

**“FROM THE RIGHT TO HOUSING TO THE DEFENSE OF PRIVATE PROPERTY:
A CRITIQUE OF THE PERUVIAN APPROACH TO HOUSING INFORMALITY
AND A CONTRIBUTION TO A NEW LAND AND HOUSING POLICY”**

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Introduction

The rapid and intense urbanization that has been produced in Latin America from the 1960's onwards has been greatly reviewed and analyzed under the lens and category of informality. Traditional explanations to the occupation and appropriation of land, the auto-construction of settlements and the socio-economic dynamics embedded in them, have reduced the phenomenon to an inadequate urban planning system, incapable of coping with the dramatic rate of urbanization that outstrips every form of planning process (Fernandes & Maldonado, 2016); this is the narrative of the Third-World cities that “defies all planning controls and forecasts” of urban growth (Roy, 2009:77).

In this sense, informality has been understood as an “extra-legal discipline”, one that operates continuously and parallel to “the formal and the legal” (Roy, 2009:84). Under this view, the State performs all the formal systems and regulations and tries, at its best, to manage the explosive and overwhelming process of migration and expansive urbanization. In this line of thought, the role of the State seems to be reduced to a managerial one that bears with informality forces –which are apparently outside it- while struggling to find solutions to them. In this stream of thought, the attention paid to informality is around the problems it faces when it has already occurred and hence studies principally focus on the challenges this type of settlements endure, let it be their lack of basic services, their location in hazardous places, their level of security of tenure etc. All of this are extremely important issues that merit special care and attention. However, if the discussion solely revolves around the consequences of informality rather than the economic and political structures that are reproducing it, we will have done insufficient work to tackle the problem from its roots.

Therefore, this work is an attempt to further understand informal settlements, specifically in Lima, that city were more than half of its footprint has been produced informally and that today holds 10 million inhabitants –let it be one third of the country's population. The paper is divided in two chapters; the first one analyses the continuum of land and housing policies applied in Lima from 1956 to 1990 as well as the power structures that dominated the city in order to understand the production of the informal city and the highly segregated urban environment that defines Lima nowadays.

The second part of the paper takes as an entry point the neoliberalizing project executed by former president Alberto Fujimori from 1990 to 2000. In it I examine the authoritarian regime that allowed on one hand to implement a set of radical land deregulating policies; and on the other hand permitted to deployment of the largest land-titling program in the world, which followed the advisory of Hernando De Soto's property theories, received loans from international development agencies and was at its time applauded worldwide. However, in the last part of the chapter I also expose the unanticipated –or maybe anticipated- consequences of such policy implementation and how they

incremented the gap between the formal housing market and the poorest sectors of the population; showing how the program not only obeyed a pragmatic paradigm grounded on technical arguments but more importantly, it served a populist project and powered an efficient electoral, while perpetuating the problem of land access and housing informality.

Chapter 1

The Foundations of the Informal City: Land and Housing Policies in Lima 1956 – 1989

Lima is somehow unique among other Latin American cities because of the way and pace in which its morphology was transformed by *barriadas* –a type of informal settlement- since the late 1950s. The *barriada* process flooded the city with a popular claim for opportunities, and defied the oligarchic State that existed in Peru until then. José Matos Mar called this process “*el desborde popular y crisis del Estado*” –the ‘plebeians’ overflow and the crisis of the State’ (Matos Mar, 1984). As Fernández-Maldonado notes, Lima “has a place in the urban studies because of the singularity of its peripheral *barriadas*, [...] that emerged in the late 1950s. Due to several reasons, the *barriadas* process in Lima has been more extensive, more organized and in some ways, more thought provoking than in other cities of Latin America.” (Fernández-Maldonado, 2007:1).

The vast informal neighborhoods that break every urban edge and gobble both desert and agricultural territories, as well as the rapid pace with which Lima expanded and sprawled, are not only caused due to geographic conditions –easy availability of land and a mild climate, which could indeed have facilitated the appropriation of land, but the phenomenon cannot be reduced to that. The informal landscape that predominates in Lima urgently calls for a critical understanding of the political decisions that brought upon a city whose 60% of its territory has been produced informally and illegally. It demands the urgent attention of scholars and policy makers to critically understand the political economy behind it, and the decisions that have shaped the Peruvian capital. As Julio Calderón states, “the urban growth towards the city’s ‘low cost’ desert peripheries, has not been a spontaneous process but rather one that has been carefully guided by public policies that decided it” (Calderón, 2016:225).

This chapter presents and analyses the continuum of urban policies from 1956 to 1990 –regarding land and housing, which contributed to the production of an informal city and a highly segregated urban environment like Lima. In this time frame, the most reformative actions around urban planning in Peru began in the early 20th century with the migration flux to the cities, the need for land and the expropriation laws that encouraged discussions around the defense of private property and its use according to its social function (Calderón, 2016:167). However, although progressive attempts to ensure a more orderly and democratic access to the city were made during the second half of the 20th

century, they were debilitated and continuously and quickly circumvented by stronger political and powerful interests –from the private and public sector, which maintained their control over the valuable resource of land. This will be shown through the analysis of different moments in the second half of the 20th century.

In order to talk about housing it is necessary to understand who owns land and how it is used; housing and land are inseparable and understanding housing policies without analyzing the availability and accessibility to land, is rather naïve. As Fernández-Maldonado has indicated, “Lima’s urban development has been very skewed and characterized by two different spatial logics, not mutually exclusive but rather highly interrelated: the ‘formal’ development process led by the [formal] real estate market, mainly based on land speculation; and the ‘informal’ process of urbanization of the periphery by the collective and organized action of the poor” (Fernández-Maldonado, 2007:2). It is important to point out the interrelation that Fernández-Maldonado mentions between the formal and the informal; because by revising better the way in which formal housing could develop in the central part of the city, we will be able to understand in a more comprehensive way the causes that allowed the peripheries to develop informally into *barriadas*. In this interdependence logic, inquiring about the ownership of the urban expansion area of Lima is crucial in order to grasp on the land market that excluded many and that pushed against the different land and housing policy attempts.

During the first half of the 20th century, a massive land concentration process occurred in the countryside of Lima –otherwise called the ‘urban expansion area’. If at the beginning of the century the whole territory belonged to 296 proprietors, by 1955, land was concentrated in the hands of 65 families whom controlled approximately 31,456 hectares (Capelo, 1974 in Calderón 2016:119), and 11 of them monopolized 52% of the territory (Calderón, 2016:119). In a healthy real estate market, the proprietor of the land is different from the developer (Sandroni, 2017). The real estate history in Lima was exactly the contrary; big landowners started to constitute their own real estate companies expanding the city towards the south, catering the demand of the middle and upper classes which were moving from the inner city out. These companies took advantage of the generous public investment in infrastructure, which rapidly elevated the price of the land; the publicly generated value was not recovered by the State and was rapidly capitalized by the developers who –already having the land- could develop low rise houses for their public. The State not only had no power to recover the value generated by its own means but did not have either the legal instruments to demand the development of social or affordable housing in the new development that was occurring in Lima. Additionally, not all of the urban expansion area was developed, conversely, it was common for proprietors to leave islands of vacant land generating a speculative process that would further expand the territory of the formal housing supply towards the city edges, increasing therefore the costs of public infrastructure development.

