates their actions in the housing sector. On the one hand, they are often inherently averse to unsanitary housing, illegal housing, unplanned and substandard housing, structurally-sound housing, housing for new migrants, housing that stands in the way of infrastructure provision or lucrative new development, and housing occupied by the less-desirable elements of society. Why? Because such housing makes it more difficult for them to meet their key goals: local economic development, A City Beautiful,@ the regulation of construction and land development, the administration of redistributive programs, and the provision of infrastructure services. On the other hand, housing is viewed by local officials as a major instrument in the attainment of these key goals: it is a leading component in new development or redevelopment schemes, a major source of tax revenue, a principal venue for funneling central-government funds to localities, and a central element in targeted programs to assist poor neighborhoods. It is therefore unimaginable that housing policy could be effectively developed and implemented without the active participation and involvement of local authorities. Housing policy, in light of the importance of the housing sector to the economy as a whole, is indeed a major concern for national governments. But it is necessarily a concern which must be shared with the local governments of metropolitan regions, municipalities, and neighborhoods in which the bulk of housing is located.

Responsibilities for the housing sector in Ecuador are presently in a process of transition. The present Ministry of Urban Development and Housing (MIDUVI) was created in 1992, bringing together the previous housing institution (the Junta Nacional de Vivienda, created in 1962), the Ecuadorian Housing Bank (BEV), the water and sewerage agency, and the agency for territorial development. The Ministry is charged with the

overall coordination of housing policy, with the allocation of housing subsidies, and with the administration and monitoring of national programs. It does not, however, engage in either building public housing or in the implementation of specific housing projects. As noted earlier, the Ecuadorian Housing Bank (BEV) is now a second-tier bank that no longer finances housing projects directly. The Ministry is thus committed to an enabling strategy, to active coordination with municipalities, and to empowering both lenders and builders in the private sector and in the voluntary sector to engage in the production and sale of houses.

Several laws and decrees now mandate decentralization in Ecuador: the Law of the Modernization of the State of 1993, the constitutional reforms of 1996, and the Decentralization Law of 1997 to take a few examples. Article 121 of the amended constitution mandated adding to the central government the obligation to decentralize and diffuse its administration by granting functional, administrative, and economic autonomy to the provincial councils and to the municipal councils within their respective territorial jurisdictions [IDB, 1996, 19]. The Decentralization Law of 1997 empowers municipalities to embark on housing programs, but does not oblige them to do so. Housing is not a traditional municipal responsibility in Ecuador, and there is, at present, no official agreement on the respective responsibilities of different levels of government for the housing sector. There is considerable interest among municipalities in both obtaining the necessary expertise and in initiating housing programs, but little action on their part. One exception is the Isla Trinitaria Project in Guayaquil, where the municipality, in cooperation with the Ecuadorian Housing Bank (BEV), implemented a sites-and-services project in the mid-1990s. The pros and cons of decentralizing the responsibilities for the housing sector at the present time are still unclear. Would local housing allocations be more democratic and participatory and less paternalistic? Would local residential infrastructure provision be more responsive to local demand? Would allocation of housing resources be more transparent and equitable and less political?

In the present economic climate, the fiscal crisis and the credit squeeze, municipalities cannot be expected to undertake new initiatives in the housing sector without a reliable source of funds for their housing activities. Budgetary transfers to municipalities for 1999 amounted to 9% of total revenues, and are planned to remain at this level in 2000. [Government of Ecuador, 2000, 8]. These are likely to be insufficient for maintaining critical municipal operations at current levels, let alone implementing municipal investment plans. Involving municipalities in new housing initiatives requires either new sources of local finance, access to credit, central government grants, or support from multilateral organizations.

The country now faces enormous challenges, as well as opportunities, in the economic, social and political spheres, and among them there are a number of challenges and opportunities for moving in new directions on the housing front. These are outlined below.

V Proposed Housing Priorities and Programs with an Emphasis on Municipal Participation

Housing policy in Ecuador at the beginning of the new millennium is at a crossroads. Continued urbanization in Ecuador, especially during the past century, has generated substantial wealth. Much of this wealth is in houses, largely in the hands of home owning families, families who now own the means of production of housing services they can enjoy for years on end. Can the government B both national and local B protect this wealth? Can it enable it to grow and flourish? Can it further extend it to all segments of society? This is surely not a trivial matter. What has been painstakingly gained can be lost and squandered, and what can be amassed by future generations housing themselves can be vast. The march of people from their villages into the cities in Ecuador is still far from over, and is unlikely to reach a plateau before the urban housing stock doubles in size in the next 30 years and reaches many times its present value.

