



Development
Progress

Case Study Report

Urban Poverty

ON THE PATH TO PROGRESS: Improving living conditions in Peru's slum settlements

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Abbreviations

ABC	Ahorro-Bono-Crédito (Savings, Subsidy and Loans)	MV	Mejoramiento de Vivienda (Home Improvements Housing Programme)
ATU	A Trabajar Urbano (Urban Work, public works programme)	MVCS	Ministerio de Vivienda, Construcción y Saneamiento (Housing Ministry)
AVN	Adquisición de Vivienda Nueva (New Housing programme)	PAC	Programa de Ampliación de Cobertura ((Water) Coverage Expansion Programme)
BANMAT	Banco de Materiales (Materials Bank, providing loans for house improvements)	PAPT	Programa Agua Para Todos (Water for All Programme)
COFOPRI	Comisión de Formalización de la Propiedad Informal (Commission for the Formalisation of Informal Property)	PASH	Programa de Apoyo al Sector Habitacional (Programme to Support the Housing Sector)
CSP	Construcción en Sitio Propio (Construction on Own Site)	PCDPI	Programa de Consolidación de los Derechos de Propiedad Urbana (Property Rights Consolidation Project)
ENAHU	Encuesta Nacional de Hogares (Household Survey)	SDGs	Sustainable Development Goals
IADB	Inter-American Development Bank	SEDAPAL	Servicio de Agua Potable y Saneamiento de Lima (Public water company)
INEI	Instituto Nacional de Estadística e Informática (Peru's Statistics Office)	WDI	World Development Indicators
FONAVI	Fondo Nacional de Vivienda (Housing Fund)	WB	World Bank
MDGs	Millennium Development Goals		

Abstract



A panel to trap the fog and turn it into drinking water, Virgen de la Candelaria, Lima. Photo: © Santos Quispe Taquire/Desco/ODI/PhotoVoice.

This study aims to explain the improvements in living conditions in slum settlements located in the outskirts of cities in Peru from 1990 to 2010. This period saw significant progress in access to utilities in these areas. Positive changes were recorded in water piped directly to households, and in access to sanitation (piped sewage systems), the share of slum households with electricity and dwellings made of durable housing materials. These improvements were the result of action at different levels: political will to increase public provision of water, sanitation and electricity (financed with contributions from

multilateral banks and donor resources, but increasingly with governments' own resources); continuous pressure from community organisations; and investments in housing upgrades by households themselves. The case study offers a number of useful lessons for other countries, particularly on the fact that improving the living conditions of existing settlements is a necessary but not sufficient condition to deal with increasing urban populations; urban planning and the provision of affordable housing (ownership and rental) needs to take place in tandem with slum upgrading.

1. Introduction



Resident of Virgen de la Candelaria, Peru. Photo: ©Jesusa Cconaya H/Desco/ODI/PhotoVoice.

‘You can see that things are being built, a new path, a new road, you can tell, I now have my small house and that makes things better’ – Community representative

1.1 Why explore the living conditions of slum dwellers in Peru?

Peru has seen significant progress in economic growth and poverty reduction over the past two decades. Between 1990 and 2010 its real gross domestic product (GDP) increased at an average rate of 4.8% (while population grew at 1.8%¹) and per capita annual income almost trebled from \$3,241 to \$9,281 (CEPLAN, 2011). Growth in most recent years has been particularly striking as

the economy grew at an average of 7% between 2005 and 2011 (Barrantes et al., 2012). This has been driven largely by a mining and commodities boom. Exports grew from \$3,276 million in 1990 to \$35,565 million in 2010 (BCRP, 1990; 2010). Rising exports, foreign investment and macroeconomic stability have helped to increase tax revenues, allowing public investment to reach record levels and the domestic market to grow rapidly, including the construction and services sectors.

It has been during the 2000s in particular that poverty in Peru has seen major reductions in both urban and rural areas. In the early 1990s, poverty increased dramatically as a result of the macroeconomic and hyperinflationary crisis. While poverty levels dropped slightly after an adjustment programme, it carried on increasing until 2001, as the economy decelerated in the aftermath of the Asian crisis and the social consequences of the adjustment programme became apparent. However, from 2001 to 2010, poverty declined

1 Author's own calculations, based on Instituto Nacional de Estadística e Informática (INEI) data.

from 54.8% to 31.3% of the population, and extreme poverty from 24.4% to 9.8%. Urban poverty, measured at the urban poverty line, more than halved from 42% to 19.1% (Parodi, 2014). Figures for poverty, extreme poverty and urban poverty follow nationally determined poverty lines.²

At the same time, income inequality has also been declining. Peru's Gini index³ score declined from 0.52 in 2001 to 0.46 in 2010 and from 0.48 to 0.42 in urban areas (as way of example, Brazil, a country often praised for its reduction in inequality, saw a fall of similar magnitude). Inequality in Lima fell faster than the national average, from 0.50 in 2001 to 0.41 in 2010. While inequality declined, it remains high by international standards (Parodi, 2014).

Progress on non-economic indicators was impressive too. While life expectancy increased from 66 to 74 years between 1990 and 2010, average years of schooling rose from 6.6 to 8.7 years over the same period. Peru is currently classified as a 'high human development' country (UNDP, 2013).⁴

It is against this backdrop that Peru has seen significant progress in the living conditions in so-called 'slum' settlements, located in the outskirts of cities (Box 1). Access to utilities in slum areas has greatly improved, as homes with water piped directly to them increased from 41.1% in 2002 to 62.6% in 2007, and access to sanitation (piped sewage systems) rose from 35.3% in 2002 to 59.4% in 2007 (MVCS, 2005 and 2014). Positive changes have also been recorded in the share of slum households with electricity and durable housing materials. These improvements have been the result of action at different levels: increased public provision of water, sanitation, electricity and housing programmes, pressure from community organisations and investments in housing upgrades by households.

These positive trends make Peru a suitable case study on progress in the living conditions of slum dwellers. Further, as slum upgrading is often a routine municipal activity in Latin America, it was thought appropriate to include a country from the region. Compared to cases such as Brazil and Colombia, which have been widely documented in the literature, Peru's slum settlements appeared relatively understudied, which also made it a case worthy of further exploration.

As poverty in Peru is higher in rural areas, urban poverty tends to be underplayed in the poverty literature and policy discourse in the country. The fact that slum settlements continue to expand rapidly, particularly in Lima, despite recent improvements in access to utilities and housing, means this is a timely issue that deserves further

attention. This case study can help to raise the profile of urban poverty in Peru and stress the importance of access to land and decent housing for poor urban people.

Finally, as a middle-income country with a history of urbanisation, Peru can also offer useful lessons to other countries, particularly by highlighting the need to strengthen existing community efforts in slum upgrading and the importance for urban expansion to be planned, as well as investing in slum upgrading.

1.2 Country context

These recent improvements in the living conditions of slum dwellers need to be considered in the context of a highly urbanised country and region. In 2010, 77% of Peru's population lived in urban areas and by 2030 this is expected to have grown to 83% (compared to the South American average of 86%). With 9.7 million residents in 2014, Lima, which concentrates a third of Peru's population, is close to becoming a 'mega-city' of more than 10 million (UN DESA, 2014).

Peru has been urbanising rapidly over the past 60 years; in 1950, less than half the population (41%) lived in urban areas (UN DESA, 2014). As in many countries in South America, urbanisation accompanied processes of industrialisation through import substitution, particularly in the second half of the 20th century (Calderón, 2006). The combination of poor rural migrants coming to the city in search of economic opportunities, with a lack of supply of affordable land and housing, meant that irregular occupation of land and the expansion of slums became a common feature of many large cities in Latin American countries— and Peru was no exception. In the specific case of Peru, more recent migration to urban areas has also been driven by migrants from rural areas escaping the political violence of 1980-2000.

Broadly speaking, since the 1950s, governments in Peru have adopted a permissive attitude towards informal settlements, accepting them as the mechanism through which poor urban people access land and housing. Successive governments have opted for reactive policies, providing access to utilities once new settlements have been created (Calderón, 2006). In other words, the Peruvian State has essentially legalised and recognised informal urbanisation.

The Peruvian political system has gone through significant changes. Under President Alberto Fujimori's administration, the 1990s saw the end to internal conflict

2 The national poverty line and extreme poverty lines are set at 285 and 155 Nuevos Soles per month (INEI, 2014) respectively. This is equivalent to approximately \$3.4 and \$1.8 per day.

3 The Gini index measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 1 represents perfect inequality.

4 The United Nations (UN) compiles the Human Development Index (HDI) annually, reflecting change in human development capabilities within countries. These include a long and healthy life, being knowledgeable and having a decent standard of living. Data collected from UNDP's online resource for HDI data (<http://hdr.undp.org/en/content/table-2-human-development-index-trends-1980-2013> and from <http://hdr.undp.org/sites/default/files/Country-Profiles/PER.pdf>)

Box 1: Defining a ‘slum’ settlement

We are aware that the term ‘slum’ can have derogatory connotations (Gilbert, 2007). It implies poor-quality housing that needs replacing, and has sometimes been used to legitimise the eviction of residents and the destruction of their homes (‘slum clearance’).

Despite this, the term is difficult to avoid. It is used widely in the literature: UN-Habitat collects data on housing deficiencies or ‘slums’ and the term is also included in the Millennium Development Goals (MDGs). Several urban poor groups have set up organisations they themselves labelled slum dwellers’ federations (Mitlin and Satterthwaite, 2013). We use the term throughout this report, but remain aware of its problematic aspects.