1.1 Intention to Provide Housing: Commission for Agrarian Reform and Housing – CRAV

During the first four decades of the 20th Century, the *barriadas* were not a visible phenomenon for the elites, their location on the outskirts of the city, made them rather imperceptible and hence, their illegality could also be camouflaged. However the 1940s census revealed that the population had doubled from 1900 to 1930s and that it had doubled again from 1930s to 1940s. This new visibility was accompanied by a stigma of illegality and a consequent series of eviction measures. The severity of the measures imposed by the State was comparable to the harshness of having developed a house and a community on the rough and sandy terrains of the desert of Lima. This led to a deep social and housing crisis, which as well gave rise to the first robust popular manifestation that pressed the State to legally recognize the land occupations. At the moment, as José Matos Mar points out in his ethnographic work, the population's legal culture admitted its illegality but urged the government to open a legal window through which they could be recognized legally as part of the city: "this is our work, this is what we have done, do not let others say that it is their jurisdiction, before there was nothing here, we the people have done this from scratch and therefore we cannot be removed" (Matos Mar, 1977:172).

In the midst of this conflict, the government of President Manuel Prado created the Commission for Agrarian Reform and Housing –from now on CRAV (for its acronym in Spanish). President Prado gave full control of the newly instituted Commission to Pedro Beltrán, a successful liberal businessman who considered that it was not the State who should resolve the housing problem. Instead, the housing demand for the low middle class should be taken care of by the private sector through a 'mutual system' –where real estate companies received a public subsidy. On the land market side, he did recognize that land had to be regulated in some way by the State because land speculation was making it unviable to provide this housing. Meanwhile, the CRAV determined that the poorest sector of the population should be given public terrains where they could continue their informal housing construction process that they had initiated (Calderón, 2016:169); Beltrán's rhetoric appealed to the idea of the *mita*, a system of reciprocal labor exchange employed in the Andean highlands from where the majority of the migrant population came from.

Both measures were controversial and did not seem to be two sides of the same coin –the first one required a more active action of the State and the second one excluded the State's role almost completely. The problems identified for the first model reveal the State's incapacity to deal with the powers exerted by few actors that concentrated a grand portion of the city's urban expansion lands. An analysis of the housing policy for the poor is made in the following section. In the case of the low middle class supply, although liberal based, in 1958 the CRAV conducted a study of land prices that

revealed how landowners increased the land's price without exerting much effort on it. In 1957 it was estimated that the median cost of urban land was US\$ 15/m² and the cost of rural land was US\$ 0.35/m² (CRAV, 1958 in Calderón 2016:170). This meant that the simple administrative conversion of rural land to urban had incremented its price by a factor of 57. Even discounting the costs of the administrative processes, the CRAV concluded, "the urban land's price was captured by the owner in an operation that did not keep adequate proportion with the value of its production" (Calderón, 2016:171).

Therefore, although driven by Beltrán's liberal framework, the CRAV determined that in order to introduce affordable housing inside the city or on the border of it, it had to regulate the land market. Therefore, it suggested that it was necessary to acquire agricultural lands next to Lima at a fixed price of US\$ 0.20/m². This would put pressure on landlords who were retaining and speculating with their land; and municipalities were intended to exert fiscal pressure over vacant land with an increase on the property taxes. Despite of identifying what needed to be done in order to proceed with a more equitable use of the territory and a more efficient use of public economic resources, due to political pressure, these policy intentions stayed as suggestions and were not implemented. The State instead focused on the 'mutual system' (Law No. 12813) –a subsidy made to the housing offer, which soon failed; the State could not fiscally manage a steady disbursement of subsidies without recovering any of the value acquired by the urbanized land that had been generated by the State itself.

1.2 The First Recognition of Informal Settlements as Legal: 'Barriadas Law' 1961

Social pressure exerted by informal settlements during the 1950s introduced the regularization topic to the heart of the Congress' agenda; on January 1957 a sounded bill was presented and the 'National Office for Informal Settlements' was created. During four years liberals and conservatives debated around the topic and in 1961, Law No. 13517 was finally promulgated and declared of national interest the "legalization and remodeling of existing informal settlements in the urban and suburban parts of the national territory". As Calderón indicates, this was and is a milestone in the history of informal settlements regularization (2016:184)¹.

As progressive as this law was, it is important to note its actual dual composition. As Jean-Claude Driant points out, this was a 'two-sided policy' (1991); while it recognized the already created *barriadas*, it prohibited and sanctioned the development of more and at the same time did not generate changes in land regulations such that more land could be available in the formal market for the lowest tiers of the population. This was accompanied by a contested debate in Congress: on one

¹ Calderón (2016) indicates that in the review done to date of other experiences, only one similar device from that similar time has been found in Cairo, Egypt in 1967.

² From 1975 to 1980, Military General Francisco Morales Bermúdez would establish a military transition

hand there were those who believed that these illegal land occupations had to be replaced by planned housing developments (Fernando Belaúnde Terry, who would become President in 1963 and then in 1980); and on another hand, a liberal discourse that stated that *barriadas* were unavoidable and therefore they need to be accepted and regularized (Pedro Beltrán) (Collier, 1978). In this debate, the most pressing issue was regarding how much responsibility did the State have with the poor. It is important to note how, from this time on, a neoclassic liberal approach to housing policies was introduced in Peru –something that would mark its history until today. For politicians such as Pedro Beltrán, the settlers of the *barriadas* had to grow independently from the State (Calderón, 2016: 184); the goal was "to create a highly structured system based on property and self-help construction, which would teach the poor to take care of themselves and keep them from disruptive political movements" (Collier, 1978).

This was the beginning of a pragmatic approach to housing which shifted the paradigm on informal settlements worldwide. Two scholars who worked in Peru between 1955 and the end of 1960s, and collaborated with the Peruvian government, developed a new paradigm of informal settlements where these were seen as solutions rather than problems: the American anthropologist William Manguin and the British architect John Turner (Connolly, n/d). While celebrating the superiority of the social and cultural capital behind the informal habitat, they would criticize the rigidity of the official housing policies and planning offices. It was especially John Turner who constructed the theory of the power and freedom of the individual in front of the tyranny and inflexibility of the State's institutions, crafting and popularizing the so called term 'self-help' housing (Turner, 1976).

1.3 Military Government: Authoritarian Intention of Revolution but no Urban Reform

On October 3rd 1968, Military General Juan Velasco Alvarado organized a successful military coup against the democratic government of Fernando Belaúnde Terry, and would remain in power from 1968 to 1975². Velasco imposed a de facto government aimed at producing fundamental social, political and economic changes; he would nationalize extractive companies, promote an import-substitution industrialization model, create the deepest agrarian reform in the country, which among other reforms, aimed at affecting the interests of the oligarchy. Although his program did succeed in his aims of destabilizing the elite groups, it actually did not deeply transform the relations of power in the country and Lima; instead it did create a deep economic crisis, which principally affected the poorest sector of the population. Meanwhile, the housing sector was almost entirely unmodified –the

² From 1975 to 1980, Military General Francisco Morales Bermúdez would establish a military transition government, and call for democratic elections in 1980 when Fernando Belaúnde Terry would be reinstated in power by democratic vote.

military government had declared a war against big landowners however did believe that the real estate and the construction sector were rather progressive and were needed to modernize the country.

