



**United Nations Conference on
Human Settlements, Habitat II
Istanbul, June 1996**

**Human
Settlements in Chile:
*NATIONAL
ACTION
PLAN***

1996

This publication forms part of an agreement
between the Ministry of Housing and
Urban Development and the Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ)

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I. NATIONAL ACTION PLAN: BASIC GUIDELINES

1. Chile is presently going through a period of development centered on economic growth and the consolidation of the democratic process. In spite of this, serious problems of inequality persist. Our urbanization process is still marked by pockets of poverty, marginalization, and socio-spatial segregation that affect our settlements.

This is the context in which Chile has taken on the task of achieving sustainable development with equity: the eradication of extreme poverty has become our first national priority.

2. Within this context a national settlement plan has been implemented for sustainable economic development, specialized production with greater value-added, and a real improvement in the quality of life of our citizens, so that our spatial planning can be made consistent with the imperatives of equitable, sustained and long-term development.

3. This has led us to put policies into effect for establishing ways to diversify the specific forms of financing of our human settlements, and the necessary consolidation of our democracy, so as to enable us to develop programs that are socially segmented and focused, and facilitate the setting up of new forms of social participation.

4. Within this same approach we have made efforts to implement modes of decentralization, in order to achieve the goals of these policies, as well as cooperation between the public and private sectors, and the active incorporation of non-government sectors.

5. A policy for the systematic improvement of human settlements in Chile must be based on a socio-political, democratic and participatory system. Such a stable framework and its improvement can help us develop more effective proposals for improving the quality of life of the entire population and, particularly, of the poorer sectors.

This encourages active and effective participation from our citizens and the improvement of decentralized management, emphasizing the role of regional and local governments. It also means encouraging the incorporation of academic, social, business, political, government and non-governmental sectors.

6. The economic and social aspects of this policy must assure stability, growth, better jobs and improvements in real wages, as well as increased savings and investment.

7. More specifically, the levels of organization of the poorer sectors and their ability to save, as well as their own proposals for and capacities to carry out local development actions, are irreplaceable resources if these actions are to be effective in improving their quality of life. This means that a policy on human settlements must be people-oriented.

8. The United Nations Conference on Human Settlements, HABITAT II, "The Cities Summit", to be held in Istanbul, Turkey in June 1996, is considered by our country as an important opportunity for carrying out an open, active, specific and pluralistic debate on the problems facing our human settlements and the programs and projects needed to effectively solve them.

9. The formation of a broad and representative National Preparatory Committee has become the most suitable forum for conducting this debate. Our objective is to succeed in having this initiative endorsed by the greatest number of social, political, business, academic, municipal, governmental and non-governmental sectors, so as to project a fundamental consensus on our problems and a formal commitment towards plans of action.

This affirmation is based on the agreement endorsed by Chile, in terms of the need to develop a strategy for development, consistent with economic growth together with social equity and environmental sustainability.

10. The National Preparatory Committee has assembled various organizations which, in the future, could play a central role in the analysis, follow-up and in-depth study of the problems of our

human settlements, within the framework of this National Action Plan. Specific tasks such as the implementation of the proposals mentioned, deciding who is to be responsible for their implementation, follow-up activities, and the development of new proposals can all be taken on by this committee.

11. Finally, along with the National Action Plan, we should stress the need to develop a common proposal for action to be taken by other Latin American and Caribbean countries. Our region presently has the highest rate of urbanization and city growth in the world. It also has the greatest intraterritorial diversity between urban and rural areas, as well as the widest gap between income distribution and social opportunities.

II. HOMES AND THEIR SURROUNDINGS: HOUSING POLICY

A. Sustainability

12. Since the eradication of poverty is a priority for Chile, so is a reduction in the housing shortage, because of the direct relationship between the two. The narrowing of the housing deficit in quantity terms has, since 1990, been considered an urgent task in this country, and is one of the most sensitive variables to be considered for improving the quality of life of poor people.

In 1995, more than 9 homes were built for every 1000 inhabitants. More homes were built than new families formed during this period. If this rate of construction continues, by the year 2000 we will have overcome the 800 thousand home shortage that existed in 1990.

13. Our housing policy has been able to stabilize and keep active, important economic sectors such as house-building, channeling the demand for housing in an organized way, encouraging public savings and the development of new forms of house financing, as well as actively incorporating the private sector and increasing their involvement. These together comprise the basic framework for stable and well-informed policies.

14. However, our housing policy has faced numerous problems. Often the construction of basic homes has not taken the immediate surroundings into account, and this has led to their depreciation due to the lack of public spaces, infrastructure and green areas. Environmental deterioration, quality problems and limited possibilities for improvement or modification are also present.

This policy has also had to face problems in terms of allocating subsidies in rural areas as a result of their social and territorial heterogeneity, extreme poverty, isolation and marginalization. 84 of the 100 poorest municipalities are rural, where homes, in the majority of cases, lack proper sewage systems. 17% of the country's population live in rural areas.

Our housing deficit is also reflected in the sorry situation of the many families that are forced to live in overcrowded and precarious conditions in two or more family homes.

15. The first principle that we have established regarding our human settlements, is that access to housing and decent surroundings is a need that cannot be put aside if we are to succeed in eradicating poverty. This is not only a right but a commitment that State and Society assume in order eventually to be able to provide an effective and definite solution.

In order to achieve this we agree to:

- i) Support the action plan for a housing policy that involves a substantial reduction in the housing deficit by the year 2000, and that continues to advance towards the aims of gearing its actions towards the most socially vulnerable groups, taking into consideration their heterogeneity, particularly in terms of gender and the specific needs of men and women, as well as cultural, territorial and age differences. The construction of homes with suitable surroundings and facilities must, therefore, answer to the needs of the different segments of society that require them.
- ii) Progressively improve the standards of low-cost housing, i.e. design, surface, and environmental and physical specifications, as well as the surroundings, defined as adequate facilities, green areas, services, and roads.

The raising of these standards should also include reducing levels of pollution within the home, and the improvement of heating systems.

High energy efficiency in the home will lead to a substantial fall in gas emissions which not only affects our urban atmospheric pollution but also contributes to the green-house effect and climatic changes in our region and the whole planet.

- iii) Achieve higher levels of housing mobility, adapting these solutions to a sustained increase in the availability of resources in the lower income sectors.

Thus, in terms of housing policy, economic development in the country will be consistent with environmentally sustainable human settlements, and this is the key to housing development in harmony with its surroundings, thereby avoiding future unmarketable housing units.

We believe, in this regard, that the new joint-ventures between the private and public sector, such as leasing programs and actions fostering greater housing mobility, are important initiatives in terms of maintaining the existing housing stock by means of incentives for the secondary market in low-cost housing.

- iv) Develop new proposals to encourage the maintenance and continuous improvement of already built homes and their surroundings, thereby achieving higher levels of future sustainability.
- v) Strengthen these proposals through the participation of the academic, professional, and non-governmental sectors, as well as private non-profit organizations, colleges and universities, hand-in-hand with the public and private sectors.

B. Access to Housing: Financing and Targeting

16. One of the main changes that have taken place in this country in terms of the financing of our human settlements has been the incorporation of more resources from all the sectors involved in their administration, and a resulting change in the role of the State, consistent with current principles of segmentation, targeting and access to subsidies.

The financing of our present housing policy requires applicants to have prior savings, and the private sector to participate in the promotion, management, and production of low-cost housing.

This type of housing policy requires the participation of the different agents in ministerial policies, taking full advantage of their experience and technical abilities.

17. Our housing policy, by means of direct subsidies and the various means of financing, has substantially reduced the housing shortage that in 1989 had reached approximately 30%.

This system has been successful:

- Since the access to information on ways to distribute the subsidies has encouraged low-income sectors to save in order to obtain a home. This has fostered the opening of over one million home-ownership savings accounts, a reflection of the dignity felt by those sectors.
- Equal access to housing, together with the mass construction of low-cost homes have resulted in a more organized distribution of demand.
- Another important aspect of this direct subsidy has been the active organization and maintenance of construction activity (considered an important sector in our economy), bringing to an end the cycles of instability suffered by this productive sector.

18. The targeting criterion has been applied through fourteen programs geared to responding to the needs of different sectors of the population. However, the present number of programs, and their management, have faced difficulties in terms of incorporating the most needy groups, particularly since many have been unable to open home-ownership savings accounts. The fact that there is still a considerable number of families living in two or more family dwellings, demonstrates the difficulties involved in terms of access.

19. We agree that the current principles regulating our housing policy must be strengthened and constantly improved, and must be based on the principle of equity, responding to the needs of the most vulnerable sectors in our human settlements. These principles are redistribution, progressivity, segmentation and targeting by the State, savings incentives and the participation of beneficiaries, as well as private-sector support in the management, materialization and financing of low-cost homes.

Following this, we propose:

- i) That efforts should be increased in order to improve the segmentation and targeting of the poorer sectors that currently have the greatest difficulty in obtaining adequate housing. We stress the importance of technical assistance in order to achieve a higher level of consistency between our housing policy and the need for homes in adequate surroundings for these groups.
- ii) It is also very important to resolutely foster the participation of the private and social sectors in actions in the housing area which have traditionally been carried out by the public sector. Higher levels of specialization and efficiency in the different spheres of management of low-cost housing can thus be developed.
- iii) We must make applicants realize that the repayment of their future loans will mean that there will be resources available to satisfy future housing demands, and that this is the principle of solidarity among beneficiaries. This will only be possible if the size of loan repayments is commensurate with the financial resources of the borrowers.

III. SUSTAINABLE HUMAN SETTLEMENTS

A. Spatial Planning and Overall Urban Development

20. The level of national consciousness on the sustainability of human settlements has gradually increased, but it still is not considered a priority in terms of regional and local development strategies.

21. We have stated that one of the main concerns of this Committee is sustainable development, where the most important aspects are the eradication of poverty, growth with equity, the conservation of the environment, and productive economic development. Our human settlements are currently in the first stages of development since the process of land settlement and urbanization still faces problems of poverty, socio-spatial segregation, and marginalization in rural areas.

A sustainable and ethical perspective must also take into consideration that action taken today ought not to have a negative effect on the quality of life of future generations.

22. During recent decades our spatial planning has undergone important changes in the form of economic development and land tenure, and this has affected the exploitation of our natural resources and production processes.

23. Nevertheless, in spite of the fact that our gross national product has grown considerably and continuously, this has not taken the sustainability viewpoint into account. Our integration with the global economy has resulted in serious environmental problems, both in terms of depredation and pollution. Nor has there been any real change in income distribution.

24. Our present economic development strategy has also intensified the great diversity of human settlements within the country; ranging from a megalopolis specializing in tertiary economic sectors to

small isolated villages housing laborers in primary extractive activities.

25. Despite the various efforts that have been made in terms of land-use planning, we have lacked a consistent overall spatial planning policy capable of coordinating the economic development strategy with the growth of environmentally and socially sustainable human settlements.

26. In order to carry this out we need an information system on existing environmental realities, to define, for example, protected or high-risk areas. Information is an essential variable not only for decision-making in terms of planning and coordination, but for the improvement and diversification of the tools used for land-use and urban planning, so as to have an overall strategic vision involving the different social sectors.

27. Although the problems of sustainability in some of our cities seem to reflect short-term solutions, those relating to rural areas are just as serious, particularly as the rural habitat is closely tied to the urban. This forces us to deal with both of these areas simultaneously if we are to succeed in overall development.

28. As regards the urban areas, some of our cities are currently facing serious traffic problems, the accumulation and degradation of solid wastes and high levels of environmental and noise pollution. In addition, the expansion of cities without any kind of regional planning, has used up high-yield agricultural land and has led to settlements in hydrographic areas that are presently at risk, while deforestation and erosion have also increased, resulting in an imbalance between natural and man-made surroundings.

29. As well as this, the lack of a clear policy towards urban integration has led to distributions of infrastructure, facilities and services that have not been homogeneous, and their distribution and placement in ways which are not functional in residential areas, i.e. jobs and schools. The most vulnerable sectors of our population have to pay the higher cost of access to goods and services offered in the city, thereby lowering their quality of life.

The lack of active coordination between housing and urban policies has broken up neighborhoods, which are considered the basic unit in a city's development.

30. Internally our cities are faced with the concentration of poverty, particularly in their outskirts. One reason for this is that urban land is more expensive in the central and inner areas of cities, and there is a limited amount of resources available, so the poor have fewer choices as to where to locate their homes.

31. This situation has been accentuated by the growth of micro-spaces within neighborhoods in different social sectors, as a form of self-segregation arising from the need for a sense of belonging and identity with their neighbors in the city, and as a way of dealing with the problems of lack of security and urban violence.

32. It is also important to point out that aspects of life that are not available in urban areas can have a negative effect on economic growth, thereby making human settlements less functional and efficient, in economies that are becoming more complex and developing higher standards, such as the case of the present open markets in the process of globalization.

We must stress that in order to develop human settlements that are economically sufficiently competitive in a global economy, within the perspective of sustainable development, we need access to adequate infrastructure in order to reach both internal and external markets.

Integrated infrastructure is also a crucial factor in the decentralization of land-use in open economies.

33. We consider that spatial planning and integrated urban development are essential factors in the creation of sustainable human settlements, whose principles coincide with equity regarding quality of life, economic productivity and the conservation of the environment.

In order to achieve this, we must:

- i) Assure quality of life, productive growth and conservation of the environment by means of overall, coordinated and flexible public policies.
- ii) Encourage all economic development strategies, be they national, regional or local, to be properly integrated with policies of spatial planning and urban development, as key factors in productivity and in order to support future development.
- iii) Insist that sustainable spatial planning should foster the development of intermediate cities, villages and rural hamlets, establishing harmonious settlement systems. This must become evident in our housing and urban development policies. It must also spatially integrate the intermediate cities and rural villages so that they can both have equal access to the services which attract people towards the cities.
- iv) Take into consideration the impact that urban development has on rural areas, since the conservation of nature requires a stable relationship with urban development by means of the minimum necessary settlement of such areas.
- v) Draw up a schedule for the development of a long-term National Policy for Urban Development. This policy should be the result of political and social agreements leading to the establishment of urban development guidelines which will be coherent, systematic and sustainable in the future.
- vi) Improve the existing tools and capabilities for urban planning. We all agree that we must create new, simpler standards to enhance the capacity to monitor important aspects of the process, and that feasible and severe sanctions may be applied, protecting the common interest over individual interests, enhancing the existing regulations on, for example, the growth of cities, as well as avoiding natural disasters, conserving the environment, and encourage the use of public transportation. We also believe that proper standards should be established in order to assure an appropriate distribution of infrastructure.

- vii) Implement new tools for urban planning that, as well as addressing the objective of social equity regarding the quality of life, within an overall plan specifically promote densification, neighborhood recovery, and the use of abandoned sites, as well as carrying out programs of urban renewal: in other words, all initiatives which will lead to more harmonious and rational growth of our cities.

- viii) Take into consideration the cost of urban housing placement, from a long-term overall point of view which includes the social costs of future access to infrastructure and services, which promote the location of low-cost housing in areas where the inhabitants can gain access to the benefits of the city and can enjoy a better quality of life.

- ix) Propose and reinforce in our human settlements, pro-sustainability actions that have a high level of intersectoral and interterritorial coordination, as well as a coordinated monitoring by all sectors involved. Monitoring by the State must incorporate the ability to buy and administer land for low-cost housing and urban development programs, and establish regulations leading to a fair allocation of external public and private intervention and investment.

B. Financing of Intervention and Urban Projects

34. Our human settlements currently lack urban goods and services as a result of limited investment by the public and private sector, and the historical non-existence of a policy of overall pro-active investment by the State to finance such settlements.

35. The scant coordination and guidance that has existed in public investment at different levels of the State, as well as in the private sector, the lack of policies and resources to maintain and operate investments, and the absence of regulations, have also had their effect on the urban deficit.

36. Nevertheless, we must stress that in recent years the government has taken a special interest in urban problems, launching a number of programs for road and urban infrastructure improvements.

37. We support the integral idea of urban and territorial, stable and balanced financing, where all sectors participate with their resources and specific abilities, (here we consider not only financial aspects) with the objective of developing functionally and productively efficient settlements within a framework of sustainability that will facilitate equal access to a better quality of life.

