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Policies for housing and habitat in Colombian cities

This chapter examines Colombia's housing policy and its impact on sustainable urbanisation. It acknowledges the important quantitative progress made recently in housing provision while underlining shortcomings regarding urban sustainability. The chapter begins with a discussion on housing affordability in Colombia from a comparative perspective. It then focuses on social housing and its different financing mechanisms, offering policy recommendations to improve their effectiveness. The chapter moves on to the impact of housing policy on sustainable urbanisation and provides policy options to link social housing solutions and urban development patterns. The chapter ends with a discussion on the measurement of the housing deficit and affordability to improve the government's capacity for evidence-informed policy making.

Introduction

Building a dynamic economy and an inclusive society is among Colombia's top policy priorities. To achieve these goals, the Colombian government has been using housing policy tools over at least the past two decades as part of its national development strategies. Due to its impact on productivity and job creation, housing policy is an important driver to unleash Colombia's economic potential. Over the last decade, the construction sector (housing, infrastructure) created 14.7% of total employment in the country and represented 7.5% of the national gross domestic product (GDP) (Asobancaria, 2020^[1]). Housing policy is also expected to contribute to reducing inequality by addressing the housing deficit across the country and facilitating the access of the most vulnerable groups to adequate and affordable housing, as well as to public services and amenities.

Despite a number of achievements over the past decade, including Law 2079 of 2021 on housing and the habitat, challenges remain, such as adopting concrete new financing instruments for housing and lowering high transaction costs in policy implementation. It is also necessary to find new ways to promote access to housing (i.e. social lease, home upgrading, acquisition of used housing). Colombia's housing policy needs to respond to its demographic, urban, social and economic conditions. For that, a long-term housing policy will need to: i) go beyond the four-year political mandate (something already permitted by the status of State Policy of Law 2079); ii) be concretely articulated in its implementation with other policies such as transport, land use, climate change and urban policy; iii) adapt to household needs and the diversity of regions and cities; and iv) be flexible to respond to changing contexts such as the COVID-19 pandemic.

Across OECD countries, including Colombia, households are dedicating an increasing share of their income to housing costs and less than half of the population, on average, is satisfied with the affordability of housing in the city where they reside (OECD, 2021^[2]). The OECD defines housing affordability "... as the ability of households to buy or rent adequate housing without impairing their ability to meet basic living costs." (OECD, 2021, p. 4^[2]). A key challenge for many countries including Colombia is to strike a balance between providing low- and medium-income households with access to affordable housing and incentivising private investment in the construction of affordable housing.

Over the last decades, Colombia's housing policy has influenced the process of urbanisation. Urban areas are expanding to accommodate more housing for, in most cases, low-income households. The expansion of cities makes public service delivery more complex and costly for municipal administrations. One critical aspect is that despite its importance for socio-economic development and quality urbanisation, the link between the national urban policy (NUP), known as CONPES 3819 or the System of Cities, and housing policy remains theoretical and is rather weak regarding its implementation. Colombia requires a new vision for housing and urban policy that helps to control the expansion of urban sprawl and build cities that improve residents' quality of life in a sustainable manner. The assessment and recommendations formulated in this chapter are based on the information collected through: a literature review; the background questionnaire answered by the national government of Colombia; interviews with different stakeholders from the national and subnational governments as well as members of the academia; and the OECD Survey on Urban Policy in Colombia, 2021, conducted with the support of the Ministry of Housing, City and Territory (*Ministerio de Vivienda, Ciudad y Territorio*, MVCT) and the Colombian Association of Capital Cities (*AsoCapitales*).

This chapter explores housing subsidy programmes in Colombia, their impact on sustainable urbanisation and puts forward a set of policy recommendations, based on the experience of OECD countries, to ensure that housing subsidies are more effective in responding to the housing needs of the most vulnerable households and that urban development is more sustainable. The methodology used for this analysis was based on a literature review and interviews with local officials and experts.

Housing provision remains a national priority

Housing policies have shaped Colombia's urban model

Housing is probably one of the most challenging aspects of urbanisation in Colombia. The design and implementation of housing policies have not met people's expectations of decent and affordable housing. This is reflected in the proliferation of informal settlements around many Colombian cities and the lack of affordable and adequate housing in centrally located areas. Colombia's housing challenge will continue as the country continues to urbanise. The urban population will likely keep on growing and housing provision will have to be at the pace of population growth. It will imply dedicating growing amounts of public money to public service provision (i.e. water, sanitation, electricity, Internet, public transport) in new housing developments generally located far from the core city. Moreover, Colombia's population is beginning to age (DNP, 2014^[3]), which will require adapting housing design to meet the specific needs of an elderly population. Colombia needs to provide affordable housing to a diverse population: youth, the elderly, displaced persons and migrants, the homeless, female heads of family and afro and Indigenous populations. Households with low and/or informal incomes have to be particularly targeted.

Colombia's national government has taken the lead in the provision of planning, regulatory frameworks and financial mechanisms to facilitate low-income households' access to adequate and affordable housing. Municipal governments, or at least some of them, have also designed and implemented programmes and plans to facilitate housing construction. Significant efforts have been made to bridge the housing gap but more needs to be done as still many Colombians cannot afford housing.

As the MVCT now has the legal authority to formulate rural housing policies, it has been working on the structuration and implementation of housing programmes that will support construction and housing upgrades in rural areas. The fact that social housing had to be located in urban areas so that households could benefit from the agglomeration benefits put pressure on urban land for housing construction and public services provision. Today, the rural housing policy should contribute to easing part of the pressure on cities.

Colombia faces a double challenge, providing affordable housing to millions of residents but in a way that contributes to the sustainable future of cities. Housing policy has been largely implemented in isolation from urban policies. The System of Cities acknowledges the need to locate suitable land for social housing construction (Gobierno de Colombia, 2014^[4]) but does not make housing a key element in the "consolidation of the system of cities" or manage an orderly urbanisation process. To move forward, Colombia needs to make housing and habitat a priority in the elaboration and implementation of the new NUP and urban development plans.

Positioning housing at the centre of the new NUP will contribute to more sustainable urbanisation as it would facilitate more rational use of urban land and the preservation of natural resources. It would stimulate the economy as it could promote economic activity in areas better connected to services. It can reduce poverty and foster inclusion in cities, not just by facilitating households' acquisition of a house at an affordable price but by ensuring that housing is well served by public transport. Experience has shown that if a low-price dwelling is located in areas with few public services and far from areas of economic activity then it becomes expensive in terms of acquisition price. Linking housing to the new NUP, specifically regarding implementation, will ensure that housing is considered more than just walls and a roof: public space should be regarded as an extension of housing.

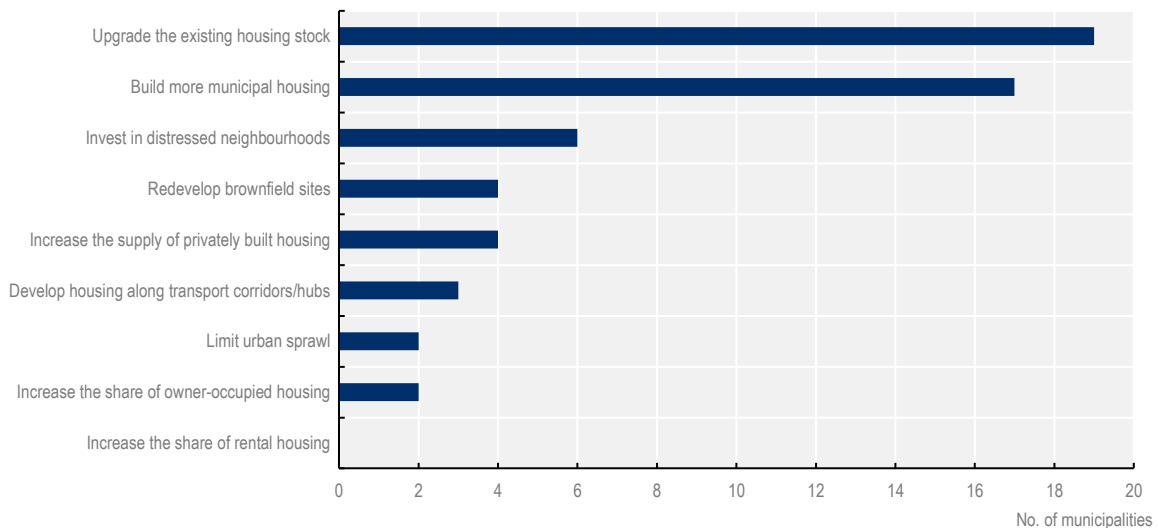
Giving housing a prominent role in the new NUP will contribute to improving the quality of urbanisation. Colombian cities, as in other Latin American countries, are growing fragmented, unequal and dysfunctional. Housing production and consumption have been at the centre of the problem as mass housing production of social housing usually takes place in cheap and peripheral land with limited access to jobs, services and opportunities. Colombian cities present contrasting realities: slums and gated

communities, overcrowded areas and urban sprawl, homelessness and vacant houses, affluent neighbourhoods and very poor communities. Past and present Colombian housing policies have been shaping cities, giving rise to a disorderly urbanisation process. The resulting urban model is one with high social, economic and environmental costs, which go far beyond the financial capacity of Colombian cities.

Municipal governments' priority is to promote home improvements

Upgrading the existing housing stock is by far the main priority for municipalities with a specific housing programme, followed by the construction of more municipal housing (Figure 4.1). To satisfy households' need for affordable and decent housing, some municipal governments have issued a municipal housing plan but this is not a general trend. Only 25 of the 76 municipalities that responded to the OECD Survey on Urban Development in Colombia 2021 have a specific housing programme. This reflects the structure of the housing deficit in urban areas in Colombia, related to the quality of housing rather than to the number of housing units, as highlighted by the 2018 Population and Housing Census (see Chapter 1).

Figure 4.1. Main priorities of municipal housing programmes in Colombia, n=25



Note: Answers to question “Q.3.4. If your municipality has a specific housing programme, what are its main objectives?”. Municipalities with a housing programme were asked to select all relevant options.

Source: OECD Survey on Urban Development in Colombia 2021, conducted with the support of the MVCT and AsoCapitales.

To contribute to addressing the quantitative and qualitative housing gap, some municipalities have adopted a municipal housing subsidy. According to the OECD Survey on Urban Development in Colombia 2021, 10 out of 76 have adopted a subsidy for acquiring a newly built home, while 13 out of 76 have a subsidy for housing improvement. Subsidy amounts vary across municipalities but they mostly complement national social housing subsidies. For example, when acquiring a newly built home, subsidies vary from USD 2 197 in Capital District of Bogotá (hereafter Bogotá, D.C.) to USD 1 330 in Santa Rosa de Osos, while subsidies for housing improvements may range from USD 5 300 in Bucaramanga to USD 1 300 in Villamaría.

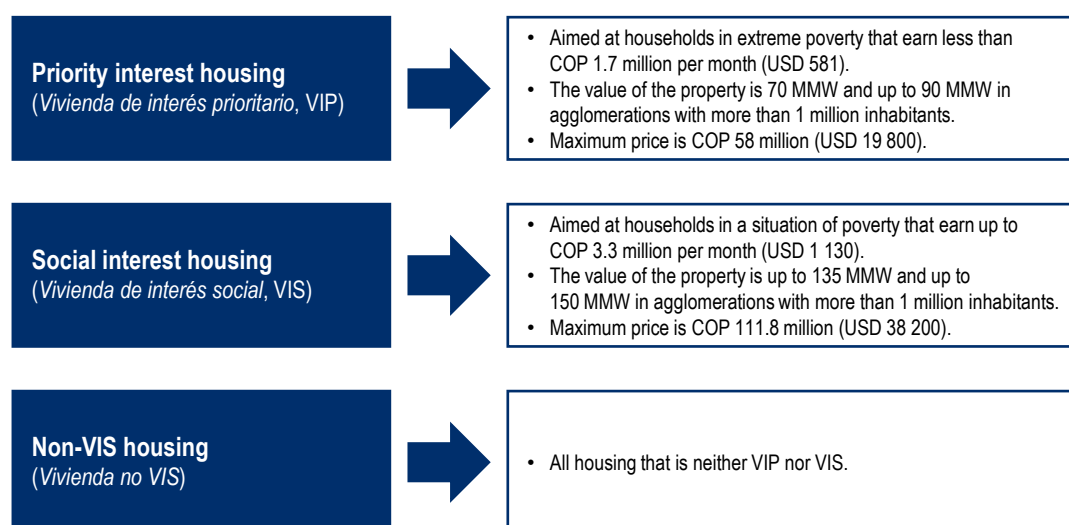
Financing social housing in cities in Colombia

Social housing ownership is the main pillar of Colombia's housing policy

In the early 1990s, Colombia went through an important paradigm shift in its housing policy, favouring a demand subsidy scheme. In 1991, Colombia adopted the Third Law (Ley Tercera de 1991), which sets the basis for social housing policy in the country and is still in place today. Before this law was enacted, the Colombian housing policy was driven by a supply-and-demand logic. The national government, through national institutions, was in charge of both building social housing for low-income households and providing them with subsidies and loans so that they could acquire accommodation. Between 2009 and 2019, the national government invested COP 15.7 billion (approximately USD 4.1 million, 0.2% of GDP over that period) in subsidised and free housing programmes to reduce housing poverty (Asobancaria, 2020^[1]). Over 681 000 households, mostly from low-income groups, have benefitted from 1 subsidy programme in the past 10 years (Asobancaria, 2020^[1]). According to Law 1955 of 2019, social housing (VIS) is defined as “a housing unit that has the necessary elements to guarantee its habitability and meets with quality standards regarding its urban, architectural and sustainable construction design”. There are no specific regulatory requirements regarding the characteristics of this type of housing. Typologies, construction materials and minimum size are not fixed at the national level but depend on the specifications that may be set by cities in their land use plans (*planes de ordenamiento territorial*, POTs). The only requirement of a VIS relates to its maximum sale price, which was established by Decree 4466 of 2007 at 135 minimum monthly wage (MMW, USD 261 on April 2021). This ceiling has been increased to 150 MMW for urban agglomerations with more than 1 million inhabitants, where urban land is generally more expensive (Decree 1467 of 2019, issued by the MVCT).

As for VIS units built in renovation areas, their maximum sale price can reach 175 MMW (Decree 75 of 2013, issued by the MVCT). As seen in Chapter 1, social housing in Colombia is divided into two types: i) priority housing (*vivienda de interés prioritario*, VIP); and ii) social housing (*vivienda de interés social*, VIS). All other housing that falls outside these categories is called “non-VIS”. Figure 4.2 presents the main characteristics of each type of social housing. Law 1537 of 2012 regulates access to social housing and lists the eligibility criteria for social housing subsidies (Gobierno de Colombia, 2012^[5]). Households eligible for both VIS and VIP can apply for government subsidies to purchase a new home.

Figure 4.2. Types of social housing in Colombia



Note: An MMW in Colombia is equivalent to COP 908 526 (approximately USD 238). For more information, see www.salariminimocolombia.net.
Source: Author's elaboration based on Law 1537 of 2012 and mission notes.

Since the 1991 reform, social housing is no longer produced by public institutions. Private developers are in charge of the entire process of production of VIS units, while the national government finances the demand, by providing low-income households with a family housing subsidy (*subsidio familiar de vivienda*, SFV) (Yepes and Ramirez, 2017^[6]; Chiappe, 1999^[7]). The SFV is a monetary subsidy towards a household's initial payment to acquire a social housing unit. The 1991 reform gave households the opportunity to choose and purchase freely their social housing unit directly on the market. At the same time, the decentralisation reform made municipal governments responsible for elaborating their own POTs, a task that included the habilitation of urban land to receive social housing projects. Moreover, in 2009, the government introduced an interest rate subsidy (*subsidio de cobertura a la tasa de interés*) to help households further finance their housing acquisition through a bank credit (mortgage). The objective of the interest rate subsidy is to reduce the household's monthly payment when getting a mortgage.