Therefore, the military government continued and enforced his support to the construction and real estate sector through the 'mutual system' and sustained its funding to the development of basic infrastructure –roads, sanitation, electricity- to the newly urbanized areas of Lima –again without capturing the value created. Once again, housing policies were not designed in order to modify the land structure such that an affordable formal market could be created for the poorest part of the population; on the contrary, what the legislation considered to be 'social interest housing' –to which it granted a broad set of tax exemptions and stimuli policies-, proved to be housing for the middle and upper classes (Sánchez León and Calderón, 1980). During the beginning of 1970s, 70% of the activity of 'Mutual Associations' was directed to households of the upper quartile. As well, they achieved an important development attracting the savings of the low classes and redirecting the investment of the interests generated towards the upper middle classes: "in 1970 they captured 15.5% of the total savings for housing –in comparison to 1.1% in 1962- but the loans that they gave reached only 4.8% of their members" (Henry, 1978 in Calderón, 2016: 203). Therefore, although the rhetoric of the 'revolution' was in favor of the construction of housing of "public use and social interest" (Laws No. 17528 and 17803), by 1973, 85.4% of the labor force could not access mortgages for the traditional housing market, nor the so called social interest housing promoted by the State (Ministry of Housing and Construction, 1981 in Calderón, 2016:204)

On the other hand, despite the support given to the real estate and construction sector, the military government did believe that land speculation was one of the biggest problems of housing in the country with emphasis in Lima. Hence, it issued a set of land use policies and instruments that sought to combat land retention –especially the Agrarian Reform Law (No. 17716) of 1969. These measures were intended to affect the proprietors, however in a market like Lima, a great part of the proprietors were at the same time real estate developers. Therefore, these actions –which were intended to affect the proprietors- also deeply modified the economic strategy of real estate enterprises who, soon after the promulgation of the Law would begin to develop an illegal land submarket in Lima. Article 42 of Law No. 17716 established a period of five years for landowners in Lima's urban expansion area, to urbanize their lands including the construction of basic infrastructure. As a result, landowners / real estate companies, started an illegal market that inaugurated in Lima a new housing supply which would cater an intermediate niche of the demand that oscillated between the formal urbanization and the *barriada*. Landowners would pact with informal realtors, who would formally create a housing association; through the latter –and using word to mouth advertisement, realtors would organize a solid group of people who would pay for their inscription in the association. When the landlord had already been paid, and the land was registered in public records as been owned by the association,

realtor would organize a massive occupation of the land that would occur in one single day without the resistance of the landlord (Calderón, 2016:208-209). Therefore, landowners could maneuver their way out without producing adequate housing in serviced land and connected to the city; the State created a system that played against itself.

1.4 Fernando Belaúnde: the Failure of the State as Housing Provider

Fernando Belaúnde's second government can be distinguished by his bet on State led housing which was implemented through a gradual orientation of public resources in favor of the poorest population. He reinforced the presence of FONAVI –National Housing Fund, created in the last period of the military government. What was initially a contribution became a confiscatory tax deducted from salaries. Belaúnde was consistent with what he had preached twenty years ago against President Manuel Prado and Pedro Beltrán's liberal view on *barriadas*; and began the construction of public housing and the development of serviced land. However, without a serious reform in the land market system and without the adequate tools to capture value from land, the public housing supply fell short to the huge existing demand. As Julio Calderón shows, in the first housing ballot organized by FONAVI, there were approximately 105 thousand applicants for 2,000 housing units; and while 17,303 serviced plots were created during the five year government period, 70 thousand plots were created by illegal occupation (Calderón, 2016:218).

Chapter 2

Land Regularization and Titling: a Neoliberal Populist Project with (Un)anticipated Consequences

As seen in Chapter 1, numerous intents were made to solve the problem of land access and housing affordability, these ranged from the most liberal frameworks to those heavily weighted with State intervention. However, none of them could actually bring new sound regulations that could positively affect the land market in order to provide a formal supply that was accessible for the majority of the population; a model that could provide an equitable access to the city, prevent it from sprawling informally and secure the sustainability of public financial resources through value capture schemes. On the contrary, the illegal and informal city continued to find its way to accommodate a massive part of the population that found in its own capacities, the best resource and supply they had in order to guarantee a place for them in the city.

However, it was during the 1990s when the intentions for a housing policy were utterly dismantled, bringing upon a radical neoliberal solution based on free market principles, which with the financial aid of the World Bank and following Peruvian economist Hernando De Soto's property theories

(2000), allowed the Peruvian State to implement one of the most massive –if not the largest- titling program to date. The regularization program was executed under very specific political circumstances during the 10-year political authoritarian regime of president Alberto Fujimori.

Given the impressive scale of the formalization project in Peru, it has been commonly chosen as a case study to assess empirically the results of such a recognized –as well as criticized- paradigm of private property (Calderón, 2011; Caria, 2008; Fernandes, 2002; Payne, 2001; Web, Beuermann & Revilla, 2006). However, much less attention has been given to the politics that hold together the regularization program as well as the consequences this system brought upon. This chapter will firstly present an analysis of the political and institutional measures that were executed –within and without the democratic parameters- in order to carry out the program. Secondly, it will explore the consequences of these policies and political setting, and how the program not only obeyed a pragmatic paradigm grounded on technical arguments but more importantly, it served a populist project and powered an efficient electoral machine aimed at securing those in power, while perpetuating the problem of land access and housing informality.

2.1 Complete liberalization: Land Policies 1990 – 2000

Despite being a virtual unknown only one month before the first round of 1990 presidential election, Alberto Fujimori soon eclipsed traditional parties and won in the second round beating novelist and economically-conservative Mario Vargas Llosa who had been overwhelmingly the favorite candidate and who received the backing of Peru’s traditional elite (Roberts, 1995). In an environment of deep political disenchantment, profound economic crisis and hyperinflation, rampant unemployment, and the violent insurgency of Maoist group ‘Shining Path’ which the collapsed State had failed to control³, Fujimori quickly and cleverly capitalized on desperation and popular distrust in the system. His apolitical background helped him to cultivate “the image of the untainted leader who was above the fray of partisan politics” (Roberts, 1995:94), and “built his political base on the rubble left by the collapse of more traditional populist experiments” such as incumbent president Alan García and leftist leader Alfonso Barrantes” (Roberts, 1995:93). He reached the lower-class and unattached voters with his pragmatic slogan ‘honesty, technology, and work’ which separated him from the conventional “demagoguery of traditional politicians and evoked images of probity, efficiency, and technocratic modernization” (Roberts, 1995:94).

³ While the public finances collapsed, the State was increasingly unable to guarantee public order and security. Insurgent groups took control of larger areas of the national territory, inflicting huge damages against infrastructure, property and human lives. The conflict finished in 1992 with nearly 70 thousand deaths, causing a notorious weakening of the country’s productive capacity (Fernández-Maldonado, 2007:5-6)

These specific circumstances under which Fujimori was elected are important to note given the relevance they would have determining the course his government took for the next years –specially regarding land markets. As Mauceri recalls, “having been elected without an organized political party or any clear plan for governance, Fujimori quickly turned to a small group of civilian technocrats to fill key positions in the State bureaucratic structure” (Mauceri, 1995:18). During his campaign, Fujimori’s running mates came from a federation of small businesses, however given his lack of experience, he knew he urgently needed bigger business backing to be able to govern effectively; hence, soon after winning the elections, he “contacted the CEOs of the leading conglomerates and CONFIEP⁴ directors. A pact to restore the connection between business and government lost in 1968 was in the making” (Durand, 1998:19-20). Finally, the third pillar of Fujimori’s reconstruction coalition was the conservative Peruvian military (Mauceri, 1995:20).