In broad terms, housing policy in Ecuador now faces three critical challenges B the challenge of regulating the housing sector effectively, the challenge of reforming public housing institutions wisely, and the challenge of creating and administering a new generation of housing programs and projects efficiently and equitably.

The first housing policy challenge is the challenge of *regulation*. The housing sector cannot function effectively without a set of enforceable rulesCrules that limit harmful behavior without crushing the vitality of the sector or its ability to meet needs. There is nothing simple or natural about such sets of rules. They do not come into being by themselves. They have to be invented, discovered, and rediscovered by groups of people who look for them intentionally. These rules must command sufficient attention and political support to be passed into law, and once legislated, they have to be effectively enforced. Once enforced, they have to be monitored to gauge their effects and then modified from time to time to remain effective. Good rules with prompt enforcement mechanisms are hard to come by, and the search for them must continue. So must the search for understanding what makes them good rules.

The second housing policy challenge in Ecuador is the reform of government *institutions* in the housing sector. The Ministry of Urban Development and Housing (MIDUVI) B as well as parallel agencies that need to emerge at the municipal level B must become knowledgeBrich housing agencies, with precise mandates and the correct set of incentives to work towards attaining those mandates. And the basic mandate of the new generation of housing institutions in Ecuador is to undertake the responsibility of managing the housing sector as a whole, as a key economic sector. They must act as watchdogs B protecting the interests of the sector in policyBmaking circles B and engage in the initiation and followBup of regulatory and policy reforms. Such institutions need broad mandates, mandates that will enable them to act in all five component areas of enabling housing policy B the property rights regime, the housing finance regime, the housing subsidies and tax regime, the residential infrastructure, and the regulation of housing and land development. They must consolidate and improve the monitoring of the housing sector, collaborating in the process with similar agencies worldwide. And they must attract B or generate themselves B substantial public resources in the process, and administer these resources efficiently and equitably. To do this effectively, they must be grounded in a political agenda that can draw broad public support B one that is based on a wellBfounded case for specific interventions in the housing sector, and that can demonstrate that it can intervene in an accountable, affordable, and transparent manner.

The third challenge of housing policy in Ecuador must be, therefore, the design and implementation of a new generation of housing-related *projects and programs* that are supported by public funds. The allocation of public resources in the housing sector must be rethought, and particularly in the form of housing subsidies must be rethought. There is no question that, in general, there is a need to use public resources to support the housing sector where it fails to be self-supporting. There is a need to provide adequate public funds to maintain a broad-based social safety net for the homeless or the ill-housed and to ensure a minimum standard of decency in housing. There is a need to engender and sustain a political commitment to ameliorate poverty through action on housing and a municipal obligation to manage and prepare for urban growth that can accommodate all housing needs. Yet the design of effective and popular public support programs for housing is not self-evident. Public resources are, of necessity, limited, and must be used judiciously to harness the resources of all the actors in the housing sector.

First, adequate resources must be available for programs that build the necessary human capacity to implement regulatory changes, to manage projects and programs, and to deepen our understanding of the workings of these projects and programs as well as that of the sector as a whole. Second, adequate resources must be available for programs, be they public, private, or voluntary, that target direct housing assistance to individuals and families in dire need. Third, adequate resources must be available for programs and projects aimed at upgrading the existing low-quality housing stock, whether through land titling, infrastructure improvements (especially water supply, sewage disposal, and roads), rehabilitation of historical centers, small construction loans in marginal settlements and in rural villages, densification, or land sharing, as a means of ameliorating the ill effects of housing as a cause, rather than as a consequence, of poverty. Fourth, adequate resources must be available for extending and coordinating urban residential infrastructure grids on the fringes of growing cities, to ensure an adequate supply of land for housing. These grids must, however, stop at the macro-block level, where the public supply of public goods is mandated, and not attempt to provide serviced sites to individual plots. The informal market in many countries, and especially in Ecuador, has been profitably providing informal land subdivisions, sites, and services by another name that serve the bottom half of the income distribution effectively, albeit illegally. The challenge is not to destroy this form of housing provision, but to improve it, both through the development of legal alternatives that can compete effectively with illegal ones, and through the upgrading and transformation of established communities.