Social housing production: A quantitative achievement and an important economic driver

In the 1990s, the Colombian government introduced the current social housing production scheme, which only began to have an effect in the 2010s when it coincided with the introduction of credit rate subsidies. The production of social housing has been increasing considerably in Colombia, especially in the past five years, occupying an ever-larger part of the general housing production. Between 2011 and 2020, around 2 million housing units of all types were built in Colombia, approximately 44% (959 000) of which were VIS housing (Tellez, Llanes and Hernandez, 2021^[8]). Between 2015 and 2018, 462 861 social housing starts benefitted from the SFV and the national government granted 110 077 interest rate subsidies in the same period (DNP, 2019^[9]). In 2018, 60.5% of all units built in the country were VIS housing. In 2020, despite the COVID-19 crisis, over 200 000 housing units were sold, of which 68% were VIS according to data from the Colombian Construction Chamber (*Cámara Colombiana de la Construcción*, CAMACOL) on new housing sales, and the speed of VIS unit sales increased between the end of 2019 and February 2021. The housing stock for sale, therefore, dropped from 7.2% to 5.8% of the total housing stock in the same period (Tellez, Llanes and Hernandez, 2021^[8]; World Bank, 2019^[10]). In 2019, 107 300 VIS units were sold across the country, amounting to COP 11.4 billion, while just over 51 400 non-VIS housing units sold for a total of COP 17 billion (Asobancaria, 2020^[11]).

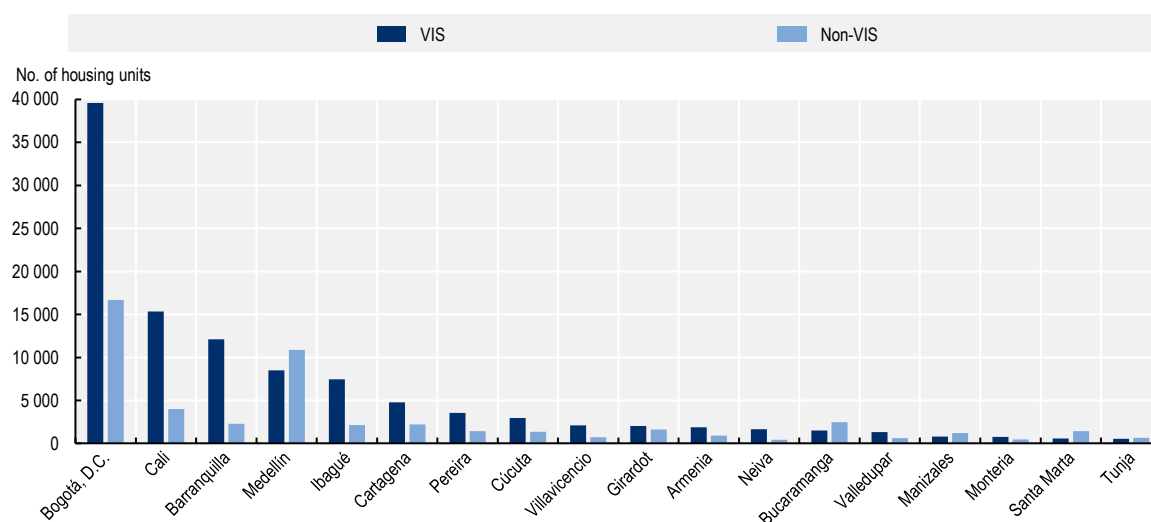
However, the number of new homes being built dropped from over 196 000 units in 2016 to 147 000 in 2018. The high-end housing market has been the most impacted, as the construction of new homes in this category fell by 44.5% in 2017 and the construction of mid-range housing declined by 15.4% in the same year. Figure 4.3 shows that the number of VIS housing units sold exceeded the sale of non-VIS units in most major Colombian cities between 2018 and 2019.

The rise of VIS sales is also reflected in the evolution of the housing mortgage credits granted in Colombia by housing types over the past 15 years. At the beginning of 2005, the difference between credits granted for VIS and non-VIS units was small. The difference increased significantly between 2005 and 2020. At the end of 2020, it reached its maximum, with a difference of around 152 000 credits more for VIS than for non-VIS categories (Table 4.1).

Even if their sale prices are low, VIS have proven to be very attractive for private developers (Table 4.1). The existence of significant needs for low-cost housing in cities, combined with the important efforts made by the government to allocate homeownership subsidies to the lower segment of the demand, turned the VIS market into an opportunity for the construction sector, which has also been able to benefit from the exemption of value added tax (VAT) on social housing projects as well as from tax benefits on this market. The VIS sector is now considered a major component of the construction industry in Colombia. The Colombian construction industry generates 2.4% of the national GDP and 946 000 jobs (Asobancaria, 2020^[11]). It is estimated that each Colombian peso invested in construction results in COP 2.3 in the general

economy. The contribution of the housing sector itself to the national GDP is estimated to be 1.7% and 1 700 firms work directly in it (Tellez, Llanes and Hernandez, 2021^[8]).

Figure 4.3. Sales of VIS and no-VIS housing units between October 2018 and September 2019



Source: Asobancaria (2020^[11]), *Pasado, Presente y Futuro de la Financiación de Vivienda en Colombia*, 1st edition, Asociación Bancaria y de Entidades Financieras de Colombia, Bogotá, DC, based on La Galeria Inmobiliaria.

Table 4.1. Housing credits granted in Colombia since 2005, VIS and non-VIS units, cumulative totals

	VIS	Non-VIS	Difference VIS/non-VIS
2005-quarter I	393 135	381 938	11 197
2010-quarter I	455 133	305 631	149 502
2015-quarter I	535 536	443 947	91 589
2020-quarter IV	703 082	521 099	181 983

Source: DANE (n.d.^[11]), *Construcción/cartera hipotecaria de vivienda/Anexos estadísticos/Numero de créditos según rango de vivienda/A13*, <https://www.dnp.gov.co/programas/vivienda-agua-y-desarrollo-urbano/Vivienda/Paginas/Estadisticas-del-sector.aspx>.

Main characteristics of the social housing programme *Mi Casa Ya*

In 2015, the national government created the *Mi Casa Ya* programme (My Home Now, MCY) to promote access to social interest housing while reducing the housing deficit and dealing with poverty. The MCY programme targets households with income lower than eight MMW. The Family Housing Subsidy is only available for those with income under 4 MMW, whereas the credit rate subsidy can apply to those with income up to 8 MMW. Households must be first-time buyers to be able to benefit from the programme. The housing units that are being purchased have to be new and located in an urban area. However, since 2021, living in them is no legal obligation. Unlike other Latin American countries with an analogous framework of housing subsidy like Chile and Mexico, households in Colombia cannot receive the benefit more than once.

Subsidies for VIP and VIS units are now allocated throughout the MCY programme (Table 4.3). The National Housing Fund (*Fondo Nacional de Vivienda*, FONVIVIENDA) manages the Family Housing Subsidy, of which there is a limited supply per year. Subsidies amount to 30 MMW for households whose

income is between 0 and 2 MMW, and 20 MMW for those earning between 2 MMW and 4 MMW. Subsidies on interest rates for new home buyers amount to 4% for VIS and 5% for VIP, over a period of 7 years.

Table 4.2. Maximum sales prices for VIS and VIP

		MMW	USD value (April 2021)
VIP	General	Up to 70	Up to 23 490
	Large cities*	Up to 110	Up to 28 710
VIS	General	Up to 135	Up to 35 235
	Large cities*	Up to 150	Up to 39 150
	Renovation areas	Up to 175	Up to 45 675

Note: MMW in Colombia (April 2021) is COP 908.526 (USD 261).

* The term "large cities" refers to urban agglomerations with up to 1 million inhabitants.

Source: Information provided by the MVCT to the OECD.

Table 4.3. Housing subsidies – The MCY programme

Family Housing Subsidy (initial payment subsidy) - VIS and VIP	MMW	USD (April 2021)
Household income up to 2 MMW	30 up to 50*	7 830 up to 13 050
Household income between 2 and 4 MMW	20	5 220

Note: MMW in Colombia (April 2021): COP 908 526 (USD 261).

* Includes the Family Compensation Funds (*cajas de compensación familiar*).

Source: Information provided by the MVCT.

The national government aims to allocate 255 000 subsidies (both monetary and credit rate) through the MCY programme between 2018 and 2022. According to the MVCT, from August 2018 to January 2021, 148 055 had been distributed (96 309 households received both monetary and credit rate subsidies, and 51 746 only a credit rate subsidy). The maximum level of indebtedness for VIS credits has also been raised from 30% to 40%, thereby increasing the purchasing capacity of low-income households.

Several modifications to the initial MCY programme have been made in recent years in order to make VIS housing accessible to a larger number of households. For example, it is now possible for households that benefitted in the past from a subsidy to apply again. It is also possible to receive both the family housing subsidies granted by the MVCT through the MCY programme and the housing subsidy provided by the Family Compensation Funds. In that case, the amount of the housing subsidy received by the households can reach 50 MMW instead of 30 MMW. Family Compensation Funds (*cajas de compensación familiar*) that have been around in Colombia since the 1960s. Those non-profit private corporate entities are funded by a mandatory employer's contribution that corresponds to 4% of the salaries. The 43 Family Compensation Funds that currently exist in the country have provided 22 million people with family subsidies in a wide variety of sectors, including housing, since the beginning of the 1990s (Acevedo Tarazona and Gil Montoya, 2010^[12]). Moreover, based on the principle of the complementarity of subsidies, the MVCT has also developed strategies to join efforts and resources with the territorial entities, authorised by the national government, to make additional contributions to allocate up to ten additional MMW in order to complement the MCY subsidies. National government subsidies, Family Compensation Funds and territorial subsidies can be cumulated.

The recently enacted Law 2079 of 2021 on housing and the habitat has brought some other novelties to housing financing. In order to foster accessibility to subsidies for eligible households, it is now possible to

benefit from a subsidy to acquire a VIS even if a housing improvement subsidy was already granted in the past. Newly acquired VIS can also be sold without having to wait for several years (previously ten).

The new housing law also facilitates the provision of land for social housing projects by local authorities. The elaboration procedure of the urban partial plans, which are required in order to urbanise peripheral land as well as renovation areas, has been updated. Article 29 of the 2079 Law enabled a clear definition of the different stages of the whole process, as well as of its times. The latter is expected to increase the potential offer of building land for the construction of VIS projects, which is considered crucial for private developers and for the national government to maintain the high production rate of VIS units in the future.

Limitations of the MCY programme regarding housing and urban sustainability

Low-income households are not the main buyers of social housing

The high level of social housing production and especially its recent growth have boosted the national economy and contributed to an increase in the affordable housing supply in Colombia. However, it is important to stress that half of the social housing units recently sold have been bought without any subsidy (family housing or interest rate subsidy) (Table 4.4), suggesting that the high level of production of social housing in the country does not necessarily imply greater access to housing for low-income households. It may well be that a significant share of VIS housing units is being purchased by higher-income households (who do not need any subsidy) as an investment strategy and not by those most in need, especially as anyone can purchase social housing in principle, without restrictions of income, if no subsidy is being asked for.

Table 4.4. New VIS units purchased in 2019

With family and interest rate subsidies	With interest rate subsidy only	Total credits for new housing	Without any subsidy
38 761 (33%)	19 278 (16%)	58 039	60 949 (51%)

Source: DANE FIVI data (housing financing data) and CAMACOL data (new VIS sales).

According to a World Bank survey, 300 000 housing units need to be built each year in Colombia to cover all housing needs. Due to income levels and housing prices in the country, at least 60% of those (180 000 units) would need to benefit from public grants for their construction or acquisition (World Bank, 2019_[10]). In view of these numbers, more subsidies should be offered than initially granted. Between August 2018 and January 2021, about 150 000 subsidies were granted, which means an average of 60 000 housing solutions subsidised each year. To match housing supply and demand, the government would have to increase its goals set for the current four-year term, currently 255 000 units in total and an average of 63 750 per year.

This assertion seems to corroborate the priorities of the current housing policy, based on social housing production. However, it is also very important to point out that, regardless of its scale, such a subsidised housing production would not be enough to enable low-income households to access homeownership. Indeed, many of them, especially (but not only) informal workers who are not creditworthy, are excluded from the option provided by the MCY programme to take out a bank loan. Furthermore, VIS sale prices are still too high for low-income households, especially in poor regions, and they do not have the capacity to make savings to meet the requirement of the programme.

To benefit from a social housing subsidy, households are also required to have some savings. However, the level of income of the Colombian population is too low to cover their basic needs as well as put aside savings to buy a house. Poverty rates are particularly high in some cities in Colombia, with 44% in Santa

Marta and 60.9% in Quibdo for instance. In that context, it is not surprising that only 2.2% of low-income households are home buyers (mortgage borrowers and future homeowners). This indicates important limitations for this category of the population to access home property through credit. Only 28.2% of low-income households own their home, which can be explained by the fact that a significant portion of low-income families has built their homes themselves progressively, in formal and informal settlements. Approximately 42.6% of the poor population are tenants (Tellez, Llanes and Hernandez, 2021^[8]).

Because of their lower price, VIP housing units are more accessible to vulnerable households, especially when municipalities can supplement subsidies provided through the MCY programme with local grants and provide urban land to reduce the housing sale prices even further. Large capital cities, such as Bogotá, D.C. and Bucaramanga, are indeed quite active in that matter. In addition, unlike VIS, savings are not required in order to benefit from the VIP subsidy. Nevertheless, the production of VIP social housing has been limited (Table 4.5), notably due to high land price levels.

Table 4.5. Housing starts in Colombia, per housing type, 2016-20

	VIP	VIS	Non-VIS
2016	15 830	48 520	100 978
2017	20 724	53 080	91 484
2018	12 557	52 408	82 383
2019	17 856	52 598	75 728
2020	17 150	40 688	58 672
Total	84 117	247 294	409 245

Source: DANE (2018^[13]), *Census of Construction Data, 20 Reference Urban Areas*, <https://www.datos.gov.co/Estadisticas-Nacionales/Censo-de-Edificaciones/i9x3-68t3/data?pane=feed>.

Between 2010 and 2020, the housing demand of the most vulnerable households (especially populations displaced by violence and female heads of household) was partially covered by the Free Housing Programme (*Programa de Vivienda Gratuita*, PVG), specifically aimed at them. The Colombian government considers the PVG as an important achievement due to the large number of units that were built (estimated at more than 100 000 units) and the impacts in significantly reducing the Multidimensional Poverty Index, as shown by a recent external evaluation report (DNP, 2020^[14]). However, the PVG is no longer in place, even though some projects are still active as their construction is just being completed. The PVG had 2 phases: in the first, 100 000 housing units were built in 205 municipalities in 2015; in the second, 30 000 housing units are currently under construction in the smallest municipalities.

Drawbacks of the social housing policy exacerbate irregular urbanisation

The Colombian social housing policy is currently unable to cover the full magnitude of the housing needs of the low-income population, including those of the large number of immigrants who arrived in Colombia over the past five years, especially from Venezuela. Although the national government has been making a significant effort to regularise the status of many of these residents, providing them with access to decent housing remains a challenge. The national government issued Decree 057 of 2021, which enables migrant households to have the possibility of accessing a family allowance applied to the canon monthly lease of up to 0.40 MMW.

However, for many poor households displaced by violence or international migrants, irregular urbanisation often remains the unique option to satisfy their housing needs, strengthening a pattern of precarious urban expansion that has predominated for decades in Colombian cities. Small and medium border cities are the most affected by this phenomenon (see Chapter 1). Unfortunately, there is no precise monitoring of urban

informal settlements in the country. Municipal governments are expected to report them to the national government but they do not always do so.