In order to achieve this we propose the following:

- i) Insist on the need to incorporate, within the financing issue, the integrated notion of construction, operation and maintenance in a context of truly sustainable human settlements.
- ii) The economic model adopted by this country has fostered the active incorporation of private capital, therefore the State has guided, regulated and overseen aspects that will generate the conditions for sustainable development in our human settlements.
- iii) The different sectors must be actively incorporated, along with their specific resources, in the financing of human settlements, so as to, on the one hand, effectively support the innovation and realization of activities, and on the other, share in the responsibility for developing and taking care of habitat. The private sector could provide a number of services in this respect.

Co-financing between State, beneficiaries and/or municipalities must also be encouraged, particularly when dealing with investments that cannot be financed entirely by the community. This framework for action will lead to the solution of our most urgent urban problems, such as the lack of community facilities, parks and recreation areas, as well as to the improvement of neighborhoods and urban surroundings.

- iv) Promote, in the financial policies for our human settlements, coordination between the different agents and the spheres in which they are involved. Our lack of financial resources requires close coordination among our investments, close collaboration among the institutions and constant innovation.

- vi) Increase strategic management capabilities, on the part of the State, as well as the segmentation and targeting of investments.

- vii) Take steps to ensure acknowledgement of the negative external factors resulting from the growth of cities, by those who generate them, and the internalization of their costs.

- viii) Ensure that financial policy is the most balanced and spatially sustainable possible, seeking new ways to regroup human settlements, introducing alternative technologies and guarantees for investments in basic infrastructure.

- ix) The following points must be analyzed, as additional modes in the application and overall view of financing:
 - a. Franchise programs for the development of infrastructure by the private sector, particularly roads, transportation services, intersections and parking lots.

 - b. Issue municipal bonds and loans financed by international organizations backed by the State.

 - c. Tolls or direct payments for the use of urban services.

IV. MANAGEMENT OF HUMAN SETTLEMENTS

38. In order to achieve the objectives of sustainability and quality of life, targets should be set in the management of our human settlements so as to facilitate full intervention. This can be done if the following conditions are met: social management with full citizen participation, and public administration geared towards enhancing the process of institutional decentralization.

These two conditions are closely related. Real and efficient social participation cannot occur without decentralizing all levels of the State, and vice-versa.

39. In our present democratic system one of the main tasks in the management of our human settlements is to determine the roles of social and public administration and their resulting coordination.

40. Social management in our human settlements is possible only with the active participation of our citizens, both in the construction of their local habitat, e.g. the neighborhood, and in deciding the type of human settlement we, as a country, want to develop. This forms the basis for creating a sense of belonging to their own habitat on the part of the citizens who live there.

41. Public administration in human settlements must begin with the coordination between political-sector policies and those of the different levels of government, so as to link them as closely as possible with society. The roles and responsibilities of the institutions involved, as well as their legal framework, must be determined in order to coordinate them with the different sectors of society in tackling problems at their root.

A. Social Management: Citizen Participation

42. Territorial uprooting, the destruction of social networks and high levels of violence and crime have been a constant in our human settlements, as a result of urban growth and the absence of proper planning over the years. This situation has worsened because of a lack of ways for the different social sectors to participate in decision-making related to the development of our human settlements.

43. Nevertheless, in the last few years policies have attempted to encourage greater participation by the different sectors.

In the specific case of housing policy, participation by the public sector has been encouraged at all levels, as well as by the construction sector, the financial system related to housing, the social and trade union sector, along with the academic community and non-governmental organizations.

In addition, the assignment of a better point system for group applications, and the participation of the most needy has been encouraged.

44. Although social participation overall has been scarce, there have been a few specific examples where there has been participation, with local governments and community organizations becoming the coordinators and promoters of joint administration in the community. These experiences have enjoyed great success since the beneficiaries have been able to participate actively in solving their own problems.

Action that encourages participation makes human-scale planning possible, facilitating the construction of human settlements with equity.

45. In the management of sustainable human settlements, the participation of citizens becomes very important in the solution of local problems and in the determination of the type of human settlements we want to build. Highly flexible policies must be drawn up and implemented, reflecting specific realities and

offering the means to participate effectively and provide feedback on the overall proposals.

The participation that we wish to encourage in our human settlements is based on the full participation of our citizens, where the rights and duties of all social sectors are assumed.

In the light of this, we propose:

- i) To encourage debate, integration and coordination of policies and actions, so that the different institutions and organizations involved (local organizations, regional and local governments, non-government organizations, the private sector, the academic community, grassroots organizations and those who live in the human settlements) can all share responsibility for the activities needed to improve their living conditions and enhance the sustainability of their homes and surroundings.

The different sectors of society will thus be able to become responsibly involved in improving the quality of life, linking the State and its citizens in the process of building better cities and human settlements.

- ii) Offer specific means to ensure that the inhabitants of our country take an active and responsible role in the development of their local, regional and national habitat, contributing to the policies and programs proposed, assuming concrete obligations in the solution to their housing problems and participating in the policies and actions agreed to at the different levels of spatial planning.

Levels of independent coordination among our citizens must, in this sense, be encouraged, but these must be consistent with our overall human settlements development policies.

- iii) The different social actors must be trained and sustained through adequate technical assistance. Effective access to information for decision-making must be guaranteed.
- iv) Foster the establishment of neighborhoods with their own identity, generating alternatives for their inhabitants' participation in deciding location and type of housing

and the surroundings needed to create this sense of neighborhood.

- v) Encourage and reassert community organization, thereby strengthening the existing mechanisms in our current housing policy; and create new incentives for the strengthening of social organizations through housing programs and the development of human settlements.

B. Public Administration: Institutional Decentralization

46. Within the context of economic globalization, the primacy of the market and urban concentration, the problems of territorial inequality have increased, with regions, boroughs and zones becoming excluded from access to the benefits of modern life and the convenience of more equitable and democratic human settlements. Public institutions in these areas have fewer resources and less autonomy to act and respond to local needs, thereby creating a regressive cycle of poverty and institutional weakness.

47. The decentralization process, initiated a few years ago in Chile, has made it possible to disperse the different responsibilities of regional and local governments. Nevertheless, the results of this have not been sufficient to encourage the development of regional and community spaces.

There are still problems of coordination between the various sectors and the State in responding to the different needs that arise in our human settlements.

The specific challenges presented require decisions to be made which respond as closely as possible to the real needs that exist. Human settlement policies must, therefore, be flexible enough to respond efficiently to specific situations.

48. A number of municipalities, considered to be the final link in the chain of State decentralization, have assumed a more active role within the limits of their jurisdictions, but this has been a heterogeneous process. The enormous differences between municipalities and the boroughs in size, resources and proximity

to political decision-making centers, among other things, have meant that only a few of them can take full advantage of the decentralization process in pursuing their local development objectives.

49. The regional governments that were created in 1993 are considered an important step in this decentralization process. These regional governments must coordinate integral development strategies in their own region. However, public institutions have not taken an active role in the decision-making process.

50. The need to maintain and improve State decentralization processes is a priority which can be achieved if regional and local governments are given the power and resources needed to make their own decisions, to strengthen and extend policies and programs which promote the quality of life with dignity in our human settlements.

In order to achieve this, we propose the following:

- i) Intensify efforts to empower the different institutional levels in our spatial planning — national, regional and local — in order to differentiate the roles and scope of each of these levels, establishing regulations to avoid their overlapping.
- ii) Set up means of coordination between the different sectors and the regional and local governments whose task it is to develop human settlements, so that the abilities and, where applicable, the resources of the former can be effectively and gradually decentralized towards the latter. This is considered fundamental to planning, management and public intervention at all levels.
- iii) Encourage development within regions, towns and human settlements by means of programs that respond to specific needs, within a common policy framework.
- iv) Adapt central, regional and local public institutions to these specific needs, and strengthen their management, technical and financial capabilities.

- v) Increase confidence in the central government on the part of decentralized regional and community organizations, in order to incorporate them into the planning of housing and human settlement policies, and not only in the execution of these programs.

- vi) In terms of homes and their surroundings specifically, housing policies must be flexible at a regional and local level in order to better segment and target state contributions. The idea is to respond directly and effectively to the needs existing in our human settlements, and be able to fulfill the ethical principle of providing adequate homes and surroundings for all.

Municipalities must, for example, assume a more active role in the design and/or management of solutions to local problems, and these can later be analyzed and redesigned at a national level. They must also contribute to the search for land in which low-cost housing can be located, and thus properly respond to the local demand for housing and encourage policies that will maintain existing social bonds.

Decentralization, as a means to effectively and adequately providing solutions to our territorial heterogeneity must, therefore, take on the task of promoting local solutions to generalized problems.

- vii) Take into consideration the real financial and management capacities among the municipalities for distributing the resources for human settlement development projects.

V. CALL FOR ACTION

The Chilean National Preparatory Committee for Habitat II calls on the social, private and public sectors, at the various national, regional and local levels, to follow the general guidelines and promote and develop this National Action Plan. The Committee encourages them to openly and critically endorse it, in general terms, focusing attention on improving the quality of life in our human settlements.

Santiago, Chile, April 18th, 1996

APPENDIX

Appendix 1

National Preparatory Committee

Chile's Ministry of Housing and Urban Planning, following the recommendations made by the General Secretary of the United Nations for the "Habitat II" Conference, also known as "The Cities Summit", has called on all national organizations to participate in a National Preparatory Committee. The aim of such a committee is to represent the widest range of social, political, business, academic, municipal, government, and non-government sectors, with the objective of making proposals for the Action Plan, based on a shared vision for our country, linked to the problems existing in our human settlements, and that these can be debated at the Conference in Istanbul.

This Committee is presently chaired by Mr. Sergio Galilea, Undersecretary at the Ministry of Housing and Urban Planning, and is composed of approximately 30 representatives from the various national organizations.

The Committee has prepared documents and has undertaken the studies required by the General Secretary for Habitat II, as well as carrying out a number of activities such as providing information to the public on human settlements, preparing reports, and creating task groups within the Committee. It has also endorsed broad-based agreements aimed at incorporating local administration levels, for example between the Chilean Association of Municipalities and the Ministry of Housing and Urban Development, as well as organizing national events with the participation of regional members, and preparing Preliminary Reports on the National Action Plan.

Since its inception, the members of the National Preparatory Committee have agreed that this Committee has facilitated reflection on the problems of human development, where members can participate, and where the debate, differences and related proposals have been put forward in the different task groups and in the events realized by the Committee.

Appendix 2

Documents used in the preparation of the National Action Plan

1. “Los Asentamientos Humanos en Chile: propuesta de Plan de Acción” (Human Settlements in Chile: National Action Plan proposal), Santiago, October 1995.
2. Document produced at the HABITAT II National Preparatory Conference, October 19th, 1995 (participation by panelists and task groups).
3. Documents produced by the sub-committees of the National Preparatory Committee: Development and Sustainability, Financing, Decentralization and Participation (documents produced prior to and following the National Conference)
4. “Plan de Acción Regional de América Latina y El Caribe sobre Asentamientos Humanos” (Regional Action Plan for Latin America and the Caribbean on Human Settlements), Santiago, November 1995.
5. Draft of the World Action Plan for HABITAT II.



**United Nations Conference on
Human Settlements, Habitat II
Istanbul, June 1996**

**Human Settlements
in Chile:
*FIRST
SELECTION OF
SUCCESSFUL
EXPERIMENTS***

1996

This publication forms part of an agreement
between the Ministry of Housing and
Urban Development and the Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ)

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PRESENTATION

In the framework of the United Nations Conference on Human Settlements, HABITAT II, to be held in Istanbul in June 1996, the Habitat II Secretariat, whose headquarters are in Nairobi, called on all countries to participate in a contest of successful practices in the management of their human settlements. Similarly, the Urban Administration Program, Regional Office for Latin America and the Caribbean organized a contest of best practices among the countries in the region.

Successful practices are actions, initiatives, policies and projects which have had a positive effect on the quality of life in the human settlements where they have been implemented, and which could be replicated, with the same objectives, in other parts of the world. According to the principals of equity, eradication of poverty, sustainable development and citizen participation, as expressed in the World Action Plan, successful practices are defined on the basis of three fundamental criteria.

In the first place, they should impact directly or indirectly on improving the quality of life in human settlements, lowering poverty levels, and generating greater opportunities for access to resources among deprived populations. On the basis of this criterion, practices are identified which are related to access to decent housing and basic urban infrastructure, methods of financing, renovation and rehabilitation of run-down central neighborhoods, and urban planning according to specific territorial needs, among others.

In the second place, a successful practice should bring together various agents in the implementation of the experiment, coordinating a wide range of the actors comprising the human settlements. These may be central, regional or local government, non-governmental organizations, international agencies, social organizations, the private sector or professional and academic groups. Thus, the aim is to reinforce experiments which are carried

out in a framework of shared responsibility, in favor of greater institutional decentralization and citizen participation in actions impacting on human settlements.

In the third place, the sustainability of experiments aimed at improving the quality of life in human settlements should be ensured from a sustainable development perspective, as well as in autonomy of resources, so as to guarantee permanency in time, independently of external support.

In this document, the Executive Secretariat of the National Preparatory Committee in Chile presents the best national practices chosen from those which were submitted by participants in the contests mentioned above. The selection considered the representation of all sectors that sent successful practices, in a framework of interchange of experiments and encouragement for those working in favor of our human settlements.

In accordance with the above, this document has been organized in four chapters: the first corresponds to central government, the second to local governments, the third to universities and non-governmental organizations, and the fourth to the private and cooperative sector.



***CENTRAL
GOVERNMENT***

DIRECT HOUSING SUBSIDY AND HOUSING FINANCE SYSTEM ¹

Summary

Housing policy in Chile has been formulated on the basis of a framework of shared financing, through which the State allocates a direct demand subsidy, the beneficiary contributes an initial amount of saving and the bank grants a mortgage which is optional according to the housing program chosen. At the present time, fourteen programs are in operation, differentiated according to applicants' needs.

The shared home financing mode currently operates with organized demand and a sophisticated market in low- and medium-cost houses. The system has made it possible to significantly increase the number of housing solutions carried out with public financial support, thereby reducing the level of State spending in real terms.

National Housing Policy

Housing Policy in Chile, from 1990 onwards, has had as its main objective to reduce the acute housing deficit reached at the end of 1980s, and to improve living conditions among the poorest sectors.

The Ministry of Housing and Urban Development has developed a system for financing housing aimed at low-income sectors, through a shared approach which combines a direct State demand subsidy with saving by beneficiaries and access to mortgage loans from the banking system.

The full functioning of this financing system has made it possible for the State to substantially change its role in the field of housing policy, abandoning its role as executor and allocator of dwellings, to become an agent for channeling the demand for social housing.

¹ This practice was submitted by the Chilean Ministry of Housing and Urban Development

Key words

- Accessibility
- Housing policy
- Low incomes
- Financial management
- Subsidy

The program began its first stage in 1978. Then, from 1990 onwards, it has been improved and tailored to the country's housing needs.

The Ministry of Housing and Urban Development is the planning entity for the National Housing Policy, intervening at the regional level through the Regional Ministerial Secretariats.

The Housing and Urban Development Service (SERVIU), an autonomous body with its own jurisdiction, is responsible for the implementation of the Direct Housing Subsidy at the national and regional level.

Housing Policy Principles in Chile

1. Redistribution, Progression and Targeting: These principles promote and help to increase benefits, by means of allocations from the sectoral budget to programs destined towards the more deprived groups in the population, while at the same time maintaining programs for middle-income sectors which, due to their mode of operation involving prior saving, can accede to the private financial system.

2. Encouraging Private Saving and Investment: The saving capacity of all claimants is fostered, setting minimum amounts according to the housing program involved.

The implementation of housing programs is achieved with increasing involvement of the private sector in the financing and production of social housing. The beneficiaries, meanwhile, assume an economic commitment with the initial saving required to accede to the housing subsidy, and the payment of a mortgage and its servicing once this has been granted. The saving capacity which is promoted, is not only prior to the application, but also implicit in the financial obligations which are acquired into the future, with the monthly repayments on the mortgage loan, once the beneficiaries become owners of the house.

Encouraging people to save not only helps to free up public resources, but also gives dignity to the beneficiaries by giving value to their efforts.



Current housing policy increasingly promotes private investment in social programs. This initiative helps to free public resources and makes the private sector a participant in ministerial policies. It also incorporates other entities such as professional associations, non-governmental agencies, social organizations and the beneficiaries themselves, who contribute with their own funds.

Thus, with the same budget the State can introduce more and better housing alternatives for its population.