The terms ‘slum’ and ‘informal settlement’ are used interchangeably. We also refer to slum dwellers as ‘poor urban people’. While we are aware that not all residents of informal settlements are poor, a considerable proportion tends to be (Gulyani, Talukdar and Jack, 2010). In the case of Peru, 85% of the poor live in slum settlements (‘*conos*’; Herrera, 2002).

It is also worth highlighting that this case study focuses on settlements located in the outskirts of the city with poor access to utilities, precarious housing conditions and tenure insecurity (Schteingart and Azuela, 1990). It does not include the type of precarious (often rental) housing in city centres. In this respect, the settlements considered coincide with those used by Peru’s government (denominated ‘Barrio Urbano-Marginal’) (MVCS, 2005: 7).

and Sendero Luminoso’s (Shining Path’s) subversive actions, and the introduction of a programme of structural adjustment to deal with escalating inflation and macroeconomic instability. These policies had a social cost and also undermined the legitimacy of Fujimori’s government. Ambitious social policies and programmes of expansion of public services, including in slum areas, ensued. While these had positive effects in terms of increasing coverage, they were fuelled by clientelist motivations.

The authoritarian government of Fujimori came to an end in 2000, marred by corruption scandals. A new period for democratic institutions began, although they remain weak and susceptible to patronage. Further, after the structural adjustment process, Peruvian governments have maintained strong continuity in macroeconomic policy. This stability, alongside increased investment in social programmes and expansion of access to utilities, has arguably enabled the remarkable recent progress seen in economic growth, and reductions in income poverty and inequality.

1.3 About this case-study report

This case study focuses on improvements in the physical living conditions of slum dwellers in Peru: access to water, sanitation, electricity and housing conditions – the main constraints households face that are specific to slum residence.

The research questions this study sought to answer included the following:

- What is the evidence on improvements in the living conditions of existing informal settlements?
- What were the factors that help explain these improvements?

- How were these policies financed, and what were the main sources of finance?
- What are the challenges to sustaining progress?
- What lessons can be drawn that are useful for other countries?

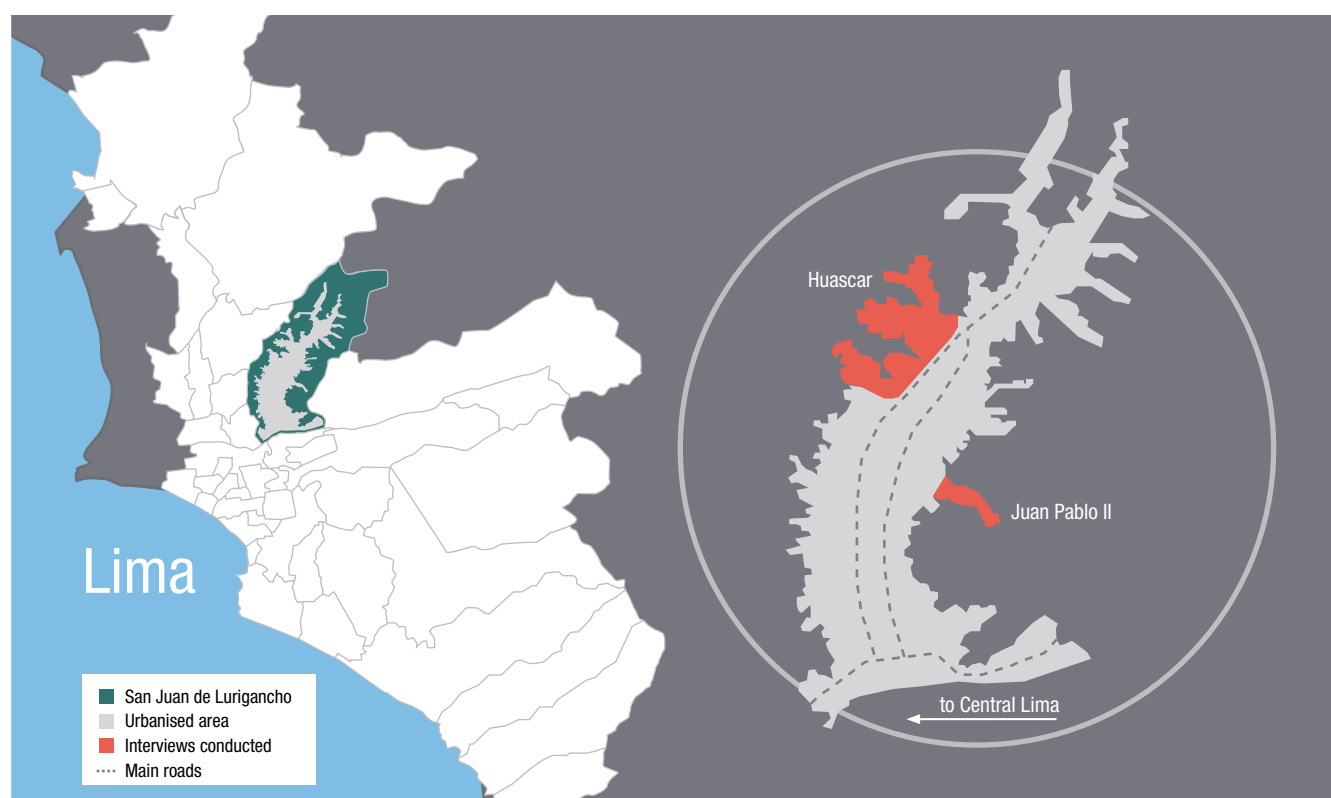
The case-study research combined quantitative and qualitative research techniques. The quantitative approach examined trends in slum dwellers’ living conditions. Unfortunately, the limited and contested nature of data on slum areas has presented real challenges for the research (Box 2, page 12).

In addition, as part of the qualitative research 20 interviews were undertaken: twelve with experts, policy-makers at central and local level, and eight with community members living in slum settlements in Lima (with almost 50% of slum dwellers in Lima, it seemed appropriate to focus the interviews there). The latter comprised interviews with four poor families and four families that have exited poverty and are currently non-poor, according to national poverty lines.⁵ Interviewees were selected with guidance from a local non-governmental organisation and the sample included a mix of male and female household heads. The interviews took place in two settlements (Huáscar and Juan Pablo II) in the San Juan de Lurigancho district (Figure 1, overleaf). The case-study team was made up of experts in Peru and ODI researchers.

The report is structured as follows: Section 2 describes progress in the physical living condition of slum settlements in Peru over the past 20 years; Section 3 explores the factors that have driven this progress both directly and indirectly; Section 4 outlines the remaining and future challenges; and Section 5 concludes with some of the key lessons learned from Peru’s experience.

⁵ While we recognise that some households that improve their living conditions substantially might move out of slum settlements to live elsewhere in the city, it was not possible to make this distinction with existing data.

Figure 1: Area where qualitative interviews took place: San Juan de Lurigancho District in Lima – Huáscar and Juan Pablo II settlements



Source: Authors' own elaboration

2. What progress has been achieved?



Photo: © Daniel Chuquival Ruiz/Desco/ODI/ PhotoVoice.

In this section, we look at improvements in the physical living conditions of slum dwellers in Peru over the past two decades. In particular, we focus on access to water, sanitation and electricity, and housing conditions in slum settlements.

Unfortunately, limited disaggregated data at settlement level makes providing a detailed picture of change over time challenging. The key data limitations are described in Box 2 overleaf.

2.1 Access to water, sanitation and electricity

Access to utilities has improved in Peru's informal settlements over the past two decades. Below, the progress achieved in access to drinking water, sanitation and electricity in slum settlements is outlined.

2.1.1 Water

Between 2002 and 2007, access to safe drinking water in slum areas across Peru saw significant advances:

public water connections to homes increased from 41% to 63%. For the first time, more than half the homes in these settlements have water services. In the case of Lima, household water connections in slums rose from 29% in 1993 to 37% in 2002 and 68% in 2007. Access via shared taps/standpipes in Lima slums decreased from 21% in 1993 to 9% in 2007 and the use of tanker trucks fell from 36% in 1993 to 9% in 2007.

Interviews with community members carried out for this study provide more recent evidence of improvements in access to water and its positive effects. Progress in water provision has knock-on effects on the health of residents of informal settlements, as the risk of drinking contaminated

‘Things are better now, largely due to the expansion of basic services’ – Community representative

Box 2: Data limitations to measuring progress in slum settlements

Peru has censuses and special reports on informal settlements for three different years (1993, 2002 and 2007) prepared by the Ministry of Housing (MVCS). The information provided by the authorities is not always consistent over time in terms of the geographical areas covered (in 1993, it only refers to Lima) and it is often incomplete, making it difficult to compare variables and indicators across time. Key indicators of access to shelter, such as tenure security and living space, are not captured in these statistics. Further, given that slum populations are highly dynamic, data from 2007 is likely to already be fairly out of date.

UN-Habitat is the only source of internationally comparable data on slums. We present this in the following section, but are aware that some experts question its robustness (Mitlin and Satterthwaite, 2013). UN-Habitat's definition of a slum often differs from that used by governments; therefore estimates and trends are not comparable and can present conflicting information. Further, while the data provides a summary measure of number and proportion of people living in slums, disaggregated information for each of the elements that UN-Habitat consider as making up a slum (i.e. lack of access to water and sanitation, insufficient living space, precarious housing using non-durable materials, and insecure tenure) is not readily available.