It quickly became clear the direction the government would be taking; something that while encouraging the business sector and elites, discouraged many of Fujimori’s original running mates who withdrew from the party quickly after elections. In return, Fujimori surrounded himself with a new team heavily influenced by neoliberal apostle Hernando De Soto (Roberts, 1995:96), director of the ‘*Instituto Libertad y Democracia*’ (Peru’s free-market think tank primarily funded by economic elites), who “was charged to use his international connections to renegotiate the foreign debt” (Mauceri, 1995:18). Fujimori and his new coalition designed and implemented the ‘shock program’ only two weeks after assuming power –the same neoliberal set of measures Vargas Llosa had announced in his campaign and that Fujimori had so strongly rejected. This strong change in policy “was encouraged by a trip that president-elect Fujimori made to the U.S. to meet with representatives of the IMF, the World Bank, and the Inter-American Development Bank” (Roberts, 1995:96); advisors and international banks encouraged the implementation of the neoliberal agenda – compounded by massive privatizations measures and orthodox economic policies (Mauceri, 1995)⁵.

Fujimori and his advisors were convinced that the market was a better allocator of resources and that the State needed to simply create the conditions for this to happen, facilitating the operation and agency of private agents; meanwhile the planning function of the State was considered obsolete and inconvenient for prosperity (Calderón, 2006). Land and housing were areas particularly affected by neoliberal politics. The 5th of April 1992, Fujimori closed the Congress with the support of the armed forces through a successful ‘presidential coup’ (*‘autogolpe*’). During one year, the legislative was in the hands of a team of few people appointed by the President; aside from approving numerous

⁴ CONFIEP stands for National Confederation of Private Enterprise Institutions

⁵ As part of the deals accorded with development banks was that the State needed to be reduced while its companies needed to be sold to the private sector. Therefore, the government placed in sale the entire state sector made up of 224 companies in total. By 1996, more than a 150 were sold for a total of US\$ 7,022 million (SBC Warburg Dillon Read, October 17, 1997, 13 in Durand, 1998:23).

legislative decrees that had been previously blocked by the former democratic Congress, they designed and approved the new Constitution of 1993 (valid until today). Among the modifications made to the 1979 Constitution approved during the military transition government of Francisco Morales Bermúdez, the ‘Right to Housing’⁶ was eliminated, and property no longer had to be used in ‘harmony with the social interest’. In that line, the General Law of Expropriations (Legislative Decree No. 313) and the new Civil Code established that eminent domain would proceed only as a response of public need and not any more in relation to ‘social interest’. Changes were made in order to concede better guarantees for investment to landlords and companies.

Moreover, in the administrative arena, the Ministry of Housing was eliminated and instead it was located as an Office inside the Ministry of Transportation, Communications, Housing and Construction. More importantly, the budget that before belonged to the Housing sector now passed to be part of the newly created Ministry of the Presidency – a strange governmental figure created by the authoritarian regime. In that same line, in the financial area the public financial apparatus that was set to support the development of housing –constituted by the Housing Bank, the Central Mortgage Bank and the Mutual System, was completely eliminated. As well, FONAVI resources meant to create public housing and serviced land were reoriented to support *barriadas* in their self-construction project and in giving them basic services such as water, sanitation and electricity. Only at the end of Fujimori’s government through the Law No. 26912, the government created *MiVivienda* –a mortgage fund for housing promotion, through the participation of the private sector as a provider of housing options. The reasons behind this reforms were highly political and not only obeyed the technical advice of neoliberal experts, but had populist and electoral purposes –something that will be discussed later.

As part of the neoliberal reforms, an important law was promulgated in 1995, which deregulated the access to land in order to promote economic activities in it; this was Law No. 26505 – Law of Private Investment in Public Land Across the National Territory and Communal and Native Lands (commonly known as ‘Land Law’). In Article No. 4 the Land Law eliminated the protection of peripheral agricultural lands around urban areas: “all provisions on the intangibility of peripheral agricultural areas and change of use or ownership of agricultural land, as well as any other rule that opposes this Law, shall be waived”. It was neoliberalism to its maximum expression; the Law did not set any condition under which this could be done and did not ask for any compensation to the State from the part of the private investor who was increasing the value of its property without executing any effort of its own.

⁶ Although the Constitution is a guidance and does not include the detail of the laws, it does set the principles and priorities of what and how is governed. The ‘Right to Housing’ had been included in the Constitution of 1979 as a result of deep social mobilizations for housing.

The Land Law also raised municipal ordinances of agricultural intangibility on areas of expansion, canceling the urban limits policies and protection of green and agricultural areas that, although with many difficulties in their enforcement, had been applied between 1976 and 1995 by the Metropolitan Municipality of Lima (Calderón, 2006). Moreover, through Legislative Decree No. 776, the executive branch issued a new municipal tax framework that eliminated the tax on unused and vacant land that had been introduced in 1977. Contrary to neoclassic theories on supply and demand, where less regulation would in theory bring a wider array of supply and hence diminish the costs –of land in this case; Lima is the empirical prove of how this theory cannot be applied in every case. As it will be seen afterwards, the impact this law had on the formal and informal real estate market was huge; it allowed a greater free sale of agricultural lands by landowners, which would end up raising the cost of urban land, instead of reducing it as it was thought.

In order to execute this amount of changes, Fujimori needed to accumulate executive powers to set a firm policy course. Therefore, an important part of the changes made in land and housing policies that occurred in Peru in the nineties and that have set the pave for policies today, need to be understood as part of an authoritarian regime, which deployed its plan through a highly centralized process. As Calderón indicates, “Fujimori’s authoritarian regime (1990-2000) ended the decentralization, democratization and municipal reform process that the country was living since [the end of the military government] with objectives that strictly obeyed political-electoral interests of the national government” (Calderón, 2006:87).

One of the clearest examples of centralization was regarding the massive titling process initiated in 1996 through the creation of COFOPRI – Informal Property Formalization Commission (Legislative Decree No. 803). Towards the end of 1995, the Land Law transferred the management of any regularization process of informal settlements from subnational governments to the central government. Following De Soto’s advice, a centralized space for titling and property registry was needed; but what calls the attention is that COFOPRI was not assigned under the Housing Office which had already been created as part of the Ministry of Transportation, Communications, Housing and Construction; it was rather strategically assigned under the Ministry of the Presidency which by 1993 had absorbed around 25% of the national budget (Calderón 2016). The newly created ministry not only showed the level of control that the authoritarian regime had, but also how it captured different strategic functions through which the regime could rapidly –and without much of checks and balances- execute highly popular policies with enormous political returns, something that will be analyzed in the next section.

