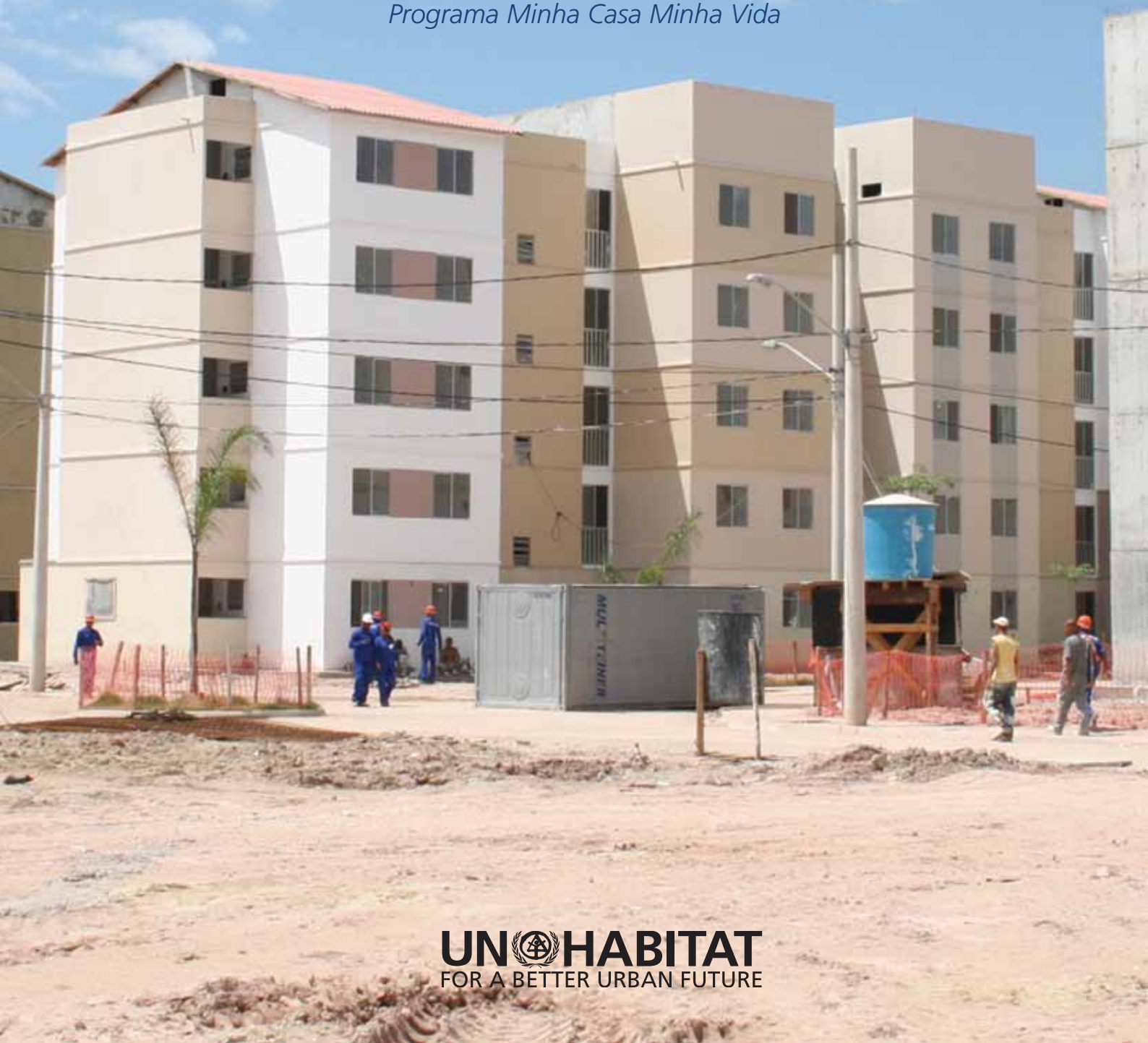


SCALING-UP AFFORDABLE HOUSING SUPPLY IN BRAZIL

THE 'MY HOUSE MY LIFE' PROGRAMME

Programa Minha Casa Minha Vida



SCALING-UP AFFORDABLE HOUSING SUPPLY IN BRAZIL: THE 'MY HOUSE MY LIFE' PROGRAMME

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ABREVIATIONS AND ACRONYMS

BNDES	Brazilian Development Bank
BNH	National Housing Bank
BRL	Brazilian Real (currency)
CAIXA	Federal Savings Bank
CBIC	Brazilian Chamber of Construction Industry
CBO	Community Based Organization
CC	Casa Civil
CEBRAP	Brazilian Centre for Analysis and Planning
CEM	Centre for Metropolitan Study
CGU	National Control Committee of Public Accounts
COHAB	State Housing Company
CONAMA	National Environmental Council
ConCidades	Council of Cities
DICT	Department of Institutional Development and Technical Cooperation
DUAP	Department of Slum Upgrading, Ministry of Cities
ETCO	Brazilian Institute for Ethical Competition
FAR	Residential Leasing Fund
FAT	Worker Support Fund
FDS	Social Development Fund
FGHab	Housing Guarantor Fund
FGTS	Workers Severance Fund
FGV	Getulio Vargas Foundation
FI-FGTS	Investment Fund in Infrastructure of FGTS
FJP	Joao Pinheiro Foundation
FNHIS	National Social Housing Fund
FNRU	National Forum for Urban Reform
FUNACOM-FUNAPS	Fund of Assistance for Residents of Substandard Housing
GDP	Gross Domestic Product
GEPAC	Executive Group of the PAC
HBB	Habitar Brazil BID
HDI	Human Development Index
IBGE	Brazilian Institute of Geography and Statistics
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPEA	National Institute of Applied Economic Research
MCidades	Ministry of Cities
MCMVP	My Home My Life Programme
m.w.	Minimum Wage
OGU	Government Budget
PAC	Acceleration of Growth Programme
PAR	Residential Leasing Programme
PEA	Economically Active Population
PlanHab	National Housing Plan
PLHIS	Local Plans for Social Interest Housing
PNAD	National Sample Survey of Households

PPI	Priority Investment Projects
PREZEIS	Plan for the Regularization and Urbanization of Special Zones of Social Interest
PROFAVELA	Municipal Programme for the Regularization of Favelas
SA	Public Limited Company
SAM	Secretariat for Articulation and Monitoring at the Civil House
SBPE	Brazilian Savings and Loans System
SFH	Housing Finance System
SNH	National Housing Secretariat of the Ministry of Cities
SNHIS	National Social Housing System
TCU	Public Accounts and Audit Court
TJLP	Long Term Interest Rate
ZEIS	Special Zones of Social Interest

CURRENCY EQUIVALENTS

(Average exchange rate in the period 2007 – 2011)

1.00 BRL = 0.54 USD

1.00 USD = 1.85 BRL.

GLOSSARY OF KEY TERMS AND INSTITUTIONS

CAIXA (Federal Savings Bank) is the largest federal public bank in Brazil and a major player in the housing finance system. It accounts for a significant part of the direct credit system (the Brasileiro de Poupança e Empréstimo) and uses most of the Workers Severance Fund (Fundo de Garantia por Tempo de Serviço) for housing finance. CAIXA is responsible for the distribution of public subsidies related to housing.

The City Statute (Estatuto da Cidade) is Federal Law 10.257/2001. It is related to urban development that establishes a series of norms of social interest regulating the use of urban property for the communal good and the regularization of favelas. The law decentralized to municipalities a number of housing and land responsibilities and stimulated the development of municipal institutional capacities.

Favela is the term popularly used in Brazil to refer to urban areas or neighbourhoods featured by one or more of the following aspects: irregularity of land occupation, lack of tenure and title deed, deficient or precarious infrastructure and public services, risks to natural hazards, high density, precarious building conditions, social problems and poverty. In this report, favela, slum and precarious and informal settlements are used synonymously.

Precarious Settlements is the term currently used in the National Housing Policy that the federal government crafted in 2004. The term embraces the diverse forms of precarious and informal settlements (i.e. favelas, irregular allotment subdivisions, tenement houses (cortiços), and also degraded housing ensembles).

The Workers Severance Fund (Fundo de Garantia por Tempo de Serviço) is the cornerstone of the directed credit system for social housing. It is funded by the monthly compulsory contributions of salaried employees into accounts linked to the workers managed by CAIXA.

The National Social Housing Fund (Fundo Nacional de Habitação de Interesse Social) was established in 2004 to coordinate transfers, subsidies, financial resources and funding to support social housing programmes of the National Housing Policy.

Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística) is the agency responsible for statistical and geographic information on various aspects of demography, economy and society in Brazil. The institute conducts a national census every 10 years and provides a complete picture of the country's population and living conditions. The data and information produced serves as a major support element for the elaboration of Government policies and programmes.

My House, My Life Programme (Minha Casa, Minha Vida - MCMVP) is a Brazilian national housing provision launched in 2009 as a stimulus package to mitigate the effects of the 2008 economic crisis. The programme aims to increase the supply of new affordable housing units for low- and low to middle-income households.

Growth Acceleration Programme - PAC (Aceleração do Crescimento) was Government commenced in 2007 to encourage public and private investments in large-scale infrastructure projects. The projects are divided into five groups: infrastructure (transport, sanitation and housing), credit stimulation, institutional development, tax exemption, and long-term fiscal measures.

The National Housing Plan or **PlanHab** (Plano Nacional de Habitação) was completed in 2008. PlanHab represents the guide for the implementation of the National Housing Policy, with specific targets up to 2023 and defining the responsibilities of each public agency as well as the financial needs and potential sources of funds.

OGU (the federal budget) is a federal law under which estimates the fixed income and expenditure of public administration each year. It is formed by fiscal, social security and federal investment budget of state enterprises.

The Local Plan for Social Interest Housing must be elaborated by municipal administrations. It represents the consolidation of the National Housing Policy at local level. The plan comprise a set of guidelines, objectives, indicators and instruments to intervene in the housing sector at the local level, ensuring that interventions conform to, or are in line with, national, state and municipal housing policies.

Special Social Interest Zone (Zonas Especiais de Interesse Social - ZEIS) is an instrument under the aegis of the City Statute enabling the delimitation of certain municipal areas for social housing purposes. ZEIS is also employed to determine and elucidate special norms regarding use, occupation, land-parcelling and building rules in areas already occupied by informal settlements. ZEIS must be defined in the Municipal Master Plan or in other related specific municipal laws.

The Guarantor Housing Fund (Fundo Garantidor da Habitação Popular) is a private facility created to provide full or partial guarantee of loan repayment for beneficiaries of the Minha Casa, Minha Vida programme in case of default. It is intended to mitigate the risks to the financial agent. The housing fund's assets are drawn from Government resources and quotas paid by financial agents that operate in the Minha Casa, Minha Vida programme.

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Since 2009, Brazil has been implementing an ambitious national social housing programme: the “My House, My Life Programme” (*Programa Minha Casa, Minha Vida - MCMVP*). The initial goal was to contract 1 million housing units in the biennium 2009-2010. For its magnitude, scale and amount of subsidies the Programme is considered an important milestone in reasserting social housing as an issue of national importance for Government policy and action.

This report documents the Programme and outlines its key design aspects and implementation processes. The purpose is to portray the genesis of the Programme and the experience since its inception. Factors, decisions and innovations that contributed to the Programme’s success have been observed. In addition some of its remaining challenges have been identified, all with an aim to increase global understanding of the potential of such an integrated and large-scale effort to produce responses to the existing low-cost housing shortage and promote social inclusion. The report is based on desktop research, literature reviews that includes international as well as national publications and government reports, and a field survey that the United Nations Human Settlements Programme (UN-Habitat) has undertaken in Brazilian cities, drawing on extensive consultation with stakeholders and Government representatives directly involved in the Programme.

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

MCMVP in action

The My House, My Life Programme, herein referred to as MCMVP, emerged in response to specific conditions in Brazil. For that reason, it should not be assumed as directly replicable in other countries. Important social, political and economic shifts that have taken place over the last few decades in Brazil have shaped the programme formulation, design, and implementation in order to suit the country's specific context. For example, the Programme sets its foundation on a strong policy of upfront subsidies and increased housing credit, which has been possible because of Brazil's consistent economic growth and well-focused social agenda over the last decade. In addition, the Programme has counted on an enhanced institutional and policy framework that has better equipped local governments and improved policy tools.

Yet, many things go into making the Brazilian experience a reference worthy of the attention of other countries. The Programme creates special mechanisms to mobilize private sector housing production and designs innovative arrangements of subsidy and finance for a large range of income groups to acquire new homes. New legal and institutional arrangements evolved towards a smoother flow of resources, work procurement and a more reasonable division of responsibilities amongst municipal, federal and central governments as well as private and community agents, reflected positively in the implementation and accelerated project execution. Together these measures have demonstrated the potential of public-private partnerships to produce social-interest housing.

The Programme also had to overcome many unanticipated challenges. A pressing concern has been raised on the socio-spatial and environmental implications of housing developments which the Programme is promoting and financing, particularly related to the location of projects and the challenges of urban integration. Improvements could be made to better connect new housing projects with the existing urban fabric to improve urban inclusiveness and prevent urban spatial fragmentation and sprawl. The quality and design of housing units and neighbourhoods and post-occupancy management are also important factors that must be dealt with to maximise the positive impact for intended beneficiaries.

This publication shows that although the Programme is not perfect, on balance it is positive to the extent that it has

established itself as a major instrument of the Government to structure social and economic policies. It has also become a flagship programme to boost labour market, reduce poverty and tackle social and economic inequality. Brazil has advanced in tackling historical challenges so that affordable housing can be produced at scale for poor- and middle-income families. This has given concrete expression to Government's rhetoric of "paying-off long-standing social liabilities".

In the context of strengthened social protection policies, the Programme has also played a crucial role in the economic scene. The integrated approach to housing provision and economic development runs evenly to the extent that the Programme has helped to stimulate the construction chain and create jobs. This has led to an increase in tax revenues and consumer power, which in turn feeds the domestic market and public revenue. Documenting these aspects of the Programme enables other countries to learn from the Brazilian experience and build upon the knowledge produced to formulate appropriate policy responses, and scale-up access to affordable housing.

This publication also refers to the history of housing in Brazil and the current institutional, legal and organizational environment of the housing sector in the country in order to reveal the historical process that precedes the MCMV programme. There is a brief analysis of the housing market revealing facts and figures about housing needs and demand, actually in the range of 7 million units. Brazil has had a rich and complex housing experience when it established the National Housing Finance System and the National Housing Bank (BNH) in the 1960's. The MCMV programme builds on this legacy. And this is another important element that one should consider when getting acquainted with the genesis of the programme and considering its lessons for replication and adaptation elsewhere.

There is little doubt that the financial instruments, the institutional set-up, the legal tools and the implementation arrangements that made possible for Brazil to implement a programme of this magnitude and scale, and the lessons learned at this point in time, will inspire other governments to design their own policies and approaches to delivering affordable housing opportunities to low income households.

Chapter 1 provides a brief introduction on general aspects of Brazil regarding geography, population, economy, urbanization and presents an overview of the main events in the housing sector, since the first steps of government in the institutionalization of housing policy until the recent state of affairs that enables a significant increase of public expenditures in social and urban development sectors in Brazil. The events that unfold the election of President Lula in 2003, and the creation of a specific Ministry to deal with urban and housing issues are fundamental to creating the foundations for a national housing strategy that stands at the core of government's social and economic priorities and underpins the My House My Life MCMVP (*Minha Vida Minha Casa, MCMVP*).

1

CHAPTER

THE BRAZILIAN HOUSING SECTOR



CHAPTER 1: THE BRAZILIAN HOUSING SECTOR

1.1 INTRODUCTION TO BRAZIL

Brazil has been long known for its vast potential. The largest country in South and Central America, Brazil is favoured for its geography and abundance of natural resources. The country is bounded by more than 7,000 km of Atlantic coast and bordered by 11 of the 13 countries in South America. Land is fertile, natural ecosystems are rich, reserves of drinking water abound and the country is set to become an important oil exporter in the near future.

On the political scene, Brazil has harnessed a unique combination of political stability, economic growth and control of inflation. Triumphs are revealed by economic and social indicators, which have maintained an upward trend even during the period of economic crisis. Brazil now features as an example of innovative and balanced social and economic development policies.

Population

Around 85 per cent of Brazil's 190 million people living in cities.¹ The highest demographic growth was during the 1950s and 1960s with rates reaching 3 per cent annually (Figure 1.1). Between 2000 and 2010, the population grew at an average annual rate of 1.17 per cent, the lowest in its history. The demographic projection of the Instituto Brasileiro de Geografia e Estatística (IBGE) is that the national population will level off in 2040 (Figure 1.2).

Lower population growth trends result from a decrease in fertility rates. The most prominent trends in patterns of family organization reveal the reduction of family size and number of couples with children.² From 1999 to 2009, the average number of persons per family fell from 3.4 to 3.1. Yet, families from the low-income sector - with per capita monthly income of up to half minimum wage - still present an average number of 4.2 persons per households.

The population concentrated along the coast and in the north and south-eastern states. In 2010, demographic density was 22 persons per km², and 85 per cent of the population (165 million people) occupied just 0.6 per cent the national territory.³ The concentration is such that 60 per cent of the country's urban population lives in 230 of the country's 5,656 municipalities.⁴

Solid momentum of Brazil's economy

In 2011, Brazil was ranked as the world's sixth largest economy in terms of gross domestic product.⁵ Recent reforms brought discipline to the Government's finances, and improvements in the country's credit system coupled with economic stability which attracted private investment. Yet, it is Government action which has driven the country's economic upturn. Government-led development with a significant increase in public investments and implementation of large-scale infrastructure programmes have generated direct demand in labour-intensive sectors of the economy and have impacted labour market dynamics, positively. Unemployment rates have been slashed by half since 2003 and certain sectors, such as the construction industry, have contributed significantly in creating formal jobs. The informal economy has decreased (Figure 1.3 Figure 1.4). In 2003, the informal sector represented 21 per cent of national gross domestic product; it fell to 18 per cent in 2009 (BRL 578 billion).⁶

Social investments and the fight against poverty

The increase in the minimum wage combined with wealth redistribution policies has contributed to enlarge the consumer market and improve living conditions in Brazil. Per capita gross domestic product has increased from USD 7,400 in 2000 to USD 10,800 in 2010, a growth of 45 per cent.⁷ Evidence of this growth is the country's large income mobility in recent years, referred as "the growth of the middle class". Since 2003, almost 50 million households have joined "class C", which embodies the middle class in Brazil. In the same period, 23 million households have been lifted out of "class E", the poorest group with a monthly per capita income lower than half the minimum wage (Figure 1.5). Poverty and extreme poverty rates are decreasing but they still remain significant (Figure 1.6). In 2010, 8 per cent of the population (16.2 million people) lived in conditions of extreme poverty, with incomes of less than BRL 70 a month (USD 38).⁸

Government expenditures in social-interest areas (that is in welfare, health, education, sanitation and housing) reached BRL 541.3 billion in 2009 (USD 292.6), 15.8

1 Síntese de Indicadores Sociais, IBGE 2010 p. 28.

2 Ibid p. 99

3 Bonduki, N. (2012) A sustentabilidade das cidades e a Rio+20. Le Monde Diplomatique n°59, 2012. Available at http://www.diplomatique.org.br/edicao_mes.php

4 Ibid.

5 World Bank (2011)

6 Instituto Brasileiro de Ética Concorrencial (Etco) e Fundação Getúlio Vargas (FGV).

7 Cash transfer programmes were a mark of President Lula's government. The main programme called Bolsa Família operates direct cash transfers to more than 13 million households living in poverty and extreme poverty conditions in Brazil.

8 IBGE (2010c) National Census 2010.

per cent of national gross domestic product.⁹ From 1995 to 2009, Government investment in social areas registered a real growth of 146 per cent (BRL 219 billion in 1995 (USD 118.3 billion),¹⁰ and the per capita expenditure doubled, from BRL 1,380 (USD 746) in 1995 to 2,830 (USD 1,530) in 2009. The growth of investments in social areas was fairly constant during Da Silva's presidency, and has served the dual purpose of improving living conditions and alleviating the effects of the global economic crises: between 2008 and 2009, welfare-oriented investments increased 11.5 per cent.¹¹

The economic growth coupled with income opportunities and income transfer programmes have helped Brazil to minimize the long-standing reality of socioeconomic inequalities. Inequality rates, measured by the Gini coefficient, have decreased regularly in the last decade (Figure 1.7). The Gini coefficient in 1989 was reported as 0.63, falling to 0.52 in 2009.¹²

Urbanization and Challenges Hampering Urban Development

Yet for all these achievements, crucial challenges to development lay in urban areas. Like other Latin American countries, Brazil presented a rapid and intense urbanization process. The rate of urbanization increased from 35 per cent in 1950 to 80 per cent in 2000. In one generation, starting in the 1950s, the country transformed an agrarian-based population into a predominantly urban society. Intensive urban growth was observed during the 1950s, 1960s and 1970s when annual urbanization rates were 5.3 per cent, 5.1 per cent and 4.4 per cent, respectively. By the 1980s, growth rates had decreased; in the last decade (2000-2010) urban population increased only 1.5 per cent.

Urban growth outpaced the development of infrastructure, basic services and housing alternatives in cities. One of the most striking characteristics of Brazilian urbanization was the unequal pattern of land access and distribution of public investments in urban areas. Brazilian cities are still essentially divided in areas occupied by wealthier groups, which are well-equipped, have good access to infrastructure and housing; and areas occupied by the poor, where public investment is lacking and housing conditions are precarious. Historically, the urban planning practice, instead of working to diminish such gaps, has either neglected or contributed to emphasize the urban fragmentation and the sociospatial exclusion of the poor.

With the process of urbanization virtually completed, cities now struggle to overcome deficiencies in sanitation, urban mobility and adequate housing. A synopsis of the 2010 census reveals that progress was made in improving

the provision of basic services such as water and electricity. However, inadequate sanitation still affects 45 per cent of the 57 million households.¹³

Urban mobility is also a critical problem for the majority of mid-size and large cities. The country has underinvested in public transport and cities are struggling to overcome the road-automobile model that has prevailed since the 1950s. The problem affects mostly low-income households in the suburbs, where the conditions of infrastructure and urban mobility are dire.

Another challenge hampering urban development remains in reversing the exclusionary pattern of land distribution and correcting the legacy of social and spatial exclusion of low-income groups. Despite the important achievements in economic and social development, the extent of informal settlements and the spatial segregation of low-income groups demonstrate that critical aspects of underdevelopment in Brazil are related to urban and housing issues.

The growth and proliferation of precarious and informal settlements, popularly known in Brazil as favelas, has been observed in the cities. From 1980 to 1990, the population living in favelas shot from 2.2 million to 5 million.¹⁴ During the 1990s, the average annual growth of households in favelas was 4.2 per cent, compared with the urban growth rate which was 1.6 per cent.¹⁵ In 2000, between 40 and 50 per cent of the population in large Brazilian cities was living in informality, 20 per cent in favelas.¹⁶ Between 2000 and 2010 the country achieved success in combining economic growth with better opportunities for more people. Yet, favelas continued to grow. The 2010 national census reported 11.4 million favela inhabitants, 7 per cent of the urban population.¹⁷

The country has made progress in housing low-income households, but the extent of informal settlements and socio-spatial segregation are remaining challenges for Brazilian cities to overcome. Popularly known as 'favelas', the growth of precarious and informal settlements has been observed in cities throughout the country.

9 IPEA (2011a) 15 Anos de Gasto Social Federal - Notas sobre o período de 1995 a 2009. Comunicado IPEA, Instituto de Pesquisa Econômica Aplicada n.98 (08.07.2011) p.05

10 Ibid p.05

11 Ibid p.07

12 However, the Gini coefficient of 0.52 still keeps Brazil among the most unequal countries in the world. UN-Habitat (2010) State of the World's Cities 2010-2011: Bridging the urban divide. London-Washington, Earthscan. p.63

13 IBGE (2010d) Características da População e dos Domicílios: Resultados do Universo. Sinopses Censo. Available at http://www.ibge.gov.br/home/estatistica/populacao/censo2010/caracteristicas_da_populacao/caracteristicas_da_populacao_tab_brasil_zip_xls.shtml

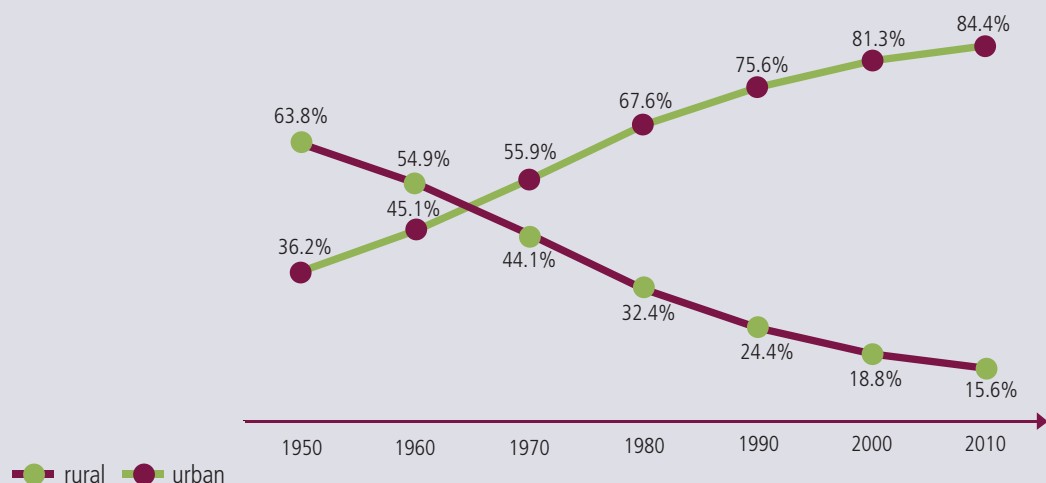
14 Pasternak, S. (2003) O Brasil e suas favelas. In Abramo, P. (Ed.) A cidade da Informalidade. Rio de Janeiro, Sette Letras – Faperje. p.32

15 Denaldi, P. (2011) Legal institutional framework to promote increased access to land in Brazil. Discussion Paper Oxford, UK. p.01

16 Maricato, E. (2001) Brasil, cidades: alternativas para a crise urbana. Petrópolis: Vozes.

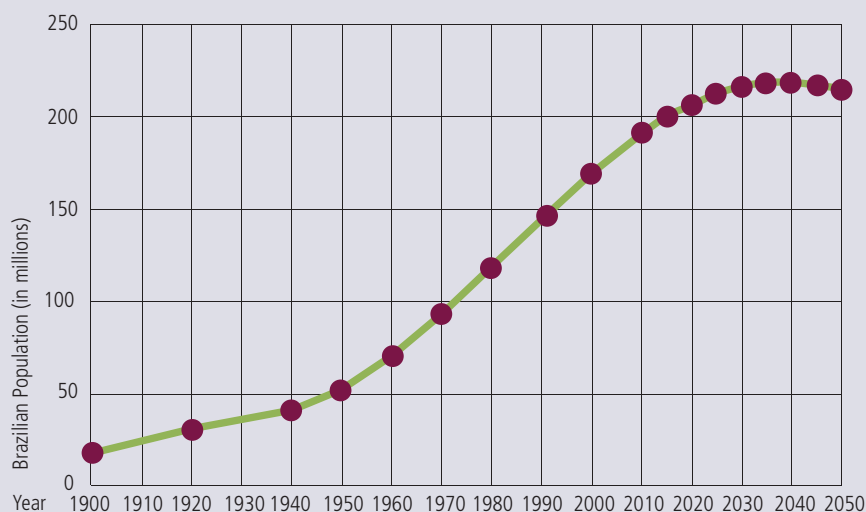
17 IBGE (2010e) Aglomerados Subnormais: Primeiros Resultados Censo 2010. População residente em domicílios particulares ocupados em aglomerados subnormais. Rio de Janeiro, IBGE. p.38 Available at

FIGURE 1.1: POPULATION GROWTH, BRAZIL.



Source: IBGE, various years.

FIGURE 1.2: POPULATION GROWTH, PROJECTION 2050.

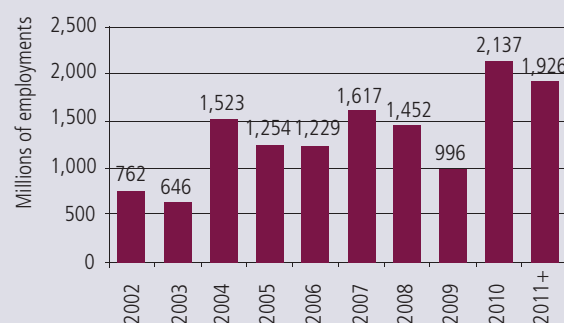


Sources: 1) http://www.ibge.gov.br/home/presidencia/noticias/noticia_visualiza.php?id_noticia=1866&idpagina=1, 2) http://www.ibge.gov.br/home/presidencia/noticias/noticia_impressao.php?id_noticia=1272.

FIGURE 1.3: UNEMPLOYMENT RATES.



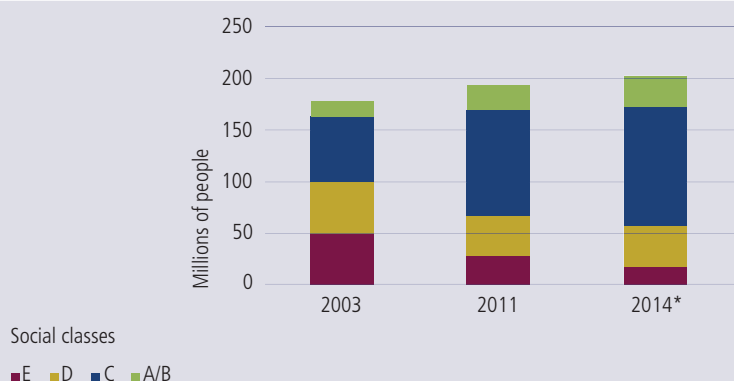
FIGURE 1.4: CREATION OF FORMAL JOBS.



Sources: Banco Central do Brazil. In Trombini A. (2011). *Desafios e Perspectivas da Economia Brasileira*. Comissão de Assuntos Econômicos Senado Federal. Jul. 2011.

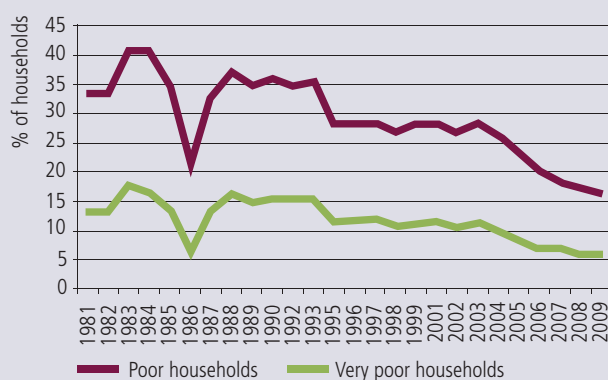


FIGURE 1.5: SOCIAL INCOME MOBILITY.



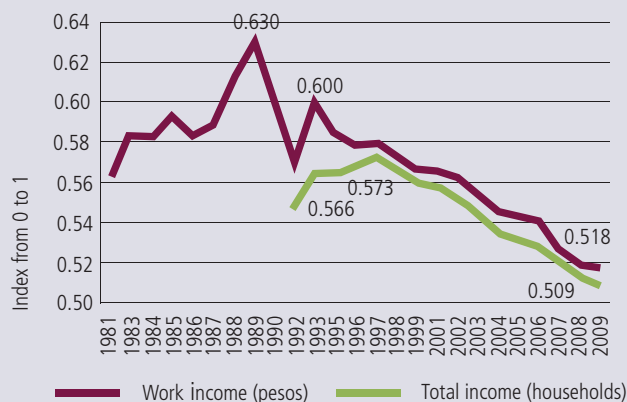
Sources: Banco Central do Brazil. In Trombini A. (2011). *Desafios e Perspectivas da Economia Brasileira*. Comissão de Assuntos Econômicos Senado Federal. Jul. 2011.

FIGURE 1.6: NUMBER OF FAMILIES LIVING UNDER POVERTY LINE.



Sources: Banco Central do Brazil. In Trombini A. (2011). *Desafios e Perspectivas da Economia Brasileira*. Comissão de Assuntos Econômicos Senado Federal. Jul. 2011.

FIGURE 1.7: GINI INDEX-INCOME INEQUALITY.



Sources: Banco Central do Brazil. In Trombini A. (2011). *Desafios e Perspectivas da Economia Brasileira*. Comissão de Assuntos Econômicos Senado Federal. Jul. 2011.

1.2 BRIEF HISTORY OF HOUSING IN BRAZIL

This section focuses on particular aspects of housing in Brazil by presenting a short review of the main events related to the housing sector during the 20th century. Special attention is given to the legal and institutional changes introduced within the process of redemocratization during the 1980s, under the motto of Urban Reform, which in many ways established the supportive regulatory and institutional frameworks in which the My House, My Life Programme could be developed.

The dominance of rental housing, 1900 – 1930

Since the emergence of the housing shortage in Brazilian cities in the end of 19th century, different types of accommodation were provided to the low-income households until the 1930s, all by the private sector. The housing stock was essentially composed of rental houses, popularly known as *cortiços*, and characterized by very low-quality building and sanitary standards. “The *cortiços* were the first physical form of housing offered to Brazilian citizens, at the same time as renting was the first tenure relation that Brazilians established with housing in urban areas”.¹⁸

After the 1930 revolution, the downturn of the agriculture export model and the development of industrial activity led to increased rural to urban migration. The fast growth of the urban population aggravated the housing conditions and forced the Government to intervene in the sector. The initial measures sought to regulate the rental market by introducing more stringent standards of construction, hygiene and a legal apparatus to protect tenants’ rights. *The Inquilinato Law*¹⁹ in 1942 decreeing the freezing of rental rates affected profit margins and discouraged landlords from investing in the rental stock. Along with tackling the increase in rental prices, this measure entailed a political intention to discourage the rental market and incentivize affordable housing alternatives that were more favourable to boost industrial development.²⁰ By the mid-1940s, rental housing accounted for 75 per cent of the total housing stock in Brazil, a ratio that gradually changed towards homeownership over the following decades.²¹

Government responses – direct housing provision and expansion of housing finance, 1940 - 1980

The first national body designed to operate to the advantage of low- and middle-income households, the Fundação da Casa Popular, was created in 1946. This agency was intended to stimulate the provision of new housing and to finance infrastructure and building materials. However, because of limited resources, the foundation was only able

to finance the construction of 18,000 housing units during its existence from 1946 to 1964.²²

In 1964, the Government created the National Housing System (Sistema Financeiro de Habitação), establishing the foundations for a new era for housing policy. For the first time, the topic was put on the Government’s political agenda, serving two main interests of the military government (1964 to 1985). First, the intention was to prompt the construction sector to stimulate the economy, industry and to create jobs. Second, housing was extolled in the context of the politicization of urban society as an ideal of well-being and social compensation for Brazilian citizens. Therefore, the foundations were laid for what is known and pursued by all income groups in Brazil up to this day as the “dream of homeownership”. During the decades following the enactment of the Inquilinato Law in 1942, the rental housing ratio decreased significantly and by the 1990s it accounted for 22 per cent of the housing stock.²³

The National Housing Bank (Banco Nacional de Habitação) managed the national housing system with money from the Workers Severance Fund (Fundo de Garantia por Tempo de Serviço), as well as from the Brazilian Savings and Loans System (Sistema Brasileiro de Poupança e Empréstimos). The National Housing Bank operated from 1964 to 1986 as the country’s main agent of urban and housing policies; it financed between 4 million and 5 million housing units, representing 25 per cent of the total market operations during the period.²⁴ Despite its performance in housing financing, the bank gradually distanced itself from the low-income earners it was originally intended to serve. Merely 33.5 per cent of all units the bank financed were earmarked for families with an income of up to three minimum wages.²⁵

With the bank’s dissolution in 1986, housing policy lacked continuity and consistency. The public housing apparatus was dismantled and the bank’s responsibilities were transferred to the Caixa Econômica Federal (CAIXA), – the Government’s savings bank. This placed the urban and housing agendas under the institutional paradigm of a commercial bank, as it was with CAIXA, with goals of financial stability and return on capital investment.²⁶

Resources allocated to public housing policies were scarce and this aggravated the context of crisis in the housing sector. In the mid-1990s, the responsibilities regarding social housing programmes were transferred to the Ministry

18 Villaça F. (1986) O que todo cidadão precisa saber sobre habitação. Coleção Primeiros Passos. São Paulo, Global. p.35

19 Decree-Law n.4.598.

20 Bonduki, N. (1998) Origens da Habitação social no Brasil. Arquitetura Moderna, Lei do Inquilinato e Difusão da Casa Própria. São Paulo, Estação Liberdade. p.245

21 IBGE, various years. <http://www.ibge.gov.br/home/>

22 Bonduki N. (1998). Origens da Habitação no Brasil. Arquitetura Moderna, Lei do Inquilinato e Difusão da Casa Própria. São Paulo: Estação Liberdade. p.131

23 IBGE, various years. <http://www.ibge.gov.br/home/>

24 Bolaffi, G. (1992) Urban planning in Brazil: past experience, current trends. Habitat International. (16) 2. p.99-111. p.102. See also Arretche, M. (1990) Intervenção do Estado e setor privado: o modelo brasileiro de política habitacional. Espaço & Debates. São Paulo, v. X, n. 31, p.21-36

25 Azevedo S. (1988) Vinte e Dois Anos de Política de Habitação Popular (1964-86): Criação, Trajetória e Extinção do BNH. Revista de Administração Pública. 22(4) Rio de Janeiro. p. 116

26 Azevedo S. (2007) Desafios da Habitação no Brasil: Políticas recentes e tendências. Coleção Habitar ANTAC. Porto Alegre, p.16 http://www.habitar.org.br/publicacao_colecao7.aspx

of Social Welfare and a move towards decentralization and transfer of responsibilities from national to local governments took place. In practice, this initially meant a substantial withdrawal of the national Government from housing and urban matters.²⁷ It is also in the same period that alternative housing programmes, such as urbanization and regularization of informal settlements, began to be systematically adopted. In the wake of decentralization, municipalities had acquired autonomy in the institutional and legal realms to set up initiatives in the housing and urban sectors. Yet, local administrations were critically constrained by limited resources and deficient technical apparatus to design and implement programmes and projects.

Decentralized governance and the growth of informal settlements, 1980 - 2000

The strengthened autonomy of local governments took place in reaction to the centralized exercise of urban policy during the dictatorial years of 1964 and 1985. However, to a great extent, the autonomy which was transferred to local governments came up against technical and institutional shortages as well as the lack of capacity in administrative and fiscal terms. In short, municipalities had been given “power” but lacked means and knowhow with which to cope with high urbanization rates, low performance of housing markets and economic recession.²⁸

The high rates of urbanization combined with economic restructuring that incorporated only a small proportion of urban workers in the labour market led urban problems, during the 1990s, to a stage of precariousness and complexity with which Government was unable to cope. The problems related to housing and urban infrastructure were aggravated and affected mainly the urban poor. The one indicator that attests to the critical dimension of the lack of housing alternatives in Brazil is the massive proportion of irregular land occupation and the growth in number and size of favelas. With increasing urbanization and the lack of housing alternatives, favelas expanded to all major and mid-sized cities along with a significant increase of the housing deficit in the country.²⁹ Resorting to irregular land occupation and self-construction was the sole housing alternative for most newly arrived migrants and low-income earners in Brazilian cities.

Urban Reform

The circumstances at the end of the 20th century have also produced positive results in Brazil. A process of civil society mobilisation for urban reform started in the 1970s and has, slowly but consistently, promoted changes in the legal and institutional frameworks that led towards a new urban

order in Brazil.³⁰ In the wake of redemocratization and the revision of the federal Constitution in the late-1980s, the Forum for Urban Reform was established in order to amalgamate initiatives and claims of different urban movements and different sectors around priority issues of urban policy. These movements claimed for active participation in decision-making processes and played a decisive role in affirming the sociopolitical right to adequate housing and to the social function of urban land in Brazil.

A civil society mobilisation for Urban Reform started in the 1970s and has, slowly but consistently, promoted changes in the legal and institutional frameworks that led towards a new urban order in Brazil.