Our initial aim was to explore wider progress, including income poverty and human development (e.g. health and education) for slum settlements. However, common measures of monetary and non-monetary poverty (e.g. percentage of people living under the urban poverty line) are not disaggregated down to settlement level, but only to fairly large geographical areas (e.g. 'south coast', 'metropolitan Lima'), and in some cases by districts. Tracking progress against the Millennium Development Goals (MDGs) faces similar challenges (with the exception of Target 11, the 'slums' target, which uses UN-Habitat's data), as the indicators are generally reported at national level, without information for smaller geographical units such as settlements.

The challenges posed by incomplete data on informal settlements are by no means unique to Peru, making it difficult to track progress experienced by slum dwellers and their living conditions over time (Lucci and Bhatkal, 2014).

These difficulties are related to a number of limitations in the way we collect data. First, household surveys sometimes under-represent populations living in slum areas due to difficulties in identifying and interviewing them (Carr-Hill, 2013). In addition, surveys are often not granular enough to provide information for informal settlements. Second, census data, the most granular of data sources, can also sometimes under-report those living in informal settlements. In addition, tenure security, which is a prime concern for residents of informal settlements, is presently not included in most measurements due to data limitations. Finally, disaggregated data is quickly out of date, as the population of urban informal settlements changes rapidly due to internal and circular migration. This poses a problem for estimates produced based on census data.

water decreases (FOVIDA, 2004). In the words of one of the interviewees: 'Before we bought water from tanker trucks. Kids would get ill. We did not know if it was drinkable water' (key informant interviews: residents of Juan Pablo II settlement, San Juan de Lurigancho, Lima).

Access to official water connections also has an impact on household budgets because using water from tanker trucks is more expensive – 4.6 to 8.8 times more by some estimates (FOVIDA, 2004 and Cenca Instituto de Desarrollo Urbano (CENCA), 1998). Interviewees for this case study also raised this point: 'Before we brought water up from a tap in the flatter areas using a hose, and households in the flatter areas charged us whatever they wanted ... sometimes S/5 ... on some occasions they would not allow us to get water ... With the hose we used it about 5 times a week ... S/25 per week, about S/100 per month. Now my receipt is S/12 or S/15 per month, almost 10 times less' (key informant interviews: residents of Juan Pablo II settlement, San Juan de Lurigancho, Lima).⁶ Having water

pipled to the home was described as 'a great improvement'; 'it is your own water' or 'it's a big change for food, washing clothes' (key informant interviews: residents of Juan Pablo II settlement, San Juan de Lurigancho, Lima). Another interviewee mentioned that having an official water connection has not only decreased monthly spending but also reduced the risk of illnesses and the time spent fetching water to the steeper parts of the settlement where she lives (key informant interview: resident of Juan Pablo II settlement, San Juan de Lurigancho, Lima).

2.1.2 Sanitation

Access to improved sanitation has obvious health benefits, particularly as it reduces the risk of diarrhoea. Better sanitation can also help to reduce the risk of accidents and/or sexual harassment, and enhance psycho-social wellbeing as a result of improvements in social standing (WHO and UNICEF JMP, 2000; Share and WSSCC, 2015).

⁶ At current exchange rates, S/100 amounts to approximately US\$ 32, and S/12-15 to \$4-5.

Slum areas have also seen progress in access to sanitation. At the national level, home connections to public sewers rose from 35% in 2002 to 59% in 2007. In Lima's informal settlements, only 17% had home connections to public sewers in 1993, but by 2007 that had risen to 69%.

2.1.3 Electricity

There have also been significant improvements in electricity provision to informal settlements, increasingly nationally from 65% in 2002 to 85% in 2007. In Metropolitan Lima, electricity provision rose from 58% in 1993 to 89% in 2007.

For slum dwellers, having electricity service means a real change to the life of a family. The lack of official connections is often addressed by getting electricity from neighbours who do have a connection, which can be expensive. In fact, many of the interviewees for this study reported substantial savings as a result of official provision, thereby increasing their disposable income. 'Before I paid S/20 monthly, now I pay S/8.' Increasing electrification can reduce fire hazards: 'We used to have candles and they burned out fast ... it was also dangerous,' (key informant interviews: residents of Juan Pablo II settlement, San Juan de Lurigancho, Lima). Electrification can also help to improve health and education

Table 1: Access to drinking water in slum settlements 1993, 2002 and 2007 (%)

Drinking water/year	1993	2002	2007
National level			
Public connection inside dwelling	-	41.1	62.6
Public connection outside dwelling	-	0.3	1.9
Standpipe/shared tap	-	11.7	7.1
Borehole	-	5.2	1.3
Tanker truck	-	15.2	6.1
Other	-	0.9	4
Multiple sources	-	25.6	11.8
Metropolitan Lima			
Public connection inside dwelling	29	36.8	67.6
Public connection outside dwelling	-	0.10	0.3
Standpipe/shared tap	21	14	8.6
Borehole	9	3.6	1.7
Tanker truck	35.5	25.8	8.6
Other	5.1	0.70	1.4
Multiple sources	-	-	11.8

Source: Meneses, 1998; MVCS, 2005 and 2014.

outcomes (e.g. through refrigeration and by allowing longer study hours), and increase income by enabling home-based income-generating activities.

2.2 Housing conditions

In 1998 and 1999, according to the National Household Survey (INEI), there was a considerable improvement in housing conditions. At that time there was a widespread titling programme (1 million titles were granted), managed by the Commission for the Formalisation of Informal

Table 2: Access to sanitation in slum settlements 1993, 2002 and 2007 (%)

National level	1993	2002	2007
Public sewage connection inside dwelling	-	35.3	59.4
Public sewage connection outside dwelling	-	0.3	1.7
River, canal	-	2.4	1.2
Septic tank	-	23.2	15.9
Multiple sources	-	38.8	21.3
No access	-	-	0.4
Metropolitan Lima			
Public sewage connection inside dwelling	17.3	36.8	68.8
Public sewage connection outside dwelling	-	0.1	0.2
River, canal	-	1.7	0.5
Septic tank	50.0	31.7	17.7
Multiple sources	-	31.4	12.4
No access	32.7	-	0.2

Source: Meneses, 1998; MVCS, 2005 and 2014.

Table 3: Electricity in slum settlements 1993, 2002 and 2007 (%)

	1993	2002	2007
National level			
Has access	-	65.2	84.9
No access	-	34.8	15.1
Metropolitan Lima			
Has access	58.7	66.9	89.2
No access	41.3	33.1	10.8

Source: Meneses, 1998; MVCS, 2005 and 2014.

Table 4: Housing conditions in slum settlements 2002 and 2007 (%)

National	2002	2007
Wall materials		
Brick or block walls	50.6	62.1
Adobe or mud	-	14.2
Wood	-	14.7
Mat	-	1.9
Metropolitan Lima		
Wall materials		
Brick or block walls	65.5	69.9
Adobe or mud	4.8	4.8
Wood	19.2	19.6
'Quincha'	0.2	0.2
Mat	3.9	3.1
National		
Floor materials		
Mud	53.6	33.1
Cement	-	55.5
Tile	-	8
Parquet or wood	-	2.4
Metropolitan Lima		
Floor materials		
Mud	28.3	25.6
Cement	64.2	61.6
Tile	4.6	10.6
Parquet or wood	2.3	0.9

Sources: MVCS, 2005 and 2014.

Property (Comisión de Formalización de la Propiedad Informal, COFOPRI). The proportion of titled houses with roofs of reinforced concrete (final stage of the roof) went from 36% to 44%; and houses with cement or tiled floors increased from 44% to 66% (Calderón, 2001). Houses that had not been titled showed similar improvements in walls and floors, but saw no changes in roof materials (Calderón, 2001: 80).

Table 4 provides information on more recent housing upgrades between 2002 and 2007 for Peru and Lima. Nationally the proportion of dwellings with brick and cement walls increased from 51% to 62% and those with mud floors decreased from 54% to 33%. Lima has seen slower improvements in these two categories. Improvements in housing can have a series of other impacts, such as improved quality of life, better mental and physical health, protection against extreme weather, and improved safety and defence against crime. Upgraded houses can also be used for home-based enterprises. Improvements in their housing give slum residents a sense of pride and achievement: 'Before I only had one room and rudimentary roof, the rain would come in ... now we are better, I have a small living room, my kitchen,' (interview with resident from Huáscar settlement quoted in Raffo, 2011).

2.3 Summary: slum populations

Table 5 provides details of the number of slum settlements and their populations in 1993, 2002 and 2007 using data from the Ministry of Housing (Ministerio de Vivienda, Construcción y Saneamiento, MVCS). This follows their definition of slum settlements as a group of precarious housing, located in the outskirts of the city, without basic infrastructure and access to utilities (MVCS, 2004: 7, see also Box 1).

Although there has been progress in providing access to utilities in these neighbourhoods as outlined in previous sections, informal settlement continue to be the way in which poor households expand and some new migrants access the city. In 2007, there were 8,940 slum settlements in Peru, almost 6,000 more than in 1993.