There is no question that the housing policy environment in Ecuador, seen from a global perspective, is becoming more enabling. Housing policies in Ecuador are gradually converging to an enabling mode. The housing policy document recently issued by the Ministry of Urban Development and Housing [MIDUVI, 2000a] stresses the enabling and facilitating role of the state, and commits the government to staying away from direct contracting and financing of housing [2]. The new housing policy document proposes six complementary programs (see table 3) for implementation during the coming three years, 2000-2002:

1. Rural Housing Improvement (\$400 per household served, total cost \$26.4 million, 14.5% of total subsidy program, and 7.5% of estimated need for improvements);

2. Housing Assistance to Beneficiaries of Solidarity Subsidies (\$144 per household served, total cost \$5.2 million, 2.9% of total subsidy program, and 18.5% of annual new urban housing demand);
3. Housing Improvement in Marginal Settlements (\$650 per household served, total cost \$ 26 million, 14.3% of total subsidy program, and 1.9% of estimated need for improvements of existing dwellings);
4. New Urban Housing (\$1,800 per household served, total cost \$81 million, 44.6% of total subsidy program, and 23.1% of annual new urban housing demand);
5. Urban Housing Improvement Grants (\$750 per household served, total cost \$33.8 million, 18.6% of total subsidy program, and 2.1% of estimated need for improvements of existing dwellings); and
6. Rehabilitation of Housing in Historical Centers (\$2,000 per household served, \$9.4 million, 5.2% of total subsidy program, and unknown % of estimated need).

1. *The Rural Housing Improvement Program:* Small, and largely very poor, rural settlements throughout Ecuador require an integrated program of water, sewage disposal, and housing development to meet basic needs. The Solidarity Fund that finances the program has been mandated by Law 003 as a tax transfer from the municipalities to MIDUVI for one-time grants for rural housing. Other funds for the program are expected from the Emergency Fund. The original grants of 5 million *suces* per family amounted to \$1,000 in 1998 and have now been reduced in value to \$200. Negotiations are under way to increase them to \$400. The Ministry can coordinate such a program through its regional offices by providing technical assistance to village communities (and water committees) and by providing material grants. Villagers can be trained at the regional centers and then

Table 3: Summary of the MIDUVI Three-Year Program, 2000B2002 (\$)

Program Element	Number of Households Served	Cost per Person Served ^a	Cost per Household Served	Total Cost 3-year (Millions)	Percent of Total Subsidy	Average Annual Cost (Millions)	People per year Served ^a	Households per year Served	Estimated % of Total Need Served Annually
Rural Housing Improvement	66,000	\$80	\$400	\$26.4	14.5%	\$8.8	110,000 ^a	22,000	7.5% ^b
Housing Assistance to Beneficiaries of Solidarity Subsidies	36,000	\$30	\$144	\$5.2	2.9%	\$1.8	56,000	12,000	18.5% ^c
Housing Improvement in Marginal Urban Settlements	40,000	\$140	\$650	\$26.0	14.3%	\$8.7	63,000	13,500	1.9% ^b
New Urban Housing	45,000	\$380	\$1,800	\$81.0	44.6%	\$27.0	70,000	15,000	23.1% ^c
Urban Housing Improvement Grants	45,000	\$160	\$750	\$33.8	18.6%	\$11.3	70,000	15,000	2.1% ^b
Rehabilitation of Housing in Historical Centers	4,700	\$425	\$2,000	\$9.4	5.2%	\$3.1	7,400	1,600	?
Total/average	237,000	\$162	\$770	\$183	100%	\$61	375,000	79,000	10.0%

Source: Ministerio de Desarrollo Urbano y Vivienda (MIDUVI), 2000. *Plan de Desarrollo 2000B2002 para los Sectores Vivienda, Saneamiento y Desarrollo Urbano*, Quito, May; Ministerio de Desarrollo Urbano y Vivienda (MIDUVI), 1999. *Información Estadística a Nivel Nacional*, Government of Ecuador, Quito, March.

^a Household size is taken to be 4.7 in urban area and 5.0 in rural areas in these calculations.