During the 1980s, progressive initiatives towards housing also gained importance. This was seen in the realm of urban legislation with some local governments designing and implementing laws for regularization of informal settlements, and also through the empowerment of programmes of housing provision based on mutual aid and self management. Pioneer experiences included FUNACOM – FUNAPS (Fundo de Atendimento à População Moradora em Assentamento Subnormal) in São Paulo (1989-1992), a programme of housing provision which has combined the rationality of cooperatives with the organized social movements for housing.³¹

The urban reform marked its milestone with the approval of a popular amendment in the Constitution of 1988, introducing articles 182 and 183 on the social function of private property and the social function of the city. For the first time in the country's history, a constitutional provision would tackle the matters of land development and urban management.³² Equally important, in the new legal-institutional setting, the housing issue would be regarded as an integral part of urban policy, unlike the old concept of isolated projects that had been implemented during the existence of the National Housing Bank. .

The Constitution has also endorsed an institutional redefinition, markedly promoting the autonomy of municipal governments “to such an extent that Brazilian federalism is considered to be one of the most decentralized in the world, with Brazilian municipalities being compared to Swiss cantons in terms of political autonomy”.³³ The Brazilian experience with city planning, so far, had been largely ineffective in terms of reversing the exclusionary conditions of land distribution and urban development.

27 Valença, F. (1999) The lost decade and the Brazilian government's response in the 1990s. *Journal of Developing Areas*. 33 (1) p.01-52

28 Arreteche M. (2007) Capacidades administrativas, déficit e efetividade na política habitacional. Brasília, Ministério das Cidades SNH-CEM/Cebrap.

29 Ministério das Cidades (2005) Déficit Habitacional no Brasil Municípios Selecionados e Microrregiões Geográficas. Belo Horizonte, Ministério das Cidades, SNH- Fundação João Pinheiro (FJP) 2°. ed. 111p.

30 Fernandes E. (2007) Implementing the Urban Reform in Brazil. *Environment & Urbanization*. 19(1) p.177

31 Denaldi, R. (1994). Viable self-management: the FUNACOM housing programme of the São Paulo Municipality. *HIS Working Paper*, 1 (09).

32 Fernandes E. (2007) Op. cit p.179

33 Ibid p.180

BOX 1: THE CITY STATUTE IN BRAZIL

The City Statute - Brazilian Federal Law no. 10.257 enacted in 2001 - regulates Articles 182 and 183 of the 1988 Constitution based on the premise of social function of urban land and property. The law seeks to define how to regulate urban property so as to guarantee the right to housing for all of the population. The social function of urban land and property sets the basis for all the instruments contained in the City Statute also designed to combat segregation, territorial exclusion, spatial inequalities and environmental degradation in cities.

The guiding principles of the City Statute can be grouped under four main themes:

- The use and social function of private property
- Tenure regularization of property used for social purposes
- Urban development and redistribution of the benefits arising from the urbanization process
- The democratization of urban management and the right to housing

In line with the decentralized orientation established by the Brazilian Constitution in 1988, the City Statute strengthens the autonomy of municipal governments and operates as a kind of “toolbox” for local urban policies. It is at the city level, in the contents of a master plan or equivalent legislation, that the patterns for land use and land occupation must be defined and concepts of unused or underutilized land must be agreed. “The Master Plan must define what shall be the use and the type of occupation of each part of the municipal territory in a bid to ensure that all the properties therein fulfil their social role”.

An important dimension of the City Statute deals with the need for municipalities to integrate urban planning, legislation and management so as to democratize decision-making processes. Several mechanisms are designed to ensure equal representation and effective participation of citizens and associations through consultations, councils, committees, participatory budgeting, public audiences, popular initiatives to propose bills and urban laws. It is impossible to underestimate the impact the new law could have on Brazil’s legal and urban order. Depending on the correlation of forces at the local context and the engagement of civil society, the City Statute could be applied to the renewal of practices related to urban development and effective democratization of Brazilian cities.

For the progressive approach to democratizing urban management and the right to housing, the City Statute has merits to justify its prestige throughout the world. “It deserves to be known at the international level because it is an inspiring example of the application of Habitat Agenda, materializing the principles and proposals of the UN-Habitat’s Global Campaigns for Good Governance and Secure Tenure for the Urban Poor”.

Source: Santos Carvalho, C. and Rossbach, A. (Eds.) Commentary on the City Statute. São Paulo: Ministério das Cidades: Aliança das Cidades, 2010; Rolnik, R. (Ed.) The Statute of the City: new tools for assuring the right to the city in Brazil, 2002; http://www.polis.org.br/obras/arquivo_163.pdf

The Constitution gives municipalities the right to integrate housing provision and land policies.³⁴

Following the promulgation of the Constitution, a long process of social mobilization and political struggle occurred during the 1990s. This led to a Constitutional amendment in 2000, approving the social right to housing. The amendment also led to events which, in principle, affirm the resumption of a long-term planning for urban development and housing. A benchmark of the achievements of housing and urban sectors in Brazil is the enactment in 2001 of the City Statute, which regulates articles 182 and 183 of the Constitution on the social

function of private property and the social function of the city (Box 1). By elaborating on the principle of the social function of property and of the city, the Statute set the basis for a new legal and political paradigm for urban land use and development control. The Statute replaced the centralized and individualistic rationale of urban and land planning by a range of legal, urban and fiscal instruments to be used by municipal administrations to regulate urban land and property markets according to the principles of social inclusion and environmental sustainability.³⁵

However, while it is undeniable that the law reinforced the autonomy of municipalities and provided tools to realize improved urban and land policy, serious challenges remain

³⁴ Ministério das Cidades (2004) Política Nacional de Habitação. Cadernos MCidades Habitação n.04. Brasília, Ministério das Cidades. p.10

³⁵ Fernandes E. (2007) Op. Cit. p.182

in its implementation. At the local level, very few cities have been able to employ the mechanisms to control land speculation and improve access to secure, serviced and well-located land for social housing, as revealed in the experience of the My House, My Life Programme. This is partly due to a lack of technical capacity but, more significantly, such challenges remain at the political level, as the legal and institutional reforms have not been in step with the renewal and reinforcement of social mobilization.

In summary, the consolidation of an urban and social housing policy in Brazil has been a long process. However, serious recession and institutional disarticulation during the 1980s and 1990s³⁶ interrupted the first steps towards institutionalization of the policy in the 1960s. With regard to housing provision, neither public policy nor the private market responded to the needs of the migrant population and low-income households settling in cities.³⁷ Legal and institutional reforms facilitated the decentralization of power and provided tools for more inclusive planning. Yet, the continued growth of favelas and the remaining sociospatial segregation demonstrate the extent and complexity of Brazil's ongoing urban problems.³⁸

With regard to housing provision, neither public policy nor the private market responded to the needs of the migrant population and low-income households settling in cities. The growth of favelas over the 20th century demonstrates the extent and complexity of urban problems in Brazilian cities and underscores the inefficiency of public policies to deal with rapid urbanisation

1.3 CURRENT STATE OF THE HOUSING SECTOR

The Brazilian housing sector has experienced a sequence of achievements since the turn of the millennium. In particular, the urban and housing sectors gained leverage with the creation, in 2003, of the Ministry of Cities. A breakthrough occurred in the formulation of social housing policy with a series of legal and policy measures the Ministry

implemented to enable the design and restructuring of social housing programmes.

Government's performance in the housing sector has given content to the right to housing, recognized constitutionally, and provided tools and resources to achieve scale in slum upgrading and housing provision. Reforms in the legal, institutional and financial frameworks have contributed to reversing a recent reality in Brazil - until the mid-2000s - in which the Government's role in housing provision was very limited, and the formal housing market only responded to a small portion of the population.

The achievements are also made evident by a significant growth in public investment in housing and slum upgrading. From 2002 to 2009, investments grew from BRL 2 billion to BRL 62 billion (USD1.08 billion to USD 33.5 billion), with an increasing proportion allocated as subsidy to social-oriented housing programmes.³⁹ With a combination of subsidy policies and the availability of credit, the sector has expanded housing production to a wider range of income groups, serving middle-income households, as in previous initiatives, and providing alternatives for low-income families.⁴⁰

Along with the return of Government intervention, an increased role of municipal administrations in the urban and housing sector has marked the 2000s. Municipalities are the main decision-makers and executors of national programmes and policies at the local level. Essentially, the success of national-led initiatives depends on local circumstances and the capacity of local administrations to conduct interventions. Efforts of the Ministry of Cities have also been driven to build capacity and equip local administrations to undertake such responsibilities.

1.3.1 POLITICAL AND ADMINISTRATIVE ORGANIZATION

Brazil is a federal republic composed of 26 states, one federal district (created to host the capital), 5,565 municipalities, along with districts and regions.

Political roles are divided between the federal, state and municipal tiers of government. Core political decisions are taken by the federal government, which exercises control of the state with three independent branches: executive, legislature and judicial. The states and the federal district, each with an elected governor, have autonomy to create their own laws provided that they are subordinated to the authority of the federal constitution. Since the 1988 Constitution, municipalities enjoy fairly independent roles with political, administrative and financial autonomy, including the ability and power to manage and own local businesses.

36 Castro, J.A., Cardoso, J.C. (2005) Políticas Sociais no Brasil: Gasto Social do Governo Federal 1988-2002. In L. Jaccoud (Ed.) *Questão Social e Políticas Sociais no Brasil Contemporâneo*. Brasília, IPEA Instituto de Pesquisa Econômica Aplicada. 453p.

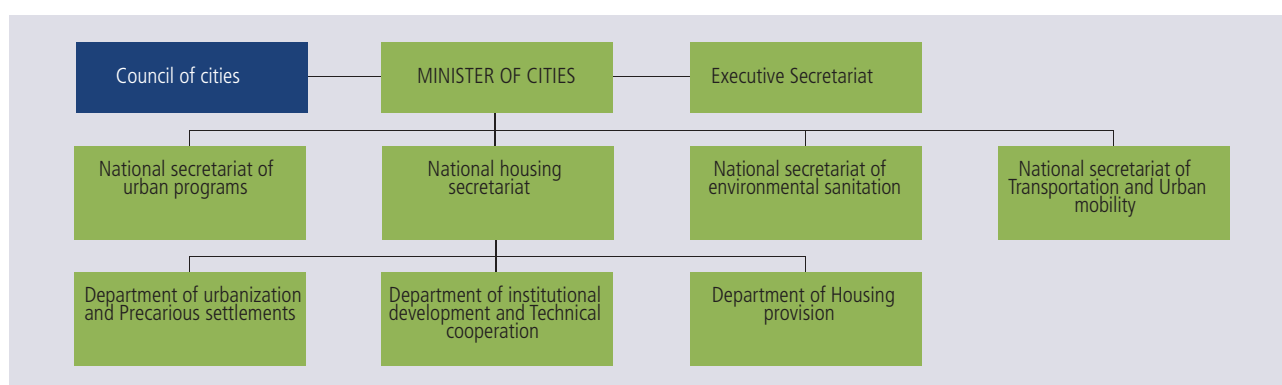
37 Maricato E. (2006) O Ministério das Cidades e a política de desenvolvimento urbano. In IPEA Políticas Sociais – Acompanhamento e Análise, n.12. February, 2006 p.213

38 Azevedo S. (2007) Op. cit. p.27

39 IPEA (2011b) O Planejamento da habitação de interesse social no Brasil: desafios e perspectivas. Comunicados do Ipea, n.118. p.06.

40 Fox M. (2010) Otimismo e aperfeiçoamentos duradouros. *Conjuntura da Construção*. June 2010. p.18

FIGURE 1.8: INSTITUTIONAL STRUCTURE: NATIONAL HOUSING SECRETARIAT WITHIN THE MINISTRY OF CITIES.



Source: Ministry of Cities.

The federal government, through the Ministry of Cities, defines the institutional structure regarding urban and housing policies. Local administrations are at the forefront of the implementation of projects articulated in housing and urban policies. The role of municipalities is exercised through two main instruments: the Master Plan and Local Plans for Social Interest Housing (Plano Local de Habitação de Interesse Social). The Ministry of Cities for states and municipalities requests Local Plans for Social Interest Housing as a condition to access the National Social Housing Fund (Fundo Nacional de Habitação de Interesse Social). The Local Plans for Social Interest Housing must contain goals, guidelines and tools for intervention in the housing sector at the local level. The Ministry provides financial and technical support to municipalities in the preparation of Local Plans for Social Interest Housing. In addition, the Ministry has implemented a scheme to foster participatory master plans, which should make use of the instruments of the City Statute to ensure the social function of property.⁴¹

1.3.2 LEGAL AND INSTITUTIONAL ACHIEVEMENTS OF THE HOUSING SECTOR

It is possible to identify significant achievements in changes to the legal and institutional frameworks ruling urban and housing agendas in Brazil. The Ministry of Cities was created in 2003 and has filled an institutional vacuum in urban policy since the end of military rule.⁴² The Ministry consists of an Executive Secretariat presiding over four national secretariats: namely housing, environmental sanitation, mobility and urban land programmes (Figure 1.8).⁴³

The Ministry directs national housing policy through the National Housing Secretariat. Broadly, the areas of interventions are oriented in two main directions: one

focuses on the institutional and legal restructuring of the sector and the second focuses on the review of existent programmes and the increment in housing investments. The National Housing Secretariat is also responsible for the management of various housing programmes, which can be grouped into (1) production and acquisition of new housing units and (2) slum upgrading.

Of special importance for the housing and urban agendas was the enactment, in 2001, of the City Statute - (Box 1), a federal law on urban policy. The law set the basis for a new legal and political paradigm for urban land use and development control in Brazilian cities.⁴⁴ In particular, the importance of the Statute rests in effectively empowering municipalities with tools to plan urban development; a sort of realization of the constitutionally acknowledged role designated to cities in 1988.

Drawing on the basis set by the City Statute and the Urban Reform movement, the Ministry of Cities created conditions for reforming the institutional framework and expanding investments. It reassumed the responsibility of the Government and took further action to reinforce the urban and housing programmes and tools. Some recent highlights of Brazilian housing and urban policy include the elaboration of the National Housing Plan in 2004 and the creation of a special fund and system for social interest housing, the National System of Social Interest Housing and the National Fund for Social Interest Housing as illustrated in Box 2.

1.3.3 KEY PLAYERS IN THE HOUSING SECTOR

The key players in the Brazilian housing sector are:

Federal Government is the main actor in the planning and implementation of public policies. In institutional terms the Government, through the executive, disciplines and controls the main housing funds (the Brazilian Savings and Loans System and the Workers Severance Fund and trace the guidelines of the national policy, defines subsidies

41 Rolnik R. (2004) Plano Diretor Participativo. Guia para elaboração pelos municípios e cidadãos. Ministério das Cidades CONFEA.

42 Maricato E. (2006) O Ministério das Cidades e a política nacional de desenvolvimento urbano. IPEA Políticas Sociais – Acompanhamento e Análise, 12.

43 Ministry of Cities <http://www.cidades.gov.br/>

44 Fernandes E. (2007) Op. cit.

2001 Enactment of the City Statute

Regulates articles 182 and 183 of the 1988 Federal Constitution. Provides legal instruments to improve the access to land and the right to housing.

2003 Creation of the Ministry of Cities

Created on 1 January. The Ministry of Cities has its creation connected to the urban social movement that began in the 1970s and amassed forces in the next two decades in the struggle for democratization and for urban reform. The Ministry is structured based on three major problems affecting urban populations: housing, environmental sanitation and urban transport–mobility.

2004 Elaboration of National Housing Policy

Elaborated in 2004, the Ministry of Cities implements the Housing Policy which includes principles and long-term strategy for urban and housing action in Brazil. The main contents are (a) principles and guidelines for state and local government to intervene in the housing sector; (b) indications for the institutional restructuring needed to implement the national housing policy; (c) a long-term strategy for resource mobilization and distribution of investments across the country; and (d) a strategy for housing provision and integration of the Policy into the Urban Development Policy.

2005 National System of and Fund for Social Interest Housing

The system and the fund centralize the programmes and budgetary resources from federal government designated to slum upgrading and social interest housing.

Campaign for Participatory Master Plans

Call for cities with more than 20,000 inhabitants to elaborate municipal master plans.

2007 Acceleration Growth Programme

A large-scale infrastructure programme that directed investments in energy, transport, social and urban infrastructure. Between 2007 and 2010, BRL 23.4 billion (USD 12.6 billion) were invested in slum upgrading projects. The programme's slum upgrading effort is the largest project which has been implemented in Brazil's favelas.

2008 National Housing Plan - PlanHab

The PlanHab – elaborated in 2008 - is one of the most important tools for implementing the new National Housing Policy in Brazil. The PlanHab comprises a strategic plan and an action plan, with tools that are operational and should be implemented over the short, medium and long-term. The implementation of the PlanHab is divided into four areas: (a) finance mechanisms and subsidy; (b) urban and land policies; (c) institutional framework; and (d) the construction supply chain focused on social housing provision.

2009 My House, My Life Programme

New housing provision programme targeting low-income groups launched in 2009, with the aim to contract 1 million housing units by the end of 2010.

Source: Ministry of Cities, 2010.

allocated to housing from the federal budget (Orçamento Geral da União) and, is responsible for the main housing promoting agent, CAIXA.

The Ministry of Cities, through the National Housing Secretariat, is the Government body responsible for elaborating the guidelines, setting priorities and defining the strategy for the implementation of the National Housing Policy (Política Nacional de Habitação). The Secretariat is also responsible for the general management, monitoring and evaluation of policies and programmes, articulated with other public policies and Government institutions in charge of urban development. The Ministry of Cities and the Secretariat develop and coordinate the activities of technical support to federal entities and productive sectors, and invest in the design and promotion of mechanisms for participation and social control of the housing programmes.

Deliberative Councils - The decision-making processes within the Ministry of Cities with regards to national and urban development policies counts on the participation of deliberative councils. The main one is the Council of Cities (ConCidades) created in 2004. The Council represents an important instrument of democratic management of the National Urban Development Policy. The Council is an instance of negotiation whereby social actors participate in decision-making on housing policies, environmental sanitation, transport and urban mobility as well as territorial planning which the Ministry implements. The Council is composed of 86 representatives and has deliberative and consultative roles in the development and proposition of guidelines for urban and housing policies, as well as in the monitoring of the implementation of urban and housing programmes.⁴⁵

Caixa Econômica Federal (CAIXA – The Federal Savings Bank) is the main operator in Brazil's housing finance system. Since the dissolution of the National Housing Bank, this Government-owned bank is the trustee in allocating the Government budget and other funds for the implementation of public policies and money to the final beneficiaries. CAIXA operates, almost singlehandedly, the social housing provision market, controlling 73 per cent of the housing credit in the country.⁴⁶ The bank is able to distribute resources nationwide through its extensive branch network. CAIXA is present in all of Brazil's cities.⁴⁷

States and Municipalities are subordinate to the federal government in terms of availability of resources. Very few states have their own budgets for housing. Municipalities are responsible for the management of social programmes, including housing, which they can undertake either on their own initiative or by joining a programme offered by another level of government, or by constitutional

imposition. Municipalities are legally responsible for urban land uses and the implementation of housing policies at local level. Municipalities also enjoy significant planning autonomy. Master plans and local housing plans are the mechanisms that local administrations can apply to guide urban development as well as use of land and housing interventions at the local level.

Social movements (non-governmental and community-based organizations) have been at the forefront of the urban reform movement and played an opposing role to the market-oriented rationale of urban and housing development. In Brazil, social movements also undertake housing provision. Specific credit lines and Government programmes are directed at socially-oriented housing provision, which can be realized through mutual aid, self-construction or self-management systems of construction.

Private Sector - Along with the Government, the construction sector plays a central role in the housing provision policy. It is recognized in the scope of the National Housing Policy that the contribution of private investment, capable of securing the attendance of solvable demand in market conditions, is absolutely essential.⁴⁸ In recent years private sector participation has been more emphatic, and the trend in also catering for income groups which were historically served only by public resources.

Decentralized Entities - Represented by associations, trade unions and cooperatives have also participated actively in the housing sector developing studies and evaluations, supported the elaboration of policy, and monitored the impact of government action in the housing sector and in the construction industry as a whole.⁴⁹

1.3.4 HOUSING FINANCE SYSTEM

Brazil has a well-established housing finance system. Since the 1960s, the bulk of mortgage finance has taken place within the Housing Finance System (Sistema Financeiro de Habitação). The system is divided in two (Figure 1.9): the National Social Housing System and the National Market Housing System. The National Social Housing System focuses on providing housing for low-income households, whereas the National Market Housing System targets families with higher income that can be served in the private market. Both systems have different funds, mechanism and financing rationality, and distribution of subsidies. The bulk of resources allocated for these systems come from the Workers Severance Fund Fundo de Garantia do Tempo de Serviço) and the Brazilian Savings and Loans System (-Sistema Brasileiro de Poupança e Empréstimo). Like the Housing Finance System, these funds have existed since the 1960s.

45 Ministry of Cities <http://www.cidades.gov.br/index.php/o-conselho-das-cidades>

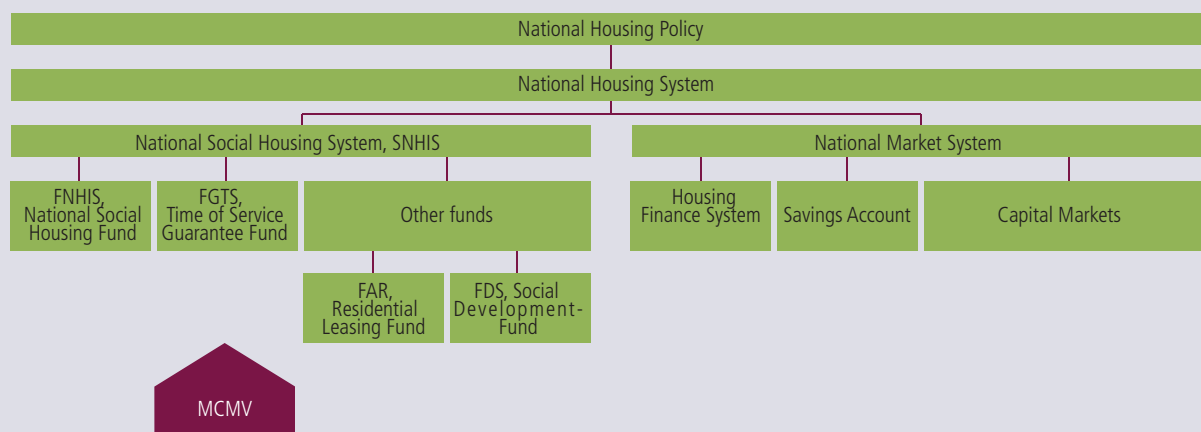
46 IPEA. Desafios Ipea. Available at http://desafios2.ipea.gov.br/portal/index.php?option=com_content&view=article&id=2323

47 CAIXA (2011) Demanda habitacional no Brasil. Caixa Econômica Federal. Brasília, CAIXA. p.07 http://downloads.caixa.gov.br/_arquivos/habita/documentos_gerais/demanda_habitacional.pdf

48 Ministério das Cidades (2004) A Política Nacional de Habitação. Cadernos Cidades nº4. Brasília, Ministério das Cidades. p.71

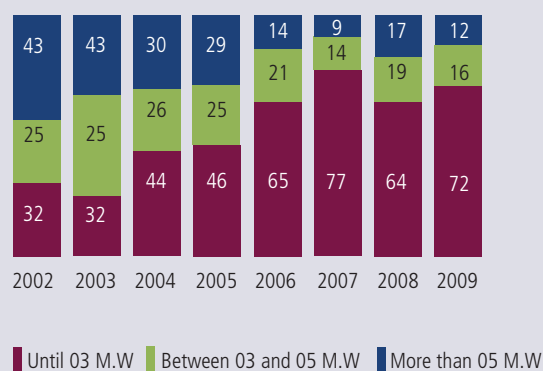
49 Examples include Abramet Brazilian Association of Building Materials (Associação Brasileira de Materiais de Construção); Sinduscon Industry and Construction Trade Union (Sindicato da Indústria da Construção); and Abecip Brazilian Association of Real Estate Credit and Savings (Associação Brasileira das Entidades de Crédito Imobiliário e Poupança).

FIGURE 1.9: BRAZILIAN HOUSING SYSTEM.



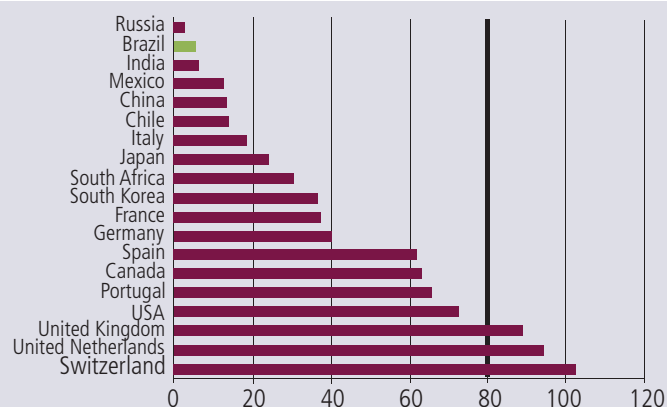
Source: Adapted from Progress and Challenge: National Housing Policy. p.15.

FIGURE 1.10: PUBLIC INVESTMENTS IN THE HOUSING SECTOR PER INCOME GROUP.



Source: Adapted from Progress and Challenge: National Housing Policy. p.23.

FIGURE 1.11: HOUSING CREDIT VS.GDP.



Source: Banco Central do Brasil. In Trombini A. (2011). Desafios e Perspectivas da Economia Brasileira. Comissão de Assuntos Econômicos Senado Federal. Jul. 2011.

In 2003, the Government initiated major restructuring of the finance system with the creation of the Ministry of Cities and the National Housing Policy. In recent years, income growth and the reduction in interest rates have ensured a stable economic environment conducive to credit expansion indicators and have promoted the capitalization of the Workers Severance Fund, increasing access to mortgages.⁵⁰ It is also important to highlight the resumption of the role of public banks and public funds in the provision of credit and leverage of public and private investments.⁵¹ In 2009, credit from state controlled banks accounted for at least 40 per cent of the total in Brazil.⁵²

Since 2005, the social housing sector has been counting on the National Social Housing Fund (Fundo Nacional de Habitação de Interesse Social) established by Federal Law N°. 11124. The facility centralizes the budget funds for all programmes related to slum upgrading and social housing that integrates the National Social Housing System. The Housing Fund is largely composed of funds from the federal budget. The portfolio of action which the Housing Fund supports includes the acquisition, construction, renovation or leasing of housing units. In addition, the Housing Fund's resources can also be allocated to programmes of land supply, regularization of informal settlements, or to the implementation of basic infrastructure complementary to programmes of social housing.

The per capita investment in housing has not changed significantly between 1975 and 2005, remaining at around BRL 300 (USD 162). This is well below the level observed in countries which faced the housing deficit more effectively.⁵³ However, in recent years the picture is of profound transformation. Between 2003 and 2011 housing sector investments rose from BRL 7.9 billion (USD 4.3 billion) in 2003 to BRL 118 billion (USD 63.8 billion) in 2011.⁵⁴ Finance operations, counted per number of units financed, increased from 133,000 in 2005 to 290,000 in 2010.⁵⁵ In 2010, mortgage finance accounted for at least 4 per cent of gross domestic product⁵⁶ in Brazil, thrice more than in 2004 (1.3 per cent), but still minor when compared with Mexico (9 per cent), or Chile (11 per cent) (Figure 1.11).

Since 2000, the share of the civil construction sector in the national gross domestic product has maintained at about 5 per cent, with the residential segment accounting for 50 per cent.⁵⁷ The sum of the activities related to residential

construction accounts for nearly one third of the entire construction sector, which in itself represents almost 2 per cent of gross domestic product.⁵⁸

Between 2003 and 2011 investments in the housing sector rose from BRL 7.9 billion (USD 4.3 billion) in 2003 to BRL 118 billion (USD 63.8 billion) in 2011.

Public investments in social housing have also counted on the strengthening of government subsidies. The share of investments targeting families with an income of up to three minimum wages (BRL 1,500 in 2010, USD 811), which represent the majority of the housing deficit in Brazil, increased from 32 per cent in 2002 to 77 per cent in 2007. It stabilized at 72 per cent in 2009 (Figure 1.10). During this period, the Government created new programmes, such as the Acceleration Growth Programme (Programa de Aceleração de Crescimento) Slum Upgrading in 2007, and My House, My Life in 2009, along with several initiatives that have contributed to the implementation of National Housing Policy.⁵⁹ The growth in investments and the design of social-oriented housing programmes have contributed to reversing the long-standing reality in Brazil – one whereby only segments of the high-income population could access housing through the formal market.⁶⁰

1.3.5 HOUSING TENURE AND HOUSING STOCK

Housing Tenure

In 2010, Brazil had 57.6 million households,⁶¹ 86.5 per cent of its people residing in detached homes (49.8 million) and 10.6 per cent of apartments (6.1 million). Minor percentages include indigenous and other types of shelters.⁶²

Like many other Latin American countries, Brazil is a country of homeowners (Figure 1.12). In 2010, 73 per cent of households (42 million units) were owner-occupied; 18 per cent (10.5 million units) were tenant-households and the rest, 7.8 per cent (4.4 million units) were shared households (Figure 1.13).⁶³ The homeownership rate has increased gradually since the 1940s, when measures were implemented to discourage the rental market as a means to lower the costs of labour force reproduction. A Government strategy also supported such tenure trends to raise the status of workers through homeownership.

50 Ministério das Cidades (2009b) Plano Nacional de Habitação PlanHab. p.52

51 Sant'Anna, Andre. A., Borça Jr., Gilberto e Araújo, Pedro Q. (2009) Mercado de crédito no Brasil: evolução recente e o papel do BNDES (2004-2008). Revista do BNDES, n.31, June, pp. 43-48

52 Available at <http://www1.folha.uol.com.br/folha/dinheiro/ult91u682656.shtml> See also The Economist (2010) Special report on business and finance in Brazil. <http://www.economist.com/node/14829485>

53 Ministério das Cidades (2009b) Op. Cit. p.51

54 Santa Rosa J. (2012) Presentation on the Workshop 'Minha Casa Minha Vida' UN-Habitat & IAB-RJ. Rio de Janeiro 23.03.2012. Figures based on Preliminary version of Estruturação do Mercado de Reformas no Brasil - Diagnóstico e Proposições, February 2012, LCA Consultores.

55 Santa Rosa J. (2012) Op cit.

56 Trombini A. (2011) Desafios e Perspectivas da Economia Brasileira. Comissão de Assuntos Econômicos Senado Federal. Banco Central do Brasil. July 2011. Available at http://www.bcb.gov.br/pec/appron/apres/Apresentacao_Tombini_CAE_05-07-2011.pdf

57 Ministério das Cidades (2009b) Op. cit. p.52

58 Ibid p.60

59 IPEA (2011b) O Planejamento da Habitação de Interesse Social no Brasil: Desafios e Perspectivas. Comunicados do Ipea, n.118. p.04-05

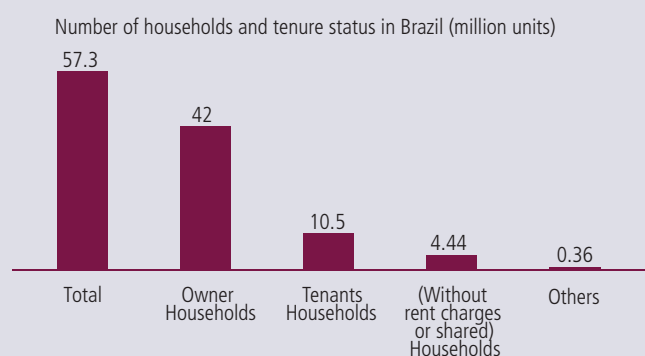
60 Maricato E. (2006) Op. cit.

61 IBGE (2010c) National Census 2010.

62 IBGE (2010a) Sinopse do Censo Demográfico 2010.

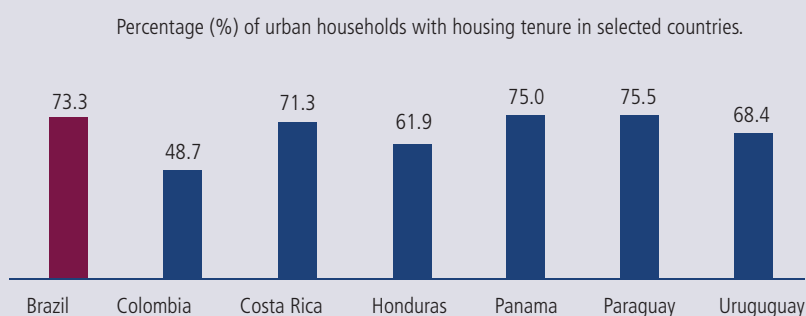
63 Ibid. See also <http://www1.folha.uol.com.br/cotidiano/908789-brasil-ainda-sofre-com-falta-de-saneamento-basico-aponta-ibge.shtml>

FIGURE 1.12: HOUSING TENURE IN BRAZIL, 2010.



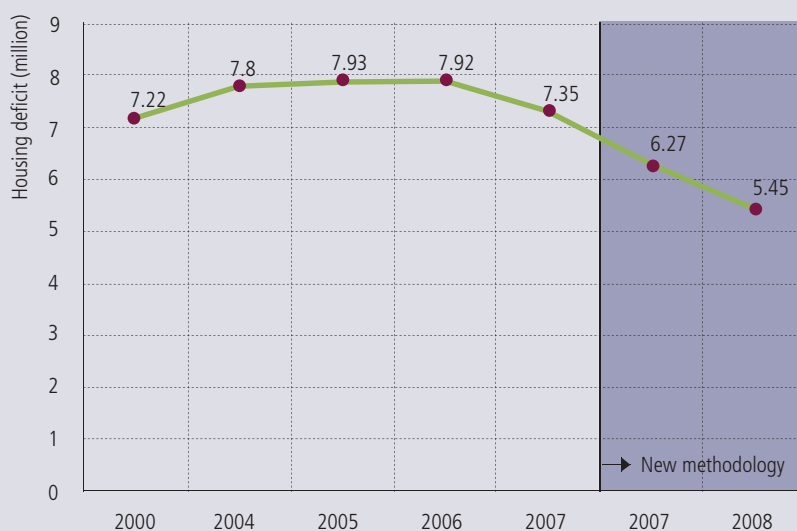
Source: Based on IGBE inpse do Censo Demográfico 2010, <http://www.censo2010.ibge.gov.br/sinopse/index.php?dados=P12&uf=00>.

FIGURE 1.13: HOUSING TENURE, LATIN AMERICA.



Source: IBGE (2010b), compiled with data from ECLAC.

FIGURE 1.14: HOUSING DEFICIT EVOLUTION 2000-2008. *



Source: Based on déficit habitacional no Brasil 2007 / Ministério das Cidades, Secretaria Nacional de Habitação. – Brasília, 2009 129p. Déficit habitacional no Brasil 2008 / Ministério das Cidades, Secretaria Nacional de Habitação. – Brasília, Ministério das Cidades, 2011 140 p.

* In 2007 a new methodology was implemented to calculate the housing deficit. The new criterion counts within the deficit only the cohabitation of families who have declared intention to establish new home.).

Since 1940, the rental stock has fallen gradually and homeowners have become the majority, though there had been a slight increase in rented stock from 2000 to 2010, with its percentages increasing from 14.2 to 18.3 per cent.⁶⁴

Housing stock production

Since the dissolution of National Housing Bank, the Government's role in home construction has been very limited. Mostly, the private sector has undertaken home construction serving only a narrow share of income ranges which can afford formal market products. The informal sector has been the alternative for low-income households

In 2008, the formal construction industry was composed of about 110,000 construction companies.⁶⁵ Large-scale companies were the smallest group, but accounted for the bulk of homes built. Small-scale companies, with up to four employees, represented 73 per cent of the total number of firms, but employed only 16 per cent of the labour force and operated 11 per cent of the national cash flow involved in construction and services.⁶⁶

Since the dissolution of National Housing Bank the role of Government in home construction has been very limited. Housing provision had been undertaken mostly by the private sector serving only a narrow share of income ranges that can afford the prices of formal market products. The informal sector became the alternative for low-income households.

In recent years the strong upward trend in private market home construction is evident in the evolution of turnover, the increase in real state housing developments, and the growth of company revenues and profits. Main factors contributing to this scenario include economic stability, availability of credit, reduction of interest rates, the increase in the terms of financing and payback periods, the partnerships between banks and construction companies to finance to-be-built units. Other factors are the permission for the private banks to operate the Workers Severance Fund, the changing regulatory framework, and the improvement in income levels and employability.

he segment of social housing constitutes an area of expansion for the private market. Large-scale companies

that have traditionally focused on high-income segments have created strategies to embrace this "new" market. The profile of companies performing in the market can be described by large-scale and high income oriented companies that have created subsidiary affiliated societies to target the low-income segment and the emergence of companies that are specialized in this income niche.⁶⁷

Housing cooperatives have also played an important role as formal housing provision agents. They represent an alternative mostly for middle- and mid-low income groups, as the housing units are produced at a cost 30-40 per cent lower than practiced in the formal market.⁶⁸

The informal market primarily serves the sectors neglected by the private market. This includes low-income families and the lower-middle class. Approximately 1.5 million housing units are built annually.⁶⁹ It is generally estimated that half of these units are informal, built without regularized hired labour, without approval of city councils, and without deeds and records in local administration offices.⁷⁰ This poses a double challenge for the Brazilian housing market: one challenge is to remedy the deficit and the other is to take over the share of the informal market.

1.3.6 HOUSING DEFICIT AND DEMAND

Housing deficit

In Brazil, the housing deficit is measured by the real absence of housing and further assessed in terms of habitability and affordability.

The Joao Pinheiro Foundation (Fundação João Pinheiro) performs regular measurements of housing deficit at the request of the federal government. The Foundation has defined a broader set of criteria to measure the housing deficit, including (a) excessive spending on rent (more than 30 per cent of household income); (b) involuntary cohabitation (when more than one household live in the same premise); (c) quality of building and access to infrastructure; and (d) number of persons per unit or over-crowding. The housing deficit indicator covers all households and not only those in favelas.

Brazil's housing deficit is high but has shown signs of reduction in the last decade. In 2008, the deficit was of 5.45 million dwellings, corresponding to 10 per cent of the national housing stock (Figure 1.14).⁷¹ The majority of the deficit, 42 per cent (2.5 million units), was related to family cohabitation; that is more than one household living in the same premise, excessive expenses with rent accounting for 35 per cent (2.1 million units) of the

⁶⁷ Ibid p.62

⁶⁸ Ibid p.60

⁶⁹ Hereda J. (2011) President of CAIXA, Interview. Available at <http://noticias.r7.com/economia/noticias/brasil-precisa-fazer-30-mi-de-casas-em-20-anos-para-zerar-falta-de-lares-20100727.html> [access 20.10.2011]

⁷⁰ Ibid.

⁷¹ Ministério das Cidades (2011) Déficit Habitacional no Brasil 2008. Fundação João Pinheiro / SNH. Available at: http://www.fjp.gov.br/index.php/component/docman/doc_download/654-deficit-habitacional-no-brasil-2008

⁶⁴ IBGE data for various years. Available at www.ibge.gov

⁶⁵ Ministério das Cidades (2009b) Op. cit. p.61

⁶⁶ Ibid p.61

deficit, followed by precarious housing with 18 per cent (1.1 million units). Comparative data from 2007 and 2008 show a fall from 7 percentage points;⁷² in real numbers this is roughly 450,000 housing units.⁷³

The housing shortage is a problem that mostly affects the urban poor. In Brazil, 85 per cent of the deficit is in cities. Metropolitan areas alone concentrate 28 per cent of the deficit.⁷⁴ Regarded per income ranges, the deficit persists as a problem affecting mostly the poor. Between 85 and 90 per cent of the deficit is within families with an income of up to three minimum wages.⁷⁵

Expanding the criteria to measure housing shortages is important: it gives an accurate account of the needs in quantitative terms; characterize such needs qualitatively; and supports the design of responsive interventions. For example, the deficit represented by excessive expenses on rent could be overcome with rent subsidies, while precarious housing could be tackled with upgrading programmes. The provision of new housing stock, although necessary and in line with the strategy to boost the economy and labour market, is just one option and will probably not cover the different types of housing demand of low-income households.

Empty housing stock

A notable aspect of the housing stock in Brazil is the high quantity of vacant units. The country has at least 7 million vacant housing units, of which 70 per cent is in urban areas.⁷⁶ The vacant stock is concentrated in the south-east region: São Paulo alone accounts for 1.33 million units.⁷⁷ The number of vacant units is almost the same as the housing deficit. Of the total 7 million units, 6.3 million would be in condition to be occupied, and accommodate 19 million. Yet, this issue has not been adequately taken into consideration in the scope of recent housing policies. In addition, there is insufficient evidence regarding the legal status of these units and if they could be practically utilized to reduce the housing deficit.

House-price-to-income ratio

The solution to Brazil's housing problems is not only one of providing new homes, but mainly of adapting the housing supply and urban regulations to the income level of the population. Until very recently, it was estimated that only 30 per cent of the urban population could afford to access housing through the formal market.⁷⁸

The high and extreme levels of poverty in the country and the high costs of land, construction and house prices constrain the choices of the low-income population in the housing market. Without alternatives, poor households resort to the informal market. The dysfunctions of the housing market demonstrate the need for subsidized credit for low-income groups.

Projected demand

The National Housing Plan, or *PlanHab*, projects a demand for 35 million housing units between 2008 and 2023. This is a significant amount, which includes the accumulated deficit of 7.9 million units in 2006⁷⁹ and the future demand generated by natural population growth and new household formation is estimated at 27 million units. The projected demand also considers the need to urbanize (upgrade) thousands of favelas, where the lack of infrastructure and the degree of social exclusion affect more than 15 million people.⁸⁰ Overcoming these problems and ensuring that the right to housing is enshrined in the Brazilian Constitution will depend on an articulated and continuous task involving the three levels of government, the private sector and the third sector. In parallel, to reach this target, the Government must promote state and municipal planning and stimulate the development of local-based mid- and long-term strategies for housing provision.⁸¹

1.3.7 URBAN INFRASTRUCTURE AND BASIC SERVICES

The lack of adequate infrastructure remains a challenge to be overcome in Brazilian cities. The main shortage of public services and infrastructure is basic sanitation: only 55.4 per cent of the total 57.3 million households were connected to urban sewer systems in 2010. Garbage collection catered to 87.4 per cent of households (50.1 million homes) and 82.9 per cent of households were connected to the public water grids.⁸²

The problem mostly affects low-income households. Only 40 per cent of households with a per capita income of half the minimum wage were served by sewage, garbage collection and water infrastructure. Within the income group earning more than two minimum wages per capita, the average rate of infrastructure coverage was 77.5 per cent.⁸³ In recent years, the Government has sought to increase investment for infrastructure. The primary focus is given on social and urban infrastructure with some BRL

72 Explanations for this reduction are found not only in the recent improvement in the housing sector, but also related to changing methodology and criteria for surveying. In particular, the definition on cohabitation that in the 2008 FJP survey was broke down into voluntary (consensual) and involuntary cohabitation.

73 Fundação João Pinheiro (2011) *Déficit Habitacional no Brasil 2008*. Ministério das Cidades. Secretaria Nacional de Habitação. – Brasília, Ministério das Cidades p.60

74 Santa Rosa J. (2012) Op. cit. Preliminary data elaborated by João Pinheiro Foundation/CEI based on IBGE and PNAD 2009.

75 In 2011 the minimum wage was 510 BRL [275 USD].

76 Fundação João Pinheiro (2011). Op. cit. p. 42

77 Ibid

78 Maricato, E. (2006) Op. cit. p.213

79 The National Housing Plan (PlanHab) considered the deficit of 7.9 million units. The plan drew on the estimates elaborated by João Pinheiro Foundation and CEDEPLAR based on data from PNAD / IBGE 2006. Ministério das Cidades (2009b).

80 Ministério das Cidades (2009b). Op. cit. p.10

81 Ibid. See also IPEA (2011b) Op. cit.

82 IBGE (2010a) *Sinopse do Censo Demográfico 2010*. Available at http://www.ibge.gov.br/home/estatistica/populacao/censo2010/default_sinopse.shtm. See also <http://www1.folha.uol.com.br/cotidiano/908789-brasil-ainda-sofre-com-falta-de-saneamento-basico-aponta-ibge.shtml>

83 IBGE (2010b). *Síntese de Indicadores Sociais*, 2010 p. 82

12 billion (USD 6.5 billion) allocated for sanitation in 2008.⁸⁴

Urban mobility is another major problem hampering social and economic development in the cities. The intense urban growth in Brazil since the 1950s outpaced infrastructure in transport and urban mobility. Many cities began to face critical urban problems due to low-quality and high-cost transport systems, with negative impacts on people's lives, production costs and the environment. This was particularly so for large cities and metropolitan regions, where peripheries still grow at higher rates than the city proper. On one hand, the problem stands on the scarcity of resources and the limited capacity of local administrations to fund public transport. On the other, the crisis of urban mobility results from the lack of integrated planning practice, which projects urban growth along with availability of and priority to public transport.

Public policies have supported the private car rather than public transport through tax exemptions for car acquisition, increased investments on automobile road infrastructure, concessions to parking, and even through the increasing number of garages in residential condominiums. In 2005, 50 per cent of daily commuters in metropolitan regions used public transport, while in 1970 that figure stood at 68 per cent.⁸⁵ Such an urbanization model entails a series of negative externalities to cities, especially urban sprawl, environmental problems, the loss of time in traffic jams and increased road accidents. Low income groups are often the most affected, living in peripheral areas and constrained to afford transport costs.

1.3.8 CONSTRUCTION INDUSTRY AND BUILDING MATERIALS

The construction sector has resumed a central role in national economic development in recent years. The launch of national programmes targeting large-scale investments in infrastructure, including housing, has boosted demand in the sector, which has contributed decisively to the creation of jobs, higher income and more tax revenue.⁸⁶

Three aspects were relevant for the sector's recent development in Brazil: (1) economic stability has enabled growth of public and private investments, especially in infrastructure, increasing the demand in the sector; (2) considerable expansion of the real estate market activity since 2005, combining a massive rise in the volume of credit for housing finance and innovations in the regulatory framework to minimize risks for investors; and (3) the launch of large-scale public programmes of urban infrastructure and housing provision, designed to

tackle precarious living conditions in favelas and provide affordable homes to low-income households.⁸⁷

In Brazil, the bulk of building material sales occur for self-managed constructions, representing 70 per cent of the total trade in the sector. Hence, the sector is heavily dependent on the availability and cost of credit to consumers, and is directly affected by fluctuations of this cost. The purchase of building materials also depends on planning and involves the hiring of labour, which is not financed. Sales of the building materials in the domestic market totaled BRL 103.8 billion in 2010 (USD 56.1 billion).⁸⁸ The price of labour increased 10.4 per cent in 2010 and represented the component that has mostly influenced construction costs in Brazil in recent years.⁸⁹

Despite the importance of the sector in terms of production and employment generation, several aspects need to be improved: these are in training and capacity-building of workers; project management, planning and monitoring of construction development; and the formalization of the working conditions. Informal workers, despite the recent recovery of the labour market, still represent the majority, 60 per cent, of the labour force in the construction sector in Brazil.⁹⁰

The construction sector has resumed a central role in national economic development in recent years. The launch of national programmes targeting large-scale investments in infrastructure, including housing, has boosted demand in the construction sector, which has decisively contributed to the creation of jobs, rise of income and tax collection.

1.3.9 CROSS-CUTTING ISSUES

Brazil is world renowned for the important achievements in sanctioning and implementing a rights-based agenda for urban and housing matters. The City Statute recognizes and enforces the social function of land and property, and housing is constitutionally guaranteed as human right. The institutional frameworks and decision-making processes regarding the urban agenda of national and

84 Ministério das Cidades (2009c) Results, Projections and Actions. Brasília, Ministério das Cidades p.19.

85 IPEA (2011) Série Eixos do Desenvolvimento Brasileiro. A mobilidade urbana no Brasil. Comunicado IPEA, n.94 p.03 Available at http://www.ipea.gov.br/portal/images/stories/PDFs/comunicado/110525_comunicadoipea94.pdf

86 Dias E., Castelo A., Garcia F. (2010) A Retomada do Papel Histórico da Construção no Brasil. Conjuntura da Construção. June Edition. Rio de Janeiro, FGV-IBRE. p.04

87 Ibid p-04-06

88 Abramet Sector Analysis / Fundacao Getulio Vargas (FGV). Construdata. Available at <http://www.construdata.com.br/> (access on 09.01.2012).

89 Ibid.

90 DIEESE (2011) Salários na Construção Civil nos anos 2000: entre a formalização e a rotatividade. Boletim Trabalho e Construção. N°06 Dezembro. p.03 Available at <http://sistemaped.dieese.org.br/analiseped/2011/2011boletimTrabalhoConstrucao6.pdf>

PRODUCTION AND ACQUISITION OF NEW HOUSING



Support to social-interest housing provision

Local governments apply for federal funds to undertake production or acquisition of housing units for low income families.

Housing Subsidy Programme (PSH)

An innovative upfront subsidy program that offers access to adequate housing to low-income citizens by means of subsidy grants. The demand is organized by state or municipal governments, with funds coming from the Federal Budget OGU and allocation done by competitive auctions to financial institutions of the SFH.

Support social-housing provision

Provide funding alternatives to non-profit organizations performing in the field of low-income housing. It targets the production or acquisition of affordable housing in urban or rural areas.

Pro - Moradia

Finance modality available for state and municipal governments to undertake production of housing ensembles.

Residential Leasing Fund (PAR)

Created in 1999, PAR is a leasing operation, with loans available for developers to produce new housing units at a fixed price 28,000 – 40,000 BRL (11,000 – 21,000 USD). Beneficiaries were eligible for a 20-year lease contract and would become owners after repayment period. PAR operated until 2005 and invested 4 billion BRL in the provision of 177,155 housing units. PAR operated with funds from the FAR (Residential Leasing Fund) and its rationale was incorporated in the design of MCMVP.

Individual and associative letter of credit

Direct finance to individual or families (low and middle income ranges) for the acquisition, construction or refurbishment of housing unit. It includes also the possibility to purchase building material or land plot. Applicants can be organized in condominiums, associations, and cooperatives.

Solidary Credit

Provides finance at zero interest rates to low-income families organized in and associated to housing cooperatives and non-profit organizations. Housing cooperatives and associations are responsible for elaborating and executing housing projects.

Support to housing production

Finance modalities designed to private developer interested in accessing resources of FGTS to undertake housing provision. The programme targets a wide range income groups.

SLUM UPGRADING



Urbanization, Regularization and Integration of Precarious Settlements

Local governments elaborate proposals and apply for funds to improve living conditions in informal settlements.

Pro - Moradia

Finance modality available for state and municipal governments to undertake slum upgrading interventions.

Habitar Brazil, HBB-BID

Promoted by the Inter-American Development Bank (IDB) and the federal government, the HBB Programme set up in 1997 a call for municipal governments to apply for resources to implement regularization of land tenure and slum upgrading. Funds for the program were mostly provided by a IDB to municipalities, with the federal government playing the role of facilitator. During the period of operation (1999–2005) HBB signed 119 contracts, benefiting 25 municipalities and 358,000 families.

Growth Acceleration Programme for Slum Upgrading

This nationwide slum upgrading programme launched in 2007, allocated unprecedented amount of resources to improve infrastructure and services in favelas, and promote social inclusion of favela dwellers. Within this slum upgrading programme, municipalities present proposals and are the executors of upgrading interventions.

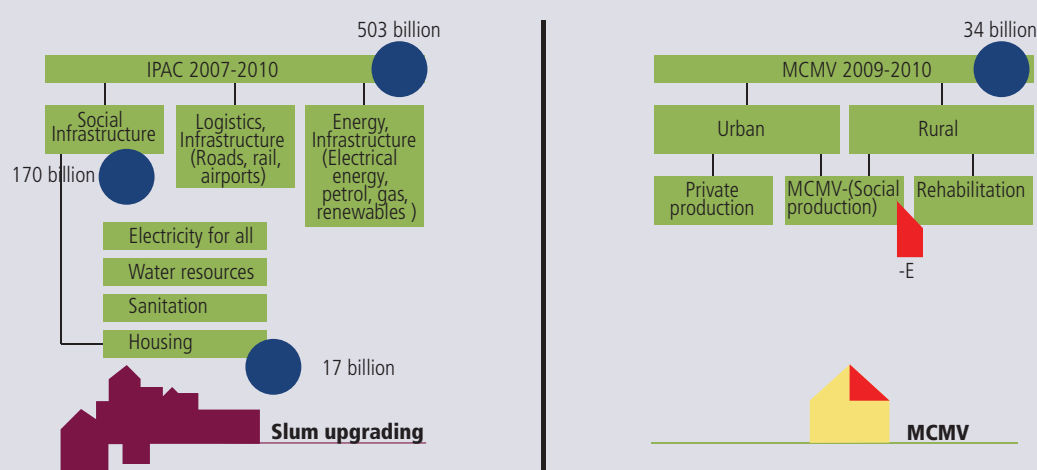
Priority Investment Projects

Priority Investment Projects are included in the scope of Growth Acceleration Programme and refer to priority interventions in favelas related to housing provision, sanitation and social inclusion. Priority Investment Projects have guaranteed the regular allocation of resources within the annual federal budget.

Source: Compiled from Ministry of Cities website, 2011.

The My House, My Life Programme in combination with the Growth Acceleration Programme for Slum Upgrading, represents an important Government effort to reinforce a twin-track approach to social housing, in which curative and preventive programmes have been combined to solve current housing problems, offer better housing alternatives and stem the growth of informal housing.

FIGURE 1.15: CURATIVE AND PREVENTIVE SOCIAL HOUSING PROGRAMMES



Source: Adapted from PAC report Note: in Brazil slum upgrading is referred as urbanization of irregular and precarious settlements. (Figures in Reais).

subnational governments have attempted to implement participatory mechanisms to guarantee that different interests be considered in the urban planning process. At national level, the Council of Cities and other deliberative entities act over the decision-making in the Ministry of Cities. At local level, municipalities are equipped with guidelines to improve the accessibility to land and to draw up participatory master plans. Yet, the extent of participation depends very much on the level of local mobilization and the institutional and technical capacity of public administrations.

An affirmative approach has been conveyed in the political agenda of last decades in Brazil. After redemocratization social movements heightened their demand for specific Government measures to tackle racial, gender and ethnic discrimination.⁹¹ In response, affirmative action has been implemented in several ways. For example, in order to reduce racial inequalities in higher education quotas have been reserved for Afro-Brazilians to enter university.⁹²

The Report on Human Development in Brazil carried out in 1996 highlighted the feminization of poverty, and the particularly vulnerable situation of female-headed households.⁹³ The most comprehensive changes in the relationship between State and society in Brazil include an agenda that attends to gender issues, and includes several guidelines in public policy. For example, with respect to urban infrastructure and housing this agenda determines the construction of urban facilities which women prioritized, such as childcare, health clinics, housing and sanitation.⁹⁴ Furthermore, due to the central role that women play in family reproduction, the Government has implemented housing titling programmes that prioritize women.

1.3.10 RECENT NATIONAL APPROACHES TO LOW-INCOME HOUSING

Since 2003, the Ministry of Cities has become the national coordinator, manager and formulator of the national urban development policy. At the federal level, the major housing programmes are structured along four main lines: (1) support for sub national governments; (2) direct support to individuals or families; (3) support to social-oriented housing production; and (5) support to the private sector for housing production. An overview of some main programmes that the Government implemented recently is described in Box 3.

The National Housing Secretariat is responsible for the management of housing programmes, which can be categorized into curative and preventive actions, reflecting the twin-track approach to housing implemented in Brazil:

Production and acquisition of new housing units: These programmes seek to tackle the quantitative housing deficit through construction of new houses; acquisition of new dwellings; acquisition of used stock; purchase of building materials; acquisition of plots, and the establishment of serviced plots.

Slum upgrading: These programmes deal with the inadequacy of urban and land regularization and improvement of the residential stock in informal settlements through procurement of building material; urban and land tenure regularization; slum upgrading; expansion and improvement housing units; rehabilitation of buildings; and construction of health facilities.

Growth Acceleration Programme - Slum upgrading

An important and recent action implemented by the Government handling low-income housing alternatives is the nationwide Growth Acceleration Programme for Slum Upgrading launched in 2007. The programme is designed to boost investments in large scale infrastructure projects focusing on the priorities of logistics, energy, as well as social and urban infrastructure. The slum upgrading interventions are part of the social and urban infrastructure priority area, and are grouped in the axe called the Growth Acceleration Programme-Slum Upgrading (PAC-Urbanização de Favelas).⁹⁵

The programme mobilizes unprecedented federal government resources for slum upgrading. In the first phase (2007-2010), the programme managed to reach scale: a total of 759 slum-upgrading interventions have benefited 1.62 million families nationwide.

In 2010, the federal government announced the second phase of the Growth Acceleration Programme 2011-2014. In the second phase, investments of BRL 30.5 billion (USD 16.5 billion) are planned for slum upgrading interventions in 393 cities and 26 states. The programme also stresses the importance of housing provision within the slum upgrading interventions and operates in partnership with the My House, My Life Programme.

The Growth Programme's impacts are not only measured by the improvement of living conditions and infrastructure in favelas. The Growth Programme has also leveraged economic multipliers that contributed significantly to creating jobs and creating direct demand on the construction chain. In 2007, 1.91 million formal workers were engaged in the construction sector, increasing to 2.37 million in 2009. In the period 2007– to 2010, the gross domestic product of the construction sector presented an

91 Moehlecke, S. (2002) Ação afirmativa: história e debates no Brasil. Cadernos de Pesquisa, n. 117, Novembro. p.197-217

92 The law establishing quotas in Universities was enacted in 2001, when from the total university students, 97 per cent were white-colored, two per cent black and two per cent Asian descendants. See K. Munanga. (2001). Políticas de ação afirmativa em benefício da população negra no Brasil: um ponto de vista em defesa de cotas. Sociedade e Cultura, v. 4, n. 2, jul./dez. 2001, p. 31-43. Between 1997 and 2007 the access to higher education among black youth has grown, but still half of that among white-colored; See IBGE information on the topic available at <http://www.brasil.gov.br/noticias/arquivos/2011/05/13/percentual-de-negros-no-ensino-superior-e-metade-de-brancos>

93 IPEA/PNUD (1996) Relatório sobre o Desenvolvimento Humano no Brasil 1996. Rio de Janeiro, IPEA; Brasília: PNUD. p. 20-24

94 Farah M.F. (2004) Gênero e políticas públicas. Estudos Feministas. Florianópolis, 12 (1) janeiro-abril/2004. p.360

95 Ministério das Cidades (2010d) Urbanização de Favelas: a experiência do PAC. Brasília, Ministério das Cidades, Secretaria Nacional de Habitação.

average annual increase of 8 per cent, while the variation of the national gross domestic product was average 4.4 per cent.

Comparatively, the Growth Acceleration Programme for Slum Upgrading has increased the scale and the scope of interventions in favelas. For example, in a previous slum upgrading programmes which the Inter-American Development Bank financed, Habitar Brazil BID allocated BRL 1.1 billion (USD 0.6 billion) and benefited 89,000 families from 1999 to 2006 (see Box 3).⁹⁶ However, the continued growth of favelas and the remaining shortages in social services show that the bulk of work remain to be done. In 2010, 11.4 million people still lived in 6,329 precarious housing settings in Brazil, with low access to basic infrastructure and socioeconomic opportunities.⁹⁷

Additional challenges to the Growth Acceleration Programme for Slum Upgrading and to slum upgrading policy in Brazil are related to land regularization and security of tenure. Despite efforts to improve living conditions, regularization has not been following

upgrading easily. A review of regularization in 385 municipalities in 2009 revealed that of 1.7 million such processes initiated, 8 per cent were completed.⁹⁸

The Growth Acceleration Programme for Slum Upgrading sets the context for launching the My House, My Life Programme in two ways. First, because the My House, My Life Programme's economic rationale has proved successful in generating jobs and economic multipliers, thus supporting continued public-led investments in social housing under the same model. Second, because while the Growth Acceleration Programme for Slum Upgrading has been important in reversing the precarious conditions in favelas, other interventions are needed to tackle the housing deficit and respond to the future demand.

The My House, My Life Programme, in combination with the Growth Acceleration Programme for Slum Upgrading, represents an important Government effort to reinforce a twin-track approach to social housing, in which curative and preventive programmes combine to better solve the current housing problems and stem the growth of informal structures (Figure 1.15).

96 Cities Alliance (2010) Habitar Brazil BID / IDB. Cities Alliance and Ministry of Cities.
97 IBGE (2010) National Census. Aglomerados subnormais, Primeiros resultados, p.27

98 Fernandes E. (2011) Regularization of Informal Settlements in Latin America. Policy Focus Report. Cambridge, Lincoln Institute of Land Policy. p.32



Improved access and municipal services in favela 'urbanisation'. © Matthew French/UN-Habitat.

Chapter 2 provides an overview of the My House, My Life Programme, pointing to its significance within the historical framework of housing policies in Brazil and situating the Programme within the structural context of the years following the 2008 global economic crisis. The chapter provides a descriptive overview of how the Programme was designed and implemented to meet ambitious goals including (a) to reduce the chronic shortage of housing for low-income families; (b) to open up and expand the Brazilian mortgage market; (c) to reduce slum areas and inadequate housing stock; and (d) to act as a stimulus to the Brazilian construction industry and, by extension, improve wages and increase employment.

CHAPTER

2

THE MY HOUSE MY LIFE PROGRAMME



MCMV units under construction, Blumenau. © Marcelo Martins/Housing Office Blumenau, SC.

CHAPTER 2: THE MY HOUSE MY LIFE PROGRAMME

2.1 OVERVIEW, ORIGINS AND DESIGN OF THE PROGRAMME

With the slogan “Housing for people, income for workers and development for Brazil”, President Da Silva launched the My House, My Life Programme in April 2009.

The Programme aims to stimulate the production and acquisition of new housing units for the low-income population in Brazil. To do this, the Programme creates special mechanisms to mobilize the private sector to build homes for this income bracket, and designs innovative arrangements of subsidy and finance for selected beneficiaries to acquire new homes.

For its magnitude, and level of investments and subsidies, the Programme is an important milestone in reasserting housing as an issue of national importance for Government policy and action.

Origins

The international economic crisis – with its epicentre in the United States subprime mortgage crash in 2008 – affected Brazil through generating market uncertainty and slowing the construction industry. From the outset, the crisis backdrop underlay the political decision of the Brazilian government to place housing production at the core of counter-cyclical policy. Thus, the My House, My Life Programme was designed as a stimulus package to integrate national efforts to overcome the global financial crisis, creating direct demand in employment-intensive sectors and improving the access to housing.

The *Casa Civil* (Ministry of the Cabinet) along with the Ministry of Finance and Planning, in close connection with President Da Silva and the top-level federal government representatives, designed the programme. The Ministry of Cities had the important task of refining its original design, drawing on the legal, political and social benchmarks of the urban and housing policies that had been implemented previously. In particular, the efforts of the National Housing Secretariat of the Ministry of Cities – whose responsibility it is to implement the Programme – were driven to articulate the economic-oriented approach entailed in the original design of the Programme with the holistic and long-term strategy of the National Housing Plan and the National Housing Policy.¹

Goals

The My House, My Life Programme has ambitious targets. In the first phase (2009 – 2010), the focus of this report, the Programme aimed to build 1 million new low-income housing units in urban and rural areas.

To meet these goals, the Government allocated BRL 34 billion (USD 18.4 billion), giving an important step in the enlargement of investments and subsidies for social housing. The amount of subsidies mobilized for the Programme was unprecedented in the history of social housing interventions in Brazil, and signals a strong redistributive component amidst the crisis response policy.²

The fulfilment of the Programme’s housing provision goals in such a short-term depended on remarkable readjustments in the institutional structure of the urban and housing sector, requiring synchronized efforts of national and subnational governments. The Programme’s implementation also depended on tackling prevailing obstacles such as the non-engagement of private sector in providing social housing, the high price of urban land, the limited capacity of municipal administrations and the bureaucracy for project approval.³

The Government’s driving force towards the production of new housing through the My House, My Life Programme aimed to mobilize the construction industry and generate a significant number of new short-term jobs, improve incomes, stimulate domestic production and improve access to housing in Brazil.

¹ Magalhães, I. National Housing Secretariat. Interview. 26.03.2012. See also Bonduki N. (2009) Do projeto moradia ao programa Minha Casa Minha Vida. Teoria e Debate. n. 82, 2009. 08-14. p. 08.

² Magalhães, I. Op. cit.

³ Dias E. C. (2009) Minha Casa, minha vida, minha política pública. Conjuntura da Construção. June 2009. Rio de Janeiro, FGV-IBRE. p.05

Significance of the programme

The programme has a **large-scale approach** to allocating subsidy finance, mobilizing housing provision and reducing the housing deficit at a national level. Territorially, the allocation of resources and the targets on the number of housing units to be built are defined in line with the national housing deficit, as distributed per income ranges and across different regions in Brazil. In such a scheme, the lower-income households and the regions mostly affected by the housing deficit receive more investments from the Programme.

The Programme has an **integrated approach to housing and economic development**. It was designed with the dual purpose of contributing to economic growth in the short term and promoting access to housing for low-income households. The Programme combines the need to create jobs and strengthen the supply chain of the construction sector with the long-term strategy of promoting access to housing as enshrined in the National Housing Policy. The context of economic stability and economic growth, along with the Government's commitment to prioritize investments and provision of housing for the poorest households facilitated the appropriateness of this programme 'formula'.

The Programme also has a **pro-poor approach but retains a wide eligibility range**. The Programme presents two main innovations in relation to previous schemes of housing provision. First, it assigns greater focus to the lower-income groups, with a substantial increase in the amount of subsidies. Second, through the combination of subsidies and finance mechanisms, the Programme mobilizes private-oriented housing provision to a wider range of income groups, offering housing alternatives also to middle-income households.

The Programme **stimulates the private sector** for low-income housing production. The Programme's strategy to achieve a decrease in the housing shortage counts on the implication of the private sector to build for low-income households. Under the Programme, construction companies, which adhere to building standards and design typologies that CAIXA defines, undertake most of the housing provision. In order to engage private developers, the Government has designed a system of subsidy transfer and housing finance to reduce the risks for construction companies and support low-income groups that had no market share to acquire housing units on a regular and formal basis. Equally important, the construction sector received fiscal incentives and institutional changes to improve and speed up project approval and execution at the local level.

The Programme also takes up the opportunities for **social housing provision**. The Programme does not break with the traditional experiences of self-construction in Brazil and capitalizes on the long-established experiences of

social housing movements and cooperatives. A subsidy modality called My House, My Life Entity (*Minha Casa Minha Vida Entidade*) offers subsidies and finance opportunities for individuals and families associated with a social organization such as a cooperative, a community-based organization, or social movements which aim to produce social housing units through self-construction or self-management systems.

2.2 PROGRAMME DESIGN

The My House, My Life is designed as an "umbrella programme" that contains a comprehensive spectrum of housing provision modalities and types of benefits for low-income households. To a great extent, the Programme does not break with the previous rationale of the federal government's actions in the housing sector and incorporates various elements of previous pilot programmes. My House, My Life draws on the financial structure and funding mechanisms of the previous Residential Leasing Programme to design a modality of housing provision that the private sector is to undertake; My House, My Life also builds upon the experience of the Solidary Credit Programme to reinforce social-oriented housing provision; along with the experience of the Housing Subsidy Programme in creating a budget financed upfront housing subsidy system for low-income groups in small municipalities that My House, My Life incorporated on a large scale (Figure 2.1).⁴

My Home, My life harnesses the various attributes of previous programmes to design several modalities of housing provision. It groups these modalities into two sub-programmes: the National Urban Housing Programme – (Programa Nacional de Habitação Urbana) and the National Rural Housing Programme – (Programa Nacional de Habitação Rural). The Rural Programme aims to support the production or acquisition of new housing in urban areas for families with monthly incomes of up to 10 minimum wages (in 2009 equivalent to BRL 4,650, (USD 2,515)). The Rural Programme offers subsidy and finance mechanisms for construction, acquisition or refurbishment of housing units for farmer families and rural workers with annual income of up to BRL 60,000 (USD 32,450).

Large scope of target public

By establishing the threshold for beneficiary selection at 10 minimum wages, the My House, My Life Programme enabled ample coverage of income ranges, including the poorest and the low-middle class. The Programme followed the income stratification Government adopted for low-income housing programmes. The potential beneficiaries of My House, My Life are divided into three groups:

- **Group 1** comprising households with income from 0 to 3 minimum wages (up to BRL 1,395; USD 754)

4 World Bank (2009) Implementation completion and Results Report (IBRD – 73060). For a Programmatic Loan for Sustainable and Equitable Growth: Housing Sector Reform. Sustainable Development Department, Brazil Country Management Unit. World Bank. June, 2009.

- **Group 2** comprising households with income from 3 to 6 minimum wages (between BRL 1,395 and BRL 2,790; equivalent to USD 754 and USD 1,508)
- **Group 3** including households with income from 6 up to 10 minimum wages (between BRL 2,790 and BRL 4,650; equivalent to USD 1,508 and USD 2,513).⁵

Varied package of benefits

The modalities of housing provision and types of benefits offered in the My House, My Life Programme are numerous and are tailored according to the income ranges to which they cater, namely groups 1, 2 or 3. Two main sets of benefits are identified below:

a) Housing provision and a benefit package tailored for **Group 1** that counts on significant subsidies from the federal budget (on a non-repayable basis), the Residential Leasing Fund and the Social Development Fund, and are tax and interest rate exempt. Mainly, it is the private sector which builds homes for this group, with different degrees of intervention by local governments.

b) Housing modalities and benefit packages that serve households in **Groups 2 and 3** and are made up of a combination of subsidies - in small amount and targeting Group 2 - and finance mechanisms with resources from the Workers Severance Fund. Groups 2 and 3 also benefit from tax reductions and special interest rates.

National scope

The distribution of resources and the definition of targets in the number of units to be built are based on the housing deficit per region and on the deficit of the different income groups. This measure is taken so that the Programme responds more effectively to the groups and regions of the country with the greatest housing shortage. The priority stands for the households composing groups 1 and 2, which are mostly affected by the housing deficit. Of the total 1 million housing units that the Programme aimed to contract in the first phase, 40 per cent were intended for Group 1 (400,000 units) and 40 per cent for Group 2 (400,000 units). The other 200,000 units were planned to cater to Group 3. Moreover, the Programme's goal is to focus on metropolitan regions and large cities where the housing problems and demand are most evident.

2.2.1 INSTITUTIONAL FRAMEWORK

Casa Civil and the **Ministry of Finance** were the financial architects of My House, My Life. Since the Programme has a strong countercyclical component, the establishment of housing provision targets, allocation of resources, tax incentives and extension of subsidy were defined in the light of the macroeconomic strategy

and the investment capacity of federal government. The Ministry of Finance, along with the Ministry of Cities, defines the general guidelines and conditions for regional distribution of resources within the National Urban Housing Programme (PNHU) and National Rural Housing Programme (PNHR), and also monitors programme implementation.

The Ministry of Cities, through the National Housing Secretariat, is the manager of the My House, My Life Programme and defines its overall operationalization. This Ministry and the National Housing Secretariat through law enactments, decrees, ordinances and normative instructions, establish the rules and regulations for all modalities of housing provision within the National Urban Housing Programme (PNHU) and National Rural Housing Programme (PNHR), providing clear definition on the roles and responsibilities of the actors involved in the Programme, the eligibility criteria for developers, projects and beneficiaries, among other aspects of project implementation and monitoring.

CAIXA manages the bulk of resources allocated for subsidies and finance within the PNHU and National Rural Housing Programme (PNHR). CAIXA provides loans for developers to undertake housing construction and finance to the beneficiaries. The bank also defines the technical criteria for project design and, through its local agencies present in all municipalities, has an important role in the implementation and monitoring of the Programme and projects execution.

Subnational governments (that is states and municipalities) are responsible for selecting and enrolling the demand (potential beneficiaries). In addition, it is expected that states and municipalities contribute with counterpart funding to the projects, which can be in cash or through the provision of services and land. Specialized local government bodies are also responsible for issuing project licensing and thus play an important role in the aspects referring to urban insertion and location of projects within the urban fabric.

Social movements and community-based organizations and other housing-related associations also undertake housing provision through a specific modality of subsidy and finance called My House, My Life Programme Entities (MCMV-E). Within this modality, housing associations, community-based organizations and cooperatives are responsible for organizing and enrolling the demand, acquiring land, as well as for elaborating, executing and managing projects.

The **private sector** undertakes the bulk of housing construction within the My House, My Life Programme. Private companies are categorized in large, medium and small-size (which the Government defines according

⁵ Based on 2009 values; m.w. standing for minimum wage. The minimum wage in Brazil is adjusted annually by means of specific legislation, usually near inflation rates. In 2009, 2010 and 2011 m.w. was equal to respectively 465.00 BRL (USD 253.00), 510.00 BRL (USD 277.00) and 545.00 (USD 296.00).

to their annual revenue) and count on finance lines to develop and execute housing projects, respecting the standards and norms which CAIXA and the Ministry of Cities define. The private sector may also be responsible for commercializing the units when targeting income ranges higher than 3 minimum wages (Groups 2 and 3). For Group 1, CAIXA manages the stock, and once construction is completed distributes units to selected beneficiaries.

2.2.2 LEGAL FRAMEWORK

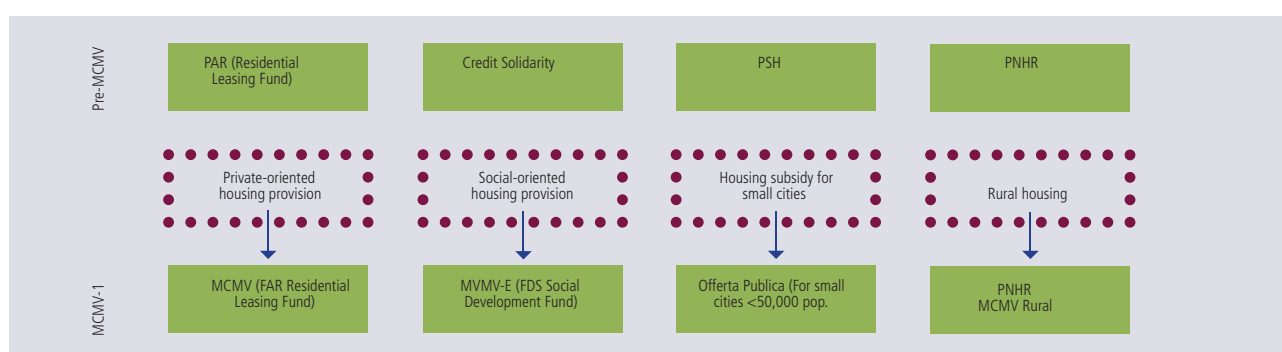
The Programme harnesses the achievements of the legal and institutional frameworks that the Ministry of Cities implements to drive the urban and housing policies in Brazil. In addition, the Programme benefits from the legal structure of the federative system, whereby the national, state and municipal governments have very clear roles and attributions. As for the Programme's legal framework, the Ministry of Cities is the federal body responsible for developing and sanctioning laws, decrees, ordinances and normative instructions that set up the roles and responsibilities of the actors involved in the Programme, and the overall norms and regulation regarding the programme implementation.

The Programme's legal framework can be described in two levels (Figure 2.3). The first encompasses legal instruments that refer to the Programme as a whole, including the two main Federal Laws (Law n° 11.977 and Law n° 12.424). The second are the respective decrees, which have sanctioned the launch of the Programme and comprise definitions on general aspects related to the structure, aims, subprogrammes, funds, subsidy modalities and allocation of resources across the national territory.

The second level of the legal framework is defined by a series of additional law amendments, ordinances and normative instructions that usually refer to specific modalities or elements regarding the implementation of the Programme. These instruments can be used to introduce new directives and regulations regarding programme implementation, or to amend changes in the original structure of the Programme. Since the launch of My House, My Life in 2009, amendments to the law have been consistently endorsed to modify, adapt and improve programme implementation and performance. The list of legal tools guiding the operations of the Programme is extensive; some of the main laws and amendments that allow the Programme to function are as follows:

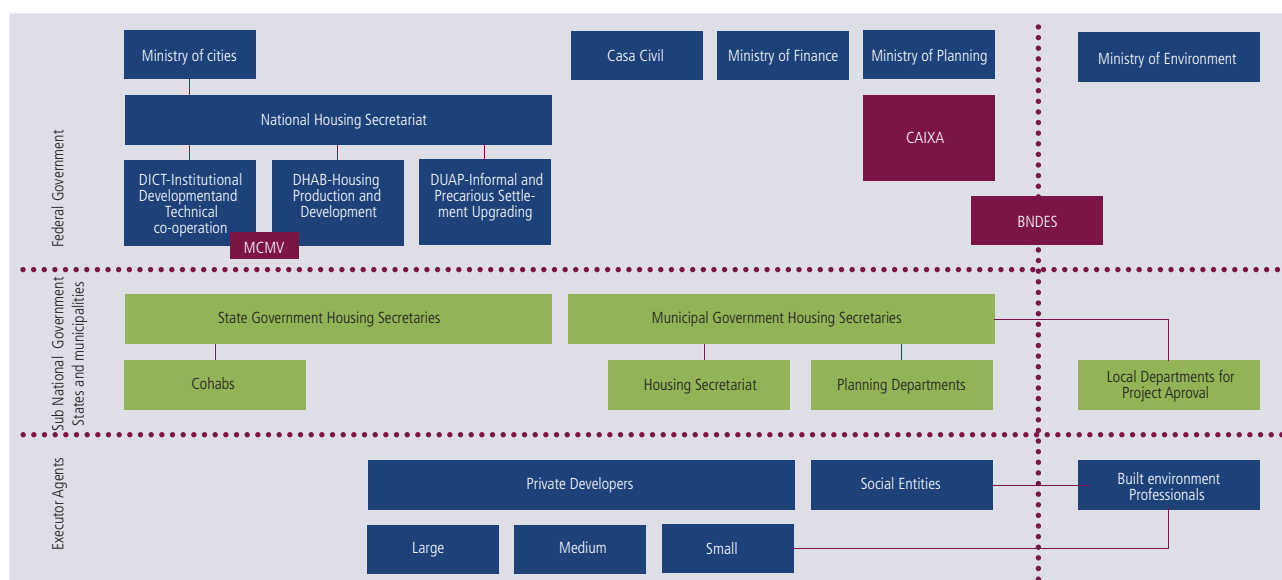
- Federal Law n° 11.977/2009 – sanctions the launch of My House, My Life (phase I). Comprises determinations on general aspects related to the structure, aims, subprogrammes, funds, subsidy modalities and allocation of resources across the national territory and the regularization of informal settlements in urban areas.
- Amendment n° 459/2009 – tackles various aspects of the My House, My Life, especially related to the regularization of settlements in urban areas, introduces changes and innovations to improve the system of property registration and demarcation. It institutes the Housing Guarantor Fund and includes changes to the Housing Finance System aiming to relax the criteria for membership and amortization of housing loans.
- Normative Instruction n° 934/2009 – introduces institutional measures regarding tax payment conditions for developers. It provides special and unified tax payment conditions for real estate developments of housing units within the My House, My Life Programme. The instruction gives the developer the option of adopting the single contribution system (a sort of Special Taxation for Construction) with subjection of a monthly payment equivalent to 6 per cent of monthly revenues.
- Resolution n° 412/2009 - establishes criteria and guidelines for the environmental licensing of social housing projects in urban areas. Introduces several changes to simplify and streamline the environmental licensing process. The deadline for conclusive analysis by the competent environmental agency is limited to 30 days.
- Amendment n° 326/2009 – provides specific regulation for the National Rural Housing Programme regarding the eligibility criteria, allocation of investments across states and regions, institutional and financial roles.
- Amendment n° 143/2009 – introduces more flexible conditions of financing and access to credit for projects developed within My House, My Life Programme Entities. Among other measures, the amendment ratifies the release of funds for advance purchase of land and the contract of projects by the financial agent without the prior approval of the municipal bodies.
- Amendment n° 140/2010 – establishes the eligibility criteria, the conditions and procedures for selection of beneficiaries within the My House, My Life Programme in operations of the Residential Leasing Fund and operations in cities with a maximum of 50,000 residents. Describes the procedures for registration, the national and local criteria for selection of beneficiaries, sets the quotas of housing units' allocation (cases of resettlement, household with special needs) and defines the operational procedures for the allocation of units to the beneficiaries.
- Amendment n° 514/2010 – endorses the extension of the My House, My Life Programme into phase II (2011 – 2014) and introduces modifications in the Federal law n° 11.977 establishing new rules for the Programme's second phase. The main changes include the admission of commercial activity in housing developments; the accountability of states and

FIGURE 2.1: THE TRANSFORMATION OF PREVIOUS HOUSING PROGRAMMES INTO MCMV.



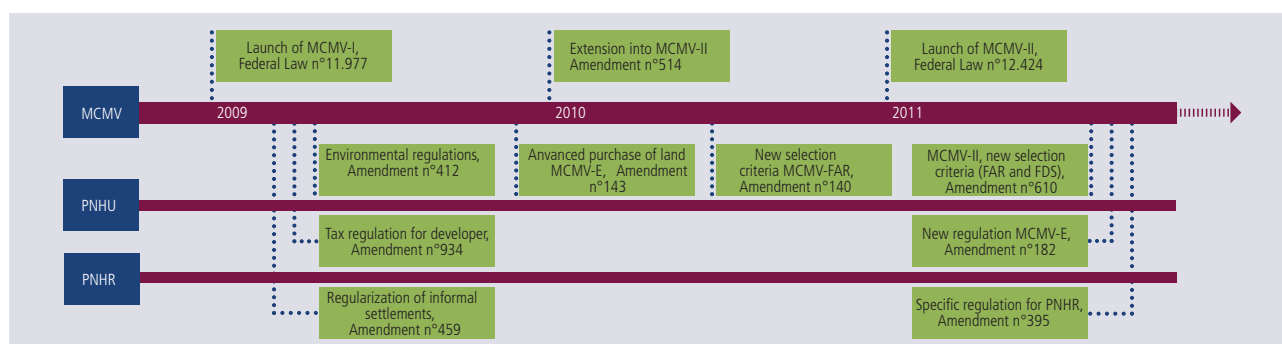
Source: Ministry of Cities

FIGURE 2.2: INSTITUTIONAL FRAMEWORK MCMV.



Source: Data from Law n° 11.977, 2009.

FIGURE 2.3: LEGAL FRAMEWORK MCMV PROGRAMME - MAIN DIRECTIVES



Source: Data from Ministry of Cities - MCMV various legal steps.

municipalities for the support to beneficiaries in pre- and post-occupation phases; and the possibility for the Residential Leasing Fund to acquire the rights to own Government expropriated land. In particular, the last measure aims at facilitating the arrangements between municipal governments and developers in regards to the access of land for social housing purposes.

- Federal Law n°12.424/2011 – sanctions the launch of My House, My Life II.
- Amendment n° 395/2011 – provides specific regulation for My House, My Life II within the subnational Rural Housing Programme regarding the income ranges of eligible beneficiaries and the amount of subsidy and finance grants.
- Amendment n° 610/2011 – establishes changes in the criteria and procedures for the selection of beneficiaries for My House, My Life II (within the subnational Urban Housing Programme) in terms of the Residential Leasing Fund and the Social Development Fund in cities with a population of up to fifty thousand inhabitants.
- Amendment n° 182/2011. – provides specific regulation for the My House, My Life Entities Programme in phase II with regards to goals, grant modalities, target groups, general aspects of programme implementation and operationalization of funds, grants and subsidies.

2.2.3 OVERVIEW OF HOUSING MODALITIES

The structure of the My House, My Life Programme is comprehensive and offers several modalities of housing provision and acquisition in urban and rural areas. The benefits offered by MCMVP can take the form of subsidies, housing financing with special interest rates and tax exemptions. The Programme has also introduced mechanisms to minimize the risk of default and attract alternative lenders to cater to underserved income categories. For the poorest households, comprising Group 1, the subsidy is between 60 and 90 per cent of the property value - and risk of eviction in the event of default is zero. For Groups 2 and 3, catered to by conventional housing financing with partial subsidy, the government established a guarantor fund to assure payment in case of default of subprime borrowers.

The package of benefits of the Programme targets the executors, to stimulate housing production, and households with income of up to BRL 4,650 (USD 2,515) per annum to access housing.⁶ With regards to the executors, the modalities of housing production can be market-oriented, undertaken by the private sector, or social-oriented, whereby non-profit organizations related to housing take the responsibility for housing production (examples include social movements, community-based

organizations, trade unions or housing cooperatives). Executors of the private sector and social organizations have a specific modality within the Programme to access funding for housing construction, namely the My House, My Life Residential Leasing Fund (for the private sector) and the My House, My Life Entities (for social organizations implicated with housing).

The modalities of both these facilities involve significant upfront subsidies and target mainly Group 1. With the Residential Leasing Fund the Government contracts the private sector to build houses and allocate units to selected beneficiaries after completion. For the Entities facility, social organizations apply for funds to build houses through self-organized systems and distribute units to selected beneficiaries after completion.

Groups 2 and 3 benefit from conventional housing finance mechanisms, using the Workers Severance Fund ruled by special interest rates and a reduction of taxes and insurances. Group 2 also has access to partial subsidies on the property value. For Group 3, the Programme offers a reduction of insurance costs and provides access to the Housing Guarantor Fund for the repayment of loans in case of default.

Small municipalities, with a maximum of 50,000 residents, benefit from a public offer of the federal budget surplus, targeting directly the beneficiary who receives subsidies to build a home.

The housing provision in rural areas targets all groups with subsidies and benefits vary according to the income range. Different from the urban modalities of My House, My Life Programme, which are exclusively oriented for new housing construction, the rural version of the Programme also includes the option of refurbishment of existing housing stock. Table 1 provides a summary of various Programme modes of provision and finance.

The structure of the Programme is comprehensive and offers several modalities of housing provision and acquisition in urban and rural areas.

The benefits that the Programme offers can take the form of subsidies, housing financing with special interest rates and tax exemptions. The Programme has also introduced mechanisms to minimize the risk of default and attract alternative lenders to cater to historically underserved income categories.

⁶ Equivalent to 10 minimum wages in 2009. Income categories refer to the first phase of MCMVP (2009-2010).

2.2.4 PROGRAMME FINANCE

The Programme mobilized unprecedented investments for the provision of social housing. The BRL 34 billion (USD 18.4 billion) federal investment package demonstrates a consolidation of the upfront subsidy policy. The Programme design also includes modalities by which a combination of savings and credit for housing loans, along with money for the housing production chain and for infrastructure, pay for low-income homes. In addition, the finance arrangements also comprise safeguard mechanisms against risky loans and tax relief on construction materials, so as to cut production costs.

The Programme has refundable and non-refundable funds. Non-refundable resources come from the federal budget surplus (Orçamento Geral da União) as subsidies. In the first phase subsidies represented 75 per cent of total investments (BRL 25.5 billion; the equivalent of USD 13.8 billion). The refundable funds come from the Workers Severance Fund, being BRL 7.5 billion; equivalent to USD 4.05 billion) and are linked to financing operations that require return payment. The Social Development Bank (BNDES - Banco Nacional de Desenvolvimento Econômico e Social) also allocated BRL 1 billion (USD 0.54 billion) for infrastructure financing (Figure 2.4).

Non-refundable funds

Non-refundable funds come from the federal budget surplus in form of upfront subsidies targeting mainly the low-income households of Group 1 (with income up to 3 minimum wages). They are allocated to two main funds: the Residential Leasing Fund designated to private sector housing provision and the Social Development Fund designated to social-oriented housing provision undertaken by varied non-profit organizations working on housing issues (cooperatives, mutual-aid associations, community-based organizations).

Therefore, it is important to note that the funds for the Programme are not channelled through the National Social Housing Fund - created in 2005 to operate the overall resources allocated to social housing in Brazil. To achieve the desired countercyclical effect of public investments, the My House, My Life stimulus package channelled significant resources to the private-oriented housing provision, transferring the majority of resources to the Residential Leasing Fund.⁷ In the first phase of the Programme (2009-2011) the Leasing Fund received BRL 16.5 billion (USD 8.9 billion) designated to subsidize housing acquisition for Group 1 households. As the intention was to simplify the lengthy procurement processes and make it easier for the municipalities in terms of management, the Government applied the Leasing Fund because of its flexibility, as opposed to the National Social

Housing and the Workers Severance funds.⁸ For example, the design of the Leasing Fund allows for a more flexible transfer of federal resources and procurement processes of housing production, especially when the private sector is the executor. In contrast to the Social Housing and the Severance funds, the Leasing facility is not subject to the supervision of an external and deliberative council as well as the allocation of resources dispense bidding processes. Thus, the Leasing Fund is more malleable and is thought to be more in line with the interests of engaging the private sector.⁹ On the other hand, this fund does not come through the mechanisms of social control and accountability of the National Social Housing and the Workers Severance funds, which has been an object of criticism.¹⁰

Moreover, a minor part of resources is reimbursed to the fund through monthly payments made by beneficiaries of Group 1, both in the private and social housing provision. The monthly allotments are calculated as a ratio of the household income (10 per cent monthly), which beneficiaries must pay over 10 years. It is important to note that allotments are not calculated with the goal of investment amortization but on the basis of the capacity of beneficiary families to pay. This is because the compulsory payment is intended more as a measure of commitment of the beneficiary, with Government help, than a cost recovery mechanism.

The second non-refundable fund integrating the My House My Life Programme is the Social Development Fund, composed exclusively of subsidized resources aimed at the production of cooperative housing, through the My House, My Life Entities and some modalities of rural provision. The resources allocated to the Social Development Fund were lesser than those designated to the private-oriented housing provision – the Social Development Fund received BRL 0.5 billion (USD 0.27 billion) - but the amount represented a significant increase in comparison to the previous programme that targeted cooperative housing production, the Solidarity Credit Programme. From 2006 to 2009, the Social Development, Fund through the Solidarity Credit, allocated BRL 350 million (USD 189 million) and built around 20,000 housing units.¹¹ To allocate resources for My House, My Life Programme, the Government also considered the capacity and limitations of social organizations to undertake production and this reflects the relatively small allocation of funds to the My House, My Life Entities, in comparison to other modalities.

⁸ Another issue with the FNHS is that it was designed as an accounting fund, meaning that it cannot carry over funds that were not spent from one year to the other. See World Bank (2009) Op. cit.

⁹ Arantes P., Fix M. (2009) Como o governo Lula pretende resolver o problema da habitação Alguns comentários sobre o pacote habitacional Minha Casa, Minha Vida. Discussion paper.

¹⁰ MCMVP budget is defined by a regulatory committee composed of members of the government. Differently from other programmes that integrate the National System of Social Interest Housing (SNHS) in Brazil, the decision-making process of MCMVP counts on limited consultation or participation of representatives from other sectors and society. The committee is coordinated by the Ministry of Casa Civil. See Arantes P. and Fix M. (2009) Op. cit.

¹¹ Cardoso A.L., Leal J.A. (2009) Housing Markets in Brazil: recent trends and governmental responses to the 2008 crisis. ISA International Housing Conference Glasgow 1-4.09.2009. p.13 Available at: http://www.gla.ac.uk/media/media_129770_en.pdf

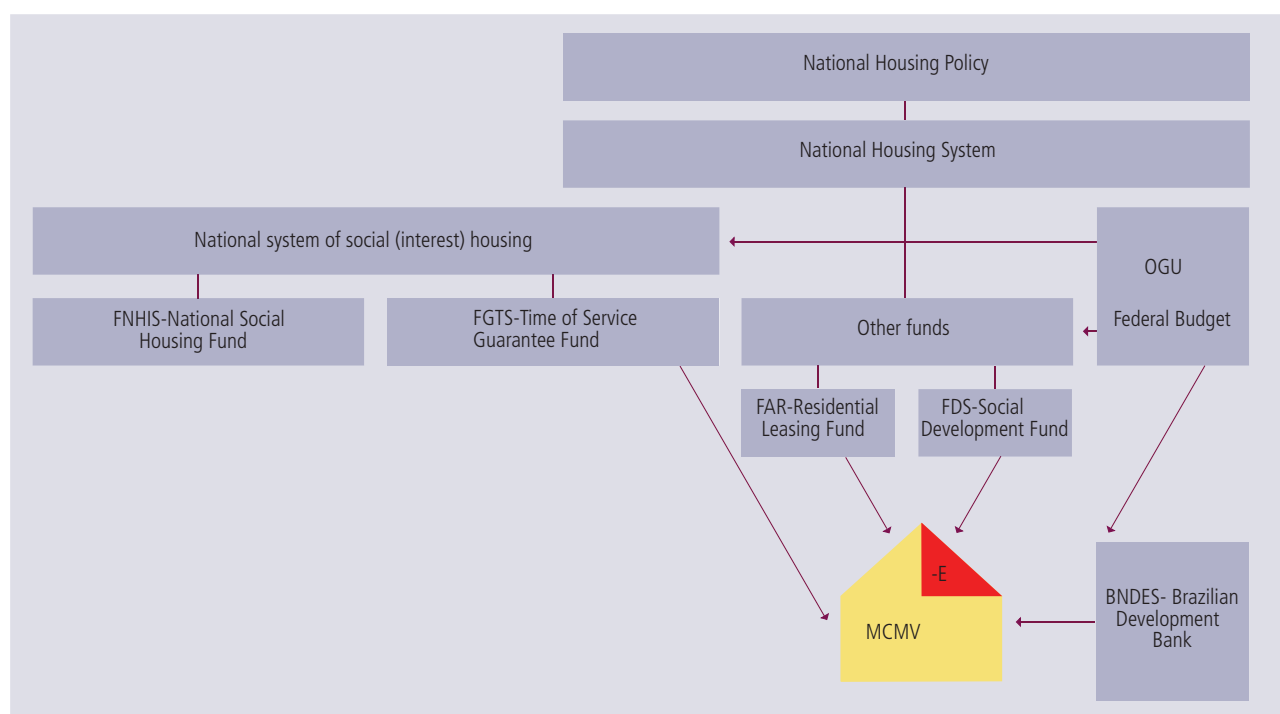
⁷ The FAR was originally designed for the Residential Leasing Programme (PAR) and was composed by resources coming from several other funds (FAS, FINSOCIAL, FDS, PROTECH). The PAR introduced an innovative financial arrangement as the first housing programme since the BNH period that was not entirely funded by FGTS and OGU.

TABLE 1: MODES OF SUBSIDY AND PROVISION OF FINANCE.

Group	Income range BRL (USD)	Target number of units to contract	Types of benefits	Scheme / Modalities of housing	Origin of federal funding
1	Up to 1,395 BRL (754 USD)	400.000	Subsidy Insurance exemption Exemption of property registration costs Tax reduction for housing developments (RET)	MCMV-FAR- Market-oriented provision with resources from FAR; MCMV-E - Social-oriented provision with resources from FDS; MCMV- Oferta Publica (housing provision for small cities); MCMV-Rural (group 1)	OGU
2	Up to 2,790 BRL (1,508 USD)	400.000	Subsidy + finance Access to FGHab Insurance reduction Reduction of property registration costs and interest rates	MCMV-FGTS MCMV-Rural (group 2)	OGU and FGTS
3	2,790-4,650 BRL (1,508-2,513 USD)	200.000	Finance Insurance reduction Access FGHab Reduction of property registration costs	MCMV-FGTS MCMV-Rural (group 3)	FGTS

Source: Ministry of Cities (<http://www.cidades.gov.br/>) and CAIXA (www.caixa.gov.br).

FIGURE 2.4: FLOWS OF FINANCIAL RESOURCES TO MCMV.



Source: Adapted from Ministry of Cities (2010). *Progress and Challenges: National Housing Policy*. p.15; and Ministry of Cities (2009). *Actions, and Outcomes and Projections*. p.45

Refundable funds

The refundable funds are mainly comprised of the Workers Severance Fund in the form of long-term housing finance loans for beneficiaries of groups 2 and 3. Severance Fund resources are refundable through the beneficiaries' monthly payments made to amortize the value of the housing unit. Home loans with resources from the Severance Funds in the My House, My Life Programme have special interest rates, (5 per cent annually for Group 2 and 8 per cent annually for Group 3).

A second mechanism available for groups 2 and 3 is the Guarantor Fund, a private facility which CAIXA administers and which can be accessed in cases of insolvency, death or permanent disability of the borrower in order to guarantee repayment of loans. The Guarantor Fund was designed to tackle one of the major dilemmas of previous Brazilian housing programmes: the absence of a mechanism, whether private or public, to provide full or partial guarantees of loan repayment, and mitigate the risks to the financial agent. Such a mechanism was essential to break the stigma of high risk that financing for low-income groups carry and secure the involvement of private stakeholders in the financing scheme of underserved income categories.¹² The resources allocated to the Guarantor Fund amounted to BRL 2 billion (USD 1.08 billion). Despite the contribution of the federal budget, the Guarantor Fund's assets are formed by quotas paid by other banks that decide to take part in the My House, My Life Programme.¹³

2.2.5 LAND SUPPLY

Land access and affordability has been a major challenge for sustainable urbanization and social housing programmes in Brazil. The creation of the My House, My Life Programme opened a good opportunity for municipalities to define suitable locations for social housing construction. The Programme prioritizes the distribution of federal funds to municipalities that implement the instruments of the City Statute (see Box 1 in Chapter 1) aimed at tackling land speculation to increase provision of serviced land in an urban area for the deployment of housing schemes within the Programme.¹⁴

In essence, common arrangements of land provision for social housing schemes within the Programme include:

- The local government can intermediate agreements between landowners and developers who want to build social housing using the Programme's resources
- Developers can buy land directly from the owners

- Landowners may seek a developer on their own to make a deal to build social housing with the Programme's resources. Landowners may, on their own, run a construction project with the Programme's resources

- The local administration can help associations or entities negotiate and execute an agreement with the owners of land, which may be demarcated as Special Zones of Social Interest which can be used for social housing construction with resources of the My House, My Life Entities

- Organizations and associations can buy directly from landowners with the My House, My Life Programme resources

The arrangements for land acquisition vary according to the modality of provision, the beneficiaries, and the locality where My House, My Life projects take place (small cities, capitals or metropolitan areas). The most common arrangement of land access comprises private developers buying land or using their own stock to propose and develop housing projects, usually for groups 2 and 3. Other forms of land provision are based on partnerships between municipal governments and private developers, involving land donation or additional subsidies which local administrations provide for land acquisition. These are commonly applied to the modalities targeting Group 1 – Residential Leasing fund and My House, My Life Entities – for which supply and affordability of land is a major concern and one of the main constraints for housing construction.

The Programme tries to improve and foster mechanisms to make land available for social housing by introducing certain criteria for project selection in urban areas. The priority is given to projects that involve (a) the donation by states and municipalities of land in serviced urban areas for the implementation of housing schemes linked to the My House, My Life Programme; (b) the implementation by states and municipalities of tax exemption measures directed to social housing schemes; and (c) the implementation by municipalities of the instruments of City Statute aimed at tackling urban land speculation.¹⁵

However, the success of well-located and serviced land provision for the Programme depends on the capacity of state and local governments to intervene in the use, occupation and profitability of urban land. Shortly after the launch of the Programme the Government, aware of the constraints posed by land provision, launched a publication detailing how local governments could apply the urban planning instruments to maximize the availability of well-located land for My House, My Life housing schemes. The main instrument for this purpose is the master plan for each city, by means of which local administrations could introduce urban instruments which

¹² Castelo A.M. (2009) Por um fundo habitacional de longa vida. Conjuntura da Construção. Rio de Janeiro, FGV-IBRE. p.06

¹³ Ibid.

¹⁴ Ministério das Cidades (2010b) Cartilha 1 - Moradia adequada deve ser bem localizada. Brasília, Ministério das Cidades. p.21 Available at <http://www.cidades.gov.br/images/stories/Arquivos/SNPU/Biblioteca/PlanelamentoUrbano/CartilhaMinhaCasaMinhaVida.pdf>

¹⁵ Established by Federal Law nº 11.977, 2009 – Art.3º §1º

expand access to well-located land for the production of low-income housing. Among the main instruments to promote and ensure access to land are:

- (a) Special Zones of Social Interest.
- (b) Land parcelling, building and compulsory use – (PEUC - Parcelamento, Edificação e Utilização Compulsórios);
- (c) Progressive property tax (IPTU Progressivo);
- (d) Expropriation with government bonds (Desapropriação com Títulos da Dívida Pública);
- (e) Real Estate Consortium (Consórcio Imobiliário).¹⁶

Municipalities and local government agencies may donate land or add subsidy grants to those already available in the Programme. The donation of public land is a way to harness the resources available in the Programme to use public land for social housing. By donating land, local administrations reduce production costs (from the federal point of view) and foster the development of social housing within the Programme. Land is a valuable asset and when municipalities donate land, they incur financial and economic costs which should be added to the final cost of each housing unit in order to properly assess the bulk of investment.

Any donation municipal or state agencies make must be authorized by a law allowing the body to make the donation to the Programme. Concerning the Residential Leasing Fund, the donation must be made directly, whereas for My House, My Life Entities the donation must be made to the organized entity that will use the resources for housing production.

Anticipated land acquisition in the MCMV-E

Originally the procurement of housing schemes and allocation of resources within this entity were conditioned to projects that had already been issued approvals for construction. However, due to the long processes for license issuing and risks of losing the envisaged plot of land (because the owner may not be willing to wait for licenses issuing) or inflation of land prices, the Government decided to establish a category for exceptional cases, duly justified by the organized entity, where CAIXA and the Ministry of Cities may authorize the contracting of the operation before project approval, and release part of the resources for land acquisition. This approach is known as “advance purchase of land” (“compra antecipada de terra”) and aims to ensure the allocation of land for projects built in My House, My Life Entities.

Other measures tackling the access to land for social housing purposes include the regularization of informal settlements that the My House, My Life Programme also

includes in its scope. The law amendment n°459 of 2009 included important advances in the area of land tenure regularization, detailing technical requirements for land regularization projects, streamlining the environmental licensing process and devolving to municipalities the authority to approve land regularization for low-income housing.¹⁷

2.2.6 INFRASTRUCTURE PROVISION

In the My House, My Life Programme, the availability of infrastructure is a condition for housing development and to get a CAIXA contract. The prices that the Government defines for reimbursement of units that private developers or social organizations produce include infrastructure costs within housing development. Prior existence of basic infrastructure is an advantage in order to gain project approval in urban areas but it is not mandatory. In the cases where trunk infrastructure is unavailable, it can be performed along with housing construction which municipal governments provide.

The Programme includes a special federal budget credit line of BRL 5 billion (USD 2.7 billion) for housing developments.¹⁸ The National Social and Economic Development Bank,¹⁹ operate these resources through loans conceded directly to construction companies. Loans can cover the total cost of infrastructure works, provided that does not exceed 10 per cent of the total costs of the housing development.²⁰

Infrastructure can also be provided through partnerships with local governments and private companies, or undertaken by private developers. In both cases, resources must be indicated in the budgetary plans and allocated in advance to guarantee that the housing development is properly served with infrastructure and basic services. It is the responsibility of the municipality to ensure the provision and installation (or expansion) of public facilities related to education, health and leisure.²¹

More precise regulations regarding the provision of infrastructure were introduced in the second phase of the My House, My Life Programme. Federal Law 12.424 of 2011 specifies that land plots for housing schemes must be served with basic infrastructure that allows household connections to water supply and electricity networks, including access roads, street lighting, sanitation and water drainage systems. Moreover, project approval must consider the existence or commitment of local government (preferably a master plan) to install or expand public facilities related to education, health, leisure and public transport.²²

¹⁶ For detailed information on instruments of the City Statute, see Ministério das Cidades (2010c) Como produzir moradia bem localizada com os recursos do Programa Minha Casa Minha Vida? Brasília, Ministério das Cidades. Available at <http://www.cidades.gov.br/images/stories/Arquivos/SNPU/Biblioteca/PlanelamentoUrbano/CartilhaMinhaCasaMinhaVida.pdf>

¹⁷ World Bank (2009) Op. cit. p.22

¹⁸ Federal Law n°11.977 Section VI.

¹⁹ Law Amendment n° 514, 2010.

²⁰ CAIXA (2009) Minha Casa Minha Vida. Moradia para as famílias, Renda para os trabalhadores, Desenvolvimento para o Brasil. CAIXA Booklet (Cartilha). p.44 Available at: http://downloads.caixa.gov.br/_arquivos/habita/mcmv/CARTILHACOMPLETA.PDF

²¹ Law Amendment n° 514, 2010.

²² Federal Law n°12.424, 2011.

2.2.7 GENERAL ASPECTS OF IMPLEMENTATION

Programme implementation

Programme implementation is the responsibility of the Ministry of Cities, through its National Housing Secretariat. CAIXA acts in operationalization and finance matters. The National Housing Secretariat, following the definitions agreed at federal level on overall goals and allocation of resources, draws up specific norms and conditions. Then, it provides detailed instructions on the implementation of the Programme modalities for local administrations and private developers.

The Department of Housing Production (DHAB - Departamento de Produção Habitacional) and the Department of Institutional Development and Technical Cooperation (DICT - Departamento de Desenvolvimento Institucional e Cooperação Técnica) work together on the definition of a specific regulation and on instructions for project implementation. The contents are provided in laws, amendments, normative instructions and booklets which the Ministry of Cities provides. To enhance the scope of implementation, the Government has also harnessed the links and networks with local governments and civil society organizations that the Ministry had established in previous housing programmes.

The scope of the My House, My Life Programme is national, with a focus on large cities and metropolitan areas. Yet, finance modalities are also available for municipalities with a maximum of 50,000 residents. To participate in the Programme, state and or municipal governments must sign a terms of compliance (Termo de Adesão) which, within the Programme's framework, establishes official partnership with the federal government and allows for resource transfer. Only after signing the terms of compliance are the CAIXA local agencies able to receive proposals for consideration and approval.

CAIXA is also important in implementing the Programme. The bank is present in almost all 5,565 municipalities in Brazil.²³ CAIXA performs in all modalities of the Programme and deals concomitantly with the programme managers at the federal level (Minister of Cities, Casa Civil and Minister and Finance) and the project executors and beneficiaries at local level. By means of the numerous regional and national agencies, CAIXA articulates and bridges the flow of resources and information between federal government, project executors, local governments and final beneficiaries.

Project Implementation

Project implementation varies according to the different housing options. Key actors in implementation comprise project executors, CAIXA and local governments.

Project executors can be private developers or organized entities. Municipalities create an enabling environment for project implementation by identifying land, potential developers and exploring arrangements and partnerships that can enhance housing provision within the Programme, in accordance with the urban development guidelines defined at local level. This is a core difference in relation to the rationale of project implementation applied in previous housing programmes or, for example, in comparison with the Growth Acceleration Programme's Slum Upgrading scheme which the Government has been implementing since 2007. In the slum upgrading scheme, the direct users of funds are the municipalities or states, who apply resources for work procurement and project execution - usually through the bidding processes. In My House, My Life the executors are private developers and organized entities that access funds directly and undertake housing construction, with municipalities playing a secondary role in project execution.²⁴

However, municipal governments are vital to project implementation. The engagement and performance of private developers and social organizations depend on conditions determined at the local level, as municipalities have autonomy in urban and housing planning. The role of local governments is critical in all phases, from issues related to availability of land, the provision of infrastructure, to the approval of projects and post-occupation plans.

In the Programme project executors can be private developers or organized entities, with municipalities creating an enabling environment for project implementation by identifying land, potential developers and exploring arrangements and partnerships that can enhance housing provision, in accordance with the urban development guidelines defined at local level.

General steps of project implementation include private developers and organized entities drawing up projects and submitting these to the assessment of CAIXA and municipal administrations (enquadramento). Pre-selected projects are then submitted to specialized municipal and state agencies for approval of environmental and construction licensing. Approved and licensed projects

²³ CAIXA, Rede de Atendimento. Available at <http://www1.caixa.gov.br/atendimento/index.asp>

²⁴ In the PAC Slum Upgrading Programme local administrations play a more prominent role in project execution process and work procurement. To some extent, MCMVP was designed so as prevent state and municipal capacities to be overburdened with responsibilities to execute projects and manage resources from both PAC-SU and MCMVP. See World Bank (2009) Op. cit.

get authorization and financing to start construction; in certain cases CAIXA releases payment upon conclusion of project phases. After project completion, housing units are granted to beneficiaries or bought with CAIXA financing by eligible households in the market. A common problem in project implementation is linked to the cumbersome and time-consuming processes of project approval. While the conditions vary considerably from one case to another, as seen in the cases studies analysed in the Section 2.4, the average time for submitting and approving proposals and starting construction is between 6 and 18 months.

The degree of intervention and control over project execution and selection of beneficiaries is higher in the modalities catering for Group 1, as they include mostly subsidized resources. In these cases, CAIXA deals directly with private developers (in the Residential Leasing Fund) and organized bodies (in the My House, My Life Entities) defining project standards, providing instructions, evaluating proposals and monitoring project execution. Municipalities or organized entities select the beneficiaries and CAIXA ensues with the housing delivery and financing.

In the modalities of provision for groups 2 and 3, project implementation runs more loosely and is more akin to the general housing market. Developers follow CAIXA's design and construction standards and offer housing units in the market. Beneficiaries choose their house and apply for CAIXA finance, some of which are subsidy grants.

Eligibility criteria for beneficiaries

Municipalities are responsible for enrolling (receiving and managing applications) the demand of beneficiaries for modalities targeting Group 1. Groups 2 and Group 3 choose and buy their homes, provided the buildings meet the criteria established by the Programme's income and price ceiling criteria.

The beneficiary eligibility criteria are defined at national and local level. Apart from the household income, other criteria applied at the national level comprise families living in disaster risk areas; victims of natural disaster; and female-headed households.²⁵ In addition, other criteria may be established at the local level – limited to a number of three – which municipal governments define. This applies mostly for modalities catering to Group 1, with local administrations selecting the beneficiaries. Examples of local criteria for beneficiary selection include individuals or families residing or working near the housing development, or the homeless.

In an effort to achieve a degree of social mix of household in condominium and multi-unit projects, beneficiaries are distributed randomly by lottery. However, households of different income groups (groups 1, 2 or 3) do not reside in the same condominium or housing ensemble.

2.2.8 POST OCCUPATION AND MONITORING

Monitoring programme implementation and project execution

Programme implementation monitoring is at the national and local levels to follow up on project execution. CAIXA plays a core role in both monitoring tasks. At national level CAIXA's central office and the Government Vice-Presidency (Vice Presidência de Governo), the National Body of Social Housing (Superintendência Nacional de Habitação Social) and the National Body for Real Estate Credit Management (GEICI - Gerência Nacional Gestão de Informação do Crédito Imobiliário) prepare weekly reports drawing on the information that regional agencies collect and which general figures on other sectors of housing credit market complement.

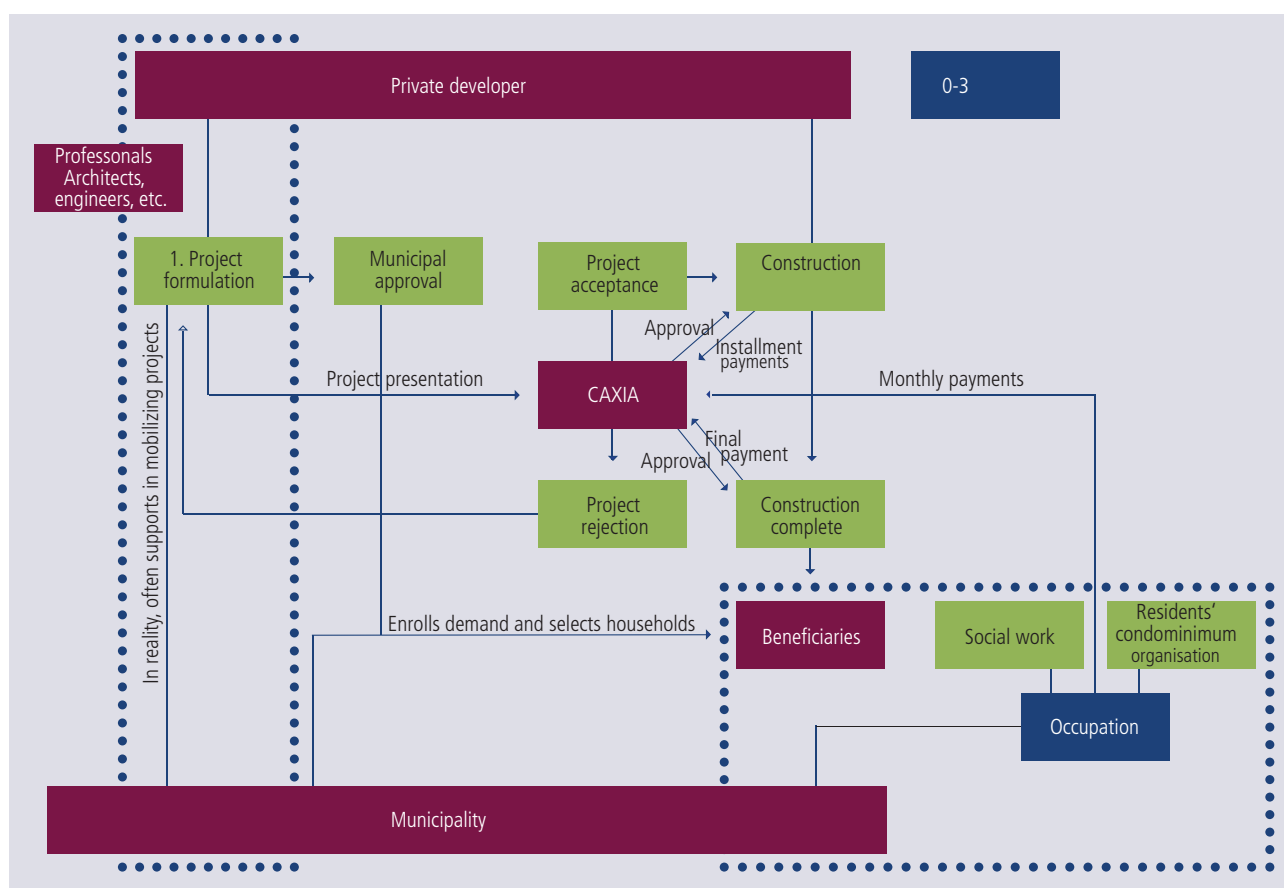
The report provides detailed information on the progress of the My House, My Life Programme according to quantitative parameters and indicators related to the proposals of housing development received and housing projects contracted at national level. The target public, municipalities and regions usually present the figures on the origin and amount of resources invested per project (Government budget, Workers Severance Fund and counterpart funding); the number of housing units and typology of housing schemes (detached houses or multifamily buildings); and the status of project execution (as a percentage of resources spent in relation to the total allocated for the project).

The monitoring process also evaluates programme implementation according to the profile of private companies undertaking construction within the Programme (especially for the modality Residential Leasing Fund). Companies are classified into small, medium or large-scale, according to their annual revenue – respectively corresponding to up to BRL 15 million (USD 8.1 million), between BRL 15 million and BRL 100 million (USD 8.1 million and USD 54 million), and more than 100 BRL million (USD 54 million). These parameters allow the Government to evaluate the scope of private sector performance in the Programme and identify trends linking the profile of companies and the modalities of housing provision, income groups, the size and scale of housing developments or trends related to certain cities or regions of the country. Equally important, it is also possible to identify how different scales of construction companies benefit and perform in the Programme.

Project execution is monitored only in the modalities that cater to Group 1. CAIXA is responsible for monitoring private sector project execution in the Residential Leasing Fund modality. CAIXA technical staff carry out regular on site inspections of the projects checking on building quality and project execution. They also certify that housing units fulfil the pre-established criteria. Payment releases are conditioned upon the fulfilment of such criteria.

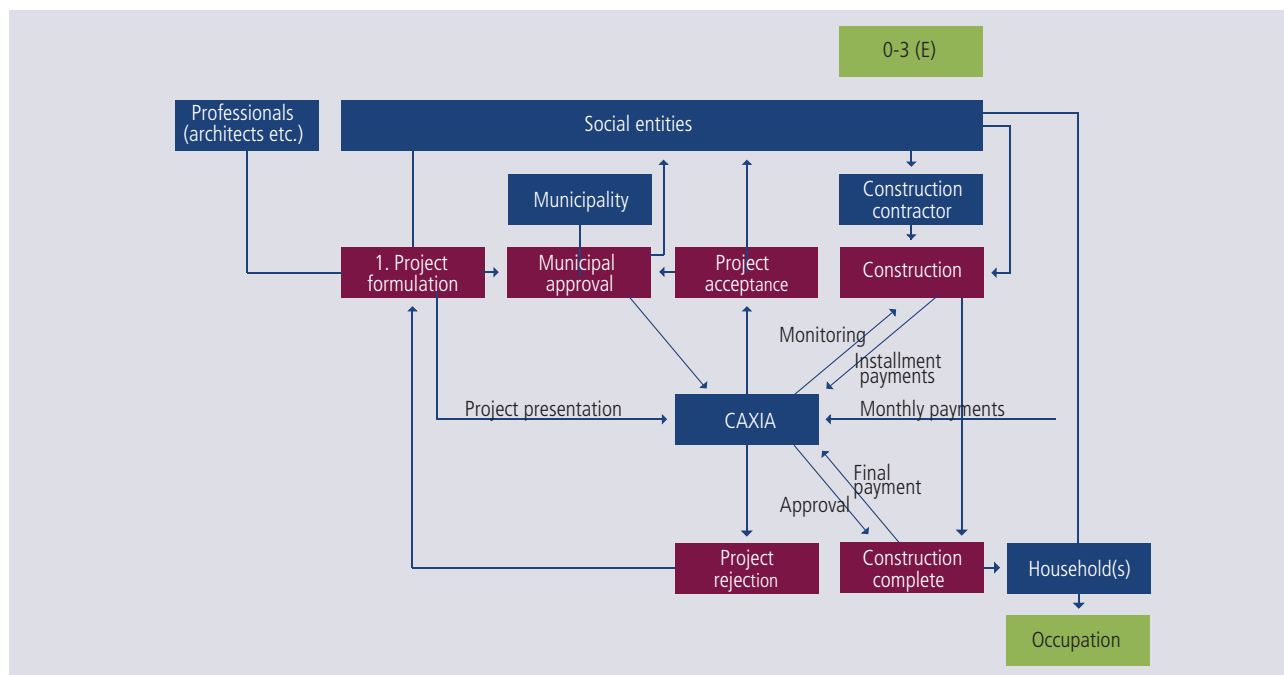
²⁵ These criteria were defined for the first phase of implementation 2009-2010, and are subject to alterations during programme implementation.

FIGURE 2.5: DEVELOPMENT PROCESS – MCMV-FAR MARKET-ORIENTED HOUSING PRODUCTION.



Source: Data from Law n° 11.977 (2009) and Ordinance n° 325 (07.07.2011).

FIGURE 2.7: DEVELOPMENT PROCESS, GROUP 1 (0-3 M/W) MCMV ENTITIES.



Source: Ministry of Cities, Normative Instruction n° 36 (15.07.2009).

In the My House, My Life Entities, the monitoring of project execution is under the responsibility of organized entities, with CAIXA and the Ministry of Cities reporting mainly on quantitative aspects of resources allocation, costs and number of units built.

Post occupation and social support programmes

Post-occupation activities are planned in the scope of social support programmes which focus on low-income households composing Group 1, in the modalities Residential Leasing Fund and My House, My Life Entities. State and municipal governments are responsible for implementing the social support programmes with the possibility of also outsourcing the work to consulting companies. The social programmes are a mandatory stage of project execution, with specific resources being allocated from the federal budget at a fixed percentage of the total investment in the project (1.5 per cent in the case of detached houses typology and 2.5 per cent in buildings with many households).

The social support programmes are designed as part of an integrated approach of housing provision that the government strives to implement; one that complements the access to housing with socio-developmental help to beneficiaries. The work begins with the selection of beneficiaries, months before the completion of construction, and continues up to six months after beneficiaries have move into their new housing units.

The primary goal of the social programmes is to support beneficiaries in adapting to their new environment. For example, all the new habits and obligations that may be implicated in the move from informal settlements into condominiums; having to adapt and conform to norms of collective use of facilities and resources; or self-manage and self-maintain condominiums collectively. Topics covered in the social support programmes include (a) basic guidance on building maintenance, environmental education, convivial neighbourhood relations; (b) capacity-building for community organization; (c) management of condominium; (d) use and maintenance of common facilities; and (e) social integration. Equally important, activities aiming at improving livelihoods and enhancing income opportunities seek to respond to increased living costs such as condominium taxes, service bills and housing instalments.

While the measures entailed in the social support programmes are seen as fundamental to the sustainability of interventions which involve the low-income population, the My House, My Life Programme should consider the challenges and build on the experience of previous Programmes, namely the Growth Acceleration Programme's Slum Upgrading scheme. The lessons learned from the Growth Acceleration Programme show that the effectiveness of social development and livelihood support programmes are related to the technical capacity of officials

working in field, but also to the length and continuity of such programmes. In many cases, six months is too short a time in which to tackle the complexities of social issues and create sustainable alternatives once government ceases to intervene.

2.3 HOUSING MODALITIES AND DEVELOPMENT PROCESSES

2.3.1 URBAN NATIONAL HOUSING PROGRAMME - PNHU

Private-oriented housing production - MCMV- FAR

The modality of housing provision under the My House, My Life-Residential Leasing Fund is designed for Group 1 families, with gross household income of up to 3 minimum wages.²⁶ Under the Fund, the Government offers high subsidies for the acquisition of housing properties produced by the private sector, contracted and allocated to the pre-selected beneficiaries by CAIXA.

The Fund is the main mechanism of housing provision for low-income households within the Programme. Overall investments from federal budget allocated to this modality amounted to BRL 16.5 billion (USD 8.9 billion). The resources were transferred from the Government budget to the Fund, which has special regulation to favour private provision.

The Fund has a national scope but gives priority to state capitals, metropolitan regions and municipalities with at least 100,000 inhabitants. Under special conditions, the Fund may also subsidize housing provision in cities with between 50,000 and 100,000 residents, when these are affected by a high housing deficit.

As shown in Figure 2.5 in the MCMV-FAR modality the developers usually define the site of construction or partner with local governments to access plots of land, and follow design guidelines defined by CAIXA for project elaboration. Developers submit projects to CAIXA for assessment and to receive finance for housing construction. CAIXA uses the Residential Leasing Fund to pay for approved proposals and, after completion of works, the housing units are transferred to beneficiary families. Therefore, within the Fund the arrangements are held between CAIXA and private developers in a way that the later are not affected by risks of default or vacancy of units in post-construction phases. The bank pays for (purchases) the construction of housing units in advance and transfers them to the beneficiaries after completion of works. States and municipalities select the beneficiary families.

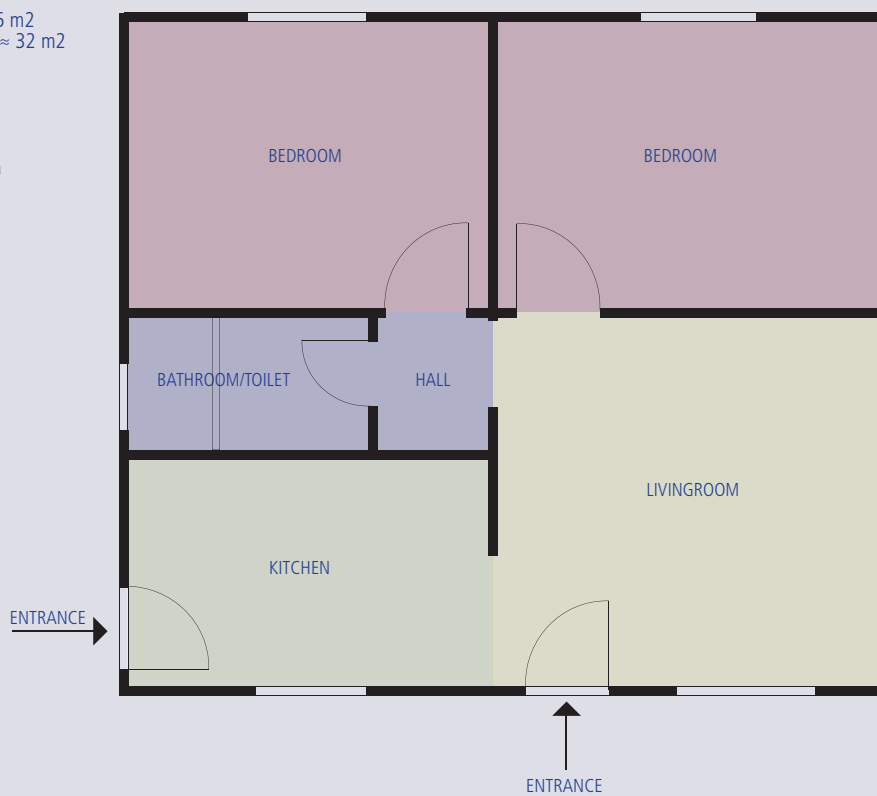
²⁶ In 2009, the minimum wage was 1,350 BRL (730 USD).

FIGURE 2.6: AN EXAMPLE OF HOUSING TYPOLOGIES IN THE MCMV-FAR.

HOUSING TYPOLOGY NUMBER 1: CASA TÉRREA

TOTAL AREA $\approx 35 \text{ m}^2$
INTERNAL AREA $\approx 32 \text{ m}^2$

- Service area
- Kitchen
- Living room
- Bedroom



HOUSING TYPOLOGY NUMBER 2: APARTAMENTO

TOTAL AREA $\approx 42 \text{ m}^2$
INTERNAL AREA $\approx 37 \text{ m}^2$

- Apartment 1
- Apartment 2
- Apartment 3
- Apartment 4
- Common area



Source: Tribunal de Contas da União (2011) Relatório e Parecer Prévio sobre as Contas do Governo da República. Based on information provided by the Ministry of Cities. p.191 Available at <http://www.cgu.gov.br/publicacoes/prestacaocontaspresidente/RelatorioPareceresTCU/RPP2010.pdf>

TABLE 2: OVERVIEW MCMV-E

Types of benefits	Subsidized credit allocated to organized entities for land acquisition and housing construction; Beneficiaries receive subsidy in the repayment of loans; are exempted from interest rates and costs of deeds registration.
Project specification	Multiple-housing developments including vertical and horizontal condominiums or single-family and detached houses. The number of housing units per development module varies according to the population of the city.
Price ceilings (Metropolitan Regions)	Detached houses: from 37,000 BRL (20,000 USD) up to 48,000 BRL (26,000 USD). Apartments: from 41,000 BRL (22,200 USD) up to 52,000 BRL (28,100 USD).

Source: Ministry of Cities, Normative Instruction nº 36 (15.07.2009).

The operationalization steps of MCMV-FAR include:

- Federal government allocates resources among national regions and states
- CAXIA opens a call for projects to the private sector
- States and municipalities enrol beneficiary families according to the eligibility and selection criteria set for the Programme
- Developers present projects to CAXIA regional agencies
- After a simplified analysis, CAXIA hires the selected projects, monitors construction work and releases funding to developers as scheduled
- Upon completion of the construction work, CAXIA carries out the commercialization of housing units among the beneficiaries previously selected
- The post-occupation work is the responsibility of municipal governments and aim to support the adaptation process as well as provide social support to beneficiaries

Project housing typologies

As for the design specifications and building standards, the Residential Leasing Fund defines two housing typologies: detached houses with a minimum floor area of 35 square metres (m²) and buildings with a maximum of five floors (without elevators/lifts) hosting many households with apartments of a minimum 42 m² (Figure 2.6) Taking a family of four persons, this represents respectively 8.7 m² and 10.5 m² per person. In comparison, the housing production guidelines under the former National Housing Bank provided for a minimum floor area of 12 m² per person.²⁷

With regards to land subdivision, the projects can be designed as condominiums (gated communities) or individual plot subdivisions. In the first phase, proposals were limited to 500 housing units per scheme, with the possibility of submitting various schemes combined. Price

ceilings determined in the first phase varied between BRL 20,000 and BRL 48,000 (USD 10,900 and USD 26,000) for detached house; and between BRL 20,000 and BRL 52,000 (USD 10,900 and USD 28,100) for multistorey buildings, being higher in capitals and metropolitan regions.²⁸

Repayment conditions

In the Residential Leasing Fund, the housing units are greatly subsidized. Repayment conditions are defined by a monthly contribution that is limited to 10 per cent of the household income, for a period of 10 years.²⁹

The amortization of property values depend on the combination of household income of beneficiaries and the costs of housing units. CAIXA determines these costs based on the estimated cost of building in different regions of the country; price ceilings vary between BRL 20,000 and BRL 52,000 (USD 10,900 and USD 28,100) for detached housing and apartments. For example, a family with a monthly income of one minimum wage, paying the minimum allotment of BRL 50 (USD 27) for a property costing BRL 52,000 (USD 28,100), will have amortized approximately 10 per cent of the total costs at the end of 10 years. In another scenario, a beneficiary of a BRL 20,000 (USD 10,900) housing unit, earning three minimum wages will amortize almost 90 per cent of the total cost of the unit, contributing with 10 per cent of the monthly household income during 10 years. The monthly allotments are not readjusted over the 10-year period, and

²⁸ Standard prices defined in the first phase of the programme (2009-2010) were based on indexes of the National System of Research on Costs of Construction for different state capitals in Brazil. The criteria include the costs of infrastructure, building materials, labor, land, taxes, insurance and tenure registration. The housing price ceilings in MCMVP were adjusted in the second phase (2011-2014). See Chapter 3.

²⁹ A minimal instalment is set at 50 BRL per month (27 USD).

²⁷ Ferreira J.S.W. (2012) Op. Cit. p. 39

no interest rates are charged. The Residential Leasing Fund does not imply any risk of eviction in the event of default. Beneficiaries are penalized by withholding the title deed of the house while the benefits are not paid off.

As for the rules regarding property rights, beneficiaries are granted full deeds after the 10-year amortization period and have the right to commercialize the housing units. On the other hand, in case of intentioned anticipated amortization (before the 10-year period), the beneficiaries must pay the integral value of the housing unit, without the subsidy deduction.³⁰ The measure is intended to prevent widespread commercialization of housing units and safeguard the social purpose of public subsidies.

In exceptional cases, (e.g. Rio de Janeiro), local governments used the Residential Leasing Fund to resettle victims of natural disasters, or who needed to be relocated due to the implementation of infrastructure projects. In such cases households are granted housing units from the My House, My Life Programme but where they do not make the decision to move they are exempted from payment. The unit is fully subsidized.³¹ Beneficiaries are allowed to sell the units provided the total value of the loan (including the subsidy) is paid off. This measure aims to prevent buyers or beneficiaries of taking advantage of the subsidy.

Besides the subsidies on the property values, other benefits include insurance and property registration cost exemptions. Preferably, property deeds are given to the woman.

Social-oriented housing production – MCMV-E

The My House, My Life builds on the experience of previous housing programmes that the Government has implemented to support the construction of social-oriented housing. Through the modality the My House, My Life Entities, the Programme offers a special credit line for organizations of various kinds involved with social housing - such as housing cooperatives and community-based organizations.

My House, My Life Entities aims to subsidize and finance the acquisition of plots of land, construction or refurbishment of housing units in urban areas for households of Group 1 with income up to three minimum wages, who are associated with a non-profit organization. Bodies such as cooperatives, housing associations, social movements and other non-profit entities representing civil society apply for funds, execute the projects and select the beneficiaries.

Overall investments of BRL 0.5 billion (USD 0.27 billion) comes from the federal budget and are transferred to the Social Development Fund, with operationalization under the responsibility of CAIXA. Counterpart funding from

states and municipalities are expected in form of monetary investments, services or assets such as land. In comparison with previous programmes, namely the Solidary Credit, the My House, My Life Entities entails a significant

increase in resources and establishes more flexible criteria for organized entities and beneficiaries to access credit.³²

Eligibility

To participate in the Programme, the entity must be previously enrolled and certified by the Ministry of Cities and CAIXA. To select proposals, the Ministry takes into consideration (a) the counterpart investments by the organized entities or by the municipalities; (b) the environmental sustainability of the project; and (c) the chronological order of application.

Potential beneficiaries are individuals or families with monthly incomes of up to three minimum wages, who must be affiliated to an organized entity to be eligible for subsidies and finance. The design of My House, My Life Entities aims to stimulate cooperative action and popular participation in solving housing problems.

Actors and their roles in MCME-E

The Ministry of Cities establishes criteria, procedures and basic parameters for analysis, selection and contracting of projects. It manages the allocation of Social Development Fund resources through the National Housing Secretariat.

CAIXA is responsible for defining guidelines, for monitoring as well as evaluating project execution. As the financial operator CAIXA, on behalf of the Social Development Fund, contracts housing projects, transfers the funds to selected beneficiaries and follows up during the payback period.

Organized Entities are responsible for the formulation and presentation of projects to be funded, the management or undertaking of works and services of the housing development, together with the beneficiaries. Organized entities must guarantee the integrity and proper functioning of all construction phases until the delivery of housing units to beneficiaries.

Beneficiaries are indicated by the organized entity and may work directly in the construction of housing units, for example *mutirão* or self-built regimes, or participate in the management process of housing development. In some cases, depending on the income range, beneficiaries contribute with own counterpart investments.

Construction modalities

Within My House, My Life Entities, the projects can be developed under different systems of construction:

³⁰ In the MCMV-FAR, the subsidy is granted along the 120 payment allotments during 10 years, instead of deduced at once from the property value when beneficiaries sign the contract with CAIXA. In case the beneficiary wants to anticipate the amortization of the housing the integral value of the unit must be paid back to CAIXA (without subsidy deduction).

³¹ Included by Law Amendment n° 514, 2010.

³² For example, the MCMV-E criterion detaches the housing finance eligibility from credit default databases (e.g. SERASA or SPC).

TABLE 3: SUBSIDY AND FINANCE MCMV-RURAL.

Annual Household income range BRL (USD)	Subsidy value BRL (USD)
Up to 15,000 (8,100)	15,000 – 25,000 (8,100 – 13,500)
Up to 15,000 (8,100)	15,000 – 25,000 (8,100 – 13,500)
15,000 – 30,000 (8,100 – 16,200)	7,000 (3,800)
30,000 – 60,000 (16,200 – 32,400)	Reduced interest rates

Source: Ministry of Cities, Ordinances n°326; 395 and 406.

TABLE 4 : PRICE CEILINGS FOR HOUSING UNITS WITHIN MCMV-FGTS PER LOCATION AND INCOME RANGE.

Location	Price ceilings		Income ranges			
	Initial	As of 2011	Group 1	Group 2	Group 2	Group 3
Cities integrating the metropolitan regions of São Paulo, Rio de Janeiro and Distrito Federal	130,000 BRL	170,000 BRL	Up to 1,395 BRL 23,000 BRL	1,395 –1,860 BRL 16,000-23,000 BRL	1,395 –1,860 BRL 16,000-23,000 BRL	2,325 –2,790 BRL 2,000-9,000 BRL
Cities with pop. > 100.000; capital cities or integrating metropolitan regions	130,000 BRL	150,000 BRL	17,000 BRL	10,000-17,000 BRL	10,000-17,000 BRL	2,000-3,000 BRL
Cities with pop. > 50.000 and <100.000	100,000 BRL	130,000 BRL	13,000 BRL	6,000-13,000 BRL	6,000-13,000 BRL	2,000 BRL
Cities with pop. >20.000 and <50.000	80,000 BRL	100,000 BRL	8,000 BRL	2,000-8,000 BRL	2,000-8,000 BRL	1,500 BRL
Cities with pop. < to 20.000	80,000 BRL	80,000 BRL	7,000 BRL	2,000-7,000 BRL	2,000-7,000 BRL	1,000 BRL

Source: Normative Instruction n°13 Ministry of Cities, 06.04.2009

- Mutual-aid construction (mutirões): beneficiaries' work in the processes of housing construction
- Self-management (administração global): includes the outsourcing of certain parts of the works that require technical specialization
- Empreitada global: contracting specialized companies to undertake the full implementation of the project, managed by the organized entity and the beneficiaries.

The main steps include:

- Federal government allocates resources among regions and states
- Authorized entities (certificated by the Ministry of Cities) present projects to CAIXA
- CAIXA checks eligibility of applications (considering the technical, social and legal aspects) and informs the Ministry of Cities about the projects that fulfil criteria for final selection
- The selected entities enrol beneficiaries and provide CAIXA with detailed information on the profile and overall documentation
- CAIXA contracts the operation and allocates funds for construction
- Construction work is under the responsibility of organized entities (different modes of construction can be adopted; participants and their roles vary accordingly)
- After completion of works, housing units are delivered to beneficiaries
- Beneficiaries make monthly repayments to CAIXA

Once the work is complete, the organized entity is responsible for the regularization of property deeds. A step of utmost importance is the social support work which is implemented during post-occupation phases to promote participation, mobilization and community organization. These activities create awareness about the importance of valuing a new home and community life; provide an understanding of the whole process of construction and acquisition of housing, education and environmental health. The social support work is believed to be a fundamental step for improving the sense of citizenship of the beneficiaries.

Construction is due to be completed within 24 months from the date of project contracting. Repayment conditions are generally defined by monthly commitment of 10 per cent of household income during 10 years (minimal installment of BRL 50 – USD 27). There is no exigency of down payment or repayment during the construction period, and no interest rates are charged during the repayment period.

Housing Finance with resources from Workers Severance Fund - (Group 2 and 3)

My House, My Life also assists low-middle income households - represented by group 2 and 3, with a diversity of benefits, financing mechanisms and subsidy grants. The bulk of resources for housing modalities catering to these groups come from the Workers Severance Fund and are applied to housing finance with cost recovery commitments. The resources from this Fund are available for construction companies and developers to finance production, and for beneficiaries to finance housing acquisition. In principle, the disbursement of this Fund is available for households with income up to 10 times the minimum wage.

In the Workers Severance Fund price ceilings vary from BRL 80,000 to BRL 170,000 (USD 43,200 to USD 91,900), depending on the region of the country. Households choose a housing unit in the open market, apply to CAIXA for credit and subsidy, provided that their income is in accordance with the Programme's rules and that the property value and characteristics are within the limits the Programme has defined. The subsidy for housing acquisition is funded with resources of the OGU, and is only available for households with income up to 6 minimum wages, in Group 2. The grants varying between 7,000 up to 23,000 BRL (3,800 to 12,400 USD), depending on the income and location, and are applied in combination with housing finance. The benefits provided within MCMV- FGTS are described as follows:

Households from **Group 2**, with monthly income up to 3,100 BRL (1,700 USD), benefit from partial subsidy for housing acquisition, housing financing at moderate interest rates and exemption and reduction of insurance and deeds registration costs;

Households from **Group 3**, with monthly income between 3,100 and 5,000 BRL (1,700 and 2,700 USD) have access to special interest rates for housing financing and reduction of insurance and deeds registration taxes.

Both Group 2 and Group 3 can benefit from the FGHab, a fund that guarantees payment of housing instalments in case of default (see Section 2.2.4).

The production and commercialization of housing units is undertaken by the private market. The Programme provides financing to developers to undertake housing production and the units are subsequently sold in the market, respecting price ceilings defined by the Programme for each income group.

The control of CAIXA over the production for Group 2 and Group 3 is moderate in comparison with the modalities of Group 1. The difference is due to the fact that in the modalities for Group 1, the units are highly subsidized with public resources, and CAIXA, as the government's trustee, purchase the stock to then distribute to selected

beneficiaries. In the modalities catering Group 2 and Group 3 the housing units are sold directly by developers to beneficiaries that fulfil eligibility criteria. CAIXA deals with developers and beneficiaries separately, respectively on issues regarding the housing production, and the allocation of subsidy and loans for housing acquisition.

To be eligible for CAIXA finance, developers must design projects according to general building standards, respect price ceilings and provide evidence of viability and commercialization of housing units.³³ The definitions and standards defined by CAIXA for the evaluations of projects include aspects regarding the design of housing projects – such as the size and quality of condominium area, collective facilities and housing units; price ceilings, which vary from 80,000 to 170,000 BRL (43,200 to 91,900 USD) according to different regions of the country; and the insertion of housing schemes in the urban areas (Table 3). The latter have been introduced along with Programme implementation to optimize the use of urban land and minimize the environmental impact of new housing schemes.³⁴ Basic requirements regarding urban insertion and environmental impact include:

- location of the land plot in the urban perimeter or in the urban expansion area, observed in the master plan, mandatory in municipalities with a population of at least 20,000
- environmental suitability of the project
- availability of basic infrastructure which allows household connections for water and electricity supply; including access roads, street lighting, sanitation and storm water drainage systems
- prior existence of or commitment of local government to provide facilities related to education, health, leisure and public transport

As for the beneficiaries, to access subsidies and credit for housing acquisition in the My House, My Life Programme, the household income must be in conformance with the norms set by the Programme for group 2 and 3, and households must not have been holders of other types of Government grants for housing acquisition. In addition, beneficiaries undergo risk analysis to certify the ability to repay loans.

The main operational phases include:

- Private developers design and submit projects to assess conformity with CAIXA rules and regulations and their commercial viability, while municipal offices assess building and environmental criteria. If approved, CAIXA authorizes construction and sign contracts with developers to finance housing construction

- CAIXA provides funding of up to 100 per cent of the cost of works to be performed by developers, limited to 85 per cent of the total cost of the development (including provision of infrastructure and land), with early release of up to 10 per cent of the total amount financed designated to secure the purchase of land

- Funds for construction are released in instalments during construction, provided that project execution follows pre-set criteria. CAIXA monitors the development of construction and controls the quality of projects

- As of the launch of housing developments in the market, beneficiaries deal directly with construction companies and developers to choose and buy units. This can be done during the construction period, based on project specifications and advertisement material. After selection of units, beneficiaries contact CAIXA to apply for housing financing and subsidies. Only beneficiaries of Group 2 are eligible for subsidy grants, which in this case, amortize a portion of property costs, the rest being financed by CAIXA

- The sale of units is undertaken by Construction companies or developers, with CAIXA making loans to beneficiaries. The loans provided to beneficiaries amortize the amount financed to the entrepreneur at the first place

- After completion of works, developers deliver units to beneficiaries

- Private developers and beneficiaries report to CAIXA regarding payback of loans. The amortization period is limited to two years after completion of works for developers and up to 30 years for beneficiaries. The latter with annual interest rates that vary from 5 to 8 per cent, depending on the income bracket.³⁵

Housing finance for small municipalities

Even if the Programme drives investments primarily to large cities and metropolitan areas, those with fewer than 50,000 residents are also included in the Programme through public offer (Oferta Publica). The Government allocated BRL 1 billion (USD 0.54 billion) for this purpose for the period 2009-2010.³⁶

In the My House, My Life public offer local governments submit proposals. Project execution is performed along the lines of the Residential Leasing Fund, with private companies undertaking construction. The financial operator manages resources and the follow-up on project execution, which in this case of the public offer includes CAIXA as well as other banks. Beneficiaries are able to buy

³³ For the evaluation and approval of housing projects designed by private developers CAIXA defines specific standards regarding size of units, building materials, interior finishes, infrastructure and external areas.

³⁴ Introduced by Law Amendment n°363, 2011. Available at: http://www.cidades.gov.br/images/stories/ArquivosSNH/ArquivosPDF/Portarias/PORTARIA_MCIDADES_363-2011_PNHU-FGTS_.pdf

³⁵ The nominal interest rates vary per group of beneficiaries: five per cent for households of Group 1; six per cent for households of Group 2; and 8.16 per cent for households of Group 3.

³⁶ Ordinance n.º 472, 2009. Available at <http://www.cidades.gov.br/images/stories/ArquivosSNH/ArquivosPDF/Portarias/PORTARIA-CONJUNTA-STN-SNH-DE-No-472-DE-18-DE-NOVEMBRO-DE-2009.pdf>

homes with the grant money. Access to housing is enabled by means of housing finance granted to beneficiaries to purchase the housing units produced. The public offer targets Group 1 households and the value reimbursed per housing unit is fixed at 25,000 BRL.³⁷ State and local governments are expected to add counterpart funding to the Government's allocated sum.

Government defines the criterion for selection, favouring proposals or municipalities which include cumulatively³⁸ (a) the relocation of families living in risky areas; (b) housing deficit rates which are above average in the state and region; (c) state of public calamity; (d) high housing demand due to population growth because of large infrastructure projects; (e) work in progress within the Growth Acceleration Programme.

2.3.2 RURAL HOUSING NATIONAL PROGRAMME - PNHR³⁹

While this report primarily focuses on the urban context, it is important to briefly describe the rural component of the Programme. The Government implemented the Rural National Housing Programme in 2003 and incorporated it into the My House, My Life Programme in 2009 with a new structure. The Programme's rural version was designed to tackle the housing deficit there estimated at 1.1 million units in 2007, accounting for 17.4 per cent of the total deficit in Brazil.⁴⁰ The rural project was allocated BRL 500 million (USD 270 million) in the first phase and was distributed among different states, according to estimated housing shortage in the respective rural area.⁴¹

The Rural Housing Programme is designed to subsidize the construction, acquisition or refurbishment of housing units to farmer households or rural workers.⁴² The Rural Housing Programme operates through direct financing and subsidy transfer to collectively organized beneficiary households. Like My House, My Life Entities, the beneficiaries of the Rural Programme must be affiliated to organized entities (public or private) to be eligible for subsidies and housing financing. Within My House, My Life-Rural the organized entity is responsible for selecting and enrolling potential beneficiaries, as well as for procurement of works and execution of housing development projects. The National Housing Secretariat is responsible for allocating resources within the different states, following CAIXA's selection of projects.

The eligibility criteria and allocation of subsidy are defined in three groups according to household income (Table 3):⁴³

(a) Group A - farmers and rural workers with gross annual household income up to BRL 15,000 (USD 8,100). For this group, the Programme offers a subsidy of up to BRL 25,000 (USD 13,500) for housing construction or 15,000 BRL for housing refurbishment. Beneficiaries are expected to contribute with counterpart funding equivalent to 4 per cent of the benefit, repaid in annual allotments.

(b) Group B: farmers and rural workers with gross annual household income between BRL 15,000 and BRL 30,000 (USD 8,100 and USD 16,200). Beneficiaries of Group 2 may apply for housing finance loans with subsidies amounting to BRL 7,000 (USD 3,800) for construction or refurbishment or housing units.

(c) Group C: farmers and rural workers with gross annual household income between BRL 30,000 and BRL 60,000 (USD 16,200 and USD 32,400). Beneficiaries of Group 3 may apply for housing finance loans with reduced interest rates, granted as a complement for housing purchase or construction.

2.4 EXAMPLES OF PROJECT IMPLEMENTATION

The My House, My Life Programme was designed to tackle the housing deficit at the national level. Yet, the reality of Brazilian cities is multifaceted and the ways in which the Programme have developed and the impact that it has had nationwide were conditioned by local contexts, determined by particular aspects such as the institutional and technical capacities of municipal administrations, lobbying of the private sector, land markets and the level of social mobilization.

This section presents an overview of three projects: the Bairro Carioca and Senador Camará in Rio de Janeiro and the Iguape Condominium in São Paulo. Yet, the Programme's rather complex structure, combined with the multifaceted reality of Brazilian cities, makes the choice of examples difficult. The examples presented in this section are not intended to represent, comprehensively, the extension or variety of projects implemented within the Programme throughout Brazil, neither do they aim to give an account of its achievements or failures. Rather, the aim is to provide a more local-based documentation, communicating specific aspects of project implementation, the different arrangements established between public and private actors, and explore some of the Programme's challenges and achievements.

³⁷ Law Amendment n°547. Available at <http://www.cidades.gov.br/index.php/o-ministerio/destaques/1294-ministerio-publica-novas-regras-do-minha-casa-minha-vida-para-municipios-com-populacao-ate-50-mil-habitantes>

³⁸ Amendment n°484, 2009 and Amendment n° 547, 2011.

³⁹ Ordinance n° 326, 2009; Decree Law n° 6.819.

⁴⁰ Ministério das Cidades (2009a). Déficit Habitacional no Brasil

⁴¹ Ordinance n°326, 2009 Art.4°

⁴² The Ministry of Cities provides detailed standards for housing construction with regards to minimum floor areas and project specifications.

⁴³ Decree Law n° 6.819, 2009. Art. 8°.



A block of housing units in Bairro Carioca nearing completion. © Matthew French/UN-Habitat.

EXAMPLE 1

General Information	NAME OF THE PROJECT	BAIRRO CARIOCA
	City	City of Rio de Janeiro
	Housing modality	MCMV- FAR (Group 1)
	Executor	Direcional – (large-size company)
	Counter funding from Municipality	Land donation, site-works and trunk infrastructure.
	Timeframe	Date of contract: October 2010* Status on March 2012: under construction - 960 units had been complete. Conclusion estimated on: November 2012*
	Total costs	114 million BRL* (61.7 billion USD)
	N° housing units	2240
Land	Why is it interesting to document	<ul style="list-style-type: none"> - Example of housing project catering group 1; - Large scale development with central-city location; - Innovative construction techniques; - Example of partnership between federal and local governments and private developers.
	Procurement	Land for the project belonged to the municipality of Rio de Janeiro and was donated for the project. The brownfield site needed intensive site works before to new housing construction and the Housing Secretary of Rio de Janeiro engaged another company to undertake the site works (demolition of existing buildings and laying of trunk infrastructure (roads sewerage, and water). The municipality worked in partnership with the developers, (Direcional SA) to develop the plan and design the project.
Infra-structure	Actors and roles	The trunk infrastructure was installed by a previous contractor on behalf of and with funds from the municipality of Rio de Janeiro before housing construction started. The company undertaking housing construction - Direcional - is responsible for installing local infrastructure and deals with local concessionaries of public services to connect housing units to the trunk sewerage, water and electricity systems.

Facilities

.....

The project includes a high quality design of public space and collective-use facilities, including paved roads and car parks, pedestrian circulation, children's playgrounds, social convivial and sport areas. Part of the existing industrial buildings in the site have been retained and adapted to receive the public amenities and commercial areas. This has contributed, in terms of architectural design, to break with mass-repetition of 4-storey multifamily blocks.

Issues

.....

During construction phase, the provision of infrastructure and public services (water, sewage and electricity) is one of the major issues to speedy project completion. Approvals by the public agencies take long and are usually very bureaucratic. Aware of the long process, the private developers anticipated the dialogue with local service providers and submitted proposals for approval in advance. The Municipality of Rio de Janeiro has implemented measures to speed up the approval of projects catering group 1, especially in the modality MCMV-FAR, but the system is still over charged and time consuming.

Finance

Arrangements

.....

Bairro Carioca is the standard housing modality in MCMV-FAR catering group 1. The developer is paid in installments by CAIXA upon successful completion of project stages. The amount is determined, based on the number of housing units (at a fixed price per unit for the city of Rio de Janeiro). Direcional executes the project without any capital outlay and practically any risks since the units are contracted in advance by CAIXA. The municipality of Rio de Janeiro essentially subsidized the project adding counter funding (on top of the MCMV-FAR resources provided by Federal Government) to encourage the developer to take on the project. The subsidy for this project took form of land donation and the initial infrastructure and demolition costs. The municipality does not transfer any resources to Direcional directly. Residents are selected by the municipality and after project completion they will pay off CAIXA on a monthly basis.

Cost of each input

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Direcional is large-scale company and operates at national level, with greater accessibility to resources and potential to break-down - through economies of scale - on construction inputs and logistic costs. The profit margin for this project is estimated at 20 and the company aims to optimize its profit margin to 30 per cent in the future.

Affordability for households

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Residents will pay off CAIXA a minimum of 50 BRL (27 USD) and a maximum of 10 per cent of monthly income during 10 years, plus additional costs for public services (water, electricity).

Labour

Who is building it?

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Directional is a large-scale private development company that operates throughout Brazil. On this project, the team was composed by 40 'professional' staff, including four engineers, two office assistants, one chief, plus several warehouse managers. Construction labour is undertaken by 840 professionals, mostly coming from nearby. Yet, skilled labour is often brought in from other states and cities. Women make up 6 per cent of the construction labour (50 out of 840 total). Construction workers earn average 1,200 BRL (650 USD) per month on this site, plus a bonus of working performance (that can reach 1,000 BRL – 540 USD).

Built environment

Housing form

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Bairro Carioca comprises 11 condominium schemes with a total of 112 blocks, 5-storey each, without elevator. In total, the project has 2.240 apartments with 43m² - two bedrooms, open living and dining, and side kitchen/laundry. Two per cent of housing units are adapted for disabled people and have 52m². The housing units have no private open space or balcony. Facilities and public space are on the ground floor, including a kindergarten, playground, etc. Each condominium is fenced off and has private, controlled access.

Construction characteristics

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The company has implemented an interesting method of in-situ concrete construction which reduces costs, speeds up construction and improves economies of scale. Steel shuttering is used to cast the walls and slabs in situ. The electrics are cast inside the walls, sparing external scaffolding. The walls are crisp and can be spray plastered directly, which is faster than standard concrete frame and brick infill wall construction. The performance of construction is high, with the walls of 16 apartments being built per day. Overall, the implementation of new techniques will enable Direcional to save three months of construction time in the project (and therefore reduce fixed costs by 3 months) achieving a good trade-off between the cost of materials, which are higher than conventional construction, and cost savings with time performance. However, disadvantages of this method are the environmental impact of concrete use on this scale and the lack of flexibility in unit adaptation. A quite rigorous quality control of concrete based on core samples is regularly undergone. The company gives a 5-year guarantee on selected (core) elements of construction after unit's delivery. Other aspects related to construction include the professional level of techniques applied in the construction of social housing, the cleanness and organization of the construction site and the relative good installations for construction workers. This is something that private companies in other countries could learn from.

Location in the urban fabric

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Bairro Carioca has central city location and is well linked to public transport facilities. One concern on project insertion is the lack of permeability and interaction with the surrounding neighborhood. The condominiums are fenced with access given through few entrances, and restricted for residents, people working in the place or visitors. Non-residents won't circulate through the site.

Issues

.....

The condominium blocks are purely residential, with no mixed use. Commercial-use is only planned in the buildings located in the central area of Bairro Carioca, with common access for all condominiums. The poor design of ground floor spaces may create problems in the future, such as the obsolete use of spaces between buildings originating alleyways of dead space.

Other observations

Integration and social diversity

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Bairro Carioca will receive approximately 9000 residents when the project is completed. All apartment units will be occupied by households of the same income range, earning 0-3 minimum wages, which may be a cause for concern in terms of social diversity and social inclusion. Likewise, allowance for small businesses and enterprises could contribute to employment generation in the area, foster the use by neighbouring residents and improve the quality of life.

Overall

Bairro Carioca is a pertinent example of an MCMV-FAR catering group 1. The project displays the progress in terms of public private partnerships (PPP), improving the capacity of and engaging the construction sector to address lower-income housing, and locating projects in inner-city locations.

However, aspects related to social diversity and environmental impact could be optimized. There are concerns surrounding the lack of mixed-use, limited social diversity, massive subsidies that are essentially offering remarkably high private construction sector profits, and the environmental implications of architectural design and choice of construction materials.

BOX 4: CONSTRUCTION INNOVATIONS FOR EFFICIENCIES: THE PRACTICES OF THE PRIVATE DEVELOPMENT COMPANY 'DIRECIONAL' THROUGHOUT BRAZIL

A major challenge in the production of affordable housing on a large scale refers to the modernization of techniques. While these are imperative to achieve scale, the investments in technology and modernization of building techniques usually imply rising prices of housing units. In the case of low-cost housing provision, construction companies, to enable higher profit margins, try as much as possible to reduce the cost of construction. One alternative is to invest in technological solutions to streamline and speed up construction.

To operate in the MCMV- FAR modality for Group 1, Direcional, which is among the 20 largest construction companies in the country, has focused on technological standardization and economies of scale. Some of the major innovations in building systems include on-site prefabrication and assembly of concrete walls and slabs, and innovative techniques to cast electrics and plastering which improve performance of construction and save considerable time in the construction cycle. Other aspects include the organization and logistics of the construction site, and the relatively good installations for construction workers. This is something from which foreign private companies could learn. To reduce costs, Direcional has also implemented more effective management systems that allow the company to work in a more integrated way and contribute to the reduction of operating expenses. The choice for a centralized and leaner list of suppliers ensures the standardization of materials and lowers the prices for the volume of purchases negotiated.

Overall, technological innovations are still incipient among MCMV projects and still restricted to large companies like Direcional that can afford the costs of modernization with a medium- and long-term perspective of retrieval. It is a remaining challenge for the the My House, My Life Programme to create opportunities for small businesses to modernize construction methods and increase their productivity. This measure would determine the capacity to be competitive and operate in the Programme.

It is also important to consider modernization in the light of regional contexts. There is criticism that standardization could lead to adoption of “stamp-solutions”, that do not allow for regional characteristics and local climatic conditions. This has significant impact in a country like Brazil.

The further modernization of the sector also depends on the capacity of the workforce. For Rodrigo Deusdará, chief engineer in Direcional, the availability of skilled workers goes hand-in-hand with the capacity of the sector to continue modernizing.

Source: Deusdará, Rodrigo – Direcional Engenharia, Engineer responsible for Bairro Carioca construction site. Interview. Rio de Janeiro, 20 March 2012.



EXAMPLE 2

General Information	NAME OF THE PROJECT	SENADOR CAMARÁ – TARONI CONDOMINIUM
	City	City of Rio de Janeiro (zona oeste)
	Housing modality	MCMV-FAR (group 1)
	Executor	Emccamp (large-size company)
	Timeframe	Date of contract: October 2009, Date of conclusion: December 2011 Status on March 2012: majority of units occupied, the first residents moved in February 2012.
	Total costs	12.4 million BRL* (6.7 million USD)
	N° housing units	Taroni condominium is part has 243 units, and is part of larger scheme comprising 6 condominiums and a total of 2,202 units. Taroni has 15 blocks (16 apartments each) plus the 3 units for disabled people.
Land	Why is it interesting to document	-Project is completed and offers the opportunity to obtain residents perspective; -Example of project located in the urban extension fringe;
	Procurement	Greenfield site purchased by the private developer.
Infra-structure	Actors and roles	Trunk infrastructure is provided by the municipality of Rio de Janeiro. Inside the condominium, the installation of infrastructure for water, electricity, lightning, gas and sewage is undertaken by the private developer. Local agencies connect the condominium to the trunk infrastructure and provide public services. Housing units have individual meters for the household consumption of electricity and gas. As for the water, the overall consumption is included in the condominium fees, along with other services and maintenance costs that refer to the common-use areas of the condominium. A condominium service is organized engaging residents to work on the maintenance, cleaning and general tasks related to the condominium management. Residents contribute with monthly fees to afford these costs and pay for the salaries..

Quality

.....

Water, electricity, sewage and gas systems are provided by respective municipal agencies. The municipality pays for the use of water in the first three months of occupancy to support residents to afford the additional costs brought on due to the move into the condominium. The common-use areas inside the condominium - public spaces, access and circulation roads, facilities, car parks, children's playgrounds, social areas and lawns - are of quite a high quality. In this project the gas provision systems is piped and cylinders for each housing unit are installed on the ground floor outside the building. The system is safer and of easier utilization than the standard gas cylinder installed inside the apartments, which is commonly used in Brazil. Fire hydrants are plentiful and garbage collection containers are available for residents inside the condominium with a selective collection and recycling. The garbage is collected by the municipality of Rio de Janeiro on a week basis.

Issues

.....

The public education and health facilities in the neighbouring areas were overcharged by the sudden increase of local residents. The vacancies in public schools are limited and parents living in Taroni are facing difficulties to enrol kids. In some cases, they had to pay for private school since there were no vacancies in the neighbourhood. Kindergartens were non-existent, but one was being built next to the condominium.

Finance

Arrangements

.....

The Taroni Condominium is a standard housing modality MCMV-FAR for group 1, whereby the developers, financed by CAIXA, are responsible for housing construction. Instalments are paid by CAIXA upon successful completion of each stage of construction and conformance to the project specifications. After completion, selected beneficiaries pay CAIXA directly.

Affordability for households

.....

The beneficiaries contribute with monthly payment of a minimum of 50 BRL (27 USD) and a maximum of 10 per cent of monthly income during 10 years, plus additional costs for public and condominium services. The condominium fees are 37 BRL/month (20 USD/month). Some residents highlighted the increase in housing related expenses - such as electricity, gas, (and water eventually) and the housing payment - compared with their previous house. However, for many households, especially for former tenants, the costs of the new house will be cheaper than the monthly rent of 300 to 400 BRL (160 to 215 USD) they used to pay. Fernanda, a resident from block 14 in the Taroni Condominium (unit 102), reported that she used to pay 400 BRL (215 USD) per month to rent an informal house. Now she is paying about 50-160 BRL (27-85 USD) per month, including the repayment to CAIXA.

BOX 5: FERNANDA REALIZING HER DREAM OF DWELLING SECURITY

Until February 2012, Fernanda lived with her daughter in a small brick structure which she rented in a favela, a location which would be classified as a slum using UN-Habitat's criteria. She had only been on the Rio de Janeiro's MCMV housing list for five months when she received notification that a house had become available in Senador Camara. While it was far away from her current structure, she accepted the offer rather than being moved to the bottom of the waiting list. In any case, she was aware that waiting only five months was extremely lucky given the demand for MCMV houses and was grateful for the chance to move so soon. Fernanda and her daughter moved to their ground floor unit and brought all their belongings with them: their bed, sofas, televisions, stereos, computer, television cabinet; even the air conditioner they had installed in their previous structure. As is common, Fernanda laid new ceramic floor tiles, preferring this to the standard slate floors in most MCMV developments.

Since moving in, the wellbeing of the family has been improved, greatly. Although hard to quantify, their health has improved due to the superior physical environment, as has their sense of wellbeing a result of their inclusion in the formal housing system. A large part of Fernanda's current satisfaction is the economic advantages of her new house. CAIXA repayments will cost no more than BRL 160 (USD 86) per month when she finds a new job; since she is currently unemployed, she is paying BRL 50 (USD 27), compared to the BRL 400 (USD 216) previously spent on rent (although it is unlikely monthly expenses will remain that low as water is currently free as the CEDAE (the state water and sewer company) has not finalized connections).

From the residents' point of view, Fernanda believes that the greatest success of the My House, My Life Programme is that it provides an orientation towards a better future. She exclaims: "In ten years we will be owners. This gives us hope for a better future."

The house is not only important for offering a secure place to call home now, it is also important as a source of economic stability and asset to bequeath one's children. It is this drive toward creating a better future that characterizes many of the households in My House, My Life projects. For Fernanda, her current home is just the first step towards a more prosperous and stable future.



Spatial aspects and built environment

Housing typology
.....

The condominium housing Taroni is composed of 15 four-story blocks with 16 apartments each and three units adapted for disabled people. The 243 units have two bedrooms, integrated living and dining room, and side kitchen with a small laundry. The apartments have no private open space or balcony. The common areas include sport and playground facilities and a one open-air community facility, which can be hired out by residents. The condominium is fenced off and has private, controlled access. A limited number of parking places are available.

Construction characteristics
.....

The developers used standard concrete frame and brick infill wall construction. Default floor material has been replaced by residents in a number of units to ceramic of porcelain. Often this is the first change residents make upon moving in.

Location
.....

The Taroni condominium is located in the west part of Rio de Janeiro, in a peripheral location, but in the vector of urban expansion. Transport links are available to downtown by train or bus in 30-45 minutes, in good traffic at a cost of 2.7 BRL (1.45 USD), one-way. The train station is 10 minutes away and a bus stop is very close to the entrance of the condominium.

Post occupation observations

Amenities and accessibility
.....

The example of Taroni unfolds the many challenges of large-scale social housing developments being placed in peripheral areas. The difficulties reported by the residents highlight the extra pressure created on the many other aspects of a housing programme which the Municipality must address: for example, the provision of schools, hospitals and clinics, transport, commercial areas, among others.

Organization and social work
.....

The social work has been implemented by the municipality of Rio de Janeiro to support residents in the adaptation process, and raise awareness on the new and changing habits of leaving in the condominium. An organization and management group had been formed quickly after moving in and handles the day to day running of the environment. Each resident contributes with 37 BRL (20 USD) - condominium monthly fees - which is spent on hiring cleaners and gatekeepers, general organization tasks, services, etc. So far, the cost of the contribution is perceived as affordable by residents because they are not charged yet for water or electricity, so have some extra money. Time will tell how affordability changes when the actual consumption costs are known.

Integration and social diversity
.....

As with the majority of MCMV-FAR housing developments, units are all occupied by households with a similar earning range. There are no mixed-use in the condominium and allowance for small and businesses and enterprises have not been included. Several small kiosks have been established, albeit with very modest outward displays signalling their presence, for example an ice cream shop.

The design of ground floor areas could optimize the use of space between buildings to avoid creating a clear front and back alleyways of dead space. Another concern refers to the lack of permeability with the surrounding neighbourhood. The condominium is fenced and the access is through one main entrance. While this may be a setback for the social and spatial integration, for the residents the main concern is security. Some people have manifested the desire to substitute the fences by concrete walls to improve security.

Overall

Overall, the Taroni condominium is a good example of the modality MCMV-FAR catering group 1. While it is not in the city center, the area is served with basic infrastructure and connected to amenities and transportation links. Taroni is located within the vector of urban expansion with potential for better integration in the future.

Residents seem to be satisfied with the units. The social support work undertaken by the municipality has done important progress. Residents are well organized and conscious on the importance to cooperate and respect collective interests. While the sample is limited in terms of representativeness, residents consider their housing conditions have improved significantly and nobody mentioned intention to move out or sell their units.

BOX 6: EMPOWERMENT OF WOMEN THROUGH CONSTRUCTION EMPLOYMENT: THE EXPERIENCE OF MARIE HELENA IN BAIRRO CARIOCA

Marie Helena has been working on the Barrio Carioca construction site since December 2011. This is her first job in the construction sector, indeed her first formal job. She works five days per week and unlike many other workers on the site, she comes every day, unless her children are sick in which case she cares for them at home.

Two years ago Marie Helena signed up to undertake a training course on construction, which was coordinated by an industry organization that aims to prepare unskilled workers for employment as labourers on building sites. It was similar to an apprenticeship with a focus on gaining practical knowledge through “learning by doing”. Marie Helena greatly enjoyed the experience and regularly advises her female friends and family members to take the course.

By taking the course, Marie Helena gained the necessary skills to compete on the job market and she secured her job at Barrio Carioca before she had even finished the course. Regarding the social aspects of working in what remains a predominantly male-dominated environment, she says that women “work just as hard as a men!”; that women are not marginalized on this site; and that although they may not have comparable physical strength, they work together to complete the same tasks as men.

Formal employment brings Marie Helena a sense of belonging and citizenship. She is proud of having a secure job in a respectable environment. Most of all, she values the increased independence and income such employment offers her. Interestingly, by working on this My House, My Life project she has become aware that the Programme is an option for her and, given that she likes the houses that are offered, she is now enrolled and hoping that one day she will be building her own home.



EXAMPLE 3

General Information	NAME OF THE PROJECT	IGUAPE CONDOMINIUM, SÃO PAULO
	City	City of Sao Paulo
	Housing modality	MCMV-FAR (group1)
	Executor	CONACRON (medium-size company)
	Counter funding from Municipality	Land provision and resources to execute trunk infrastructure and land-slide contention structures.
	Timeframe	Land bid process: August 2010, Date of contract: June 2011. Status in March 2012: a few blocks of units completed. Completion estimated on: mid-to-late 2012
	Total costs	15.6 million BRL (8.4 million USD)
	N° housing units	300
Land	Why is it interesting to document	<ul style="list-style-type: none"> - An example of mid-scale housing scheme in the MCMV-FAR (group 1); - Offers private development companies' perspective and shows role and support of local and state agencies in Sao Paulo; - It is one of the few cases of housing modality MCMV-FAR (Group 1) in the city of São Paulo and shows the challenges of land access for low income housing schemes; - An example on the challenges to match the national and local criteria and legislation to implement social housing schemes in urban areas;
	Procurement	<p>Greenfield site owned by COHAB (Municipal Housing Agency) since more than 30 years. With the funding support provided through the MCMVP to produce affordable housing, the municipal agency donated the land as a counterpart funding to the project.</p> <p>The 12,000 m2 lot is adjacent to a busy 6-lane road and has a steady gradient of about 20 per cent sloping down to the southern corner.</p>

	Issues	<p>An adjacent lot of 14,000m² was planned to be used for the construction of a second condominium, but land disputes were raised during construction with neighboring informal encroachments and plot boundaries needed to be negotiated. This has affected the second part of the development, (condominium Iguape B), which has yet to commence construction.</p> <p>The major challenges for affordable housing provision in São Paulo are posed by the high costs of land. For MCMV projects for group 1 to be implemented they depend on massive subsidization of state and municipal governments, through land donation and/or direct resources allocation. In this project there are enormous indirect subsidies in the land component donated by the municipality (COHAB). Municipal agents implicated in the Iguape project estimated that land in the site was worth 500 BRL (270 USD) per m² at market rates, making up implicit costs of the 48,000 BRL (26,000 USD) per unit, plus the standard value paid in the MCMV-FAR per unit in São Paulo, which was 52,000 BRL (28,100 USD).</p>
Infra-structure	Actors and roles	<p>CRONACON paid for the infrastructure internal to the condominium and the municipality provided an additional subsidy (190,000 BRL – 103,00 USD) to build trunk infrastructure and works to contend erosion in the site. In the arrangement the resources were provided by municipality and CRONACON undertook construction.</p>
	Quality	<p>A community facility (building) and an open space for a children's playground is previewed in the project. The environmental agencies of São Paulo are very strict with the protection of vegetation and there were issues with the existing trees in the plot. The project had to be adapted to retain as many trees as possible and those that were removed to make way for construction had to be replaced by new trees of the same species.</p>
	Issues	<p>No parking places will be provided on the site. This was a decision taken by the local administration, not to use land at such a high price for parking in the detriment of housing space.</p>
Finance	Arrangements	<p>The Iguape project is a standard case of the modality MCMV-FAR catering group 1. The developers submit a project proposal to be financed by CAIXA and are paid in installments – based on the number of units - upon successful completion of each stage. After completion selected residents pay CAIXA directly.</p>

BOX 7: PRODUCTIVE PUBLIC-PRIVATE-PARTNERSHIPS: THE EXPERIENCE OF CRONACON AND COHAB IN SAO PAULO

The provision of low-cost housing grapples with many difficulties in a city like São Paulo. The high costs of land and a heated housing market make the low-income sector less attractive for the private sector and have challenged the performance of MCMV modalities catering to Group 1. That is where the role of public sector becomes important to boost MCMV projects at the local level: local capacities are expected to create an enabling environment for investments and attract the private sector to the provision of housing stock for the poor..

In São Paulo, the experience of the Condominium Iguape has shown the importance of concerted efforts by COHAB - the municipal housing company responsible for the implementation of MCMVP - and the private company CRONACON to execute one of the first MCMV-FAR projects in the city. The process has built on talks between COHAB and private developer from the initial action on land acquisition until the final phases of construction. To enable the execution of projects at the costs established by the Programme, land was donated by COHAB and further counterpart funding was allocated for trunk infrastructure. The Programme has created conditions for local authorities along with public service agencies to reform project approval processes and speed up services delivery. In addition, CRONACON has stepped forward in investing in innovative building techniques that are more commensurate with the requirements of productivity and the time frame required by the Programme.

Yet, successful public-private partnerships in low-income housing provision such as the one between COHAB and CRONACON in São Paulo also depend on changing mindsets and breaking with long-standing assumptions with regards to the willingness and punctuality of local governments in delivering payments and enabling project execution. For Gizelle Jacomini, an engineer at CRONACON, it has been fundamental to CRONACON to strengthen the relation with local government capacities. “Before we would not dare embarking on projects with the public sector knowing that it would certainly be problematic,” he says. MCMVP has created new channels to strengthen public-private partnerships. The example of COHAB and CRONACON in the Condominium Iguape demonstrates initial steps of joint-ventures to improve this low-income housing provision.

Source: Jacomini, Gizelle – CRONACON Construction Company, Engineering Department and Gunji, Hisae – Housing Company São Paulo (Cohab-SP), Technical Director. Interview. São Paulo, 30 March 2012.



Prefabricated floor slabs ready for installation. © Matthew French/UN-Habitat.

	Construction inputs	<p>The construction company raised the issue that the project was signed off at the end of 2010, and so was based on a much lower unit cost figure than the one defined for the second phase of the programme (MCMV II) (52,000 instead of 62,000 BRL in MCMV II – 28,100 instead of 33,500 USD).</p>
Labour	Who is building it?	<p>CRONACON is a ‘medium’ sized construction company with roughly 3,000 employees, ‘transitioning’ to ‘large’ size. As for the Iguape project, 140 employees are working in the construction site. As skilled labour is one of the major bottlenecks for CRONACON, the company provides training for workers at the site and tries to transfer the same team to other sites when construction is completed. With the Iguape condominium, CRONACON is inaugurating its work for the social housing sector in MCMV-FAR modality, following several other companies of medium and large-size that have embarked upon the affordable housing provision within MCMV-FAR. The Iguape is a ‘pilot’ project for CRONACON and according to the performance the company will decide on the continuation for the income bracket.</p>
	Other	<p>The construction site is very well organized with stockrooms, concrete fabrication areas, office, labourers’ amenities, and offers good conditions for workers.</p> <p>CAIXA monitors project execution on a monthly basis to monitor construction and check building standards.</p>
	Other actors	<p>COHAB enrolls demand of beneficiaries, based on applicants registered in three municipal databases. For this project, 50 per cent of households will be ‘resettled’, 25 per cent will come from the demand list enrolled by local housing associations, and 25 per cent will be chosen from a list created by the COHAB for the MCMV programme.</p>
Spatial aspects and built environment	Housing form	<p>The Iguape is a condominium housing scheme with five-story buildings and 16 apartments per block. Total floor area of apartments is 42m², with two bedrooms, open living and dining, and side kitchen/laundry. Common-use facilities, such as playgrounds and open spaces will be available for residents in the ground floor area. There are 10 units (3 per cent of housing units) adapted for people with disabilities.</p>
	Construction characteristics	<p>CRONACON has implemented a fairly innovative construction system using for social housing, using concrete block walls with pre-cast concrete floor slabs, stairs, and window surrounds, which are made on site. The concrete casting is very efficient. Slabs are cast on top of each other to save space. They are cast with all electrics in place, saving time in posterior installation phase. These methods enable a building performance of average 16 apartments - structured walls –set within a six-day time. This represents half the time the company would take before adopting new building methods.</p>

Location

The site is relatively well linked to public transport means. The main concern, as with other projects of MCMVP, is the lack of permeability with the surrounding neighbourhood. The condominium is designed as a gated community and access is through one main entrance.

Issues

The use is purely residential and no commerce activities are included. The geography of the site required land to be terraced, often quite steeply, restricting the space for flat outdoor areas.

No car parking is provided, which may create problems for residents as there is no parking nearby and no space for even temporary parking. Other MCMV have reserved space for parking.

Overall

The project overcomes many of the challenges of developing social housing in the city of Sao Paulo, where land for social housing is not readily available and the costs of labour and construction inputs are inflated by the current market booming.

Building up partnerships between public and private actors. The case of Iguape project has largely counted on the effective partnership between CRONACON, municipal (COHAB) and state agents (SEDUR – Urban Development State Secretariat). The Iguape project grew out of a dialogue between COHAB, the state agency SEDUR and the private developers. In many ways, it evidences the steps towards overcoming long-standing impediments for the private sector to embark upon affordable housing provision in Brazil, and strengthening the partnerships between public and private sectors. The design of the programme and the efforts implemented at local level have contributed to easy and speed up project approval and execution.

Matching national and local priorities for project design. In the municipality of São Paulo the role of housing and urban planning agencies has been very prominent, especially in defining criteria and establishing rules for social housing project design. The COHAB plays an important role in improving land availability for the development of MCMV projects catering group 1, and works together with developers on project design and submission for the approval of CAIXA. In São Paulo, the COHAB usually provides a pre-project design proposals for the plots of land owned by municipality and chose executors through bidding processes to develop final project and undertake construction. The practice has been also implemented within the MCMVP and is intended to guarantee the quality and coherence of housing interventions. However it has posed many challenges for the implementation of the MCMVP, because the criteria, defined at federal level, clashes with many of the determinations imposed by the municipality of São Paulo. For example, the incompatibilities with regards to the multifamily building typologies prevented COHAB to explore a more intense use of land and optimizing the final costs of units. A project is under review to enable the construction of 12-story buildings, with cross subsidization to pay for the maintenance of elevators.

Improving the quality and modernizing building techniques. Overall, municipal agents recognize that there has been an improvement in the quality of projects in comparison to prior administration interventions in the city of São Paulo. Projects like Iguape condominium offer better and more human external areas and construction materials and techniques are more modern, which will potentially contribute to minimize the costs of maintenance over time. In this regard, COHAB acknowledges

towards providing more housing units in areas where land is more affordable. While by no means this is an easy issue to tackle, it raises issues of public interest that must be considered and debated in the scope of the programme.

Overall

Overall, Iguape condominium is an example of a MCMV-FAR modality that shows that projects are doing 'urban insertion', at a (relatively) small scale that fits into the existing urban fabric. It is a clear example of the benefits of having a good relationship between public and private institutions.

Yet, the post occupation issues may be the same as with other projects which have limitedly addressed socio-economic diversity aspects, opportunities for home enterprises and commercial activity, additional costs of condominium maintenance and an inflexible built environment.



Chapter 3 provides an overview of the My House, My Life Programme in action during its first phase (2009-2010). Programme aspects such as the allocation of investments, scope of housing provision and institutional arrangements reveal the large steps Brazil has made towards promoting housing access for low-income households. Yet, as it is to be expected in a programme of such scale, challenges have arisen requiring targeted Government intervention to improve implementation and the quality of projects. The successes and challenges of programme implementation are discussed in this chapter.

3

CHAPTER

THE PROGRAMME IN ACTION



CHAPTER 3: THE PROGRAMME IN ACTION

3.1 GENERAL ASPECTS OF IMPLEMENTATION (2009-2010)

3.1.1 FACTS AND FIGURES

Investments and housing contracting

The My House, My Life Programme has made important progress towards achieving its targets. Initial investments of BRL 34 billion (USD 18 billion) for the programme counted on the significant supplement of national and subnational government resources and investments of other sources and funds, reaching BRL 53 billion (USD 28.7 billion) by the end of 2010.¹ The Programme surpassed the 1 million housing unit target contracted reaching 1,004,257 including all modalities of housing provision. Figure 3.1 summarizes housing contracting within the Programme until the end of 2010.

House contracting per income range varied slightly from the initial distribution envisaged with the provision for Group 1 overcoming expectations by more than 170,000 units, thus making up for the provision catering to group 2 and 3, which were below the target at the end of 2010. From the total 1,004,257 million units contracted, 571,332 catered to households from Group 1 – 143 per cent of the target; 287,165 units to Group 2 and 145,760 for Group 3, respectively reaching 72 per cent and 73 per cent of the initial target (Figure 3.1).

At the end of 2010, 238,000 housing units had been completed.² The pace of construction and delivery was slower than expected and the bulk of units contracted in 2009 and 2010 were expected to be completed during the period 2011-2012. Constrained by the unavailability of labour and construction inputs, along with other issues regarding project execution and local arrangements between public and private actors, the cycle of construction for projects lasted an average 15 to 18 months.³ At the beginning of 2012, 567,003 housing units had been completed - of which 414,035 had been delivered to beneficiaries and 152,648 units awaiting approval of occupancy, which municipal agencies issue. Another 438,125 housing units were under construction.⁴

Housing production for Group 2 presented better results in terms of delivery, with 70 to 80 per cent of the works completed by the end of 2011.⁵ According to CAIXA, this was because investments targeting this income bracket are more disperse and the size of housing schemes is smaller, enabling greater agility in project execution. The modalities catering to Group 1, operating with more federal subsidies had completed about 70,000 housing units by the end of 2011.⁶ CAIXA says the reason is due to the larger scope of housing schemes in these modalities and the pressures that limited availability of labour and construction inputs pose.⁷ To some extent, project completion was also delayed by the wait for licenses and approvals from local agencies.

National Scope

While the Programme set a focus on large cities and metropolitan regions, the distribution of resources and housing contracting has fairly reflected the proportions of the housing deficit in different regions (Figure 3.2).

Overall, 40 per cent of housing contracting in My House, My Life occurred in medium-size cities (that is those with a population between 100,000 and 250,000 thousand).⁸ Medium-size cities typically have attributes that enable successful projects, such as demand for housing, availability of land at reasonable prices and a relatively well structured construction sector. Large cities and metropolitan regions, on the other hand, are better equipped in terms of institutional and legal apparatus, and have seen in the MCMV a great opportunity to put forward local programmes and targets of housing provision. Yet, these cities have had to concentrate on matching local criteria with the ones established at the federal level, and have also been confronted to the challenges of land affordability and higher construction costs.

The distribution of resources and housing contracting has fairly reflected the proportions of the housing deficit in different regions of Brazil.

1 Tribunal de Contas da União (2011) Relatório e Parecer Prévio sobre as Contas do Governo da República. Based on information provided by the Ministry of Cities. p.191

2 Ibid

3 In Valor Econômico S.A. (2011) "Minha Casa" entregou, até outubro, 44% das moradias da primeira fase.

4 Santa Rosa J. (2012) Op. cit. Ministry of Cities. Balance provided by Financial Agents - CAIXA and Banco do Brasil) – on 27.01.2012.

5 Valor Econômico S.A. (2011) Op. cit. Based on data provided by CAIXA with a variation in relation to the information provided by Tribunal de Contas da União (2011) Op. cit.

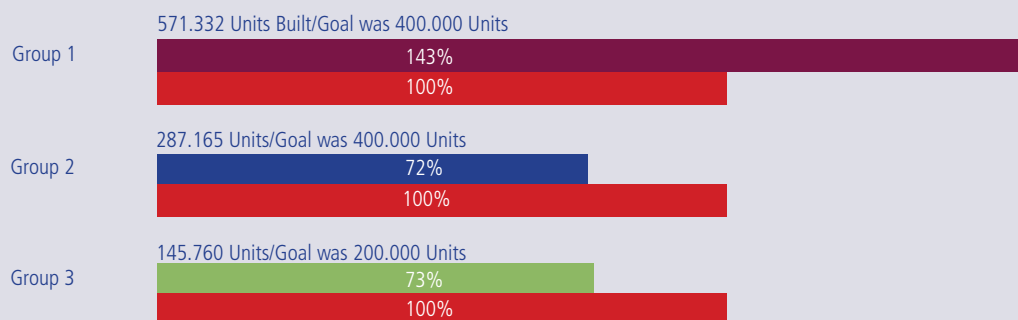
6 Valor Econômico S.A. (2011) Op. cit.

7 Ibid.

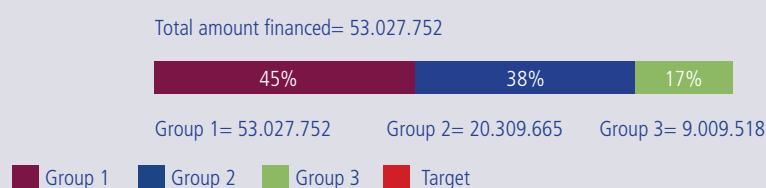
8 Milan, R. (2012) Ministry of Cities. Department of Institutional Development and Technical Cooperation (SNH/MCidades) Interview 27.03.2012.

FIGURE 3.1: HOUSING UNITS CONTRACTED WITHIN MCMVP (2009-2010).

HOUSING UNITS CONTRACTED PER GROUP.

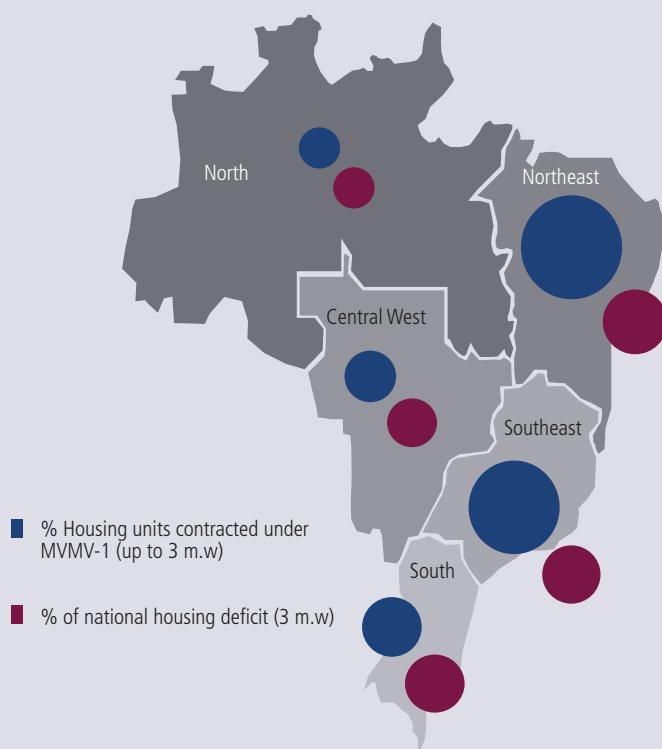


PERCENTAGE OF THE TOTAL AMOUNT FINANCED AND THE AMOUNT FINANCED PER GROUP.



Source: Tribunal de Contas da União (2011) Relatório e Parecer Prévio sobre as Contas do Governo da República. Based on information provided by the Ministry of Cities. p.191 Available at <http://www.cgu.gov.br/publicacoes/prestacaocontaspresidente/RelatorioPareceresTCU/RPP2010.pdf>

FIGURE 3.2: HOUSING CONTRACTING VS. HOUSING DEFICIT OF GROUP 1 (HOUSEHOLDS WITH INCOME UP TO 3 M.W.).



Source: Ministry of Cities, Dec. 2010.

MCMVP creating opportunities for cities nationwide

The My House, My Life public offer model, available for cities with up to 50,000 residents have become a leading instrument of credit distribution and housing provision which, through small-scale interventions, have achieved a large scope in the country. In this modality local authorities present proposals limited to 60 housing units at BRL 25,000 (USD 13,500) per unit. From 2009 through 2010, the public offer provided the opportunity for homes to be built in 2,074 municipalities with populations of up to 50,000.⁹ In terms of scope this represents 3.2 times more cities than that catered for in the federal budget through previous programmes that ran from 2007 to 2010.¹⁰

Equally important, the public offers have provided the Government a valuable instrument of public policy. This instrument has enabled investments in social housing for municipalities with 50,000 inhabitants, which are by far the majority of cases in Brazil, but also the most constrained in terms of capacities for intervention in housing provision. Local authorities, on the other hand, have benefited from the scheme the My House, My Life Programme has proposed for market-oriented provision, whereby a financial agent (in this case CAIXA or local banks) operate the resources and the project execution is contracted to private developers. Such design is more consistent with the typical institutional and technical constraints that small cities encounter.

With regards to the Programme's Residential Leasing Fund modality, 739 municipalities signed the terms of compliance, with projects being effectively contracted in 368 cities, (49 per cent of the total enabled).¹¹ In absolute numbers, cities in the south-eastern and north-eastern regions were more prominent in housing contracting within the Residential Leasing Fund. Projects using the Fund's subsidies were contracted in 122 cities in the south-east region (out of 291 enrolled) and in 112 cities in the north-east region (out of 202 enrolled). The south-eastern and north-eastern regions account for the bulk of housing deficit in Brazil and the resources transferred in the scope of My House, My Life were insufficient to deal with the shortage. In the other regions of Brazil the number of housing contracts within the Fund's modality has responded proportionally to the housing deficit (Figure 3.2). This match is actually expected, since the allocation of resources for the Fund was based on the proportion that each region played in the overall shortage at the national level.

Asymmetries vs. impact on reducing regional disparities

While some states and cities have been successful at attracting investments through My House, My Life, others have encountered difficulties to do so. Regional distortions can be verified from the distribution of units contracted

among states. The states of Bahia and Sao Paulo constituted respectively 11.6 and 19 per cent of the Programme's total units contracted. In contrast, the figures are 2.2 and 1.8 per cent of units, respectively, for the states of Ceara and Espirito Santo. In Rio de Janeiro, resources for modalities catering to Group 1 were concentrated in the capital and among the cities of the metropolitan area. Only two cities outside the metropolis of Rio de Janeiro received funds through the Programme for this group.¹² Asymmetries can be attributed to the diversity of local contexts with regards to the capabilities of local governments, the private sector and performance of the construction sector.

However, it has been argued that in relative terms the distribution of investment through the Programme will produce a higher impact on the poorest states and regions, and contribute in diminishing regional disparities in Brazil.¹³ The amount of resources the Programme has injected is proportionally higher in relation to the size of local economies and may generate higher impact on the growth of the gross domestic product and on job creation.

In cities where the relative investment is higher, particularly small cities, the Programme may act more emphatically in reducing rental costs. By increasing housing stock, the Programme could pressure down rental prices in the long term. Estimates predict that, in places where the ration of investment to gross domestic product is higher, a 25 per cent reduction on rent could be seen,¹⁴ even benefiting tenant households who are not part of the Programme. Yet, aspects regarding location and availability of infrastructure are crucial and need to be better considered in this equation.

Economic multipliers

My House, My Life was designed to harness the economic multipliers triggered by the construction sector, such as the creation of jobs, tax revenues and the mobilization of a significant supply chain in the construction industry - which in case of Brazil is not dependent on imported inputs and, therefore, would not contribute to a trade deficit.

Estimates in 2009 indicated that the construction of one million houses proposed in the MCMVP would lead to BRL 39.5 billion (USD 21.3 billion) in investments in two years and to an additional hike of 0.7 percentage points in gross domestic product of the economy in 2009 and 2010.¹⁵ The investments driven through the Programme would also create 300,000 jobs in the construction sector annually and another 229,000 in related sectors, thereby contributing to create more than half a million jobs in the first year of the Programme.¹⁶ More optimistically, the

9 IPEA (2012) O programa Minha Casa Minha Vida em municípios de até 50 mil habitantes: Quadro institucional e prognósticos da provisão habitacional de interesse social. Comunicado IPEA n.146. p.05

10 Ibid. p.05

11 Santa Rosa J. (2012) Op. Cit.

12 Fellet J. (2011) Urbanistas elogiam 'Minha Casa', mas criticam ocupação de áreas sem estrutura. BBC Brasil, 16.06.2011. Available at http://www.bbc.co.uk/portuguese/noticias/2011/06/110615_minhacasa_jf.shtml?s

13 Shimizu J.Y., Domingues E.P. (2011) Projeção de impactos econômicos do programa Minha Casa, Minha Vida: Uma abordagem de equilíbrio geral computável. Encontro Anpec, 2011. p.09.

14 Shimizu J.Y.; Domingues E.P. (2011) Op.cit. p.13

15 Fundação Getúlio Vargas (2009). FGV Projetos. Subsídios à política anticíclica: Um milhão de moradias em dois anos. Rio de Janeiro, 2009. p.03

16 Ibid.

federal government's projections indicate the subsidies and financing mobilized through the Programme would spur investments of USD 60 billion and generate 1.5 million jobs, reflecting an additional growth of 2 percentage points in the gross domestic product.¹⁷

It is noteworthy that the construction sector had been already fairly well stimulated in the previous years with the economic upturn, and particularly since 2007 with the launch of the Growth Acceleration Programme.¹⁸ In turn, the My House, My Life Programme has been important in minimizing the effects of the international economic crisis, maintaining the pace of job creation and domestic consumption in 2009 and 2010, at a time European and North American countries were facing a severe recession.¹⁹

In 2010, the Brazilian construction sector experienced practically full employment. In December 2010, the unemployment rate among construction workers in six metropolitan areas of Brazil was 2.3 per cent,²⁰ whereas the national unemployment rate was 5.3 per cent.²¹ The impact in the formalization of work has been equally positive. The number of registered employees in the construction sector reached 2.78 million in December 2010; nearly double that of 2004.²²

My House, My Life has also contributed to a better housing credit system. Between 2004 and 2010, housing credit grew eightfold in real terms, with an especially vigorous expansion in 2009 and 2010 when the number of loans the Housing Finance System contracted reached 1.15 million units, the highest achieved in Brazil.²³ The country's previous record of 627,000 units recorded in 1980 during the activity of the National Housing Bank.²⁴

Involvement of private sector

Since 2005, some of the main companies in the construction sector started opening capital in the stock market, causing profound impacts on the Brazilian real estate market. Shares the construction sector captured between 2005 and 2007 prompted companies to invest heavily as well as expand financially and geographically throughout the country.

My House, My Life harnessed on this move but also implemented a supplementary bonus for the sector. In total, 1,380 enterprises participated in the first phase,²⁵ demonstrating an important stage of the Programme in prompting the engagement of the private sector in low-

income housing provision. The bulk of the housing was built under the Residential Leasing and the Workers Severance funds, as well as the public offer. To some extent the private sector was also involved through some of the construction systems which My House, My Life Entities adopted. Key ways in which the Programme engages the private sector are:

- By reducing risks on investments the
- Reducing the bureaucracy in the licensing and project approval processes
- Implementing tax incentives such as – the Special Tax Regime tax aliquot reduction for enterprises catering to low-income families (from 6 to 1 per cent)
- Granting tax exemption on construction materials
- The stimulation produced in the market by the substantive policy subsidies

At the same time, the federal government's approach to the sector, differentiating the size of construction companies according to their annual revenue (large, medium and small-scale companies), allows for an assessment of the opportunities the Programme creates for different scales of enterprises. Ultimately, the aims must go beyond prompting the sector to produce for the poor. The aims must also guarantee that resources and public subsidies contribute to a balanced benefit of the enterprises in the sector, perhaps even to reverse disparities among the different categories of enterprises.

In the Rental Leasing Fund modality, producing for Group 1, 475 private companies developed projects. Small companies, which usually have low overhead expenses, undertook most of the housing construction (Table 6). From the total 1,308 housing developments catering to Group 1, small companies (with annual revenues of less than BRL 15 million; equivalent to USD 8.1 million) undertook 1.6 per cent of the housing construction, representing 64.8 per cent of housing units.

Large developers have favoured high-income ranges, of group 2 and 3, with larger profit margins and virtually no commercial risks, given the large unmet demand and the allocation of subsidies for property acquisition. Yet, the interest of large developers in the provision of Group 1 has increased in the course of Programme implementation. This has been very much influenced by measures local governments have taken in removing barriers for project approval and enabling the access to land and additional subsidies to guarantee profit margins.²⁶

In addition, increasingly, Group 1 (the Residential Leasing Fund) has been attracting large developers as it has little negative impact on a developer's cash flow and is detached from any risks; CAIXA contracts production in advance

17 Estadão 25.03.2009. Programa terá impacto positivo de 2% no PIB, diz Mantega. Interview with Guido Mantega. Ministry of Finance.

18 It is important to make reference to PAC, launched in 2007, as an important component of this successful formula. Comparatively, PAC invested more and in several sectors of economy and triggered the labour market prior to the MCMVP.

19 Dias E.C., Castelo A.M. (2010) Legado de um Programa que apenas começou. Conjuntura da Construção, Ano VIII (2) Jun.2010. São Paulo, Sinduscon – FGV. See also Shimizu J.Y.; Domingues E.P. (2011) Op.cit.

20 Castelo A.M., Garcia F., Dias E.C. (2011) Por vãos ainda mais altos no futuro. Conjuntura da Construção. Ano IX (1) March 2009. São Paulo, Sinduscon – FGV. p.08

21 IBGE (2010f) Pesquisa Mensal de Emprego (PME) – December 2010.

22 Castelo A.M., Garcia F., Dias E.C. (2011) Op cit. p.08

23 Ibid.

24 Ibid.

25 Santa Rosa J. (2012) Op. cit.

26 Anastassakis D. (2011) Interview. 23.03.2012. Also in Anastassakis D. (2011) Contribuições ao debate sobre o Programa MCMV, da UN-Habitat (not published).

and distributes to beneficiaries. The implication of large developers acting in the low-income housing provision may be underpinning important changes in the construction rationality. The low-cost housing sector can offer great opportunities for developers if construction methods are adapted to maximize economies of scale.²⁷

Increasing demands and inflationary trends

Paradoxically, the positive picture of credit availability, business and job opportunities which the Programme triggered, created high demand for the construction sector in a short space of time, inciting inflationary processes and direct increases in the costs of production, land and construction inputs.

With the rush of developers to launch projects within the Programme, the abundance of labour, materials and equipment began to fall short. The construction market has operated under pressure to meet the highest demands of labour, machinery, building materials and this has delayed project execution.²⁸ The investment in the industry led to greater productive capacity, machinery and other equipment for expansion. However, the shortage of labour severely limited this potential growth.²⁹

After reaching close to full employment in the construction in 2010, the sector has been confronted with shortages in skilled labour, which is considered a main setback for timely execution of My House, My Life projects.³⁰ The trade-offs between demand and supply of labour have inflated wages to an extent that, in 2010, wages in the sector increased an average 10.4 per cent, staying 4.2 per cent above the nation's official inflation rate.³¹ Some specialized services, such as the designing projects, were unable to cope with the demand of work and asked for more time to deliver.³²

For the private sector, if broader public policies fail to tackle the problems of labour supply and the lack of productivity construction costs are likely to remain high. The increasing demands and inflationary processes striking the construction sector in 2009 and 2010 reinforced the private sector lobby for an increase in the price ceilings within My House, My Life modalities. In particular, the discrepancy of the values practiced in the Programme was identified as a critical challenge to market viability when catering to low-income households of Group 1, particularly in state capital cities and metropolitan regions.

Inflationary trends have also influenced the prices of land, with the impact affecting mostly the projects targeting households from Group 1. Strong demand in the real estate sector generated speculative processes and a rise in land values. The access and affordability of land has been one major challenge for the Programme (see Section 3.2.3). By October 2011, price ceilings for all Programme

modalities were increased by 10 to 30 per cent, and the income thresholds were also adjusted with the minimum wage increase (see Chapter 4).

The access and affordability of land has been a major challenge for the Programme. Strong demand in the real estate sector generated speculative processes and inflationary trends that have influenced land prices, with the impact affecting mostly the projects targeting the poorest households.

3.1.2 ROLE AND INVOLVEMENT OF MUNICIPAL GOVERNMENTS

Current institutional and technical disparities among Brazilian cities are a notable challenge for urban and housing policies to thrive today. Such disparities also remain a challenge for the Programme, though it has made important steps in strengthening the interaction and partnerships between national, state and municipal governments.³³

In the first two years of implementation concerns and criticism have revolved around the extensive focus the Programme has put on the private sector, and the secondary role local governments have played in the housing provision and development of projects.³⁴ Yet, the responsibilities of subnational governments within the Programme cannot be underestimated. Although local governments are not responsible for the execution of projects - as with the Growth Accelerated Programme Slum Upgrading scheme - they must play a major role in creating an enabling environment for project executors of the private and social segments. At the same time, it is the prerogative of local governments to guarantee the development of projects in accordance to local master plans and principles of urban sustainability. After all, local agencies decide how and where housing projects take place.

The problems related to access to land that the Programme has faced are also greatly associated with the responsibilities of local governments. A reformed legal apparatus is available through the City Statute for local authorities to tackle land speculation and improve the access to serviced land, guaranteeing the good location of projects. Yet, the Programme and local governments have underutilized such provisions as design does little to limit landowners' interests in favour of socio-spatially inclusive cities.³⁵

27 Deusdará R. Interview. Rio de Janeiro, 20 March 2012.

28 Estadão 24.04.2011. Construtoras esticam prazo de entrega.

29 Castelo A.M., Garcia F., Dias E.C. (2011) Op. cit. p.08

30 Jacomini, G. Interview. São Paulo, 30 March 2012.

31 Castelo A.M., Garcia F., Dias E.C. (2011) Otimismo, ritmo mais

lento e aperfeiçoamentos necessários. Conjuntura da Construção. Ano IX n° 1, March 2009. São Paulo, Sinduscon - FGV. p. 12

32 Ibid.

33 Bittar J. Interview. Rio de Janeiro, 20 March 2012.

34 Fellet J. (2011) Urbanistas elogiam 'Minha Casa', mas criticam ocupação de áreas sem estrutura. BBC Brasil, 16.06.2011.

35 Parmezani E. (2013) Especulação explode nas periferias. Caros Amigos n.190 pp.10-13

Developers and social organizations criticize municipal bodies for their lengthy bureaucratic processes in approving projects and issuing environmental licences. Dialogue and institutional coordination between sectors, agencies, councils of different tiers of government could be improved to quicken project execution.

The Government, through the National Housing Secretariat, has made progress in equipping local governments institutionally and technically to act on urban and housing matters. However, mechanisms can be further strengthened in the scope of the My House, My Life Programme to improve the performance of local administrations, particularly in respect to the availability of land, approval of projects and improvement of the social support work for beneficiaries in the post-occupation phases.

Providing infrastructure

The role of municipal governments in anticipating needed public services has proven essential to enabling My House, My Life developments. Where public authorities cannot anticipate and act in the provision of infrastructure, construction processes seldom progress smoothly and projects are delayed. This is mostly the case of the northern and north-eastern regions of Brazil where, besides the inflation of land prices that the Programme generates, the critical lack of adequate infrastructure in urban areas reduces the scope of alternatives for investments and reduces the interest of private developers.

The Programme also depends on municipalities fulfilling their role in planning and allocating land specifically for social interest housing. Defined in the municipal master plans and zoning laws, such areas reserved for social housing should be foreseen in well-located sites; that is they should already be provided with infrastructure, public services and job opportunities.³⁶ Local administrations can make use of the instruments defined in the City Statute, such as the Special Zones for Social Interest Housing to institutionalize a land policy for social housing at the local level. Local administrations could also provide mid- and long-term plans to supply demand and avoid urban sprawl or the fiscal burden due to the need to provide additional infrastructure in the periphery (see Box 1 and Box 9).

Nonetheless, anticipating urban development is a challenge that municipalities in Brazil still struggle to overcome. The overall picture shows that urban growth settles on a precarious supply of public services. Sanitation is still a major issue in Brazilian cities and represents one important bottleneck for the housing programme. Census data for 2010 by the Brazilian Institute of Geography and Statistics shows that one important need of cities in the area of public services and infrastructure is sanitation, especially access to the public sewer systems.³⁷ Sanitation

has improved in the last decade but remains a challenge in the face of increasing demand for housing.

3.1.3 MONITORING AND EVALUATION

The Ministry of Planning and Casa Civil rely on the Ministry of Cities' management and the data CAIXA collects in monitoring programme implementation. CAIXA also carries out project execution, making regular site visits and checking the quality and development of construction. During phase one, CAIXA produced regular reports with data on various aspects of projects of different modalities, including the number of housing units contracted, location, scale of projects, typologies and payment release (which is in turn related to the accomplishment of work by project executors).

Yet, the Ministry of Cities³⁸ has said this goal is to improve the system of monitoring and evaluation of the My House, My Life Programme in order to give account of a more comprehensive panorama of projects and the Programme's impact nationwide (that is . including aspects related to the urban insertion, social and spatial inclusion). However, for example, certain aspects regarding the location and urban impact of projects have not been assessed through monitoring systems currently in place. Another issue refers to the lack of autonomy of the Ministry of Cities in relation to accessing data on the Programme implementation, as the bulk of information is centralized with CAIXA.³⁹

In 2011, the National Housing Secretariat of the Ministry of Cities created a sub-department specifically responsible for the monitoring the Programme. In addition, the Secretariat is creating channels to strengthen the participation of universities in the process of measuring the Programme's impacts⁴⁰ and considering specialized statistical surveys to give account of the Programme's challenges and achievements.

3.2 GENERAL ASPECTS OF HOUSING PROJECTS

3.2.1 MARKET-ORIENTED HOUSING PROVISION IN ACTION

Profile of projects and housing typologies

CAIXA defines architectural design criteria. The main building types for group 1, 2 and 3 are (a) one-household detached houses; (b) four- or five-story buildings without an elevator holding many households of and; (c) multistory buildings with more than five stories with an elevator.

³⁶ According to Magalhães I., National Secretariat of Housing, Ministry of Cities. Interview 26.03.2012.

³⁷ IBGE (2010a) Características da População e dos Domicílios: Resultados do Universo. Síntese Censo.

³⁸ Milan, R. and Santa Rosa J. Ministry of Cities. Department of Institutional Development and Technical Cooperation. Interview. 26.03.2012.

³⁹ Ibid

⁴⁰ The Ministry of Cities and the National Research Council (CNPq) opened a call for public consultation and technical cooperation for academics and universities to assess various aspects of MCMVP impacts in the country. Resources of 5 million BRL have been allocated for this initiative.

Developers chose the design typology (whether detached houses or multistory buildings, condominium or individual plots). The choice depends on the trade-offs between the availability and costs of land and the costs of construction, particularly when catering to the lower income ranges. Multistory buildings with an elevator (lift) were restricted to projects within the Workers Severance Fund modality, catering mainly households of Group 2 and Group 3. The restriction was due to the costs of construction and maintenance,

In the Residential Leasing Fund modality, catering to Group 1, the Government provided standards and norms for the elaboration of projects. Proposals varied very little, or not at all, from the two examples of housing units (one-household detached house and the four- to five-storey building without an elevator) that CAIXA gave as a basis for project design.

At the national scale, the one-household design was mostly adopted in small cities, where land prices are usually more affordable and profits are less conditioned to building density. Overall, 63 per cent of one-household units contracted within the Residential Leasing Fund were in smaller cities, particularly in the centre-west and northern regions of the country (Figure 3.2). This typology produces an occupation of very low density (sometimes less than 150 habitants/hectare), and tends to stimulate urban sprawl. Other adverse aspects of stimulating occupation in the periphery are related to the costs of extending infrastructure and transport systems, as detailed in Chapter 5.

Condominium projects, on the other hand, were mostly adopted in capital cities and metropolitan areas. In the Residential Leasing Fund the majority of these schemes were composed by multistory buildings. Because these are an alternative that enable higher densities, the costs of land (which are usually high in capitals and metropolises) is less per unit than with the detached housing typology. The case of the south-eastern and southern regions in Brazil are a very good examples of this, where capital cities such as São Paulo, Rio Janeiro, Curitiba, and Porto Alegre commonly present the highest costs of urban land in the country. Condominium houses with multistory buildings represented, respectively, 98 and 87 per cent of Residential Leasing Fund projects in capitals and cities of the metropolitan areas in the south-eastern region. In the south, the incidence reached 88 and 86 per cent in capitals and cities of metropolitan areas, respectively (Figure 3.2).

Government limited the number of housing units per project to a maximum of 500. However, this criterion was established to the ultimate purpose of condominium management in post-occupation phases. The housing developments catering to Groups 2 and 3 within the Workers Severance Fund modality tend to be smaller (an average of 130 housing units) in relation to the projects in the Residential Leasing Fund, (an average of 300 housing

units).⁴¹ As the Residential Leasing Fund modality is supposedly operating on narrower profit margins, developers resort to larger scale housing schemes to yield on the economics of scale. Notwithstanding the limit of 500 units in the Residential Leasing Fund modality, developers often proposed several condominiums together, forming housing schemes which reached more than 2,000 units as shown in the Examples in Chapter 2. Figure 3.3 shows the average number of units per housing developments in different regions of Brazil in the Residential Leasing Fund.

The design criteria that CAIXA defined have been important in setting minimum standards for My House, My Life projects, especially with regards to unit dimension, access to infrastructure and building materials. However, the Programme does not stipulate a minimum cost that needs to be spent on each unit which, associated with CAIXA and local governments' lack of control over construction may result in poor quality housing. The lack of requirements to adapt the type of building to local environmental conditions or topography is another major issue compromising the physical quality of the Programme's interventions. An increasing number of examples attest that it is possible to achieve good quality and comfort while still keeping low-cost parameters and standardization.⁴²

Building techniques and project design

Modernization and rationalization of production remains a challenge for Brazil's construction sector in general, and also in the scope of the Programme.⁴³

Large-scale companies have begun implementing more efficient building processes in My House, My Life projects. The main advances include new arrangements in management of construction sites, efficiency and productivity of labour, and adoption of new building techniques, such as in-situ concrete construction or prefabricated structures (walls and slabs mostly) which reduces costs, speeds up construction and helps achieve economies of scale. In-situ prefabrication methods are usually faster than standard concrete frame and brick infill wall construction, which is commonly used in Brazil. While the costs of materials are more than with conventional construction, companies save months of construction time and therefore reduce fixed costs (site maintenance, site office). However, two key disadvantages are the environmental impact of concrete use on such a large scale and the lack of flexibility in unit adaptation.

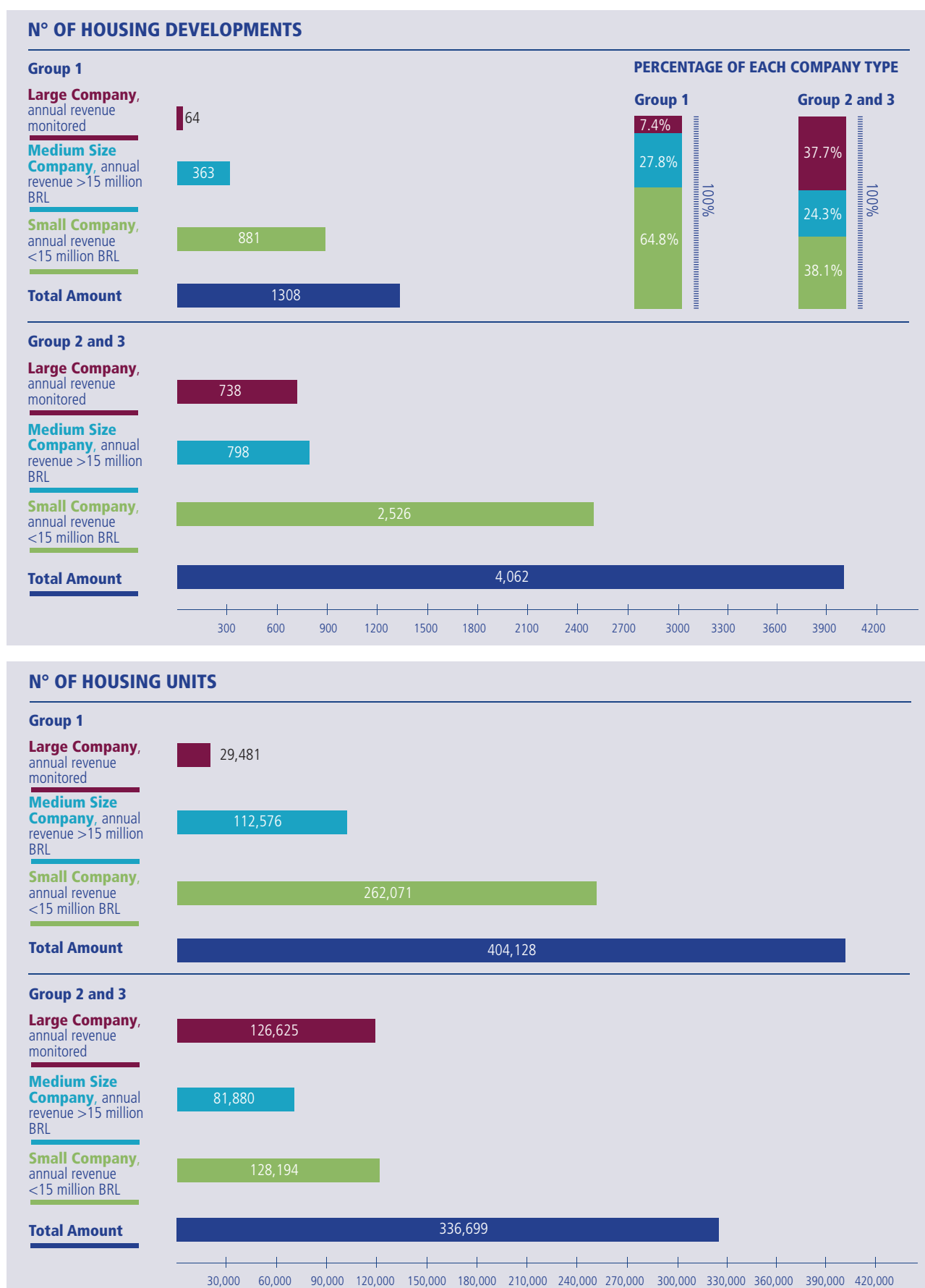
For small and medium-scale companies the modernization of construction techniques remains limited, with difficulties in achieving scale of production and rationalization.

41 Ministry of Cities data base (March 2012). The figures for MCMV-FGTS refer to 2,188 projects contracted in 2009-2010 (CCFGTS Apoio à produção and CCFGTS Imóvel na planta). The figures for MCMV-FAR refer to 1,308 projects, including all project design typologies.

42 Magalhães F.; Villarosa F. (2012) Slum Upgrading: lessons learned from Brazil. Inter-American Development Bank. Washington, D.C. p.103

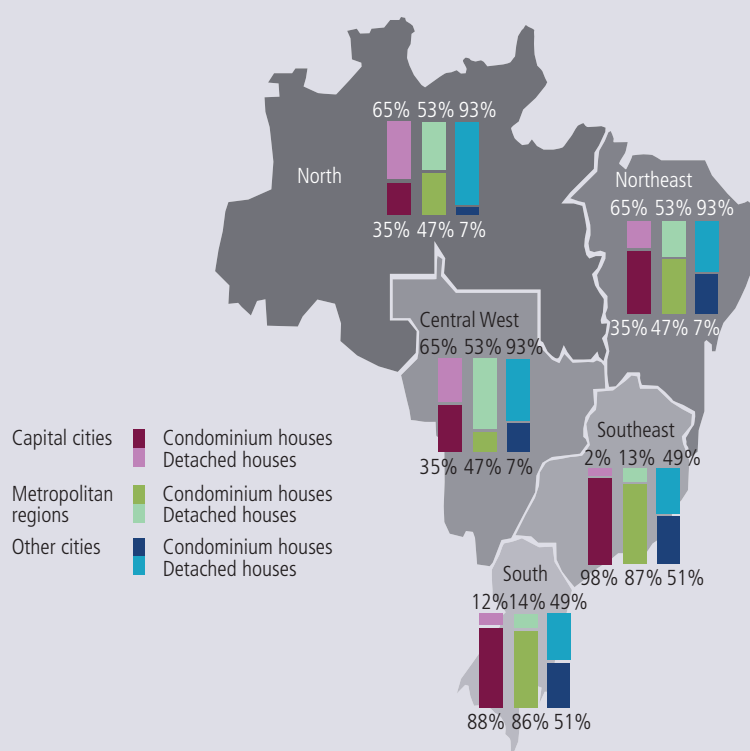
43 Anastassakis D. (2011). Interview. 23.03.2012. Constraints and challenges in this regard were also addressed by Santa Rosa, J. on behalf of the Ministry of Cities in Santa Rosa J. (2012) Op. cit.

FIGURE 3.3: PROFILE OF CONSTRUCTION COMPANIES PERFORMING IN MCMVP PER SCOPE AND GROUP CATERED.



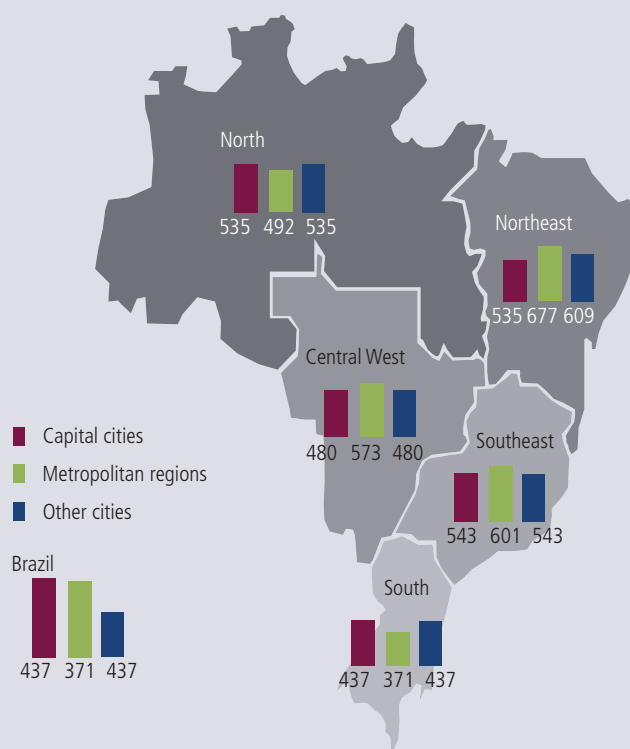
Balance sheet MCMVP, CAIXA, 31/12/2010-In Santa Rosa J. (2012), Presentation IAB seminar.

FIGURE 3.4: TYPOLOGY OF HOUSING DEVELOPMENTS (MCMV-FAR).



Source: Ministry of Cities, Balance Sheet MCMV FAR.

FIGURE 3.5: AVERAGE NUMBER OF HOUSING UNITS PER PROJECT - MCMV FAR.



In addition, the adoption of new and more modern construction techniques depends on skilled work, which is scarce and expensive. An alternative to support the modernization of construction methods among medium and small-scale companies in the scope of the Programme would be through incentives and arrangements whereby large-scale companies outsource certain stages of construction under specific conditions that enable the transfer of knowledge and techniques.

Building techniques and modernization aspects can be improved in combination with alternatives that enable diversity and flexibility in terms of project design. The choice for concrete walls, for example, does not allow residents flexibility to change or adapt housing units to their needs (for example changing opening locations, adding doors, air conditioning).⁴⁴ In addition, there is very little scope for variation in unit size or room provision, which also reflects the focus on a sole household profile to which the Programme is limited. The standard unit design of two-bedroom, one bathroom, kitchen and living room is broadly reproduced for the family-type couple with one or two children, whereas other alternatives could be more in line with the needs of larger households, youth or the elderly.

With regards to the architectural solutions and adaptation to the site, the projects tend to stick to standard unit design with little effort of private developers to implement solutions that adapt to the local context in terms of site topography, availability of local construction materials, responsiveness to local climate and local ecosystems.⁴⁵ A more elaborated and tailored approach to project design could be one aspect for the Government to incentivize further in order to reinforce the commitment of the Programme to sustainable urban development. Companies must incorporate more sustainable building methods and commit to reducing the environmental impacts of the construction processes. Project design must optimize the consumption of energy, which is partly dealt with through the use of solar panels for water heating (Box 8).

The absence of mixed-uses in housing projects

The overlaps of residential and commercial uses are common when it comes to the low-income population. For lower income households, the house plays a key role in their strategies of livelihood, as a means of generating and complementing income through small commercial activities that are installed and undertaken in and around the housing unit.

The livelihood aspects of housing were not considered in the initial design of My House, My Life. Commercial activities were not allowed in the projects catering to Group 1. According to the Government, the absence of commercial use was a requirement set by the property alienation rules that prevail when public funds, such as the

Residential Leasing and the Social Development funds, work as trustees of beneficiaries during the construction and repayment periods.

Despite the Programme's norms, as soon as the first houses were delivered and occupied, residents started small informal activities, using part of their houses. In the case of developments in remote areas, the problem of lack of services becomes worse for the residing population, since the commercial activities are neither allowed within the condominium schemes nor accessible in neighbouring areas.

The rules were changed and the commercial use was included in the second phase of My House, My Life housing developments produced within the Residential Leasing Fund and My House, My Life Entities catering to Group 1. After completion, ownership of the commercial units is transferred to either fund and cannot be sold by residents. The eventual profits resulting from the commercial units (for example rents) go to cover maintenance expenses of the condominium or elevators in multi-storey buildings.⁴⁶

Social housing programmes cannot underestimate the importance of livelihood. Lessons learned from other projects, including Brazil's National Housing Bank, have shown that income generation and social development programmes are critical for the sustainability of housing interventions. The impacts of such interventions are limited if households receive a house but remain poor or are excluded from gaining income. Promoting social development and guarantying livelihoods is also a condition if My House, My Life beneficiaries are to afford the costs of maintenance and repayment schedules on their homes. The social support programmes of My House, My Life are designed to resolve such issues during construction and in the post-occupation phases. However, local governments, which are responsible for social support programmes, still face challenges and lack capacity to intervene.

The implications of condominium projects

The model of condominium housing was first widespread among sectors of the high- and middle-income groups in Brazil and was adapted to the new developments for low-income households within the My House, My Life Programme.

In Brazil, condominium housing is synonymous with "gated community", designed as housing schemes that are walled or fenced. Condominiums are regulated by a specific law (Law 6.766 of 1979) which establishes that at least 35 per cent of the plot area must be designated to circulation and common-use spaces. Yet, these areas are privatized and access, which is usually through gates with watchtowers, is limited to condominium residents.

In the Programme, condominium housing is predominantly adopted in the projects targeting group 2 and 3, but is also present among the projects catering to

⁴⁴ Fellet J. (2011) Urbanistas elogiam 'Minha Casa', mas criticam ocupação de áreas sem estrutura. BBC Brasil, 16.06.2011.
⁴⁵ Ferreira J.S.W. (2012) Op. Cit. p. 87

⁴⁶ Included by Amendment n° 514, 2010.



BOX 8: MCMVP PROMOTING SUSTAINABILITY IN SOCIAL HOUSING PROVISION

The construction of sustainable housing units is one of the parameters the My House, My Life Programme has adopted. Ordinance 465 (2011) established the economic, social and environmental criteria to be followed in projects. In the modalities catering to Group 1, the units must be equipped with solar heater systems, individual metering for water and gas, and mechanisms to reduce water consumption. CAIXA defines the technical parameters, controls the execution and quality of projects and of the equipment installed. Municipal agencies and local environmental bodies need to approve the projects.

The major challenge for the Programme is finding the balance between environmental matters and economic viability, since it promotes the production of low-cost housing. For example, it is estimated that the solar heater systems raise the price of housing units by 3 or 4 per cent, but the economy of the electricity bill will be about 30 to 40 per cent per month.

Projects also have to prioritize the use of legally-extracted timber. The Ministry of Cities recommends the afforestation of My House, My Life projects in the ratio of one tree per household. Another highlight is the use of building materials produced in accordance with national technical standards and the hiring of certified companies. The material shall conform to the technical standards of the Brazilian Association of Technical Standards.

The implementation of these standards has already contributed in saving natural resources, with a 40 per cent reduction in water consumption in toilets, which represents a 15 per cent reduction in household daily consumption.

Source: 'Parâmetros de sustentabilidade norteiam programas habitacionais do governo' (2/05/2012) <http://www.brasil.gov.br/noticias/arquivos/2012/05/22/parametros-de-sustentabilidade-norteiam-programas-habitacionais-do-governo> and Ministério das Cidades, <http://www.cidades.gov.br/index.php/o-ministerio/noticias/1768-minha-casa-minha-vida-e-sustentabilidade-uma-parceria-de-sucesso->

Group 1. Increasingly, private developers have been using the condominium model to attract demand. They do so by selling the idea of security, comfort and exclusiveness for medium- and high-income groups. In the projects, the model has been extended to low-income households. Yet, the design of condominium projects needs to be conceived along with the needs, constraints and lifestyles of such households. For example, condominium housing schemes imply relatively high costs of maintenance for households - for example in taxes and security charges - and require a strong process of adaptation to the rules and norms of buildings hosting many households.

Moreover, another important aspect of the condominium modality refers to the insertion in the urban fabric and the neighbouring areas. The implications of condominium schemes in urban areas have been extensively explored in academic studies. The debate is raised upon the trade-offs between the idea of social status and security pursued by large segments of society, and the consequences of an urban development that is based on the privatization of public spaces, with rather limited room for social and spatial interactions.⁴⁷

Some of the challenges of condominium housing projects are considered in the scope of the social support work designed within the My House, My Life Programme, which is intended to facilitate the adaptation and raise awareness of residents on new lifestyles when living in buildings hosting many households. The costs of maintenance and changing modes of life cannot be overlooked, since these are crucial to keeping families living in the place, promoting social and territorial integration. In addition, another challenge for condominiums is the rapid increase in the local population due to high densities. This creates extra pressure for schools, hospitals and public transport. While these aspects are firstly raised in regard of the quality of life of new residents, they will act directly on the sustainability and success of the Programme in the long run.

3.2.2 SOCIAL-ORIENTED HOUSING PROVISION MCMV-E IN ACTION

The My House, My Life Entities modality is of minor scale when compared to the investments allocated to the Residential Leasing Fund (BRL 0.5 billion as opposed to BRL 16.5 billion; equivalent to USD 0.27 billion

47 Discussed in Ferreira J.S.W. (2012) Op. cit. p.35

and USD 8.9 billion). However, the BRL 0.5 billion (USD 0.27 billion) investments that the Government allocates to the Social Development Fund for new housing construction or housing refurbishment within the Entities modality represent a significant increase in relation to previous programmes of social housing provision, such as the Solidarity Credit. Between 2007 and 2010, the Solidarity Credit financed the construction of 21,223 units for housing associations and cooperatives, with resources amounting to BRL 381 million (USD 206 million).⁴⁸

The housing contracting flow of the Entities scheme started effectively in 2010, as it took more time for the Government to regulate certain aspects of this modality and for the housing associations to familiarize themselves with the Programme and adapt to the rules for application. The balance in November 2011 shows that 9,794 housing units had been contracted in My House, My Life Entities, implicating the allocation of BRL 339.2 billion (USD 183.3 billion) from the Social Development Fund.⁴⁹

The housing contracting of the Entities scheme (Figure 3.4) shows a tendency towards a balanced distribution of resources in the national territory, more so than the states and cities that have been traditionally prominent in social housing provision, such as São Paulo, Goiás and Rio Grande do Sul. These states continue to attract expressive amounts of resources in the Entities scheme, along with other states and cities playing an outstanding role, such as Bahia, Mato Grosso do Sul and Maranhão.

The regional disparities are commonly attributed to the capacity and level of political organization of the local population and of social movements to apply for funds and undertake housing construction. Yet, it has been increasingly evidenced the important role that state and/or municipal governments and CAIXA need to play in promoting the adherence of social organizations to the Programme and stimulating associative housing production.

In this respect, a challenge the segments implicated with My House, My Life Entities raised was the lack of a differentiated approach on the side of CAIXA to attend to the specificities of social housing provision. CAIXA, as the main finance operator of My House, My Life could adopt a differentiated approach towards social-oriented housing production, as the rationale and operationalization differs from the market-oriented provision. The criteria of application, requirement for resource allocation, assessment and licensing processes should be tailored to the limited capacity of movements and entities to cope with the bureaucracy, requirements and fulfil the criteria of eligibility and resource application.⁵⁰ In addition, social movements and organizations, as opposed to some

segments of the private sector, have very limited channels through which to lobby for project approval and access to land within municipal institutions and CAIXA local agencies.⁵¹

Adapting rules and improving MCMV-E implementation

In March 2010, the Government adopted the Resolution n° 154 of the Management Board of the Social Development Fund (Conselho Gestor do Fundo de Desenvolvimento Social), applying new rules for entities to participate in the Entities modality. The measures allowed organized entities and cooperatives to enlarge the targets of housing construction, and created the possibility of association between entities to carry out a project together. The limit of housing units in each project was increased from 300 to 500 units, and the same organization was allowed to submit up to three proposals within My House, My Life Entities.

The criteria in the Entities scheme was also further regulated during programme implementation to allow organizations and entities to sign contracts as legal bodies, as trustees of beneficiaries holding the ownership of the overall housing units comprised in the project during construction period.⁵² Previously, contracts had to be signed individually by each of the households benefitting in the project. The same resolution also brought the possibility for entities to advance funds to procure the land where the houses would be built (see Section 2.2.5). These changes were old demands of social movements, and created better conditions for social organizations to perform in the housing market.⁵³

Good-quality housing and project design typologies

Housing provision within My House, My Life Enterprises has proved very successful in terms of the quality of the housing stock and project design typologies produced. With less pressure of the market rationale, social organizations and cooperatives can make use of resources in combination with mutual aid and other systems of self-management to focus on maximizing the quality and size of units. Some examples of social housing provision show units an average 10 m² larger than the standard floor area defined by My House, My Life Programme regulations for the market-oriented production within the Residential Leasing Fund modality.

The appraisal of mutual aid (mutirões) and self-construction labour systems that are part of the Entities projects is controversial. On the one hand, the contribution of future beneficiaries in the construction of units incurs labour cost savings over the housing unit's final price. Such savings can be applied to improve the quality and size of the housing stock. On the other hand, the issue of mutual-aid systems

48 Lago L.C. (2011) Autogestão da moradia na superação da periferia urbana: conflitos e avanços. e-metropolis 05 (2). June, 2011. p.08

49 Ministério das Cidades (2011b) Spreadsheet housing contracting MCMV-E, 01.11.2011.

50 Gouveia R. CEO Bento Rubião Foundation, Rio de Janeiro and Kokudai S. Head Housing Rights Programme, Bento Rubião Foundation. Interview 22.03.12;

51 Ibid

52 Resolution n°141 of the Social Development Fund (FDS).

53 Resolution n° 154, Management Board of the Social Development Fund (CGFDS - Conselho Gestor do Fundo de Desenvolvimento Social) 24.03.2010.

BOX 9: IMPLEMENTING THE STATUTE OF THE CITY TO IMPROVE THE ACCESS TO SERVICED LAND IN THE MCMVP

The My House My Life Programme, by significantly raising investments in social housing, brought a great opportunity for municipalities to meet their housing needs. However it is the responsibility of municipalities to ensure that housing produced is appropriate and well located.

The MCMVP prioritizes the distribution of funds to municipalities that implement the instruments of the City Statute (see Box 1) to tackle underutilization of serviced land and make available land located in consolidated urban areas for the deployment of housing developments linked to the program. Thus, for municipalities to be prioritized within MCMVP it is very important to improve the access to land in well-located areas. Among such benefits, such measures envisage:

- To ensure a balanced city (housing and employment);
- To ensure the use and optimization of existing infrastructure;
- To encourage diversity and complementarity of occupancy uses and urban functions;
- To meet the housing demand observing democratic and redistributive principles; and
- To ensure proper location for all social groups, especially for the low-income population.

The City Statute offers several tools to produce social housing in consolidated and central areas of the city and encourage landowners to enter into agreements and partnerships with developers and local governments to carry out projects with the resources of the MCMVP. These instruments must be coupled with local urban, housing and land policy inserted in the scope of City Master Plans. Among several instruments to improve serviced land accessibility for MCMV projects the City Statute includes:

- **Special Zones for Social Interest (ZEIS):** is a category of urban zoning with specific characteristics for areas for social housing. For example, ZEIS areas can be defined by a minimum and/or maximum size of lots, number of building floors, maximum densities or other urban parameters that are consistent with low-income housing. The ZEIS can be applied to ensure well-located land and infrastructure for MCMV-FAR and MCMV-E modalities that cater the poor, creating a market land reserve for social housing.
- **Land Parceling, Edification and Compulsory Use (PEUC):** is an urban planning instrument available for local authorities to require that the owner of a land plot which is underutilized vis-à-vis of its good location make a better use its property, setting a deadline for that to happen. The PEUC serves to curb idle well located and serviced land in the city and encourage better use of serviced plots.
- **Progressive Property Tax (IPTU Progressivo):** is a progressive property tax implemented to punish the owner of underutilized urban land by increasing the annual rate of property tax until he/she decides to make best use of this land. Like the PEUC, the progressive property tax is also a tool provided in the Federal Constitution for induction of occupancy and better use of urban serviced land. The rate must be increased for five consecutive years, limited to the maximum rate of 15 per cent of the property value.

Along with these three instruments the City Statute includes several other measures that can contribute to obtain land and improve the location of MCMV projects. Overcoming challenges of land provision for social housing is an imperative for more inclusive cities. Municipal authorities need to concentrate efforts to achieve this goal.

Source: Ministério das Cidades (2010c) Como produzir moradia bem localizada com os recursos do Programa Minha Casa Minha Vida? Brasília, Ministério das Cidades. Available at <http://www.cidades.gov.br/images/stories/ArquivosSNPU/Biblioteca/PlanelamentoUrbano/CartilhaMinhaCasaMinhaVida.pdf>

and self-construction grapples with the hidden costs of labour of individuals implicated in construction.

For the actors involved with social-housing production, the ultimate purpose of adopting self-construction processes should not be the savings on labour costs. Rather, it should be the involvement of citizens and the increased awareness regarding the social and political dimensions of housing.⁵⁴ In addition, it is noted that within the social-oriented housing initiatives, and also in the Entities modality, organized movements are increasingly undertaking the role of self-managers rather than self-builders, outsourcing specialized services and construction process but still keeping autonomy over project design and execution.

The socio-political development component of MCMV-E

Between the issues of housing quality, social and political development, and the capacity to reach scale of production, simplistic comparisons and trade-offs between the market-oriented and social-oriented modalities need to be approached with caution. Rather than a path to mass production of housing, the Entities modality must be acknowledged for its role in strengthening citizenship and the sociopolitical development of the individuals and families engaged in the process of construction - with their own labour, or as representatives of self-managed ventures: “The profits of MCMV-E and of the social-oriented housing production must be socially measured; and society as whole benefits”.⁵⁵

At the end of the housing production cycle, the individual or household that engaged in a self-organized production/management, affiliated to an organized movement or entity, will certainly be more conscious of his or her rights and duties, and of their role as an urban citizen.

This arrangement, even if not manifested in terms of large scale and impact in terms of housing delivery, is fundamental as a political counterpoint to the market-oriented production; one that recognizes the importance of social participation and inclusion in the process of housing production. In addition, the socially produced housing stock has a positive ripple effect on the surrounding neighbourhoods. Very often such projects serve as a stimulus for other groups to mobilize and engage in similar initiatives.⁵⁶

Remaining challenges for social housing production include those related to improving capacity-building and equipping social organizations to design projects and undertake construction. This aspect needs to be taken in the scope of public policies and governments’ responsibilities (at national and sub-national levels), so as to promote the use of resources available and guarantee the sustainability of social-oriented housing provision.

Rather than a path to mass production of housing; the My House, My Life Entities model should be appreciated for its role in strengthening citizenship and the socio-political development of the individuals and households participating in the housing development process

3.2.3 THE RESTRICTED ACCESS TO LAND AND THE URBAN IMPLICATIONS

While consensus is reached on the many achievements of the My House, My Life Programme, some concerns have been raised on the sociospatial and environmental implications of housing developments being built by the Programme throughout cities and metropolitan areas of Brazil.

The adverse aspects of the Programme’s housing production are primarily linked to the location of projects in the urban fabric and the challenges of urban integration.⁵⁷ Preliminary assessments indicate that many housing schemes developed in the urban fringes have insufficient connection to the existing urban fabric, which has ramifications in terms transport and infrastructure costs, and in the quality of life of residents.⁵⁸

The difficulty to access serviced, well-located land is underpinning the core challenges the Programme is encountering in this regard. With the overall increase in construction cost, the amount spent on land to implement projects is decisive for developers to maximize their profits. Hence, to guarantee profit margins vis-à-vis of price ceilings that the Programme has established developers search for the cheapest land possible, which is usually in the periphery of cities. A better balance is needed between stimulating private developers and producing sustainable cities.

The Government has increased price ceilings. Yet, experts say if Government’s intervention is devoid of mechanisms to prevent speculation and or to promote the use of underutilized land, then the increase of subsidies and price ceilings will trigger the augmentation of land prices.⁵⁹ Property markets behave along the lines of purchasing power that subsidies provide, generating and spiral effect

54 Gouveia R. and Kokudai S. Bento Rubião Foundation, Rio de Janeiro. Interview 22.03.12

55 Ibid.

56 Ibid.

57 Cardoso A. Interview. Desafios para a política habitacional: 2ª etapa do programa Minha Casa, Minha Vida. Observatório das Metrópoles. Available at http://www.observatoriodasmetropoles.net/index.php?option=com_content&view=article&id=1695%3Adesafios-para-a-politica-habitacional-2o-etapa-do-programa-minha-casa-minha-vida&catid=43%3Anoticias&Itemid=114&lang=pt

58 Ibid. See also Ferreira J.S.W. (2012) Op. cit. and Parmezani E. Op cit.

59 Fellet J. (2011) Op. cit.

whereby the more resources are put into the Programme the more land prices valorise, plus the cost of the unit rise. This does into take into account that indirectly landowners capture the subsidy transferred to the beneficiaries or to developers to construct housing.

The dominance of peripherally located developments may be also be related to the model of intervention based on large-scale housing construction, which companies opt for to profit on economics of scale. This dimension of housing development depends on the availability of large plots of land, likely located in outskirts, thereby giving impetus to urban sprawl.

The noticeable consequences of this model includes the costs of infrastructure and public services, which are already provided in better located urban voids, but need to be extended to reach the projects in the periphery. In addition, it creates the need for comprehensive and costly systems of transport, which are under the responsibility of local governments but more often than not become incompatible with their capacity to invest.⁶⁰ If the alternative becomes the automobile, then the environmental impacts are worsened along with the harmful implication of urban sprawl.⁶¹ Socially, the adverse aspects of this model are posed by challenges of urban integration, with the increased distances between house and work, and limited access to services and amenities applying additional pressure on low-income households.

Eliminating barriers to access land for housing

The federal government has attempted to set standards for the quality of projects in the scope of the Programme with regards to access to infrastructure and services. Local and state governments with greater capacity to invest have added counterpart funding for land acquisition.⁶² Yet, these are isolated cases of cities that have long-established experience with housing programmes and fiscal conditions

to invest. For a number of reasons linked to the profit-seeking behaviour of developers and the lack of more robust standards for architectural design and urban insertion, the capacity of the Programme to universalize good and innovative architectural solutions as well as social-spatially inclusive cities remains to be seen.

The roots of such challenges lie in the land issue. Apart from creating an enabling environment for housing provision, there is an urge for municipal governments to assume the political costs of tackling land speculation and promoting the access to land for low-income housing.⁶³

The City Statute offers many instruments to meet the challenges of land. Brazilian law is acknowledged worldwide for its progressive approach in promoting the social function of urban land and the right to decent housing. The City Statute entails a number of legal tools that need to be regulated in the scope of local urban legislation, such as the compulsory land parcelling and building, progressive property taxes, the Special Zones for Social Interest Housing, which can be used to improve land supply for low-income housing and promote more equal access to urban land, in good locations (Box 9). The Programme can build on the potential of the City Statute and design ways of incentivize its implementation in cities that are receiving investments from the Programme.

However, municipalities' use of the Statute within the scope of the Programme also depends on changes in programme design. More than advising local governments on land and urban insertion of housing projects, the Programme needs to introduce legal mechanisms to reinforce the employment of the Statute into programme design structure, i.e. linked to resource allocation. The conditions for good location of projects in the urban fabric need to be created from the outset, to avoid reproducing the old practices of former housing programmes which have delivered housing but reproduced sociospatial segregation.

60 Ferreira J.S.W. (2012) Op. Cit. p.188

61 IPEA (2011c) Brasil em Desenvolvimento. Estado, Planejamento e Políticas Públicas. Vol. 1. Governo Federal. p.101 Available at http://www.ipea.gov.br/sites/000/2/livros/2012/livro_brasil_desenvolvimento2011_vol01.pdf

62 Anastassakis D. Interview. 23.03.2012. Also in Anastassakis D. (2011) Contribuições ao debate sobre o Programa MCMV, da UN-Habitat (not published).

63 Outcomes from Workshop Minha Casa Minha Vida, working groups. In Workshop Minha Casa Minha Vida, ONU-Habitat & IBA-RJ, 23.03.2012. Rio de Janeiro, IAB.

BOX 10: A SELF-MANAGEMENT APPROACH TO HOUSING CONSTRUCTION IN SUZANO, AN EXAMPLE OF MCMV-E

In the city of Suzano, in the metropolitan area of São Paulo, a group of 142 households living in precarious conditions gathered together to propose a social housing development within the MCMV-E modality. The process initiated in 2009 and the construction is expected to start in 2013.

The land for the project was donated by the municipal administration, including an area which was previously occupied by part of the applicant beneficiaries. The project was elaborated in 2010 with technical advice from the Group USINA, a non-profit organization which works in partnership with social movements on mutual-aid systems of housing construction. The participatory design process included activities to promote social awareness on self-construction systems and exercises using models, layouts and drawings to explore the uses and forms of housing units and collective areas. The process stimulated the people to think about their housing needs and expectations and provided the guidelines for the technical design elaborated by USINA.

The final project included two condominiums of apartment blocks and two types of housing units (two or three bedrooms) with 59m² and 64m². Communal areas and open spaces were planned in the ground floor and roof terraces. For income generation, the project incorporated a community bakery, and mixed-use areas with commerce and services also aimed to generate jobs and intensify the use of ground floor areas. The sustainability criteria were addressed through optimizing the use of natural lighting and ventilation, using systems of rainwater recycle and using structural ceramic block, which reduces the need of concrete and steel.

From the outset, the decision for a self-management approach was taken by the households due to the possibility of participating in the design process and controlling the planning, purchasing and contracting of services. This results in better housing design and more space when compared to the market oriented housing development model executed by building contractors. In addition, they considered the income generation opportunities created in the mutual-aid and self-construction systems, as the beneficiaries can work themselves in the construction process. For the technical team working with USINA, the participatory design process is also a valuable learning experience. “Here, the social role of the architect is at stake. With participatory and mutual efforts, we put our expertise at the service of the population”.

Source: USINA, Self-management housing in Suzano (intermediate report). <http://www.usinactah.org.br/>



4

CHAPTER

MY HOUSE MY LIFE PROGRAMME II



CHAPTER 4: MY HOUSE MY LIFE PROGRAMME II

4.1 MAIN INNOVATIONS AND IMPROVEMENTS

This Programme does not entail major structural changes in design.¹ The Programme's institutional framework remains the same, with the Ministry of Cities playing a central role in implementation and management. However, two main innovations include the introduction of Banco do Brasil as a finance operator, along with CAIXA, and the amalgamation with the Growth Acceleration Programme's Slum Upgrading scheme in the cases where housing provision for resettled households is required.

The Government has set new targets of housing contracting and increased the allocation of investments and subsidies. It has also focused more sharply on the poorest income ranges. In addition, changes in project implementation have shown a positive approach of the second phase of the Programme to integrating lessons from the first phase (2009-2010), and to promote more adherence of the Programme to the needs and capacities of states and municipalities and of project executors - private sector and social entities. While the list can be extended, some of the main changes incorporated in the second phase of the Programme are related to:

- Targets, investment allocation and readjustment of values
- Programme structure and project implementation
- Project design and urban aspects

4.1.2 TARGETS AND INVESTMENT ALLOCATION

Strengthened focus on the poorest households

The second phase of the Programme has kept ambitious targets of housing provision. The Government announced the target of contracting 2 million housing units in the period 2011 to 2014, an average of 500,000 units per year, as in the phase one of the Programme. The investments for the second phase amount to BRL 125.7 billion (USD 67.2 billion), including BRL 72.6 billion in subsidies (BRL 62.2 billion from the federal budget and BRL 10.4 billion from the Workers Severance Fund) and BRL 53.1 billion (USD 28.6 billion) of credit for housing finance.²

Of the 2 million housing units envisaged for the second phase, 60 per cent (1.2 million) will cater to Group 1, showing the Government's strongest focus on the poorest households: in the first phase, 40 per cent (400,000) of 1 million housing units were designated to Group 1. The Residential Leasing Fund modality, based on strongly subsidized housing provision, concentrates the bulk of resources and foresees the contracting of 860,000 housing units until the end of 2014.

Investments allocated to the My House, My Life Public Offer were raised to BRL 2.68 billion (USD 1.4 billion) in the 2011-2012 call, a significant increase in comparison to the first call of 2009-2010 when the Government allocated BRL 1 billion (USD 0.5 billion). Altogether, in the second phase, the Public Offer modality aims to build 110,000 units for Group 1 households in municipalities with up to 50,000 inhabitants, the majority of them in the north-eastern (43,976 housing units) and south-eastern regions of Brazil (29,304 housing units).³

Income ranges adjusted to the minimum wage increase

The second phase of the My House, My Life Programme establishes new thresholds of income range for groups 1, 2 and 3 that are in line with the increase in Brazil's minimum wage. As of 2011, Group 1 entails households with a monthly income of up to BRL 1,600 (USD 864); Group 2 up to BRL 3,100 (USD 1,600) and Group 3 up to BRL 5,000 (USD 2,700).

New price ceilings for housing contracting to cope with inflationary prices

Government readjusted the price ceilings on housing contracting in the second Programme to even up the inflation on construction costs and to be more in line with the prices practiced in the housing market. The readjustment was greater in the metropolitan regions and in the states of São Paulo and Rio de Janeiro, where price ceilings of the first Programme increased 30 per cent on average. In the modality Residential Leasing Fund, the average unit price increased from BRL 42,650 to BRL 52,500 (23,000 to USD 28,000). For the Workers Severance Fund modality the price range was raised from between BRL 80,000 and BRL 130,000 to between BRL 80,000 and BRL 170,000. This represents an increase of 23 and 20 per cent respectively. Strongly lobbied by the private

¹ Amendment n.514, December 2010, establishing new rules for the second stage of the My House My Life Programme. The MCMV-II was sanctioned by Federal Law n°. 12424 in June 2011.

² Santa Rosa J. (2012) Op. Cit.

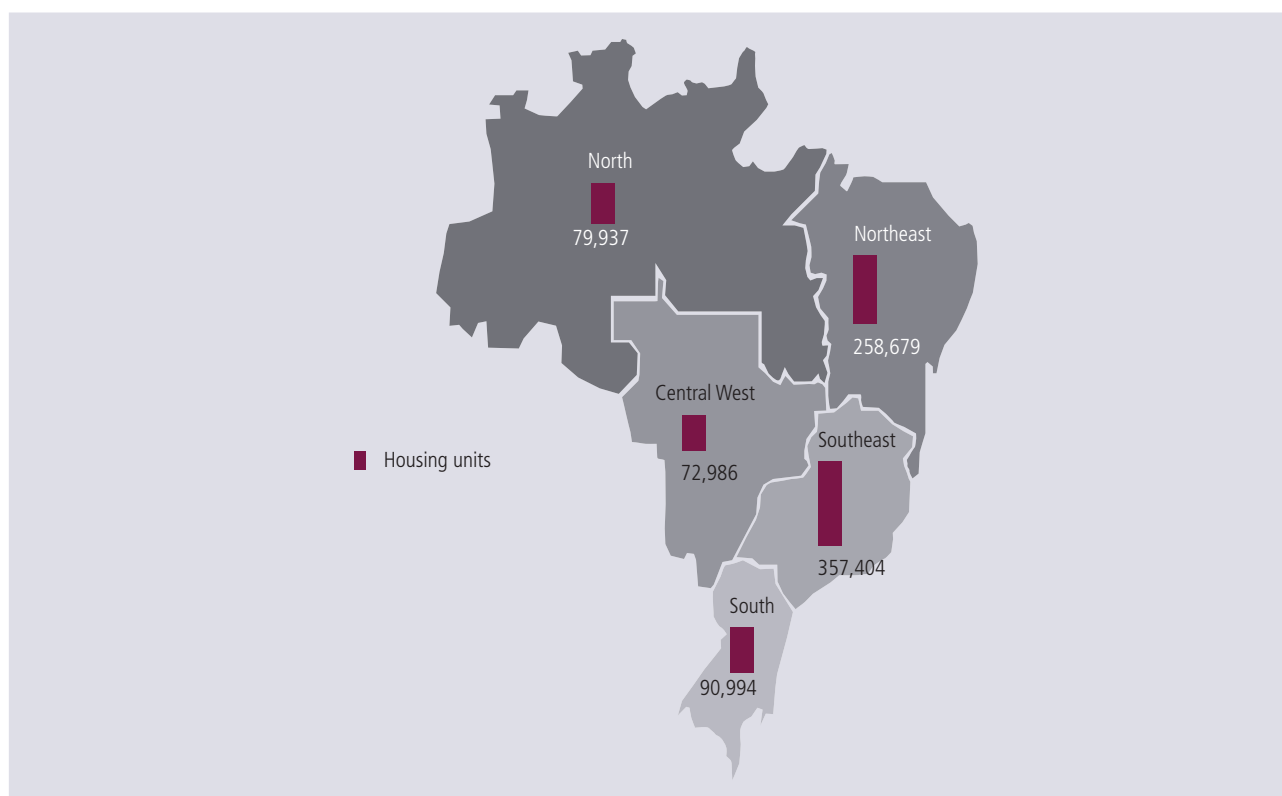
³ Ministry of Cities. Available at <http://www.cidades.gov.br/index.php/o-ministerio/destaques/1294-ministerio-publica-novas-regras-do-minha-casa-minha-vida-para-municipios-com-populacao-ate-50-mil-habitantes>

TABLE 5: TARGETS OF HOUSING CONTRACTING PER INCOME GROUP – MCMVP-II.

Group	Income range BRL (USD)	Target of housing contracting	
		N° of housing units	% of total
1	Up to 1,600 BRL (865 USD)	1.2 million	60
1	Up to 3,100 BRL (1,675 USD)	600.000	30
1	3,100 – 5,000 BRL (1,675 – 2,700 USD)	200.000	10

Source: Ministry of Cities - Law n° 12.424.

FIGURE 4.1: DISTRIBUTION OF HOUSING UNITS PER REGION IN BRAZIL/ MCMV/FAR MODALITY (MCMVP-II).



Source: Ministry of Cities - Ordinance n°465 MCMV-FAR (03.10.2011).

sector, the increase in the Programme's price ceilings are, in turn, regarded as reproducing the inflationary prices in the real estate market, above all over land markets. Ultimately, developers and landowners count on the rise in the payment capacity and incorporate them into their profit margins.

4.1.2 PROGRAMME STRUCTURE AND PROJECT IMPLEMENTATION

New actors in finance operation

CAIXA continues as the main bank for the operational management of the Programme's resources, but the Government announced the participation of the Banco do Brasil as the agent operating credit finance within the Programme. Like CAIXA, Banco do Brasil is Government-controlled and its inclusion in the Programme is a measure to increase the accessibility and scope of credit finance across the country. This is aimed at relieving the concentration of housing finance operation work, which is entirely with CAIXA. Yet, the change will require a joint effort of adaptation from the government, CAIXA and Banco do Brasil to coordinate the flow of operations, transfer of resources and the share of information.

Growth Acceleration Programme Slum Upgrading linked with MCMVP

The stock of new housing required for the resettlement of beneficiary families within the framework of the Slum Upgrading scheme is procured within My House, My Life. This requires fundamental changes in the coordination of resources of both programmes and in their implementation. Above all, the role of executors, a role assigned to local governments in the slum upgrading scheme, will be performed along the lines of My House, My Life. The private sector and CAIXA will undertake housing provision. New arrangements between local administrations, private developers and CAIXA will be defined during phase two to build upon the amalgamation of the Growth Acceleration Programme Slum Upgrading scheme and the My House, My Life Programme.

The housing production undertaken in Growth Acceleration projects allocated to resettlement will be produced under the My House, My Life scheme. This means that local governments give room to private developers in executing projects. The process is also exempt of bidding processes and offers more flexible frames of resource transfer from the funds and contracting of project executors.

Gender approach strengthened

The Programme reinforced the affirmative approach to gender issues by implementing further rules that increase security of tenure for women. The Programme had already set priority for women in the previous phase, when 80 per cent of housing contracts were signed by female-headed

households. In this second phase the protection has increased in the modalities of Group 1 and the women rest with the property rights in the cases of divorce regardless of their marital status – if officially married or with stable union. In cases where child custody is assigned exclusively to the husband or partner, the property ownership is registered in the name of or transferred to him.

In addition, the second phase establishes new criteria for selection of beneficiaries that includes or increases the quotas for elderly people and people with disabilities. In projects of this phase catering to Group 1, 3 per cent of housing units must be allocated to elderly people or households with disabilities.⁴

Local governments responsible for social support

The rules and responsibilities concerning social support work have changed in the second phase. As of 2011, such work for Group 1 beneficiaries is the responsibility of local governments and no longer of CAIXA. The funds for social support work have increased from 0.5 per cent of the Government stipulated standard housing unit price to 1.5 per cent in case of detached housing projects and 2.0 per cent for condominium housing. The resources are transferred from the federal budget directly to local governments for social support (for example, out of the price of BRL 62,000 per unit 1.5 to 2.0 per cent is reverted to the municipal government to conduct social work).

More structured strategy for evaluation and monitoring

The National Housing Secretariat of the Ministry of Cities plays a more prominent role in the monitoring and evaluation in the second phase of the Programme. The changes start with the creation of a team within the Ministry that will be exclusively responsible for monitoring of the second phase. The financial operators of the second phase at national and local levels are supposed to provide information on the overall proposals undertaken within the second phase (scope, modality, location, budget, source of investments, project specifications, among others).⁵

4.1.3 PROJECT DESIGN AND URBAN ASPECTS

The quality of project design and the aspects related to the insertion of projects in the urban issue figured among the main challenges encountered in Phase One. The second phase tries to respond to some of these challenges by changing or implementing new rules to guide the design of projects, the quality of infrastructure and social facilities and the adaptation of projects to their neighbouring environment. In addition, the second phase goes further in tackling the limited availability of land for projects. The main changes and innovations in this sense include:

⁴ Federal Law n° 12.424, 2010.

⁵ Ordinance n°465, 2011. p.10 Available at http://www.cidades.gov.br/images/stories/ArquivosSNH/ArquivosPDF/Portarias/Portaria_465_FAR_CONSOLIDADA_2012_07_06.pdf

- Increased floor area in the standard design typologies for Group 1. The minimum floor area for housing units built for Group 1 increased from 42 m² to 45.5 m² for apartments and from 35m² to 39.6m² for detached houses.
- Increased accessibility as a criterion for project design. The accessibility of projects is enhanced to enable a better use of the housing units by elderly people and those with special needs of mobility. In the second phase a fixed number of houses and apartments must include tiles on the kitchen and bathroom walls, ceramic flooring and larger doors and windows.
- Approach to environmental sustainability in project design. Detached houses units must be equipped with solar water heating systems and developers are encouraged to add schemes to reduce the consumption of water. The measure is established for Group 1 modalities and the costs can be deduced from the funds Government allocates per unit built.
- Approach to mixed-use housing developments. Among the main changes in project design is the acceptance of commercial activity in condominiums. The inclusion of commercial units is now allowed in the projects catering to Group 1, with the profits ensuing from the commercial activity devoted to cover the condominium maintenance costs.⁶
- Measures to increase density and optimize the costs of land. The use of elevators (lifts) is allowed in specific cases such as to build housing units in central areas and to optimize the cost of land per unit produced. This measure is somehow linked to the adoption of commercial use, as it has been considered as an alternative to cover the costs for installation and maintenance of elevators.

Other changes incorporated by the second phase aim to improve the quality and insertion of housing development in the neighbouring areas. These can be described as:

- Stricter rules regarding the size of developments and provision of infrastructure. The maximum number of housing units per condominium is set at 300 for the purpose of management and maintenance, but projects can be developed in modules (the maximum of 5,000 units per development). Projects comprising more than 1,500 housing units are assessed by a special commission and must guarantee the availability of infrastructure and public facilities such as schools, health care units and kindergartens to supply the demands of future residents. Electricity, street lighting, water supply and sanitation services must be operative on the date of project delivery. The contracting of large-scale projects is conditioned to the local government's presentation of a report evaluating the demand to be generated by the project

in terms of education, health care, transport, retail and infrastructure, and the terms of commitment to execute the necessary works to meet the demands.

- Stimulus to improve land availability. The criteria for project prioritization include local government implementation of the Law 10.257, The City Statute, in what concerns the control and improvement of the accessibility of underutilized land for My House, My Life projects.

4.2 MCMV PHASE II - IN ACTION

Until May 2012, after almost one and a half years of the second phase of programme implementation, 723,427 housing units were contracted, of which 258,130 were completed and delivered to beneficiaries. The continued positive impact on country's economy is the estimated 1.1 million people direct and indirectly employed in 2011 because of the Programme, generating incomes of more than BRL 27 billion.⁷ The construction sector recorded BRL 17 billion in purchases of building materials and services.⁸

Yet, evidence is limited in appraising the effectiveness of the measures taken in the second phase in tackling the issues of land accessibility, project design and coordination of projects within the urban development contexts. Until the end of 2014, along with keeping the pace of growth and job creation, the Programme's second phase will be challenged to optimize the allocation of investments to promote innovation and modernization of the construction sector. Above all, it will be challenged to achieve the ultimate goal of improving the quality of housing developments socially and spatially to contribute to the creation of better cities.

Further challenges and achievements of My House, My Life are discussed in Chapter 5.

Among the main changes in project design is the acceptance of commercial activity in condominiums. The inclusion of commercial units is now allowed in projects catering to Group 1, with the profits from the commercial activity devoted to covering condominium maintenance costs.

6 Ibid. p.10

7 Ministry of Cities (2012) Programa Minha Casa Minha Vida. Introductory Leaflet. National Housing Secretariat (SNH). Brasília, Ministério das Cidades. p.16
8 Ibid.

TABLE 6: READJUSTMENT OF PRICE CEILINGS MCMVP-II AND MCMV-FGTS (in BRL).

LOCATION	PRICE CEILINGS		
	MCMV-FGTS		% INCREASE FROM PHASE 1
	MCMV (PHASE 1)	MCMV-II (PHASE 2)	
Cities integrating the metropolitan regions of São Paulo, Rio de Janeiro and Distrito Federal	130,000	170,000	31%
Cities with pop. > 100.000; capital cities or integrating metropolitan regions	130,000	150,000	15%
Cities with pop. >50.000 and < 100.000	100,000	130,000	30%
Cities with pop. >20.000 and < 50.000	80,000	100,000	25%
Cities with pop. < to 20.000	80,000	80,000	0%

Source: Ministry of Cities - Ordinance n°465 MCMV-FAR (03.10.2011) and Ordinance n°139 (13.04.2009).

TABLE 7: READJUSTMENT OF PRICE CEILINGS MCMV-FAR (in BRL).

REGION	LOCATION	PRICE CEILINGS MCMV-FAR				
		MCMV-FAR, PHASE 1		MCMV-FAR, PHASE 2		% INCREASE FROM PHASE 1
		APARTMENT	HOUSE	APARTMENT	HOUSE	
SP/DF	Cities integrating the metropolitan regions of São Paulo, Rio de Janeiro and Distrito Federal	52,000,00	48,000,00	65,000,00	63,000,00	28%
	Small municipalities	46,000,00	42,000,00	57,000,00	57,000,00	30%
	Municipalities with pop. >20.000 and < 50.000	-	-	-	53,000,00	-
RJ	Capital of the respective metropolitan region	51,000,00	47,000,00	63,000,00	60,000,00	26%
	Small municipalities	42,000,00	38,000,00	55,000,00	55,000,00	38%
	Municipalities with pop. >20.000 and < 50.000	-	-	-	51,000,00	-
MG	Capital of the respective metropolitan region	46,000,00	42,000,00	57,000,00	56,000,00	28%
	Small municipalities	42,000,00	38,000,00	52,000,00	52,000,00	30%
	Municipalities with pop. >20.000 and < 50.000	-	-	-	48,000,00	-
BA	Capital of the respective metropolitan region	46,000,00	42,000,00	57,000,00	56,000,00	28%
	Small municipalities	41,000,00	37,000,00	50,000,00	50,000,00	28%
	Municipalities with pop. >20.000 and < 50.000	-	-	-	46,000,00	-
PE/CE	Capital of the respective metropolitan region	45,000,00	41,000,00	56,000,00	54,000,00	28%
	Small municipalities	41,000,00	37,000,00	49,000,00	49,000,00	26%
	Municipalities with pop. >20.000 and < 50.000	-	-	-	45,000,00	-

REGION	LOCATION	PRICE CEILINGS MCMV-FAR				
		MCMV-FAR, PHASE 1		MCMV-FAR, PHASE 2		% INCREASE FROM PHASE 1
		APARTMENT	HOUSE	APARTMENT	HOUSE	
RS/PR/SC	Capital of the respective metropolitan region	45,000,00	41,000,00	56,000,00	55,000,00	29%
	Small municipalities	-	-	52,000,00	52,000,00	-
	Municipalities with pop. >20.000 and < 50.000	-	-	-	48,000,00	-
AC, AM, AP, PA, RO, RR	Capital of the respective metropolitan region	43,000,00	39,000,00	55,000,00	53,000,00	32%
	Small municipalities	-	-	52,000,00	52,000,00	-
	Municipalities with pop. >20.000 and < 50.000	-	-	-	48,000,00	-
AL, RN, PB, PI, SE, MA	Capital of the respective metropolitan region	41,000,00	37,000,00	53,000,00	52,000,00	35%
	Small municipalities	-	-	48,000,00	48,000,00	-
	Municipalities with pop. >20.000 and < 50.000	-	-	-	44,000,00	-
ES, MT, MS, GO, TO	Capital of the respective metropolitan region	42,000,00	39,000,00 (TO 38,000,00)	54,000,00	53,000,00	32% (TO 34%)
	Small municipalities	-	-	49,000,00 (ES/TO 50,000,00)	49,000,00 (ES/TO 50,000,00)	-
	Municipalities with pop. >20.000 and < 50.000	-	-	-	45,000,00 (ES/TO 46,000,00)	-

Source: Source: Ministry of Cities - Ordinance n°465 MCMV-FAR (03.10.2011) and Ordinance n°139 (13.04.2009).

With the My House, My Life Programme, Brazil has made additional strides in tackling historical challenges to the provision of affordable housing at scale for the low- and middle-income households. In the context of Government's strengthened social protection policies sustained in the last decade, the Programme has also played a crucial role in the economic scene, contributing to job creation and to boosting the economy.

The Brazilian experience involves valuable knowledge in programme design and implementation. Drawing on the rationale of previous programmes, My House, My Life has managed to implement significant improvements and innovative solutions. Likewise, the Programme offers practical guidance in terms of institutional articulation: how different bodies of national government, state and municipal governments and a range of other players coordinated roles and responsibilities. The challenges encountered during implementation were not insurmountable and the Government consistently reviewed and found appropriate solutions to improve the Programme's performance.

Documenting these aspects of the Programme offers an opportunity for other governments, ministries of housing, local authorities and other actors to learn from this experience and build on the knowledge produced to formulate appropriate policy responses and improve the access to housing. Chapter 5 outlines some of core aspects of the Programme's trajectory and key lessons learned.

5

CHAPTER

LESSONS AND CONCLUSIONS

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CHAPTER 5: LESSONS AND CONCLUSIONS

5.1 ESSENTIAL INGREDIENTS OF THE PROGRAMME 'FORMULA'

As explained in this report, particularly in Chapter 1, the My House, My Life Programme emerged in response to the specific conditions in Brazil, and it should not be assumed that it is directly replicable elsewhere.

Important social, political and economic shifts that have taken place over the last few decades in Brazil have shaped the suitability of the Programme's formulation, design, and implementation for the specific context. We can think of these as "essential ingredients" for the Programme's formula that have facilitated its achievements and enabled it to "go to scale".

To put housing provision back onto the Government agenda and to reach the scale of contracting at a pace of 500,000 units per year, the Programme counted on a combination of three essential ingredients: (a) an enhanced institutional and policy framework; (b) favourable economic and sector backdrops; and (c) innovative aspects of programme design. These aspects unfold core ingredients of the Programme's success and are now explained.

The MCMVP emerged in response to the specific conditions in Brazil and it should not be assumed that such a programme can be directly replicated in other countries. Important social, political and economic shifts that have taken place over the last few decades in Brazil have shaped the suitability of the programme formulation, design and implementation

5.1.1 ENHANCED INSTITUTIONAL AND POLICY FRAMEWORK

My House, My Life built on a sequence of institutional and legal reforms that better equipped local governments and

enhanced policy tools. Prior advancements converge with the political views of current Government underpinning the decision to prioritize and allocate substantive investments to social housing. The prior institutional and policy-setting that favoured the Programme include:

A consolidated housing system

The My House, My Life Programme is not a standalone attainment but it harness on a long-established housing system and a trajectory of constitutional and institutional reforms. The backbone structure of Brazil's public housing system has existed since 1965, with the institution of the Financial Housing System (Sistema Financeiro de Habitação), the National Housing Bank and the Workers Severance Fund. In addition, the Programme draws on a long-established and well-grounded restructuring of the urban and housing sectors in Brazil during the 10 years previous to its launch, with milestones represented by the creation of the Ministry of Cities, the National System for Interest Social Housing and the elaboration of the National Housing Plan (see Chapter One).

Scope and capability of the financial operator

CAIXA has brought valuable knowhow into the Programme. Since the National Housing Bank ceased to exist in the 1980s, CAIXA has operated practically all funds and credit allocated to social housing. Importantly, CAIXA, through its regional branches, is present nationwide and contributes to give capability and responsiveness in the distribution of the Programme's funds. CAIXA also plays a key role in making the information flow between the micro level of project execution and the macro level of programme design and implementation. CAIXA's effective participation in the Programme has been supported by extensive training of its staff and adaptation of its structure to be able to run the magnitude of resources devoted to the Programme and undertake steps of project monitoring.

Coordination of government tiers and institutions

The design of My House, My Life draws on a decentralized system of government power and capitalizes on the strengthened cooperation among the national, state and municipal tiers. Above all, the Programme benefits from the autonomy of Brazilian municipalities, which are constitutionally entitled to design and implement

urban and housing programmes at the local level. On the other hand, the coordination between the three levels of government also depends on proper arrangements at the political level, which is not always the case and ends up affecting the programme implementation to some extent.

Ensured resources and continuity

The breakthrough on the Programme does not only regard the amount of resources and subsidy allocated for social housing; it also concerns the status that such resources have in the public accounts. Until 2010-2011, the Programme was classified as expense costing, i.e. maintenance of public administration, because financial resources were spent on up-front subsidies for housing acquisition, rather than in housing construction. As of 2012, because of the multiplier effect on domestic market, the resources allocated in the Programme are no longer recorded as expenses of the Government budget, but as investments. Consequently, the Programme is among Government's priority projects, which should help to ensure the long-term institutional and financial sustainability for the Programme.

5.1.2 FAVOURABLE ECONOMIC AND SECTORIAL BACKDROPS

Economic stability and economic growth

My House, My Life sets its foundations on a strong policy of upfront subsidies and increased housing credit, which is possible because of consistent economic growth, relatively low inflation, real increases in the minimum wage and a decade of well-focused social programmes. With a positive public fiscal balance and growing reserves, the Government has been able to maintain investments in social programmes. The integrated approach to housing provision and economic development leads the Programme to stimulate the construction chain and create jobs, leading to an increase in tax revenues and consumer power, which in turn feeds back into the domestic market and the public revenues.

Increased housing credit

The sector backdrop is also promising and contributed to the Programme's performance. Since 2006, in the scope of the Growth Acceleration Programme, the elimination of administrative and institutional bottlenecks has given greater legal and financial security to the construction sector in Brazil. The credit for housing finance has also increased and is associated with the growth of the economy and wages, creating opportunity for groups who have been historically excluded from the market.

Leaner institutional arrangements

New legal and institutional arrangements further implemented within the Programme have contributed to setting a precedent for promoting a stronger belief in the

potential of public-private partnerships to produce social housing. A package of fiscal incentives (in the form of tax exemption on building inputs) combined with institutional arrangements to facilitate procurement processes and to reduce default risk have made the Programme attractive to the private sector. The volume of public investment for the two major federal programmes – the Growth Acceleration and My House, My Life programmes – created the confidence to stimulate other public, private, and social actors to return, invest and build their capacity to design projects, as well as provide technical and financial resources.

Capacity of the construction sector

By setting the goal to contract 1 million housing units, the Programme has counted on the existence and capacity of the construction sector to respond to its demand and timeframe. The Programme profited on the well-established structure of the construction sector, with a significant number of companies acting throughout the country, and some creating affiliated branches specialized in providing affordable housing. The Programme also harnessed on increased investment capacity of large-scale companies that had raised funds in capital markets. In terms of building inputs, the Programme runs relatively smoothly because these are essentially provided by the domestic industry and, therefore, the sector is not so susceptible to foreign exchange fluctuations.

5.1.3 INNOVATIVE ASPECTS OF PROGRAMME DESIGN

Innovative attributes of the programme design that have been pivotal for its performance include:

Combination of subsidy policy and housing finance

Until very recently Brazilian housing policy struggled with a difficult dilemma: when programmes opted for subsidy on a larger scale they substantially compromised the scale of housing production; and when the priority was driven to return invested capital they invariably excluded a considerable portion of the low-income population from housing programmes.¹ With My House, My Life the Government acted further in responding to a long-standing claim that only with substantial injection of subsidy would the lower income earners be able to access decent housing. On the other hand, combined with increased credit and finance opportunities the Programme responds to the effective demand of other income groups and stimulates the market to offer products which meet the needs of different income groups.

¹ Azevedo S. (2007) Desafios da Habitação no Brasil: Políticas recentes e tendências. Coleção Habitar ANTAC Porto Alegre. p.27; Maricato E. (2006) O Ministério das Cidades e a política de desenvolvimento urbano. In IPEA Políticas Sociais – Acompanhamento e Análise. n.12 February 2006, p.213

Catering to low- and middle-income ranges

Exclusive policy and programme interventions focused solely on the low-income sector are not, by themselves, always effective. By serving a wider range of income groups the My House, My Life limits repeating past failures when the middle class, lacking housing alternatives, appropriated the housing stock originally designed for the poor. In the Programme, the parallel support to low- and middle-income should have a positive long-term impact in enabling low-income households to retain their new homes and resist market pressures of gentrification to middle-income households because they now also have attractive housing alternatives.

A leaner flow of resource allocation and project execution

In the design of the Programme, the direct end users of funds are the private developers and the organized entities, rather than the states and municipalities as in the Growth Acceleration Programme. This was defined for two main purposes (a) it was feared that state and municipal governments would be overburdened given that they were already responsible for implementing projects within the Growth Acceleration Programme; (b) to remove part of the lengthy process to execute procurements (8 to 12 months for a bidding process) and make it easier for the municipalities in terms of management. In the My House, My Life Programme municipal capacities are responsible for identifying the land, the developer, and the beneficiaries. Although not without its drawbacks, this approach to resource and project flow has delivered houses much quicker than previous approaches.

Innovative finance operations and procurement arrangements

The adoption of semi-private funds has optimized the transference of resources and speeded up project implementation within the Programme. Semi-private funds such as the Residential Leasing Fund or the Social Development Fund have more flexible and simplified requirements for work procurement, as the resources are allocated to executors without biddings. In addition, differently from other public funds for housing, they can carry over funds from one year to the next when they are not expended. On the other hand, the rationale of work procurement implemented in the Programme has been criticized for overlooking the mechanisms of social control over public investments.

Reducing risks to mobilize the private sector and investors

There are two key components of programme design that illustrate the more attractive environment for private developers to involve in social housing provision. First, in the Residential Leasing Fund catering to Group 1 the structure of work procurement and subsidy transference: whereby the housing production is purchased in advanced and private developers take no responsibilities or risks for commercialization afterwards. Second, the creation of Guarantor Fund for groups 2 and 3 guarantees repayment

of housing allowances in case of default. While this model has worked to attract private developers, the consequences and sustainability of transferring the risks fully to the government needs to be further analysed in the long run.

5.2 REMAINING CHALLENGES AND ROOM FOR IMPROVEMENT

The Government has encountered many challenges in designing and implementing a national housing scheme with the magnitude of investments and the number of actors such as in My House, My Life Programme. In the course of programme implementation Government has made a continuous effort to review, correct and improve the Programme's modalities and the articulation among stakeholders, which is highly commendable and deserved of public recognition. While assimilating and overcoming many difficulties, other challenges remain and call for joint efforts of national and subnational governments, as well as of different actors in society. Some of these challenges can be described as follows and offer valuable reflections for other countries embarking on similar social housing policies and programmes.

In the course of programme implementation, Government has made a continuous effort to review, correct and improve the Programme's modalities and the articulation among stakeholders, which is highly commendable and deserved of public recognition.

5.2.1 ASPECTS RELATED TO PROGRAMME RATIONALE

More balanced approach to economic and social housing provision

My House, My Life Entities is intended to be the cornerstone of a housing production system based on social participation and boosting the sense of citizenship. However, increasing the amount of resources without providing the means and capacity for social entities to access the funds is hindering the reach of the facility. My House, My Life Entities could be enhanced by an approach to its programme that gives extra consideration to capacity-building, mobilization, and knowledge sharing between entities and associations implicated with social housing. Local governments have a key role to take in this regard.²

² Lago L.C. (2011) Op. cit. Gouveia R. (2012) Fundação Bento Rubião, Rio de Janeiro. Interview, 22.03.2012.



In the same way, a more complementary rationale can be established between the My Home My Life Programme approach and the long-term housing strategy that the National Housing Plan has proposed. The detachment of the My House, My Life Programme from the institutional apparatus of the National Housing Policy is seen in the parallelism of investment flow (My House, My Life does not integrate the National Housing System) and the lack of congruence with the Local Plans for Social Housing.³ As stated elsewhere in this report, while enabling quicker flow of work procurement and project execution, this approach weakens the social control and accountability of public investment.

Reinforce social development and livelihood strategies

My House, My Life has achieved good results in housing provision but in the long run increasing the access to homeownership and transferring households into new housing settings will not automatically guarantee socio-economic inclusion. The issue of livelihoods appears to be particularly relevant because beneficiaries of My House, My Life housing usually come from informal settlements and break with their social capital networks. If the Programme stimulates the occupation of peripheries, it may also reinforce segregation and limit income opportunities.

Capacity-building and income generation alternatives need be either reinforced within the scope of social support programmes and post-occupation plans or implemented through additional programmes, so that housing access comes along with social development and inclusion opportunities.

Implement a more comprehensive approach to environmental sustainability

My House, My Life has an inconsistent approach to environmental sustainability. While commended for adopting sustainable principles at the level of the household (e.g. energy efficient approaches such as solar panels and renewable energy consumption mechanisms), the Programme is less successful at the neighbourhood and urban scale, in particular in terms of the architectural design of housing and the model of urban land use.

Improved bioclimatic design of houses and neighbourhoods could enhance thermal comfort, and harness natural light. Additionally, the choice of building materials could be more commensurate with sustainable standards and adapted to local contexts.⁴ Furthermore, one should consider the complete life cycle of housing production, including site location and land use, origin of building materials, water and resource inputs, costs of production and waste disposal and maintenance.

In many cases, the Programme reproduces a model of urban development based on low-density urban sprawl

which necessitates considerable land use and could result in fragmented and underutilized infrastructure networks. In addition to these environmental challenges, the social costs of housing developments that are far and or are disconnected from central areas place additional pressure on residents of My House, My Life projects who must commute long distances to their places of work and leisure.

Improve monitor and evaluation systems

Monitoring and evaluating the Programme's variety of housing interventions is an immense challenge, especially because of Brazil's huge size and the diversity of local realities. The monitoring and evaluation can evolve towards a more complete set of evidences including qualitative indicators, impact analyses for households (intended beneficiaries), and a more elaborate analysis of the socialspatial integration of projects in respective urban settings. This will add important information to the data that CAIXA has already processed.

That said, steps are already being made in this direction; the Ministry of Cities is looking for a more autonomous approach to monitor and increasingly reinforce the reporting line with municipalities. Academic institutions have also been called to embark on programme evaluation through a Government call for research projects to fund studies on various aspects of the My House, My Life Programme and the Growth Acceleration Slum Upgrading effort.

5.2.2 ASPECTS RELATED TO PROJECT DESIGN

Increase the range of housing alternatives

For a housing policy or programme to be comprehensive, it needs to respond to the needs of different households. The My House, My Life Programme is currently the flagship of Brazil's housing provision schemes yet the portfolio of housing typologies and tenure modalities offered is quite narrow. Housing typologies can be improved vis-à-vis household profiles; for example, offering alternatives for larger households, youth or the elderly. Moreover, other forms and pathways of accessing housing that are not restricted to property acquisition (homeownership) could be considered, i.e. rental housing, incremental housing and provision of serviced plots. If not within the scope of the Programme, these alternatives could be in combination with other schemes within the scope of the National Housing Policy.

Improve the location of projects in the urban fabric and access to land

Core adverse aspects of the Programme's housing production are linked to the location of projects in the urban fabric and the challenges of urban integration. These problems are primarily underpinned by processes of land retention and speculation that push prices up and increase the difficulty in accessing serviced land in good locations. Alternatives to improve the urban location of projects can

³ See Arantes P.F. and Fix M. (2009) Op. Cit.; Bonduki N. (2009) Op. Cit.; Hirata F. (2009) Minha Casa Minha Vida. Política Habitacional e de geração de emprego ou aprofundamento da segregação urbana? AURORA ano III n°4.

⁴ UN-Habitat (2012) Sustainable Housing for Sustainable Cities: A policy Guide for Developing Countries. UN-Habitat, Nairobi.

be found in existing policy tools, such as the City Statute and the Special Zones for Social Interest Housing. These tools need to be incorporated into programme design as well as, reinforced by local governments.

Modernization of the construction sector

The construction sector in Brazil is still considered far behind leaders in the field because of its inherent sluggishness in developing more efficient ways of working. The Programme has contributed to introduce elements of industrialized building systems in large-scale developments, establishing reference for the new technologies and construction systems that are in consonance with low-cost social housing. However, the recent and considerable improvement in productivity (resulting from computerization, managerial rationales and the introduction of new machinery and equipment) contrasts with the high waste of materials, the predominance of unskilled labour, high levels of turnover, the informality of labour bonds, and the precarious conditions for workers. If this is not the case among the large-scale companies, it may well predominate in the small sector.

Future improvements of the Programme could strengthen opportunities for small-scale construction companies to participate in housing delivery; for example by undertaking outsourced parts of production (e.g. building components) from large and mid-scale companies. Labour skills could be enhanced through supporting clearer mechanisms for training, capacity-building and knowledge sharing amongst construction workers and companies. Furthermore, these mechanisms in the structure of the Programme could be institutionalized for their long-term sustainability, rather than ad hoc training, for example.

5.3 CONCLUDING REMARKS

There is much evidence to indicate that the My House My Life Programme is a notable example of a large-scale housing scheme that benefits society, in particular vulnerable groups and low-income households. Therefore, it is worthy of recognition.

Along with other initiatives in the agenda of social development policies, the Programme makes good the Government's rhetoric of "paying-off long-standing social liabilities". The experience of the Programme has contributed to reconcile a longstanding gap between housing demand and supply, and has laid the foundation for a continued reduction in the housing deficit in Brazil. In design, the Programme has evolved towards a more smooth flow of resources and a more reasonable division of responsibilities, reflecting positively in the implementation and speed of project execution.

As with any large-scale national effort, the Programme has faced challenges. Key among them were those that have centred around the insufficient capacities of local

administrations (technically and institutionally), the limitations of architectural project design, and the unavailability of well-located, serviced land. The scarcity of well-located service land compromised the location of projects in the urban fabric and limited the Programme's contribution to creating sociospatially inclusive cities. Yet, through engaging in a process of continuous and active learning from its challenges, the Programme has had many achievements and emerged in a better position to make a positive contribution to improve the provision of housing in Brazil. The learning and adjusting efforts from the Programme can be seen in the various amendments, ordinances, manuals and normative instructions constantly that the Ministry of Cities revises constantly to "recalibrate", the design so as to respond to problems and improve programme implementation.

Overall, this report and its analysis has shown that the key lesson learned is that such a Programme, with unprecedentedly high investments and extremely broad territorial coverage, will not succeed without highly coordinated efforts and commitment from all stakeholders: national and subnational policy capacities in particular, but also the broader network of actors in society including professionals of the building sector, academic institutions, social movements and citizens.

The results achieved in the first two years - and the guarantee of continuity in investments during the Programme's second phase - raise positive expectations that the country will progress in improving access to adequate housing for all. Issues that will define the future of the My House, My Life Programme include how it will situate itself and dialogue with the long-term and strategic vision of the National Housing Policy and the National Housing Plan; how it will constructively build upon the twin-track approach of curative and preventive policies along with the Growth Acceleration Programme Slum Upgrading scheme; and how it will contribute towards a future of more inclusive cities in Brazil.

The key lesson learned is that such a programme will not succeed without highly coordinated efforts and commitment from all stakeholders: national and subnational policy capacities in particular, but also the broader network of actors in society including professionals of the building sector, academic institutions, social movements and citizens.



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LIST OF INTERVIEWS

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Bittar, Jorge Bittar – Municipality of Rio de Janeiro, Municipal Housing Secretary. Interview. Rio de Janeiro, 20 March 2012.

Deusdará, Rodrigo – Direcional Engenharia, Engineer responsible for Bairro Carioca construction site. Interview. Rio de Janeiro, 20 March 2012.

Gouveia, Ricardo – Bento Rubião Foundation, CEO. Interview. Rio de Janeiro, 22 March 2012.

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Marconi, Regina – Municipal Housing Secretariat, Municipality of Rio de Janeiro, Head of Social Affairs and Social Inclusion Department (Coordenadoria de Inclusão Social). Interview. Rio de Janeiro, 20 March 2012.

Santa Rosa, Junia – Ministry of Cities, Institutional Development and Technical Cooperation, Department Director. Interview. Brasília 26 March 2012.

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França, Elisabete – Housing Secretariat São Paulo (Sehab-SP), Deputy Secretary. Interview. São Paulo, 29 March 2012.

Diniz, Maria Teresa – Housing Secretariat São Paulo (Sehab-SP), Architect in charge of PAC Heliópolis. Interview. São Paulo, 29 March 2012.

Padiá, Vanessa – Housing Secretariat São Paulo (Sehab-SP), Architect in charge of PAC Paraisópolis. Interview. São Paulo, 29 March 2012.

Teixeira, Luciana – Housing Company São Paulo (Cohab-SP), Manager. Interview. São Paulo, 30 March 2012.

Veríssimo, Ivoneide – Municipal Housing Secretariat, Municipality of Rio de Janeiro, Head of Housing Provision Department (Coordenadoria de Fomento à Produção Habitacional). Interview. Rio de Janeiro, 20 March 2012.

Since 2009, Brazil has been implementing an ambitious national social housing programme: the “My House, My Life Programme” (Programa Minha Casa, Minha Vida). The Programme was designed to stimulate the production and acquisition of new housing units for the low- and low-middle income population. The initial goal was to contract 1 million housing units in the biennium 2009-2010. For its magnitude, scale and amount of subsidies the Programme is considered an important milestone in reasserting social housing as an issue of national importance for Government policy and action.

This report documents the Programme and outlines its key design aspects and implementation processes. The purpose is to portray the genesis of the Programme and the experience since its inception, focusing predominantly on events which help to give a panorama of how the Programme has developed on a national scale. Factors, decisions and innovations that contributed to the Programme’s success have been observed. In addition, some of its remaining challenges have been identified, all with an aim to increase global understanding of the potential of such an integrated and large-scale effort to address affordable housing shortages and promote urban social inclusion.

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