Table 5: Slum settlements in Peru and Lima 1993, 2002 and 2007

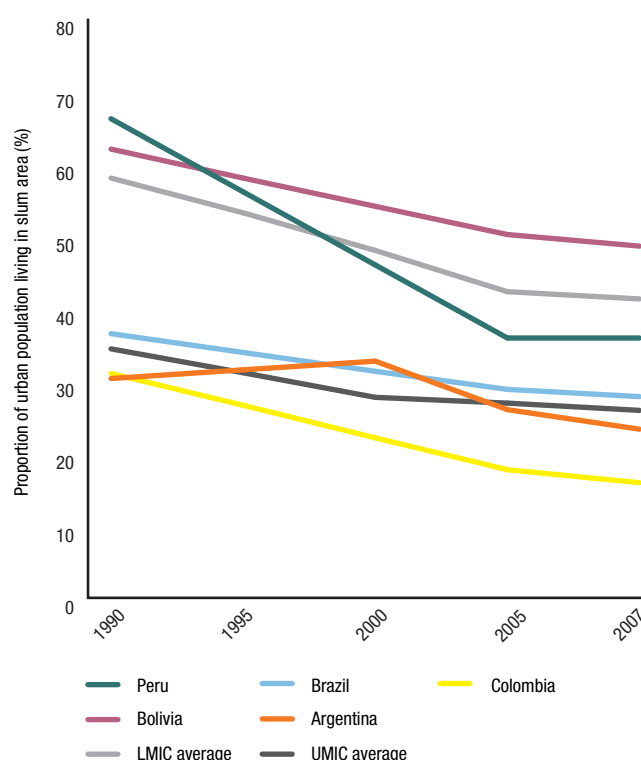
	1993	2002	2007
Slum settlements, total	2,998	7,419	8,940
Population living in slum settlements, total	4,473,675	7,717,336	7,642,658
Number of slum settlements in Lima	1,147	2,705	4,453
Population living in slum settlements in Lima	2,188,415	2,072,245	4,105,884

Source: MVCS, 2005 and 2014; Meneses, 1998.

There is also great heterogeneity between and within slum settlements, as households have different characteristics and levels of service provision. For instance, more recent settlements from 1990 onwards tend to have poorer infrastructure, younger families and a larger proportion of income-poor households than older settlements (1950-1980). They are also often located in steeper risk-prone areas, limiting opportunities for urban development. Alongside general improvements in the wellbeing of slum dwellers and the emergence of a new middle class in flatter areas with better access to services (particularly in older settlements), differences and segmentation within these neighbourhoods remain (Calderón, 2014a).

It is also useful to situate Peru in the wider South American context. As mentioned in Box 1, only UN-Habitat produces internationally comparable data on slums and this differs significantly from national estimates.⁷ In the 1990s, Peru had a higher proportion of its urban population living in slums than any other South American country, with a staggering 66%, while Brazil, Colombia and Argentina reported proportions around half of that with 37%, 31% and 30% respectively (see Figure 2) (UN-Habitat, 2012). But Peru had nearly halved the proportion of slums dwellers to 36% by 2007, drastically closing the regional gap (UN-Habitat data).

Figure 2: Proportion of urban population living in slums in South America, upper-middle-income countries (UMICs)



Source: UN-Habitat, 2012.

⁷ The definition used is similar, but the definition from the MVCS would exclude precarious housing typically found in the city centre.

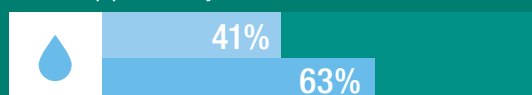
Progress in Peru: access to services in slums

"Things are better now, largely due to the expansion of basic services." Community representative

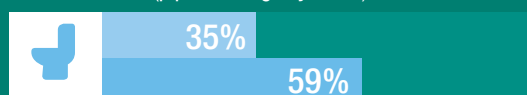


Services and housing conditions in slum settlements

Water piped directly to households



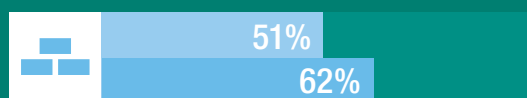
Sanitation (piped sewage systems)



Electricity



Houses with brick and cement walls



Source: Ministerio de Vivienda, Construcción y Saneamiento (MVCS) 2005 and 2014

● 2002 ● 2007

How progress happened

Communities expressed demands through negotiations, marches and road blocks.

Source: Calderón, 2005; Raffo, 2011

In Peru, 80% of housing is self-built and households work hard to improve their housing conditions.

Ministerio de Transportes, Comunicaciones, Vivienda y Construcción, 2002

Expanding access to utilities and housing programmes

Pressure from neighbourhood organisations

Personal investment to improve housing

Between 1992 and 1996, the National Housing Fund spent approximately \$892 million to improve basic services in slum areas.

Source: Calderón, 2005

Challenges remaining

Between 1993 and 2012, informal settlements in Peru tripled and the slum population almost doubled.

Source: MVCS, 2005 and 2014; Meneses, 1998



Overcoming the clientelist behaviour of the state



Inequality in access to opportunities



Better data for better policies



Slums continue to expand

3. What are the factors driving change?



Photo: © Nelson Rojas Achimanyu/Desco/ODI/PhotoVoice.

‘We [the neighbourhood organisation] have done projects to get electricity, water, walls, roads, to improve conditions for our children’ – Neighbourhood organisation representative

Three inter-related factors have been identified as underpinning slum improvements described in Section 2:

- expansion of water, sanitation and electricity services and housing programmes
- pressure from slum neighbourhood organisations
- household-level strategies geared towards investments in housing improvements.

3.1 Expansion of water, sanitation and electricity services and housing programmes

In the 1990s, aggressive service provision, housing and titling programmes were implemented by the government, which sought to balance the impact of structural adjustment policies and bolster its legitimacy which had been damaged by the social costs of the austerity programme, particularly as President Alberto Fujimori sought second and third presidential re-elections (in 1994-1995 and 1999-2000, respectively). Many of these programmes continued in the 2000s, often also responding to short-term political motivations, targeting benefits at urban low-income communities in exchange for votes (Raffo, 2011).

Further, sustained economic growth has led to higher public revenues and therefore greater fiscal space for public spending. From 2007 onwards, programmes to expand access to utilities, such as water programmes, have

Table 6: Milestones in programmes relevant for slum settlements

1961	Slum Settlements Law ('Ley de Barrios Marginales') recognises illegal occupations (first amnesty)
1968	Ownership of property is disassociated from access to services
1972	Programme expanding coverage of water services to slums in Lima
1986	Amnesty for irregular settlements
1992	Increase in budget to expand service provision
1996	Provision of title deeds; legal title as a requirement for access to utilities
2006	Municipal certificate of possession ('Certificado de Posesión') eliminates legal title as a requirement for services; last amnesty for irregular settlements (settled in or before December 2004)

Source: Authors' own elaboration.

Note: More recent laws and regulations do not necessarily revoke earlier ones, but in many cases they co-exist and overlap.

relied more heavily on public money than on loans from multilateral banks.

Table 6 summarises key policies targeting the living conditions of slum dwellers, and shows that Peru's long history of slum upgrading goes back much further than the period under study in this report (1990-2010).

We now turn to analyse in more detail recent policies encouraging the expansion of access to utilities and housing (particularly programmes supporting house building and titling), which help explain some of the improvements described in Section 2.

3.1.1 Provision of water, sanitation and electricity

In the 1990s, there were a number of state programmes aimed at providing access to utilities to slums. These programmes were the result of struggle and negotiations between neighbourhood organisations and the Peruvian state.

In 1992, the budgetary allocation to the National Housing Fund (Fondo Nacional de Vivienda, FONAVI, a contribution made towards new housing by formal-sector workers, middle-class salaried employees) increased and also targeted works that brought utilities to slum settlements. In fact between 1992 and 1996, 50% of FONAVI, approximately \$892 million, were used to improve access to utilities in slum areas.⁸

Lima's slums benefited between 1993 and March 1996 with \$107 million for water and sanitation investment (Calderón, 2005: 212). However, the implementation of this policy ran into difficulties as slum dwellers were required to hold title deeds before any improvements could be made. This delayed water projects until 2006 when the State established the municipal certificate of possession ('Certificado Municipal de Posesión', Law 28687) through which it was possible to access these services without

holding title deeds. This made a real difference, and around 90% of water connections since then have been to households presenting a municipal certificate of possession (key informant interview: water provider).

Substantial investments in the provision of drinking water in Lima (Table 7) have been made and these have been partially funded by donors, particularly multilateral banks. In the 1990s, the Extension Programme to Informal Settlements ('Programa de Extensión a Pueblos Jóvenes') was developed by the public water company, SEDAPAL. The programme was also part-funded by World Bank loans and Japanese cooperation (Table 7). Families received subsidised loans with a monthly interest rate of 1%, well below the market rate, to set up the water connection. Household connections were subsidised, costing an estimated \$862-1,270 per lot, and residents paid about 30% of that value.

More recently, between 2004 and 2008, SEDAPAL developed several projects to expand water provision (see Table 7), including the Coverage Expansion Programme ('Programa de Ampliación de Cobertura', PAC) and the Water for All Programme ('Programa Agua Para Todos', PAPT), with an important contribution of public resources (\$373 million, 2007-2010). From 2007 onwards there has been an increase in public contributions to these programmes, which has been possible because of higher public revenues and therefore greater fiscal space for public spending as a result of sustained growth.

In other cases, according to interviews with slum dwellers, the water and sewage works were carried out using a public works programme, Urban Work ('A Trabajar Urbano', ATU) (key informant interview: resident, Huáscar, San Juan de Lurigancho). The ATU programme was created in 2001 to provide temporary employment for low-income

⁸ Fujimori's government transformed a contribution to the National Housing Fund into a tax. Those resources were not necessarily allocated to the contributors to that Fund, as initially conceived. This governmental failure has been recognised by the Peruvian State after many years and a compensation process to those contributors is pending.

people affected by the economic downturn through simple, labour-intensive public works where labour costs would amount to approximately 75% of the direct cost of the project (Chacaltana, 2003). These works included retaining walls, ditches for the installation of water and electrification, among others.