By way of illustration it is interesting to mention that the private banking system issues letters of credit on mortgage loans which are sold in the secondary market (Stock Market), thereby channeling private long-term funds into actions in the housing sector, above all from institutional investors linked to pension systems and insurance companies.

3. Organization and Participation: This principle rewards organizational efforts on the part of all applicants, which means supporting grass-roots organizations in satisfying their demands. It also contributes to the idea of “constructing the neighborhood” which is defined as a priority of housing policy.

The promotion of participation and the organization of all actors involved has also been a fundamental variable for the credibility, support and enhancement of ministerial policies.

The principles mentioned above are set in a context of a new role for the State:

4. The Facilitator State: This State today fulfills the social function of helping to create the conditions needed for the widest and most diverse sectors of the population to have access to housing. In this way the traditional concept of the State, as an builder and allocator of housing, has been replaced by giving a more active role to applicants themselves in the solution of their housing problems.

National Housing Programs

The Ministry of Housing and Urban Development at the present time is running fourteen housing programs which aim to meet the differentiated needs of the various sectors of the population. Among these, two programs described below cover more than 60% of the approximately 130,000 social housing units, which are being built annually in the country with some kind of subsidy. At the present time in Chile more than 9 houses are being built per 1,000 habitants.

Example N°1

Unified Subsidy: This program is aimed at families who wish to buy a house, or own a site for building on, and can give evidence of economic creditworthiness which allows them to make an initial saving and repay an optional loan granted by the private banking sector. With this Program a certificate of subsidy is obtained which, added to the initial saving and the bank loan, allows the family to acquire either an inexpensive home, new or used, urban or rural, or else build one. The value of the house is calculated according to three categories:

- a) Up to US\$ 15,200.
- b) Between US\$ 15,250 and US\$ 30,500 and
- c) From US\$ 30,500 up to 45,750.

The State subsidy is greater in the first bracket, around US\$ 3,660, and falls progressively in the second and third; conversely, the minimum saving by the applicant increases with houses of greater value.

Example N° 2

Basic Housing Program: This is directed towards families who do not own their own home but who live as lodgers or rent-paying tenants, yet receive a monthly minimum income which would allow them to save and repay the optional mortgage loan. This has alternatives:

- a) The SERVIU mode, through which the applicant accedes to a new home without finishings, composed of a bathroom, kitchen, living/dining room and two bedrooms, with a built area varying between 38 and 42m² in a block of flats or semi-detached houses. The homes are connected to domicile drinking-water, as well as drainage and power supply. The value of the home is US\$ 7,015, distributed between US\$ 4,270 State subsidy, US\$ 305 of initial saving by the beneficiary and US\$ 2,440 in an optional mortgage loan.
- b) Free choice: This allow access to a subsidy certificate for purchasing a social housing unit, new or used, or for contracting the building of a home in the case of applicants owning their own site for this purpose.

The remaining housing programs address population-specific needs: a subsidy for the older adult, progressive housing according to stages, property densification, a special program for workers, a rural subsidy, urban renewal and habitational leasing.

As regards environmental sanitation, Chile has made significant progress as the result of the operation of housing programs.

Shared financing system: basic guidelines on which the housing policy is based

a) Efforts families objectively make to solve their housing problems are rewarded. Saving is a prerequisite for acceding to benefits, and both the amount and the consistency of saving are assessed on a points system.

b) Subsidies are granted to families who need them rather than to the builders of the houses, as in the latter case aid is normally diluted, the market becomes distorted and it is confusing to the beneficiary.

c) Subsidies are tailored proportionately to the effective needs of families as a complement to their saving and borrowing capacity, and to the capacity of the State to award them.

d) The granting of subsidies is publicized, both in terms of who receives them and in terms of the factors which determine the awarding of the State contribution. Such factors are objective, impersonal, transparent and non- discretionary, in the application, selection and allocation of the subsidy.

e) Subsidies are redistributive and non-regressive, with indirect types of subsidy being eliminated.

f) The free choice of housing in the private housing sector is encouraged. This allows neutrality in acquisition between new and used homes, thereby encouraging competition to the benefit of product and price.

Positive Impacts of the National Housing Policy

The direct subsidy system has managed to channel social housing demand. This had accumulated into an acute housing deficit amounting to 30% by the end of the 1980s — more than 800,000 homes.

The mechanisms for the application, selection and adjudication of housing benefits have won a high degree of public acceptability. Credibility and confidence in the housing system is reflected in the virtual disappearance of the practice of squatting on land or in houses, and in a sustained increase in the amounts of saving

committed and deposited in term-savings accounts. Today there are more than one million housing savings accounts in the country's different banks, i.e. the entire channeled demand.

This practice has had the ability to attract private resources into social housing actions, with the formation of a market for saving and investment which is highly competitive, and private-sector involvement in functions of real-estate promotion, programming, project design, the use of new technologies, financing and building homes, the marketing of social-sector housing, attracting savings for housing and the granting of long-term mortgage loans.

The system makes it possible for the State entity to concentrate fundamentally on the tasks of planning, granting direct subsidies to families and developing new ways of attending to the population's needs.

The above helps to target State support on sectors of least resources, by means of effective mechanisms which facilitate access to differentiated housing solutions for all sectors.

BOX:

- Since 1990, Chile has been building more than 100,000 homes per year, with a net increase in excess of demand. It has been estimated that the housing deficit in 1990 was approaching 30% of the population, but this deficit could be reduced to half by the year 2000, if the current pace of home building is maintained.
- 70% of dwellings built have been destined to low-income families.
- Credibility has been achieved in the system and in the development of the habit of saving for home-buying among the population of least resources.

The Experiment's Sustainability Prospects

The direct subsidy system has managed to channel the existing demand for housing in the country, by means of a regular and transparent system for the application, selection and allocation of housing subsidies, and in a complementary fashion, attracting private-sector investment and the permanent output of social housing, in response to sustained and financed demand.

The generation of stable housing demand has made it possible to reverse the real-estate market's traditional cyclical behavior, and put a sustained behavior pattern in its place. Thus the State has contributed to stability in an important economic sector in this country, namely house-building.

HABITATIONAL LEASING ^{2 3}

Summary

Habitational leasing is an alternative created by the Ministry of Housing and Urban Development to broaden the possibilities of access to housing among the lower- and middle-income sections of population, who find it difficult to save the initial deposit and/or break into traditional home-loan systems.

With leasing, an interested family can acquire a home through a real-estate company, using the system of renting with a promise of purchase and sale.

The financing of a home is achieved by the systematic contribution made by the future buyer, which consists of paying a rent along with another amount destined to saving, so as to pay the total value of the home over a previously agreed period. If necessary, the State grants a subsidy in a progressive and targeted manner according to each situation.

The Habitational Leasing Program

Chilean housing policies have essentially been concerned to ensure that those who demand housing, subject to prior saving, immediately succeed in becoming owners. However, this praiseworthy yet exclusive objective has somehow condemned young lower-income families to occupying precarious homes for a long period of time, because they cannot find a supply of satisfactory rental accommodation.

The market for rental accommodation in the poorer sectors, and among the lower-middle income groups, operates in an informal context and at high cost. For this reason many such families, while living as rent-payers, find it difficult to put together the saving needed prior to applying to buy a home.

Key words

- Accessibility
- Housing policy
- Financial administration
- Subsidy
- Demand

**“Access to a decent home
and environment.”**

(Principle of the Chilean
National Action Plan)

² This practice was submitted by the Chilean Ministry of Housing and Urban Development

³ This successful practice won an award given by the Urban Administration Program, PGU, Regional Office for Latin America and the Caribbean, April 1996.

In addition, among the lower-income sectors, there is a significant number of families, more than 20%, whose labor performance as independent workers or micro-enterprises makes it difficult for them to obtain the loan and access to the benefits granted by the housing subsidy operating in the country. The latter must be complemented with a mortgage loan from the banking sector, and for this they are unable to prove financial stability.

At the present time 75% of homes are acquired via a housing subsidy, and home-buyer demand among the lower-middle income groups in practice is made up of those who have obtained the subsidy. Up to now the subsidy has impeded or severely penalized the possibility of acquiring used homes.

The application of this housing policy means that homes in those sectors are not liquid, i.e. there are no buyers at a reasonable price, and this impedes the mobility which is a natural and common need in the family life cycle. This phenomenon has been accentuated due to the significant increase in incomes among the Chilean population.

In Chile today there are 700,000 social housing units which have been paid for by their owners, and with each year that goes by payments are concluded on another 60,000.

The identification of the problems mentioned above led to the conclusion that it would be helpful to set up a complementary system of access to housing, which would make subsidies neutral between new and used homes, generating a more flexible option regarding the prior-saving requirements and eliminating the need for financial qualifications with the banks.

The experiment of habitational leasing began in December 1995, and involved participation from the following institutions: Ministry of Housing and Urban Development (MINVU), Housing and Urban Development Service (SERVIU) and the private sector through real-estate companies, Housing Fund Administrators and securitizing firms.

System of Access to Housing

To accede to the leasing system there are two basic requirements: demonstrate constancy in financial commitments and demonstrate capacity to pay. It is the real-estate companies themselves who

evaluate these requirements, having been created specially for this purpose and with the exclusive role of being the owners of these houses.

Leasing improves guarantees for financiers, because the transfer of the ownership of a property takes place with the whole price being paid. This achieves supply conditions which are more satisfactory for significant segments of housing demand.

Despite the above, the Habitational Leasing law does not exclude an initial deposit which would lead people to feel nearer to the idea of their own home.

Another important aspect which the new system addresses, and of great transcendence in the long run, is popular saving. The only instrument available up to now was a savings account at a bank, which historically has given very low returns when compared with the returns on accounts linked to pension funds.

Another alternative which the system offers to small savers, taking advantage of the experience gained by this country with pension funds, is the design of a saving system operating through individual accounts.

These accounts, as well as being an alternative for accumulating sufficient funds to buy the home through Habitational Leasing, offer interested parties the chance of becoming participants in "Housing Funds", composed of a portfolio of instruments combining fixed and variable income, which seek the appropriate combination for gaining the highest returns, without incurring in excessive risks.

The Habitational Leasing law has been conceived as fully integrated into the modern financial institutional framework existing in Chile today.

This system has had a positive impact on the used home market, which is about three million homes strong, or 97% of the total housing stock, considering the 100,000 homes being built per year.

The loss of liquidity of a social housing unit is reversed, thereby making the housing subsidy neutral. This initiates a rise in the secondary market for medium- to low-priced used homes.

Leasing also causes an impact in the market for medium to low-cost rental accommodation, provoking a fall in prices in order to continue capturing part of the demand for housing services.

From the above it can be seen that habitational leasing is a system aimed at families interested in acquiring a home through a real-estate firm, using the system of rental with a commitment to purchase and sale.

In this system the State grants a subsidy, paid periodically and in fractions through deposits made into the beneficiary's savings account, or to the real-estate company, for the purchase of a new or used social housing unit.

Table N° 1 Subsidy Options

To opt for the housing subsidy under the leasing system, the price of the home to be bought cannot be greater than US\$ 47,000 and the value of the subsidy varies as follows:

- If the home is worth up to US\$ 16,000 the subsidy is US\$ 4,000.
- If the home is worth between US\$ 16,000 and US\$ 31,000, the subsidy is US\$ 3,400.
- If the home is worth between US\$ 31,000 and US\$ 47,000, the subsidy is US\$ 2,800.

The financing of home-purchase through the leasing system is constituted by the subsidy, plus the contribution made by the future buyer comprising the rental payment and an amount destined to saving to fully cover the agreed sale price, over a 8, 12, 15, or 20-year term.

Any natural person can apply to this system, provided they have the capacity to make methodical payments for renting the house and accumulating the necessary savings to cover its sale price.

Real-estate companies — the proprietors of the houses — enter into rental contracts with the occupier, with a commitment to purchase and sale. But the financial institutions (banks, finance houses and workers' providential associations) are the entities authorized to receive payments and pay the real-estate companies the value of the rents. The Housing Fund Administrators, in turn, invest the resources obtained by the finance houses.

The modalities of the system

Table N° 2
The no-subsidy mode

1. The interested party must open a savings account with a financial institution
2. They must find the house or apartment they wish to buy.
3. The interested party should approach a real-estate firm with a view to buying the house. The firm evaluates the situation of the future owner and, if it considers the latter able to assume the long-term commitment, buys the house.
4. In signing a rental contract with a commitment to purchase and sale, the interested party can do this directly with the real-estate company without the intervention of the financial institution. The contract defines the value of the installments as well as their number and the insurances which must be taken out.
5. The interested party, once the contract is made, must pay the installments to the financial institution month by month. These installments are divided in two: one part correspond to rent and goes to the real-estate firm. The other is the contribution which the interested party makes month by month to accumulate the value of the house. The financial institution passes this amount to the Housing Fund Administrator (A.F.V.).
6. The A.F.V., have as their goal the administration of these funds so as to ensure the person the return which is estimated in the contract. When the value of the installment is calculated, after dividing the value of the property by the number of years over which it will be paid for, the return on the funds is added.
7. The interested party can sign the contract of purchase and sale when the agreed installment payments are completed. If the return on the A.F.V. has been greater, this amount is completed earlier, and if its less, the contract extends for the period needed to amount that sum.
8. If at any moment the interested party cannot pay the rental installment, this is paid with the funds invested in the A.F.V. This, up to three consecutive times and not more than four times in the period of the contract.
9. Finally, its important to mention all leasing operations are backed by securitizing firms.

Table N° 3 With-subsidy mode

1. The interest party must open a savings account with a financial institution.
2. They should register as applicants for a Leasing subsidy in the offices of the Housing and Urban Development Service (SERVIU), an agency which is dependent on this Ministry.
3. They should find the house or apartment they wish to buy.
4. The real-estate firm issues a certificate, accrediting having approved the operation, to be presented to SERVIU.
5. SERVIU make a subsidy reservation for 90 days.
6. The applicant signs a rental contract with a promise of purchase and sale with the real-estate company and presents an authorized copy to SERVIU.
7. Once the subsidy has been ratified, it begins to be paid to the financial institution in as many installments as are established in the contract, to form part of the fund destined towards the purchase of the home.
8. Follow the other steps indicated in the no-subsidy mode (see Table N°2)

The Experiment's Sustainability Prospects

Habitational leasing manages to channel the demand existing for medium- to low-cost homes which cannot be included in other housing programs. At the same time, it offers guarantees to financiers who will acquire the houses and sign a purchase and sale contract with the beneficiaries. Consequently, the existing market for social housing is expanded and it functions in a sustained and financed manner via state subsidy.

The Leasing system is part of the modern financial institutional framework currently existing in Chile, making it possible for popular saving to form part of the most profitable investment portfolios linked to home-purchase. In this system various agents public and private acts together.

Positive Impacts of the Experiment

Expansionary effects in the social housing market with a greater supply of medium- and low-cost used homes, and the channeling of demand which is unable to accede to housing alternatives through other programs.

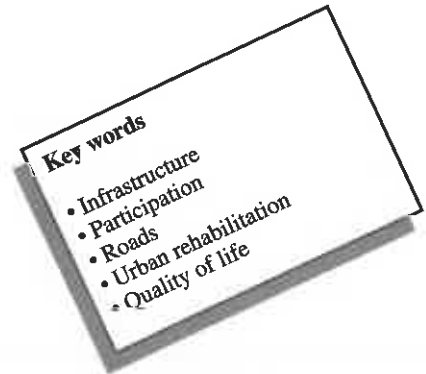
Generation of a secondary market for low- to medium-value used homes, leading to a fall in rental prices in this segment of the housing market.

PARTICIPATORY ROAD PAVING ⁴

Summary

The Participatory Road Paving Program is a response from the Ministry of Housing and Urban Development in Chile, which contributes to significantly reducing the deficit of paved roads in the urban housing sector, with special attention given to sectors of least resources. Thus the aim is to have a direct effect on improving the quality of life of the population, on the reducing environmental pollution and in the care of public and private assets.

This is an urban consolidation Program in housing sectors where public utilities incomplete due to unpaved roads, and it is implemented by paving streets and alleys with the active and organized participation of the benefited inhabitants themselves, together with the municipality and private enterprise.



Participatory Road-Paving Program

This program forms part of action by the Ministry Housing and Urban Development aimed at improving the quality of life among the urban population, with special emphasis on low-income sectors.

