

INNOVATIVE ALLIANCES FOR IMPROVING HOUSING IN THE DEPARTMENT OF ANTIOQUIA, COLOMBIA

*Antioquia Family Compensation Fund (Caja de Compensación Familiar de Antioquia - COMFAMA)**

Introduction

The Antioquia Family Compensation Fund (Comfama) is a private non-profit organization that conducts comprehensive social interventions to improve the quality of life of workers and their families. It focuses on reducing the social inequities established as priorities by Colombia's social policy, based on the principles of solidarity and fair distribution of wealth in order to strengthen capacities and enable universal access to basic services.

Family compensation allowances are defined according to a broad concept of social protection that involves all aspects related to the welfare of workers and their families, including health, protection for the elderly, housing, employment, recreation and education, among others. The model is based on the idea that members with higher incomes should contribute a little more to compensate for those with lower incomes while augmenting the financial stability of those who depend on wages. The family compensation system is financed with resources provided by employers through contributions that guarantee workers and their families the right to an allowance, equal to a 4% tax on income. The family compensation system is considered a high priority in a culture of corporate social responsibility, as well as a pragmatic antecedent of "a welfare economy" based on private initiative.

Since its inception in 1954, Comfama has worked along with various social actors, driving significant changes in the provision of social goods and services that have reached milestones in every decade. Some examples, in particular regarding housing issues, include the projects "Mi casa con remesas", "Construyá," and "Villa Suramericana," among others. The housing improvement program has made agreements with public sector entities such as Banco Agrario, Empresa de Vivienda de Antioquia (VIVA), Fondo de Subsidio Familiar de Vivienda (Fovis)¹, the municipalities of Sabaneta and Guarne, Donmatías Mayor's Office, Instituto de Vivienda del Municipio de Medellín (ISVIMED); social sector institutions such as Fundación Panamericana para el Desarrollo (FUPAD); and private organizations such as Argos, and Red de Depósitos de Materiales y Ferreterías.

Comfama's social benefit model has a strong public-private partnership component which, by allocating capital contributions to labor, strengthens the capacities and assets of households whose initial resources (human, physical, and social) are low, prohibiting them from accessing the market on an equal footing. Comfama has articulated a holistic view of

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¹This fund is composed of the resources generated by monthly transfers of a percentage of employer contributions, which are used to provide housing subsidies and promote social housing.

wellbeing, improving the quality of life for workers and their families from multiple perspectives. The focus of interventions is to provide opportunities and skills that allow people to break cycles of inequality and, through individual and family efforts, realize their life goals.

To find solutions for the different issues related to health, early childhood, access to financial services, education, business development, recreation and housing, the fund has developed tools to identify barriers. There is a persisting market failure with regards to housing, as the supply is not meeting the demand. Families also experience barriers to housing construction, including a lack of available land, saving capacity and financing instruments. These latter are directly related to family income and often are not sustainable over time. Considering the high population growth rate in Colombia, finding ways to significantly reduce the deficit will be complex.

Comfama began taking action on housing issues following the issuance of Act 56 in 1973, as part of the provision of social services. Later, Act 3 of 1990 consolidated the law on Social Welfare Housing (VIS)², which would benefit low-income workers. As a result of the aforementioned laws, Comfama increased its provision of goods and services, such as housing management in construction, financing, and complementary services, mainly to ensure the sustainability of these initiatives. The need for a fund emerged to guarantee the sustainable financing of these services.

Policy Context

The positive correlation between poverty and poor housing has been addressed mainly in a quantitative manner: through housing construction. The qualitative deficit has not been equally addressed, even though quality of life measurements are severely impacted.

In fact, multidimensional poverty indicators include access to improved water sources, means of sewage disposal, stable floors and exterior walls, and critical overcrowding. In addition, the Unsatisfied Basic Needs Index (UBNI) measures the number of households with deficiencies in housing materials (structure), domestic utilities (water, sewage and electricity), and in physical space (overcrowding). Between 2010-2013 there was a considerable drop in the multidimensional poverty indicators: from 30.4 to 24.8 at national level and from 27.8 to 22.4 in the Department of Antioquia. The 2013 figures showed some progress in reducing critical overcrowding and sewage exposure by 0.7 points and 0.3 points respectively, as well as, to a lesser extent, improving the condition of floors and external walls by 0.1 percentage points.