Social housing policy is contributing to urban sprawl

The localisation and scale of the housing projects tend to contribute to urban sprawl as social housing projects are generally built in areas where land is affordable and abundant. There are at least two reasons for this: i) the reduced availability of accessible land and its high cost in established urban areas leads housing developers to build in the outskirts; ii) the legal requirement of selling VIS units at a maximum price incentivises large-scale projects to create economies of scale (Libertun, 2018^[15]). As a consequence, although it seems to have a positive effect on multidimensional poverty as households' housing conditions improve, social housing often has limited access to urban amenities and employment opportunities (Beuf, 2016^[16]; Franco Calderón, 2020^[17]). As in other countries in Latin America such as Chile and Mexico that experimented with mass social housing production, there could be a risk that social housing projects in Colombia increase socio-spatial segregation, as they do not provide for a social or functional mix. Even though it is mandatory to include a minimum area for VIS and VIP units in all urban development plans or partial urban development plans, both in urban expansion and renovation areas, private developers often circumvent this obligation legally by building the corresponding quantity of units on another land plot within the city or by contributing to a municipal fund for the provision of social housing by the local authorities.

Social housing macro projects also contribute to urban expansion. Macro projects are housing settlements that are built predominantly in peripheral urban areas (aside from a few projects in renovation areas in Barranquilla and Manizales) and can contain several tens of thousands of similar units. At the end of the 2000s, the national government introduced social housing macro projects to boost the construction of social housing in urban areas. They were initially designed to help the national government take back control of urban land use to generate a significant supply of building land for social housing production. However, in 2010, the mechanism was deemed anti-constitutional by the Constitutional Court because it encroached on the prerogatives of municipal governments. It was thus modified and is now based on a co-operation scheme between municipal and national authorities in order to foster the provision of land suitable for large housing projects. While macro projects allow for building a large number of housing units with basic urban infrastructure and services, they also result in the construction of socially and functionally homogeneous housing developments, with pockets of poverty that have low access to urban amenities and accessibility and mobility problems (Alfonso, 2019^[18]; Yepes, 2014^[19]).

The low quality of social housing units remains a challenge

Although the quality of housing has improved over the past decades in Colombia, with the share of homes in acceptable living conditions increasing from 76.2% in 2005 to 90.2% in 2018, the quality of social housing remains an important concern. As mentioned above, no specific regulation regarding quality applies to VIS. Municipal governments have the possibility of establishing the rules for social housing standards within their land use plans (POTs) but such standards differ considerably among cities. The absence or obsolescence of POTs causes a large variety of social housing quality standards across cities in the country. The quality of social housing is an issue that is not reflected in Colombia's housing policy. Discussion on housing has been mostly limited to funding policies and the strategic importance of the housing sector for the national economy, setting aside the real discussion of the housing issue itself, which is a key priority within a proper social housing policy (González and Londoño, 2012^[20]).

The size of the social housing units is part of the problem. The size of low-cost housing has decreased significantly between the 1980s and the 2000s, falling from 60 m² to 35 m², especially as a consequence of the 1991 reform (Correa, 2018^[21]). Indeed, since 2004, there is no minimum surface area for social housing. Recently, some large cities, especially Bogotá, D.C., are now noticing a drift in the social housing production. Some very small flats (which used to be called "false VIS") are built within the category of VIS.

If the unit prices stay below the legal ceiling amount (enabling to sell these flats as social housing), values per square metre become too high and no longer correspond to what can be considered as social housing standard prices. Moreover, developers obtain benefits such as lower taxes to build housing units not destined for lower-income households.

Conception and materials are also an important concern regarding the quality of VIS production. Despite several initiatives from sector professionals, especially over the past decade and in the context of the elaboration of the 2020 new Housing and Habitat Law, no specific national regulation to guarantee social housing quality and sustainability has been adopted so far. In 2011, the MVCT published a set of four technical assistance guides on social housing (*Guías de asistencia técnica para vivienda de interés social*), including one focused on the quality of social housing. However, this guide was limited to recommendations for technical design in social housing projects, which were not mandatory. Moreover, the recommendations regarding the main components of a social housing unit were only generic. The new Housing and Habitat Law introduced the notion of “cultural interest housing” to promote a better adaptation of social housing design and materials to diverse climate and cultural contexts within the country. In the future, this should enable the national government to channel monetary and in-kind resources to locally foster the development of more adequate housing. It would open the path to a process of adaptation of VIS to local conditions, which is a request that many professionals have been putting forward for years.

Private developers tend to consider that the introduction of such a regulation would result in a significant increase in the price per square metre of VIP and VIS units (Chávez Calle, Pérez Ruiz and Serrano Guzmán, 2018^[22]). For them, the low quality of construction and limited size of the social housing units are a consequence of technical regulations that apply to social housing as well as to all types of housing and constructions (Chávez Calle, Pérez Ruiz and Serrano Guzmán, 2018^[22]). These technical regulations include, in particular, the Colombian Seismic Resistant Construction Regulations, last updated in 2010 (NSR-2010), the Technical Regulation of Electrical Installations (RETIE) and the Technical Regulation of the Drinking Water and Basic Sanitation Sector (RAS). They would generate construction cost overruns in social housing, which are then reflected in a lower quality of construction. According to research, the implementation of the RETIE would lead to a 6.5% increase in production costs of VIS housing units (Chávez Calle, Pérez Ruiz and Serrano Guzmán, 2018^[22]). As a result, many private developers think that it would be necessary to increase the established maximum values for VIP and VIS projects.

Low social housing quality may widen the qualitative housing gap in the short term

Given the high level of social housing production, the quality of VIS and VIP units and projects remains a major issue for Colombia. The pandemic crisis, which forced the population to stay at home for months, highlighted even more in Colombia and in other OECD countries the problem of reduced-size social housing units and, thus, the necessity to set minimum housing standards. Like in other countries in Latin America with similar schemes based on social housing mass production by private developers such as Chile and Mexico, physical and social deterioration will probably occur rapidly within the social housing settlements in Colombia. Although the qualitative housing deficit is now being tackled in Colombia through the *Casa Digna Vida Digna* programme (see below), the deterioration of social housing units and neighbourhoods might increase it in parallel and, thus, call for the implementation of expensive and complex regeneration strategies to repair the urban and social fabric of the new social housing peripheries, as in Chile (Box 4.1) and Mexico (OECD, 2015^[23]; Heeckt and Huerta Melchor, 2021^[24]).

Box 4.1. Housing policy in Chile: From a quantitative to a qualitative vision

At the beginning of the 1980s, Chile was the first country in Latin America to implement a housing policy based on a demand subsidy scheme. The production of social housing, previously ensured by public institutions for decades, was entirely transferred to private developers. The national government, through the Ministry of Housing and Urban Development (MINVU), became responsible for only providing low-income households with family housing subsidies to acquire accommodation. On this basis and in order to reduce the huge accumulated housing deficit, the country began to carry out massive social housing production. According to the lowest estimates, from 1984 to 1996, at least half a million social housing units were built in Chile (an important production for a country of 13.5 million inhabitants by 1990). Large housing settlements made of small apartment buildings were built mainly in urban peripheral land, in particular in the capital city and the largest urban agglomerations. Housing standards were very low, regarding quality and the size of the units (27 m² on average). This production helped significantly reduce the quantitative housing deficit. It also contributed to increasing access for the urban poor to urban public services such as water, electricity and sanitation.

By 2006, due to the predominance of the qualitative dimension within the Chilean housing deficit, the national government reoriented housing policy from a quantitative vision to a qualitative approach. On the one hand, the issue of the regeneration of vulnerable neighbourhoods was addressed as a new strong priority through several programmes run by MINVU. The neighbourhood recovery programme *Quiero mi barrio* (I love my neighbourhood) began to be implemented, involving local actors in reconstructing their physical and social environments. Other initiatives were conducted to tackle specifically the deterioration of social housing settlements, as severe problems had started to emerge since the late 1990s, due to their rapid social and physical deterioration. Some of them included the demolition of social housing buildings to allow urban restructuring in neighbourhoods. On the other hand, the Chilean government sought to diversify its national housing policy to expand options for the different population groups and increase significantly the quality, size and urban location of the housing solutions subsidised by the state. Tackling the qualitative housing deficit (a challenge that also includes avoiding the development of new low-quality housing) was a major priority for the government, as well as fostering urban regeneration through the implementation of the housing policy.

This approach has been maintained and developed continuously by the various administrations since the mid-2000s. The current Chilean housing policy provides a large diversity of programmes, several of which are strongly focused on urban regeneration. The issue of rental housing, first addressed a decade ago through a leasing scheme (renting as a previous step leading to homeownership), is now being tackled by the Ministry of Housing as a real alternative to homeownership. This is being achieved through the creation of a permanent public rental housing stock located primarily in old buildings in core areas to foster urban regeneration and facilitate access to urban services and resources for the dwellers. Regarding homeownership, as part of the so-called micro-settlement programme, new small buildings are being built on individual plots of land where several households are sharing the same housing unit. The programme contributes to the densification and regeneration of intra-urban vulnerable areas, which helps limit urban expansion. Finally, as a response to existing issues regarding urban segregation (one of the main problems generated by the social housing production of the 1980s and 1990s), MINVU is also subsidising “social and territorial integration housing projects”, in which several types of housing are being built to encourage social cohesion.

Source: Based on Marambio, C. (2021^[25]), “Housing policy in Chile”, Presentation for the OECD National Urban Policy Review of Colombia, 30 November 2021, Ministry of Housing and Urban Development of Chile.

Expanding the coverage of the housing policy

Since 2018, the national government has been updating and expanding housing policy to address some of its limitations, in particular to improve the focus of the different housing programmes to reach the target population groups. Reforms consist mainly in the creation of two new housing programmes: Homeowners' Seedbed (*Semillero de Propietarios*, SP) and Decent Home Decent Life (*Casa Digna Vida Digna*, CDVD) to address housing issues not covered by previous programmes, such as rental housing, and urban and housing improvement. A subsidy for non-VIS housing has also been created to boost this segment of the offer. As with all other housing programmes or subsidies, those new options might have indirect impacts on urbanisation that are important to consider in the perspective of urban sustainability.

A new housing programme based on housing savings and a family rental subsidy

In June 2019, the national government launched the SP programme, a sort of toolbox that promotes savings as an instrument for more families to become homeowners. The programme targets households whose income is lower than 2 MMW, who are not yet homeowners and have not received any previous housing subsidy. Around 20% of the grants are reserved for specific vulnerable population groups (e.g. households displaced by violence, women who are heads of household, members of Indigenous communities, people with disabilities and informal workers).

SP and MCY programmes are closely linked as both aim to encourage access to bank loans for low-income households, especially informal tenants. SP seeks to enable its beneficiaries to apply to an MCY subsidy in a second stage. SP is directly expected to contribute to the Colombian government's objective of promoting the construction of 520 000 VIS units during its 4-year mandate, through widening demand at the very bottom of the income pyramid. The initial goal was to grant 200 000 SP subsidies by the end of the present mandate in 2022.

SP offers two types of subsidies. The first, "Savings Reward" (*Premia tu Ahorro*), consists in promoting housing savings. Households that decide to apply to this modality have to feed a housing savings account for 18 months until they reach at least 4.5 MMW. During that period, they receive from the national government a COP 400 subsidy for each COP 300 saved. On completion of the 18-month period, households can apply to the MCY programme to acquire a VIS unit through the programme's family and credit rate subsidies.

The second type of SP is a short period rental housing subsidy. It also includes a housing savings component. As in the first modality, the purpose is to steer low-income households, especially tenants, towards the acquisition of a social housing unit through the MCY programme. Households that apply to this programme receive 60% of a minimum monthly salary for 24 months to cover housing rental. This way, households can save 25% of a minimum monthly salary until they reach 4.5 MMW (over COP 4 million), increasing their chances to apply for a subsidy from the MCY programme or other housing financing mechanisms. In all cases, their housing budget (rent plus mandatory savings) remains lower than it would have been without the rental subsidy.

The SP programme also promotes acquiring newly built VIS housing units. When households decide to apply for a rental subsidy modality, they can use the subsidy to rent either a newly built VIS unit that they could potentially buy once they complete their savings. They can also rent an existing dwelling available in the programme, from which they have to move out when they acquire a newly built VIS unit at the end of the 24-month period. Candidates for the programme register on an online platform, where they can find a catalogue of eligible rental offers proposed by property agents and eventually other private players approved by the MVCT. The latter supports them during the entire process.

Although the quantitative objectives of the SP programme were quite high (200 000 subsidies), it has experienced a slow start, with only 330 subsidies granted in 2019, 2 100 in 2020 and an estimate of around 4 000 in 2021. By mid-2021, 52 property agencies and 80 000 households had registered on the platform

to participate in the programme. The active involvement of private developers (VIS builders) in the SP programme was an objective of the MVCT. However, to date, very few developers have decided to participate as the rental market is perceived as too distant from their traditional activity.

A new programme for urban and housing improvement

To improve the existing housing stock in precarious conditions and the neighbourhoods or settlements that have developed outside building regulations, the national government introduced the Decent Home Decent Life (CDVD) programme. The programme is aimed at individuals who have owned property for at least 5 years prior to the application for the 18 MMW subsidy and home occupants who have housing deficiencies that can be addressed through improvements to the buildings. The aim is to improve the sanitary installations (i.e. toilets, plumbing and sewerage), the quality of common areas as well as the housing structure of beneficiary households. It targets low-income households with a monthly income of less than 4 MMW.

The CDVD programme is a national government strategy to address the housing quality gap and improve living conditions in informal settlements. The programme has three separate lines of action: i) land titling; ii) housing improvement; and iii) improvement of the urban environment. The consolidation of those three lines of action is expected to cover the major issues generated by informal urbanisation and contribute to reducing significantly the qualitative housing deficit in the cities. The MVCT aims to achieve 225 000 improvement actions during its current term of office: 60 800 in land titling, 108 200 in housing improvement and 55 810 in the improvement of the urban environment.

One of the common characteristics of the three lines of action is that they rely strongly on municipal governments for their implementation, while the national government plays a very active role in supporting them from a technical and legal perspective. Some capital cities, such as Bogotá, D.C. and Medellín, have accumulated particularly solid experience in urban improvement over several decades.

The innovative aspect introduced by the Decent Home Decent Life programme is the fact that the national government is now providing a clear and coherent framework of action towards urban and housing improvement. The programme acknowledges the important experience and the key role of municipal governments in urban improvement. Clearly based on the long experience of municipal governments, CDVD is an interesting example of how national urban and housing policies can build on local initiatives.

Land titling underpins the regularisation of illegal settlements

Land titling is the first component of the CDVD threefold strategy and one of the priorities of the Colombian government included in the current National Development Plan. The national government considers it is a crucial step towards the improvement and consolidation of informal settlements, as it enables households to initiate a process of improvement of their home. This component also contributes to the constitution of assets that may facilitate access to banking services.

In practical terms, the national land titling programme (*Programa de Titulación*) allows and supports free transfer of public land occupied illegally from public entities to occupying households. Those households must meet specific requirements, such as not yet being homeowners, not having received any previous housing subsidy and having occupied the land for at least ten years without interruption. For the first time, the programme sets a national framework of action as well as a national methodology and support for titling public land illegally occupied at the local level.

In order to avoid encouraging the invasion of public land, the titling programme applies only to land that has been occupied permanently for a period of ten years prior to Law 2044 issued in June 2020. The programme sets the rules for the treatment to apply to illegal urban settlements. It is also expected that urban development control by local governments will prevent new invasion of land.