There is a significant historical deficit in urban paved roads, estimated at around 8,000 kilometers, i.e. 30% of the urban roads existing at the national level. Today this deficit has been frozen at this level by the current public order requiring new urban areas to be paved by the agents responsible for their development.

Families living in urban sectors with a paving deficit, face problems of environmental pollution due to the dust suspended in the air. This deficit also causes deterioration in public and private assets, makes transport difficult and prevents an adequate drainage of rain water.

In recent years the increase in income levels which families have received, and hence in the population's expectations for improving their quality of life, has generated the conditions for paving, at the present time, to become a priority problem.

⁴ This practice was submitted by the Chilean Ministry of Housing and Urban Development

The Participatory Road Paving Program operates simultaneously with the Ministry of Housing and Urban Development's traditional urban highway programs.

The Program and its objectives

The Participatory Road Paving Program is based on the following objectives:

- a) Improving the quality of life of inhabitants in housing sectors whose basic services are incomplete due to the lack of paved roads.
- b) Facilitating access to community amenities and collective means of transport.
- c) Connecting or completing existing stretches of paving in order to facilitate rain water run-off, thereby preventing the water-logging this otherwise causes.

Various urban agencies participate in the implementation of the program, making it possible for the Ministry to achieve a greater efficiency in the allocation of resources destined to projects for paving local roads. In the first place there are the sectoral public agencies which operate at the region level (Regional and Ministerial Secretariats and the respective regional offices of the Housing and Urban Development Service) and which are in charge of the implementation of the program in each region.

In the second place the municipalities that are involved in the processes of diffusion, local organization and application for projects at the community level.

Thirdly, the directly benefited inhabitants, organized in committees which are in charge of collectively gathering the necessary requirements for acceding to the program.

Finally, private firms which participate in designing the engineering projects and in carrying out the selected projects in the respective localities.

Principles on which the program is based

The Participatory Road Paving Program is based on principles of:

1. Redistribution and targeting: Priority is given to investments in regions and boroughs according to the accredited deficit in each one, their socioeconomic condition, their number of inhabitants and their administration capacity. These parameters are considered both at the borough and at the regional level, thereby ensuring resources for all boroughs and regions in the country.

2. Organization and participation: This principle encourages the organization of the population for direct participation in consolidating the urban development of their surroundings, through a collective approach to project applications. This is achieved by forming road-paving committees, which must have their own juridical representation, or other organizations formally constituted in the borough.

3. Transparency and flexibility: A process is promoted for project application, selection and allocation of financing, according to a publicly-known weighting system which takes the following factors into account: the contribution generated by the road-paving committees and the Municipality, the age of the housing complex and of the application, the size of the job, the project's coverage, i.e. the number of homes benefited, and the origin of the housing complex.

It should be pointed out that applications coming from low-income sectors are awarded additional points in the selection process. Also, the committees and the respective municipalities each make a substantially smaller contribution, equivalent to 50% of that required in other applications.

The beneficiaries, the municipalities and the regional governments all participate directly in this process by applying to the Program, in selecting the projects "to pave" in each borough and region, according to the factors considered above and according to the budget assigned to each of them. In this way, inside each borough, the projects of the various road-paving committees compete for the available sectoral resources. The Regional Ministerial Secretariat is finally in charge of selecting projects according to the points earned by each one.

The rules and procedures structuring the program are subject to modifications according to the needs of the population and the participating institutions. In this way the Program gets improved and adapted according to the needs, conditions and the dynamics of the population.

Requirements for entering the program

- a) A lack of paving in the roads being applied for.
- b) The existence of a definitive solution for basic drinking water and sewerage services.
- c) Compliance with a range of length and breadth pre-defined by the Program where the length indicator reaches a maximum of 1,000 m.
- d) Setting up a Road-Paving Committee, with its own juridical representation or one granted by some other formally constituted neighborhood organization.
- e) The existence of an engineering project for doing the paving.
- f) Accreditation of the minimum saving realized by the inhabitants who will directly benefit from the project.

Citizen Co-financing and Participation

Actors	Streets	Alleys
Benefited Inhabitants	14%	20%
Municipality	14%	20%
Ministry of Housing and Urban Development	72%	60%
Total Cost	100%	100%

A feature of the program is the speed at which it is carried out. An average period of 9 months is estimated from the start of the project-selection process until the paving is concluded.

The contribution of road-paving committees and the municipalities makes it possible to increase Ministry coverage of road-paving projects. In addition, the direct participation of the private sector in carrying out the projects and the engineering works allows the Ministry to optimize its tasks of planning, supervision and redistribution of sectoral resources.

Positive Impacts of the Experiment

The experiment is considered successful because it has managed to significantly increase both the coverage and the targeting of road-paving projects in different urban sectors, particularly in those of least resources. Also for its capacity to mobilize the population in a responsible and organized way, to find a solution to the road-paving problem.

In each selection process new committees and more municipalities have been incorporated into the Program, and a greater number of road-paving projects are being financed in the country.

Table N° 2 Benefits of the Program for the poorest sectors

Chile has 338 boroughs; 71 have been declared extremely poor. Of these, 33 have shared in the Program's benefits.

These latter have received 38% of total resources in the two first project selection processes.

From the analysis of the Program's three project-selection processes the following results have been observed:

a) Paving

About 630 kilometers of streets and alleys are being paved, located in large and numerous housing sectors throughout the country.

b) Road-Paving Committees

More than 3,000 committees have been set up and these have applied to the Program with 3,800 road-paving projects. The total of committees and projects represents approximately 150 municipalities.

Of the 71 boroughs declared by the government to be extremely poor, 33 have participated in the program, setting up 925 road-paving committees with 1,319 projects.

Today, 235 kilometers of roads in these 71 boroughs are being paved, directly benefiting 34,788 families. This has meant allocating 38% of the Program's resources to 10% of the country's boroughs, where extremely poor sectors live.

By the year 2,000 it is expected that the participatory Road-Paving Program will have helped to reduce the road-paving deficit by about 30%. In other words the challenge is to pave a figure close to 2,700 kilometers in this period with the active participation of some 13,000 committees. Other ministerial programs, responsible for the urban network, will make additional significant contributions to overcoming the remaining deficit.

Investment by the Ministry of Housing and Urban Development has amounted to US\$ 47 million over a period of 14 months, including three project-selection processes. If the contribution of the road-paving committees and municipalities are included it is estimated that the program has invested about US\$ 67 million.

The Experiment's Sustainability Prospects

The Participatory Road-Paving Program has managed to channel a significant part of the demand for paving in urban sectors through a system of application, selection and resource allocation which is participatory, transparent, objective and permanent.

The program has had the capacity to attract the private sector in the direct execution of projects through an auction system, and has brought different government entities into the realization of these projects.

The experiment depends fundamentally on the beneficiaries, who collectively and in an organized way, seek the paving of local streets and alleys through their application and the intervention of the various central, regional and local entities involved.

The program was initiated in October 1994, and since the second call for projects the process has gained a permanent place among Ministry policies.

LAND BANK FOR THE INTERIOR DEVELOPMENT OF SANTIAGO ⁵

Summary

The Land Bank Program for the Interior Development of Greater Santiago is an initiative of the Ministry of Housing and Urban Development which seeks to revitalize a land market which has stagnated, and which traditionally has favored large scale housing policy interventions.

This program tries to recover vacant lots, with an area no greater than two hectares in consolidated urban zones, for use in social housing. Such plots are mainly State or municipal property. Another aim is to be able to renovate run-down residential areas, located in consolidated, central and inner areas of Greater Santiago.

Key words

- Densification
- Housing policy
- Land access
- Urban development
- Segregation

The Land Bank Program

Housing policy in Chile over the last five years has managed, through a direct subsidy system, to systematically construct more houses than those required by the demand generated each year. It is estimated that the country requires 80,000 new homes to cater for the households that are formed each year, as well as replacing the stock of houses which are deteriorating.

At the present time almost 130,000 homes are being built per year, which makes it possible to directly contribute to a gradual reduction in the national housing deficit accumulated over previous decades.

However, if one analyzes the relation between housing policy and urban development policy, one reaches the conclusion that the priority given to reducing the housing deficit has served to push city planning into the background, so many cities have grown more by simple aggregation of houses than on the basis of factors of functionality and efficiency.

⁵ This practice was submitted by the Chilean Ministry of Housing and Urban Development

In addition there is evidence of increasing difficulty in access to land for social housing programs. At the present time this problem is becoming critical in the large cities, where projects carried out are located mainly in outlying areas, thereby intensifying trends toward the socio-spatial segregation of the population (especially among the poorest sectors), toward uncontrolled city growth, and the generation of high social and economic costs for families who have to live far away from workplaces and urban amenities, in order to acquire their own home.

In relation to the above, the need arises to recover sites existing in the interior of the city for residential use, thereby encouraging inward rather than outward growth. This means developing faculties on the part of sectoral and local entities for carrying out policies at the level of small-scale interventions.

The Program seeks to alter the trend to using sites on the outskirts of the city, revitalizing central land sites where, traditionally, housing interventions have been of higher cost due to factors such as the size of the plots and their legal and technical status.

In this context, the Ministry of Housing and Urban Development, through a technical cooperation agreement between the Ministry and GTZ, has been working since the end of 1994 in preparing a register of vacant lots in Greater Santiago, in order to identify State-owned land feasible for use in constructing social housing in consolidated urban sectors.

This program has had the challenge of promoting an urban development model which, as well as being concerned about cities, incorporates the housing issue so as to conceive of housing policy as an instrument of development.

In this sense it tries to promote a more intensive use of urban land, by taking better advantage of the existing amenities and infrastructure, reducing journeys by the population by bringing residences closer to places of work and helping to strengthen existing neighborhoods.

Phases of the Program

The Program in its first phase, initiated in June 1994, involved the establishment of a vacant land register at the borough level, an analysis of the housing aptitudes of each of the properties identified, and clarification of the legal status in each case. This phase ended with a review of 11 of the 34 boroughs comprising Greater Santiago.

From March 1996 onwards the second phase of the Program has begun, with an auction for the construction of social housing on publicly owned lands, through a contract with the municipalities. The allocation of social housing will prioritize housing demands originating in the borough, so as to maintain existing social networks as well as the population's attachment to their neighborhood.

In the auction it is proposed to use 43 plots in 9 central and inner boroughs and 2 outlying boroughs. In terms of the housing units to be built, the building of 5,200 houses is estimated to be feasible, equivalent to about 80% of total basic housing units under state administration built every year in the Metropolitan Region of Santiago.

Land feasible to auction and number of housing units projected

Borough	Number	Surface Area M2	Estimated Number of Houses
Cerro Navia	6	36,559	366
Lo Prado	6	25,869	259
Conchalí	3	13,236	132
P. A. Cerda	4	18,719	187
Lo Espejo	4	41,135	411
San Ramón	3	45,530	455
La Granja	8	39,989	400
Peñalolén	3	20,058	201
El Bosque	4	37,080	371
Las Condes	1	15,000	500
Barnechea	1	200,000	2,000
TOTAL	43	493,175	5,282

In the middle of 1996, in a third phase, it is proposed to transfer the smallest plots of land to groups of lodgers in the various boroughs of the city, with the aim of their self-generating small-scale housing interventions via a subsidy granted by the State. This phase also contemplates the acquisition and management of lots by the State, the municipalities, or the “homeless” families themselves.

The Program involves the participation of public and private agents:

- The Ministry of Housing and Urban Development, by intervening in the land market in consolidated urban zones, by identifying vacant or run-down lots for use in the construction of social housing.
- The Municipalities, by making administrative requirements more flexible, adjusting borough building regulations and administering the Program in conjunction with the inhabitants of the place where the action is intended.
- Construction companies, by designing housing solutions involving small-scale interventions with lower costs.

The Experiment's Sustainability Prospects

- a) The Land Bank Program for the Interior Development of Greater Santiago forms part of an urban development policy, which gives priority to densification and the inward development of the city rather than its expansionary, outward development, while at the same time being consistent with existing housing policies and solutions.
- b) The exhaustion of sites for building social housing in the city of Santiago, makes intervention in the interior of the city indispensable, so as to facilitate the implementation of housing policy and create mechanisms for intervention with small scale projects in abandoned or run-down, consolidated urban zones.
- c) The municipalities' participation in the Program makes it possible to break purely sectoral demarcations so as to confront the housing problem at the borough level.

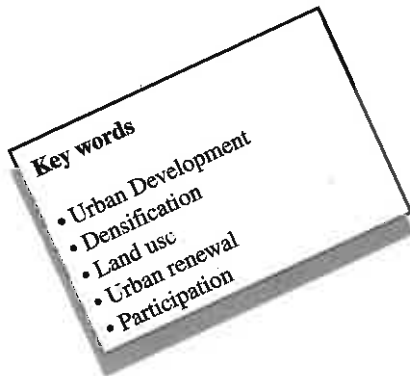
Positive Impacts of the Experiment

- Access to land for poor sectors living in central and inner zones of the city.
- The revitalization of consolidated run-down urban sectors and abandoned lots.
- Greater consistency between policies for housing and urban development.
- The small-scale interventions which are being carried out on a “human scale” have a chance of helping to improve the quality of social housing.



***LOCAL
GOVERNMENTS***

SUCCESSFUL MUNICIPAL ADMINISTRATION IN THE BOROUGH OF SANTIAGO ^{6 7}



This experiment consists of repopulating the central area of the city of Santiago, with a balanced policy of land use for residential purposes together with services, commerce and industrial activity.

Background

In the mid-1980s the Municipality of Santiago made an assessment of the run-down state of the borough's center-west sector — the sector most affected by the earthquake which hit the city in 1985, and which in recent decades has been the object of abandonment and a constant and progressive deterioration.

The evaluation was critical: nearly 30% of buildings showed structural damage, precipitating the depreciation of the whole sector. In the face of this situation, the municipality, the only entity which could concern itself directly with this issue, could only issue demolition orders, because the regulations governing local authorities at that time.

With the aim of developing an agile and efficient administration, the Corporation for Development of Santiago was created, whose main objective is to be an instrument for urban development and renewal: a private non-profit making institution regulated by the civil legal code, which assigns it a broad scope for operations and the possibility of dealing with various issues and alternative solutions. It is autonomous and has the power to interact with public agencies as well as private ones from civil society.

Thus was inaugurated an entity which has the management capacity of a private company, public authority directorship and objectives suggested by the community itself.

⁶ *This practice was submitted by the Corporation for the Development of Santiago - Municipality of Santiago.*

⁷ *This successful practice won an award given by the Urban Administration Program, PGU, Regional Office for Latin America and the Caribbean, April 1996.*

However, and despite having the appropriate instruments for initiating a process to reverse the negative trends, between 1985 and 1990 the only progress was in terms of studies and proposals, with no significant action being taken.

Coinciding with the country's return to democracy in 1990, conditions soon emerged for putting into operation a plan for urban renewal and development, and this managed to detain the trend towards the depopulation and deterioration of this important sector of the Borough.

Being able to rely on community participation and the political will of the authorities was an additional element which made it possible to turn the situation around. As well as this, there was an additional element which makes it possible to speak of successful administration: the application of an innovative and integrative approach towards urban development and renewal.

Municipal administration, which had previously received a detailed and exhaustive urban economic study of the borough, carried out by the Catholic University of Chile, put all its efforts into implementing the first big program of citizen participation. Sixteen thousand people participated in setting the guidelines for the borough's development, proposing policies and projects relating to the widest range of issues of public interest.

From then until today, municipal administration has encouraged those proposals, which have been steadily improved, complemented and brought even more in line with sectoral and geographical realities.

The economic and political stability achieved in recent years, along with the democratization of society and the political will of the new authorities, combined with the regulations governing the Corporation, made it possible to carry out initiatives and projects which we will briefly explain below.

The Corporation for the Development of Santiago itself is an essential part of the successful municipal administration which this presentation is about: namely, "The repopulating of the central area of the City of Santiago, through a balanced policy of land use for residential purposes along with as services and industrial activities."

The Borough of Santiago and the new periphery still constitute a single unit which reinforces the central role of the Borough and the City Center: people live in the outskirts, but work, take decisions and do business, make their purchases and find recreation in the Center.

In the central nucleus, activity is multiplying in commerce as well as in business services and amenities to serve the growing population.

Transport routes connecting borough and periphery are developing as commercial and service corridors which define the mixed character of their neighborhoods.

At the present time the Borough's territory is 2,230 hectares and its residential population is estimated at 230,000 inhabitants. However, the Borough takes in more than a million and half users daily, who work or are educated, make their purchases or find recreation in Santiago.