The previously mentioned housing shortfalls, whether in the measurement of multidimensional poverty or the UBNI, denote further public health issues that represent an additional cost to the health system. For example, the lack of drinking water causes gastrointestinal diseases, and oil and wood are used without adequate safety measures instead of electricity. In short, these conditions contribute to rapid deterioration of houses, and of the belongings and health of their inhabitants, increasing their risk of losing their home.

²Social housing includes dwellings with a value that does not exceed 135 times the minimum monthly wage, in order to guarantee the right to housing for families with lower incomes.

This focus on quantitative deficits is evidenced in the 2010-2014 development plan *Prosperity for All*. The Plan's goal was to build a million homes, of which 65% would be Social Welfare Housing, recognizing the positive effects this would have on employment and construction industry growth (a major driver of Colombia's GDP). Given that existing housing improvement programs were only addressing structural deficiencies, Comfama developed a nonstructural housing improvement program that incorporated various tools, such as loan facilities and resources for people earning less than four monthly wages. Comfama, as a group of professionals, also shares their knowledge about requirements and procedures. All these actions are designed to provide decent housing, as defined by the Political Constitution of Colombia.

The commitment required to solve this problem is not only about supplying building materials; organizations also need to provide support. Therefore, Comfama has made an alliance with building material suppliers, such as Argos, enabling the provision of this service in areas that would not otherwise be served. The program includes repairs and remodeling for bedrooms, living rooms, bathrooms, floors, ceilings, and kitchens, as well as financing the purchase of gas appliances and refrigerators, based on partnerships with other agencies. These provide safety and dignity to the households while supporting people in breaking the cycle of poverty.

Comfama's Director, María Inés Restrepo Arango, states:

The purpose of this program is to provide our members with the opportunity to remodel and improve the quality of their households, getting basic utilities, and enlarging their living spaces when needed with the help of financing tools that offer affordable interest rates. As we know, homes constitute the wealth and heritage of families.

Stakeholders participating in this strategy include Comfama, Argos, workers with monthly incomes up to four times the minimum monthly wage, the VIVA Company, and local authorities, supported by a network of building material suppliers.

A range of activities has been established to achieve the purpose of improving the living conditions of our members. These comprise the identification of household priority needs, the quantity and quality of the materials to be used, and the warehouses or hardware stores where they can be purchased, as well as enabling access to financing, government credit and local subsidies. These activities are carried out with the support of professional advisers hired directly by the fund or by a third party. To illustrate the process, if a member needs to purchase structural materials, Comfama helps them identify competitive prices in the market. Then the program provides counseling on financing options with warehouses and hardware stores, through professionals trained by the fund.

Results achieved by the program include 13,557 families who have improved the living conditions of their homes, located across 97 municipalities in Antioquia. These families have the following income levels: 65% members have an income up to 2 minimum monthly wages, 22% have an income between 2 and 3 minimum monthly wages, and 8% are between 3 and 4 minimum monthly wages. Other benefits, such as the creation of 42,027 indirect jobs, have also been observed. Financially, 32,360 million pesos were granted, in addition to government credit awarded as subsidies that corresponds to family savings and

supplementary credits. Furthermore, the fund created a network of 400 participating warehouses and hardware stores throughout Antioquia.

The benefits of the program include the positive changes in qualitative housing indicators; an improvement in household sanitation; greater privacy in living spaces, thanks to modifications that allow more suitable distribution; better aesthetics that increase families' self-esteem and sense of belonging; increased home value; access to credit and the financial system; a revitalized economy in the construction sector; and the generation of informal employment, as every home improvement creates 3.1 jobs. The program thus created 2,589 jobs in one year, mainly with contractors.

We expect the program to continue growing and helping many more families to increase their assets. In order to offer these opportunities sustainably, the fund has opened channels to obtain housing credit and make permanent agreements with stakeholders, thus expanding partnerships, and producing lower costs of building materials. .

Brief Reflection

Comfama's approach to providing housing solutions for low-income families includes programs for the purchase of new housing, for constructing on land owned by the members, and for home improvement aimed at resolving problems affecting the structural stability or quality of life of the dwellings. Under this framework, Comfama's analysis indicates that people have resources that need to be optimized in order to provide significant value to their housing. There is a significant number of families that require housing improvements that touch on several different aspects.