^b Based on estimates of qualitative and quantitative housing deficits calculated in MIDUVI, 1999.

^c Based on an estimated new urban housing demand of 65,000 units per year.

be sent out to work in villages, assisting other villagers in construction, monitoring progress, keeping accounts, and communicating with Ministry officials. The rural housing improvement program can provide a major thrust in the battle against rural poverty in Ecuador at the present time.

2. *Housing Assistance to Beneficiaries of Solidarity Subsidies:* The Ministry is assisting Hogar de Cristo, an NGO building low-cost houses in coastal cities, with a subsidy amounting to \$144 per family. The houses are built on land already belonging to the beneficiary families. The program is quite large, constructing 12,000 houses per year, and amounting to 18.5% of the projected annual new urban housing demand in the country—65,000 new units. The per unit subsidies is very low indeed, and therefore the annual cost of the program to the Ministry is also low, forming only 2.9% of its projected annual subsidy allocation. Given the relative efficiency of the program in meeting new housing needs, the possibility for expanding it should be further investigated.

3. *Housing Improvement in Marginal Settlements:* The present program allocates an annual budget of approximately \$8.7 million for small subsidies for house improvements in marginal urban settlements. The subsidy averages \$650 per household served and forms 14.3% of total subsidy program. Yet, given the estimated deficits in marginal urban settlements, this element of the program responds only to 1.9% of the estimated need annually. Recent estimates of deficiencies in the urban housing stock [MIDUVI, 1999] suggest that some 725,000 urban housing units, or 44.3% of the urban housing stock, are in need for improvement. This subsidy component is, therefore, rather small in comparison with estimated needs. Furthermore, it is contemplated as a one-time subsidy for house improvements only, while subsidies for house improvements could be more effective in conjunction with micro-finance. House improvements, moreover, are only one part of an urban settlement upgrading program. The other two critical parts are (a) a land titling program; and (b) an infrastructure improvement program—neither covered by this subsidy component or by any other element in the proposed plan.

4. *New Urban housing:* The core of the housing subsidy plan of the Ministry is the ABC program implemented with the help of a grant from the Inter-American Development Bank (IDB) under the Housing Incentive System (SIV). This program combines savings, subsidies, and credit given directly to beneficiaries for new housing provided by the private sector. Beneficiaries save 10% of the projected house cost to quality for the program, subsidies are now fixed at \$1,800, and houses are expected to cost \$2,400–\$800. This program is expected to utilize approximately 45% of subsidy resources, \$27 million per year, and to assist in the provision of an average of 15,000 new private-sector units per year, an estimated 23% of all new urban housing demand in a given year. The cost per households of this program is substantially higher than in other program components, of course. The program relies on the private sector in supplying both housing solutions at the expected prices, and on the necessary credit to complement the savings and subsidies.

The Ecuadorean Housing Bank (BEV), as well as a number of selected municipalities, own vacant lands which could, in principal, be used for low-income housing projects. In fact, the Bank's lands were originally bought or assembled for the purpose of building social housing, and now that the Bank has stopped supporting housing projects directly, they are listed as assets on its books. There is, at present, a shortage of supply of social

housing that is needed to meet the demand generated by the ABC program of the Ministry of Urban Development and Housing (MIDUVI). It has been argued, therefore, that offering these lands to private sector developers (at market or near market prices) would facilitate their cash flow, as many developers currently do not have access to construction finance. These lands command a market value and can surely be used as collateral for obtaining construction finance. But the use of these land assets as supply side housing subsidies, in effect, should be approached with caution and possibly avoided altogether. Some of these lands may not be suitable for low income housing, and may be needed in the future for other essential public uses. Still other lands, which could be more profitably used for commercial development other than housing could be traded for more suitable lands. Finally, some of the available lands could be used in land sharing projects, whereby the best part of the land (e.g. the part fronting a major highway) is sold to private developers for commercial development, and the rest of the land is used for low income housing in a cross subsidy arrangement. There is a need to explore these various alternatives more thoroughly and to devise mechanisms for maximizing their economic, as well as their social, value.

5. *Urban Housing Improvement Grants:* This component provides one time subsidies for urban families engaged in improving their houses. The subsidy per family will amount to \$750 per household served, at an annual cost of \$11 million, and will form 18.6% of total subsidy program. Again, because of the very large need for house improvement in urban areas, its annual contribution will meet approximately 2.1% of the estimated need for house improvements. This program element is similar to the program element focused on house improvements in marginal settlements, except that in this case the value of an average improvement is estimated at \$3,500. The subsidy will, therefore, be supplemented by savings and credits.