In the Municipality of Santiago we are initiating a long-term process to slow down the negative trends and confront the residential collapse of the city's central shell, taking advantage of the new scenario that has opened up with the democratic transition, as well as the political will of the new authorities and the political and economic stability achieved by the country in 1990.

The main policies and political strategies to be implemented in the development of the Borough Santiago were: strengthening the residential role; regulating and supporting commercial and industrial activities; and improving the quality of life of the population.

Already in 1993 the first projects for urban remodeling were inaugurated: public squares, parks, the transformation of streets into pedestrian walkways; training courses and the celebration of "neighborhood week".

The dynamic generated by these activities began to bear fruit, thanks to a positive evaluation of the Borough's potentials. A subjective change occurred in the way the Borough was perceived, making it possible to accelerate projects planned for further into the future.

Each neighborhood renewal project initiated a process which reconciled the private-sector interest in investing in residential

projects, and the interest of citizens to come back and live in Santiago again.

The Catholic University study, the Municipal and Participation Program, modifications to the Building Regulations, the preparation of Sectional and Master Plans, the Development Proposal for the Renewal of Santiago, and the Advanced Neighborhood Committees have all been key components in the processes of developing and implementing the strategic development of Santiago.

II. Strengthening the Borough's Activities

1. Industrial and Commercial Activity

In the Borough of Santiago, there are 1,320 industries and workshops, nearly 40,000 trade permits, and branches of every bank and finance house operating in the country.

Providing support for activities associated with trade and industry has been a central task in developing the role of the Borough of Santiago's Metropolitan Center. To achieve this, activities in which the city specializes, and which are compatible with residential life, are being promoted.

The development of economic activities is vital for generating increasing economic and social progress in the Borough, and creating stable sources of employment, especially for young people.

Commercial activities are being increased, with the aim of expanding current areas of location in the center, as well as in corridors and sub-centers, with the active participation of commerce and other economic agents.

To achieve this, there is a need to improve the physical surroundings at the boundaries of the traditional central triangle; restricting informal commerce and increasing citizen safety; improving the public transport system; designing clear and stable urban standards for promoting trade in the most suitable areas of the Borough; and running campaigns to improve the image of the City Center.

Various projects connected with bringing formality to informal commerce, as well as stimulating the location of commercial activity in priority sectors according to the functional needs of the area, are things which are being achieved alongside the repopulation of the borough.

In relation to industry, encouragement has been given to the location of medium and small-scale industry mainly in the areas of textiles, clothing, photo-copying, footwear, printing and the manufacture of machinery parts and pieces, while rejecting activities which, because they are bothersome and contaminating, produce big externalities which are at odds with residential location.

To this end, efforts are being made to locate, and relocate, industrial activities according to their contribution to the harmonious development of the Borough and the City, adjusting noisy or polluting activities to habitability standards by applying technological resources.

In addition, a space for economic and business information exchange has been created aimed especially towards small industrialist.

2. Building Regulations and Land Use

Once the new local democratic government took office in 1990, procedures were initiated for studying modifications to land use in the Borough of Santiago.

Following the logic of the previous model, the old building regulations did not state a clear policy for ordering and making different uses of land compatible in the Borough. In fact, the reality displayed an irrational location of often mutually incompatible activities even in the same sector or neighborhood; there was no evidence of a strategic plan for the Borough.

Thus, in the same sector or block, there might be authorized warehouses, noisy workshops, polluting activities, and residences. Or else, in the absence of regulation, the nature of a neighborhood could be drastically changed according to the market's own dynamic.

The result, as we have indicated, was the depopulation and deterioration of significant residential sectors and/or the undervalued use of high quality urban land.

The present municipal administration is seeking to regulate and give meaning to an urban dynamic for the Borough.

To date, Sectional Studies and Master Plans have been carried out in different neighborhoods, proposing integral strategic projects, as well as a recently approved large-scale modification of the Borough's Building Regulations.

The newly proposed Building Regulations are within the framework of the spirit of empowering the uses of services — amenities and residence, consistently with efforts to repopulate, to support industrial and commercial activity and to improve the quality of life of the inhabitants.

Approval of the modified Building Regulations is, due to its transcendence and magnitude, the definitive expression of the whole community's desire to improve their living conditions.

3. Repopulation Program

Numerous factors have influenced the Borough's loss of residential character. The growth of the city of Santiago is evidence of the expansionary development model that has been applied over the last 150 years by the public and private sectors, in rejection of densification models. This has meant the growth of the city towards the periphery, with total indifference towards the social and economic costs which this has implied, or towards the resulting depopulation, abandonment and deterioration of the central nucleus.

The residential population of this borough which was 666,000 inhabitants in 1952, declined to 189,000 in just 36 years (1989 figures). The migration of population towards the outskirts has produced a big deterioration and loss of residential buildings: in the Borough of Santiago there are 60 hectares of waste land. By 1982 the population density stood at just 90 inhabitants per hectare and the measured growth rate had fallen to - 2.6 % .

The expansionary model caused a severe deformation of the housing market, heavy social pressures on urban amenities and

an inefficient allocation of resources. At the same time it produced the squandering of an asset as valuable as already developed land.

For 50 years the higher socio-economic strata of Santiago's population has been emigrating to the new neighborhoods. In a parallel way new, commerce, as well as productive and storage activities have irrupted in these residential neighborhoods, setting a new dynamic in urban land values, with the consequent deterioration of the environment and quality of life for the population.

However, Santiago has never lost its hegemony as a capital borough nor the central and representative importance of a metropolis.

A few global figures relating to the Borough are the following:

The total number of homes is 78,530, while the total number of families is 96,715. Of these, 40% of families are owners while the remaining 60% are non-owners. Of the non-owners, 20% are considered "lodgers" that is 11,773 families. And the number of homes classified as deficient is 3,926, which means the borough's total housing deficit is 15,699 houses.

4. Local Housing Policy

The changes in national policy towards urban settlements and housing policy, clearly mark two new paths: on the one hand, the planning of human settlements needs to ensure the full participation of citizens and social organizations, and on the other hand, they should tend to densify the use of urban space in the larger cities.

The new proposal encourages urban renewal and stimulates collective applications for obtaining subsidies and state financing.

The creation of the this Corporation's Housing Unit, arises as a response to demands coming from the Municipality and Participation Program, from housing commissions and also from lodgers' committees in the Borough.

The Unit seeks to promote housing for repopulating Santiago: a goal which is achieved by improving access to housing systems and generating local policies to make it possible to achieve these objectives, avoiding the uprooting of the poorest sectors.

Local policy has two lines of action: new housing and rehabilitation. The central objective is to attract 100,000 new residents to the Borough, in a space of no-more than 10 years starting in 1993, and move from a density of 90 inhabitants per hectare to one of 150, as contemplated in the Inter-Borough Building Regulations.

Some Programs Developed:

- a) **New Housing:** Agreements reached with the community were to work for greater subsidies, and to encourage inexpensive housing and systematic saving.

To fulfill these commitments, in the first place the local standards or Building Regulations, were revised, which had allowed the installation of activities incompatible with residential areas. Through sectional plans, these provisions are being improved, restricting permits only to installations which complement and dignify the neighborhood's residential calling, and initiatives are being taken to consolidate the use of residential land, prohibiting warehousing and economic activities which are noisy and polluting, whereby it is hoped to achieve land values favorable to residential uses.

In a parallel way, it has been possible to increase the housing subsidy (the subsidy is a non-returnable State contribution in money, to the buyer of a house), with a special subsidy for urban renewal zones, 80 UF (US\$ 2,400) higher than the normal 120 UF (US\$ 3,600). This subsidy of 200 UF (US\$ 6,000) per operation is a clear stimulus for families who wish to accede to their own home, as well as for real-estate companies and private investors.

- b) **Housing Demand Exchange:** At the same time, a Housing Demand Exchange, was set up with the specific mission of organizing and orienting housing demand, encouraging saving, connecting and achieving the necessary financing and transforming this into a momentum of real-estate activity. Its objectives are to respond to the existing housing demand, invigorate the housing sector in Santiago and generate inexpensive housing to repopulate the central shell with its residents.

PHASE I is being carried out through a joint venture with the country's private non-profit making cooperative sector. An

agreement was signed with a housing cooperative which made the Municipality of Santiago a participant in a housing process, with the latter fulfilling the role of impartial manager, supervisor and guarantor of the public good.

This has motivated the municipality to diffuse and encourage registration in the program. From March 1992 to the present day some 6,000 families have had the confidence to embark on saving commitments with the agreement indicated above.

The main stimulus behind this project was the discovery that there was a tremendous demand for housing to live in Santiago. This is concentrated in sectors at the professional level, of medium to high income, medium, as well as medium-low and low income, which highly value the fact of living near their workplace in a high amenity sector. The demand is constituted by residents who are lodgers, renters or sub-renters with a high degree of attachment to the neighborhood, as well as employees of institutions and firms located in the Borough.

The system is based on a large group to which each family or organization incorporates by making commitments for stable saving, according to the value of the house in which they are registered, in accordance with their own possibilities for family saving.

When the fulfillment of housing project is assured, the required number of applicants are selected by points from the Demand Exchange, and the project's design, as well as its location and general characteristics are presented to them. Then, observations and agreements are received to be incorporated into the projects. If these are accepted the interested families will stay linked to this specific project.

The program, therefore, will concentrate on training savers to be optimum applicants for subsidies and therefore, to the whole system of housing finance, linking them to the projects once the agreements have been fulfilled.

This will allow each individual person registered, in the event of a change of mind, to have the option of applying individually and using the subsidy obtained in another type of solution in any sector or city in the country.

The total of investments motivated by the agreement between Habitacoop-Municipality and Corporation, between 1992 and 1996, is estimated at around US\$ 125 million, which will finance 5,000 new homes.

Finished projects, together with those in construction and development, amount to 3,700 homes, so there are only 1,300 homes remaining, where land has already been required and which are in the stage of developing architectural projects.

The private sector, for its part, in the context of the Repopulation Program, anticipates the construction of another 3,600 homes in the same period.

In addition, the Corporation has given a stimulus to PHASE II of the Repopulation Program which, as well as continuing with the agreement between the Corporation the Cooperative, initiates a new stage by signing agreements with three real-estate firms to sell another one thousand homes over the next two years.

These elements explain why in the first nine months of this year the Municipality of Santiago has issued building permits to construct 4,646 apartments.

In relation to surface area constructed, there are similar increases, given that in 1992, 65.000m² were authorized; in 1993, 70,000; in 1994, 90,000; and by September 1995, the figure had risen to 345,000 m².

The increase in building permits in the Borough reaffirms its importance, whereas in similar periods in the Metropolitan Region a downward trend has been seen. In 1993, 49,790 homes were authorized in the Metropolitan Region whereas in the Borough, there were just 878. In 1994, in the M.R. this figure fell to 38,724, where as in the Borough it rose to 1,139. From 1994 to 1995 the trend becomes even clearer, because in the M.R. 22,708 buildings were authorized in the first semester, i.e. a fall of 41%, whereas in the Borough by September 1995 this figure rises to 4,646 homes, or an increase of 407%.

Thus we can affirm with authority and responsibility that the Program for repopulating the center of Santiago is a categorical success, not only because already, only two years after its implementation, more 1,500 apartments have been sold and

handed over, but also because at the present time another 7,000 homes are actually being built or have been authorized and their construction committed, over a period no longer than 5 years, i.e. 1997.

- c) **Habitational Leasing:** Our Repopulation Program is reinforced by the Habitational Leasing promoted by the Ministry of Housing and Urban Development.

This housing policy is mainly aimed at the lower-income sectors who do not have prior savings at their disposal to acquire their own home, and therefore cannot take part in the repopulation program mentioned above.

Habitational leasing involves the granting of a state subsidy, paid periodically, aimed at helping the beneficiary to build up sufficient savings to become a home-owner within a reasonable period of time. This system allows the beneficiary to rent under market conditions with a signed contract including a promise of purchase and sale.

The Borough of Santiago intends to apply for 5,000 of these subsidies in a 10 year period from 1996 onwards.

According to the Ministry of Housing and Urban Development, this is particularly relevant to the case of inexpensive housing, because the level of rents are over-valued. In this case the leasing value can be up to 40% less than the rental value, depending on market prices.

- d) **Recovery of slums and back-streets:** In a parallel to the above the Repopulation Program promotes the recovery and repair of slums, back-streets and broken-down homes. The main objective here is to design special regulations and a "Rehabilitation" subsidy jointly with the Ministry.

To make a start in this area, an office of Technical Assistance for Housing Rehabilitation has been installed, as the first step towards the recovery of the central sector of the city.

Between 1993 and 1996 improvement projects have been carried out in some 400 back-street slums, involving lighting, paving and tree planting.

Comments

Along with the expansion of the economy, the opening up to international markets and the consolidation of the export model, the aim is to reinforce the process of transition to democracy with social equity.

One of our main challenges is to establish the channels through which the community can accede to political and urban decisions and, more importantly, achieve a real share in economic progress for all citizens.

In this framework, our highest priority interest has been to carry out the process of development and urban renewal with community participation: something which is exceptionally difficult in the framework of transition from an authoritarian model to a democratic one, with ever scarce resources, and in an area with three or more decades of abandonment and deterioration.

Despite everything, and with favorable elements such as the tradition of participation among the Borough's inhabitants and the political will of the central government authority, and taking advantage of experience in other parts of the world, we have managed to reverse a historical, and at times apparently irreversible trend, thanks to the intervention of authorities, professionals, businessmen and citizens all committed to the task.

Access to housing is for us a transcendental step for the future of the country. It constitutes one of the main ways of expressing a willingness to make our social policy a tool for resolving the community's most deeply felt problems.

The development of the Borough of Santiago over recent years allows us to state that it is perfectly compatible to renovate the center of the city of Santiago, with successful repopulation strategies and policies which strengthen and consolidate the primacy of residency, finance, culture and services which have historically characterized Santiago.

Our successful administration is associated with integrating the community in the process, but at the same time knowing how to discover the advantages and potentialities which reality itself provides us.

Our thought and actions will maintain the strategy of making neighborhoods the main protagonists in changing and transforming our cities on a human scale, where progress and quality of life are clearly linked to participation and democracy.

THE LOS QUILLAYES LAND IMPROVEMENT PROGRAM ⁸

Summary

This Program consists of improving the living conditions in a sector of extreme poverty, through direct intervention in urban projects and neighborhood organization. It consists of a proposal, generated at the local level, for a group of social high-rise housing units, to benefit 12,496 inhabitants living in 3,150 apartments.

This resolves legal obstacles to State investment in semi-public spaces, and tries to address shortcomings related to safety, recreation, participation and identity needs.



Background

Poor areas and in particular poor neighborhoods, are priority elements within municipal policies. The degree of effectiveness achieved in promoting development projects in these sectors will form the basis for evaluating the success of the social policies which it is the Municipality's job to coordinate. This proposal seeks to put into effect short- and medium-term actions aimed specifically at social-urban housing in a deprived sector — in this case Los Quillayes — with the final goal of improving the quality of life of the inhabitants.

Goals of the Program

- 1) Implement improvement projects and the installation of basic urban amenities in the area, aimed at meeting the needs of safety, recreation, relaxation and participation, as well as identifying and belonging to the neighborhood.
- 2) Carry out actions of improvement in the sector with shared financing (Municipality, neighborhood and other levels of the State).

⁸ This practice was submitted by the Municipality of La Florida.

- 3) Develop municipal coordination to make the integral development of poor neighborhoods feasible.
- 4) Stimulate community participation, from the viewpoints of organization and resource contribution, in actions to enhance the area.

Action Projects

In the light of the area's urban and social conditions, needs were defined and projects seeking to satisfy them.

DIMENSIONS	VARIABLE	PROJECTS
Safety	Control of Access Lighting	Fences, Gates Interior: Improvement Exterior: Installation
Recreation Relaxation	Sport infrastructure Sport amenities Green areas	Multi-purpose courts Gymnasium Fields Squares, Parks Equipment (Nursery schools) Tree planting Drinking-water meters
Participation	Infrastructure Urban Amenities	Centers Amphitheater
Identity	Image/decoration Cleaning	Exterior painting Direction signs

A total of 7 projects were designed for the sector, and these imply the development other sub-projects. The total overall budget is US\$ 1,500,000. This means an average investment per home of approximately US\$ 480 and is seen as lasting for a period of 2 to 3 years.