However, during the time Comfama's housing improvement program has been in operation we have found that institutions do not really understand the added value of non-structural housing improvements, which are dispersed throughout the territory and thus less visible, especially given the impact criteria used in government plans. They tend to ignore the profound significance that a house in good condition has for a family. It not only represents an increase in assets and better hygienic conditions, but most importantly, provides a stronger sense of belonging to a community.

Additionally, the city has serious issues regarding legal housing ownership, proof of which is usually required to apply for government improvement subsidies or loans.

It should be also be noted that Comfama promotes replicating and scaling up this model in order to involve additional stakeholders and reach other municipalities, as increasing supplementary resources would ensure the sustainability of the program. For each peso given by Comfama and Viva, the program would double its coverage. Purchasing more resources increases the program's access to supplier discounts. Warehouses and hardware stores located in neighborhoods understand the needs of families, and it is here where sales, as well as price and payment term negotiation, take place.

We facilitated access to materials in more than 577 partner warehouses and hardware stores, reducing transportation costs and providing better prices and timely supplies. Financially, our objective is to strengthen access to credit and subsidies for the strategic use of available networks and resources aimed at providing comprehensive services.

Finally, the set of tools provided by Comfama seeks to empower families³ and include them in this project in order to build social capital for their community out of processes aimed at improving their quality of life. We observed families taking ownership over the program through their engagement in various stages of the process, such as selecting the materials and supervising the work. The program's importance lies in the impact it is expected to have on the multidimensional poverty index and the qualitative housing deficit in Antioquia, which in 2009 included 48,078 households (66.7% of strata 1; 25.7% of strata 2, and 7.6% of strata 3).

Stakeholder Roles

Entities such as Comfama, Argos, the Company VIVA, ISVIMED, and the municipalities of Antioquia, among others, created and developed this idea with the purpose of building a network. To this end, they worked to identify the most vulnerable families, to determine which warehouses and hardware stores had higher discounts, and to analyze the individual needs of members willing to participate in the program. Therefore, engaging a large number of potential stakeholders to expand the service network was considered very important.

The roles carried out by various social groups highlight the self-improvement journeys of all the low-income families that are part of the program, particularly the work of a network of single mothers, through the partnership with Corona. Here we share some of the stories of program beneficiaries, many of them published in the newspaper "El Informador", a free monthly publication on the services Comfama offers.

Adriana Granda, from El Retiro, recounts:

Eight years ago we bought our house in El Retiro, but it was not until recently that we could plaster and paint the walls, tile the kitchen, change the stairs, remodel the bathrooms, and buy the doors and windows we have always dreamed of. We did it thanks to the housing improvement credit granted by Comfama.

But the happiest member of the Álvarez Granda family is Esteban, their 12-year-old son: "My bedroom feels brand new. When the renovation is complete, I will hang pictures of me playing soccer or at school on the walls. Everything looks so nice."

Another member, Santiago Marín, said:

Comfama loaned my mom two and a half million pesos to modify the terrace of our house and turn it into a soundproof room where my rock band can rehearse. I am the drummer. We are doing all the work, which allowed us to save labor costs. We padded the walls with a glass fiber that works as acoustic and thermal insulation, and then covered it with a panel. On the roof we used polystyrene slabs. Next week we will finish everything and make the first

³We define the empowerment of families as "a process where people work together to achieve change in their communities, using their power and influence over issues that matter to them" (IREFREA, 2012). In the case of housing, families work along with the network of warehouses and hardware stores in their neighborhoods and hire local labor, enhancing the capabilities of the different social actors and increasing social capital, defined by Bourdieu (1985) as: "The aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition".

soundcheck, hoping this will help us avoid bothering the neighbors with our noise.

Olga Nelly López used a combination of credit and savings:

I have owned a restaurant in Itagüí for ten years with my brother. Although I am a member of Comfama, I never thought of applying for a loan. This is the first loan that I have ever borrowed. I borrowed 15 million pesos and also used my savings. Now I am remodeling most of my apartment: I changed the doors and the floors, I am getting a new kitchen and baseboards, and painting. The bathrooms were already tiled. Fortunately we have not moved in yet, so workers can do their job freely and the family does not have to deal with the dust. When it is finished, I will live here with my brother.