6. *Housing Rehabilitation in Historical Centers:* A large number of poor families live in dilapidated houses in historic centers of cities which have been subdivided into very small housing units. Quito is estimated to have 4,000 such houses, and there is at present an active and operational program of rehabilitation of these houses (more than a dozen houses have now been completed) by a program which emphasizes rehousing the original dwellers with the use of the SIV program subsidies. This program can be fruitfully extended to a large number of smaller cities with historic centers, with an additional infusion of both construction capital and demand side subsidies. At present, the subsidy in this program amounts to \$2,000 per household, forms 9.4% of the overall subsidy allocation in the plan, and is expected to assist an average of 1,600 families annually, an unknown percentage of total estimated need. Needless to say, this program component is presently rather small, while the subsidy per family is the largest among all program components.

The six programs together form an integrated housing plan for Ecuador for the coming three years. The overall amount of subsidies contemplated in all the programs taken together is of the order of \$183 million for three years, or \$61 million per year. This is a rather low budget in comparative terms, forming approximately 1.6% of overall government expenditures, compared with an average of 6% in Latin America and in the world at large. It is also three times as large as the loan provided in 1998 by the Inter American Development Bank to the Ministry for the Housing Incentive System (SIV). Still, raising these modest funds, given the recent economic crisis and the mounting

external debt, is an uphill struggle. It is also, no doubt, a critical and important struggle at the present time.

The proposed plans appears to suffer from a number of shortcomings, and could benefit from a number of changes which are outlined below:

1. *Intensive Participation of Municipalities:* The proposed program components, with some exceptions (regulatory reform or the contribution of some municipal lands for housing projects), do not require the active engagement of municipalities in housing. The key contributions that municipalities can make to the housing sector (a) planning and implementing the expansion of urban areas, (b) titling programs and infrastructure improvements in marginal urban settlements are not essential parts of the proposed program. Possibilities for realizing these two important contributions are elaborated upon below.

2. *Macroblock development of serviced land:* Ecuador still has considerable rural-urban migration, and a number of secondary cities which are growing very rapidly and do not have reserves of urbanized lands for residential development [Jarrín, 1997, 79]. Municipalities need to prepare for urban growth by extending major infrastructure networks in a timely fashion, while allowing the private sector (both formal and informal, and the community and NGO sector) to develop land subdivisions, progressive urbanizations, and low-income housing projects. Municipalities need assistance in rapid planning and execution of infrastructure networks that allow for the creation of macroblocks of serviced land. This process is to be distinguished from earlier sites-and-services programs that focused on individual plots of land. The creation of individual plots must be left to private-sector developers and to communities. The Ministry of Urban Development and Housing (MIDUVI), in cooperation with several municipalities, should initiate a number of pilot projects in macro-block development with a view of creating nationwide models for orderly urban expansion. In the development of macroblocks, municipalities will need access to credit for the construction of infrastructure works and effective mechanisms for recovering infrastructure investments from valorization levies, property taxes, and rates.

3. *Introducing Effective Alternatives to Informal Land Subdivisions:* As noted earlier, informal land subdivisions still supply the bulk of land for housing in Ecuadorean cities. The Ministry has already made significant progress in designing new land subdivision and housing development regulations which allow for progressive development. These regulations do not require full development of either infrastructure or housing before permits are granted. Cuenca has already adopted the new regulatory framework, and a number of municipalities, including Quito and Guayaquil, are in the process of adopting it as well. Still, it is not clear that the new regulations will work as envisioned and will indeed generate an active market for serviced sites and progressive urbanizations. Yet, it is not at all clear that this reform will be sufficient to provide realistic and affordable alternatives to informal subdivisions. Initially, at least, an integrated housing strategy should include demand-side subsidies for serviced sites, and finance for a number of pilot projects in low-cost formal land subdivisions.