In general terms, two project modes are defined:

- **Basic infrastructure projects:** These involve installing and improving primary supply networks, aimed at bringing vital services, which are deficient in the area, up to par.
- **Projects for amenities and services:** This part of the project requires time for adjustment and discussion with neighbors for its definition.

Types of Projects

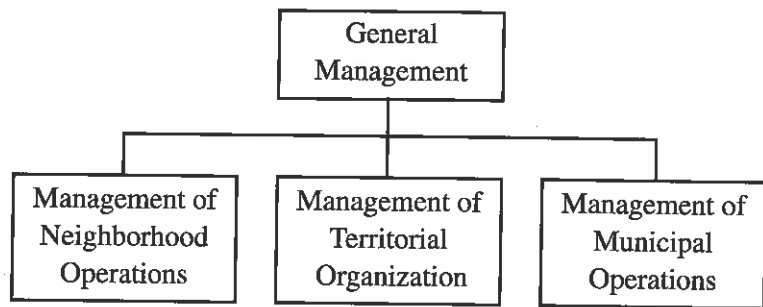
- Sectoral perimeter enclosure (fencing).
- Lighting in public areas — transition and internal.
- Vehicle and pedestrian circulation; parking.
- Multipurpose courts, changing rooms and gymnasium.
- Green areas, hard-surface areas, areas of circulation, tree planting, drinking-water meters, play areas for children, furniture.
- Social centers, amphitheaters.
- Painting of buildings, improvement of rubbish bins, sign-posts.

The presentation of these proposals for the area, has been divided into stages, with a first phase defined for the period 1995-96, with the following actions to be carried out:

- 1) Improvements to lighting in public spaces.
- 2) Installation of perimeter fences.
- 3) Installation of drinking-water meters.
- 4) Rubbish bins
- 5) Exterior painting of buildings.
- 6) Tree-planting in public spaces.

Shared Administration

For implementing the project, working groups have been set up, organized on the basis of jobs to be carried out. Thus, the following structure was defined:



General Management

The functions of this unit consist in coordinating the actions of the whole project, linking it with other instances of decision-making at the institutional and extra-institutional level. This management function is located in the Board of the Secretariat for Borough Planning and Coordination (SECPLAC).

This function is fundamental, because it is here that the technical variables are joined to the political will to make these projects viable or not. In this unit, together with the mayor's office, negotiations are carried out with other levels of the State, and the Municipal Council is given the technical tools for taking the decision.

The Management of Municipal Operations

This unit is charged with the management of all operations which have a direct relationship with the municipality within this first stage in the project. These are: installation of drinking-water-meters, installation and replacement of lamp bulbs, improvement and repair of rubbish bins.

The main task of this management division consists in preparing and carrying out the follow-up on these projects, maintaining contact with contracting firms and supervising the handover of the finished job.

Management of Neighborhood Operations

This unit carries out actions which mean contact with neighbors in the execution of the project. In a first stage the central task has consisted in organizing the whole process of painting blocks. Another of the actions which are its direct responsibility is advice in the installation of fencing in the different sectors, and the actions needed to carry out tree-planting.

The painting operation, given its characteristics (the size of the purchase, storage, transport and delivery of support materials such as scaffolding, painting equipment etc.), has required the development of sequential procedures which neighbors complete in stages, thereby providing the municipality with greater certainty that the work is really going to be done well; after which painting can begin.

These stages relate to establishing a consolidated and recognized organization, a timetable for painting teams and the opening of a savings account for the collection of funds for fencing. Once these stages have been completed the neighbors, organized in teams, join the painting operation. This procedure includes training and the programming of the tasks to be carried out (transport and installation of scaffolding, cleaning and treatment of walls, and painting).

Management of Territorial Organizations

This unit is responsible for handling and coordinating the team working with organizations in the area. The team is made up of two professionals from SECPLAC and four territorial coordinators. The functions of this management division are: a) maintain a dialog with organizations in the sector, b) encourage participation by the different individuals comprising these organizations, c) support the establishment of new organizations in the sector, d) incorporate home-owners and rent-payers into the juridical part of the intervention.

The conversations of this unit, are preferably aimed at representative delegates of functional organizations in the sector, as well as legitimate leaders, Neighborhood Association representatives and representatives of the Union of Neighborhood Associations in the Borough.

The Experiment's Sustainability Prospects

The intervention and improvement experiment in the Los Quillayes area has managed to open up the legal possibility for the efficient administration of investment on the part of the State, in territories of extreme poverty, where original legislation prevented this.

It has facilitated the organization of the community into four "Urban Development Groups" and three Neighborhood Associations, which coordinate the actions of a total of 12,496 inhabitants distributed among seven sectors.

Once the stage of state and private investment has come to an end, the development plan for this zone will rest with the group of organizations existing in the community.

Positive Impacts of the Experiment

- The seven sectors of Los Quillayes have been organized into a total of four “Urban Development Groupings” and three Neighborhood Associations.
- The establishment of new forms of internal coordination at the municipal level to enhance links between the different units in carrying out specific projects.
- The increase in external institutional investment (public and private) leading to an increase in private neighborhood investment (human resources and material).
- The emergence of new proposals for social projects mainly related to the issue of infancy.
- The generation of an intervention model for territorial improvement for poor (urban) neighborhoods, with possibilities for replication in other neighborhoods in the borough, and at the regional as well as national level.

The following projects have been carried out:

- 5 multipurpose courts
- 20 drinking water connections
- The replacement of 124 street lights and the installation of 29 new street lights
- Improvement of 48 rubbish bins
- 10 sets of children’s play areas
- The painting of 241 blocks
- Application for 6 externally financed social centers
- Tree-planting (1,500 trees)
- 11,415 m² of green areas
- 3,404 m² hard squares
- 12,164 m² of parking



***UNIVERSITIES AND
NON-GOVERNAMENTAL
ORGANIZATIONS***

PROPERTY DENSIFICATION WITH HOME IMPROVEMENT^{9 10}

Summary

The Program of Home Improvement with Property Densification aims to make a contribution to public and private housing policies, in solving the problems of urban development peculiar to popular human settlements in our country; i.e. scarcity of plots of land, large number of families lodging with no home, low quality of social housing and expansionary city growth.

The Program was aimed at families owning a plot of land with a toilet cabin, who share the house or the site with another family, with one housing solution for the proprietor or "receiving" family and another housing solution for the "lodging" family**.*

The Program began in November 1993 and ended in September 1995, under the coordination of Taller NORTE, Urban Center for Technical Assistance Ltd. In the course of the experiment, participants were the Metropolitan Housing and Urban Development Service, the Municipality of San Joaquín and agents from International Cooperation for Development (HIVOS, CEBEMO and MISEREOR).

Overall Description of the Experiment

The Home Improvement with Densification for Lodgers Project consists of finding an improved housing solution for owner-families of one legalized plot of land (with or without a toilet cabin), and a basic solution for the lodging family, with whom the house or site is shared.

It aims to stimulate a housing policy emanating from the municipality, which would put into effect the objectives of urban densification set in the current social housing policy.

⁹ This practice was submitted by Taller Norte.

¹⁰ This successful practice won an award given by the Urban Administration Program, PGU, Regional Office for Latin America and the Caribbean, April 1996.

Key words

- Densification
- Improvement
- Settlement
- Property
- Quality of life

***Toilet cabin:** A definitive solution for sanitation in precarious human settlements, consisting of a toilet with a bath and kitchen, with a total area of approximately 7.5m². According to World Bank Program.

****** Family lives in the house or on the land of an owner-family, often a relative, and sharing bathrooms and services collectively.

Aspects which are relevant in carrying out this program are the following:

a) In the social area

- Coordination with the entities involved: SERVIU, municipality, basic services, technical assistance.
- Definition of the beneficiary group.
- Organization of demand.
- Application for housing subsidy.

b) In the legal area

- Providing a solution to the problem land ownership.
- Guaranteeing rights over both homes.

c) In the technical area

- Development of architectural projects and subdivision of the original lot.
- Making the general and local urban development and construction regulations compatible and more flexible so as to guarantee municipal approval of the homes.
- Construction on sites inhabited by beneficiary families.

d) In the financial area

- Applying for and obtaining housing subsidies.
- Applying for, obtaining and channeling additional resources from the public and private sector.

Specific Objectives

1. Building 37 homes for lodger families via the Progressive Housing Program, 1st Stage.
2. Improving and/or building 17 homes for family-owners under the Progressive Housing Program, 1st and 2nd Stage.
3. Providing a legal solution to the problem of land ownership, by means of subdivision of lots.

Financing

- a) Municipal contribution covering the project's administrative management.
- b) State contribution through the Progressive Housing Program (1st and 2nd Stage) covering the project's construction.
- c) Other resources, appealing to the Poverty Privilege, for subsidizing the project's legal costs.
- d) Contribution from the families, through their savings and mutual aid for construction and control.

Number of Solutions	: 37 lodgers : 17 owners
Type of solution	: 1st and 2nd stages of the Progressive Housing Program (PVP)
Modality	: Private
Country and locality	: Borough of San Joaquín, Santiago, Chile

Types of Solution

For the case of owner-families, a solution is contemplated involving improvement and/or construction of a dwelling to a value of US\$ 2,000.

For lodger-families, the building of a home is contemplated to a value of US\$ 4,166.

Limitations of the Project

- Inflexible urban regulations, difficult to adapt to this type of program.
- Legal shortcomings due to a lack of definition of specific standards for property “densification”.
- The absence of a clear and duly regulated method of financing for the payment of non-governmental and/or private technical assistance.
- Amounts of financing, depending on subsidies, insufficient for construction, legal and social requirements; under-financing for families’ basic housing needs; legal costs associated with regularizing the legal status of plots of land; high cost of social organization and technical training for the families; lack of monetary compensation for the real cost of capital appreciation of the land ceded by the owners to accommodate lodgers.
- Slow and complex process of coordination and teamwork in the technical agencies involved (State, municipality, NGOs).
- Non-existence of firms of medium productive capacity interested in constructing this type of project, which involves, for example: working with families living on the building site, financial guarantees and restrictions obliging the firms to work with their own capital, the dispersion of sites in mutually isolated neighborhoods and difficulty in organizing shared and massive construction operations, which acts against an efficient economy of scale.

The Experiment's Sustainability Prospects

The phenomenon of "lodging" exists in Chile, which corresponds to a situation of a family living in a house (internal lodging) or on the property (external lodging) belonging to a receptor owner-family, commonly a relative, and collectively sharing bathrooms and other domestic services in common.

At the national level there are 1,357,377 lodger households (1992 Census), of which the Metropolitan Region, which includes Santiago, contains 44.5% of the total, or the equivalent of 604,032 households.

This number of families without a house, in the Metropolitan Region alone, implies a potential demand for property densification estimated, in Santiago alone, at 128,000 plots of land susceptible to densification, taking "site operations" on plots measuring $9 \times 18 = 162 \text{ m}^2$ as a lower limit.

Due to the need to control and detain the expansionary growth of the big cities, and with Santiago being one of the least dense cities in Latin America (98 Inhab./Ha.), consistent with national urban development policies, Property Densification is one of the paths to the densification of the city's popular neighborhoods. This, by formalizing the existing informal densification, avoids the diseconomies caused by new social housing complexes, which are generally distant from urban centers, with incomplete infrastructure, insufficient urban services and significant segregatory effects.

Uprooting lodger families from their natural living places, and putting them in new neighborhoods built at the city's extremities, unravels social and cultural relations accumulated over years of very rich neighborhood life.

The project's sustainability is based on the direct housing subsidy (granted by the Metropolitan Housing and Urban Development Service, a dependent agency of the Ministry of Housing and Urban Development), on urban development policies; and on the socio-economic situation existing in the country, which makes it possible to implement housing policies with special characteristics, sustainable and expandable in the long run in the context of targeted programs for overcoming poverty.

Positive Impacts of the Experiment

- **Densify rather than extend the city, especially its popular neighborhoods.**
- **Improve the living conditions of a highly vulnerable social group - lodgers.**
- **Settle rather than uproot families benefiting from the program.**
- **Give title to the land and home ownership.**
- **Improve the site and the intervened neighborhood environmentally.**

TRAINING FOR HOME IMPROVEMENT THROUGH TELEVISION AND DISTANCE EDUCATION ¹¹

Summary

The distance education Program has served to motivate people to improve their homes, providing them with technical training on topics which help to enhance living conditions in the place where they live.

The Program has been structured through TV programs, comprising twelve chapters transmitted by public television; a supporting book and an assessment system based on tests to measure the learning process.

The TV programs can be seen by anyone interested; the book and the assessments are aimed at those who specially register on the program. The Ministry of Housing and Urban Development contributes by registering the beneficiaries of its social housing plans on the Program.

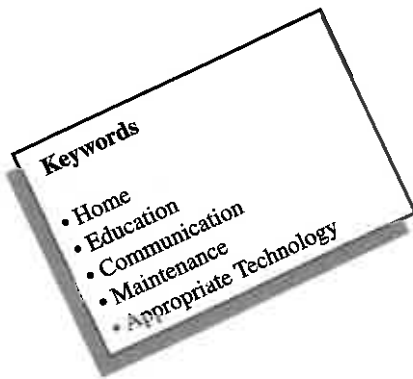
The first experiment in this Program took place in March 1990, and was applied until December 1993. A follow-up was prepared in 1995 to be transmitted from April 1996.

Background

The home to a large degree determines the life of its inhabitants. It influences the way in which they relate to each other, as well as the state of mind and health of each of its occupants.

There is reciprocal relationship between our habits in designing living spaces, and the condition of our lives.

¹¹ This practice was submitted by the Catholic University of Chile.



The places we inhabit — where we lead our lives — are not static entities. We habitually modify them according to our needs, climate, etc. Similarly, they modify us. If man is concerned for the places he inhabits, this is due to a need related to his condition as a human being. The home can fill the aspirations of its inhabitants and give them ideals for their development as people or as a family group; or, on the contrary, it can also contribute to their suffering harm, although those who experience this, through lack of knowledge or by being accustomed, may not be conscious of the harm it is doing to them.

Extreme cases are known to everybody: places that lack the minimum conditions of inhabitability, such as underground mines, prisons, emergency shelters. It is not necessary to invoke extreme cases because our homes may also be exposed to physical damage generated by inappropriate furniture or an inappropriate relationship between the use of a space and its lighting.

Difficulties in acoustic insulation between two rooms can cause problems of a lack of privacy in family relations; health problems, especially among children can originate in the humidity inside rooms, together with a deficient ventilation and lack of sunlight.

The origin of the problems described above may be in the construction of the dwelling or in its use, and it is very important to make occupiers understand the transcendence of this issue for their lives, as well as the possible solutions.

Learning to maintain and modify spaces for enhanced use and enjoyment, facilitates our development as people. We need to learn about maintaining homes and gardens in the neighborhood and recognize that the deterioration of the city which we share means the deterioration of our own lives.

Development of the Program

The Program is developed in three parts:

1. Television Program
2. A supporting book
3. The teaching structure

1.1 The television broadcasts are effected in twelve thematic programs transmitted in the structure of a TV series. This guarantees its attractiveness even for those who do not follow the course completely.

Its dramatic unfolding — with a principal character, a neighborhood set in an complex of homes subsidized by the State, and secondary characters — is interspersed with technical lessons to reinforce or deepen what has been taught, by means of graphs or cartoons.

2.1 The book is provided for those who register on the program. It covers the same topics as the TV programs, but deals with them in greater depth, as well as providing exercises for applying the contents of the course.

3.1 The teaching structure of TELEDUC (a joint organization of the Catholic University of Chile and Channel 13 Television, which runs programs of distance education) is responsible for registering participants, sending out and correcting tests, replying to queries from registered students and awarding diplomas at the end of the training course.

The tests are done in written form, two of them are sent by mail and the third is done personally at the nearest local center.

The teacher in charge of the course has to prepare questions for the test and the examinations, as well as the answers and explanations in the case of incorrect responses.

In the evaluation, computer-based systems are used for correcting and sending teaching messages.