In the early 1990s resources from FONAVI were also used to fund the expansion of electrification (about \$93 million between 1993 and 1996; Calderón, 2005: 212). In 1994, the government felt that it was important to involve the private sector in electrification. During the first two years after the privatisation of utilities (1994-1996), more

than 200,000 connections were established in Lima. In addition to the incentives that companies have to increase their customer base, two decisions enabled the expansion of the service. First, the privatisation law included an obligation for energy companies to provide universal service. Second, faster and cheaper technical options for electrification, such as aerial lines and provisional bulk connection for irregular settlements, were authorised (Criqui, n.d.).

As with the case of water, expansion of coverage was slowed down in 1996 by the requirement that households had to have legal title in order to access services. In 2006,

Table 7: Water and sanitation programmes for slums

Programme	Period	Financier	Result
Water for All Programme ('Programa Agua Para Todos', APT)	2007-2010	Government: \$373,666,000	1,056,880 inhabitants, 199,191 water connections and 175,792 sanitation connections
Coverage Expansion Programme (water and sewage) ('Programa Ampliación de Cobertura', PAC)	2002-2008	World Bank: \$20 million. SEDAPAL: \$9.4million	Around 150,000 inhabitants, 35,462 lots
Project of Secondary Networks ('Proyecto de Redes Secundarias', PROREDES)	2004-2007	Andean Development Corporation (CAF) \$25 million resources: \$11 million	186,000 inhabitants, 36,777 connections and 176 settlements
Water and sanitation project of deprived areas of Lima ('Proyecto de agua y saneamiento en áreas marginales de Lima', PROMESAL)	2003-2010	Japan Bank for International Cooperation (JBIC): \$219 million. SEDAPAL: \$73 million	250,000 inhabitants and 54,700 lots
Support Programme for the Reform of the Sanitation Sector ('Programa de Apoyo a la Reforma del Sector saneamiento', PARSSA, formerly PRONAP)	2000-2005	Government resources: \$114.3 million	Operated in provincial towns
Integral Improvement of Neighbourhoods ('Programa Mejoramiento Integral de Barrios')	2004-2012	(2004) Inter-American Development Bank: \$7 million. Government: \$875,000	15,691 inhabitants. Infrastructure, public spaces and community social development. By 2011, a total of 12 projects had been completed and work had begun on a further 13 projects
SEDAPAL Extension Programme to Informal Settlements ('Programa de Extensión a Pueblos Jóvenes de SEDAPAL')	1993-1996	World Bank: \$150 million. Government: \$663.6 million (SEDAPAL and FONAVI). Overseas Economic Cooperation Fund of Japan: \$95 million	Household water connections in Lima's slums
Water provision for informal settlements ('Alimentación de Agua para Pueblos Jóvenes – América Latina', APPJ – ALA)	1993-2001	European Union: total of \$9.7 million*	330,000 inhabitants. 250 micro-projects in 292 settlements, creation of neighbourhood committees for the administration of drinking water

Source: Julio Calderón based on Calderón, 2006; Cuba, 2014; Bonfiglio, 2002; SER-CASMA, 2006.

* Converted from EUR7.8 million using 1993 exchange rates.

this barrier was lifted; the introduction of the municipal certificate of possession and the policy of provisional connections meant it was possible to continue to increase electrical connections, even to settlements that had not been titled by the authorities. In 2009, a decree ('Luz para Todos') further encouraged electricity companies to provide services to slum settlements and introduced a temporary subsidy to cover the cost of the connection and help with this objective (Criqui, n.d.). The aim of the initiative was to expand official electricity connections to an additional 400,000 dwellings in slum settlements, and \$30 million (\$100 million) were allocated to this end.

3.1.2 Housing programmes

House building

There have also been important government efforts to support the construction of housing in informal settlements, which help explain some of the improvements seen in the proportion of houses built from durable materials evidenced in Section 2. Since 1981, with the creation by the State of the Materials Bank ('Banco de Materiales', BANMAT), there has been support for housing improvements for poor urban people, which had previously been the sole responsibility of households ('non-assisted self-building'). BANMAT, financed by the Ministry of Housing, implemented support programmes at national level for self-building and in 1998 funded the construction of 48% of new homes in the slums through loans, compared to the 46% of slum dwellers who used their own resources to build a new property (Calderón, 2001: 85). According to a resident from Juan Pablo II settlement in San Juan de Lurigancho, 'of the 1,200 lots at Juan Pablo II, BANMAT has funded 800 of them', which 'has changed the face of Juan Pablo II'.

However, in the 21st century the work of BANMAT has gradually been losing ground, weighed down by a portfolio of defaulters inherited from the 1990s, and by allegations of state corruption and patronage. In August 2012, BANMAT was dissolved because it had generated significant losses for the State.⁹

Since 2003, housing policies have been adopted based on the model of Savings, Subsidy and Loans ('Ahorro-Bono-Crédito', ABC), promoted by the Inter-American Development Bank (IADB). A New Housing public programme ('Adquisición Vivienda Nueva', AVN) was introduced but was less successful in reaching the poorest.¹⁰ For those that were already settled in informal settlements, two other programmes were developed: Construction on

Own Site ('Construcción en Sitio Propio', CSP)¹¹ and Home Improvements ('Mejoramiento de Vivienda', MV).

CSP was more successful and on a bigger scale than MV; between 2004 and 2013 CSP provided 85,991 loans to low-income groups compared to just over 4,000 by MV. CSP allows a building of 30 m² to be constructed on land that has undergone feasibility checks for the installation of services and that has title deeds (Calderón, 2013). Informal settlements' residents mentioned CSP in the interviews conducted for this study. According to a resident from a settlement in Huáscar, his neighbours 'have built with Techo Propio [CSP], the vast majority...have seized the moment,' (key informant interview: resident from Huáscar settlement in San Juan de Lurigancho). As shown in Table 8, this programme had its peak between 2008 and 2013. This reflects a change of perception about self-help construction within government. 'We have taken into consideration the fact that self-built housing is the only way to work, but it has to be directed, it has to count with technical assistance,' (key informant interview: policy-maker, Housing Ministry).

By way of comparison, Table 8 also shows loans granted as part of My Housing Fund ('Fondo Mi Vivienda', FMV), a programme which targets the middle-class; it is considered more profitable and has seen a similar number of loans disbursed.

Titling programmes

In 1996, a large-scale titling programme was introduced. This recognised *de facto* occupations of land in slum areas, granting titles and registering these plots in the land registry. Between 1996 and November 2014, 2.3 million title deeds were granted to slum dwellers, including more than 1 million granted under the government of Alberto Fujimori (1996-2000) by COFOPRI.

Between 1998 and 2004, the policy was supported by the Urban Property Rights Project (Proyecto de Derechos de Propiedad Urbana, PDPU) with a contribution of \$38 million from the World Bank and \$24.3 million from the Peruvian government (\$66.3 million in total). The investment was used to support the activities related to registering the land and issuing titling deeds (the land is public land with no cost attached to it).

The period between 2007 and 2012 saw the development of the Property Rights Consolidation Project ('Proyecto de Consolidación de los Derechos de Propiedad Urbana', PCDPI), which sought greater coordination between COFOPRI and the municipalities via agreements. PCDPI carried a cost of \$41 million, \$25 million of which was funded by the World Bank. As of 2001, the land-titling

9 'BANMAT borrowers are declared in default', *La República*, 28 October 2013, www.larepublica.pe

10 In awarding subsidies, the policy has bypassed the extreme poor (labelled socio-economic level E) because they 'have no capacity for saving' (Calderón, 2013).

11 The IADB provided loans to support the housing sector ('Programa de Apoyo al Sector Habitacional', PASH). \$32.8 million were allocated to AVN and \$18 million to CSP (IADB, 2015).

Table 8: Subsidies and loans granted for the construction of housing

Year	AVN	CSP	MV	FMV
1999				143
2000				405
2001				1,442
2002				3,611
2003	3,709			6,166
2004	1,992	27		7,960
2005	702	32		9,205
2006	625	15	9	5,540
2007	2,262	762	163	3,123
2008	2,077	10,029	922	2,994
2009	4,085	22,807	1,753	3,527
2010	5,144	12,807	543	6,436
2011	6,014	6,062	388	8,888
2012	4,498	12,957	405	10,133
2013	3,414	20,493	8	12,064
	34,522	85,991	4,191	81,637

Source: MVCS (n.d.).

programme was further developed in slums located in the provinces, in part due to progress achieved in Lima in the 1990s.

The impact of titling programmes in Peru has been the subject of much debate. The premise underpinning the programme, as proposed by Hernando de Soto and the World Bank, was that gaining property rights would enable poor people to access mortgage loans and enable the development of popular capitalism. A number of studies show that this did not materialise (Calderón, 2013; Field and Torero, 2004; Caria, 2008).

The policy has, however, reinforced ownership aspirations of poor urban people and raised their self-esteem. In a 2011 survey, 60% of those that purchased lots declared they would not have purchased them if they did not have a title, recognising that titled plots have a higher economic value, and provide psychological security and social status (Calderón 2013: 138). Further, although there has not been a massive increase in access to credit as a result of the titling programme, there are instances among titled households, particularly those having micro-businesses, where counting with them has been an

Table 9: Title deeds granted by COFOPRI at national level and in Lima

Period of government	National level	Lima	Provinces
Fujimori, July 1996-November 2000	1,049,134	512,581	536,553
Toledo, August 2001-July 2006	452,098	113,665	338,433
García, August 2006-July 2011	554,843	62,056	492,787
Humala, August 2011-October 2014	266,858	56,897	209,961
	2,322,933	745,199	1,577,734

Source: COFOPRI-MVCS data, compiled by Julio Calderón.