A kitchen before and after home improvement

The following examples are from families who were able to buy their homes because of this credit program:

Comfama loaned my husband two million four hundred thousand pesos through the housing improvement credit program. Although we have lived in this apartment for several years, we only decided to start renovations recently. We are slowly making improvements. For example, we built a bathroom and we turned an inner courtyard into a bedroom. Now we want to remove the ceiling in the living room to make it more luminous and spacious. We do not have all the money we need right now, but we will use the bonus we get in June to continue the work. (Arelis Guerra)

Thanks to the loans granted by Comfama I remodeled this house that I bought 14 years ago in San Isidro, in the neighborhood of Aranjuez. With the latest loan of \$3,400,000 pesos we tiled the floors, an improvement that has made us very happy, even my other son who works far away and does not live with us. (Fabio León)

This program is innovative as it offers a strong public-private partnership that:

- integrates services such as a network of warehouses and hardware stores with financing and subsidies. At this stage, the work of Comfama's professionals, who make sure that prices are competitive for the families, is fundamental.
- presents a new distribution channel by supporting solutions close to program beneficiaries; families are able to reduce transportation costs for materials, hence the importance of the warehouses and hardware stores network
- provides solutions near the homes of the members
- generates employment opportunities with suppliers and contractors
- empowers families to improve their quality of life
- reduces the housing quality deficit.



Another example of dignifying the exterior of a house

Lessons Learned

The partnerships launched by Comfama have taught us about the effective use and leveraging of resources in projects with social impacts, benefitting all partners who then participate equally in the results. The success of partnerships is based on shared responsibility, trust, access to people and engagement of communities, generating synergies, and saving resources. This illustrates that project development based on acknowledging people's abilities and reinforcing the will of institutions are the core elements to building partnerships and achieving sustainable results.

Comfama took on the leadership of a team with natural partners, those working on initiatives for building inclusion in the region, including Argos, suppliers of building materials, and local institutions such as VIVA and ISVIMED, as well as various municipalities within Antioquia, among others.

The results of the program are measured not only by the number of families who directly benefitted with homes that meet the criteria established by the Unsatisfied Basic Needs Index, but also in changes in the community environment thanks to increased access to financing and subsidies, and improved purchasing relationships between small users and building material suppliers.

In short, the work of the program has shown that people are able to save, that they are responsible with their payments, and, taking into account the type of population that benefitted from the program, that they can provide a highly available and skilled labor pool.

In addition, suppliers are able to offer discounts when you open up the possibility of attracting new clients. Currently, members go to warehouses and hardware stores themselves, choose the materials they desire, and supervise the work.

Initially, the program considered having a database of housing improvement contractors, but this option was dismissed due to potential validation issues. Instead, families are involved in the process in order to ensure quality of the work and resource efficiency.

Public-private partnerships have also been critical in the process, based on trust and strengthened through mutual understanding and appreciation of their contributions. With this institutional support, Comfama was able to take on a leadership role.

One of the obstacles during the development of this program was the process of raising awareness among contractors and families, and the logistics needed to provide improvement credit vouchers to families that they could use with businesses close to their homes, thus combining good prices with reduced transportation costs. To address these challenges, Comfama's Housing Division had the support and advice of professionals in the allocation of these vouchers. They defined priorities and helped develop a budget for the families, along with corresponding price listings for materials. Then, prices were compared to market standards and an additional check was carried out to ensure families actually received the materials. It was a process of continuous support that reduced operating costs through decentralization.

In sum, lessons learned from this home improvement model have helped to restore the concept of decent housing, engage families in the process of transforming their property by purchasing materials and supervising the work, give value to their effort to save money and keep a positive credit record in order to improve their living conditions. Finally, as a result of this model, there is a positive impact on poverty indexes and the qualitative housing deficit.

For additional information, visit:

- http://www.comfama.intranet/contenidos/bdd/45573/el_informador_comfama_diciembre_2013.html#/4
- http://www.comfama.intranet/contenidos/bdd/45761/el_informador_comfama_marzo_2014.html#/8
- http://www.comfama.intranet/contenidos/bdd/46330/el_informador_comfama_septiembre2014.html#/24
- http://www.comfama.intranet/contenidos/bdd/46146/el_informador_Comfama_agosto_2014.html#/4

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- Bourdieu P. (1985) "The Forms of Capital", in Richardson, J. (ed.) *Handbook of Theory and Research for the Sociology of Education* (241-258). New York: Greenwood.
- IREFREA (2012) Estrategias de empoderamiento para las familias. http://www.irefrea.org/uploads/PDF/EFE_Parents%20Guide_ES.pdf