Content of the Program

- **The city.** The Program teaches the advantages we get from sharing public spaces. The importance of adequately maintaining community spaces, and contributing with our efforts to improving streets, squares and gardens.
- **Ways of buying a home.** These are explained through examples and money calculations, especially those relating to the State subsidy implemented by the Ministry of Housing and Urban Development.
- **Parts of a dwelling.** The program explains the elements which make up a dwelling's constructional systems, the structural parts and those that can be modified, with the aim of understanding the subsequent chapters on insulation, expansion and damage from natural disasters.
- **Construction materials.** Various ways are indicated for recognizing and selecting different building materials and their properties. This chapter shows that types of material like wood, bricks, concrete blocks, etc., are not in themselves good or bad, but need to be used in accordance with the construction system.
- **Use of spaces and furnishings.** Encouragement is given to intervene in the home to enhance its spaces, by modifying rooms and transforming furniture, adapting what one has to achieve suitable spaces, without the need for great expense, thereby achieving greater comfort for occupants. Simple techniques are shown for analyzing problems in the use of dwellings, for making a diagnosis and taking decisions when one wants to improve a living space.
- **Thermal insulation.** This chapter deals with ways of achieving, through construction elements, spaces which are able to maintain an adequate temperature despite variations in the climate outside. In this regard, it also teaches how to choose and use materials from the viewpoint of the thermal insulation needed in living spaces.
- **Acoustic insulation.** The program teaches the great importance, for the development of family life, of appropriate insulation from external noise, or noise emanating from other parts of the home, and how to choose and use materials from the perspective of acoustic insulation.

Humidity in the dwelling. In this chapter, emphasis is given to developing attitudes towards ventilation issues, the use of windows, stoves, etc., which can cause damage to a dwelling.

- **The installations in a home.** Notions are provided relating to drainage, electricity, gas and drinking-water installations, with the aim of being able to diagnose a problem arising in these areas and being able to recur to a specialist when necessary.

- **Taking advantage of sunlight.** Simple techniques are given for using passive solar energy and the domestic use of sunlight, constructing water-heaters in a small-scale, do-it-yourself fashion.

- **Expansion and transformation of a dwelling.** Information is provided on ways of planning an extension or a constructional modification. Similarly, there are indications of where to go to seek professional help if this were to prove necessary.

- **Safety and risk-prevention.** Attitudes are suggested for adoption in the face of earthquakes or fires. Advice is given for avoiding accidents in the home deriving from bad storage habits or the handling of toxic or dangerous articles.

The Experiment's Sustainability Prospects

The Program has addressed the problem of a lack of training with which occupiers use a dwelling, especially in areas related to:

- Design and improvement of the dwelling
- Maintenance and installations
- Urban relationships
- Safety and risk prevention
- Annexed buildings.

The Program has been an instance seeking to reverse the lack of information and scant diffusion of technical elements or correct use of technology, especially in support of do-it-yourself systems in the home.

Positive Impact of the Experiment

- The Program transmitted throughout the country by television has demonstrated the need for technical support, and the motivation required by inhabitants of social housing.
- To permit a dynamic process of education for enhancing the quality of life, through home improvements.

THE "VILLA PAULA JARAQUEMADA" HOUSING AND URBAN SURROUNDINGS IMPROVEMENT ¹²

Summary

This experiment is oriented towards giving incentives for inhabitants to intervene in the community areas of their neighborhood, as well as in their own homes, managing to activate synergetic processes of residential transformation which are self-sustainable over time. For this, participatory methodologies are used, as well as self-administration mechanisms, self-production and returnable financial resources.

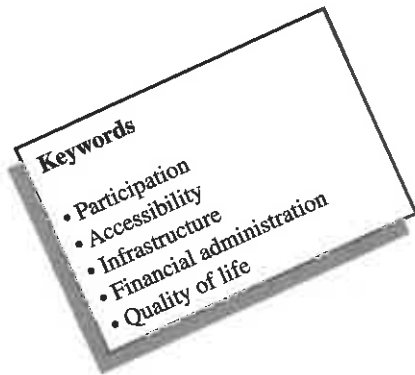
The improvement of dwellings and their environment is financed completely with funds from the beneficiaries themselves, without subsidy of any kind.

In December 1994 the Project started in its first stage, involving the development and enhancement of 30 dwellings and their surroundings. From June 1995 onwards, a second stage has been initiated with 35 homes. The experiment ends in January 1996.

The Realization of the Experiment

The Project aims at demonstrating that when the inhabitants of a particular community assume responsibility for problems of urban neighborhood amenities and the improvement of their deficient homes, through mechanisms of self-management and appropriate participatory methodologies, it is possible to set in motion a successful process of residential change which is self-sustainable over time. To achieve this goal, a methodology was implemented through mechanisms and proposals to activate the potentialities present in the chosen community. Such a methodology had to consider components of training, financial administration and organization, as well as participatory design, constructive self-management and evaluation.

¹² This practice was submitted by the Housing Institute (INVI), Faculty of Architecture and Urban Development, University of Chile.



The experiment made it possible to learn about the development of joint-ventures between a University Research Center specialized in the subject (the Housing Institute, INVI), an NGO working in the field among popular urban sectors (Youth for Development and Production, JUNDEP) and an Italian international cooperation agency (COSV) with similar institutional objectives as those mentioned above.

The area selected is located in the Borough of Conchalí, one of the poorest in the Metropolitan Region of Santiago which, given its urban characteristics, suffers from a notable scarcity of urban amenities at the level of social housing complexes. On the basis of a diagnosis taking various indicators into account, a housing unit was chosen, whose typology was representative of others existing in poor boroughs.

Once the housing unit had been selected, a diagnosis was carried out which gave priority to social and physical-spatial background consistent with the qualitative and quantitative goals to be achieved.

The housing typology of the complex selected was of the type, "Site with services", consisting of a plot of urbanized land 9m wide and 16m deep, inside which a 6m² toilet cabin is placed. The families build their definitive homes through the system of do-it-yourself construction.

Along with the diagnosis, a proposal was presented to community leaders and the whole resident population.

Development of Housing Models and their Surroundings

The process described above permitted carrying out the proposal for the overall enhancement of neighborhood urban amenities, which was crystallized in the formulation of a master plan. In parallel fashion work took place on preparing models of housing typology for those families who, depending on their composition and resources, were progressively able to expand the size of their dwellings.

The four typologies developed were realized in accordance with Municipal standards. Once the Master plan had been approved, as well as the typologies and prior training, the work of urban enhancement and subsequent home improvement began.

Of a total of 269 plots of land, and according to selection indicators agreed with community leaders, 65 families were chosen. These families notably improved their deficient housing, with both quantitative and qualitative goals being achieved. By the end of the year, in the majority of cases the expected targets had been doubled.

The types of improvement consisted of building frontages and structural walls in reinforced brick, thereby managing to lay the foundations for definitive one- or two-story housing units for families of an average of five people.

As regards enhancement of surroundings, the quantitative and qualitative goals proposed were doubled, as a result of the synergetic effect produced by the conditions of neighborhood urban amenities, which in the judgment of the inhabitants of the neighboring shanty-towns, and in the opinion of municipal technicians, had a notably positive effect compared with the urban image this unit had before. Interventions corresponded to the appropriation of residual uncontrolled spaces, and providing them with seats, trees and children's play areas, thereby making it possible for neighbors to meet and socialize. Similarly, with the aim of improving residential safety conditions, entry to cul-de-sac side streets was restricted by metal barriers, of low (60cm) height so as to avoid segregation.

Systems of Financing

One of the innovative aspects contained in the housing improvement project's financial proposals is the system of fund allocation, consisting of rotating loans equivalent to US\$ 500 for each beneficiary family, an amount which is returned to the fund, administered by the community organization itself, in successive monthly payments of US\$ 20 with a reasonable interest so as to avoid its devaluation. In this way the loan-granting sustainability of the fund is guaranteed.

To participate in the project, and with no subsidy existing of any kind, each family had to commit itself to prior savings of US\$ 80, an amount which was raised over four months prior to the start of operations. In this regard, it should be noted that the amount was fixed by common agreement among all possible participants, taking into consideration for its calculation the real saving capacity of the community's families.

The available funds made up from beneficiaries' prior saving and complemented by initial resources contributed by International Cooperation, were invested in the purchase of construction materials and all the elements needed to carry out the project, thereby creating a bank of materials which is administered by the Organization itself.

Participation

The operations, both urban enhancement and housing improvement, were carried out by the families themselves, with people receiving prior training. As the process was put into effect, and as people saw how homes of such a precarious nature were being improved, families became motivated to progress much further than had been foreseen for the first stage of the project. This contemplated the construction of just 17m² of frontage. By January 1966 the average area constructed amounted to approximately 36m².

One year after the start of operations, JUNDEP continued supporting the community with training activities aimed at achieving sustainability in the community organization, and in the medium-term financial base of the rotating credit. Subsequently, it will have to be the community organization itself which administers its own projects.

The Experiment's Sustainability Prospects

- Creation of a Master Plan to help the community to enhance urban spaces in an organized and progressive manner.
- Formulation of Housing Typologies to serve as points of reference for completing the home from a site with services.
- Establishment of a community organization trained in administration and the self-production of improvements to home and surroundings.
- Maintaining a sustainable economic base based on a rotating fund and a materials bank.

Positive Impacts of the Experiment

- Credibility in the system and generation of the habit of saving for home improvements among populations of few resources.
- Capacity of the community to manage other resources.
- The bringing together of diverse agents to intervene in actions of improvement: academics, non-governmental organizations, community organizations, International Agency, Central and Local Government.
- Replicability of the Project's initiatives in similar communities.
- Improvement of the community's social climate.
- Generation of a synergetic process of home improvement, both among the beneficiaries themselves and among the other inhabitants of the community.



***BUSINESS AND
COOPERATIVE
ORGANIZATIONS***

BUSINESS AND COOPERATIVE ORGANIZATIONS OPEN HOUSING COOPERATIVES ¹³

Summary

Open Housing Cooperatives are societies whose objective is to provide social housing units to its members.

As a whole they cover the entire national territory, in which they have built more than 50,000 homes in 25 years. Their records contain approximately 45,000 active members, with accumulated savings balances equivalent to US\$ 66 million.

CONAVICOOP is one of these social housing administration societies, which for its business activities has a multi-disciplinary team, enabling it to evaluate and carry out programs providing personalized services to its members for home purchase, and giving them support on social, administrative, legal, technical, financial, economic, architectural and urbanistic matters.

At present, CONAVICOOP is running programs in ten cities in the country and has built more than 12,000 homes in its twenty years of legal existence. It has administered the savings of members amounting to over US\$ 20 million, contributions from the State for financing home-purchase amounting to about US\$ 60 million, and long-term mortgage loans from the commercial banks of US\$ 120 million. As well as this it has raised short-term funds worth US\$ 129 million. It has 7,500 active members with savings balances amounting to the equivalent of US\$ 10 million.

At the moment it is building about 1,500 housing units with a value of about US\$ 30 million and in turn has acquired plots of land in various cities in this country which will allow it to provide accommodation for another 9,000 families.

¹³ This practice was submitted by the CONAVICOOP Ltd.



Background

Open Housing Cooperatives are set up to carry out social housing projects directed toward low- and middle-income families, who are willing to solve their housing insufficiencies through their own efforts by periodical, systematic and contractual saving.

These associations have developed a system of access to housing for their members, through housing programs, which by taking advantage of organization, participation and economies of scale, adapt their production to prices which correspond to the financial possibilities of each family, through a combination of three types of resources: saving, long-term loans from the commercial banking system and subsidies from the State.

The running of this experiment has made possible a true social integration among members in each housing program, as well as between them and the city. This has been possible, on the one hand, through the incorporation of members of different income levels where each acquires a home in accordance with their payment capacity, and on the other hand due to the care taken in choosing the location of the properties which are acquired, with these being transformed into housing units inserted into sectors of the city which in general have been destined to higher-income families.

The presence of Open Cooperatives in the formal sector of the economy provides the security required by financial entities, as well as by the other agents in the construction and urban development sector, including the State.

Business transparency is a decisive factor in the success of the experiment, in transferring all the economic benefits to the member beneficiaries.

This form of financing has permitted CONAVICOOP purchasers to have access to non-returnable State subsidies, equivalent to US\$ 60 million, and long-term loans from the commercial banking system of more than US\$ 120 million.

As a group, Open Cooperatives have achieved access for their members to more than US\$ 240 million in State subsidies and nearly US\$ 500 million of long-term mortgage loans (12 to 20 years) from the commercial banking sector.

Prior saving made by CONAVICOOP members who have already acquired their homes amounts to US\$ 20 million.

Among Open Cooperatives throughout the country, savings have reached US\$ 80 million.

Fund raising

CONAVICOOP's professional capacity has made it possible to raise funds from all sectors involved in real estate management and also attract other resources from the market for this same purpose.

Participation

By those without a home

Members who participate in housing programs are people of low income, who are not owners, and who in general sub-rent rooms in other houses or live as lodgers with other families. They have scarce access to basic services, depending for their use of facilities on what is granted to them by the owner or the main family of the house where they are lodging.

These unfavorable housing conditions make them value access to their own home, and lead them to be willing to submit to forms of

prior contractual saving which are systematic, programmed and periodical.

The main promoter of cooperative programs among newly joining members are those that have already obtained their own home.

By the community

Members of the cooperative, organized internally in housing programs, are informed and take decisions about the quality of the property, choose the administrative council or directorate and approve the accounts of the cooperative in assemblies of no more than 200 people. In addition, they have account executives who advise and inform periodically.

Each member participates with one vote in the decisions that are submitted for their consideration, independently of the capital they contribute. According to standards of equity and transparency, each one selects their home when they are ready. Once construction has been completed and the home has been sold to each member, these organize the community and administer the common assets, if there are any, in a way that is totally independent of the administration of the cooperative.

Financing and management

Capital formation. Up to 1995 CONAVICOOP has generated assets worth more than US\$ 4,200 million, and this constitutes the solidity of the enterprise. This capitalization has been the result of stable management and a high degree of professionalism among its executives and workers.

It should be taken into account that the only external collaboration received was a donation of slightly more than 100,000 Deutschmarks, with no State or private-sector aid.

Access to financing. Each member can opt at an opportune moment for the financing needed to acquire a home at a reasonable price in accordance with the real level of their formal income.

Housing finance. Financing normally used for the acquisition of social housing varies between US\$ 13,000 and US\$ 35,000. Funds come from three sources:

- Savings by the purchasers
- Subsidy from the State
- Long-term bank loan

With this financing, adjusted to the conditions and payment capacity of each family, ownership and title to the home is transferred to each buyer.

For its part the Cooperative personally advises each member, in formalizing their personal income sources when these are informal. This, with the object of making the member creditworthy and able to assume financial responsibilities, where the social housing unit which is acquired can be included as an asset and not only as something to be used.

The Cooperative's Business Activity

The experiment described above has developed business characteristics in three aspects:

a. Technical development

Technical development has been achieved both in aspects related to the production of homes and essential services, as well in the attention and provision of services to member users.

The operation begins by deciding the area in which to acquire land, continuing with the search for land sites suitable for development and the negotiation of purchase with the owners.

The purchase presupposes activities of a financial and juridical nature in relation to the study of title deeds and setting up the purchase and sale.

The purchase and sale is financed out of the Cooperative's own resources or with short-term bank credit.

Once the type of homes to be built has been determined, the registration of interested parties among families and workers without a house is promoted. CONAVICOOP prepares plans

for subdivision, as well as designs for essential services and basic social infrastructure, and submits these for municipal approval and by the firms providing the services.

Later it prepares auctions for building and services installation among construction companies, previously selected in terms of the technical, as well as the economic and financial aspects.

It finances operations with its own resources or with short-term bank financing, paying contracts according to staged payments approved by CONAVICOOP. Work must comply with strict quality standards, controlled permanently by construction engineers on site.

The finished buildings are subjected to technical inspection as well as by the occupiers themselves who can make whatever observations they think pertinent.

The homes thus received are sold one by one to each member, who receive the title deeds in their own name.

The housing complexes have drinking-water, drainage, and public and domicile electricity installed, as well as paved streets, sites of approximately 160 m² and constructed areas averaging 50m².

These techniques make it possible to develop housing projects which colonize new urban land as cities expand, as well as those involving the densification of existing shells.

b. Development of information technology

The development of information technology has spread to the entire activity of the enterprise, both in technical aspects and in architecture, land studies, fiscal and financial control of the projects analysis of proposals etc.

Information technology is also present in legal aspects ranging from study of title deeds, to the preparation of the purchase and sale contract itself for the member-purchasers.