The implementation of the titling programme is based on the establishment of agreements between the MVCT and the municipalities. By April 2021, 231 agreements had already been signed, involving 55 600 legalisation actions on the field. It is important to stress that, in parallel and for historic reasons, land titling is also carried out in Colombia by the Superintendent of Notaries and Registries (*Superintendencia de Notario y Registro*, SNR). The combined efforts of both institutions achieved 50 760 land titling actions in the country between August 2018 and April 2021 (20 090 by the MVCT and 24 670 by the SNR). By the end of March 2021, 54 334 households had benefitted from the titling programme of the CDVD programme.

Improving housing and access to residential public services

Housing improvement is the second component of the CDVD programme. It is based on the co-ordinated action of the MVCT, Ministry of Agriculture (MA) and the administrative Department for Social Prosperity (DPS). Table 4.6 presents the different responsibilities of each ministry for the housing improvement component of the programme. Their combined actions are expected to reach a total of 600 000 housing improvements and help 1 million people to move out of poverty. This component of the programme seeks to facilitate access to residential public services such as water, sanitation and electricity. The document CONPES 4023 (System of Cities) sets the different actions the government plans to conduct to deal with the effects of the COVID-19 pandemic; among them is access to adequate housing by improving rural and urban housing (DNP, 2021^[26]).

Table 4.6. Responsibilities of participating ministries in housing improvement

Ministry of Housing, City and Territory	Ministry of Agriculture	Ministry of Social Prosperity
To conduct 225 000 housing improvements in the main cities of the country, supporting 650 000 people in urban and rural areas.	To conduct 13 500 housing improvement actions in rural areas, supporting farmer families.	To conduct 325 000 housing improvement actions in municipalities with less than 100 000 inhabitants, supporting families with people with disabilities, Indigenous communities and others.

Source: MVCT (n.d.^[27]), *Casa Digna Vida Digna*, <https://casadignavidadigna.minvivienda.gov.co/informacion>.

As in other housing programmes, housing improvement is based on a family housing improvement subsidy. The subsidy may be for up to 18 MMW (approximately COP 14 million per home), for the installation of floors, bathrooms and kitchens, adaptation of spaces and structural reinforcement. The programme is targeting low-income households whose maximum monthly income is equivalent to 4 MMW and with a house value below the VIS maximum ceiling price. They have to be the legal owners of the construction to be improved or have been recognised as its inhabitants for a period of at least five years prior to the launch of the housing improvement programme. They must not have received any previous housing subsidy. About 20% of the subsidies are reserved for displaced populations and another 10% for specific vulnerable categories (female heads of households, members of Indigenous communities, population with disabilities) and members of security forces.

Each year, the national government selects the cities in which the programme will operate. For example, in 2019, the MVCT conducted housing improvement actions in 14 cities and, in 2020, in another 16. The selected cities are then invited to put forward a list of urban areas that fulfil the programme criteria. Legalisation must be in process in those areas and access to basic services is also a mandatory condition. Dwellings cannot be exposed to natural risks, nor be located in natural spaces. Once the areas have been selected, municipal governments are in charge of publishing the calls for beneficiaries and registering the eligible households interested in the programme, among which a selection is made, according to the programmes' criteria.

Municipalities are responsible for the approval of the diagnoses that are conducted regarding the housing conditions of each household selected, in order to define which improvements will be executed (the cost of these diagnoses is covered by the subsidy). They also conduct the consultation process with the beneficiary families and provide them with tailored social support. Municipalities may also bring additional funding to the programme. The National Development Bank of Colombia (*Financiera de Desarrollo Territorial*, FINDETER) provides full technical assistance to municipal governments. As for the improvement interventions, local executors conduct the improvement works following the technical terms of reference established by FINDETER. By the end of March 2021, around 107 158 households had benefitted from the Decent Home Decent Life housing improvement subsidy.

Neighbourhood improvement to reduce urban poverty

The Improvement of the Urban Environment is the third component of the CDVD programme. It is composed of three dimensions: urban legalisation, integral neighbourhood improvement and urban facilities, with integral neighbourhood its main component. As defined in the CONPES 3604 issued in 2009, integral neighbourhood improvement is a strategy to reduce urban poverty in poor informal settlements, through the implementation of physical, social, economic, legal and environmental actions and within the functional and productive structure of the city. The interventions that are being carried out within the programme relate to the following issues: accessibility and mobility, public spaces and urban facilities, social development and development of local capacities. Urban legalisation (i.e. formal recognition of the neighbourhood by the local authorities) and land regularisation, as well as risk mitigation and environmental recovery, are preliminary actions that are also carried out as part of the programme. The programme operates particularly in cities with high population growth rates and a high number of households displaced by violence. In order to be eligible, the neighbourhoods must be located within the perimeters classified in the municipal land use plan (POT) as integral improvement urban treatments.¹ Major infrastructure regarding water and sanitation must be already installed. Municipalities, in close co-operation with the MVCT, define and carry out urban improvement projects. The MVCT provides them with technical assistance and financial resources, which municipalities can complement.

The scope of the programme has been very limited so far. As of April 2021, only three projects were being implemented in the cities of Cali, Neiva and Valledupar, for a total of 13 384 beneficiary families. The programme is not new and had already been implemented in the past, especially during the 2012-15 period. At that time, it concluded 11 projects across the country, benefitting 39 700 inhabitants in 9 758 housing units. The total investment was USD 11.8 million, of which credit from the Inter-American Development Bank funded 82%. The programme of improvement of the urban environment actually endorses and continues actions that have been carried out either by previous national administrations or by municipal governments over several years. Its innovative character is that it is now part of a broader strategy led by the MVCT to provide a consistent framework of actions for reducing the qualitative deficit of housing in the country, leaning on municipal governments' experience and skills, and supporting them to multiply and systematise interventions. Two of the main implementation challenges of the programme are the correct and actualised identification in the municipal POTs, within the integral improvement polygons, of the existing urban deficiencies; and the risk exposure where the urban improvement projects are to be carried out.

Introduction of a housing subsidy for the middle-price-tier segment housing

The recent expansion of the scope of the housing policy included the introduction of a new credit subsidy for the non-VIS housing market that was introduced in 2020 by Decree 1233 as a sectoral reactivation measure to be applied until 2022 (CONPES 4002 of 2020). The new subsidy aims at the middle-price-tier segment of the housing market, i.e. housing units with sale prices under 500 MMW (USD 130 500) (Table 4.7). It consists of abatement on the monthly interests paid on housing credit, during a 7-year period

(84 months). The maximum amount of the subsidy is USD 120 per month and USD 11 000 equivalent to 42 MMW in total.

Table 4.7. Non-VIS Housing segments in Colombia: Sale prices

	MMW	USD value (April 2021)
Middle housing	135-500	39.150 to 130 500
Higher housing	> 500	> 130 500

Source: Information provided by the MVCT.

Unlike MCY subsidies, there is no limitation regarding the maximum income of its beneficiaries. However, it does not apply to households that have previously received a credit rate subsidy. It is dedicated to new housing but can be used in order to acquire a second unit. The government aims to allocate 100 000 subsidies of this kind between 2018 and 2022. About 60 000 of the subsidies are targeted at first-time buyers. With this new subsidy, the Colombian government expects to boost even further the housing industry, helping middle-class families to also become homeowners. This new subsidy should also help increase non-VIS production, which has been declining over the past four years as mentioned before.

Housing policy faces key challenges in contributing to sustainable urban development

Despite the recent quantitative success of the VIS housing unit's production and the introduction of new financing mechanisms, the national housing policy still needs to overcome important barriers to empower the government's push for more sustainable urbanisation.

Housing policy remains centred almost entirely on the acquisition of newly built social housing located in urban peripheries. In Colombia, as in other Latin American countries, social housing is based on homeownership and not on rental housing as in most OECD countries (OECD, 2020^[28]). Certainly, the introduction of the SP programme has contributed to a diversification of housing options, by introducing a rent subsidy. From an urbanisation perspective, this could, in principle, help diversify housing options for low-income people regarding location, which could, in turn, lead to fostering urban densification and regeneration processes within cities.

Although the SP programme introduced a rental scheme, social housing production remains the unique pillar of the national housing policy and is even being reinforced. Indeed, in addition to the fact that the outreach of SP has been very limited until now, the programme's purpose is not to develop formal rental housing as such. On the contrary, it is explicitly aimed at enlarging the demand for the MCY programme, giving the possibility to channel more poor families – including informal tenants – towards social homeownership subsidies and, thus, social housing settlements. Tenants who enter the SP programme receive a rent subsidy for a very short period of time, which is expected to prepare them to shift to homeownership. By doing so, the programme is actually setting rental housing as an option by default for low-income households. It consolidates the focus of the national housing policy scheme not only on homeownership but also on new housing, as MCY subsidies only apply for newly built VIS.

The enlargement of the housing policy has primarily been guided by the idea of promoting the principle of a residential progression towards homeownership for low-income households. The MVCT uses the image of the “housing staircase” (*escalera de vivienda*) to present its renewed framework of housing programmes. As many poor families are not yet able to acquire a newly built VIS, in particular because of their low level of resources and savings, as well as their inability to contract a bank loan, the Colombian government launched the two new housing programmes that specifically target the bottom of the pyramid, i.e. the SP and the CDVD programme. Those programmes provide the most vulnerable households with subsidies that can help them improve their housing conditions, as a prior step to home ownership through the

acquisition of a VIS unit. As already explained, the SP programme sets out to channel low-income tenants towards the acquisition of a VIS unit. As for the CDVD programme, the intention of the Colombian government is certainly to tackle the qualitative housing deficit, which is indeed much more important than the quantitative one. But its main objective is to reach the poorest households to enable them to advance to better housing. The vision of the MVCT is that by becoming legally homeowners of an improved house and in a better neighbourhood, poor households will be able to sell their property, later on, to move to another housing solution, especially a newly built VIS unit. Formal housing property will also enable them to accede to the banking system and, thus, to the MCY programme.

An important modification made to the MCY programme consisted of authorising households that have already been granted a family housing subsidy in the past to accede to the programme benefits, which was not possible before. This modification is consistent with the principle of the residential progression of low-income households towards social housing. In fact, the recent changes introduced in the housing policy do not result in an enlargement of the subsidised housing options for low-income households but rather in an enlargement of the potential demand of poor families for social housing ownership. Moreover, the possibility for households to cumulate family housing subsidies from the MVCT and the Family Welfare Funds also contributes to increasing the demand for new VIS units.

This has several implications regarding urbanisation. First of all, as many low-income families remain uncovered by the existing housing programmes and subsidies, informal urbanisation practices will continue to be an important housing option for many of them. Second, because of its clear orientation towards home ownership in newly built social housing, the national housing policy is generating an important distortion of the housing market, which clearly favours new construction and more urbanisation. Significantly subsidising the construction of social housing strongly boosts this segment of the market to the detriment of the existing housing stock. The existence of an important offer of subsidies for buying new social housing is deterring households from the segment of existing housing, which is much less attractive than new ones since the latter are subsidised by the MCY programme. The problem could become even more pronounced if, as expected, VIS production increases in the future. Data available from La Galeria Inmobiliaria on the situation of the real estate market in 2021 highlight that the sales of existing housing deteriorated since 2019. While the rental housing stock increased, sales of existing housing fell from 35% of the real estate transactions in 2019 to 30% in 2020. Although this could be due to the pandemic context, the market has performed differently regarding new housing, whose production increased and sales rose from 22% to 29% of total housing sales in the same period. Housing subsidies will boost the sales of new units as an investment, which will probably result in an increase of the offer of existing housing (Tellez, Llanes and Hernandez, 2021^[8]). The orientation of the housing market predominantly towards new social housing could cause an excessive specialisation of the housing sector, which might be a problem in the future regarding the capacity of resiliency in a crisis.

Although it boosts the national economy through the production of new social housing, the current national housing policy is feeding a model of urbanisation that is not sustainable. Since VIS housing can be built as part of urban regeneration projects, it could contribute to densification and re-densification processes that are highly needed in Colombian cities, especially large ones. However, this rarely occurs due to the high cost of the land within the existing urban fabric and the complexity of building in areas that are already urbanised and occupied (Beuf, 2016^[16]). Large cities are facing difficulties in implementing urban regeneration processes. Despite great potential for land to be recycled, especially within the core areas, and the introduction of new transportation infrastructure improving urban conditions in those sectors, urban regeneration is still very scarce. Few urban projects have been carried out, even when an existing municipal company was dedicated to conducting these types of investments as in Bogotá, D.C. The fact that new VIS projects are predominantly built in expansion areas has led to increasing costs of providing public services and building infrastructure, exacerbating mobility flows and emissions, and generating socio-spatial segregation (Castiblanco Martínez and Rodriguez, 2017^[29]).

As mentioned above, one of the consequences of the massive VIS production carried out in Colombian cities could well be in a near future the emergence of rapid deterioration processes in social housing neighbourhoods. This would then require high-cost urban interventions to improve them as is currently the case in Chile and Mexico (INFONAVIT, 2020^[30]). Building a large number of social housing settlements could paradoxically result in deepening the qualitative deficit of housing, as the housing projects are located in urban peripheries, of poor quality and lack services and facilities.

Using housing policy instruments to support affordability and quality urbanisation

Due to the high level of urbanisation in Colombia, cities register a high demand for housing, across the whole spectrum of the housing market, from VIP and VIS to high-end housing. As in many other OECD countries, housing demand in Colombia has outpaced supply, leading to rising house and rental prices. In Colombia, the national government's strategy to provide affordable housing options for low-income households has had negative impacts on urban form as urbanisation in expansion areas is contributing to urban sprawl. The national government, therefore, has a critical social and urban challenge to address: providing adequate and affordable housing in cities while delivering compact, connected and clean urban development as established in the System of Cities, the country's NUP framework.

Colombia's national government has focused on pursuing large social housing programmes without considering their impact on urban spatial form, as housing policy is rarely co-ordinated with other sectoral policies on the field. Colombian authorities, therefore, need to consider the concrete impacts of national housing policy instruments not only on housing affordability but also on urban form. This is a complex task as there is not a direct relationship between compact urban development and house prices (Moreno Monroy et al., 2020^[31]). Recent OECD research has shown that fiscal instruments, such as impact fees and split-rate taxes can ensure that new housing developments meet objectives of affordability while also fostering compact urban development. Other instruments, such as inclusionary zoning and incentives for developers, can also be used to guarantee that a certain share of housing units are sold or rented at below-market prices, both in the owner-occupied and rental markets. Providing urban public space and improved connectivity, as part of housing policies, is also essential to support a more compact urban development (Moreno Monroy et al., 2020^[31]).

Table 4.8 presents a series of policy instruments used across OECD countries that can have an impact on urban compactness and housing affordability in Colombian cities. They are divided into three categories: i) policy instruments affecting the use of land for housing development, thus affecting the general housing market; ii) policy instruments mainly affecting the owner-occupied housing market; and iii) policy instruments mainly affecting the rental housing market. The table highlights whether their adoption in the Colombian context would be recommended or not. Its purpose is to contribute to the development of policy instruments that help both promote housing affordability and control urban form in Colombian cities.