Note: This data is for reference only due to the official information being subject to minor alterations and updates over the years.

advantage. One of the interviewees for this case study mentioned that she is currently applying for a (private) loan for more than \$11,000 to improve her business. She said that without a title deed she would not have thought of doing this (key informant interview: Resident, Huáscar, San Juan de Lurigancho).

Finally, with the introduction of the titling programme, title deeds became a requirement to access utilities services; although this would change in 2006, as certificates of possession were introduced to allow for the expansion of these basic services.

A note on ‘integrated’ programmes

In contrast to other experiences in Latin America, ‘integrated slum upgrading programmes’ addressing spatial, infrastructure, legal, social, public-safety and other aspects all at once is rare in Peru.

A component for Integral Neighbourhood Improvement (‘Mejoramiento Integral de Barrios’) as part of PASH was partly funded by the IADB. This entailed physical and social interventions¹² using a subsidy per household of \$2,000 from national government, a contribution from local government of \$250 and a household contribution of \$100.

In addition, during the 2011-2014 administration, the Municipality of Metropolitan Lima developed the My Neighbourhood Programme (‘Programa Barrio Mío’) with the aim of improving the lives of low-income residents. The programme created infrastructure (for example, retaining walls and steps for the population living in steep areas) and also created integral projects in which the community identified infrastructure priorities for their neighbourhood. The programme trained neighbourhood organisations’ leaders in the coordination and management of projects, working in partnership with the municipality.

3.2 Pressure from neighbourhood organisations

Improvements in access to services and housing conditions described in Section 2, and many of the policies described in Section 3.1, would not have been possible without the pressure exerted by neighbourhood organisations (‘Juntas Vecinales’) in various settlements. Neighbourhood organisations play a central role as they are responsible for occupation and site preparation, and they demand that governments grant titles to specific lots as well as provide access to services, such as water, sanitation and electricity. In many cases, they themselves organise and implement necessary works with the community.

Neighbourhood organisations enable social interaction and participation by neighbours (Portocarrero et al., 2006). They have a leadership committee (‘Junta Directiva’) which negotiates

with the authorities on behalf of the community and calls for discussions on issues of general interest to the settlement. Participation is often higher at the start of the process, when demands and needs for basic services are also high.

Neighbourhood organisations have expressed their demands through negotiations, marches, roadblocks and clashes with the authorities (Calderón, 2005; Raffo, 2011). These have put pressure on governments who, motivated by clientelism, have often fulfilled these demands. In a way, the relationship between the state and neighbourhood organisations is one of negotiation with mutual benefits: while the former fulfil social needs, the latter seeks legitimacy and political support (Calderón, 2014a). For example, there have been a number of protests and roadblocks by the representatives of the settlements to ask for the provision of water and sanitation or to demand title deeds from central authorities or certificates of possession from the municipality. One of the interviewees for this report referred to the fact that she was able to access water and sanitation services after protests with the municipality asking the authorities to grant her and others in her settlement a certificate of possession. Getting this certificate then allowed her to access these services.

In the words of a neighbourhood-organisation leader interviewed for this study: ‘When we arrived in the year 2000, there were no roads, no electricity. We worked with the residents of the settlement and it is up to the leader to have meetings, present projects at the Ministry of Housing, the municipality, then you make progress on these projects. If you don’t have good neighbourhood leaders, works do not progress. The same happens in many other settlements. These steps (the settlement is in a steep area), we built them with the municipality in 2009. We also have other projects together with other neighbouring settlements. When you get different communities together the authorities listen to you’ (key informant interview: neighbourhood-organisation leader).

3.3 Household investments in housing improvements

In addition to the expansion of access to utilities encouraged by the State and pressure and work from neighbourhood organisations, households themselves invest in housing improvements. This also helps explain the improvements seen in housing conditions, described in Section 2. In Peru, 80% of housing is self-built (Ministerio de Transportes, Comunicaciones, Vivienda y Construcción, 2002), and poor families implement a number of household-level strategies to improve their living conditions (Anderson, 2007; Raffo, 2011; Ypeij, 2006).

12 Physical interventions refer to infrastructure (access to water, sanitation, electricity, streets and roads) and social ones to promoting participation, self-esteem, social cohesion and political participation.

There is an extensive literature on livelihood strategies at the household level. These often look at a wide range of assets (e.g. financial, physical, human, social and natural; Moser, 2006a) that families accumulate over their lifetimes and which they deploy to improve their wellbeing. These strategies are of course shaped by a wider context of institutions and opportunities posed by the political and macroeconomic context (Moser, 2006a) and can enable increasing investments in housing improvements.

Interviews for this case study and other research conducted in Peru's slums show that the construction of a home with 'all the mod cons' is one of the key aspirations among slum households, together with improving children's education. The home provides shelter but at the same time contains the symbolic value of a goal attained, an achievement. The constructed home of two or three floors is seen as an attainment that separates the 'poor' from the 'non-poor'. Residents of informal settlements, alluding to the new land invasions, say 'the poor are those on [garbage] mountains... on mats... who don't have built homes' (Raffo, 2011: 33-34).

Investment in housing improvements can also be seen as investment in an asset. Some better-off households rent out home space. As an example, in 2007 in Lima's slum settlements, room rental could amount to \$28 per month (for a room 18 m²; as a point of reference this is equivalent to approximately one-third of the income thresholds used to define poverty and extreme poverty nationally).

Investing in housing can also be a way of saving costs. Additional floors are sometimes built to accommodate the households of adult children. This can help the household unit save money and reduce their vulnerability.

Households use a wide range of strategies and assets to improve their housing conditions. For instance, households often work as a domestic unit¹³, carrying out a variety of economic activities simultaneously; father, mother and children work (as they enter the labour market), and have a variety of occupations. Further, the support of the whole household is sought when the household head's work or business is struggling, for example alternating economic responsibility between father and mother (who adds these productive activities to household work). As mentioned before, these strategies are influenced by external factors. Over recent years, a positive macroeconomic environment has meant that households can access work and set up micro-enterprises, mostly in the informal sector. Savings from these activities can then be invested in housing improvements.

Human and social capital are key in slum households' strategies to improve their living conditions. For example, households rely on family, relatives and extended family networks, who contribute with work towards house-building activities. 'Cousins, my husband's family, all helped to prepare the land' (key informant interview; resident of settlement in San Juan de Lurigancho). These networks can also help through providing informal credit, for example, to buy building materials.

13 The use of the 'household' or 'domestic unit' in analysis is well established. Gary Becker (e.g. 1965) was one of the earliest proponents of household analysis. There is no widely agreed definition of the 'household' or 'domestic unit', as it varies with household composition and locality. The current UN definition (UN, 2013) (<http://unstats.un.org/unsd/demographic/sconcerns/fam/fammethods.htm>) is a group of people 'living together who make common provision for food or other essentials for living'. In the Peruvian context, Ypeij (2006) defines a domestic unit as a group of persons sharing a home and (to a greater or lesser extent) a budget, which usually but not necessarily is based on a kinship relationship.

4. What are the challenges?



Improvement work. Photo: © Ana Rosa Caja Mollehuara/Desco/ODI/PhotoVoice.

Despite progress in the physical living conditions of residents in slum settlements in Peru in the past two decades, there remain a number of challenges:

- persistence of urban informality
- overcoming the clientelist behaviour of the State
- inequality in access to opportunities
- addressing weaknesses of existing information.

4.1 Persistence of urban informality

The main challenge is that, despite economic growth, Peru's promotion to middle-income status, reduced poverty and the emergence of a new urban middle class, Peruvian cities continue to grow through the expansion

'There are new neighbourhoods; urban expansion continues in disaster-prone areas and where it is difficult to provide basic services' – Policy-maker

of informal settlements. And there are some new elements to this: higher costs of land even in precarious locations,¹⁴ exhaustion of public lands in prime locations, and the location of poor communities in high-risk areas.

In metropolitan Lima in 1993, the population living in slum areas constituted 34% of the total population of

¹⁴ The higher costs of land are related to land trafficking, which is becoming an increasing problem. While squatting has become less common, illegal sales of public land are increasing. Although there are no studies on the activities of land traffickers, the way they operate is that a group of families are motivated by a trafficker to squat on land, but they have to pay the equivalent of around \$50 per month for being on the land (*El Comercio*, 'Invasiones amenazan la expansión urbana al norte y sur de Lima', 2nd December 2014. Available at: <http://elcomercio.pe/lima/ciudad/invasiones-amenazan-expansion-urbana-al-norte-y-sur-de-lima-noticia-1775539>). In Chiclayo, the country's fourth city with 600,000 inhabitants, three gangs of traffickers have been identified, who act in collusion with local officials, with COFOPRI and the National Superintendent of Public Registries (SUNARP) (*El Comercio*, 'Fiscalía identifica a tres bandas de traficantes de terrenos', 3rd January 2015. Available at: <http://elcomercio.pe/peru/lambayeque/fiscalia-identifica-tres-bandas-trafficantes-terrenos-noticia-1782418>).

the city (Meneses, 1998: 53-55) and in 2007, according to the census of that year, it reached 48% (MVCS, 2014).¹⁵ Between 1992 and 2005 in the south of Lima, around 884.2 hectares were occupied by 40,000 housing lots (Ramírez and Riofrío, 2006: 26). Not only are an increasing number of high-risk areas being occupied but also the authorities have almost lost control of the growth of cities.¹⁶

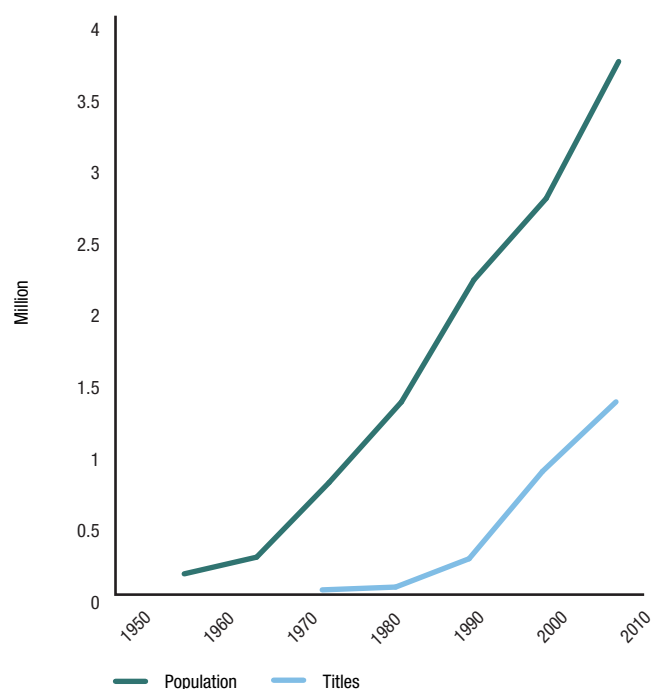
Between 1993 and 2012, informal settlements in Peru multiplied by three times and the slum population by 1.7 times (see Table 5, Section 2). The higher growth in settlements compared to the population living in them shows a reduction in settlement density; the size of individual settlements is getting smaller, and they are located in peripheral and high-risk areas. The maps drawn by the Lima Metropolitan Development Plan show that recent slums form a peripheral crown, on high land, around those located in flat areas occupied between 1950 and 1980. The lower numbers in each settlement and lower density reduce the negotiation capacity of slum residents and make public management on their behalf difficult.

The growth of slums has always exceeded the government's capacity to grant titles, even after the sizeable titling programme since 1996 (see Figure 3). Despite the substantial investments in water and sanitation, even today in metropolitan Lima, more than one million people lack these services. This is largely due to public policy focusing on improving existing slum areas (granting titles, provision of utility services, etc.), rather than having a preventive orientation, which might look at formal occupation of the space.

Improvements in housing conditions and access to utilities in slums areas, observed as an *ex post* or 'after the fact' process to the disordered occupation, are highly costly to the State and residents of informal settlements. This situation slows progress and implies that the new generations of poor (and not-so-poor) urban residents will have to start the process of improving their physical living conditions from scratch – which can take up to 20 to 30 years (this includes the process of negotiating granting of basic infrastructure and achieving housing improvements). What is worse, more recently settled plots are located in high-risk areas and are not ecologically suited to development, unlike the previous generations of slums.

There is a need to strengthen public efforts to provide incentives for developers to provide social-housing ownership and rental (the same applies to other Latin American countries; Calderón, 2014b). Housing programmes like AVN, serving low-income sectors and constituting an alternative to remedial policies, are very small-scale; in one year such programmes granted about 5,000 units at national level (Figure 4 overleaf). These New Housing policies for low-income groups have failed:

Figure 3: Lima: population with title and population in slum areas, 1950-2010



Source: Julio Calderón, based on INEI data for population and COFOPRI for title deeds.

between 2003 and 2012 there was a plan to build 100,000 houses, at a rate of 10,000 per year, and only 30% of the target was met (Calderón, 2014b).

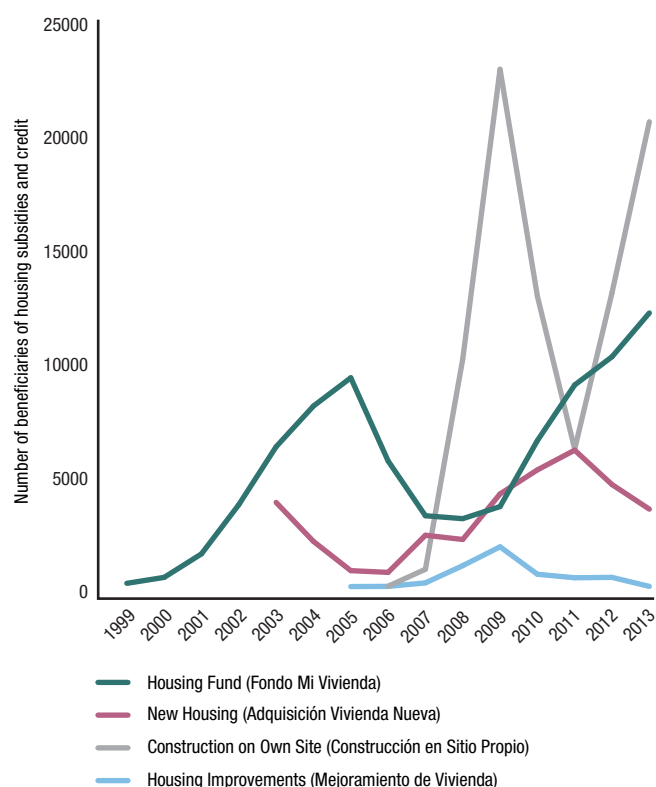
According to the Peruvian Chamber of Construction ('Cámara Peruana de la Construcción', CAPECO), in 2012 there was demand for 171,000 houses valued at under \$30,000 in Lima (43% of total demand), but the formal sector only built 138 such houses. Meanwhile, housing over \$120,000 (0.07% of total demand) had an offer of 6,300 units of housing, meeting 95% of demand in that sector.

There needs to be more awareness of housing as an aspect of social policy. Policy-makers and academics rarely recognise its importance in comparison with education and health. The invisibility of the issues of housing, particularly for poor urban people, is such that most politicians and academics, who often speak of overcoming poverty or improving living conditions, avoid the subject of housing for the poor, their topographic and morphologic conditions and the future problems brewing. The challenge is to promote formal alternatives to informal urbanisation.

¹⁵ In official statistics, the settlements that improve housing conditions and access to utilities are not considered as slum settlements any more.

¹⁶ To a representative of the Landless Movement ('Movimiento Sin Tierra', MST): 'The MST grew out of the exhaustion of the neo-liberal model for housing. Slum dwellers no longer expect anything from this model, and this can be seen in the disordered growth in Lima, in the occupation of steep areas on the hills, public or private land, in the absence of programmes directing urban growth.'

Figure 4: Housing subsidies and credit granted in Peru, 1999-2013



Source: Julio Calderón, based on MVCS (n.d.). FMV (Housing Fund, 'Fondo Mi Vivienda'); AVN (New Housing, 'Adquisición Vivienda Nueva'); CSP (Construction on Own Site, 'Construcción en Sitio Propio'); MV (Housing improvements, 'Mejoramiento de Vivienda').

4.2 Overcoming the clientelist behaviour of the State

The weaknesses of public and social policies are associated with a clientelist behaviour promoted by the State. Using poor urban people for support in demonstrations, votes in elections and 'legitimacy' has been the rule in Peruvian history rather than the exception, and hinders the development of political voice and human development more generally. Sometimes these types of interactions with the State are the only form of state presence in these neighbourhoods.

In 2000, this behaviour reached a high point with Alberto Fujimori's re-election strategy: provision of food, title deeds, housing loans (BANMAT), water connections and promotion of squatting incidents were all used for political purposes, that is, building a support base. Similar developments took place afterwards as loans by BANMAT were written off (2006-2011), amnesties were given to informal settlers and

new legal concepts were created to support urban informality (2002-2006). Law No. 28687 on state-owned property is an example of the latter, as it regularised invasions on public land which took place until 31 December 2004. These benefits were granted in return for votes.

Interviews by other researchers reinforce this point: '[Politicians] are all corrupt; they only come when they want something...they are all the same... I'm not interested in politics unless they are giving me something.' 'I am with whoever is in power...for example I was looking for votes for Alianza Popular Revolucionaria Americana (APRA) because their leader told me that they would provide a football pitch for the settlement; in the end another politician delivered it and so I voted for him instead' (Raffo, 2011).

In short, clientelism makes the existence of slums convenient. This, combined with the scarcity of public resources to deal with the scale of the problem, may explain the lack of preventive housing policies.

4.3 Inequality in access to opportunities

Despite progress in the living conditions of slum dwellers, there remain a number of inequalities in access to opportunities, particularly in access to decent jobs and good-quality education. The latter have a direct impact on earning capacities and the ability to afford decent housing and access to utilities.

4.3.1 Sustainability of economic growth and access to decent jobs for poor urban people

The economic growth of the past two decades in Peru has enabled more poor urban people to get work, attaining the kind of higher income that has allowed some of them to escape poverty and join a new emerging urban middle class.¹⁷ As discussed in Section 3, many have used their increased income to make housing upgrades and contribute to building common facilities and service provision, which helps to explain the improvements in living conditions described by the statistics.

The question is: how sustainable is the economic-growth model? Some think the model is sustainable provided there is sound economic management under free-market and open-trade principles (Parodi, 2014: 29), together with the continued redistribution effects of social programmes and public-services provision (Yamada et al., 2012).

Others consider that the model is too dependent on resource-intensive industries, leaving the country vulnerable to fluctuations in commodity prices and to demand from a few countries, particularly emerging

17 According to a study by the IADB, the middle class doubled in Peru between 2005 and 2011. Between 40% and 50% now belong to the consolidated middle class (monthly household incomes of between \$592.8 and \$3,494). An additional 20% of the population escaped poverty and joined an emerging middle class (monthly household incomes between \$388.5 and \$592.7). The number of poor people is now half that of 2005 (Declarations of Fidel Jaramillo in *El Comercio*, 7 June 2013).

economies like China (Gonzales de Olarte, 2011). Further, Peru ranks second to last in Latin America with respect to employees' share of wages (payroll) compared to the GDP of the country at 32.2% in 2009, down from 34.5% in 2000, indicating the growing dependence on sectors that make intensive use of capital.¹⁸

Schuldt (2005) stresses that despite strong economic growth Peru's informal sector continues to be a crucial source of employment. The informal sector is estimated to contribute 37.5% to GDP (IPE, 2013).¹⁹ A considerable proportion of slum dwellers are employed by the informal sector.

This means that half the population of the country is excluded from any social security and a stable source of income (Gamero, 2013), pension or severance indemnity; therefore, responsibility for improving these conditions needs to be assumed by the redistributive action of the State. Further, access to decent job opportunities remains unequal as it often requires a good education, which is beyond the means of many urban poor households. This is discussed in the section below.

4.3.2 Access to good-quality education

Education as a policy supporting social equality constitutes a big challenge, especially because of the low rating public education gets from the perspective of poor urban people (key informant interviews, San Juan de Lurigancho). In Peru, the promotion of education and the discourse of developing human capital has usually been more a subject for electoral promises than effective policy, as improving the quality of education remains a challenge to date (Barrantes et al, 2012). Even if efforts are genuine, such policies will take decades to become effective.

There is a strong association between low education and poverty. This has been corroborated by statistical studies (Herrera, 2002), anthropological work (Raffo, 2011) and research into the inter-generational transmission of poverty (Bird, 2010). Youngsters in Peru who are unable to complete secondary education are more likely to have low-skill jobs and low income, face social problems (drugs, teenage pregnancy, etc.), and become part of the group

of new squatters or buyers of land on disaster-prone risk areas in the hills surrounding the flat areas.

The challenge for government is to address the roots of inequality and gender discrimination (as female members of the households are likely to be at a disadvantage; Raffo, 2011). Education policy can contribute to this by working at all levels (pre-school, primary, secondary and higher). Unfortunately, public provision of technical education is scarce and expensive, and there are no public incentives for

Box 3: Suggestions for data improvements

To better understand the situation of slum dwellers, information on urban poverty should be strengthened.

- Slum censuses (1993, 2002 and 2007) should be assessed and corrections proposed so that indicators are comparable over time and they are duly presented and disseminated. The information should be updated to capture new trends. Although the last census of slum settlements is dated 2012, most of the information corresponds to the 2007 census. The census should also harmonise information and include indicators on housing, roofing materials, living space and tenure, all important indicators of housing conditions.
- Disaggregated information at the settlement level should also be produced for other key social indicators, such as health, education, income and informal employment.
- In addition to data for the metropolitan area (Lima and Callao), there should be information available for other large cities (such as Arequipa and Trujillo) and 'intermediate cities' that have had rising populations. The objective of the latter would be to gain better understanding of the improvements and remaining challenges of increasing urbanisation, and plan for these accordingly.

18 In Costa Rica and Brazil, wages constitute 56.7% and 51.4% of GDP, respectively (Abeles et al, 2014). In addition to traditional extractive industries, it is important to acknowledge the contribution of the illegal economy (e.g. trafficking cocaine, illegal gold-mining, and unauthorised deforestation). The former is estimated to have contributed 0.9% of GDP in 2009 (BCRP, 2011), illegal gold-mining is estimated to have generated \$390 million in 2006 (Convención Minera, 2007), while between 1990 and 2000 it is calculated that approximately 150,000 hectares were deforested, representing \$130 million annually (World Bank, 2007).

19 Schuldt (2005: 180-181) defines the informal sector as workers in micro-companies (2-10 workers), non-professional and non-technical independents, unpaid family workers and home workers, among others. Although there is no data that allows us to compare the size of the informal economy with other countries in the region, information on vulnerable employment (the sum of own-account workers and family businesses) shows this is higher in Peru than the average for South America (and that has been the case throughout the period under study, 1990-2010). According to recent data, in 2012 46% of the employed population in Peru worked on their own account or in a family business, compared to 40% in South America. However, this indicator shows some slight recent improvements. From mid-2000, the proportion of those employed in a vulnerable job went from 53% in 2004 to 46% in 2012 (World Bank, 2015).

access to private education, although many families trying to move out of poverty see it as a key escape route for their children, with life stories confirming this belief. Many of the interviewees for this study identify difficulties in accessing technical education and this could be countered by providing incentives to support the most disadvantaged social groups.²⁰

4.4 Addressing the weaknesses of existing information

The limitations of up-to-date information on urban poverty pose a challenge to policy design. Existing information on urban poverty is limited to a few economic indicators, particularly income poverty, at an aggregate level. It would be useful to have an open debate about the

benefits and limitations of existing income-based estimates (which are the ones most commonly disseminated) and the need to use more detailed disaggregated information that takes into account spatial, group and intra-household inequalities (e.g. slum versus non slum areas, ethnicity and gender).

At present, limited disaggregated information for slum settlements makes it difficult to understand the characteristics of slum dwellers' deprivations. For instance, data on tenure, living space, health and education outcomes in informal settlements is extremely limited. In addition, the existing data is fairly out of date (the latest data having been gathered in 2012). Better data is needed to assess the different needs of slum settlements and plan interventions accordingly. Some specific suggestions for data improvements are included in Box 3 (previous page).

20 In this regard, we should consider changes to the public-education sector and some are already taking place. According to a professor of the Santa Rosa Milagrosa No. 136 School of Jesús Oropez Chonta settlement, San Juan de Lurigancho: 'In 2015 more personalised support is planned for pupils with problems at home. They will have personalised monitoring, including support in schoolwork and conversation with fathers to support the school activities of their children.'

5. What lessons can we learn?



Photo: © Nelson Rojas Achimanyu/Desco/ODI/PhotoVoice.

‘It is important to plan strategically, create a common agenda between different actors and break incentives leading to clientelist practices’ – Local policy-maker

Peru is a country that, having gone through a process of urbanisation since the 1950s, now has more than 75% of its population living in cities. One of the features of the country’s urban development has been the strong presence of informal employment, growing slum areas and a large share of the population living in poverty, which until the 1990s ranged between 30% and 40%, depending on economic cycles. The turn of the century saw a reversal of these trends, as wellbeing in urban areas steadily improved and urban poverty was reduced to 20% (even though labour and urban informality continue).

Improvements in the living conditions of slum dwellers documented throughout this study were due to a combination of factors:

- the expansion of public services and housing programmes (often motivated by clientelist behaviours) funded with the help of multilaterals and increasingly (as the economy continues to grow) with the government’s own resources.
- pressure from neighbourhood organisations demanding improvements in service provision
- household-level initiatives seeking to invest in housing improvements, set against the backdrop of a positive macroeconomic environment, the availability of jobs and increasing incomes.

There are a number of lessons from the Peruvian experience that could be useful for other countries undergoing increasing urbanisation.

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- **Public policies aimed at improving slum conditions should work to strengthen community participation in slum-upgrading activities.** The pressure of community and neighbourhood organisations has played a key role in driving improvements in access to water, sanitation and electricity and housing conditions. Further, the potential contribution of families and community organisations should also be considered in the production of housing, from its design to financing and assisted (self-) construction. To some extent, programmes like CSP, which provide subsidies to build gradually, already do this and could be scaled up.
 - **Political commitment can push rapid expansion of access to utilities and housing in informal settlements.** Arguably motivated by short-term electoral aims, successive governments have committed to the provision of water, sanitation and electricity in slum areas. Even in the case of privatisation of electricity, the government included commitments to universal coverage and introduced subsidies to this end. Other policies, such as granting households exemptions so they could access utilities and providing subsidies for self-built housing, also contributed to improvements in slum settlements' living conditions.
 - **Public policies must take a preventative approach to informal settlements, and actively promote access to land and housing before slums form.** Planning agencies, as well as public-private enterprises, should leverage existing advantages such as the availability of public land (in the case of Peru, for example in growing coastal cities), savings, subsidies and loans for residential housing, and existing community organisational capacity. At the same time, policies on housing must acknowledge various forms of housing developments (state, private and social) and not be restricted to the model of 'facilitator' of private investment. These policies also need to take into account both ownership and rental options, as an important share of the urban

poor still rent or share accommodation. Further, the use of large public investments to consolidate settlements post-hoc would be far less if preventative actions were taken from the outset.

- **Administrative structures should facilitate an integrated and strategic approach to urban development and be attuned to local conditions.** In Peru and other developing countries, different aspects of urban planning are often dealt with at national or local levels, depending on the extent of decentralisation. Recent economic growth in Peru has enabled the allocation of financial resources to regional and local government, but the pace of devolution has been slow. Local governments still face a number of limitations in their administrative, legal and financial powers, many of which remain with central government. Strong urban-planning capacities, particularly at the local level, are needed to deal effectively with the expansion of urban informality.

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