According to Peruvian economist Hernando De Soto, capitalism triumphs in western countries because they have “efficient property systems and registries, indispensable to allow the markets to operate properly”; therefore he asserted that in developing countries, poor people live in houses with no legal deeds which isolates them from the market and anchors them in poverty. In short, as Edésio Fernandes indicates, “De Soto's is a tripartite argument: people need to feel secure in their legal tenure status so that they can start investing in housing/business improvement; and security of tenure and resulting access to credit can only be provided by the legalization of informal occupation/businesses; and the way to proceed is to provide universal title ownership through individual freehold titles, with clear titles and enforceable right, to enable Third World countries to leverage themselves and thus eradicate poverty” (Fernandes, 2002:26-27). The idea was seductive and groundbreaking. De Soto had repackaged the whole discussion initiated by Manguin and Turner almost two decades ago; he created an inspirational discourse that while celebrating the individual power of the poor, blamed the bureaucratic State and its planning institutions for prohibiting the people’s social capital reflected in self-help construction and housing.

Convinced that this was the most progressive way to deal with informal housing, international development agencies quickly promoted the system in developing countries. Peru was one of the first countries to implement it. Counting with full political support from the highest spheres of power – through the Ministry of the Presidency, and financially backed by a US\$ 38 million loan from the World Bank and a US\$ 19 million more from direct transfers, COFOPRI had enough technological and human resources to deploy its massive titling program. Between 1996 and 2000, COFOPRI distributed more than a 1.5 million free-hold property titles in the whole country –half of them in Lima (Calderón, 2016). This was not only an efficient policy but also a very politically strategic one. With fewer resources than COFOPRI, municipalities had only been able to grant 33,404 titling deeds between 1990 and 1995 (Calderón, 2016:91).

2.2 Authoritarianism and Neoliberal Populism

The following part of the chapter shows what were the unanticipated consequences of the policies implemented during 1990s regarding land and housing. As the title suggests, some of them were not quite unanticipated but rather carefully planned.

Less regulation, more supply, but not cheaper land – the viscous cycle of informality

From liberal approaches to state driven ones, as seen in Chapter 1, the second half of the 20th century in Peru was a continuum of failed intentions to make space for a growing urban population which rapidly transformed what society conceived as a city –something especially true in Lima. However, it

is the nineties decade that stands out principally because of the radical U-turn that land and housing policies took, and how they have heavily determined until today how citizens access and have right to the city. As seen before, the model introduced by Fujimori and De Soto had great confidence in the market as the solution to the housing problem, however evidence shows how the results obtained were not as expected.

The arguments of neoclassical economics regarding land and housing fundamentally center on demand and supply; the argument flows like this: if too many regulations and barriers exist, the supply is constricted which significantly reduces the demand's ability to access it, and hence increases its prices. On the contrary, liberalizing the access to land, will in theory increase the supply and therefore diminish the price. This may be the case in the formal markets of developed economies; however, urbanization in developing countries show how this is not the case. As Acosta indicates, the most concrete evidence that a market system does not produce enough housing that is affordable for the lowest tiers of the population is the existence of informal settlements (Acosta, 2015).

Housing has several important characteristics that make the real estate market a very particular one in its behavior compared to other goods markets (Whitehead, 2014). To start with, housing is irreplaceable and indispensable (Acosta, 2015); it is as well undividable and needs several minimum elements to constitute a proper house –at least in the formal market (Whitehead, 1999) it needs not only a bathroom and a room with a kitchen or a space to cook, but also “needs to be supplied by water, sewage, electricity and a minimum road system to be functional in the urban environment” (Acosta, 2015:20). Additionally, location is another important feature of a house since it dictates its value of use and exchange (Smolka, 2017; Whitehead, 1999 in Acosta, 2015). What all of this means is that people will always need to find a place to live and that, in the “absence of physical and economically adequate solutions, [they will] resort to precarious alternatives” (Acosta, 2015:20), in valueless locations, outside the supply the formal market can give.

In that sense, in Lima, the neoliberal measures implemented in the 1990s did not succeed in opening the supply for more people to access it. By 1961 the formal part of Lima was greater than the informal one (52% and 48% respectively); however by 1998, the share was inverted and the informal settlements came to be 56% of the city's territory (INEI in Calderón 2016:84), see Table 1.

Table 1 – Distribution of Population in the Formal and Informal City (%)

Year	1961	1998
Formal city	52	44
Informal city	48	56
- Squatting in inner city buildings	31	7
- <i>Barriadas</i>	17	38
- Housing associations	-	11

Source: Calderón, 2006: 84

In 1998, the majority of Lima’s population belonged to the lowest socioeconomic tiers; 78% of households in Lima were considered of low level (level C) or very low level (level D). Only 4% of households were considered high income, while 18% were middle income. Additionally, the monthly income of the vast majority of households ranged between US\$ 203 and US\$ 406 (Apoyo Opinión y Mercado in Calderón, 2006:92). Considering this, how much of the population was demanding land? And what was its ability to pay? According to Calderón’s research on urban land markets in Lima, by 1998, a total of 442,636 households were demanding new urban land for housing, however low or very low income sectors accounted for almost 83% of the demand despite constituting 78% of the population” (Calderón, 2006:93). What this means is that the demand for housing was not proportional to the socioeconomic demographics of Lima, this was concentrated in the lowest socioeconomic tiers of society (C and D).

In order to evaluate the ability to pay of those who demanded housing, Calderón analyzed how much money was left in a household’s income after covering the expenditure of the so-called ‘*canasta básica de consumo mensual*’ –CBCM, which translates as the basic bundle of goods that a person needs to consume in order to live at a minimum life condition (this does not include housing costs). The CBCM in Lima in 1998 was of US\$ 350 per household (considering a family of four members). Bearing in mind the monthly income of a household of socioeconomic level C and D (US\$ 406 and US\$ 203 respectively), it resulted clear that people in the level D could not even consider finding a house in the formal or informal market given that their income was not enough to cover the CBCM. As Calderón points out, only 30.4% of the households of socioeconomic level C in 1998 (744 thousand people) were able to acquire a house in the informal market. Therefore, what did the whole level D and the great majority of level C did to get an adequate house? How did 4.5 million people could access housing in Lima in 1998 if they could not afford the offer in the formal market? (Calderón, 2006:93).

By 1998, the available housing supply in the formal market in Lima directed to socio-economic levels A and B, was produced by real estate companies and private constructors who basically delivered

three different products (see Table 2). As it can be appreciated, the formal market's prices excluded the majority of the population that demanded land and housing. If, among the three options offered by the market, someone in the socioeconomic level C would have wanted to access option 2 –serviced and parceled land in Table 2, he would have had to incur in an ‘effort rate’ of 28.3%⁷ (Calderón, 2006:94). However, according to developers, households in the level C could not access bank credits because they tended to work in informal markets and therefore lacked the necessary documents to access the mortgage market. Above this, it is important to consider that the 28.3% mentioned only covered the plot of land, not the physical construction of a house. It was clear then that the formal market as free as it was by the end of the nineties, could not target sector C and much less sector D of the population in Lima –even CAPECO (Construction Chamber of Peru) representatives indicated that if formal housing options were to be delivered for the lowest socioeconomic sectors, they would need to receive a State subsidy (Calderón, 2006:95).

Table 2 – Formal Housing Supply in Lima 1998

Options	Main characteristics
1. Finished multifamily buildings	71% of the offered housing in 1997 and 1998 cost over US\$ 61 thousand and were located in central and richest districts of Lima.
2. Serviced and parceled land <i>(No built house)</i>	A plot of 120 m ² cost US\$ 11,503 or US\$ 106/m ² . This plots required an initial payment of 50% of the total cost and then, the remaining 50% could be paid in a maximum of 40 monthly payments
3. Semi-serviced and parceled land <i>(No built house and the land lacked at least one service –generally roads and sidewalks)</i>	A plot of 120 m ² cost US\$ 7258 or US\$ 60/m ² . It did not require an initial deposit, and the total had to be paid in 53 monthly payments

Source: Calderón, 2006:94-95

By the end of 1990s, the Peruvian State had drastically withdrawn from the housing topic bestowing the market with enormous powers to handle it –let it be through deregulation of land or through the enforcement of laws that protected private property rights while turning a blind eye on the consequent duties⁸. Therefore, if neoliberal policies increased the prices of the land and if CAPECO could not generate housing options that were affordable for the majority of the population, what choice was left for the unmet demand?

⁷ ‘Effort rate’ is the percentage of an income that is dedicated to pay a loan.

⁸ Duties range from not acquiring land for the sake of speculation or paying a contribution for rural to urban land conversions.

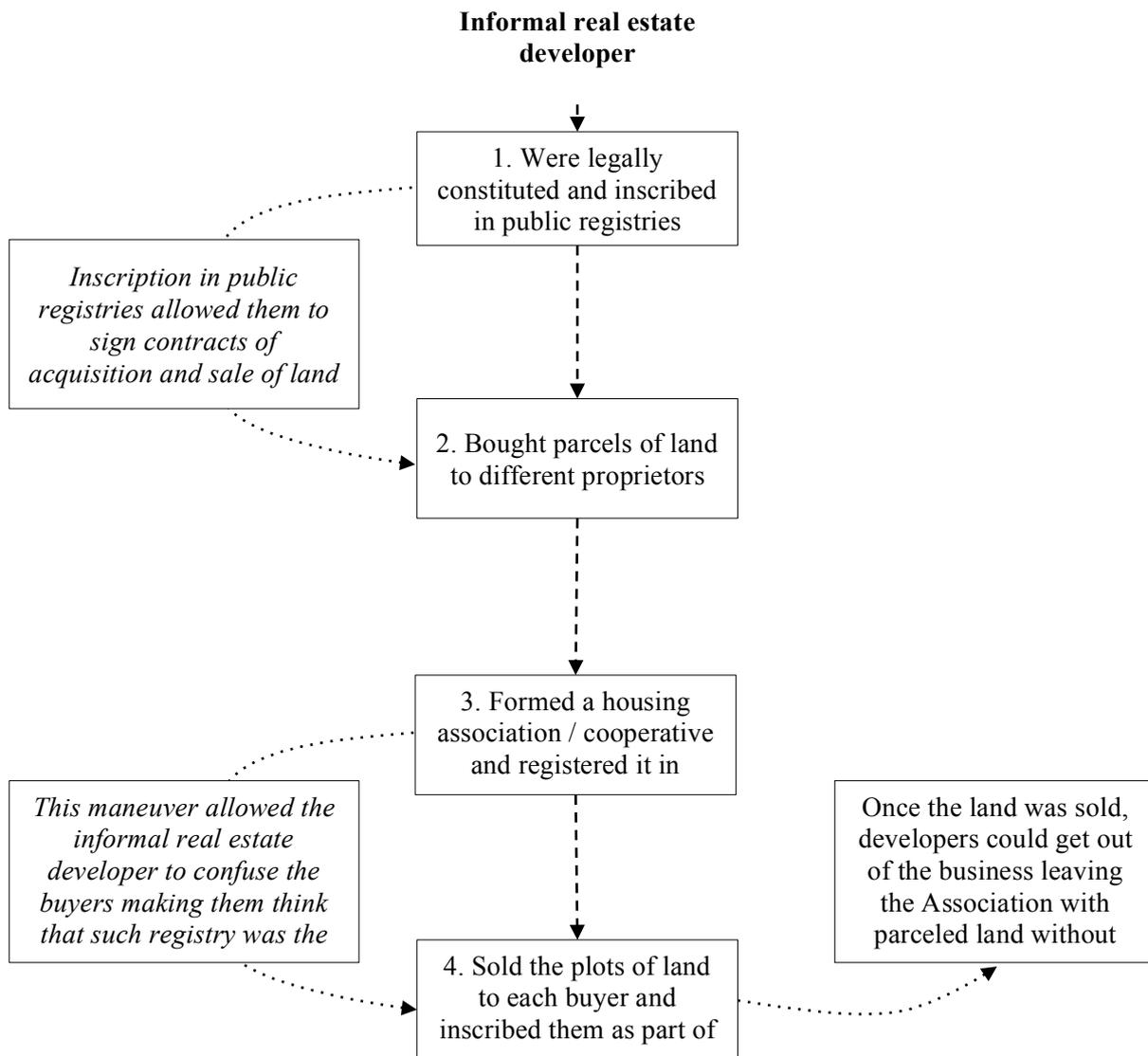
The answer off course is the informal market; in Lima the informal market at the end of the nineties was divided in two: on one hand the ‘illegal real estate market’ and on the other hand the ‘zero-cost solution’ –as called by Calderón (2016) which are the *barriadas*. In the illegal real estate market, the costs of production were fewer because they incurred at least in one of situations stated below in Box 1, however because of the illegal nature of the market, purchasers were exposed to high levels of uncertainty and discretionary treatment; in Graph 1 it is shown how these housing supply was produced and who were the stakeholders involved. This illegal supply of land lacked basic services – such as water, sewage, drainage, electrification, roads and sidewalks- and in some cases plots were sold without integrative routes, all of these costs had in theory be assumed by the purchasers (which at the end was left to the State to be done). Moreover, as it was expected, the informal developer did not grant title deeds, only a curious and legally nonexistent figure called ‘Proof of Possession of Delivered Land’. Finally, “once the sale and occupation had taken place and the informal developers had done their business, the public authority was left to regularize the situation” (Calderón, 2006:98).

Box 1

- Land qualified as agricultural intangibility by the authorities of the Ministry of Agriculture and the Municipality of Lima, a provision that was in force until 1995 was offered.
- Land offered as urban without permission of land conversion from Municipality of Lima.
- Parceled land without the obligatory reserved areas of contributions (roads, public recreation areas and areas for public facilities)
- Unregistered lands
- Plots offered on sale that did not legally belong to the seller or was sold to several purchasers.

Source: Calderón, 2006:95-97

Graph 1 – The Process in ‘Illegal Real Estate Market’



Source: Calderón, 2006:95-96

These illegal developments were most of the time done in agricultural land that had been deregulated through the Land Law of 1995. The removal of intangibility locks elevated the price of the land because now the landowner could better choose whom to sell the land to; “he was no longer obliged to sell it to the informal developer through a clandestine operation as before. Now he could also do it with the formal real estate developers who demanded land” (Calderón 2006:99). This did not impede informal developers from doing business, it just increased the price of the land and consequently it occurred the same with the stock they offered to the informal market. As shown in Table 3, comparing the prices paid by informal developers for agricultural land before and after the Land Law, reveals how these increased between from three to five times.

Table 3 –Agricultural Land Acquisition Price and Urban Land Sale Price (US\$/m2)

Year	Acquisition price of agricultural land	Urbanized land for sale
1990 <i>Before 'Land Law'</i>	3.00	15.00
1995-1996 <i>After 'Land Law'</i>	10.00 – 15.00	45.00 – 70.00 (according to location)

Source: Calderón 2006:100

This increase in prices directly affected those in the socioeconomic level C. As researcher Gustavo Riofrío indicates, if by the end of the 1970s the informal price was a quarter of the price of the formal submarket twenty years later the gap had been reduced to one-third for the case of formal serviced and parceled land (option 2 in Table 2), and half for semi-serviced and parceled land (option 3 in Table 2) (Riofrío, 1978 in Calderón, 2006). This means, “the channels that the lowest socioeconomic sectors of the population had to access urban land were becoming every time more expensive” (Calderón, 2006:100). As a result of this, the ‘zero-cost solution’ / *barriada* was the last resource for people to access a form of land and housing in Lima, however the most popular one given the circumstances.

During the 1990s, the deregulatory policies and free-market framework that flooded the urban agenda, contributed to the formation of informal settlements. Lima’s growth was driven almost entirely through the formation of *barriadas*, which invaded every piece of land they could find –from sanitary landfills, to steep slopes high on the sandy mountains and polluted and risky river banks. If in 1993, 34.4% of the population in Lima resorted to the *barriadas* to find a place to live, in 2002, *barriadas* sheltered 46.8% of the city’s population. As well, according to COFOPRI, *barriadas* went from being 1,147 to 3,653 in that same period of time (Calderón, 2006:101).

It is true that *barriadas* have existed before Fujimori’s reforms –they have even been called the “registered trademark of Lima” because they have always accompanied the process of dependant urbanization (Calderón, 2006, Riofrío 1978, Driant 1991). Notwithstanding, it was because of neoliberal reforms in the Fujimori period that they expanded explosively in Lima during the nineties. If from 1982 to 1993 the percentage of Lima’s population that lived in *barriadas* incremented in 2.2% (from 32.2% to 34.4%); in a similar period of time, from 1994 to 2002, the registered increment was of 12.4% (from 34.4% to 46.8%) (INEI in Calderón, 2006:102). A second important detail is the amount of people that *barriadas* had when the State withdrew itself completely from the land market.

When the State promoted access to the land through orderly forms of settlements and serviced land⁹, the average amount of inhabitants per *barriada* was 3,489 (period of 1971-1976). However, when the state completely abandoned the formation of *barriadas* to the forces of the market, smaller settlements were generated at an average population of 800 people per *barriada* in the period 1994-2002 –this is four times smaller than during the time of higher State intervention. As Calderón indicates this generated an additional problem for the city given that it had to deal with a higher proliferation of informality, more *barriadas*, but less people in each of them (Calderón, 2006:101), hence the deployment of infrastructure was more costly.

COFOPRI and FONAVI: access to housing or access to votes?

At the same time that the State raised municipal regulations regarding agricultural intangibility and abandoned the programs of access to orderly land, “it concentrated its investment and political will on the regularization of property” in anticipation of market action (Calderón, 2006:101). This was done through COFOPRI accompanied by targeted social programs for *barriadas*’ improvement implemented with the resources accumulated by FONAVI. In this final part of the chapter it will be analyzed how the deployment of programs such COFOPRI and FONAVI, entailed an extraordinary concentration of power and relied on paternalistic relations, producing a perfect populist and clientelistic scheme that served the electoral interests of president Alberto Fujimori.

“There is a widespread presumption that neoliberalism and populism are antinomies that represent fundamentally divergent economic projects” (Roberts, 1995:82). The specter of populism in Latin America has generally been equated to lower-class backlash against austerity measures of neoliberalism projects. In that sense, as Roberts indicates, “presidents and finance ministers who implement IMF-approved stabilization plans routinely pledge to resist the ‘populist-temptation’ –that is, the politically expedient but fiscally ‘irresponsible’ increase of government spending to ameliorate the social costs of market reforms” (Roberts, 1995:83). Nonetheless, the 1990s Peruvian land and housing case shows exactly how essential features of populism can be reconciled with those of its putative antithesis, neoliberalism.

As Roberts (1995) demonstrates through the analysis of the Fujimori regime in Peru (1990-2000), populism becomes compatible to neoliberal reforms in contexts of social and economic upheaval that justify the breakdown of institutionalized forms of political representation. As said before, through the Land Law of 1995, Fujimori transferred regularization processes of informal settlements to the central government for which COFOPRI was created in 1996. Furthermore, the 16th of April 1992 –nine days

⁹ Examples range from municipal programs like Huaycán to national projects like Ciudadela Pachacutec which was implemented during Belaúnde’s government –but abandoned by Fujimori (Calderón, 2006:103)

after the presidential coup –when the Congress had been closed and the executive power reigned alone, Legislative Decree No. 25436 established that the funds of FONAVI would not be directed to housing construction programs –as originally designed and to which thousands of taxpayers had contributed, but rather to public works in water, sewage, electricity, roads and sidewalks. In an astute way, one month later, the 27th of May, FONAVI was transferred to the Ministry of the Presidency through Legislative Decree No. 25520.

Therefore, the breakdown of institutions that allowed Fujimori to deliver his neoliberal populist project were not only allowed by the already set scenario of social crisis and the existent disenchantment on political institutions and representative democracy; but furthermore, a deeper weakening of intermediary social and political institutions was necessary to maintain power execute the presidential project. By 1993, not only the Ministry of the Presidency had “acquired a virtual monopoly over public works in Peru” and controlled 25% of the national budget, but as well had eliminated regional governments and “municipal governments [had] been emasculated by the 1993 decree that eroded their financial autonomy” (Roberts, 1995:106). As Roberts notes, the municipal reforms not only weakened subnational governments as a counterweight to executive authority, but also undermined their political position and therefore their capacities to compete in the democratic electoral system. An example is the case of Mayor Ricardo Belmont of Lima (1990-1996) one of Fujimori’s major competitors for the presidency in 1995. The municipal reforms by the end of 1994 situated the Municipality in serious fiscal problems while public services and employee salaries were interrupted and “Belmont was floundering politically” (Roberts, 1995:106).

Even more, four years later, the 20th of November 1997, the Congress with an overwhelming majority from the governing party (Cambio 90 – Nueva Mayoría), approved the General Law of Urban Settlements, Law No. 26878, which transferred regularization competences to local municipalities – but not to provinces. Although this can sound like a turn to more decentralization, suspiciously the Municipality of Lima was a provincial government and not a local one, therefore was circumvented and excluded from the norm. At the moment, the Mayor of Lima was Alberto Andrade –an opponent of the regime who in 1995 had won the metropolitan elections to the candidate of the ruling party, Jaime Yoshiyama. The above mentioned strategy has been considered as a political move to further weaken the Municipality of Lima’s capacities. Under constant threats from the Central Government to the Metropolitan Municipality of Lima, Mayor Andrade had no other choice to focus his actions on local problems regarding the city center while “the city’s governance lost its metropolitan dimension” (Calderón, 2006:89).

While classic populism uses universal measures such as higher wages or subsidized consumer goods, populism behaves differently in neoliberal policy contexts. “Neoliberal adjustments may facilitate the

provision of more selective targeted material benefits to specific groups, which can be used as building blocks for local clientelist exchange” (Roberts, 1995:91). FONAVI and COFOPRI were perfect mechanisms to deliver selective benefits to targeted populations; such as Roberts indicates, these type of benefits create stronger clientelist bonds than universal benefits, especially when universal benefits such as permanent price subsidies or exchange controls have been so widely criticized and are ‘politically obscure’ (Roberts, 1995). Giving out more than 1.5 million free-hold titles and jointly implementing water, roads and electricity services in *barriadas* was a calculating way to “provide powerful inducements for an exchange of political support, creating localized reciprocal relationships where paternalism and clientelism thrive” (Roberts, 1995:91).

By 1994, Fujimori initiated his ‘war on poverty’ and received an authorization from the International Monetary Fund to spend US\$ 876 million on social programs (Latin America Weekly Report, 1994 in Roberts, 1995:104). One year before national elections, Fujimori promised to build one school per day in 1994 and two to three per day in 1995. Between 1993 and 1996, *barriadas* in Lima received an investment of US\$ 107.3 million for water and sewage infrastructure and US\$93.6 million for electricity infrastructure (Instituto Cuánto, 1997 in Calderón, 2006). What initially was a fund for public housing and serviced land, was converted in a program of social spending; though these infrastructure were necessary for the already created *barriadas*, it was used through a rent-seeking behavior which, combined with the neoliberal deregulating land policies, perpetuated and stimulated informal settlements.

As a final contribution to the analysis of land and housing deregulating policies, State withdrawal from housing programs and delivery of short-term measures of social spending within a framework of authoritarianism and populism, it is important to mention how this plan lacked financial sustainability. While the State had invested enormous amounts of money in the programs mentioned above and had allowed the transformation of rural land to urban land; at the same time it had eliminated the available capacities of the State to capture the urban value it had generated. Value capture instruments are non-tributary mechanisms that allow not only a higher fiscal capacity but as well a better redistribution of resources among the city’s parts. They are designed in order for the State to recover the increment in value of a property that has been produced not by the effort of the proprietor but by the investment of the State –let it be through public works or administrative decrees such as land use changes –all of them present during Fujimori’s regime.

In 1981, Legislative Decree No. 184 created the Contribution for Improvements charge, which was only regulated in 1985. However Legislative Decree No. 776 of December 1993, abolished the Contribution for Improvements and created the Special Contribution for Public Works charge with a more limited scope than the first one. More importantly it reduced the application of the contribution

only for the case of local municipalities public investment –and required prior acquiescence of the population involved. It results almost absurd and unreasonable to think that any value was to be captured by municipalities if the budget for public works during the 1990s had been monopolized by the central government –and the latter excluded itself from the possibility of applying this mechanism. The setback on the mechanisms of value capture is not surprising in a context of colossal populism when mobilizing capital around the city for its better development was not a goal and when imposing a charge would not have been a clever rent-seeking strategy.

Conclusions

‘Barriadas’, ‘favelas’, ‘villas’, ‘townships’ –informal settlements in general, cannot be conceived as a neutral byproduct of the urban phenomenon, as an obvious consequence of demographic and urban growth. To start with, the urbanization process is not the same everywhere and understanding the economic, social, political forces that generated it is key to expand our knowledge about the causes of informal settlements. As Neil Brenner indicates, “the urban character of any site, from the scale of the neighborhood to that of the entire world, can only be defined in substantive terms, with reference to the historically specific sociospatial processes that produce it” (Brenner, 2013:95). In a rapidly urbanizing region like Latin America where one third to one tenth of all urban residences can be considered informal (Fernandes, 2011:4) it is urgently necessary to revise the forces of the operating formal and legal system that are obliging a great part of the population to resort to this kind of settlements.

Significant work has been done that shows how De Soto’s theory did not apply as it was thought, and that free-hold titles did not actually empower people with more access to credits, nor did they significantly increase their perception of tenure security which would in theory correlate to their level of investment in their houses and communities (Caria, 2008; Calderón 2004; Edésio Fernandes, 2002; Webb, Beuermann & Revilla, 2006). However, as important and pertinent as these investigations are for their contribution to our knowledge on housing informality and property rights, I strongly believe that the debate around housing cannot and should ignore the debate around the political economy of land markets, for these are the ones that in the first place determine why some can access the formal market and why other simply cannot. In that sense, pushing the debate beyond proving right or wrong De Soto’s theory is important because it touches on the spiny difficult topic around the causes of informal settlements and not only on the consequences of them.

Said this, in cities like Lima where around 60% of its footprint has been created informally, one cannot turn a blind eye on the complexity of its causes. As this paper has revised, the second half of the 20th century was a convoluted one in Peru; it corresponds to the “period of crisis of the oligarchic

state and the emergence of the modern republic” (Calderón, 2016:189). However, as true as that is, it didn't occur smoothly, it was on the contrary a period of deep democratic and economic crisis where not much could be accomplished in order to make space for the growing urban population and include them in the formal city. However, one important thing must be recognized; from 1956 to 1989, every government –from Pedro Beltrán’s radical liberalism –with hints of elitism, to Velasco Alvarado’s authoritarian and confiscatory regime, it was always recognized that in order to produce affordable land, accessible housing and sustainable public investment in services, the possession of land needed to be regulated; for the simple reason that speculation was not going to stop in a growing city that needed every time more space.

In that sense, what happened in the 1990s was a complete abandonment of the housing and land topic as a long-term comprehensive policy. However this does not mean that the government was not interested in the topic; on the contrary, a great amount of policies were implemented concerning them, however these obeyed on one hand, to a narrow approach to the problem of housing informality; and on the other hand, to a rent-seeking strategy. As seen in the paper, the neoliberal rational perspective reduced the problem to one of supply and demand viewing the real estate market as one that would obey the same logic as any other regular market. As a result, the land deregulating policies contributed to expanding the gap between the formal real estate market and the economic possibilities of four fifths of the metropolitan population (Calderón 2006:106), while encouraging the activation of an informal sub-market. As Calderón indicates: “The gap that isolated formal supply from demand, according to our approach, can not be explained only as the free play of the market, but as a consequence of a public policy that, consciously or not, pointed in that direction” (Calderón, 2016b).

Moreover, the implementation of the radical neoliberal agenda circumvented any possible political opponents through the established authoritarian regime. Through it, land titling and social spending through COFOPRI and FONAVI were perfect channels through which the neoliberal populist government of president Alberto Fujimori could create strong clientelist bonds with the poorest population. The largest consequence of this precarious and clientelist system was that significant resources of money –from international loans- were not allocated to resolve in the housing problem from its root, but on the contrary, were spent in gaining political popularity while exacerbating the creation of more housing informality. The Peruvian case of titling and social spending on *barriadas* improvements show how a worldwide applauded policy at that time, ended been an “economic instrument for the cultivation of lower-class support” (Roberts, 1995:89) under an authoritarian and populist neoliberal system.

This work is an effort to contribute to the analysis of informal settlements, challenging traditional conceptions that focus on their consequences rather than on their causes –paying special attention to

the land market conditions and the political structures and regimes that have indeed promoted them. Shifting the lens of urbanization and informal settlements is a necessary endeavor for researchers and practitioners in order to redefine an urgently needed housing agenda that assures a more just and sustainable growth in rapidly urbanizing regions like Latin America, and specially in countries like Peru where much of the policies implemented in the nineties prevail until today.

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