Table 4.8. Housing policy instruments affecting urban form and housing affordability – Recommendations for Colombia

Policy instruments	Objectives	Impact on urban form and compactness	Impact on housing affordability and inequality	Is it recommended for Colombia?
Policy instruments affecting use of land for housing development				
Split-rate taxes/ differential tax rates on land values/ progressive property taxes for underused or vacant land	Incentivise property owners to build on (or improve) their properties while disincentivising land speculation	If well-designed and adequately targeted (e.g. taxes on land should be higher than taxes on buildings), split-rate taxes reduce the incentive for sprawl	Neutral (effect on housing prices is mixed)	Implementing progressive property taxes, combined with a development tax, for underused or vacant intra-urban land and housing would be a way to contribute to support urban regeneration projects and housing improvement and pursuing compact development.
Impact fees	Internalise cost of infrastructure provision (i.e. recover the social cost of conversion to housing) by charging developers/land owners to their developments	Denser and less fragmented development as incentives to build near existing stock increase	Typically positive as it prevents windfall gains for landowners (for developing their land without providing necessary infrastructure)	Colombia could make better use of impact fees and analyse the possibility of having higher rates in remote areas to incentivise developing closer to already developed land. Colombia already has the distribution of burdens and benefits which could serve as a basis for this analysis.
Development tax	Internalise the social and environmental loss of open space by levying tax on land that is converted from agricultural to urban use	Less sprawl, as it provides disincentives for landowners for land conversion	Improved equality through capturing and redistributing landowners' benefits to urban residents in general if the tax revenue is used for mitigating social and environmental loss	Colombia may wish to consider its introduction to incentivise more intra-urban development and urban regeneration projects. The tax must reflect the real cost of development. The aim is that the costs for all of the services that the city provides are recovered. It could also help improve the municipalities' sources of income.
Tradable/ transferable development rights	Compensate restricted development rights by allowing a right to develop a parcel to be transferred to another parcel; often used to preserve historical buildings	May not directly reduce sprawl but can produce denser development if restricted rights in urban fringes are traded to urban centres; the correct cap needs to be established	Uncertain impact on inclusiveness; this depends on the initial state of regulation and allocation of development rights	Colombia already has this instrument but has not yet implemented. If implemented correctly, this instrument could help Colombia redevelop and preserve historical centres. The government may give development rights to people to build in other zones when public interests are affected by building in conservation zones, for instance.
Urban growth boundaries/ urban service boundaries	Contain sprawling housing development by physically limiting developable fringe areas	Less sprawl and denser development, but more sprawl and more fragmented if boundaries are not drawn properly or updated periodically	Increased inequality through increased housing prices	Colombia should refrain from using this as it may give room for speculation unless proper planning takes place. Instead of a traditional growth boundary, outside of which development is prohibited, a better outcome could be

Policy instruments	Objectives	Impact on urban form and compactness	Impact on housing affordability and inequality	Is it recommended for Colombia?
				achieved by setting higher taxes/fees on development outside of the growth boundary in order to discourage development. This would have fewer negative effects than the traditional urban growth boundary.
Greenbelt	Designate areas of open space surrounding urban areas (or certain parts outside urban areas) that act as physical boundaries against city expansion	Less sprawl and denser development but fixed greenbelts are likely to lead to leapfrogging (development outside the greenbelts)	Increased inequality through increased housing prices	Colombia should avoid using this as it may foster speculation and increase land and house prices in central areas. Having better reserve land plans would be advisable.
Incentives for higher density or accessibility	Incentivise housing development with higher density/floor-to-area ratio, taller height allowances and fewer parking requirements, and with better access, using tax breaks/subsidies; used in areas where densification needs to be encouraged (e.g. near public transit infrastructure or high employment areas)	Less sprawl and denser development	Increases affordable housing stock; access requirements can increase inequality through housing cost overburden (higher grants and subsidies can capitalise into higher prices)	This may be a valuable instrument to increase affordable housing stock in central areas. It could support the implementation of the Neighbourhood Improvement Programme, and the CDVD programme in its housing renewal scheme by incentivising inland development.
Policy instruments mainly affecting the owner-occupied housing market				
Grants for buying or constructing a new home and/or rehabilitating or renovating an existing unit	Increase access to housing; alleviate housing cost burden	Less compact if preference is given to single-family home projects	In theory, it should improve inclusiveness but this is not typically observed; increased inequality through housing cost overburden (unless restrictions on mortgage uptake are in place); if targeting is weak, this mostly benefits higher-income households	They have been widely used in Colombia. These have favoured homeownership in single-family households. Colombia could consider reforming grants for homeownership and exclusive use in central areas and social housing.
Mortgage interest deduction	Allow taxpayers to own their homes and bring positive externalities to their communities	Increase in space per capita consumption/ shared single-family homes in peripheral areas (more in places with rigid housing supply)	Increased inequality when beneficiaries are high-income households that benefit from large tax deductions through higher housing prices in places with rigid housing supply	This is similar to the credit rate subsidies which could be refocused on beneficiaries of the MCY programme but for mortgages in central areas.
Preferential tax treatment on home sales	Increase positive effects of homeowners in communities by promoting homeownership and increasing the share of homeowners	No densification effect expected; higher space per capita consumption/higher share of single-family homes in suburbs	Overall increased inequality through lower-income households overburdened by housing costs; can have a positive impact on labour mobility as homeowners can sell homes more easily	This instrument may be considered for households that live in accommodation located in remote areas to incentivise them to move closer to the centre. Those housing units could be sold to the government to integrate them into housing rental programmes.

Policy instruments	Objectives	Impact on urban form and compactness	Impact on housing affordability and inequality	Is it recommended for Colombia?
			when needed	
Policy instruments mainly affecting the rental housing market				
Regulations on tenant-landlord relationships	Address asymmetric information and/or unequal bargaining power between landlords and tenants	Neutral	Uncertain – may increase the security of tenure and minimum quality standards of rental housing but decrease supply	They do not exist in Colombian legislation and could be one of the first priorities for housing policy in order to develop the rental market. Legislation could address the issue of tenants' rights over eviction, notice to vacate, etc.
Rental housing allowances/ rent subsidy vouchers/ rent control	Ease housing cost burden of renters by lowering rents	Neutral	Increased inequality if allowances are based on a share of income or rent; when targeted at specific groups; or if eligibility is not periodically reassessed; may increase access to affordable housing but decrease supply	In the context of a wider rental programme, Colombia may need to legislate on how to determine the subsidy for rent; one possibility is the use of the households' income as a base. It should be targeted to low- and- medium-income households.
Permanent use of social housing for rent in central areas	Create a pool of social housing units to be leased out to eligible vulnerable households through a below-market use contract	More compact if housing is located in more central areas	Decreased inequality through increased access to social rental housing	Colombia may wish to consider the introduction of this instrument, building on the experience of the SP programme. The challenge may be to ensure that social rental housing is available in central areas. It may be necessary to combine it with other instruments such as the subsidy for rental housing.
Inclusionary zoning	Ensure access to owner-occupied housing by reserving new housing for rental at below-market price levels (often for certain periods, e.g. 20 years)	More compact if housing is located in more central areas compared to the social housing stock	Decreased inequality through lower housing costs; housing quality may deteriorate if rents are kept low	Colombia should introduce this instrument in order to lower housing costs but should consider that housing quality may deteriorate if rental revenues cannot cover maintenance costs.

Source: Elaborated based on Moreno Monroy, A. et al. (2020^[31]), "Housing policies for sustainable and inclusive cities: How national governments can deliver affordable housing and compact urban development", <https://doi.org/10.1787/d63e9434-en>.

Towards a comprehensive habitat policy focused on urban sustainability

Providing affordable, decent and safe housing options for all, in particular for low-income households, is a crucial challenge for Colombia from a social and economic point of view. However, it should not be pursued at the expense of urban sustainability, fostering urban expansion and building urban spaces that are not viable or resilient in environmental, economic and social terms. Otherwise, Colombian cities would have to face increasing urban dysfunction, like the disconnection between social housing developments in the outskirts and those in the core city, which would generate high costs for the entire society to address.

Urban sustainability in a comprehensive sense (not limited to environmental issues) must imperatively be at the centre of Colombia's housing policy. Although the creation of a ministry in charge of both urban and housing issues is an important step towards the articulation of housing and urban development challenges,

there is no automatic guarantee that those issues are tackled in a coherent and co-ordinated manner. The formulation of a new NUP, which should frame housing policy, should consider urban sustainability as a priority so that no national housing programmes lead to unsustainable urbanisation. Housing policy could be used as a lever for making urban development more sustainable. Family housing subsidies, which are the national housing policy's main tool, should be diversified to integrate more affordable housing options for low-income households and help curb informal urbanisation. Above all, the granting of subsidies should be conditioned to a set of criteria regarding quality, affordability and sustainability of the housing options in a broad sense, including their location and their access to urban amenities.

Overall, Colombia needs to implement a broader habitat policy rather than a siloed housing policy, to build more viable and liveable cities. The following section proposes a set of recommendations to help achieve this transition from the current housing policy to a new habitat one, focusing on urban sustainability.

Improve the social housing production for sustainable and inclusive cities

The MCY programme has proven successful when it comes to the provision of housing for low-income families in Colombia. It is now well established, with sustained levels of social housing production (even during the COVID crisis) and granted subsidies. As mentioned before, it has been recently improved and enlarged, in order to reach more Colombian households in need of an affordable housing option.

The MCY programme, however, still has to face important challenges, such as the quality of the housing production (including in terms of location and sustainability) and the lack of integration of the social housing settlements with the city. The massive VIS production has caused major urban issues, such as urban expansion and the formation of segregated urban peripheries with little access to urban amenities, as stressed by the Mission of the System of Cities (task force) (DNP, 2014^[3]).

The barriers met by many poor households to access social housing, such as high prices and the need to contract a bank loan within the formal banking system, *de facto* exclude a large number of vulnerable families from formal housing. Over the past decade, the Free Housing Programme (*Programa de Vivienda Gratuita*, PVG) played an important role in covering the needs of the lowest-income households with no access to the VIS market. Although the SP programme has been created in order to address the demand of the poorest households that are not creditworthy, as of now, it does not provide an alternative because of its limited quantitative results. This issue may be exacerbated by the increase in poverty levels due to the COVID-19 pandemic, leading to an increase in the number of informal settlements.

Quality and sustainability standards should be introduced in subsidised social housing (VIS bought with subsidies) in order to improve the quality of VIS housing units. While VIS housing cannot be subject to a specific national regulation regarding its quality, size and location, as these elements need to be specified in cities' land use plans (POTs), the allocation of the MCY programme subsidies (family housing subsidies and credit rate subsidies) could still be conditioned to the compliance with quality and sustainability specifications. Private developers would have no obligation to fulfil the new guidelines in their projects but would need to do so to be able to sell their production to households eligible for housing subsidies. This kind of measure has already been implemented in other Latin American countries focused on the mass production of social housing such as Mexico (Box 4.2). Imposing such specifications did not discourage housing production, which is a common fear of the authorities. Mexico even introduced a green mortgage to require environmental standards to be met to approve the use of housing subsidies. The Mexican experience of social housing green mortgages highlights the importance of focusing beyond the environmental dimension in order to build sustainable housing, especially social housing. The introduction of mandatory guidelines in the subsidised social housing production would help avoid the development of housing settlements that are not offering minimum liveability standards. Because of the high levels of production of VIS housing in Colombia, it would also be a strong lever for building more sustainable settlements and cities, by standardising the quality of the social housing stock in the country and raising the standards of this crucial housing sector in Colombia.

Box 4.2. Sustainable social housing in Mexico: The INFONAVIT green mortgage

In 2007, the Mexican government introduced the green mortgage (*hipoteca verde*) to achieve sustainability objectives through the construction of social housing. The green mortgage is an integral strategy intended to offer housing credit holders a better quality of life by promoting sustainable housing development. The mortgage is managed by the National Workers' Housing Fund Institute (INFONAVIT), which is the country's largest housing provident fund. It provides housing credits to formal workers in the private sector for housing acquisition. Almost all mortgages awarded by the institute to buy, build, remodel or improve a house are required to use eco-technologies to save water, electricity and gas. Initially, the green mortgage was allocated as an additional amount of credit to those who asked for it but, since 2011, all credits granted by INFONAVIT have been dedicated to houses using eco-technology. Over 90% of the housing credits are part of the green mortgage scheme. Through the green mortgage, INFONAVIT finances environmental technologies for electricity, water and gas.

Due to the use of eco-technologies such as eco light bulbs, solar water heaters, thermal insulation for walls and roofs, water savings systems, etc., that can be adapted to the particularities of every region in the country, households can save money on their utility bills. These savings are expected to compensate for the increase in the cost-of-housing units and in the amounts of credits. Private developers, in charge of building social housing units, are all producing green social housing. Due to the high production of social housing in the country, the impact of the scheme has helped to reduce emissions from the housing sector.

Source: Acosta, J. and G. Aguilar (2018^[32]), "El Programa Hipoteca Verde del Infonavit: ¿Hacia una política de vivienda sustentable?", <http://www.revistavivienda.cuaad.udg.mx/index.php/rv/article/view/36/55>.

Colombia has made significant progress over the past decade in promoting sustainability within the housing sector, especially by considering the entire lifetime of buildings through the enactment of CONPES 3919 on the National Policy on Sustainable Buildings in 2018. There is a shared will among Colombia's national leaders to move forward in the promotion of sustainability through social housing. Several social housing projects have already been awarded international or national certifications. For example, EDGE (Excellence in Design for Greater Efficiencies) is a worldwide certification for green buildings, which has already been used in the field of social housing in Colombia. In 2018, the Alegra construction project (in the city of Manizales) was the first EDGE-certified VIS development in Colombia. The 350-unit project was partly funded by Bancolombia's first green bond issuance, enabling developers to access financing at more competitive rates. Since 2018, the EDGE certification, created by the World Bank's International Finance Corporation, has become more prominent across the country with several other projects certified. The Colombian Council for Sustainable Construction (*Consejo Colombiano de Construcción Sostenible*, CCCS) also launched its own certification, called CASA Colombia. It also applies to VIS and VIP projects and enables developers to access preferential interest rates from banks. CASA Colombia is based on LEED (Leadership in Energy and Environmental Design) specifications, which are the most widely used green building rating system but is adapted to the Colombian context. Considering the potential impact of the application of sustainability requirements on housing prices, and particularly the consequences for VIP and VIS projects, the CASA Colombia certification has set a different scheme for evaluating social housing projects, with lower requirements.

These measures constitute a step in the right direction. However, the sustainability requirements of these diverse initiatives are limited as they focus solely on environmental, water and energy saving aspects. Although the CASA Colombia certification includes other elements, such as the inclusion of local communities throughout the technical training of their members to work in construction, its vision of

sustainability does not set any standards relative to housing quality or urban integration, which are crucial issues. The introduction of eco-technologies (i.e. thermal insulation and solar panels) in social housing can have a social impact on households' budget (contributing to the reduction of energy bills). But social issues are generally set aside and quality of life is not being considered in sustainability guidelines. Sustainable and green social housing may, in fact, turn out to be as problematic as traditional housing, as shown by the example of Mexico where 650 000 social housing units in Mexican cities have been abandoned. Many of them had been built over the past decade under green guidelines but were located in very remote urban peripheries and had low-quality standards.

Sustainability in social housing production should therefore be addressed in a comprehensive way and not considered through a sole green angle. Dimensions such as the level of comfort (especially minimum domestic space – a key dimension of housing that has been reinforced by the COVID-19 pandemic), as well as access to urban amenities and opportunities, ranging from basic services to public transportation, culture, education and employment, must also be fully included, along with water, recycling and energy savings. The experience of OECD countries and cities in the context of the COVID-19 crisis suggests that governments need to take measures to adjust housing quantity, quality and affordability to the variety of housing needs, while promoting social cohesion and integration with sustainable transport modes (OECD, 2020^[33]).

Some interesting experiences have already been conducted in Latin America to address quality and sustainability in a comprehensive approach. For example, at the end of the 2000s, the Mexican government created a new certification for developers to help them build more sustainable social housing settlements (OECD, 2015^[34]). The Sustainable and Comprehensive Urban Developments certification (*Desarrollo Urbano Integral Sustentable*, DUIS, now called *Desarrollos Certificados*) applied a comprehensive evaluation grid, which defined three scales for quality and sustainability: dwellings, neighbourhood and connection to the city. The initiative consisted of a package of public subsidies in several fields (education, health, social inclusion, etc.) that would be granted to the certified projects. It did not fully succeed, however, due to several reasons, including the 2008-09 crisis. Still, the methodology offers a useful example for Colombia and could serve as inspiration to introduce sustainability criteria comprehensively in the production of social housing, especially regarding new large-scale social housing urbanisation projects. In Chile, the sustainable construction standards for housing (Box 4.3), published in 2018 at the end of a long consultation process, are not explicitly focused on social housing but address quality and sustainability with a complete range of guidelines that are especially suited to this housing segment. Although it is not mandatory to fulfil these guidelines, the latter can still be an inspiring experience for Colombia in terms of elaborating a comprehensive framework for both quality and sustainability in social housing, which could be used at the very least for the production of social housing subsidised by the national authorities. The implementation of such a framework of quality and sustainability standards could help significantly improve the VIS production in Colombia, from the quality of the dwellings to their urban integration. As in Chile, the elaboration of such standards would need to be fully discussed with the main stakeholders of the sector, including representatives of civil society and the residents.

Box 4.3. Sustainable construction standards for housing in Chile

In 2018, Chile introduced sustainable construction standards for housing to approach sustainability in an integrated and holistic manner. The standards are not limited to the traditional items included in the guidelines for green housing, such as water, energy, domestic waste and building materials. They include quality of design, housing comfort and characteristics of the immediate urban environment as relevant components of housing. The standards also take into account the diversity of climate in the country and the specific requirements of each geographical zone. To be sustainable, houses and other constructions need to combine economic, social and environmental aspects.

The standards focus on seven areas that help minimise the impact of the construction sector on the environment and people's health: health and well-being, territorial planning, energy, water, materials and waste, environmental impact, and immediate surroundings (habitat). The expected benefits from the introduction of the construction standards are: savings from the optimisation of households' budget, improved quality of life and health through habitat improvement, reduction in housing emissions, reductions of CO₂ emissions, the possibility of using rain water, and reduction in waste generation. The inclusion of aspects of health and well-being as well as the immediate surroundings (habitat) into the standards is an innovation.

The immediate surroundings category is directly linked to critical urban issues that should be taken into account while building housing, especially social housing. The standards recognise that in Chile, most of the urban settlements present a wide range of problems such as social segregation, uncontrolled urban expansion, lack of connectivity, congestion, poor heritage, conservation and poor local identity, among others, due to poor planning. Two important matters are incorporated into the immediate surrounding category: sustainable mobility and the pedestrianisation of cities.

Source: MINVU (n.d.^[35]), *Fundamentos*, <https://csustentable.minvu.gob.cl/fundamentos/>.

Raising the standards of quality and sustainability in social housing would inevitably increase the cost of the housing units. Financing fewer but higher quality VIS (through subsidies) would enable the national government to avoid passing cost increases onto low-income households. Subsidies could be less numerous but higher. They could also be better targeted at low-income households. According to the World Bank survey, the interest rate subsidy, in particular, represented 41% of the Colombian government's investment between 2012 and 2018. Due to its design, households that purchased the highest value housing benefitted more. This subsidy cost the equivalent of 65% of the total cost of Free Housing Programme, which allowed for the construction of more than 100 000 units since 2012 (World Bank, 2019^[10]).

Considering the impact of the pandemic, subsidies recently allocated to housing for middle-income households should be redirected towards housing options for low-income families. A general reallocation of the resources mobilised by the government in the form of housing subsidies could also help compensate for the reduction of the availability of VIS subsidies, thanks to the creation of new housing programmes based on other housing options (described below). The reallocation of resources could also apply to the newly created housing subsidy for middle-income households. This kind of subsidy is difficult to sustain (and probably legitimate) within the current Colombian context, marked by high urban poverty rates and inequality (especially in light of the COVID-19 crisis), the existence of a huge housing deficit affecting very low-income groups in particular and limited public resources.

Improving the quality and sustainability of social housing units and settlements could also help avoid important costs in regeneration in a near future. The development of other housing programmes focused on both housing regeneration and assisted self-production could compensate for the impact of decreasing the VIS production on the general economy. Those could have a significant economic impact, based on medium- and small-sized firms and building craftsmen.

Develop intra-urban decent and affordable rental housing options for low-income households

As discussed earlier, Colombia's subsidy for rental housing remains oriented towards homeownership, as its objective is to help low-income households save during a two year-period to acquire a social housing unit through Colombia's main housing programme MCY. In that sense, it cannot be considered a real rental housing programme. Moreover, as the goal is to help low-income households buy newly built social

housing located in most cases in the urban periphery, the current rental subsidy tends to reinforce the unsustainable pattern of urban development that characterises most Colombian cities.

Rental subsidies should therefore be more compatible with the objectives of sustainable urban development. In order to move towards greater diversification of housing policy and offer more housing options to low-income households, rental housing should constitute an actual alternative in its own right, without necessarily being linked to a later stage of homeownership. Rental subsidies should focus in particular on households that are not in a position to become homeowners in the near future, or those that need to remain flexible regarding their housing choices and preferences to be able to move easily for work or personal reasons.

While home ownership offers many advantages, in particular for low-income families, in terms of security of tenure and the possibility of passing on a property to family descendants, rental housing has several significant benefits. Being a tenant means not having to pay for a housing credit, which can significantly reduce risks in case of life accidents (loss of one's job, divorce, etc.) or an economic or health crisis. While tenants still have to manage to pay their rent, they can at least move to another place, less expensive accommodation and reduce their expenses to adapt to the situation. Renting is a way of being more flexible, which is often important, in particular for young households. It also makes it possible to invest instead in important aspects other than housing, such as the creation of a small firm or shop, or education (IDB, 2012^[36]). Finally, rental housing is an adequate solution within the context of increasing unaffordability of homeownership in cities.

As in many other emerging economies, Colombian households generally seek to become homeowners. However, renting is common in the country and has been increasing rapidly over the past few years, both in proportion and absolute terms. There were 3.9 million tenants in 2011 and 5.8 million in 2019 (DANE, 2018^[37]). In fact, Colombia is the Latin American country with the highest rate of tenants. According to the 2019 Quality of Life Survey (DANE, 2019^[38]), 35.7% of Colombia's households were tenants; in urban areas, the share was even 43.3%, up from the previous year (39.2%). This particularity of Colombia can be considered a favourable factor for implementing a rental housing programme in the country.

Rental housing policies are generally twofold. On the one hand, they can be based on granting a direct rental housing subsidy covering part of tenants' housing expenses, who are free to choose where to live. On the other hand, they can consist in financing the construction or the acquisition of housing to be rented. Public institutions or private actors are the owners of the housing units. They act as institutional landlords, providing rental accommodation at sub-market prices. Specific rules are used in order to target beneficiaries and allocate housing units. This kind of rental housing is generally called rental social housing, whereas the first option is identified as affordable rental housing. Both approaches can be combined, as in the case of France (Box 4.4). The few existing programmes for rental housing in Latin America generally belong to the first category, as they focus on housing lease or similar options. In the past, some countries in Latin America, in particular Chile and Mexico, implemented programmes based on social housing rental. However, the dwellings were rapidly sold to their occupants.

Box 4.4. Rental housing subsidy in France: One of the main tools of the country's housing policy

Direct rental housing subsidies (*allocation logement*) were created in France in 1948. They were largely expanded at the end of the 1970s due to the important shortcomings of the massive social housing production that was implemented at the end of the Second World War in order to tackle the huge quantitative housing deficit. Despite its quantitative success, it was rapidly tarnished by its social and spatial segregational impacts. Poor households (and in particular immigrants) were concentrated in large and homogeneous social housing neighbourhoods built in urban peripheral areas with little access

to urban amenities and opportunities. In response to these challenges, social housing production was reformed at the beginning of the 1970s. Social housing then started to be built at a smaller scale, with higher quality standards.

Direct rental allowances, which were the second element of the national housing policy, were considered a more efficient and flexible tool compared to social housing production. They also appeared better suited to helping low-income households access a decent home without concentrating them spatially in social housing settlements. Still today, they are one of the main tools of the French housing policy, accounting for around EUR 20 billion each year. Around one-fifth of the population receive this allowance in France, which represents six million low-income and middle-class households. However, evidence has shown that a large share of these housing allowances is captured by landlords, who subsequently raise rents (by 78% according to Fack (2006^[39])).

Source: Bozio, A. et al. (2017^[40]) (2017), "Designing housing benefits: An application with French data", <https://www.cairn.info/revue-economie-et-prevision-2017-2-page-163.htm>.

Directly subsidising access to rental housing in the private market can be a very efficient option in countries where the housing market is mainly or entirely formal. To be implemented, this kind of housing programme requires the existence of formal rent agreements that define rents as well as the characteristics of the property and duration of the contract. In France, rent subsidies have been one of the main tools of housing policy for more than half a century (Box 4.4).

On the contrary, directly subsidising rental housing on the private market can be problematic in countries where the rental market for low-income households (the main target of the policy) is predominantly informal, as is the case in Colombia. The SP programme has yielded limited results so far, probably because of the important mismatch between the targeted households (low-income families that are not in a position to purchase a social housing unit) and the formal offer of housing to be rented during the two years of the programme. This offer is still very limited, in spite of all of the efforts made by the MVCT to increase it. Certainly, the stated objective of SP is precisely to take low-income households from the informal to the formal housing market, including the rental one during a transitory period. However, reaching this goal seems a challenging task. By definition, low-income households tend to rent houses that are generally precarious or deteriorated, predominantly in the informal market in poor urban settlements or deprived central areas. Because of the informal status of the rent agreements (and often of the land tenure) and the low quality of housing, it is not conceivable that their tenants receive a rental subsidy. Nor is it possible to redirect those families towards the formal rental market, which does not provide a housing supply adapted to their budget. For those reasons, the idea of a national housing programme based on granting direct rental subsidies to low-income households is probably not the most adequate option. However, municipal governments could implement such an option at the local level, identifying potential landlords and tenants, playing the role of a public broker and subsidising part of the rents. As renting is a traditional activity within low-income settlements as a way of generating income, implementing a housing rental programme would be in line with the households' practices and would probably be well received.

Municipal authorities could also ensure that the rented properties are adequate housing. Housing improvement subsidies could eventually be provided to owners to upgrade the housing units to be leased. This work could be realised at the local level with the help of national financing. For example, in Mexico, the municipality of Tlajomulco de Zuñiga within the Guadalajara metropolitan area is currently implementing a pilot housing programme based on this mechanism. Many social housing homeowners have left their property due to the poor quality and location of the dwellings and neighbourhoods. In order to limit vacancy and its negative impacts on the residents who are staying and to respond to the needs of vulnerable households (in particular female heads of households and elderly people), the municipality launched the Rent Your Home (*Renta tu Casa*) initiative in 2019. Tenants receive a subsidy from the

municipal government that covers part of the rent, while landlords are sure to be paid rent in the event the tenant fails to fulfil their obligation (INFONAVIT, 2020^[30]). Although it has been implemented at a very local scale so far due to the scarcity of municipal resources, this pilot programme provides a good example of the kind of initiative that could be carried out locally regarding rental housing subsidies and that could be financed with the help of the national government. Nowadays, according to the results of the OECD Survey on Urban Policy in Colombia 2021, only 4 out of 72 responding municipalities are providing rental subsidies to low-income households. However, the COVID-19 crisis forced many municipalities to help tenants who were not able to pay their rent and raised municipal awareness about the importance of rental subsidies.

Colombia should explore the possibility of formally linking a rental subsidy with housing improvement ones granted to landlords upon entering the programme. Rental housing subsidies would thus contribute to reducing the qualitative deficit. Informally developed urban areas would be targeted but also urban central areas, which currently contain concentrations of deteriorated housing. Improving them would be a contribution, albeit modest, to a highly necessary regeneration process.

Colombia could also consider the second category of rental housing policy, which consists in financing the construction or acquisition of housing to be rented to a targeted population. As explained above, it has already been implemented in the past in some Latin American countries, although rapidly abandoned due to the rise of homeownership policies. The building up of a rental housing stock accessible to targeted and eligible households at below-market prices would be particularly beneficial in order to accommodate vulnerable groups for a certain period of time, such as households displaced by violence, immigrants or population affected by natural disasters. This could also be an option for priority low-income households with very low financial capacity, such as female heads of households and the elderly (who are an increasing part of Colombia's population). Rental housing stocks could be managed either by national or local authorities or by any other public or private institutional landlord dedicated to this function. They could be newly built or based on the acquisition of existing housing. Municipalities and metropolitan areas could potentially be responsible for the management of such social housing stocks in the Colombian context because of the important responsibility and commitment of cities in urban issues.

The implementation of this kind of rental housing policy can be used both for providing affordable and decent housing to specific low-income groups and as a lever in order to impact urban development, as suggested by the example of South Africa (Box 4.5). Rental housing can be located in strategic areas to contribute to their regeneration and to a reduction of socio-spatial segregation. In South Africa, rental social housing was primarily located in urban "restructuring zones". The South African experience shows that the contribution to urban sustainable development strategies should be a guiding principle for the elaboration and further implementation of social rental housing as part of the national housing policy. In Colombia, social rental housing would be particularly needed in deprived central areas and where public transportation corridors have been implemented. This would allow tenants to access those strategic infrastructures and an urban environment providing all amenities and services. The implementation of rental social housing in such locations would foster the regeneration of public transportation corridors, which remains an important challenge in Colombian cities (Suzuki, Cervero and Iuchi, 2013^[41]). As for urban development in the peripheries, the development of a social housing stock could also serve as a modest contribution to limit the proliferation and expansion of informal settlements, as a portion of the vulnerable households in those settlements would have an alternate option.

Box 4.5. The Social Housing Policy (SHP) in South Africa: Linking housing policy and urban challenges

In 2005, South Africa launched the SHP based on the provision of rental housing for low- and middle-income households. During the 1990s, the country introduced the first massive social housing policy based on homeownership called the Reconstruction and Development Programme. The intention was to tackle the huge quantitative housing deficit, estimated at 1.5 million units and growing at a rate of 200 000 new households each year. Between 1994 and 2003, more than 1.5 million housing units were constructed, with low-quality standards and in peripheral locations, reinforcing urban dysfunctions and socio-spatial segregation.

The SHP is based on an institutional rental subsidy that provides funding to non-profit organisations called Social Housing Institutions (SHIs), which were created to develop and manage rental or co-operative affordable social housing. SHIs are accredited by the Ministry of Housing and Settlements. They develop the rental social housing stock using loan funding from the National Housing Finance Corporation (NHFC), as well as donor funding and local authority grant funding. In addition to SHIs, private for-profit entities (developers and investors) can also develop and manage accredited social housing projects for low-income residents. Public-private partnerships (including SHIs and private companies) can also be involved in the provision of rental social housing in the case of large projects.

The link between housing and urban development policies is a central dimension of the South African SHP. Rental social housing projects are to be developed in so-called “restructuring zones”, which correspond to intra-urban areas that need to be regenerated and have to be declared through ministerial approval. Restructuring zones are geographic areas identified by local authorities and supported by the provincial government for targeted investment. They must be aligned with urban development strategies. In 2017, 138 additional restructuring zones (located in 6 provinces and 38 municipalities) were created, in addition to the 127 existing ones. Their coverage extended to intermediate and small towns.

Housing plays an active role in promoting more compact, efficient and equitable cities and towns, with rental social housing. It contributes to urban restructuring and supporting inner-city regeneration by helping restructure the segregated and fragmented spatial form of cities and towns. The social housing capital subsidy per dwelling unit is larger than the other housing subsidies, and municipalities and other public bodies are expected to release and accelerate the development of vacant and underused land in conducive locations.

Other objectives of the SHP include local economic development, financial contributions to local authorities through rates and services, social stabilisation, good governance, democracy and citizenship. Social housing projects need to achieve an income mix, with middle-income beneficiaries ideally coming from different racial backgrounds. The policy also encourages the inclusion of non-subsidised units to be rented to higher-income households.