In turn, administrative aspects such as the enterprise's accountancy, access by members with magnetic cards to all information referring to their individual accounts, as well as society and personnel social information, and the on-line

communication of all information between the different offices in each city are all important achievements to highlight.

c. Economic and financial development

The economic and financial development of the society today permits it to be classified as Prime in the commercial banking system, thereby being able to mobilize resources towards lower-income sectors, and as well realize significant investments assuring the normal development of its projects with low risk possibilities.

The Experiment's Sustainability Prospects

Open Housing Cooperatives have managed to develop as real-estate housing firms of social relevance in Chile, with constant business growth and the capacity for social real-estate management, providing services to their members with state-of-the-art technology and high-level professionals in the multi-disciplinary issues related to the development of housing programs.

These Cooperatives are the manifestation of housing demand organized in a business-oriented way, capable of achieving sustainability over time by combining at least 8 characteristics.

- a) The organizational will and sustained economic effort of the members.
- b) Professional capacity for real-estate management with business organization at members' service.
- c) Credibility in the professional staff and in the organization on the part of the members.
- d) Freedom of the market to permit cooperative business operations.
- e) The willingness of the State to permit and facilitate professional and business-oriented actions in the service of the poorest sections of society.

- f) Confidence in housing financing systems and the permanency of housing policies.**
- g) Participation in carrying out urban housing policy.**
- h) Equity in the State's housing and urban policies.**

CAPITAL MARKET PARTICIPATION IN THE FINANCING OF SOCIAL HOUSING ¹⁴

Summary

This Program is a new form of association between the governments of Chile and United States, on one hand, and the private sector on the other, for developing participation by the capital markets in the financing of social housing.

The organization responsible for the Program is PROFIV. The following institutions also participate: The Chilean Chamber of Construction, Ministry of Housing and Urban Development and USAID.

Description of the Program

The profound reform of the structures of social security in Chile in 1981, with the creation of privately administered pension funds, was also the basis for of a big increase in resources available for long-term investment. This, channeled through the Stock Exchange, allowed increasing financial sophistication and, consequently, a boom in the overall economic development of the country. However, this development did not touch the financing of social housing, due to deficient mechanisms and its strongly rooted and exclusive dependence on the public sector.

The association of the Chilean and United States governments, reinforced by a USAID program of housing guarantees of US\$ 40,000,000 and technical assistance financed by USAID for US\$ 1,000,000, was designed to study, plan, promote and implement the legislative and regulatory changes necessary, and also induce the private sector and the capital market to satisfy the demand for social housing. This association involved the Chilean private sector, from the outset, in the analysis of the situation and the formulation of the necessary policy reforms.

¹⁴ This practice was submitted by the Chilean Chamber of Construction.

The two governments recognized that the reforms contemplated required significant changes of attitude, to complement the new structures which were being proposed, and to create a renewed and more favorable atmosphere. With this aim, it was agreed with the member firms of the Chilean Chamber of Construction and a group of influential business leaders, to establish jointly an independent corporation (PROFIV).

PROFIV has contributed to the "Formulation of a New Strategy for the Development of the Social Housing Market" and has given a boost to the initiatives and reforms approved, as well as to the administration of the programs that have arisen out of the association.

Specifically it has collaborated and continues collaborating with the Ministry of Housing and Urban Development in Chile and with USAID in the following areas:

1. Approving legislation to establish securitization instruments and specialist securitization firms.
2. Approving legislation to establish leasing instruments and leasing firms in the social housing area.
3. Adapting existing legislation to permit the development of new original sources of private (non-bank) financing, aimed at low-cost housing.
4. Providing the required necessary incentives to stimulate all original sources of financing and leasing for social housing, and the regulations which will permit their operation.
5. Giving incentives for the creation of a secondary market in social housing.
6. Restructuring State programs of direct subsidies and insurances to encourage these objectives in the most specific manner.

The diagnosis which led to this profound process of change can be synthesized in the following manner:

- There is an enormous unsatisfied demand for housing services.
- At the same time, a basic institutional framework was in place, along with the business capacity and financial resources to satisfy all the demand in a period not exceeding 15 years.
- However the private sector was not reacting, due to the presence of certain barriers over several decades, originating in housing policy itself.
- The main foundations for these conclusions are presented as follows:
 - a) The absolute housing deficit, according to analysis of the Census 1992, at this date amounted to about 740,000 homes.
 - b) The immense majority of these families were in condition to pay for housing services at the level of the basic home, but the supply does not exist.
 - c) The number of fully paid owners of homes of up to US\$ 22,000 (to which families in the first five income deciles could accede), is estimated at around 700,000, according to the same 1992 Census. Up to now these homes have not been able to be sold due to discrimination in housing policy against used homes, which has directed existing subsidies to the acquisition of new homes. This has prevented owners from satisfying their natural aspiration to move to a better house.
 - d) The annual need for additional houses resulting from the net increase in the number of families, together with homes which disappear as such, for various reasons, is on the order of 85,000.
 - e) Unsatisfied demand will grow systematically due to increases in purchasing power, particularly resulting from the growth in per capita income which is projected at an average annual rate of about 4%.
 - f) The basic institutional framework for the development of a market was in place:

- Freely available demand subsidies; letters of credit for mortgages and endorsable mutual loans; a secondary market in real-estate and finance, capital market: all are mechanisms and instruments proved over a long period in the medium- and high-income segments. There are also other financial technologies of recognized success in more developed markets which could be incorporated.
- g) Long-term financial resources in local capital markets are sufficient to finance the whole unsatisfied demand in a reasonable time period.
- h) Captive subsidies. A very significant fraction of the subsidies (47%) are not granted as freely available to the beneficiaries, but the latter's decision to buy is replaced by an allocation from State agencies.
- i) The action of the State as direct lender. The State has never enforced payment of home loans under normal market conditions, and this is widely perceived by the public, consequently producing a culture of non-payment on such obligations, which impedes private-sector participation.
- j) Discrimination against renting. Legislation passed in the 1930s and in successive reforms, over-protecting the interests of tenants and consequently exaggeratedly discriminating against owners' interests, meant the disappearance of rental supply as a formal activity among medium- and low-income sectors.

The negative consequences acknowledged in this diagnosis are summarized as follows : quality of life for the lowest income segments below its potential level; loss of economic growth; perverse incentives for saving; loss of capital by the poorest sectors; and urban deterioration and inefficiency.

On the basis of this diagnosis radical corrections have been introduced which essentially aim at correcting failures of a structural nature, or eliminating deep-seated operational deficiencies, all of which have impeded the full development of the market. This process is consolidating strongly but there is still important steps to be taken.

Aspects which are being put right in the new model are:

- a) Neglect of the financial properties of a house, giving it importance only as a physical good providing services for people, such as protection, shelter, security and privacy.
- b) Discrimination against used homes.
- c) The direct action of the State in the sector, as regards real estate and also construction, and in financing, with all the sequels of inefficiency, insufficient client-orientation and negative externalities, which the State as such does not assume.
- d) The extensive range of hidden subsidies which have distorted the price system and a correct allocation of resources.
- e) Permissive policies with respect to debtors, making it possible for them to partially or totally elude the repayments on their loans.
- f) Distortions in the market for rented accommodation, principally through a weakening of property rights and price-fixing, against the legitimate expectations of investors.

What is being done, then, it is to move from a semi-private/semi-statist model, towards a model of housing accessibility centered on the market with the private sector as protagonist.

The structure of the model can be seen graphically in the accompanying figure.

An essentially subsidiary role is assigned to the State, in order to obtain the maximum performance from the private sector. The central aspect here is the awarding of demand subsidies, a situation which is being enhanced, both quantitatively (more subsidies), and qualitatively (a greater role for the market in their allocation).

Another fundamental task for the State is to ensure the provision of financial resources to the housing market when the local capital market is insufficiently developed. However this should be carried out through mechanisms of financial intermediation, of a second-tier bank type, totally or partially guaranteeing the various

securities, or by similar means. The important thing is for the State not to act directly as a lender to final users. Although the Chilean capital market has sufficient resources to finance all of the demand, there is still a certain reticence about financing low-income sectors, and here State-financing is very relevant. But it is necessary to move from the direct financing that we have today to indirect financing by refinancing the original private financiers. This has begun to happen in pilot experiments with funds from the MINVU-AID program.

The leading role in the development of operational functions corresponds to the private sector.

To achieve a vigorous housing sector, the emergence of private supply must be facilitated in all necessary areas to feed the process of dynamic growth which demand itself is already experiencing.

It is worth highlighting certain aspects of the rules of the game which should be applied unwaveringly, so that the fruits of the model can really be what theory suggests they should be. Although the authority has been clarifying and applying these rules increasingly strictly, it also important they should be understood and wholeheartedly supported by the private sector.

The first rule, and the most important of all, is to be consistent with economic rationality. In this sense the full integration of the model with the rest of the economy is fundamental.

Another fundamental aspect is to strengthen property rights, a measure which increases in importance the closer to the base of the social pyramid one appreciates its effects. That the poorest sectors can feel themselves to be owners, that they really possess an asset which will serve them as a source of saving-investment and financial guarantee, will encourage them to move up, and this is at the same time a source of social stability and economic dynamism.

The healthy development of primary markets, both in housing and in financial instruments requires the existence of secondary markets.

The deeper are secondary markets, the more successful primary markets will be.

As regards subsidies, there should be a move to eliminate hidden subsidies. Such subsidies distort markets and at times make it impossible for private agents to participate. Naturally, it is not sufficient to make subsidies explicit: they should not produce perverse incentives either.

With the maturing of the new housing model, whose central characteristic is the total transfer of operational functions to the private sector, along with a free rein for the market and the supply of neutral demand subsidies, significant economic and social impacts can be expected.

- a) There will be a more diversified supply of housing products for the poorer sectors, and the latter will be able to choose freely, with opportunities opening up for them which the middle classes have enjoyed for many years, and the upper classes have always enjoyed.
- b) There will be greater social integration, by making possible the inclusion of broad popular sectors in the market for financial services, from which today they are excluded, or to which they can only accede at high cost.
- c) Incentives are being created to broadly strengthen a culture of popular saving, by means of continuous investment in residential real-estate, which has traditionally been the principal form of saving among the middle classes. Thus there will be a tendency to strengthen the motivation to rise socially.

At the society level, aggregate saving will be increased and resources will be used more efficiently.

- d) There will be an end to the culture of non-payment, which not only implies a better targeting of State subsidies, but — and even more important — will also resolve a serious problem of moral decline. Apart from the intrinsic seriousness implied in the perverse custom of not complying with the State, the present situation, at the same time, produces negative economic effects, by frightening private agents away from attending to the needs of poorer sectors as a whole, without discrimination.
- e) A gradual formalizing of the market for rental accommodation in social housing will be achieved, and it is to hoped

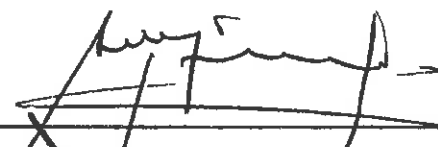

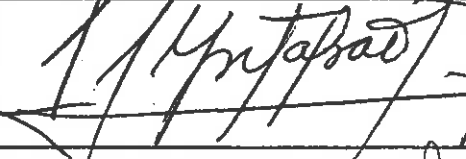
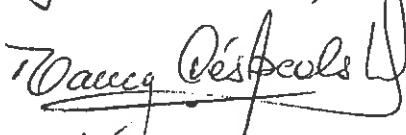
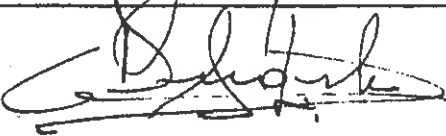
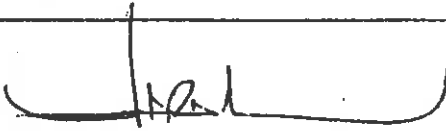

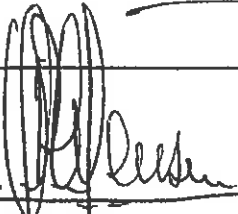
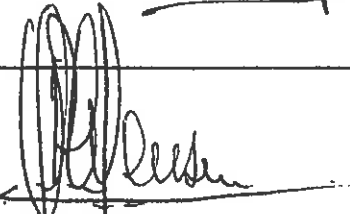
that in the medium term there will be an ample supply consistent with the cost of capital, which today simply does not exist.

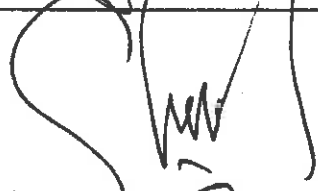

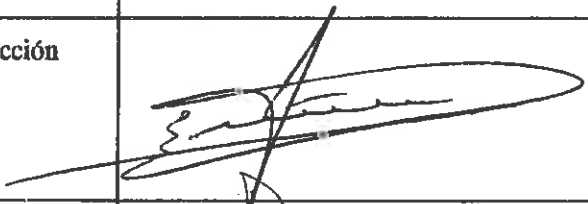
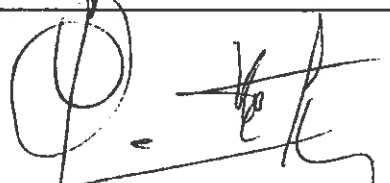
- f) A vigorous secondary market in social housing will be opened up, thereby allowing hundreds of thousands of family-owners to satisfy their natural aspiration to a better home.
- g) Social housing units will become liquid assets, thereby helping to correct the distortions in the urban land market, and consequently diminish the pressure for unlimited expansion of the urban land area of the big cities.
- h) The State will be put back into its natural subsidiary role in support of low-income sectors and as facilitator for the private sector; this will significantly enhance the efficiency of public policies, thereby accelerating the pace of improvement in the quality of life of the population.


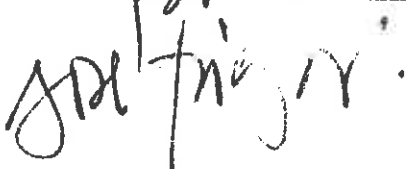

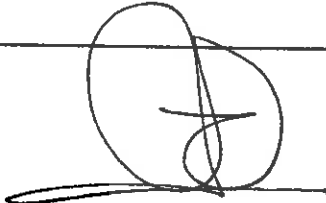

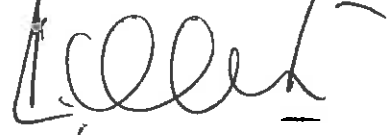
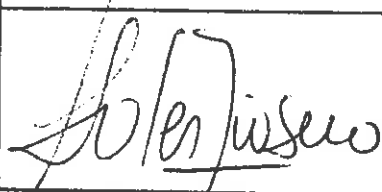

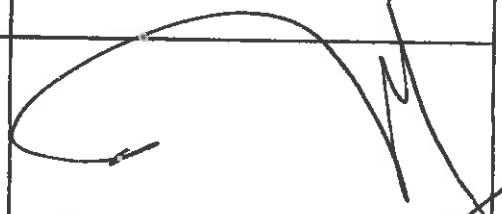
This National Action Plan was unanimously endorsed by members of the National Preparatory Committee for HABITAT II - Chile:

Sergio Galilea	Vice-Minister of Housing and Urban Development and President of the National Preparatory Committee.
Fernando Basilio	Governor of the Province of Petorca
✦ Leonardo Carvallo	Director of the Association of Real Estate Brokers and Construction Developers
Nancy Céspedes	Representative of the Ministry for External Affairs
Gonzalo Duarte	Mayor, Municipality of La Florida
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José Hidalgo	President, Metropolitan Federation of Neighbourhood Organizations
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Peter Jensen	Director, Environment and Human Settlement Division - ECLAC
Ma. Ignacia Jiménez	Representative of the Chilean Association of Municipalities
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José Letelier	Representative, Regional Administration of the V Region
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✦ Ramón Undurraga	President, Popular Housing Corporation, COVIP
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✦ Father Van der Rest, S.I	Director, "Hogar de Cristo" Housing Foundation
Carlos Varas	Representative, Chilean Association of Municipalities
- Roberto Vargas	President, Coordination of Social and Cultural Housing Programs

Los abajo firmantes suscribimos el documento "Los Asentamientos Humanos en Chile: Plan de Acción Nacional", en el marco de la Cumbre Mundial HABITAT II.

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United Nations Conference on
Human Settlements, Habitat II
Istanbul, June 1996

Human
Settlements in Chile:
***NATIONAL
ACTION
PLAN***

1996

This publication forms part of an agreement
between the Ministry of Housing and
Urban Development and the Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ)