Rapid Rural-to-Urban Migration to Lima: A Need for a Sustainable Housing Reform

Laura Chan

Lehigh University

Follow this and additional works at: https://preserve.lehigh.edu/perspectives-v35

Recommended Citation
https://preserve.lehigh.edu/perspectives-v35/14

This Article is brought to you for free and open access by the Perspectives on Business and Economics at Lehigh Preserve. It has been accepted for inclusion in Volume 35 - Leveraging Peru's Economic Potential (2017) by an authorized administrator of Lehigh Preserve. For more information, please contact preserve@lehigh.edu.
Rapid Rural-to-Urban Migration to Lima: A Need for a Sustainable Housing Reform

Laura Chan

Introduction

Peru has undergone significant rapid urbanization within the last half century, similar to many other Latin American countries. About 9.8 million people reside in the capital city of Lima, accounting for approximately one-third of Peru’s total population (“Perú: Síntesis Estadística 2015,” p. 11). However, Lima has the capacity to only hold one million (Albitres).

Due to rural poverty and political violence since the 1940s, thousands of Peruvians from the rural Andean region have migrated to the bustling capital in search of economic opportunity. This rural-to-urban migration affects many aspects of everyday life in Lima: the endless bumper-to-bumper traffic, the growing industrial development due to an increasing workforce, and the demand for educational, health, and financial services within the urban center. However, perhaps the greatest impact of the migration waves has been on the housing sector in Lima.

As of 2016 the demand for adequate housing by the low-income migrant population in Lima has exceeded supply, leading to a large housing deficit (“Fondo MiVivienda…”). This shortage is characterized by the lack of investment in basic housing services, insufficient formal land titles, and rising property prices, which all have led to serious effects on the metropolitan area. These effects include the growth of informal housing developments on the outskirts of the city (known as barriadas [shantytowns]) and the lack of upward social mobility that the rural migrants seek. Continued absence of action toward quality housing developments for low-income Peruvians could ultimately hamper the country’s long-term economic progress. To make urbanization sustainable in Lima and aid Peru’s growing economy, the rental housing market must be more structured, current informal land titling policies more socially inclusive, and urban
planning coordination among government agencies improved.

The purpose of this article is to discuss how the large migration waves to Lima have affected the housing situation in the capital city for lower-income groups and to analyze how a sustainable housing initiative can be put in place for future growth. I describe adequate housing rights, the rural-to-urban migration patterns to Lima over the past 60 years, the current housing issues in Lima, and ongoing housing policies implemented by the government. Finally, I examine the growing rural migrant population’s impacts on housing supply and demand and how proper action can foster self-sustainability for the housing sector.

The Right to Adequate Housing

According to the 1948 Universal Declaration of Human Rights and the 1966 International Covenant on Economic, Social, and Cultural Rights of the United Nations, everyone is entitled to the right to adequate housing. Standards of living, educational achievement, health, and job opportunities are all adversely affected by living in distressed neighborhoods (“The Right to Adequate…,” p. 9). In a densely populated city like Lima, it is important to not only address the need for more affordable housing but also improve the well-being and stability of the neighborhoods themselves.

Adequate housing rights include insurance against forced evictions, formal property titles, the ability to choose one’s residence, and basic water and sewage services. These rights must be enforced at both national and local levels for countries facing rapid urbanization. With no proof of residency, citizens find it challenging to access other basic rights in education, health care, work, and social security. This inaccessibility will lead to an increase in social exclusion among lower-income populations, forcing them to turn to the informal sector, an economy not regulated by the government, for growth opportunities. The future of any urban center strongly relies on major housing reforms, especially in the case of Lima.

A Brief History of Rural-to-Urban Migration to Lima and the Housing Sector

1940s–1970s

The first major migration waves from the Andean region to the capital city of Peru began in the 1940s. These migrants were in search of job opportunities in Lima as economic development began to transpire quickly along the coast, causing migrants to leave their traditional social structures, extreme rural poverty, and limited land resources.

Arriving in Lima, migrants usually found that they had limited access to utilities and opportunities in education, health care, and housing, driving them to solve these issues through informal housing developments. These poor developments, which are located on the peripheral areas of Lima, the barriadas, are examples of neighborhoods filled with self-help housing. Self-help housing originally began as squatter settlements. The process occurs when homeless populations settle on property without legal permission. First, the land is infiltrated and divided by the families. Then, they build on their plots using cheap materials for construction, such as straws and mats. Next, the squatters create a residents’ association to protect their rights to reside there, with the goal of becoming homeowners of those plots. The squatters do not pay any money for their land to the government; however, they pay a monthly fee to the residents’ association to meet their home ownership objective (Mar, p. 358). It is important to note that although the squatters consider themselves homeowners, they have no official title for the land.

These Peruvians brought their traditional way of life from the rural areas, and, without access to public services, it led to unsuccessful social integration with the native city population and an inability to adjust to Lima’s growing competitive economic sector. To cope with the difficult social integration, in 1961 the government ratified the Law for Marginal Settlements and Popular Social Housing Estates. This law is based on the ideologies of John F. C. Turner, a British architect who spent years in Peru’s squatter settlements and who wrote extensively on housing policy. Turner's
progressive housing principles promoted “regularization,” the process of formalizing informal housing developments. This housing policy provided land titles to the illegally settled upon land, thereby legalizing entire informal neighborhoods into counties as implemented by the local governments. Turner believed that this urban planning policy would serve as a catalyst for neighborhood growth. This progressive policy eventually proved successful, since the first formalized squatter settlements later transformed into today’s commercial neighborhoods and are now the homes of an emerging middle class (Sakay et al., p. 477).

With the city’s population rising from about 600,000 in 1940 to 3.5 million in 1970 as a consequence of rural-to-urban migration, the barriadas accounted for 75 percent of Lima’s total population by 1970 (Escobar M. and Beall, p. 63), generating continued informal neighborhood growth. However, because of political violence during the 1980s, the government refocused its attention and neglected the growing housing problems surrounding the capital.

**1980s–1990s: The Shining Path Movement**

The 1980s were a time of economic recession, unemployment, and poverty due to political violence from a terrorist group known as Sendero Luminoso (Shining Path). Founded in 1970, this Peruvian revolutionary organization was based on Maoism and China’s Cultural Revolution movement, and its main goal was to replace the existing Peruvian government with a communist regime. The founder was Abimael Guzmán, a university professor who taught in the Andean city of Ayacucho. Guzmán recruited armed supporters, known as senderistas, in the rural areas and soon became responsible for violent acts, such as bombings and assassinations, in addition to gaining control of the Andean region. As a result, these terrorist attacks caused rural Peruvians to be displaced, and they migrated to urban areas, mainly the capital.

Because of the violent crisis in the 1980s, the government, under President Alberto Fujimori, turned away from upgrading the shantytowns and instead focused its efforts on capturing Guzmán. In addition, Fujimori’s New Constitution of 1993 led to the elimination of crucial housing institutions, including the Ministerio de Vivienda, Construcción, y Saneamiento (Ministry of Housing, Construction, and Sanitation), Banco Central Hipotecario (Central Mortgage Bank), and the Banco de la Vivienda (Housing Bank) (Fernández-Maldonado and Bredenoord, p. 344). With this second wave of migrants escaping the Shining Path, the demand for housing grew. But with no provision of new homes after the elimination of the main housing institutions, rural Peruvians were left with no choice but to continue building informally in the barriadas.

**Early 2000s–Present**

Since the early 2000s, the rural migrant population has continued to grow within Lima, pushing the city’s boundaries further north, east, and south. As a result, the housing issue has again become one of national concern, as proclaimed by the government in 2001. The Ministry of Housing, Construction, and Sanitation was reestablished along with new regulations to encourage private companies and financial institutions to construct new housing developments (Fernández-Maldonado and Bredenoord, p. 345).

In addition, the current housing issue is now linked to socioeconomic status. In Peru, there are five income levels based on a universal social system utilized by the government and various industries in Peru. The levels are defined by average monthly income, and more than 70 percent of all households in Lima fall in level C, D, or E (Table 1).

In this article, the formal housing sector refers to both legally owned property and rental property, including any squatter settlement that has been regulated by the government in the past, according to Turner’s progressive policy. The informal housing sector refers to settlements in today’s barriadas and the unauthorized rental sector. The formal housing supply can only satisfy 30 percent of the demand every year, and 45 percent of households have income sufficient to obtain a mortgage (Trohanis et al., p. 5). In addition, 55
percent of households would like to purchase a home within the formal housing sector, and 70 percent of these households' incomes come from informal employment, which makes it difficult for them to access financial housing assistance (Trohanis et al., p. 8). Thus, many migrants are forced to continue building their own homes in the shantytowns surrounding Lima.

Additionally, Peru’s housing tenure options fall into three categories: (1) owned, (2) leased, or (3) ceded. The owned category is divided into three sub-categories: (A) paid-off homes, (B) homes paid for through loans or mortgages, and (C) homes invaded without a formal land title. The leased category includes being a tenant to a landlord, whether within the formal rental sector or not. The ceded category refers to those who gave up and left their land. The housing tenure percentages in Lima are shown in Table 2.

Peru’s investments in housing account for only 0.1 percent of the country’s overall GDP (Calderón Cockburn, p. 342); therefore, there needs to be more spending on housing as the supply continues to fall vis-à-vis rising demand. This is an urgent issue as the population is expected to continue to grow rapidly in Lima (Figure 1).

**Main Issues in Lima’s Housing Sector**

**Mortgage Loans**

Despite tremendous mortgage market growth within the last decade, mortgage loans comprise only a small percentage of GDP (4.58 percent) in Peru (“Peru: Statistical Data…”). Today, mortgages in Lima are typically disbursed through large commercial banks, such as Interbank and Banco de Crédito del Perú. However, about 95 percent of these mortgages are distributed to people in income levels A and B, because mortgage credit accessibility requires formal employment (Diez et al., p. 51). People in levels C, D, and E are largely excluded from this credit system, because those in these levels are mostly working within the informal sector and face difficulties when searching for mortgage assistance.

**Home Ownership, Self-construction, and Land Titling**

Approximately 72 percent of Peruvians in Lima today own a home (Calderón Cockburn, p. 346). However, this percentage does not necessarily mean that these homeowners have obtained a formal property title through legal means (see Table 2).

As a result of the restricted access to mortgage credit for those in income levels C, D, and E, many Peruvians have saved to buy construction materials for continuous home improvement, which accounts for the high ownership percentage. Despite the economic boom within the last decade that led to rising income levels for the middle and lower classes, these groups still often choose to modify their homes through self-construction rather than buy a new home or to rent one. Approximately 60 percent of homes in Peru are self-constructed (Diez et al., p. 51).

This continuous home improvement reflects Turner’s housing policies, through which homeowners first settled on the land, then built and later added on to their homes through the years. Although this approach was successful in the past, it is now unsustainable because of the large influx of rural migrants moving to Lima each year, and it is no longer an efficient strategy for supporting stable neighborhood growth.

The constant informal self-construction is also a main reason why formal property titles are scarce among those in income levels C, D, and E today, because the lands these Peruvians have originally settled on are usually not registered with the government (Palomino Bonilla and Wong Barrantes, p. 6). In fact, 77 percent of homeowners within income levels C, D, and E do not have a formal property title (“Viviendas Propias…”).

**Rental Property**

Across Latin America, renting is a much less popular option compared to property ownership due to the rapid pace of urbanization (“Affordable Land…,” p. 12). Owning is, in fact, cheaper than renting because of favorable tax regulations and lower financial costs for owners (Funaro, p. 7). However, ownership
Table 1
Distribution of Households and Socio-economic Levels in Lima

<table>
<thead>
<tr>
<th>Level</th>
<th>Description of levels</th>
<th>Average monthly household income*</th>
<th>Households in Lima (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>High income</td>
<td>S/.10,860 ($3,337)</td>
<td>5.20</td>
</tr>
<tr>
<td>B</td>
<td>Middle income</td>
<td>S/.5,606 ($1,723)</td>
<td>22.30</td>
</tr>
<tr>
<td>C</td>
<td>Middle–low income</td>
<td>S/.3,446 ($1,059)</td>
<td>40.50</td>
</tr>
<tr>
<td>D</td>
<td>Low income</td>
<td>S/.2,321 ($713)</td>
<td>24.30</td>
</tr>
<tr>
<td>E</td>
<td>Very low income</td>
<td>S/.1,584 ($487)</td>
<td>7.70</td>
</tr>
</tbody>
</table>

* Peruvian sol to U.S. dollar exchange rate as of February 2017.
Total number of households in metropolitan Lima = 2,686,690.
Source: “Niveles Socioeconómicos 2016.”

Table 2
Lima Housing Tenure Options and Percentages (2007)

<table>
<thead>
<tr>
<th>Type of Housing Tenure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned—paid-off homes</td>
<td>59</td>
</tr>
<tr>
<td>Owned—paid for through loans or mortgages</td>
<td>7</td>
</tr>
<tr>
<td>Owned—through invasion</td>
<td>5</td>
</tr>
<tr>
<td>Leased</td>
<td>22</td>
</tr>
<tr>
<td>Ceded</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Calderón Cockburn, p. 346.

Figure 1
Projected Population Growth in Lima, 1940–2030

Source: “Perú: Síntesis Estadística 2015.”
is simply not sustainable for long-term population growth, especially in the case of a densely populated city like Lima.

There is a widespread belief that home ownership brings about overall well-being, stable communities, and improvements in education (Funaro, p. 7). Accordingly, Latin American governments have promoted ownership through supporting self-home construction policies and even embracing an attitude of laissez-faire toward informal housing development growth (“Affordable Land..., p. 10).

On the other hand, there is an informal rental sector that exists within the barriadas, and many landlords evade tax obligations through this system. By renting from informal landowners, lower-income groups usually lease rooms that are 12 to 18 square meters, about the size of an average American bedroom, for their entire families, leading to overcrowding and health problems (Calderón Cockburn, p. 377).

As the Lima rental housing market expands, one of the major limitations that the city still faces is social exclusion for people in groups C, D, and E. These people have such low incomes that they can only afford either informal rental housing lacking proper utilities, or they can qualify for home ownership through the government’s public programs that I discuss later (Calderón Cockburn, p. 377).

**Barriers to Housing Supply and Meeting Rapid Demand**

To address Lima’s growing population, more adequate homes must be built to meet the rising demand. Between 2003 and 2013, the number of people in income group E fell from 51 to 38 percent of the total population, and in level D it fell from 29 to 27 percent. As a result, the number of people in level C increased from 15 to 23 percent (“Peru Housing...”). The expanding middle class and its rising disposable income are the main reasons for the high level of housing demand in Lima today. In turn, Peru now has the third largest housing deficit in Latin America (Trohanis et al., p. 3). Overall, there is a deficit of 435,129 homes as of 2015, and 75 percent of the demand for homes costing between $15,000 to $60,000 has not been satisfied (Figure 2).

Major problems resulting from high home prices and the home construction process create obstacles to supplying housing for lower-income groups. As a result of the economic boom in 2007, nominal housing prices have risen over 240 percent, and real housing prices have grown by 130 percent over the last decade (Vilchez, p. 2). Construction costs consist of materials, equipment, and labor expenses and represent 55 to 70 percent of the formal housing cost (Palomino Bonilla and Wong Barrantes, p. 12). In addition, Lima has a high average house price–to–income ratio of 8.7, which is the ratio of the median price of a formal housing unit to average annual family income (“Affordable Land..., p. 24). In other words, the average home price in Lima is 8.7 times higher than the average income, and it is not surprising that low-income groups have trouble affording homes in the formal market.

Another major obstacle that limits formal low-income housing supply is the lack of sufficient zoning requirements for developed land. Informal housing settlements completely ignore zoning laws, which leads to settlements being built on unstable lands with deficient public services. Without properly zoned land, it is more difficult for the government to build affordable housing for groups C, D, and E. According to Jaime Rodríguez Larraín, the president of real estate company C&J Constructores y Contratistas in Peru, “A clearer set of zoning regulations and further investment in water treatment are necessary conditions for Lima’s real estate market to continue growing” (“Peru Housing...”).

Because of housing supply restrictions and the rising costs of homes, most Peruvians within sectors C, D, and E cannot afford formal housing today and are facing a severe quantitative and qualitative housing shortage. The quantitative housing deficit refers to the number of physical houses, and there is a total

---

1Changes in nominal and real prices are the result of both inflation in Peru and exchange rate differences, as formal property in Peru is usually sold in U.S. dollars.
quantitative deficit of 389,745. The qualitative housing deficit pertains to inadequate home conditions, including the lack of materials for home improvement, overcrowding, and insufficient basic services. The total qualitative deficit of 1,470,947 is much larger (“Fondo MiVivienda…”).

The qualitative housing deficit directly relates to how housing costs are susceptible to the current obstacles in the construction sector, specifically how Lima is still utilizing outdated building materials to implement obsolete construction processes (Palomino Bonilla and Wong Barrantes, p. 11). High-quality building materials and revamping construction processes can greatly reduce formal housing costs. However, most builders have not pursued these options due to a lack of incentives from the government and private companies. Developers are also unwilling to construct new units for lower-income groups because they earn 125 percent more in profits when building for higher-income groups (Trohanis et al., p. 8).

Additionally, as more rural Peruvians move into the urban center, the number of unskilled and uneducated workers rises. Hence, they perform jobs that pay low wages, mostly through informal employment. This cheap labor supply limits the opportunity to increase productivity in Peru’s growing economy, and it prevents further progress toward improving living conditions in the barriadas (Mar, p. 356). In response to the dwindling supply and high demand for adequate homes, the Peruvian government has developed public programs within the last two decades that are targeted toward levels C, D, and E.

### Current Housing Policies and Regulations

The public policies focused on Peruvian housing are mainly subsidy programs. Starting in 2003, these state-sponsored programs have collaborated with private financial institutions in hopes of addressing the housing supply and demand issues previously discussed (Fernández-Maldonado and Bredenoord, p. 342). As of 2016, the primary housing programs include Fondo MiVivienda (My Housing Fund [FMV]), Techo Propio (Own Roof), and COFOPRI (Commission for the Formalization of Informal Property).
**Fondo MiVivienda**

In 1998 the Peruvian government established FMV. Targeted toward Peruvians who cannot afford mortgage credits, FMV’s main objectives include promoting decentralized real estate and mortgage markets through credit financing, addressing the housing deficit in addition to meeting the population’s housing needs, and stimulating the real estate market (“Fondo MiVivienda…”).

FMV lends money to people in groups B and C to either purchase a new or existing home or to build on their own land. Today, the government finances houses with values between S/.56,700 ($17,427) and S/.405,000 ($124,478)\(^2\) ("Fondo MiVivienda…").

FMV thrived as the program experienced an average annual growth rate of 15 percent and doubled in size between 2001 and 2006 (“Affordable Land…,” p. 29). FMV contributed to the evolving mortgage market through its provision of more than S/.813 million ($250 million) in mortgage credits. Furthermore, FMV increased the housing supply through providing greater accessibility to housing credit, a reduction in property prices, and the formation of middle class residential areas in central Lima (Fernández-Maldonado, p. 6).

Despite its tremendous contributions to the mortgage market, FMV’s efforts have principally benefited the middle class. The income requirements for accessing FMV credits are mainly found in socioeconomic groups B and C. From 2001 to 2006, 33,000 loans were provided to groups B and C but only 6,000 loans to groups D and E in Peru (Fernández-Maldonado, p. 6). Moreover, FMV has become less effective in recent years because of rising property prices and less government funding. To address these issues in addition to focusing less on the middle class, Techo Propio was established in 2003 to assist lower-income groups.

**Techo Propio**

Techo Propio is an FMV product that targets families in income levels D and E who do not have access to bank loans. Families who qualify for this program are those making less than S/.1,915 ($588) per month. They have a choice of buying, building, or fixing an existing home (“Peru Housing…”). Techo Propio also includes a non-refundable Family Housing Bonus, which is a direct subsidy granted by the state for a family’s initial home payment.

Since the program’s inception in 2003, the government has spent S/.33 billion ($10.1 billion) on Techo Propio (“Peru Housing…”) and has significantly increased the number of Family Housing Bonus loans (50,505) compared to FMV loans (9,090) (“Fondo MiVivienda…”). This shows the program’s expansion as well as the government’s effort to direct its focus to social groups D and E. As with FMV, however, Techo Propio’s impact has also been diminishing in recent years due to rising real estate prices.

**COFOPRI**

First proposed by President Alberto Fujimori in 1996, COFOPRI is a land-titling program that has formalized squatter settlements by regulating individual plots of land. Between 1996 and 2006, COFOPRI granted about 1.6 million land titles (Fernandes, p. 27). This program supports the views of Peruvian economist Hernando de Soto that Peru’s economic growth and poverty alleviation are positively affected by the provision of formal land titles to illegal settlers in the barriadas. It also reflects the view that this program would increase opportunities for groups C, D, and E to access credit from banks, which would improve the standard of living.

Despite COFOPRI’s accomplishment of increasing tenure security among informal housing developments, supplying squatters with formal titles has done little to improve the poor conditions in the barriadas. This is due to the policy’s main attention toward individual property rights rather than the sufficient infrastructure needed for an entire community to prosper. In contrast to COFOPRI’s original goal of granting people in levels C, D, and E greater accessibility to credit, Peru’s commercial banks still retain strict
policies requiring formal employment and income qualifications that, in general, lower-income groups do not meet. To summarize, the overall standard of living in the barriadas, accessibility to loans from private banks, and socioeconomic development within the capital have not been improved by simply granting families a land title (Fernandes, p. 34).