In order to ensure the financial sustainability of social housing projects, the policy is based on cross-subsidisation and government grants but the payment of the rents by tenants is a central element of the model. Beneficiaries are thus limited to people who can demonstrate regular income. The programme delivered about 2 500 units between 2008 to 2014. It reached more than 12 800 units built by the end of 2018 (although still below the target of 27 000). Today there are about 35 000 social rental units within South African urban areas.

Source: Scheba, A., I. Turok and J. Visagie (n.d.^[42]), “The role of social housing in reducing inequality in South African Cities”, https://issuu.com/objectif-developpement/docs/role_of_social_housing_in_reducing_inequality_sout.

Develop a wider range of housing subsidies to promote urban sustainability

In addition to social housing homeownership and rental housing subsidies, Colombia could develop alternative housing programmes to enlarge the spectrum of the housing and habitat policy. Such alternative programmes would pursue a twofold objective: covering the diversity of needs of low-income households and promoting a more sustainable urban development pattern in Colombian cities. As for homeownership and rental housing subsidies, their impact on urban development should always be fully and explicitly considered.

Housing subsidies to foster urban regeneration

While Colombian cities have major needs in terms of urban regeneration within their central areas (centres and sub-central areas), they do not have high vacancy rates in those locations, unlike many cities in Latin America (OECD, 2015^[23]). Over the past two decades, the majority of Colombian capital cities have implemented public transportation corridors that go through their central areas. Such corridors have improved urban mobility and public spaces but they did not allow for an urban regeneration process even though land regulation often permitted it and even fostered it in theory (Suzuki, Cervero and Iuchi, 2013^[41]; Paquette, 2020^[43]). Today, the concrete co-ordination between public transportation progress and urban development appears to be one of the major challenges for Colombian cities. It is high time to build urban regeneration upon the many advancements achieved in public transportation to optimise the latter and move towards a more sustainable urban development.

Urban planning regulation is a key driver for urban regeneration. However, it is not enough to trigger it and needs to be combined with housing policy. In this respect, the repopulation process that took place in the central and sub-central areas of Santiago de Chile over the last three decades can be inspiring for Colombia (Box 4.6). This case highlights the efficiency of implementing a targeted housing subsidy for building new housing for low-middle class households in deprived urban central areas, in order to enhance regeneration.

Box 4.6. Housing incentive for the renovation of the central area of Santiago de Chile

During the second half of the 20th century, the municipality of Santiago in the metropolitan area of Santiago de Chile experienced a severe population decline, as its population halved from 440 000 in 1940 to 200 000 in 2002. At the beginning of the 1980s, the municipality had become one of the less active regarding housing sales. A large quantity of waste land and old deteriorated buildings started to appear in the territory.

To address the situation, municipal authorities launched an ambitious Repopulation Programme (*Programa de Repoblamiento*) at the beginning of the 1990s. Authorities decided that the Santiago Development Corporation (*Corporación para el Desarrollo de Santiago*), a semi-public corporation, would run the programme. The corporation worked with private developers and land owners to release land for new construction. As a result, many high-density buildings were built and the urban landscape experienced a radical change. In 2012, the municipality reached a population of 308 000 inhabitants. In 2013, it concentrated over 30% of the housing sales of the whole Santiago metropolitan area.

The success of the regeneration of the central area of Santiago was the result of a combination of elements and a coalition of wills. One of the key elements was the creation of a homeownership subsidy awarded by the Ministry of Housing and Urban Development (MINVU), targeting the central urban area defined as “renewal area”. While the Repopulation Programme worked to ease the construction of new housing in the centre of the city, a large share of those “urban renewal subsidies” were provided to low- and middle-class households to fund housing demand in the municipality. Meanwhile, several metro

lines were extended and new metro stations were opened in the centre of the city. Private developers used the new transport infrastructure as a strong selling point to convince young households to set up in the area. At the same time, the municipality incentivised the development of supermarkets and local services so that the new residents could fulfil their daily needs.

The success of the Repopulation Programme was due to its integration within a comprehensive and multi-sectoral strategy. This experience highlights the need to link housing with urban development and transportation projects to enhance regeneration processes.

Source: Amirtahmasebi, R. et al. (2016^[44]), "Santiago's repopulation program: A successful strategy for regenerating a shrinking city", https://doi.org/10.1596/978-1-4648-0473-1_ch5.

Colombia could build new housing for low- and middle-income households in intra-urban deprived areas through a focused and higher VIS subsidy that would be clearly identifiable among developers and households. In order to leverage the substantial investments made in many Colombian cities to improve urban mobility, the new public transportation corridors could be used to help define the spatial coverage of the subsidy. Such a subsidy could be a decisive tool for many capital cities that have already established urban regeneration as a priority but are not making progress. At the moment, the concentration of home ownership subsidies on newly built peripheral housing settlements is going against their regeneration goals and strategies, as it turns private investment away from central and subcentral urban areas.

However, the regeneration of deprived urban areas is not only a matter of building new housing. Neighbourhood improvement is also an important component of urban regeneration. Neighbourhood improvement should be addressed to upgrade the quality of life of residents and in view of sustainable urban development. Recently, Colombia has made substantial progress in tackling improvement issues through the formulation of a national comprehensive framework focused on both housing and neighbourhoods. This effort should continue putting special emphasis on better co-ordination between the several components of the programme to make it more coherent and powerful in contributing to urban regeneration in peripheral areas. In addition, housing and urban environment improvement in the intra-urban fabric could also be integrated. Across the country, strong needs for improvement exist in the inner city and in what has been called the inner suburbs: old self-help-built districts, which used to be the suburbs of the city several decades ago and are now affected by a severe deterioration process (Ward, 2014^[45]). In those neighbourhoods located in urban areas with good access to urban services and amenities, improvement, extension and densification of housing are three challenges that are closely linked and could be tackled in a comprehensive way. In this respect, in June 2020, Chile launched a new innovative programme focusing specifically on this multifaceted issue (Box 4.7), which could be an inspiration for Colombia to foster urban regeneration.

Extending the housing and neighbourhood improvement national strategy to inner-city districts and inner suburbs, without limiting it to peripheral informal settlements, would be an interesting and innovative contribution to urban regeneration in Colombian cities. The integration of urban densification processes as an explicit urban objective of the housing and improvement interventions, as Bogotá, D.C. already does, would allow to articulate housing and sustainable urbanisation issues and give greater scope to the programme.

Box 4.7. Chile's Micro Settlement Programme: An alternative housing option to foster urban regeneration

In June 2020, the government of Chile launched the micro settlement programme “I am staying here” (*Programa de Micro Radicación “Aquí me quedo”*). The aim is to find a solution to the high incidence of cohabitation between households within plots of land (*allegados* issue). The *allegados* evidence the increasing housing deficit in Chile. They concentrate in old suburbs in the subcentral areas of the capital city, in small plot settlements (9x18 metres) that were largely provided to low- and middle-low-income households several decades ago as part of the housing policy. It is estimated that 6 250 hectares can be densified in 466 of such districts that have good access to urban services. The micro-settlement programme consists in implementing a densification process on those plots, as an alternative to traditional housing policy programmes, which provide newly built social housing in peripheral locations. In that case, hosted households do not have to move to other accommodation and can remain at the heart of their family and social networks, often essential to their daily life.

The programme is based on a comprehensive approach to urban inclusive regeneration that involves resident participation. Additional housing can be built on the plots, as well as micro-condominiums (2 to 12 housing units – generally apartments in collective buildings). The programme also includes interventions in public spaces with community participation. The programme is based on subsidies for homeownership and rental housing.

Source: Interviews with Chilean officials from the Ministry of Housing and Urbanisation.

Housing subsidies for assisted self-help production

As in other Latin American countries, cities in Colombia are largely the result of an unplanned urban development process in which housing self-production has played a major role. Historically, the proliferation of informal self-help built settlements has had severe negative consequences for Colombian cities. The high qualitative housing deficit that affects the country's urban areas is primarily a result of several decades of irregular urban development. Today, informal urbanisation still has a strong presence, in particular, due to internal and external migration. In this context, many stakeholders (including national authorities and private developers) tend to see self-help production of housing and habitat as an undesirable process. Currently, housing policy does not provide any subsidy in order to support low-income households to solve their needs through self-help production. The implementation of a housing policy based on massive social housing production is justified by the need to put an end to informal urban development.

In other Latin American OECD countries, Chile and Mexico, which used to have the same position until a few years ago still, the situation has changed significantly. Due in particular to the many severe problems created by the production of large-scale social housing settlements in urban peripheries, self-help production, providing that it is technically assisted, regulated and supervised, is now seen by national authorities as a viable option, with many potential benefits both for households and urban development. On the one hand, families can build their homes at their own pace and according to their particular needs, within an incremental approach. They can get better and bigger housing units and are less vulnerable to life hazards than if they had contracted a bank loan that would take years to be repaid. Moreover, the construction process, which often involves other members of the community, contributes to creating social cohesion within the neighbourhoods. On the other hand, the self-help production of housing and the habitat is not systematically synonymous with informal and unplanned urban development. On the contrary, if it is carried out in a regulated way and technically assisted, it can contribute to the implementation of more

sustainable urban development strategies. It can be used, for instance, as a way of densifying and regenerating urban districts that have good access to services and urban amenities, as shown by Chile's Micro Settlement Programme (Box 4.7).

In particular, the Mexican experience could be inspiring for Colombia. After having based its national housing policy entirely on massive social housing production for almost two decades, Mexico made a major shift in 2020, turning its housing policy towards the promotion of self-help production of housing and habitat. Housing credits granted by the National Workers' Housing Fund Institute (INFONAVIT), which is the major source of funding for low-income housing, are now available for funding this kind of housing solution, and no longer only to buy units for immediate use. The Ministry of Agrarian, Territorial and Urban Development (SEDATU) of Mexico, in charge of housing policy, now provides a didactic online platform for interested households. A wide range of strategic information (existing funding programmes, tutorials, plans and guides, help for administrative procedures, etc.) can be found on the platform regarding the multiple stages of the self-production process. Sustainability is an important concern within the recommendations, in particular in terms of building materials and the design of dwellings according to regional specificities. The objective of this tool is to enhance households' capacity to make decisions in order to exercise their right to adequate housing. In Mexico, against all expectations, the shift in housing policy was welcome by all relevant stakeholders, even though past attempts to change the rules of massive housing production had generated strong opposition from private developers. Substantial preparatory work was accomplished with them in order to build strategic alliances around the issue. The main challenge now is to convey the message that self-help housing production does not nurture informal urbanisation.

The case of the US Self-Help Homeownership Opportunity Program (SHOP) could also be of inspiration to Colombia to formulate a programme to support assisted self-production of housing (Box 4.8). The advantage is that the US programme relies on national and regional non-profit organisations and, in Colombia, this type of organisation has been operating in the field for a long time. The housing and habitat policy could take advantage of their advanced expertise, as it is done in the US, to tackle housing needs.

Even if Colombia is currently focused on the production of social housing at the national level, reintroducing a programme for funding regulated and assisted self-help production of housing and the habitat into housing policy would help diversify low-income households' options. Colombia has extended and valuable experience in this field. Districts in which densification and regeneration are considered viable could be specifically targeted. The programme/subsidy could also be coupled with the national strategy for housing and urban environment improvement to make it even more comprehensive. Acceptability being a key issue, a large consultation process would have to be conducted, involving the many civil society organisations that are locally implementing projects of this kind.

Box 4.8. The US Self-Help Homeownership Opportunity Program (SHOP)

The US Department of Housing and Urban Development (HUD) adopted SHOP to award grant funds to eligible national and regional non-profit organisations and consortia to purchase home sites and develop or improve the infrastructure needed to set the stage for "sweat equity" (non-monetary effort given in labour and time, provided by households in order to build their homes and the homes of their neighbours) and volunteer-based homeownership programmes for low-income persons and families. SHOP funds must be used for eligible expenses to develop decent, safe and sanitary non-luxury housing for low-income households and families that otherwise would not have the opportunity to become homeowners.

Eligible applicants are national and regional non-profit organisations or consortia with experience in using homebuyer and volunteer labour to build housing. They must have completed at least 30 units of self-help homeownership housing within the last 24 months. Eligible homebuyers must apply to

participate in the programme through a current SHOP grantee or one of their affiliates. SHOP grant funds are made available through an annual competition published on HUD's e-grant portal.

SHOP grant funds can only be used for land acquisition, infrastructure improvements and administrative costs. Total land acquisition and infrastructure improvement costs cannot exceed an average of USD 15 000 in SHOP assistance per unit. Administrative costs cannot exceed 20% of the SHOP grant amount. SHOP grantees must leverage other funds for the new construction or rehabilitation of their SHOP units. In 2020, grantees amounted to USD 10 million, subsidising 4 organisations and around 540 housing units.

Source: HUD (n.d.^[46]), *Self-Help Homeownership Opportunity Program (SHOP)*, www.hudexchange.info/programs/shop/.

Deepen the knowledge of the housing deficit

A comprehensive housing policy for sustainable development should be supported by in-depth and up-to-date knowledge on a wide range of topics, from the national to the local scale. Indeed, the local scale should also be taken into account when designing national housing policies due to their impact on housing and urban development. Understanding all aspects of the housing deficit is critical to identifying the needs and formulating adequate strategies.

Estimation of the housing deficit and use of the data

Housing deficit is a very important topic in Colombia, as well as in Latin American countries in general. Data about the housing deficit are mentioned very often in the media and many stakeholders refer to it frequently to measure the progress of the housing policy. In the context of the rapid and massive urbanisation process that took place during the second half of the 20th century, national authorities have been unable to provide enough housing solutions. This has led to the development of a large number of informal settlements (dwellings that need to be improved or replaced thereafter) as well as an increase in the number of cases of cohabitations between households.

Estimating the range of accumulated needs is necessary in order to define housing policy goals and the number and characteristics of housing solutions that have to be implemented. Compared with other countries, Colombia calibrates its housing policy essentially on the basis of the housing deficit to be solved but relatively little on future needs (how many housing solutions will need to be built in the future in order to cover the increase of the number of households). Thus, housing policy appears to be primarily focused on the reduction of the deficit.

Housing deficit data have a direct impact on housing policy because they are used to calibrate its quantitative targets. A large backlog of housing needs will justify and legitimise the implementation of policies based on mass production for instance. As a consequence, their estimation is a key issue. However, housing deficit data can vary a lot depending on the methodology used. Indeed, the 2020 methodology implemented in Colombia by DANE provides a higher incidence of housing deficits than the previous one (2009), in spite of the rise of housing subsidies over the last few years (Table 4.9). As mentioned before, according to the 2020 methodology, Colombia's global housing deficit was estimated to represent 36.6% of the total households in the country (5 144 445 over 14 060 645 units) in 2018. The quantitative dimension represented 9.8% of the households (1 378 829), whereas the qualitative dimension was affecting 26.8% of them (3 765 616) (see Chapter 1). However, in line with the previous 2009 DANE methodology, the housing deficit would have represented only 31.9% of the households in 2018. The quantitative part would have been 5% instead of 9.8% and the qualitative deficit would have been mostly the same. These discrepancies have raised concerns for the national authorities, which have intensified efforts over the last decade without seeing them reflected in official data.

Table 4.9. Housing deficit in Colombia based on the 2018 National Population and Housing Census, percentage of households

	2009 DANE methodology	2020 DANE methodology
Overall housing deficit	31.9	36.6
National quantitative housing deficit	5	9.8
National qualitative housing deficit	26.9	26.8
Urban areas overall deficit	17.2	24.8
Urban areas quantitative deficit	4.9	6.1
Urban areas qualitative deficit	12.3	18.7
Rural areas overall deficit	84.4	81
Rural areas quantitative deficit	5.3	23.7
Rural areas qualitative deficit	79.1	57.2

Note: Urban areas: *cabeceras*; Rural areas: *centros poblados y rural disperso*.