4. *A National Program of Urban Upgrading:* Even though a significant percentage of the population in Quito, in Guayaquil, and in numerous other cities in the sierra and on the

coast lives in illegal settlements (invasions or informal land subdivisions on public and private lands), the proposed plan does not include any budgets or loans for upgrading these settlements. Important efforts are underway, both in Quito and in Guayaquil, to (a) legalize land tenure and to offer land titles to dwellers—the cornerstone of any urban upgrading program. These efforts must be extended to other cities and accompanied by two other important components of settlement upgrading: (b) infrastructure improvements—especially roads, water supply, and sewage disposal and drainage—and (c) house improvements through the administration of small subsidies and microfinance. Only the third component is presently part of the national plan, and it is focused on subsidies, rather than on the development of microfinance. A national program of urban settlement upgrading including all three components is likely to be the key strategy for upgrading the housing stock in the country, and the most effective and cost-efficient way to use public resources in enabling the housing sector to work.

5. *Saving for Mortgages*: In general, because of the collapse of financial institutions, the subsidy program carries unnecessary burdens that should be carried by the financial system. Given the stabilization of interest rates, there is now room for building savings for housing. In the present economic climate in Ecuador, however, housing finance is still stalled, and it likely to remain so for the next year or two. Yet mortgages remain an essential component of an integrated housing policy. It is important to design and gradually put in place mortgage instruments that can reach low-income families—mortgage loans for new housing as well as smaller mortgage loans for house improvements. The government recently passed a law that puts a ceiling on interest rates, making it more difficult to develop mortgage finance. An important way to reduce the cost of servicing a mortgage is to obtain good information on borrowers and their saving habits. An established way of obtaining such information is by requiring potential lenders to save for a couple of years before getting a loan which is a multiple (of, say, 2 or 3) of their savings. In the present economic climate, and given the recent dollarization of the Ecuadorian currency, savings are likely to maintain their value. A savings-for-mortgage program will increase the number of persons that will eventually have access to mortgage loans once the mortgage market stabilizes.

6. *A National Legislative Reform Program for Housing and Urban Development*: The Ministry of Urban Development and Housing (MIDUVI) needs to continue its work in reforming laws and regulations that affect the housing sector. It should act to remove legal obstacles to bringing housing finance down-market, especially laws and regulations which constrain the development of microfinance or ration credit away from the housing sector in general, or from the construction of rental housing in particular. It should act to reform the rental law, so as to make the construction of rental housing a viable economic proposition. It should act to reform national and municipal regulations that lead to delays in the granting of permits for residential development. Finally, it should act to streamline the transfer taxes, permit costs, and finance charges associated with the residential construction process, so as to make it easier to develop social housing and progressive subdivisions. Needless to say, funds for the underlying research and the preparation of this legal reform agenda need to form part of the planned budget of the Ministry.

To conclude, we must reflect on the fact that none of the programs proposed here is easy. It is easier to build a few thousand houses than to reform housing policy. It is easier to

insist on upholding law and order than to find ways to accommodate squatters that have occupied land for decades. It is easier to give away loans at subsidized interest rates than to administer foreclosure laws that enable mortgage banking institutions that lend at market rates. It is easier to maintain rent control than to abolish it. More generally, it is easier to bestow a new subsidy than to withdraw a regressive one. It is easier to let the stock of low-cost housing in historical centers be destroyed than to maintain it. It is easier to build public housing projects than to bring in roads and services into dense spontaneous settlements. It is easier to raze poor neighborhoods to the ground and redevelop them anew than to uplift them from poverty through rehabilitation and community action. And it is easier to stop people from building than to enable them to build what they want, and what they can afford, through appropriate regulations.

These proposed programs, together with the programs included in the current official plan for 2000-2002, form an integrated housing policy for Ecuador, a housing policy grounded in the close cooperation between the national government on the one hand, and the municipalities where the bulk of housing is built on the other. The programs deal with all the key components of national housing policy—property rights, the housing finance regime, housing subsidies, residential infrastructure, and the regulatory regime. They are not focused only on the large cities, but rather on the housing problems of settlements of all sizes—the large metropolis, the rapidly growing secondary city, the historical centers of smaller cities, and the small villages in rural areas. The implementation of many of these programs in Ecuador is not new, but now requires a national effort based on the accumulated experiences in numerous cities in the country. A number of these national initiatives may now merit a new multilateral assistance loan for the housing sector, a loan that can and should be supported both by the Inter-American Development Bank (IDB), as well as by the World Bank, as a key measure for combating poverty in the process of the economic reconstruction of the country.

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