Recommendations

The biggest hurdle in supplying lower-income groups C, D, and E with adequate housing is providing them access to formal housing tenure options through bank credits. To address this problem, I recommend strengthening the rental housing market, modifying the COFOPRI land titling program, and improving communication among the Peruvian ministries.

One solution would be to further develop the rental housing market and to encourage more Peruvians to rent rather than to own. Lima’s rental housing sector is growing each year; yet, by establishing stronger rental policies, the housing deficit will be reduced and more homes will have access to utilities (Calderón Cockburn, p. 377). Further long-term economic benefits include a diversified housing market, more flexibility for home purchasers, and vertical city construction of multi-story buildings to accommodate a dense population without overcrowding. In addition, more rental properties give lower-income groups a wider range of home options and encourage social integration as they would be closer to public services (Funaro, p. 6).

To accomplish this, the rental market needs to provide strong legal protection to landlords and must design incentives for homeowners to rent out their property. As of 2016, the judiciary system generally supports pro-tenant rights rather than those of landlords, which makes tenant eviction complicated and time-consuming. It takes an average of 1,305 days (about 3.5 years) to evict a tenant in Peru (“Peru’s Rental Laws...”). This lengthy process alone discourages Peruvians from becoming landlords and investing in the formal rental housing sector.

Another option is to start incorporating rental housing policies in government programs. These can be specifically targeted toward groups C, D, and E by supplying people in them with lower-priced rental homes within the private market. For example, as with Techo Propio, government agencies could pay a rental subsidy to landlords while tenants pay for the difference between the actual rental price and the subsidy. I also recommend that rental housing units be standardized, in addition to being centrally located near commercial neighborhoods, to promote social inclusion.

Constructing high-quality rental housing must be a priority, and the ability to rent inadequate property lacking utilities should be limited and eventually eradicated. To do this, it is crucial to recognize that there are two main types of purchasers in the rental market: (1) the rent-to-buy customers, who rent their property as a first step toward home ownership, and (2) people who rent but have no intention of owning a home in the future due to their lifestyle (e.g., young adults) (Calderón Cockburn, p. 376). These temporary renters fuel the demand for the formal rental market in Lima, and this factor should be taken into consideration when incorporating rental housing assistance in public programs.

In addition to establishing a more structured rental housing market, it would also be beneficial to revise the current COFOPRI land titling approach. It is evident that simply providing formal land titles for informal properties has not upgraded the poor conditions in the shantytowns nor has it expanded accessibility to bank credits for people in levels C, D, and E. To solve this problem, the government must consider the big picture. Social integration of the native population and migrants is crucial, and this can be achieved by enhancing public services in shantytowns through providing proper water, public transportation, and sewage services. For example, Rio de Janiero’s Pave-la-Bairro land titling program has focused more on large investments in public services and infrastructure, in addition to providing informal settlements with land titles (Fernandes, p. 32). Overall, this program
has improved the inadequate housing conditions of the favela communities and has strengthened social inclusion in the city.

Finally, urban planning coordination among government agencies must be improved for any of the previous recommendations to be successful. This is especially important for city planning within Lima’s metropolitan area, not just in the barriadas themselves. All urban planning activities are now undertaken by different ministries, and the lack of effective coordination among them leads to unsustainable housing reforms. For example, it would be more efficient to combine the Ministry of Housing, Construction, and Sanitation with the Ministry of Transport and Communications under one executive department. By doing so, they could work together toward their overall goal of improving urban conditions in Lima and understand how the implications of home building, water networks, and public transportation interconnect. This strategy would alleviate the housing problem in Lima, in addition to reducing other negative externalities caused by rapid urbanization, such as traffic congestion, pollution, and overcrowding.

**Conclusion**

As a result of Peru’s economic boom over the last decade, the housing market has grown tremendously, thanks to the efforts of the Ministry of Housing, Construction, and Sanitation. Yet with more rural migrants pouring into Lima every year, the housing deficit continues to grow; therefore, viable solutions must be implemented. It is also crucial to build strong homes that can withstand natural disasters, a lesson learned the hard way through the horrendous flooding during El Niño in March 2017. In Lima alone, 12,000 homes were destroyed; 700,000 Peruvians became homeless; and more than 90 died (Leon and Kraul).

These recommendations are the first steps to mitigating Lima’s growing housing deficit and to generating self-sustainability in order to develop a diversified housing market. Not only will upgrading the homes and public services benefit the informal housing developments but also these efforts will result in social inclusion, upward social mobility, and the expansion of economic opportunity for all groups in Lima.
REFERENCES