Source: DANE (2018_[47]), *Déficit habitacional 2018. Resultados con base en el Censo Nacional de Población y Vivienda 2018*; DANE (2018_[37]), *Censo Nacional de Población y Vivienda - CNPV 2018*, <https://www.datos.gov.co/Estad-sticas-Nacionales/Censo-Nacional-de-Poblaci-n-y-Vivienda-CNPV-2018/qzc6-q9qw>.

It is important to underline that no universal methodology exists, nor any universal definition of what should be considered as the right components to consider for estimating the housing deficit. Like other forms of social need, housing need is intrinsically a normative concept (Bramley et al., 2010_[48]). Habitability criteria might differ across countries and contexts: what can be considered as an adequate housing solution (regarding materials, thermal comfort or number of occupants) in one country can be regarded as unacceptable in another. In the European Union (EU), the housing deficit is addressed through the notion of severe housing deprivation but there is no agreed-upon definition across EU countries.

Cohabitation is a central element in the estimation of the housing deficit (DANE, 2020_[49]). Indeed, it can be either the expression of a real constraint (households are compelled to cohabitate with another) or the result of a choice or preference, strategy or arbitration process. Cohabitation between households can enable them to support each other in many aspects of everyday life. It is also a very common way of life that reflects the importance of family values, especially in Latin American countries. The fact that cohabitation also happens in medium- and high-income groups indicates that it cannot always be considered as the last option. To account for this issue, Colombia revised its methodology regarding cohabitation in 2020. The new methodology combines the number of households in dwellings and the total number of people within the housing unit (more than six). Although this methodology represents an important step forward, the risk is to still include within the quantitative deficit households that currently actually do meet their housing needs. In this respect, Chile has long been developing an interesting methodology to distinguish the different kinds of cohabitation, based on the application of a social survey to identify the diversity of situations. However, despite the progress achieved, housing deficit estimation is still a matter of ongoing debate (Box 4.9).

Limiting the inclusion of households in higher-income deciles should help better estimate the quantitative component of the deficit. Regarding the qualitative deficit, an effort could be made towards the regionalisation of the criteria regarding building materials. Colombia has climate conditions that vary considerably across the country and have an impact on the building materials used and the structure of the housing units. In the same way that VIS housing standards should be adapted to local conditions and specificities (something that is now considered in the new housing law, with the concept of regional housing), housing deficit should integrate regional diversity.

Another important potential improvement refers to the use of data. Housing deficit data in Colombia can be: i) disaggregated in its quantitative and qualitative components; ii) differentiated at spatial levels from the whole country to the local scale; and iii) distinguished between urban and rural areas. DANE has

created a very useful tool that provides online access to all disaggregated housing deficit data at every territorial level, making it possible to identify the housing deficit in its finest components. However, despite the availability of this very precise information, quantitative goals and progress of the national housing programmes still contain aggregate data. The MCY programme, for instance, is linked to the quantitative deficit aggregate data and not to the kind of housing shortage it is actually targeting (quantitative deficit in urban areas). As a result, quantitative targets tend to be overestimated, as they are being calibrated to global data and very high goals. This could lead to massive production of social housing units. Conversely, referring to aggregate data may minimise the impacts of the housing programmes for reducing housing shortages. Housing progress is usually compared to the aggregated data that include urban and rural dimensions, while their evaluation should only include urban area data.

Housing deficit data should also be used to set regionally calibrated objectives for the national housing programmes. As outlined above, there are major differences across regions regarding housing needs. Nevertheless, no regional targets (number of family subsidies per region, for instance) are established for the implementation of the national housing policy in order to better meet the differentiated needs in the country's urban areas. Important efforts should be made to better use and leverage the existing housing deficit data, rather than changing again the methodology for estimating the housing deficit.

Box 4.9. Estimating housing deficit in Chile

How to estimate Chile's housing deficit has been at the centre of debates for more than two decades. For that purpose, Chile uses two main different methodologies to estimate both the quantitative and qualitative deficits. One methodology was developed by the Ministry of Social Development (*Ministerio de Desarrollo Social*, MDS) and the other by the Chilean Chamber of Construction (*Cámara Chilena de la Construcción*, CChC). Both are based on the results of the CASEN (national socio-economical characterisation) surveys, which are carried out every two years (since 1990) by the Ministry of Social Development to monitor the situation of households closely, especially those targeted by social programmes. The surveys include indicators of health, housing, education, employment and income. Their objective is to evaluate the impact of social policy.

Two types of housing cohabitation are identified in Chile: external and internal. External cohabitation (*allegamiento externo*) refers to two or more households sharing a housing unit, each with its own domestic food budget. A household is defined as a group of people, whether or not members of the same family (although they generally are), who live in the same house and share the same domestic food budget.

Internal cohabitation (*allegamiento interno*) corresponds to a single household, which includes several family *nuclei* sharing a unique domestic food budget.

In the MDS methodology, the quantitative deficit includes: housing units with external cohabitation (more than one household in the same housing unit); secondary family *nuclei* that experience overcrowding (more than 2.5 people per bedroom); and housing units that are not recoverable. Qualitative deficit corresponds to: housing units without cohabitation but which are overcrowded; households living in dwellings lacking basic services; and households living in housing units whose quality is not adequate and must be improved. By 2017, according to this methodology, the global housing deficit affected 497 615 households: 42 677 housing units were considered unrecoverable; 300 158 households were experiencing external cohabitation; and 154 780 internal cohabitation with overcrowding.

The Chilean Chamber of Construction also divides the housing deficit into two categories: quantitative and qualitative. Its methodology to define cohabitation is different. It deduces from total households and family *nuclei* an estimated number of what can be considered "voluntary cohabitation" calculated on the

basis of the share of cohabitation situations in the tenth decile of income, considered the “natural cohabitation proportion”. This percentage is then applied to all deciles of income.

Regarding cohabitation, a third methodology has been proposed by a Chilean study and research centre, Libertad y Desarrollo. It only takes into account the housing situation of the poorest 60% of the population, considering that the aim of the national housing policy is to focus on this group of population.

Source: Medel, C. (2020^[50]), “Medición del ‘déficit habitacional’ en la metodología de pobreza multidimensional”, https://obtienearchivo.bcn.cl/obtienearchivo?id=repositorio/10221/28616/1/BCN_Metodologia_deficit_habitacional.pdf; Irarrázaval, G. (2019^[51]), “Déficit habitacional en Chile: desafíos de política pública”, <https://lyd.org/wp-content/uploads/2019/09/serie-informe-social-179-agosto.pdf>.

Elaboration of local housing diagnosis and programmes

While housing deficit data need to be better used at the national level in order to localise the financing of housing solutions, they should also be much more locally mobilised by cities. With the exception of a few large capital cities, Colombian urban municipalities generally suffer from an important knowledge deficit regarding housing topics. The practice of systematically realising strategic housing diagnoses should be promoted (with the support of the MVCT) so as to ensure that cities have the key elements to implement adequate housing strategies. Projected demographic change, land and housing price evolution within the city, including informal markets which have great importance (see Chapter 1) as well as housing vacancy rates are part of the elements that need to be monitored. Informal settlements are also a crucial issue. Despite their incidence in Colombia (and their consequences on urban development), quantitative and systematic knowledge of them is surprisingly scarce. Civil society organisations and professionals (including municipal staff) that intervene in land regularisation used to have in-depth qualitative knowledge of the topic but it is not being systematised institutionally.

The creation of a limited and well-focused corpus of data should be a priority, as well as its concrete use to fuel local housing strategies in co-ordination with urban development plans. The French Local Programme of Habitat (*programme local de l’habitat*, PLH) could be an inspiring experience for Colombia. The French PLH is an interesting tool regarding the “localisation” of housing policy and its connection with urban issues at the local level. Created in 1983 (and later reinforced by several other laws) to accompany the decentralisation process, especially regarding urban issues (which would be entirely assumed by municipalities), the PLH gives cities an up-to-date diagnosis of their housing situation and needs, as well as a strategy and an agenda for action over a six-year period. It is made up of three main components: diagnosis, principles of action and objective, and action programme. One of the main strengths of the PLH is that its orientations must be taken into account in the local urban plan (equivalent of the Colombian POT), which must reflect them formally. Another interesting characteristic is that the PLH has to integrate the content of the Local Urban Mobility Plan. This helps articulate transportation and housing strategic issues at the local level, avoiding the planning of development of new housing districts with no transportation infrastructure for example. Initially created as a voluntary document, the objective of the PLH was to foster local initiative and innovation in the field of housing policy and provide national authorities, in charge of defining the housing policy territorial goals, with local information. The PLH became mandatory in France as of 2009 and integrated the challenge of ensuring a minimum quota of social housing (initially 20%, now 25%) in each municipality at the beginning of the 1990s. The PLH now must be elaborated by all municipalities with over 20 000 inhabitants. They are now generally established at an inter-municipal scale. Despite the differences of context between France and Colombia, a tool inspired from the French experience could be implemented in Colombia (without being mandatory) at a municipal scale, in order to foster the creation and concrete use of strategic knowledge on housing issues, indispensable for more sustainable urban development. Incentives could be used by the national government to encourage regional and local housing planning practices. Furthermore, the implementation

of such a scheme could provide the national government with strategic information for continuous feedback on housing production, supply and programmes. As mentioned in Chapter 1, housing needs (established through housing deficit data) vary greatly between regions, departments and municipalities. In such a context, it is essential to ensure that housing production and subsidies match territorial needs.

Developing the traceability of social housing subsidies

The framework of social housing production adopted by Colombia two decades ago is based on a definition of social housing grounded on a maximum sale price and on the construction of social housing by private developers, which low-income households acquire with a subsidy granted by the state. Within this framework, there is currently no clear picture for the Colombian government of what kind of social housing units are being effectively subsidised (their size and type of housing: individual units or apartments) and where they are located, especially within urban areas. However, this kind of information is absolutely necessary in order to evaluate the impact of the housing policy, regarding both housing demand and urban development.

On the one hand, data on housing construction and sales provided by CAMACOL refer to both VIS and non-VIS units. Although of great value, they do not allow to identify social housing units that were purchased with the help of a subsidy. Actually, the use of this data in order to evaluate the impact of the housing policy might lead to conclude that, because of the high volume of VIS production and sales in the country, the housing needs of low-income households are being largely responded to. In fact, as already mentioned, as a significant portion of VIS are being bought without any subsidy, the use of this data can lead to a distorted picture of the outreach of the housing policy.

On the other hand, there is data on housing financing provided by DANE (FIVI Data). Such data refer to the housing units that were purchased via subsidies. Although they allow a clear vision of the universe of subsidised housing, they do not provide any information on where those units are located, nor their main characteristics regarding size and housing typologies.

In the same way, as housing units purchased with a subsidy should satisfy certain requirements regarding quality established at the national level, the MVCT should be able to identify them precisely (and not only beneficiary households). The implementation of a mechanism of traceability of the housing subsidies granted, regarding the size of the units, their typology, their main characteristics and their localisation within land use perimeters, could allow the ministry to monitor closely the production of subsidised social housing and identify its impact on urban development. A database could be compiled to identify, for each social housing subsidy granted, the housing unit purchased and its main characteristics. Such a tool could enable the ministry to set up an observatory of subsidised social housing based on a habitat perspective, which might be a strategic instrument in order to tackle both housing and sustainable urban development issues.

Improving the measurement of housing affordability

Colombia could step up its methodology for measuring housing affordability to contribute to evidence-informed policy making in the area. Although there is no international consensus on how to measure housing affordability (for example, the OECD has its own definition of affordable housing) and no single measure captures every aspect of what makes housing affordable, Colombia could use a combination of measures, each of them with its own merits and limitations. This could help policy makers assess how challenges differ across household types and regions, and identify the dimensions of affordability that are most relevant in the different regions and cities of the country. For example, disaggregating household expenditure on housing by tenure type, region and across the income distribution can help policy makers identify the households and places that struggle the most. This practice could also help better target housing subsidy programmes. Table 4.10 provides a comparison of affordability measures used in OECD countries that Colombia could use as a basis to improve its own methodology. It presents the most common metrics to assess housing affordability.

Table 4.10. Selection of affordability measures in OECD countries

Type of measure	Example of indicators	Advantages	Disadvantages
Price-to-income ratios	<ul style="list-style-type: none"> House-price-to-income ratio Rent-price-to-income ratio 	<ul style="list-style-type: none"> Relatively straightforward, intuitive. Relies on data that are generally readily available in most countries. Shows, at the aggregate level, how the association between prices and income varies over time and/or across markets, such as across countries. 	<ul style="list-style-type: none"> Does not provide any indication of the distribution of housing costs and housing affordability (e.g. who has/does not have access to affordable housing). Does not provide any indication of housing quality. Does not take into account borrowing costs.
Housing expenditure-to-income ratios	<ul style="list-style-type: none"> Housing cost burden Housing cost overburden rate (e.g. share of households spending over 40% of disposable income on housing costs) 	<ul style="list-style-type: none"> Relatively straightforward, intuitive. Relies on data that are generally readily available in most countries. Can be disaggregated to measure actual housing spending at the household level. 	<ul style="list-style-type: none"> “Overburden” threshold is set at an arbitrary level that remains fixed, regardless of household characteristics or their position in the income distribution. Does not provide any indication of housing quality.
Residual income measures	<ul style="list-style-type: none"> Shelter poverty Housing-induced poverty 	<ul style="list-style-type: none"> Captures the level of income a household has left after paying for housing costs, to assess the extent to which households have sufficient income left for non-housing expenses after paying for housing. Can be useful to measure affordability gaps among vulnerable low- and middle-income households. 	<ul style="list-style-type: none"> Can require extensive additional data collection on the cost of the minimum basket of non-housing expenses. Arbitrariness with respect to what constitutes the minimum income a household needs for non-housing expenses. Does not provide any indication of housing quality (e.g. what households are paying for). Can misdiagnose general cost-of-living problems as cost-of-housing problems.
Housing quality measures	<ul style="list-style-type: none"> Persons per room Overcrowding rate Housing deprivation rate 	<ul style="list-style-type: none"> Overcrowding can be assessed based on a very simple (or more complex) definition. Provides insights into a key dimension of housing affordability, e.g. what households are paying for. 	<ul style="list-style-type: none"> Potential trade-offs between social and environmental objectives when interpreting indicators relating to dwelling size. Cross-country/cultural differences in what characteristics are most relevant to assess housing quality. Some quality metrics require up-to-date data on the technical characteristics of dwellings, which may not be readily available.
Subjective indicators of housing affordability	<ul style="list-style-type: none"> Satisfaction with the availability of good, affordable housing Housing as a key short-term concern 	<ul style="list-style-type: none"> Can complement other measures of housing outcomes and can help better understand the determinants of housing satisfaction. 	<ul style="list-style-type: none"> Perceptions and expectations about what constitutes good quality affordable housing differ across individuals, countries and cultures and may also depend on socio-demographic characteristics. Satisfaction levels may depend on country-specific factors, including the overall economic environment, and/or the level of social protection policies.

Source: Based on OECD (2021^[2]), “Building for a better tomorrow: Policies to make housing more affordable”, <http://oe.cd/affordable-housing-2021>.

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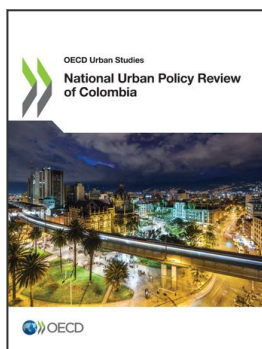
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Note

¹ Urban treatments are zoning categories used in Colombia's urban planning document (POTs) to define what kind of urban interventions can be carried out. There are five urban treatments categories: conservation, consolidation, integral improvement, renovation and development.



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